

**FINANCIAL STATEMENTS**

**WORLD HOPE  
INTERNATIONAL, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

**WORLD HOPE INTERNATIONAL, INC.**

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**GELMAN, ROSENBERG & FREEDMAN**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
World Hope International, Inc.  
Springfield, Virginia

We have audited the accompanying statement of financial position of World Hope International, Inc. as of December 31, 2003, and the related statements of activities and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of World Hope International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Hope International, Inc. as of December 31, 2003, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman, Rosenberg & Freedman*

July 6, 2004

**WORLD HOPE INTERNATIONAL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2003**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents (Note 2)	\$ 176,592
Cash and cash equivalents - restricted (Notes 2 and 5)	417,156
Prepaid expenses	<u>59,801</u>
Total current assets	<u>653,549</u>

**PROPERTY AND EQUIPMENT**

Land	11,025
Building and improvements	56,353
Furniture and equipment	18,789
Software	70,255
Less: Accumulated depreciation and amortization	<u>(33,169)</u>
Net property and equipment	<u>123,253</u>

**OTHER ASSETS**

Gift annuities receivable	<u>65,067</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 841,869</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 60,828
Accrued expenses	<u>49,503</u>
Total current liabilities	<u>110,331</u>

**NET ASSETS**

Unrestricted	(489,487)
Temporarily restricted (Note 5)	<u>1,221,025</u>
Total net assets	<u>731,538</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 841,869</u></b>

See accompanying notes to financial statements.

## WORLD HOPE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Contributions and grants	\$1,081,290	\$ 2,325,215	\$3,406,505
In-kind contributions	94,741	65,067	159,808
Investment income	14,864	-	14,864
Other income	1,984	-	1,984
Net assets released from restrictions (Note 6)	2,098,958	(2,098,958)	-
Total revenue	<u>3,291,837</u>	<u>291,324</u>	<u>3,583,161</u>
<b>EXPENSES</b>			
Program services:			
Community Health	374,653	-	374,653
Education	242,148	-	242,148
Hope Corps (Teams and Volunteers)	323,811	-	323,811
Hope for Children (Child Sponsorship)	465,587	-	465,587
In-Country Support	212,682	-	212,682
Hope Enterprise (Economic Development)	620,880	-	620,880
Relief	114,868	-	114,868
Human Trafficking	195,950	-	195,950
Hope Network (At-Risk Families)	109,078	-	109,078
Other Programs	10,444	-	10,444
Total program services	<u>2,670,101</u>	<u>-</u>	<u>2,670,101</u>
Supporting services:			
General and Administrative	378,781	-	378,781
Fundraising	347,287	-	347,287
Total supporting services	<u>726,068</u>	<u>-</u>	<u>726,068</u>
Total expenses	<u>3,396,169</u>	<u>-</u>	<u>3,396,169</u>
Change in net assets	(104,332)	291,324	186,992
Net assets at beginning of year, as restated (Note 7)	(385,155)	929,701	544,546
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ (489,487)</u></b>	<b><u>\$ 1,221,025</u></b>	<b><u>\$ 731,538</u></b>

See accompanying notes to financial statements.

**WORLD HOPE INTERNATIONAL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$186,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	21,779
Donated fixed assets	(67,378)
Loss on disposal of fixed assets	1,917
(Increase) decrease in:	
Accounts receivable	46,912
Gift annuities receivable	(65,067)
Prepaid expenses	(41,169)
Increase (decrease) in:	
Accounts payable	(3,441)
Accrued expenses	46,435
Net cash provided by operating activities	<u>126,980</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment	<u>(70,255)</u>
Net cash used by investing activities	<u>(70,255)</u>
Net increase in cash and cash equivalents	56,725
Cash and cash equivalents at beginning of year	<u>537,023</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$593,748</u></u></b>

See accompanying notes to financial statements.

**WORLD HOPE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

World Hope International, Inc. 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 not legal or direct control.

Basis of presentation -

The accompanying 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".

Income taxes -

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

Cash and cash equivalents -

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

Property and equipment -

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 assets' useful life, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Net asset classification -

The net assets are reported in two 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 International, Inc. 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 International, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

WORLD HOPE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

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

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.

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. All assets and services that were donated during the year were given directly to the designated country and are reflected as a part of Community Health, Education and Hope Corps.

Use of estimates -

The preparation of 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 disclosures. 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **CONCENTRATION OF CREDIT RISK**

At times during the year, World Hope International, Inc. maintains 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.

3. **COMMITMENT**

On October 21, 2002, World Hope International, Inc. renewed its lease for office space in Springfield, Virginia, beginning August 1, 2003 and expiring July 31, 2005. At December 31, 2003, future minimum payments required under the lease are as follows:

<u>Year Ended December 31,</u>	
2004	\$37,810
2005	<u>22,437</u>
	<u><b>\$60,247</b></u>

Rent expense was \$44,931 during the year ended December 31, 2003.

**WORLD HOPE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**4. PENSION PLAN**

World Hope International, Inc. sponsors a defined contribution annuity retirement plan for all employees. Substantially all employees are eligible to participate. For all eligible employees, World Hope International, Inc. contributes twelve percent of their annual compensation. Total retirement expense was \$58,625 at December 31, 2003.

