

**PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE
(PROCHE)**

Financial Statements

August 31, 2012

(With Independent Auditors' Report Thereon)



Mérové-Pierre - Cabinet d'Experts-Comptables

P.O. Box 13270, Delmas
Port-au-Prince
Haïti

7, rue Lechaud
Bourdon, Port-au-Prince
Haïti

Téléphone : (509) 2813-0334 / 0335
e-mail : administration@merove-pierre.com
mireille.merove-pierre@merove-pierre.com
Website : www.merove-pierre.com

Independent Auditors' Report

United States Conference of Catholic Bishops (USCCB)
Attention: Mr. Patrick Markey

We have audited the accompanying financial statements of PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE (PROCHE) which comprise the statement of financial position as of August 31, 2012 and the related statements of contributions, disbursements and changes in fund balance, and cash flows for the 17 month period from April 2011 to August 31, 2012, and a summary of significant accounting policies and other explanatory notes **1 to 15**.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence justifying the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE (PROCHE) as of August 31, 2012, and the results of its activities and its cash flows for the 17 month period then ended, in accordance with International Financial Reporting Standards.

Miróé - Prime - Cabinet d'Experts - Comptables

Port-au-Prince, March 29, 2013

PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE (PROCHE)**Statement of Financial Position****August 31, 2012****(Expressed in US dollars)**

	Notes	2012
CURRENT ASSETS		
Cash and banks	5	\$ 236,282
Receivable from the Nonciature Apostolique		279,817
Advance to a contractor	6	55,000
Other assets	7	<u>10,817</u>
		581,916
NON-CURRENT ASSETS		
Fixed assets	8	200,370
Accumulated depreciation	8	<u>(30,236)</u>
Net fixed assets		170,134
Total assets		\$ 752,050
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable	9	327,599
FUND BALANCE-UNRESTRICTED		424,451
Total liabilities and fund balance		\$ 752,050

See notes to the financial statements

PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE (PROCHE)
Statement of Contributions, Disbursements and Changes in Fund Balance
Period of 17 months ended August 31, 2012
(Expressed in US dollars)

	Notes	2012 (17 months)
Contributions:		
Project-related contributions transmitted through Nonciature Apostolique in Haiti		\$ 1,563,474
Other donors	10	751,294
Management fees		103,206
Contribution in kind	10	<u>37,768</u>
		2,455,742
Disbursements:		
Project costs	11	1,322,525
Salaries and wages	12	446,576
Office expenses		146,525
Professional fees	13	71,602
Depreciation fixed assets	8	30,236
Other expenses	14	<u>14,044</u>
Total expenses		2,031,508
Exchange gain		<u>(217)</u>
		2,031,291
Surplus for the period and fund balance		\$ 424,451

See notes to the financial statements

PROXIMITÉ CATHOLIQUE AVEC HAÏTI ET SON ÉGLISE (PROCHE)**Statement of Cash Flows****Period of 17 months ended August 31, 2012****(Expressed in US Dollars)**

	Notes	2012 (17 months)
OPERATING ACTIVITIES		
Surplus for the period		\$ 424,451
Adjustments to reconcile surplus for the period to cash provided by operating activities:		
Depreciation	8	30,236
Increase in current assets		(345,634)
Increase in accounts payable		<u>327,599</u>
Net cash provided by operating activities		436,652
INVESTING ACTIVITIES		
Acquisitions of fixed assets	8	<u>(200,370)</u>
Net cash used in investing activities		(200,370)
Net increase in cash and banks		\$ 236,282
Cash and banks at beginning of period		<u>-</u>
Cash and banks at end of period	5	\$ 236,282

See notes to the financial statements

PROCHE

Notes to the financial statements

1) **ORGANIZATION**

Proximité Catholique avec Haïti et son Église (PROCHE) is a new structure that has been established in September 2010, by the Catholic Church in Haiti and its global partners to support the transparent, accountable and equitable reconstruction of Church infrastructure damaged by the January 12, 2010 earthquake, as well as new construction.

PROCHE is composed of three components:

- Joint Steering Committee (JSC)
- Executive Committee
- Unité Opérationnelle de Construction (UOC).

The Joint Steering Committee regroups eight members as follows:

- Three from the Episcopal Conference of Haiti
- The President of the Conference of Superiors of Haiti (usually a bishop)
- The Apostolic Nuncio
- A representative from the United States Conference of Catholic Bishops (USCCB)
- A representative from the Episcopal Conference of France
- A representative from the Episcopal Conference of Germany.

The Executive Committee also regroups five members as follows:

- One from the Episcopal Conference of Haiti
- The President of the Conference of Superiors of Haiti (usually a bishop)
- A representative from the United States Conference of Catholics Bishops (USCCB)
- A representative from the Episcopal Conference of France
- A representative from the Episcopal Conference of Germany.

The Unité Opérationnelle de Construction (UOC) manages the projects whose General Manager reports to the Executive Committee.

