

CONSOLIDATED FINANCIAL STATEMENTS

WORLD HOPE INTERNATIONAL, INC.

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

WORLD HOPE INTERNATIONAL, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
World Hope International, Inc.
World Hope Microcapital Fund, LLC
Alexandria, Virginia

We have audited the accompanying consolidated statements of financial position of World Hope International, Inc. and World Hope Microcapital Fund, LLC (collectively, World Hope), as of December 31, 2007 and 2006, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of World Hope's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Hope, as of December 31, 2007, and their consolidated changes in net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

June 27, 2008

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

WORLD HOPE INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,348,570	\$ 3,386,736
Cash and cash equivalents - field	215,487	311,875
Cash and cash equivalents - restricted (Note 10)	541,987	119,194
Accounts receivable, net of allowance for doubtful accounts	1,339,580	984,251
Prepaid expenses	207,894	83,584
Loans receivable - Microcap Fund (Note 9)	15,745	-
Other current assets	2,218	-
Total current assets	<u>4,671,481</u>	<u>4,885,640</u>
FIXED ASSETS		
Land	21,232	12,949
Buildings	249,636	70,061
Furniture	127,942	78,682
Computer equipment	296,473	296,473
Other	19,436	-
	714,719	458,165
Less: Accumulated depreciation and amortization	<u>(200,515)</u>	<u>(117,064)</u>
Net fixed assets	<u>514,204</u>	<u>341,101</u>
NON-CURRENT ASSETS		
Annuity receivable (Note 11)	38,513	38,513
Investment (Note 2)	297,828	235,102
Deposits	25,927	35,835
Loans receivable - Microcap Fund - long-term (Note 9)	129,370	-
Total non-current assets	<u>491,638</u>	<u>309,450</u>
TOTAL ASSETS	<u>\$ 5,677,323</u>	<u>\$ 5,536,191</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable	\$ 175,461	\$ 151,384
Other payables	3,763	3,532
Accrued expenses	132,194	197,838
Deferred rent abatement	20,924	-
Other current liabilities	<u>248,825</u>	<u>228,579</u>
Total current liabilities	<u>581,167</u>	<u>581,333</u>
NON-CURRENT LIABILITIES		
Deferred rent abatement - long-term	96,030	-
Other long-term liabilities	<u>23,606</u>	<u>3,155</u>
Total non-current liabilities	<u>119,636</u>	<u>3,155</u>
Total liabilities	<u>700,803</u>	<u>584,488</u>
NET ASSETS		
Unrestricted	2,038,377	2,263,053
Temporarily restricted (Note 5)	2,828,143	2,578,650
Permanently restricted (Note 12)	<u>110,000</u>	<u>110,000</u>
Total net assets	<u>4,976,520</u>	<u>4,951,703</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,677,323</u>	<u>\$ 5,536,191</u>

WORLD HOPE INTERNATIONAL, INC.

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions	\$ 3,226,894	\$ 4,805,359	\$ -	\$ 8,032,253
Federal grants and contracts (Note 13)	-	2,000,888	-	2,000,888
Grants-international sources	6,838	188,563	-	195,401
Donated goods and services-disaster relief	238,925	77,642	-	316,567
Donated goods and services-other programs	203,878	88,965	-	292,843
Investment income	183,302	23,219	-	206,521
Program income	579,069	5,505	-	584,574
Other income	165,603	6,132	-	171,735
Net assets released from restrictions (Note 6)	<u>6,946,780</u>	<u>(6,946,780)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>11,551,289</u>	<u>249,493</u>	<u>-</u>	<u>11,800,782</u>
EXPENSES				
Program services:				
Community/Rural Development	1,122,866	-	-	1,122,866
Community Health/HIV/AIDS Programs	2,894,140	-	-	2,894,140
Education Initiatives/School Development	1,491,656	-	-	1,491,656
Hope Corps (Teams and Volunteers)	961,790	-	-	961,790
Hope for Children (Child Sponsorships)	1,289,848	-	-	1,289,848
Microfinance Development	730,289	-	-	730,289
Disaster Relief	523,965	-	-	523,965
Anti-Human Trafficking	682,466	-	-	682,466
Hope Network	12,000	-	-	12,000
Public Awareness and Education	395,888	-	-	395,888
Other Programs	<u>213,839</u>	<u>-</u>	<u>-</u>	<u>213,839</u>
Total program services	<u>10,318,747</u>	<u>-</u>	<u>-</u>	<u>10,318,747</u>
Supporting services:				
Fundraising	510,853	-	-	510,853
General and Administrative	<u>946,365</u>	<u>-</u>	<u>-</u>	<u>946,365</u>
Total supporting services	<u>1,457,218</u>	<u>-</u>	<u>-</u>	<u>1,457,218</u>
Total expenses	<u>11,775,965</u>	<u>-</u>	<u>-</u>	<u>11,775,965</u>
Consolidated changes in net assets	(224,676)	249,493	-	24,817
Net assets at beginning of year	<u>2,263,053</u>	<u>2,578,650</u>	<u>110,000</u>	<u>4,951,703</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,038,377</u>	<u>\$ 2,828,143</u>	<u>\$ 110,000</u>	<u>\$ 4,976,520</u>

