

# 2003 Annual Report



# Fonkoze

fondasyon kole zepòl

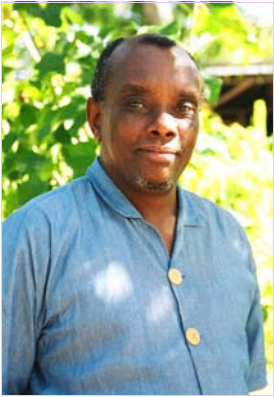
# Fonkoze: building the economic foundations for democracy in Haiti

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*Dedicated to our clients.*

## Dear Fonkoze Family Members,



*I*t is hard to believe an entire year has passed since our last annual report. It is even harder to believe an entire decade has passed since we established Fonkoze to serve the organized poor of Haiti. Ten years. In many ways it seems like an eternity. In many ways it has passed too rapidly.

In ten years Fonkoze has grown from a modest, yet daring organization serving less than 100 clients with one office and five employees, to Haiti's largest micro-finance institution. We now have 20 branches covering every region of Haiti, 53,000 clients, 25,000 borrowers, and 250 employees! We owe this success to many who walked this path with us – our supporters, our board members, our employees, our technical advisors, and our clients. Each has been essential to our success.

However, in this commemorative year of our 10<sup>th</sup> anniversary and Haiti's 200<sup>th</sup> anniversary of independence, in this difficult year of rising prices, political turmoil, and natural disasters, in this bittersweet year of 2004, we want to honor and "lift up" our clients.

Fonkoze's clients – "ti machann" (women street vendors), peasant cooperatives, and small business owners – have honored Fonkoze with trust and solidarity. They have declared Fonkoze to be their bank, their institution. They have stood by us, taught us, governed us, and protected us. Our clients are the powerful core of Fonkoze. Why?

Because a loan from Fonkoze enables a coffee cooperative to purchase coffee at harvest time at a fair and competitive price, prepare it for export, and share the profits with its members.

Because a loan from Fonkoze enables a "ti machann" to purchase more inventory, increase her sales, and make enough profit to send her children to school and put food on the table each day.

Because Fonkoze's literacy and health programs enable that same "ti machann" to learn how to read and write, assist her children in school, manage her business better, safeguard her and her family's health, and gain essential life skills.

Because Fonkoze's branches are close enough that clients can receive funds from their family abroad and exchange those funds at a fair rate, without making the dangerous and arduous trip to Port-au-Prince.

And, because Fonkoze provides a safe and secure place for the poor to save and earn interest on their savings...savings that helps them manage the risks they face in their daily lives.

Fonkoze looks forward with hope to our next decade, as Haiti looks forward with hope to the next 200 years. Fonkoze is ready to face the future with confidence and strength. We can do so because we are assured of your support and solidarity. We can do so because we know our institution is truly the Bank for the Poor.

As you read the pages of this annual report and the stories of these tough individuals – our clients – we hope you are as inspired as we are.

Sincerely,

Joseph B. Philippe, C.S.Sp, Coordinator of Fonkoze

Anne H. Hastings, Director of Fonkoze

Jean-Edner Nelson, CEO of Fonkoze Financial Services

Sharmi Sobhan, Director of Fonkoze USA

# Fonkoze: The Foundation

## Reaching the Poorest

In 2003, Fonkoze redesigned itself in order to more effectively combat poverty in rural Haiti. The redesign of Fonkoze included the separation, but continued close collaboration, of a for-profit financial services division from the not-for-profit foundation.

Fonkoze, the foundation, focused on a new goal: reaching the poorest and most rural communities in Haiti. In order to reach its goal, the foundation committed itself to the principles of innovation and experimentation as well as partnership.

Specifically, the foundation will focus on the following four areas:

- Attacking illiteracy.
- Opening new branches in rural areas.
- Testing new financial products.
- Reinforcing small businesses in the countryside.

Fonkoze understands that in order to truly reach the poorest, it will not be able to succeed alone. As a result, Fonkoze formed partnerships with institutions committed to similar goals such as Partners in Health, Mennonite Economic Development Associates, and Concern Worldwide. In addition, Fonkoze began to learn about other programs worldwide committed to reaching the poorest.

As part of its new goals, in 2003, Fonkoze opened its first new branch in the town of Sodo, introduced a sexual and reproductive health module as part of its literacy training, tested new products such as “ti kredi” (loans for the poorest) and “kredi fèt chanpet” (festival credit), and significantly expanded its small business portfolio.

“My group is called “amou youn pou lòt,” which means “love one another” - and we do.”

-Rose Seraphen, Ti Machann



Rose Aesephie Seraphen

My name is Rose Aesephie Seraphen, I am 32, and I am a member of Fonkoze. My solidarity group is called “amou youn pou lòt,” which means ‘love one another,’ and we do. The women in my group are my friends, they have always been. We help each other, and we lean on each other.

I have a stand in the market and sell everything from soap and shampoo to onions and fruit. It’s my own business, and I work everyday except Sunday. I used to sell in small quantities before I started getting loans from Fonkoze, but it wasn’t enough to send my 3 children to school. Since I have been going to the meetings and getting loans at Fonkoze, I have been able to build a stand and have all different kinds of merchandise. I have no problem paying the school fees now. I also can help others in my group and others in the market. I tell women about Fonkoze and how they can get loans.