The mission of PROCHE can be summarized as ensuring that construction meets international standards and codes for quality and resistance to quakes and cyclones, and ensuring the proper and transparent management of funds received for the purpose. The resources of PROCHE come mainly from various international Catholic Church donor institutions. The head office of PROCHE is the Unité Opérationnelle de Construction (UOC) located at no. 27 Ave. Jean Paul II, Turgeau, Port-au-Prince.

PROCHE

Notes to the financial statements

2) **BASIS FOR FINANCIAL STATEMENTS PREPARATION**

a) **Statement of compliance**

The financial statements of PROCHE are prepared on an accrual basis, in conformity with International Financial Reporting Standards (IFRS).

(b) **Basis of measurement**

The financial statements are presented on a historical cost basis.

(c) **Functional and presentation currency**

These financial statements are presented in US dollars which is also the functional currency of the organization.

(d) **Use of estimates and judgment**

In preparing these financial statements in conformity with International Financial Reporting Standards, management must make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense of the year. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, significant areas where estimates and critical judgment are required in applying accounting policies that have significant effect on the amounts recognized in the financial statements, are included the following notes:

Note 6	Advance to a contractor
Note 8	Depreciation of fixed assets
Note 9	Contracts payable.

According to management, the financial statements were prepared on an adequate basis using fair judgment in all material respects and in accordance with the accounting principles summarized below.

(Continued)

PROCHE

Notes to the financial statements

3) SIGNIFICANT ACCOUNTING POLICIES

(a) Conversion of foreign currencies

Monetary assets and liabilities stated in foreign currencies are converted in US dollars at the exchange rate prevailing at year end. Gains and losses resulting from conversion are included in the statement of contributions, disbursements and changes in fund balance.

Transactions in foreign currency are converted at the exchange rate in effect at the transaction date. The gains and losses related to exchange operations are reported in the statement of contributions, disbursements and changes in fund balance.

(b) Cash and banks

Cash and banks are carried in the balance sheet at cost and comprise cash on hand and current accounts.

(c) Fixed assets

Fixed assets are recorded at cost less accumulated depreciation.

Fixed assets are depreciated according to the straight-line method over their respective estimated useful lives, based on the following rates:

Furniture and equipment	20%
Computer equipment	33%
Generator and inverter	20%
Vehicles	25%

The depreciation method, estimated useful lives and residual value of the various categories of fixed assets are reviewed at each year end.

Major disbursements for improvements and reconditioning are capitalized, and disbursements for maintenance and repairs are charged to expenses.

Gains or losses realized on disposals of fixed assets are recognized in the statement of contributions, disbursements and changes in fund balance.

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PROCHE**Notes to the financial statements****3) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Contributions**

Project-related contributions are received by Nonciature Apostolique in Haiti who transmits them to PROCHE. Contributions are also received from other donors. Contributions are recorded when they are due.

Contributions transmitted from Nonciature Apostolique in Haiti, on behalf of donors in the international community, are used mainly to finance project costs. They include management fees based upon a percentage of the value of the contracts signed with the contractors.

Contributions received from other donors are used mainly to support other disbursements.

(e) Contributions in kind

Contributions in kind are recorded when received. They are recorded at the lower of cost provided by the donor or net realizable value determined by management of PROCHE. In 2012, the contribution in kind was a vehicle that will be depreciated over its useful life.

(f) Projects costs

A contractual framework surrounds each construction/renovation project. Per the terms of the contract, specific phases of work are identified and give rise to payments to the contractors.

Payments made are recorded as project costs. At year end, based upon the percentage of completion method, accounts payable-contracts are set up for projects in progress with a corresponding charge to the project costs. At the same time, advance payments made on projects on which work has not yet started are presented as advances to contractors.

(g) Expenses

Expenses are recognized in the period to which they relate. Expenses incurred but unpaid at year end are included in accounts payable.

(h) Taxation

Due to its affiliation to the Episcopal Conference of Haiti, as presented in **note 1**, PROCHE is exempted from income and other taxes.

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PROCHE

Notes to the financial statements

4) **RISK MANAGEMENT**

By the nature of its activities, PROCHE is exposed to operational risk and financial risks including liquidity, credit and foreign exchange risks.

(i) **Operational risk**

Management has put in place procedures to ensure that all disbursements are properly authorized and well documented. Financial operating procedures are outlined in the Manual of Administrative and Financial procedures prepared by management with the assistance of an external accounting firm. PROCHE is required to operate within the guidelines of the field Finance Manual. Policies and procedures exist for all cash, check and bank transactions, necessary approvals and supporting documentation.

(ii) **Liquidity risk**

Liquidity risk is the risk that the entity may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and banks.

As of August 31, 2012, financial liabilities amount to US\$ 327,599. Cash and banks ratio to financial liabilities is 0.72 at August 31, 2012. However, commitments from Nonciature Apostolique in Haiti, on behalf of donors in the international community, and other donors will insure that PROCHE meets its financial liabilities in due course.

(iii) **Credit risk**

Credit risk is the risk of financial loss resulting from the default of a party to repay PROCHE entirely or partially.

The maximum exposure to credit risk, as of August 31, is as follows:

	2012
Banks (note 5)	\$ 235,691
Advance to a contractor (note 6)	\$ 55,000

Banks comprise current accounts with financially sound financial institutions. Management considers this credit risk to be very low.