See accompanying notes to consolidated financial statements.

2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
4,705,503	4,894,837	-	9,600,340
5,000	589,686	-	594,686
-	242,016	-	242,016
1,004,975	-	-	1,004,975
214,060	-	-	214,060
57,354	5,114	-	62,468
370,534	-	-	370,534
50,801	12,351	-	63,152
<u>5,204,508</u>	<u>(5,204,508)</u>	<u>-</u>	<u>-</u>
<u>11,612,735</u>	<u>539,496</u>	<u>-</u>	<u>12,152,231</u>
445,078	-	-	445,078
1,164,087	-	-	1,164,087
1,380,489	-	-	1,380,489
778,750	-	-	778,750
1,037,641	-	-	1,037,641
716,581	-	-	716,581
1,558,262	-	-	1,558,262
478,717	-	-	478,717
12,000	-	-	12,000
373,909	-	-	373,909
5,877	-	-	5,877
<u>7,951,391</u>	<u>-</u>	<u>-</u>	<u>7,951,391</u>
337,947	-	-	337,947
<u>1,087,683</u>	<u>-</u>	<u>-</u>	<u>1,087,683</u>
<u>1,425,630</u>	<u>-</u>	<u>-</u>	<u>1,425,630</u>
<u>9,377,021</u>	<u>-</u>	<u>-</u>	<u>9,377,021</u>
2,235,714	539,496	-	2,775,210
<u>27,339</u>	<u>2,039,154</u>	<u>110,000</u>	<u>2,176,493</u>
<u>\$ 2,263,053</u>	<u>\$ 2,578,650</u>	<u>\$ 110,000</u>	<u>\$ 4,951,703</u>

