

CONSOLIDATED FINANCIAL STATEMENTS

WORLD HOPE INTERNATIONAL, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

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 the World Hope MicroCapital Fund, LLC (collectively, WHI), as of December 31, 2008 and 2007, 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 WHI'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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of WHI, as of December 31, 2008, 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 26, 2009

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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, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents (Note 11)	\$ 1,000,222	\$ 2,890,557
Cash and cash equivalents - field	326,714	215,487
Grants and accounts receivable, net of allowance for doubtful accounts of \$50,414 and \$52,696 in 2008 and 2007, respectively	2,224,403	1,339,580
Prepaid expenses	218,132	207,894
Loans receivable - MicroCap Fund (Note 10)	28,062	15,745
Investments (Notes 2 and 16)	4,399	2,218
Total current assets	3,801,932	4,671,481
FIXED ASSETS		
Land	21,232	21,232
Buildings	281,776	249,636
Furniture	159,550	127,942
Computer equipment	306,634	296,473
Work in process	691,074	-
Other	40,436	19,436
	1,500,702	714,719
Less: Accumulated depreciation and amortization	(324,085)	(200,515)
Net fixed assets	1,176,617	514,204
NON-CURRENT ASSETS		
Annuity receivable (Note 12)	38,513	38,513
Investments (Notes 2 and 16)	422,083	297,828
Deposits	31,067	25,927
Loans receivable - MicroCap Fund - long-term (Note 10)	249,282	129,370
Other	1,497	-
Total non-current assets	742,442	491,638
TOTAL ASSETS	\$ 5,720,991	\$ 5,677,323

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Notes payable - short-term (Note 8)	\$ 78,774	\$ -
Accounts payable	292,408	175,461
Other payables	11,611	3,763
Accrued expenses	204,600	132,194
Deferred rent abatement (Note 3)	14,178	20,924
Other current liabilities	<u>416,785</u>	<u>248,825</u>
Total current liabilities	<u>1,018,356</u>	<u>581,167</u>
NON-CURRENT LIABILITIES		
Deferred rent abatement - long-term (Note 3)	95,344	96,030
Notes payable - long-term (Note 8)	329,129	-
Other long-term liabilities	<u>51,537</u>	<u>23,606</u>
Total non-current liabilities	<u>476,010</u>	<u>119,636</u>
Total liabilities	<u>1,494,366</u>	<u>700,803</u>
NET ASSETS		
Unrestricted	1,025,808	2,038,377
Temporarily restricted (Note 5)	3,090,817	2,828,143
Permanently restricted (Notes 13 and 17)	<u>110,000</u>	<u>110,000</u>
Total net assets	<u>4,226,625</u>	<u>4,976,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,720,991</u>	<u>\$ 5,677,323</u>

WORLD HOPE INTERNATIONAL, INC.

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUE				
Contributions	\$ 3,538,778	\$ 5,793,819	\$ -	\$ 9,332,597
Federal grants and contracts (Note 14)	-	3,559,666	-	3,559,666
Grants-international sources	33,416	237,210	-	270,626
Donated goods and services-disaster relief	109,634	-	-	109,634
Donated goods and services-other programs	410,433	91,040	-	501,473
Investment income (Note 2)	169,798	11,095	-	180,893
Program income	1,079,839	19,190	-	1,099,029
Other income	37,857	4,556	-	42,413
Net assets released from restrictions (Note 6)	<u>9,453,902</u>	<u>(9,453,902)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,833,657</u>	<u>262,674</u>	<u>-</u>	<u>15,096,331</u>
EXPENSES				
Program Services:				
Community/Rural Development	1,305,270	-	-	1,305,270
Community Health/HIV/AIDS Programs	5,661,614	-	-	5,661,614
Education Initiatives/School Development	999,726	-	-	999,726
Hope Corps (Teams and Volunteers)	1,476,103	-	-	1,476,103
Hope for Children (Child Sponsorships)	1,557,502	-	-	1,557,502
Microfinance Development	1,274,426	-	-	1,274,426
Disaster Relief	346,442	-	-	346,442
Anti-Human Trafficking	1,124,574	-	-	1,124,574
Hope Network	-	-	-	-
Public Awareness and Education	427,238	-	-	427,238
Other Programs	<u>424,502</u>	<u>-</u>	<u>-</u>	<u>424,502</u>
Total program services	<u>14,597,397</u>	<u>-</u>	<u>-</u>	<u>14,597,397</u>
Supporting Services:				
Fundraising	737,300	-	-	737,300
General and Administrative	<u>511,529</u>	<u>-</u>	<u>-</u>	<u>511,529</u>
Total supporting services	<u>1,248,829</u>	<u>-</u>	<u>-</u>	<u>1,248,829</u>
Total expenses	<u>15,846,226</u>	<u>-</u>	<u>-</u>	<u>15,846,226</u>
Changes in net assets	(1,012,569)	262,674	-	(749,895)
Net assets at beginning of year	<u>2,038,377</u>	<u>2,828,143</u>	<u>110,000</u>	<u>4,976,520</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,025,808</u>	<u>\$ 3,090,817</u>	<u>\$ 110,000</u>	<u>\$ 4,226,625</u>