I travel to Pòtoprens from Ench to buy my merchandise as do all the women in my group. Sometimes, when I go, I ask them what they want and I buy it for them, so that they don’t have to go all the time. They do that for me, also. We pay each other back. That is how we help each other. I want to keep getting loans at Fonkoze and keep working with my group because I am happy with my business, and it is growing.

# Literacy Services

## Empowering Clients through Education

"I work hard in the market so that I can keep going to school and so that my kids have that chance, too."

-Janèt Dèval,  
Literacy  
Student

Over 60% of Fonkoze's clients do not know how to read or write when they request their first loan. Fonkoze believes that basic literacy is a cornerstone to sound business management as well as human development.

Fonkoze's approach to literacy training is both participatory and practical using subjects that go hand in hand with micro-credit and focus on improving the life skills of our clients.

In 2003, Fonkoze introduced the sexual and reproductive health module to its existing basic literacy and business skills training modules. The sexual and reproductive health module helps clients to communicate more effectively on crucial issues such as sex, sexuality, HIV/AIDS and other sexually transmitted diseases. In addition, Fonkoze expanded its business

skills training module to include more exercises and images as a creative way to help clients understand the technical aspects of managing a business. Finally, based on client feedback, Fonkoze expanded the length of each module from two to three months.

In 2003, 2,247 clients passed the basic literacy module and 1,166 clients passed the business skills training module. Also, the sexual and reproductive health module was tested with over 100 clients and non-clients (male and female) in 5 communities in the Artibonite Valley and received encouraging feedback.

Looking forward, Fonkoze hopes to expand the literacy program to include topics such as legal rights, gender, and others that will help our clients lead better lives.

### J a n è t D è v a l

My husband didn't want me to send our 5 children to school because his parents didn't send him to school. He doesn't think it's important. From the beginning, when my children were little, he said he would not pay, and he has never given even one gourde, but I always knew it was important. For a long time I have gone to Pòtoprens to buy goods to sell in Ench, and I put all my money into paying for school for my children.

When I found out that Fonkoze gives literacy classes for ti machann, I was so happy. I never went to school. I started right away with basic literacy, and I have tried never to miss a class.

I couldn't write my name, and I didn't understand anything, but I kept going even when my husband got angry. My kids pushed me and encouraged me. They helped me practice my letters.

I can write my name now, and I write it everywhere. Imagine, I used to go to Pòtoprens to buy inventory, and I couldn't keep track of what I bought. The drivers sometimes would take my boxes off the truck and give them to someone else, but I didn't know until I got all the way home. Now, I can't lose anything. I write my name on every box, and I know what I buy.

I work hard in the market so that I can repay my loans at Fonkoze, so that I can keep going to school, and so that my kids have that chance, too.



# Business Development

## Generating Employment in Rural Haiti

Fonkoze's business development program creates jobs and business owners in the provinces of Haiti that helps stem the tide of rural to urban migration into Port-au-Prince and beyond.

Since the inception of the program in 1997, Fonkoze has invested in a wide variety of projects, including a vetiver oil export company, pharmacies, bakeries, and more than 55 agricultural cooperatives that produce coffee, cacao, or mangos for export.

Fonkoze provides financing tailored to the needs of its diverse business development clients. Past financing agreements have included advance purchase agreements, long-term flexible loans, capital investments and lines of credit.

Fonkoze's business development program grew significantly in 2003. During the year, the program added 39 new small business clients and 34 cooperative clients. The loan portfolio grew by 350% and by the end of the 2003 stood at \$507,614. The most significant growth was with agricultural cooperatives who, with the lines of credit from Fonkoze, were able to purchase mangos, cocoa, and coffee from their members, sell them to exporters, and eventually distribute the profits back to their members and the community.

2003 was a breakthrough year for our business development program, which grew slowly over the first few years as we tested products and gained confidence in our clients. We expect the program to have an even greater impact in 2004.

"I am happy with my loan because with it I was able to restock my warehouse. Now the Ti Machann can buy their inventory from me."

-Robert Eliacin,  
Business Development  
Client



Robert Willeau Eliacin

My name is Robert Willeau Eliacin. I live in Maissade and have a business here, like my father. For a long time we have been buying in bulk in Pòtoprens, normally on credit, to bring the goods to Maissade. Many ti machann buy from me, some in large quantities and some just enough to sell for the day.

During the trouble in February, I couldn't buy on credit in Pòtoprens anymore. I sent only one truck, but I couldn't fill it. I just stopped buying. For a short time, I had no merchandise at all - no oil, no flour, and no sugar. When my shelves were empty, the smaller merchants couldn't find products to sell. Some women came to me to ask for help, to let them take things on credit, but I had to send them away. I built a new, large warehouse in December, but it was empty, so when I heard about the new business development loan at Fonkoze, I was very interested. I just took out a loan for a year, my first loan ever.