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services							
	Community/ Rural Development	Community Health/HIV/AIDS Programs	Education Initiatives/ School Development	Hope Corps	Hope for Children	Microfinance Development	Disaster Relief	Anti-Human Trafficking
Salaries and related benefits-US staff/foreign national staff	\$ 191,862	\$ 560,104	\$ 48,332	\$ 114,106	\$ 114,806	\$ 338,611	\$ 69,680	\$ 260,089
Construction and repairs-schools, wells, other	423,030	102,672	1,108,946	-	126	-	-	-
Grants to other organizations	31,891	672,418	118,084	1,300	555,950	15,000	91,000	37,617
Travel	32,877	161,941	15,951	444,362	24,628	70,137	8,543	39,917
Occupancy	15,067	47,872	35,882	600	322	27,493	7,200	76,984
Donated goods and services	-	70,616	-	16,094	156,890	-	308,367	-
Child sponsorship	-	-	-	-	299,944	-	-	-
Vehicle purchase/operations	216,069	229,733	5,037	-	12,486	52,064	116	21,614
Grants to affiliates	-	70,335	-	-	-	-	-	29,821
Printing and production/video production	7,060	11,288	1,077	656	26,598	5,133	14,102	5,976
Volunteer activities	1,592	14,154	285	304,361	1,723	68	1,043	519
Contract labor/temporary staffing	3,663	17,441	6,247	8,000	6,152	14,600	2,500	33,819
Education and training	8,021	82,942	3,605	3,019	1,156	4,078	1,635	20,556
Agricultural inputs/animal husbandry	124,471	110,512	-	-	-	-	-	-
Depreciation/loss on sale of assets	-	5,546	-	-	-	-	-	-
Orphans and vulnerable children/victim care expenses	253	169,732	3,451	-	-	-	3,763	-
Office expenses	4,326	29,232	8,998	1,738	5,528	32,968	1,255	35,192
School equipment/supplies/scholarships	4,172	73,989	60,686	487	110	-	-	10,537
IT/electronic communications	6,566	58,160	6,947	5,475	4,868	27,128	1,000	25
Postage/shipping	3,419	16,669	51,630	1,332	13,454	484	465	21,070
Professional fees	128	20,188	4,375	92	1,175	20,674	-	1,154
Microfinance loan expenses	-	-	-	-	-	42,631	-	879
Financial fees and expense	3,106	2,455	5,670	-	1,290	16,603	-	105
Equipment purchase/maintenance/repairs	3,612	42,494	2,361	-	962	7,701	-	(728)
Relief/medical supplies	1,526	4,042	-	-	-	-	-	4,033
Media/public awareness	38	35,992	262	832	11,875	20	8,690	12,319
In-Country Board expenses	-	-	-	-	-	3,833	-	1,481
Conferences/meetings	579	7,918	256	972	503	-	44	683
Other program expenses	1,587	1,928	1,383	-	583	7,895	-	1,192
Dues and subscriptions	252	-	-	135	-	790	-	88
Insurance	-	-	-	-	-	-	-	86
Website hosting/design/maintenance	-	-	-	-	-	-	2,872	378
Recruiting	-	2,050	2	-	-	-	-	509
Keyman life insurance	-	-	-	-	-	-	-	-
Contributions/gifts	5	658	168	25	1,740	-	-	39
Licenses/permits/personal property taxes	411	-	178	-	-	717	690	200
Miscellaneous expenses	-	-	-	-	-	27	-	30
Interest and fees	-	-	-	-	-	398	-	-
Indirect applied	37,281	271,059	1,843	58,204	46,979	41,226	-	66,282
TOTAL	\$ 1,122,866	\$ 2,894,140	\$ 1,491,656	\$ 961,790	\$ 1,289,848	\$ 730,289	\$ 523,965	\$ 682,466