Management believes the credit risk is low on the advance to a contractor.

Geographic allocation

The geographic allocation of the credit risk is based in Haiti.

(Continued)

PROCHE

Notes to the financial statements

4) **RISK MANAGEMENT (CONTINUED)**(iv) **Foreign exchange risk**

PROCHE is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below summarizes allocation of the organization's financial assets and liabilities in the following currencies:

August 31, 2012

		Gourdes	US Dollars	Total
Cash and banks	\$	<u>1,828</u>	<u>234,454</u>	<u>236,282</u>
Total assets		<u>1,828</u>	<u>234,454</u>	<u>236,282</u>
Accounts payable		<u>47,781</u>	<u>279,818</u>	<u>327,599</u>
Total liabilities		<u>47,781</u>	<u>279,818</u>	<u>327,599</u>
Short position	\$	(45,953)	(45,364)	(91,317)

Due to the relatively small amount of the short position in Gourdes, the foreign exchange risk is considered low.

As of August 31, 2012, the rate of exchange for one US dollar, published by the Central Bank, was G 42.1923.

5) **CASH AND BANKS**

Cash and banks include the following:

	2012
Cash on hand:	
Haitian Gourdes	\$ 591
Non-interest bearing current accounts:	
Haitian Gourdes	1,237
US Dollars	<u>234,454</u>
	<u>235,691</u>
Total cash and banks	\$ 236,282

(Continued)

PROCHE

Notes to the financial statements

6) **ADVANCE TO A CONTRACTOR**

The advance to a contractor represents a contractual amount on a contract for which work has not yet begun.

7) **OTHER ASSETS**

Other assets are as follows:

	2012
Rental deposit	\$ 8,000
Others	<u>2,817</u>
	\$ 10,817

8) **FIXED ASSETS**

Fixed assets and accumulated depreciation are as follows:

Cost	2012
Furniture and equipment	\$ 16,652
Computer equipment	6,560
Generator and inverter	
19,639	
Vehicles	<u>157,519</u>
	\$ 200,370

**Depreciation expense for the period
and accumulated depreciation**

	2012
Furniture and equipment	\$ 2,324
Computer equipment	1,271
Generator and inverter	1,473
Vehicles	<u>25,168</u>
	\$ 30,236
Fixed assets, net	\$ 170,134

(Continued)

PROCHE

Notes to the financial statements

9) ACCOUNTS PAYABLE

Accounts payable are as follows:

	2012
Contracts payable	\$ 279,818
Withholding taxes related to salaries and wages	<u>47,781</u>
	\$ 327,599

Contracts payable represent amounts due to contractors in accordance with their contractual agreements based upon the percentage of completion of their works, less payments made.

10) CONTRIBUTIONS FROM OTHER DONORS

Contributions from other donors are as follows:

	2012 (17 months)
United States Conference of Catholic Bishops (USCCB)	\$ 324,979
Conférence Épiscopale de France-Amérique Latine (CEFAL)	263,232
ADVENIAT (Catholic Church in Germany)	<u>163,083</u>
	<u>751,294</u>
Contribution in kind by ADVENIAT of one vehicle	\$ 37,768

(Continued)

PROCHE

Notes to the financial statements

11) **PROJECT COSTS**

Projects	Contract amount	Costs (17 months)
Construction of St François d'Assise Church of Grand-Goave	\$ 675,682	576,054
Reconstruction of Notre-Dame des Anges school of Léogane	669,451	366,726
Repairs of building Institut Diocésain d'Éducation et de Promotion Humaine (IDEPH)	912,541	220,898
Repairs of Jacmel Cathedral	185,000	6,000
Construction of Sacré-Coeur church of Turgeau	66,937	64,537
Demolition of Ste Rose de Lima Chapel	25,245	22,747
Reconstruction of Ste Thérèse Church of Petion-ville	55,163	14,667
Reconstruction of Noviciat of Port-au-Prince	24,225	9,344
Construction of Center for Women in Need	20,400	7,814
Others	<u>24,750</u>	
<u>33,738</u>	\$ 2,659,394	1,322,525

12) **SALARIES AND WAGES**

Salaries and wages are as follows:

	2012 (17 months)
Salaries	\$ 306,181
Allowances for expats	125,808
Travel-expats	<u>14,587</u>
	\$ 446,576

Allowances for expats include: rent, health insurance, security and cost of living.

13) **PROFESSIONAL FEES**

Professional fees are as follows:

	2012 (17 months)
Accounting fees	\$ 63,934
Legal fees	7,500
Others	<u>168</u>
	\$ 71,602

(Continued)

PROCHE**Notes to the financial statements****14) OTHER EXPENSES**

Other expenses are as follows:

	2012
	(17 months)
Customs fees	\$ 3,756
Insurance premiums	2,754
Security equipment	1,000
Others	<u>6,534</u>
	\$ 14,044

15) COMMITMENTS

PROCHE is committed to pay an amount US\$ 1.4 million under various contracts signed with contractors.