There are some people in Maissade and Ench that loan money, but I would never go to them. They charge 20%, or more, a month. Fonkoze's program is clear and simple. That is why I chose to do it. I am happy with my loan because with it I was able to restock my warehouse. I sent my trucks a few times, and they came back full. All the small merchants are coming back and buying from me again, and the market is busy, the way it was before the problems. When I repay this loan, I will take out another because it's good business to buy in bulk.

## New Products

# Meeting the Diverse Needs of Our Clients

"Fonkoze's special loan helped me sell more during festival season so I could earn more that month. Now my daughter wants to join Fonkoze."

*Junie Dubisson,  
Client*

Fonkoze is committed to reaching the poorest and the most rural clients with a diverse range of products tailored to meet their needs. In 2003, Fonkoze tested two new products: ti kredi and kredi fèt chanpet.

Ti kredi, or little credit, is designed to reach the very poorest members of the community that may not have been able participate in Fonkoze's standard loan program due to the size and structure of the loan. The ti kredi product allows the poorest to take baby steps to eventually become eligible for Fonkoze's standard solidarity group loan product. These steps include a shorter training period, a smaller savings requirement, and gradual payment of their membership fee. In 2003, Fonkoze tested the ti kredi loan product in the Sodo branch office with 95 clients. It

was greeted with much enthusiasm.

There are a number of festivals in Haiti during which an increase in visitors, often from the Diaspora, leads to an increase in sales of gifts, foodstuffs, and other items. Our ti machann clients needed an additional loan to supplement the loan they already had in order to cope with the increased inventory required to meet the needs of their clients during these times. As a result, in 2003, Fonkoze tested kredi fèt chanpet, or festival credit, in the communities of Sodo and Ench with 116 clients. Kredi fèt chanpet allows clients to take out a second loan during the festival season and repay that loan once the festival is over.

In 2004, Fonkoze plans to test a housing improvement loan product.

## Junie Dubisson

I am the mother of 5 children, well, 7 now, with my new son-in-law and my new grandbaby. My name is Junie Dubisson, and I am from Ench. I have been a member of Fonkoze for a long time now. I took out my first loan over two years ago, and I am still with my same solidarity group. There are four of us, and we are good friends. We take care of each other. When one member of our group couldn't repay her loan in time I gave her some of my savings to help her. She paid me back within two weeks. I knew she would.

I sell cosmetics and clothes that I buy in Pòtoprens, so it's good for me to take out loans at Fonkoze. I can buy more things to sell so that I don't waste money on so many trips to Pòtoprens. Also, I don't like to leave my boutique and my family alone. My husband died, so it's just me. I take care of everyone.

Fonkoze keeps offering new products to help people like me to meet our special needs. One new product is the "kredi fèt chanpet" which is a one month loan to help vendors purchase extra inventory during festival season. Last December, I took out this special loan for one month for the annual festival in Ench. I liked it very much, because I bought a lot of nice clothes in Pòtoprens and then sold all of them to people who were in town for the festival. This allowed me to earn extra income during the festival season. I want to do that again next year. Now my oldest daughter wants to sign up with Fonkoze. She sees that it is a good program.



# Fonkoze Financial Services

## A High Growth Rural Financial Institution

In 2000, Fonkoze decided to pursue a commercial bank license, in an effort to grow in a responsible manner and professionalize its operations. Fonkoze raised the capital required, including \$2 million from US and European investors, and submitted the application for a commercial bank license to the Central Bank of Haiti. While a banking license is still pending, Fonkoze's financial services division has begun to operate in a professional manner under the name Fonkoze Financial Services (FFS).

Over the year, the loan portfolio grew 167% and reached \$2.7 million by year end. The number of loan clients increased 150% to 24,990. The number of depositors increased 66% and by December we had

53,000 clients who had placed \$3.9 million in savings with us.

Fonkoze's portfolio quality during the year remained solid and by year end, the portfolio overdue more than 1 day as a share of the total loan portfolio was less than 1%. Our clients remained overwhelmingly women, 96%, and predominantly rural. In addition, our average loan size stayed low, at just \$158.

Fonkoze Financial Services is unique among microfinance institutions because of its success in mobilizing savings from the poor and because it offers services such as money transfer and currency exchange in addition to micro-credit.

Fonkoze Financial Services expects to reach 100,000 loan clients by 2006.

*"I know it's important for my children to have a different life. They are the ones that will help this country."*

*-Josette Edmond  
Client*



### J o s e t t e E d m o n d

I am Josette Edmond. I am 28, and I have 5 children. The oldest is 14, and the youngest is 6. I never went to school. I don't know how to read or write, but all of my children go to school. It's not as easy now to find people who don't want to send their kids to school, but it is expensive, so some cannot. My husband helps me pay, but we both have to work hard.

I am about to finish my third loan with Fonkoze. I have always done commerce, but I used to run out of money to buy things to sell, so sometimes, I wouldn't have any money at all. I have gotten money from local moneylenders, but that is not a good thing to do. They are so expensive. Now that I am getting loans from Fonkoze, I can buy a good amount every time so I can have enough merchandise to sell. I also have started raising animals.

My husband and I bought some chickens and a goat a long time ago, but now with my business and my loans, I have been able to buy some cows, some pigs and some more goats. Animals are a very good business here, I want to keep buying and selling them.