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services (Continued)					Supporting Services			Total Expenses
	Hope Network	Public Awareness and Education	Other Programs	Total Program Services	Fundraising	General and Administrative (HQ)	In Country Support (Field G&A)	Total Supporting Services	
Salaries and related benefits-US staff/foreign national staff	\$ -	\$ 166,383	15,087	\$ 1,879,660	\$ 212,451	540,463	\$ 131,296	\$ 884,210	\$ 2,763,870
Construction and repairs-schools, wells, other	-	-	19,267	1,654,041	-	-	856	856	1,654,897
Grants to other organizations	12,000	-	10,314	1,545,574	-	-	-	-	1,545,574
Travel	-	29,098	59,638	887,092	16,752	29,761	36,123	82,636	969,728
Occupancy	-	-	1,820	213,240	-	232,508	20,176	252,684	465,924
Donated goods and services	-	-	-	552,967	-	46,988	141	47,129	600,096
Child sponsorship	-	-	-	299,944	-	-	-	-	299,944
Vehicle purchase/operations	-	-	434	537,553	-	-	44,038	44,038	581,591
Grants to affiliates	-	-	66,706	166,862	-	-	-	-	166,862
Printing and production/Video production	-	63,033	1,020	135,943	80,881	7,697	954	89,532	225,475
Volunteer activities	-	-	88	323,833	-	19	104	123	323,956
Contract labor/temporary staffing	-	-	-	92,422	-	37,112	38,942	76,054	168,476
Education and training	-	807	-	125,819	1,217	13,862	384	15,463	141,282
Agricultural inputs/animal husbandry	-	-	-	234,983	-	-	-	-	234,983
Depreciation/loss on sale of assets	-	-	731	10,040	3,779	132,695	2,171	138,645	148,685
Orphans and vulnerable children/victim care expenses	-	-	881	209,489	-	-	-	-	209,489
Office expenses	-	54	3,288	97,924	914	27,407	22,249	50,570	148,494
School equipment/supplies/scholarships	-	-	602	140,071	-	-	-	-	140,071
IT/electronic communications	-	-	5,447	136,666	3,534	63,385	24,398	91,317	227,983
Postage/shipping	-	27,208	1,598	117,413	44,639	16,402	154	61,195	178,608
Professional fees	-	-	316	47,827	22,219	61,097	-	83,316	131,143
Microfinance loan expenses	-	-	-	42,736	-	-	-	-	42,736
Financial fees and expense	-	504	72	28,972	5,237	47,011	547	52,795	81,767
Equipment purchase/maintenance/repairs	-	34	9,876	71,073	178	19,554	8,014	27,746	98,819
Relief/medical supplies	-	-	-	26,577	-	-	-	-	26,577
Media/public awareness	-	14,976	-	65,476	6,830	708	164	7,702	73,178
In-Country Board expenses	-	-	-	3,833	-	16,412	942	17,354	21,187
Conferences/meetings	-	754	44	11,753	576	5,131	3,214	8,921	20,674
Other program expenses	-	-	594	15,162	-	-	-	-	15,162
Dues and subscriptions	-	105	9,909	11,279	182	2,990	121	3,293	14,572
Insurance	-	-	-	2,958	-	8,278	2	8,280	11,238
Website hosting/design/maintenance	-	7,954	-	8,332	1,966	-	-	1,966	10,298
Recruiting	-	-	295	2,858	-	4,093	636	4,729	7,587
Keyman life insurance	-	-	-	-	-	6,843	-	6,843	6,843
Contributions/gifts	-	-	1,856	4,501	150	2,875	-	3,025	7,526
Licenses/permits/personal property taxes	-	-	-	2,196	2,320	2,455	1,157	5,932	8,128
Miscellaneous expenses	-	-	318	375	-	8	1,253	1,261	1,636
Interest and fees	-	-	-	398	-	508	-	508	906
Indirect applied	-	-	-	610,905	107,028	(717,933)	-	(610,905)	-
TOTAL	\$ 12,000	\$ 395,888	\$ 213,839	\$ 10,318,747	\$ 510,852	\$ 608,329	\$ 338,036	\$ 1,457,218	\$ 11,775,965