**5. TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2003, temporarily restricted net assets consist of funds designated for the following:

Community Health	\$ 184,546
Education	295,855
Hope Corps	57,157
Hope for Children	20,659
In-Country Support	747
Hope Enterprise	410,714
Relief	251,347
	<hr/>
	<b><u>\$1,221,025</u></b>

**6. NET ASSETS RELEASED FROM RESTRICTIONS**

During the year ended December 31, 2003, 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:

Community Health	\$ 270,414
Education	171,926
Hope Corps	204,571
Hope for Children	332,178
In-Country Support	122,911
Hope Enterprise	620,812
Relief	112,594
Human Trafficking	192,405
Hope Network	61,147
Other Programs	10,000
	<hr/>
	<b><u>\$2,098,958</u></b>

**7. PRIOR PERIOD ADJUSTMENT**

World Hope International, Inc. has determined that a portion of its December 31, 2002 net asset balance that was originally reported as unrestricted should have been shown as temporarily restricted. This reclassification resulted in \$40,080 being reclassified from unrestricted net assets to temporarily restricted net assets. The reclassification had no effect on total net assets.



**GELMAN, ROSENBERG & FREEDMAN**  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTAL FINANCIAL INFORMATION**

To the Board of Directors  
World Hope International, Inc.  
Springfield, Virginia

Our report on our audit of the basic financial statements of World Hope International, Inc. as of December 31, 2003 appears on page 2. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Gelman, Rosenberg & Freedman*

July 6, 2004

**WORLD HOPE INTERNATIONAL, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**Program Services**

	<b>Community Health</b>	<b>Education</b>	<b>Hope Corps</b>	<b>Hope for Children</b>	<b>In-Country Support</b>	<b>Hope Enterprise</b>
Project expenses	\$267,085	\$236,057	\$261,306	\$364,924	\$171,235	\$580,515
Salaries and related benefits (Note 4)	76,329	4,163	43,585	74,176	30,996	29,138
Advertising	-	-	425	-	-	-
Office supplies	1,733	88	1,043	1,547	618	513
Office equipment	417	21	246	372	149	123
Board	1,845	93	1,090	1,648	658	546
Bank service charges	608	476	285	777	181	360
Contract labor	-	-	-	-	-	-
Conferences and meetings	392	17	421	297	119	700
Dues and subscriptions	926	47	547	827	331	274
Education and training	2,106	106	1,245	1,882	751	622
Equipment rental and repairs	231	12	106	206	83	69
Insurance	967	49	571	863	345	286
Postage and delivery	2,085	102	1,200	1,813	724	640
Printing and reproduction	1,949	98	1,152	1,741	695	576
Professional fees	-	-	-	-	-	-
Consulting	3,269	165	1,932	2,920	1,166	967
Legal	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Rent	5,424	273	3,207	4,847	1,936	1,604
Telephone	2,456	117	1,493	2,073	828	686
Travel	4,200	131	2,006	2,324	928	2,482
Miscellaneous	-	-	397	-	-	-
Depreciation and amortization	2,631	133	1,554	2,350	939	779
<b>TOTAL EXPENSES</b>	<b>\$374,653</b>	<b>\$242,148</b>	<b>\$323,811</b>	<b>\$465,587</b>	<b>\$212,682</b>	<b>\$620,880</b>

<b>Supporting Services</b>								
<b>Relief</b>	<b>Human Trafficking</b>	<b>Hope Network</b>	<b>Other Programs</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>TOTAL</b>
\$107,113	\$150,974	\$ 39,753	\$10,444	\$2,189,406	\$ -	\$ -	\$ -	\$2,189,406
4,951	33,080	49,547	-	345,965	161,525	155,488	317,013	662,978
950	-	114	-	1,489	1,529	4,398	5,927	7,416
106	702	1,173	-	7,523	4,511	3,750	8,261	15,784
25	169	279	-	1,801	12,339	6,947	19,286	21,087
112	748	1,234	-	7,974	3,765	3,872	7,637	15,611
102	208	322	-	3,319	986	924	1,910	5,229
-	-	-	-	-	12,917	840	13,757	13,757
20	154	222	-	2,342	2,280	612	2,892	5,234
56	375	619	-	4,002	3,663	465	4,128	8,130
128	854	1,409	-	9,103	8,340	40	8,380	17,483
14	93	154	-	968	499	441	940	1,908
59	392	647	-	4,179	1,973	1,853	3,826	8,005
124	823	1,368	-	8,879	4,410	34,058	38,468	47,347
119	790	1,303	-	8,423	3,976	94,498	98,474	106,897
-	-	-	-	-	64,790	-	64,790	64,790
199	1,325	2,186	-	14,129	6,671	6,265	12,936	27,065
-	-	-	-	-	27,074	-	27,074	27,074
-	-	-	-	-	7,091	-	7,091	7,091
331	2,200	3,629	-	23,451	12,608	8,872	21,480	44,931
141	941	1,620	-	10,355	4,733	4,799	9,532	19,887
158	1,055	1,740	-	15,024	4,978	13,748	18,726	33,750
-	-	-	-	397	22,757	376	23,133	23,530
160	1,067	1,759	-	11,372	5,366	5,041	10,407	21,779
<b>\$114,868</b>	<b>\$195,950</b>	<b>\$109,078</b>	<b>\$10,444</b>	<b>\$2,670,101</b>	<b>\$378,781</b>	<b>\$347,287</b>	<b>\$726,068</b>	<b>\$3,396,169</b>