I know it's important for my children to have a different life. They are the ones that will help this country. They are very happy in school, and I am happy that I can pay for them to go. When I finish paying off this loan, I will get another, and then another because it is good for my business and my family.

# Fonkoze Financial Services

## Money Transfer Service

"Fonkoze's transfer service is very important. I have no other means of support since I lost my job."

-Céléus Delice,  
Money Transfer  
Client

Haiti receives more remittances per capita than any other country in the Western Hemisphere. In 2003, this amount neared \$1 billion, almost one quarter of the total GDP of Haiti. Remittances serve as a lifeline to many Haitians. Unfortunately, most senders are either forced to pay high rates or send their money through risky informal carriers. Meanwhile, most recipients are forced to travel for hours to the nearest bank office and then are charged extra fees to access their funds.

Fonkoze's money transfer service gives the Haitian diaspora, often known as the tenth department of Haiti, the opportunity to send money to their loved ones at a very low rate. In addition, Fonkoze's extensive rural branch network means safety and

convenience for those receiving the funds. Also, Fonkoze's money transfer service works to educate both senders and recipients and change usage patterns so that both groups become better consumers of financial services. The service was recognized in 2003 for its innovative approach to reaching and impacting poorer, more rural clients, when Fonkoze won the international Pro-Poor Innovation Award from the Consultative Group to Assist the Poorest and the International Fund for Agricultural Development.

In 2003, Fonkoze transferred almost \$5.5 million to our clients all over Haiti while collecting only \$25,000 in fees from senders. That's less than half a cent per dollar!

## T i P a u l a n d C h a r l i e

### **Paul Christian Namphy (Ti Paul): Sender**

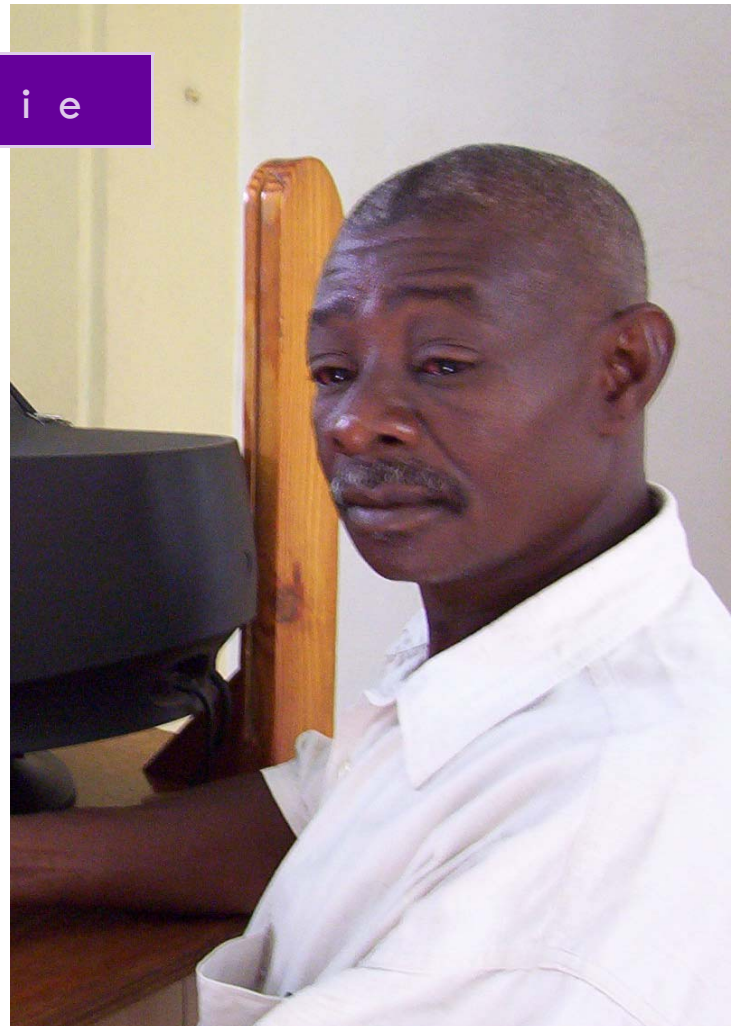
I have known Charlie almost my whole life. He used to work at my family's home. When we left Haiti, my family stopped supporting Charlie. I felt terrible about that, so after I graduated and got a job, I started sending money home through Fonkoze. Charlie became my link to Haiti. Fonkoze let me send e-mail messages and money to him to distribute to others. At one time, I was supporting 15 to 20 people, with the money spilling over to 50 to 75 people.

Unfortunately, I was recently "downsized" and can only send small amounts of money home now for 4 or 5 people. It's only a trickle, and everyone is suffering. Even Charlie lost his job in 2000. Now, he has no support but the little tiny bit I can send him.

### **Céléus Delice (Charlie): Recipient**

Ti Paul has been sending me money since 1997. Right now, I have no other means of support since I lost my job. Sometimes I use the money to buy food for my son.

Fonkoze's transfer service is very important. Many people have benefited from Ti Paul's generosity. When I take the money to them, that gives me a chance to see how they are doing and let Ti Paul know. Fonkoze makes everything easy for me. They send a message to let me know when the money is there. They give me letters from Ti Paul too. If I ever need to contact him, they send a message for me. Fonkoze treats me with respect. I know they are honest, and I can trust Fonkoze.