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services							
	Community/ Rural Development	Community Health/HIV/AIDS Programs	Education Initiatives/ School Development	Hope Corps	Hope for Children	Microfinance Development	Disaster Relief	Anti-Human Trafficking
Salaries and related benefits	\$ 102,266	\$ 361,658	\$ 103,275	\$ 97,885	\$ 96,265	\$ 280,350	\$ 95,244	\$ 208,642
Advertising/Public awareness	598	1,416	3	-	118	52	-	95
Agricultural inputs	14,672	29,212	-	2,500	-	63,488	5,675	-
Office supplies/other supplies	1,091	14,964	8,682	4,283	1,862	18,395	3,464	12,520
Office equipment/software	413	10,181	5,658	-	-	1,652	-	2,418
Other equipment	93,497	16,575	28,805	6,475	2,533	8,683	2,212	4,743
Project vehicles	37,492	20,032	8,177	210	991	45,748	8	16,222
Board	-	-	-	-	-	-	-	-
Bank/credit card/payroll service charges	784	703	2,006	-	588	7,062	-	244
Child sponsorship/orphan care	-	26,036	1,873	-	257,311	-	-	-
Contract labor	1,313	18,146	2,561	311	5,110	58,869	23,771	47,525
Conferences and meetings	406	8,905	108	1,282	496	1,866	7,177	587
Construction-schools, wells, etc	109,313	26,361	1,026,112	-	-	-	-	-
Dues and subscriptions	-	367	-	135	-	12,013	-	-
Education and training	2,776	122,110	4,329	1,098	299	1,517	6,021	1,815
Equipment rental and repairs	1,076	9,533	4	-	919	3,458	-	-
Grants	28,005	75,209	89,695	51,131	406,799	61,888	322,898	43,135
Scholarships	5,365	275	34,366	-	-	-	1,445	-
Relief/medical supplies	7,258	5,655	1,062	-	1,400	-	22,129	25,115
Insurance	22	2,044	-	6,974	-	53	9,035	-
Microfinance loan capital	-	-	-	-	-	17,662	-	-
Postage and delivery/shipping	9	8,664	3,199	1,400	6,327	154	2,964	33
Printing and reproduction	1,025	68,537	19	23	17,097	13,927	3,743	2,032
Professional fees	-	722	3,000	-	-	810	-	4,533
Consulting	-	-	3,900	7,500	-	7,709	-	21,614
Legal	-	-	-	-	-	-	-	-
Licenses/permits/personal property taxes	-	-	530	-	-	488	109	-
Rent/utilities	4,111	28,792	37,204	358	1,209	22,333	14,428	34,789
Telephone/internet	1,826	16,086	7,670	1,821	915	6,971	196	8,118
Special events	-	100	-	-	-	-	-	-
Travel	14,721	181,916	8,843	555,511	7,887	45,401	27,422	11,333
Miscellaneous	313	(2,039)	(7,911)	-	66	10,216	-	233
Depreciation and amortization	-	4,547	-	-	-	-	-	-
Other program expenses	4,118	18,527	3,460	4,914	357	10,193	3,763	-
Donated goods and services	-	-	-	17,085	214,455	-	6,578	9,312
Indirect applied	12,608	65,250	3,859	18,054	14,637	15,623	985,023	-
Donated assets project transfer	-	23,603	-	-	-	-	14,957	23,659
TOTAL	\$ 445,078	\$ 1,164,087	\$ 1,380,489	\$ 778,750	\$ 1,037,641	\$ 716,581	\$ 1,558,262	\$ 478,717

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Program Services (Continued)					Supporting Services				Total Expenses
	Hope Network	Public		Other Programs	Total Program Services	Fundraising	General and Administrative (HQ)	In Country Support (Field G&A)	Total Supporting Services	
		Awareness and Education								
Salaries and related benefits	\$ -	\$ 199,798	\$ -	\$ 1,545,383	\$ 92,250	\$ 586,592	\$ 182,304	\$ 861,146	\$ 2,406,529	
Advertising/Public awareness	-	3,965	-	6,247	3,180	-	7	3,187	9,434	
Agricultural inputs	-	-	-	115,547	-	-	-	-	115,547	
Office supplies/other supplies	-	8,037	104	73,402	522	28,358	14,459	43,339	116,741	
Office equipment/software	-	230	-	20,552	-	33,314	5,764	39,078	59,630	
Other equipment	-	76	-	163,599	-	-	3,788	3,788	167,387	
Project vehicles	-	-	473	129,353	-	-	34,724	34,724	164,077	
Board	-	-	-	-	-	14,945	-	14,945	14,945	
Bank/credit card/payroll service charges	-	60	20	11,467	-	37,120	3,673	40,793	52,260	
Child sponsorship/orphan care	-	-	-	285,220	-	-	-	-	285,220	
Contract labor	-	-	-	157,606	4,383	60	16,924	21,367	178,973	
Conferences and meetings	-	1,064	-	21,891	368	11,338	199	11,905	33,796	
Construction-schools, wells, etc	-	-	-	1,161,786	-	-	-	-	1,161,786	
Dues and subscriptions	-	2,050	-	14,565	415	9,486	331	10,232	24,797	
Education and training	-	249	1,761	141,975	-	2,911	352	3,263	145,238	
Equipment rental and repairs	-	-	45	15,035	-	1,077	2,517	3,594	18,629	
Grants	12,000	-	-	1,090,760	-	-	2,150	2,150	1,092,910	
Scholarships	-	-	-	41,451	-	-	-	-	41,451	
Relief/medical supplies	-	-	-	62,619	-	-	100	100	62,719	
Insurance	-	68	-	18,196	-	14,192	329	14,521	32,717	
Microfinance loan capital	-	-	-	17,662	-	-	-	-	17,662	
Postage and delivery/shipping	-	20,524	-	43,274	65,048	15,279	900	81,227	124,501	
Printing and reproduction	-	57,308	-	163,711	93,932	6,260	590	100,782	284,493	
Professional fees	-	8,671	-	17,736	7,371	31,735	1,729	40,835	58,571	
Consulting	-	-	-	40,723	-	13,205	-	13,205	53,928	
Legal	-	-	-	-	-	1,160	-	1,160	1,160	
Licenses/permits/personal property taxes	-	-	-	1,127	2,953	2,736	1,462	7,151	8,278	
Rent/utilities	-	-	-	143,224	-	61,899	24,739	86,638	229,862	
Telephone/internet	-	-	260	43,663	133	22,667	9,132	31,932	75,595	
Special events	-	-	-	100	1,060	1,133	-	2,193	2,293	
Travel	-	34,959	27,019	915,012	49,318	14,386	24,488	88,192	1,003,204	
Miscellaneous	-	-	-	878	-	12,714	(2,629)	10,963	10,963	
Depreciation and amortization	-	-	-	8,310	-	35,909	-	35,909	44,219	
Other program expenses	-	-	(202)	57,257	-	-	-	57,055	56,853	
Donated goods and services	-	-	-	1,216,563	-	-	23,686	23,686	1,240,249	
Indirect applied	-	36,850	-	205,497	17,014	(222,511)	-	(205,497)	1,216,563	
Donated assets project transfer	-	-	(23,603)	-	-	-	-	-	-	
TOTAL	\$ 12,000	\$ 373,909	\$ 5,877	\$ 7,951,391	\$ 337,947	\$ 735,965	\$ 351,718	\$ 1,425,630	\$ 9,377,021	

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated changes in net assets	\$ 24,817	\$ 2,775,210
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	107,261	44,219
Donated securities	(126,023)	(44,224)
Loss on disposal of fixed assets	41,424	-
Unrealized (gain) on investments	-	(43,678)
Realized loss on investments	674	-
(Increase) decrease in:		
Accounts receivable	(355,329)	(149,435)
Prepaid expenses	(124,310)	6,794
Loans receivable - Microcap Fund	(145,115)	-
Other current assets	(2,218)	-
Annuity receivable	-	26,555
Investment	(62,726)	(43,678)
Deposits	9,908	(6,698)
Increase (decrease) in:		
Accounts payable	24,077	65,870
Other payables	231	(245)
Accrued expenses	(65,644)	140,346
Other current liabilities	20,246	40,720
Deferred rent abatement	116,954	-
Other long-term liabilities	<u>20,451</u>	<u>3,155</u>
Net cash provided (used) by operating activities	<u>(515,322)</u>	<u>2,814,911</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(322,437)	(177,880)
Proceeds from sale of investments	125,349	65,343
Proceeds from sale of fixed assets	<u>649</u>	<u>-</u>
Net cash used by investing activities	<u>(196,439)</u>	<u>(112,537)</u>
Net increase (decrease) in cash and cash equivalents	(711,761)	2,702,374
Cash and cash equivalents at beginning of year	<u>3,817,805</u>	<u>1,115,431</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,106,044</u>	<u>\$ 3,817,805</u>

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

World Hope International, Inc. (WHI) is a not-for-profit organization incorporated under the Indiana Non-Profit Corporation Act. The purpose of the Organization is to mobilize individuals and organizations to exercise their specific gifts and abilities (personally and fiscally) by working in active partnership with persons around the world for the purpose of relief, economic and social development. The financial statements include the accounts of World Hope International, Inc., but do not include the various foreign locations which the Organization may support but over which it has no legal or direct control.