# Fonkoze Financial Services

## Currency Exchange Service

In addition to providing credit, savings and money transfer services, FFS also provides the rural population of Haiti with a safe place where they may change the money they receive from their family overseas at rates better than those offered by the commercial banks. Fonkoze's policy is that whether you have \$1 or \$100,000, we give you the same rate. In contrast, commercial banks give one rate to those with few dollars and a much more favorable rate to those with many dollars.

In addition, when clients enter Fonkoze branches to change money, they can open a savings account or learn how to apply for a loan and participate in other services.

In 2003, Fonkoze changed more than \$25,000,000. Fonkoze shares its currency

exchange gains with its clients. In 2003, our trading gain was about 2 cents on every dollar changed, which helped us to cover the costs of providing this service. We hope that our clients made about the same amount by changing their dollars with us.

One of the components to offering a successful currency exchange service is having real-time knowledge of the most current exchange rates. As a result, in 2003, Fonkoze implemented its management information system in 3 of its rural branches. These offices can now communicate in real time with the head office using satellite phone technology and generators to make up for Haiti's lacking rural infrastructure. In 2004, Fonkoze plans to have 14 branches online.

"We like the fact that Fonkoze gives everyone - rich or poor - the same exchange rate."

-Father Tim Atkin  
Client



### Father Tim Atkin

I am the Provincial Superior of the Haitian branch of Missionhurst CICM. My name is Father Tim Atkin, and I've been living and working in Haiti for 24 of the last 30 years.

I guess it's been about 7 years that we've been using Fonkoze's services. I had become the Treasurer of my congregation. In Haiti at that time, the banks really didn't have many branch offices. When we wanted to change U.S. dollars into gourdes, it was an ordeal. We'd have to go across town to the bank, stand in line for an hour or more, and then carry cash back home with us.

We turned to Fonkoze because it offered so many convenient possibilities. Fonkoze's branch was close to where we were. They were happy to come and pick up our check from us and then deliver the gourdes back to us. But more importantly, when we learned of the work Fonkoze was doing, we wanted to support them. We understood that we were helping Fonkoze - a young, struggling institution - at the same time that we were receiving excellent, convenient service. It was a win/win situation.

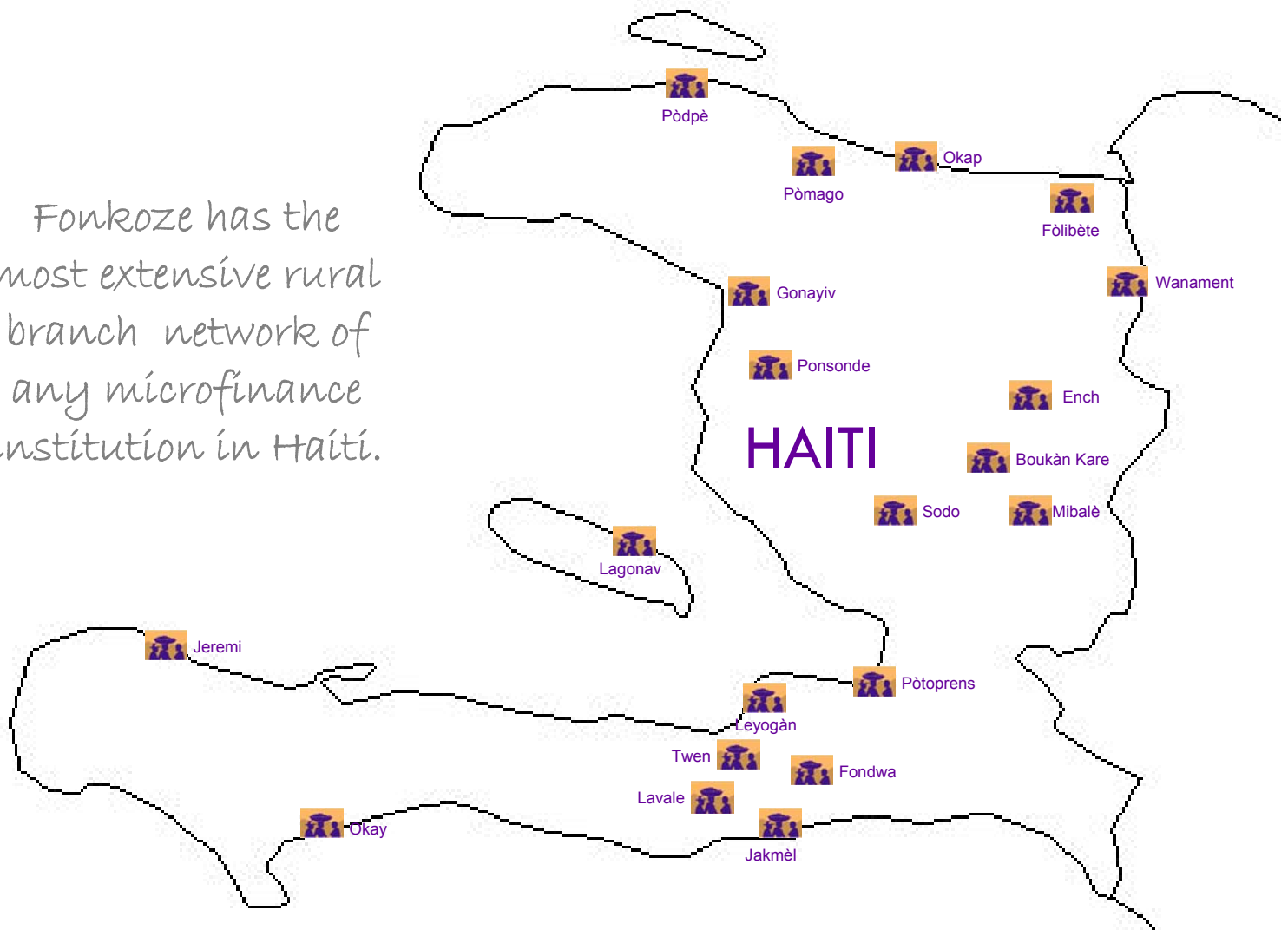
We like the fact that Fonkoze gives everyone - rich or poor - the same exchange rate. We recognize that we might be able to get a slightly higher exchange rate if we negotiated independently with a commercial bank, but we want to stand in solidarity with Fonkoze and their clients, who are not able to negotiate a higher rate because they have so few dollars to exchange.