During 2006, WHI created the World Hope MicroCapital Fund, LLC, (MicroCap) which is a single member limited liability company, incorporated in the State of Delaware. The purposes of the company include engaging in microfinance activities consistent with the charitable purposes of the member, engaging in such other lawful charitable act or activity as shall be determined by the member in its sole and absolute discretion, and entering into any lawful transaction and engage in any lawful activities in furtherance of the foregoing purposes and as may be necessary, incidental or convenient to carry out the business of the Company as contemplated by the agreement.

The accompanying consolidated financial statements reflect the activity of WHI and MicroCap (collectively, World Hope) as of December 31, 2007. The financial statements of the two organizations have been consolidated because they are under common control. All intercompany transactions have been eliminated during consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

Cash and cash equivalents include amounts in checking accounts and money market funds.

At times during the year, World Hope International, Inc. and MicroCap maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

WHI maintains field offices overseas. WHI had \$215,487 of cash and cash equivalents held in financial institutions and on hand in foreign countries at December 31, 2007. The funds held in foreign countries are uninsured.

Investments -

Investments are recorded at market value. Realized and unrealized gains and losses are included in investment income in the Consolidated Statements of Activities and Changes in Net Assets.

WORLD HOPE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Property, equipment, buildings -

Property and equipment in excess of \$5,000 are capitalized and stated at cost or the estimated fair market value if donated. Depreciation is recorded on the straight-line method over the asset's useful life, generally three to five years. Leasehold improvements are stated at cost and amortized over the estimated useful life. The building and building costs are recorded at cost and depreciated over 27.5 years. The cost of maintenance and repairs is recorded as expenses are incurred. Program equipment, however, is treated as program materials and expensed in the year of purchase.

Income taxes -

WHI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. WHI is not a private foundation.

For the purpose of corporate tax reporting for MicroCap, all financial transactions are reported under World Hope's filing status.

Net asset classification -

The net assets of World Hope are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of World Hope and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of World Hope and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by World Hope .

Contributions and grants

Contributions and grants are recorded as revenue in the year notification is received from the donor. Donor restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

WORLD HOPE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

In-kind contributions

In-kind contributions consist of donated assets and professional services. The value of the in-kind contributions is recorded at fair market value as of the date of receipt or the date the services were provided. Donated assets consist of medical supplies, equipment, aid and other items given to certain country programs or to disaster relief. All assets and services that were donated during the year were given directly to the designated country or disaster relief and are reflected as a part of Community Health, Hope Corps, Hope for Children or Disaster Relief.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENT

At December 31, 2007 and 2006, the investments consisted of the following, which are reflected at their net value:

	<u>2007</u>	<u>2006</u>
9% Share of Credit Limited (A Microfinance Institute of Cambodia)	\$ <u>297,828</u>	\$ <u>235,102</u>

3. LEASE COMMITMENT

On September 16, 2006, WHI signed a letter of agreement for the occupancy of Suite 100 beginning January 1, 2007 and ending on the day WHI vacates the space to move into Suite 200 in the building. A lease was signed beginning on January 1, 2007 and expiring March 31, 2013. WHI began occupying Suite 200 on May 15, 2007 and the lease payments commenced on July 1, 2007. In accordance with GAAP, the rent expense is recognized on a straight-line basis with the difference between the expense and the cash paid being charged to a deferred rent abatement account.

WORLD HOPE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

3. LEASE COMMITMENT (Continued)

At December 31, 2007, future minimum payments required under the leases are as follows:

<u>Year Ended December 31,</u>	
2008	\$ 287,871
2009	294,780
2010	301,855
2011	309,099
2012	<u>316,517</u>
	<u>\$ 1,591,106</u>

Rent expense for WHI headquarters was \$222,606 and \$229,862 during the years ended December 31, 2007 and 2006, respectively. In addition, WHI has various offices overseas.

4. PENSION PLAN

WHI sponsors a defined contribution annuity retirement plan for all employees. Substantially all employees are eligible to participate. For all eligible employees, WHI contributes twelve percent of their annual compensation. At December 31, 2007 and 2006, total retirement expense was \$148,895 and \$135,317, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2007 and 2006, temporarily restricted net assets consist of funds designated for the following:

	<u>2007</u>	<u>2006</u>
Community/Rural Development	\$ 516,043	\$ 361,962
Community Health/HIV/AIDS Programs	535,361	94,321
Education Initiatives/School Development	130,499	226,068
Hope Corp Program/Teams and Volunteers	216,815	113,524
Hope for Children	108,655	126,225
Microfinance Development	250,621	475,025
Disaster Relief	265,203	456,447
Anti-Human Trafficking	86,047	16,845
Special Projects	183,500	661,316
Field Offices (In-Country Support)	5,796	46,917
WHI Microcapital Fund, LLC	<u>529,603</u>	<u>-</u>
	<u>\$ 2,828,143</u>	<u>\$ 2,578,650</u>

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2007 and 2006, net assets were released from restrictions as a result of spending funds in accordance with donor restrictions or the passage of time.

Following is a summary of net assets released:

	2007	2006
Community/Rural Development	\$ 864,428	\$ 471,532
Community Health/HIV/AIDS Programs	2,503,513	878,611
Education Initiatives/School Development	970,129	1,184,303
Hope Corp Program/Teams and Volunteers	765,476	629,079
Hope for Children	854,236	677,806
Microfinance Development	115,878	238,782
Disaster Relief	258,278	537,677
Anti-Human Trafficking	529,869	467,576
Special Projects	62,856	27,769
Field Offices (In-Country Support)	22,117	91,373
	\$ 6,946,780	\$ 5,204,508

7. LINE OF CREDIT

WHI increased the line of credit with Chevy Chase Bank from \$50,000 in 2006 to \$100,000 in 2007, with the interest rate of the LIBOR Market Index rate plus 2%. The line of credit is collateralized by any property belonging to WHI. As of December 31, 2007 and 2006, there were no borrowings on the line of credit.

8. ALLOCATION OF JOINT COSTS

During 2007 and 2006, WHI conducted activities that included appeals for contributions and incurred joint costs of \$265,189 and \$249,787, respectively. These activities included direct mail.

Joint costs were allocated as follows:

	2007	2006
Public Awareness and Education Program	\$ 220,710	\$ 196,635
Fundraising	44,479	53,152
	\$ 265,189	\$ 249,787

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

9. WORLD HOPE MICROCAPITAL FUND, LLC.

The World Hope Microcapital Fund, LLC (MicroCap) was started in late 2006 and represents an exciting and important innovation in the way WHI funds microfinance programs around the world. The purpose of this single member LLC is to ensure the success of Microfinance Institutions (MFIs) by serving as a long term funding source. MicroCap offers various loan products to MFIs who have proven fiscal responsibility and who are in need of increased loan capital. Additionally, MicroCap seeks to gradually wean microfinance programs off of grant funding to fully commercial loans. As of December 31, 2007, MicroCap had total assets of \$529,603, which included loans receivable of \$145,115. The loan to CREDIT Cambodia is 10.75% per annum. The short-term amount and long-term receivables are \$15,745 and \$129,370, respectively. The balance on the note is due August, 2012. The LLC was inactive for the year ending December 31, 2006.

10. RESTRICTED CASH

During 2007 and 2006, WHI held restricted cash amounts of \$541,987 and \$119,194, respectively. The amounts are made up of cash held for the restrictions of the Wesleyan Investment Foundation Endowment, the Charitable Gift Annuity Program and the World Hope Microcapital Fund.

11. GIFT ANNUITY RECEIVABLE

During 2003, WHI recorded two charitable gift annuities. During 2006, WHI received one gift payout of \$38,905 toward community health programs. The value of the remaining charitable gift annuity at 2007 and 2006 was \$38,513 and \$38,513, respectively.

12. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2007 and 2006, WHI held \$110,000 in permanently restricted net assets for the Wesleyan Investment Foundation Endowment. The amount represents funds to be maintained in-perpetuity by WHI.

13. COMMITMENTS AND CONTINGENCIES

USAID and Department of State (DOS) grants are subject to audit under the provisions of OMB Circular A-133. The ultimate government determination of amounts received under USAID and DOS grants is based upon allowable costs reported to and accepted by USAID and DOS as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2007. Until such audits have been accepted by USAID and DOS, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.