Over the years, Fonkoze has demonstrated to us that we can place our confidence in them. They are a solid institution that we know we can rely on.

# Fonkoze

## Where We Work

Fonkoze has the most extensive rural branch network of any microfinance institution in Haiti.



## Fonkoze Offices

**Fonkoze Boukàn Kare**  
Wout Boukànkare  
Bo kote Klinik Zanmi Lasante

**Fonkoze Ench**  
#73 Ri Jan Jak Desalin  
(509) 277.9256, 9478

**Fonkoze Fòlibète**  
Ri Stenyo Vensan  
(509) 262.4027

**Fonkoze Fondwa**  
Wout Jakmèl, Tonmgato  
(509) 406.8076

**Fonkoze Gonayiv**  
Ri Louvèti #23  
(509) 274.1232, 9010, 4318

**Fonkoze Jakmèl**  
Pòtay Leyogàn (Antre Jakmèl)  
(509) 288.3268

**Fonkoze Jeremi**  
Ri Brutus Adrien #8  
(509) 284.6987

**Fonkoze Lagonav**  
Ri Feliks #5 (Zòn Plas Piblik)  
(509) 555.2557

**Fonkoze Lavale**  
Anfas Tribinal ak Komisarya  
(509) 288.3657

**Fonkoze Leyogàn**  
Ri Lakwa #37  
(509) 235.0960

**Fonkoze Mibalè**  
Wout Sodo #30  
(509) 276.1660

**Fonkoze Okap**  
Ri 9-A (Ansyen "Poulet Center")  
(509) 262.3098

**Fonkoze Okay**  
Ant Ri Prospè Fò ak Ri Delinyon #1  
(509) 286.9091

**Fonkoze Pòdpè**  
Ri Rebeka #17  
(509) 268.5109

**Fonkoze Pòmago**  
Ang Ri Margarit ak Solèy  
(509) 262.3761

**Fonkoze Ponsonde**  
Enfas Mache Ponsonde

**Fonkoze Pòtoprens**  
Avni Janpol 2, #26 bis  
(509) 513.7631,  
221.7631, 7641

**Fonkoze Sodo**  
Enfas Legliz Monkamèl

**Fonkoze Twen**  
Ri Sen Kristof #39

**Fonkoze Wanament**  
Ri Boubon #135  
(509) 262.3374

# Statements of Financial Position

## Fonkoze USA

December 31, 2003 and 2002

	2003	2002
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 8,843	\$ 757,586
Interest receivable	8,346	6,324
Loans receivable - current portion	230,550	257,220
Other receivables	28,995	4,406
<b>TOTAL CURRENT ASSETS</b>	<b><u>\$ 276,734</u></b>	<b><u>\$ 1,025,536</u></b>
<b>INVESTMENTS</b>	286,797	51,001
<b>LOANS RECEIVABLE- less current portion</b>	577,020	253,100
<b>TOTAL ASSETS</b>	<b><u>\$ 1,140,551</u></b>	<b><u>\$ 1,329,637</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,757	\$ 4,052
Interest payable	413	4,935
Loans payable - investors, current portion	400,550	257,220
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 404,720</u></b>	<b><u>\$ 266,207</u></b>
<b>LOANS PAYABLE—INVESTORS, less current portion</b>	621,100	953,100
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,025,820</u></b>	<b><u>\$ 1,219,307</u></b>
<b>NET ASSETS</b>		
Unrestricted	113,171	109,780
Temporarily restricted	1,560	550
<b>TOTAL NET ASSETS</b>	<b><u>\$ 114,731</u></b>	<b><u>\$ 110,330</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,140,551</u></b>	<b><u>\$ 1,329,637</u></b>

Years 2003 and 2002 Fonkoze USA Financial Information audited by:  
 Kamerow, Weintraub & Swain, LLP. Certified Public Accountants and Business Advisors  
 11400 Rockville Pike, Suite 800, Rockville, MD 20852-3004  
 A complete copy of the certified financial statements can be obtained by contacting Fonkoze USA.

# Statements of Activities

## Fonkoze USA

Years Ended December 31, 2003 and 2002

	2003	2002
<b>REVENUES</b>		
Board and staff contributions	\$ 2,985	\$ 7,836
Grants	54,558	232,291
Individual contributions	116,251	887,795
Local offices contributions	18,243	15,530
Amos fund	-	1,000
Interest income	32,527	28,978
In-kind contributions	134,028	141,777
Delegation income	-	6,853
Realized gain on investments	2,596	-
Unrealized gain (loss) on investments	5,589	(349)
Other income	156	282
<b>TOTAL REVENUES</b>	<b><u>\$ 366,933</u></b>	<b><u>\$ 1,321,993</u></b>
<b>EXPENSES</b>		
<b>PROGRAM EXPENSES</b>		
Grants to Fonkoze	40,170	863,496
Grants to Visitation House	19,875	24,215
Grants to Peasant Association of Fondwa	35,800	73,950
Other grants	4,118	9,712
Education	101,890	119,449
<b>TOTAL PROGRAM EXPENSES</b>	<b><u>\$ 201,853</u></b>	<b><u>\$ 1,090,822</u></b>
<b>SUPPORTING SERVICES</b>		
Fundraising	55,790	30,899
Administration	104,889	168,099
<b>TOTAL SUPPORTING SERVICES</b>	<b><u>\$ 160,679</u></b>	<b><u>\$ 198,998</u></b>
<b>TOTAL EXPENSES</b>	<b><u>\$ 362,532</u></b>	<b><u>\$ 1,289,820</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>4,401</b>	<b>32,173</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>110,330</b>	<b>78,157</b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 114,731</u></b>	<b><u>\$ 110,330</u></b>

Note: In 2002, Fonkoze USA received a significant anonymous donation. As a result, revenues for 2002 are unusually high. The anonymous donation was used to forgive debt owed by Fonkoze to Fonkoze USA. As a result, in 2002 loans receivable from Fonkoze is very low while in 2003, this number climbed significantly as 'forgiven' loans were renewed by investors and then relented to Fonkoze. Cash was channeled into investments in 2002 which were sold to make loans available to Fonkoze as investors renewed their investments.

# Statements of Financial Position

## Fonkoze

December 31, 2003 and 2002  
(Expressed in Haitian Gourdes)\*

	2003	2002
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>	HTG 20,542,817	HTG 23,436,700
<b>INVESTMENTS</b>	77,332,268	55,375,610
<b>ACCOUNTS RECEIVABLE</b>	6,686,333	10,994,996
<b>LOANS</b>	114,672,071	42,397,316
Less allowance for loan losses	<u>(2,658,943)</u>	<u>(339,996)</u>
Net loans	112,013,128	42,057,320
<b>FIXED ASSETS</b>	44,079,390	31,988,634
Accumulated depreciation	<u>(9,414,854)</u>	<u>(3,615,357)</u>
Fixed assets, net	34,664,536	28,373,277
<b>OTHER ASSETS</b>	<u>27,463,717</u>	<u>4,641,525</u>
<b>TOTAL ASSETS</b>	HTG <u>278,702,799</u>	HTG <u>164,879,428</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>DEPOSITS</b>	HTG 181,945,962	HTG 115,228,520
<b>DEBTS</b>		
Current portion	26,636,210	6,966,519
Long-term portion	<u>42,714,188</u>	<u>22,982,892</u>
	69,350,398	29,949,411
<b>OTHER LIABILITIES</b>	<u>9,452,789</u>	<u>1,129,856</u>
<b>TOTAL LIABILITIES</b>	<u>260,749,149</u>	<u>146,307,787</u>
<b>NET ASSETS</b>		
Unrestricted	4,963,325	14,906,685
Fixed assets revaluation surplus	2,736,230	2,736,230
Permanently restricted capital	10,254,095	928,726
<b>TOTAL NET ASSETS</b>	<u>17,953,650</u>	<u>18,571,641</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	HTG <u>278,702,799</u>	HTG <u>164,879,428</u>

\*At 12-31-02: 37.61 Gourdes/US\$1; At 12-31-03: 42.08 Gourdes/US\$1

Year 2002 financials were audited by Kamerow, Weintraub & Swain, LLP. Certified Public Accountants and Business Advisors

# Statements of Activities

## Fonkoze

Years Ended December 31, 2003 and 2002  
(Expressed in Haitian Gourdes)\*

	2003	2002
<b>INTEREST INCOME</b>		
Loans	HTG 19,131,538	HTG 6,589,708
Other	<u>3,966,101</u>	<u>3,229,473</u>
	23,097,639	9,819,181
<b>INTEREST EXPENSES</b>	<u>3,895,296</u>	<u>3,609,813</u>
	19,202,343	6,209,368
<b>NET INTEREST INCOME</b>	<u>(2,320,286)</u>	<u>-</u>
Provision for loan losses	16,882,057	6,209,368
<b>OTHER INCOME</b>		
Foreign exchange gain		
Trading gain	21,306,026	10,100,461
Gain (loss) on revaluation	<u>1,754,526</u>	<u>7,165,157</u>
Net foreign exchange gain	<u>23,060,552</u>	<u>17,265,618</u>
Membership dues	3,045,576	1,358,750
Other Income	5,401,615	2,749,550
<b>NET INTEREST AND OTHER INCOME</b>	HTG 48,389,800	HTG 27,583,286
<b>OPERATING EXPENSES</b>		
Salaries and other employee benefits	HTG 38,006,573	HTG 22,154,524
Premises and equipment expenses	6,754,891	6,127,769
Depreciation	6,021,453	1,983,627
Other expenses	<u>10,852,520</u>	<u>10,877,256</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>61,635,437</u>	<u>41,143,176</u>
<b>EXCESS OF REVENUES OVER EXPENSES BEFORE NON OPERATING INCOME (EXPENSE)</b>	(13,245,637)	(13,559,890)
Donations	13,372,412	35,845,466
Non-operating gains (losses)	(744,766)	(382,671)
In-kind contributions	-	8,236,957
Services received	<u>-</u>	<u>(8,236,957)</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(617,991)	21,902,905
<b>CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Capital Grant Contributions	<u>-</u>	<u>928,726</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	(617,991)	22,831,631
<b>NET ASSETS (DEFICIT) AT BEGINNING OF YEAR</b>	<u>18,571,641</u>	<u>(4,259,990)</u>
<b>NET ASSETS AT END OF YEAR</b>	HTG <u>17,953,650</u>	HTG <u>18,571,641</u>

\*Average for 2002: 22.2512 Gourdes/US\$1; Average for 2003: 42.9347 Gourdes/US\$1

Due to the political instability in early 2004, Fonkoze's audit was delayed. As a result, year 2003 audited financial statements should be available shortly and can be obtained by contacting Fonkoze USA.

# Contributors

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*Fonkoze has made every effort to list our donors and investors correctly. We apologize for any errors and ask that you contact us with any corrections.*

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# Our Progress

## V I E W   O F   F O N K O Z E ' S   P R O G R E S S

Year	Number of Member Organizations	Number of Depositors	Total Value of Deposits*	Number of Borrowers	Total Value of Loans Outstanding*	Number of Branch Offices	Number of Employees
1996	50	193	1,175,801	110	348,515	1	9
1997	447	3,444	3,273,342	1,542	5,158,185	11	52
1998	645	5,134	9,878,735	2,607	7,038,578	15	101
1999	660	7,900	18,820,335	2,834	10,235,763	15	118
2000	972	13,260	38,646,349	4,794	21,135,636	16	130
2001	1,613	20,854	66,923,566	8,416	23,614,213	18	170
2002	2,200	32,000	115,228,520	10,000	42,397,213	18	225
2003	5,261	53,013	163,091,418	24,990	113,308,168	18	247

\*Note: All amounts are expressed in Haitian Gourdes (HTG):  
The exchange rate at the end of each year is as follows:

1996 = 15 HTG/US\$1  
 1997 = 17.53 HTG/US\$1  
 1998 = 16.50 HTG/US\$1  
 1999 = 17.96 HTG/US\$1  
 2000 = 22.52 HTG/US\$1  
 2001 = 26.34 HTG/US\$1  
 2002 = 37.61 HTG/US\$1  
 2003 = 42.08 HTG/US\$1

In 2003, Fonkoze expanded its outreach significantly while maintaining excellent portfolio quality. By the end of the year:

- The number of loan clients had increased 150%.
- The loan portfolio outstanding had increased 167%.
- The number of depositors increased 66%.
- The savings balance had increased 42%.
- The number of member organizations had increased 139%.
- The portfolio at risk >1 day was less than 1%.
- The portfolio at risk >30 days was less than 1%.
- The percentage of female clients was 96%.

## C R E D I T S

**Editors:** Anne Hastings, Sharmi Sobhan  
**Photos:** Leigh Carter, Kathleen Cash, Karl Grobl, Sonia Lee, Tequila Minsky, Lorelei O'Hagan, Sharmi Sobhan

**Contributors:** Leigh Carter, Sonia Lee, Lorelei O'Hagan  
**Layout and Design:** Sharmi Sobhan  
**Printers:** Ragged Edge Press



Fonkoze  
 Avenue Jean Paul II, #7  
 (à l'intérieur)  
 Port-au-Prince, Haiti  
 Ph: (509) 221.7631, 7641  
 Fax: (509) 221.7520  
 director@fonkoze.org  
 Anne H. Hastings, Director

Fonkoze Financial Services  
 Impasse Giraud, #6,  
 Port-au-Prince, Haiti  
 Ph: (509) 513.7641,  
 211.1101  
 Fax: (509) 245.7254  
 ceo@bankfonkoze.org  
 Jean-Edner Nelson, CEO

Fonkoze USA  
 305 Seventh Avenue, 15th Fl.  
 New York, NY 10001  
 USA  
 Ph: (212) 822.9553  
 Fax: (212) 989.0983  
 fonkozeusa@fonkoze.org  
 Sharmi Sobhan, Director

www.fonkoze.org