See accompanying notes to consolidated financial statements.

2007			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
3,226,894	4,805,359	-	8,032,253
-	2,000,888	-	2,000,888
6,838	188,563	-	195,401
238,925	77,642	-	316,567
203,878	88,965	-	292,843
183,302	23,219	-	206,521
579,069	5,505	-	584,574
165,603	6,132	-	171,735
<u>6,946,780</u>	<u>(6,946,780)</u>	<u>-</u>	<u>-</u>
<u>11,551,289</u>	<u>249,493</u>	<u>-</u>	<u>11,800,782</u>
1,122,866	-	-	1,122,866
2,894,140	-	-	2,894,140
1,491,656	-	-	1,491,656
961,790	-	-	961,790
1,289,848	-	-	1,289,848
730,289	-	-	730,289
523,965	-	-	523,965
682,466	-	-	682,466
12,000	-	-	12,000
395,888	-	-	395,888
213,839	-	-	213,839
<u>10,318,747</u>	<u>-</u>	<u>-</u>	<u>10,318,747</u>
510,853	-	-	510,853
<u>946,365</u>	<u>-</u>	<u>-</u>	<u>946,365</u>
<u>1,457,218</u>	<u>-</u>	<u>-</u>	<u>1,457,218</u>
<u>11,775,965</u>	<u>-</u>	<u>-</u>	<u>11,775,965</u>
(224,676)	249,493	-	24,817
<u>2,263,053</u>	<u>2,578,650</u>	<u>110,000</u>	<u>4,951,703</u>
<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.

WORLD HOPE INTERNATIONAL, INC.

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services							
	Community/ Rural Development	Community Health/ HIV/AIDS Programs	Education Initiatives/ School Development	Hope Corps	Hope for Children	Microfinance Development	Disaster Relief	
Salaries and related benefits-US staff/foreign national staff (Note 4)	\$ 236,957	\$ 828,291	\$ 48,703	\$ 125,219	\$ 130,791	\$ 441,475	\$ 63,072	\$ 430,730
Grants to other organizations	43,638	1,202,623	337,844	-	596,244	37,000	117,115	85,604
Travel	30,498	220,061	5,983	738,956	29,494	125,021	5,999	71,830
Construction and repairs-schools, wells, other	345,337	299,657	396,220	1,385	-	-	-	3
Occupancy (Note 3)	19,945	90,955	33,747	-	762	32,514	-	90,389
Child sponsorship	-	-	-	-	399,646	-	-	-
Donated goods and services	-	12,929	570	91,040	233,097	127,091	109,634	-
Vehicle purchase/operations	202,383	379,769	7,926	-	7,916	39,703	5,852	30,911
Printing and production/video production	463	17,578	3,091	1,971	16,710	4,772	66	35,260
Orphans and vulnerable children/victim care expenses	1,767	524,321	138	-	357	-	-	67,441
Grants to affiliates	-	99,836	-	-	-	-	-	38,333
Professional fees	141	68,380	13,350	1,781	561	49,084	113	956
School equipment/supplies/scholarships	1,984	185,379	69,788	-	10,016	-	-	-
Education and training	21,586	178,108	9,482	3,655	2,527	9,242	-	18,550
Volunteer activities	883	53,407	191	440,364	311	-	-	1,667
Agricultural inputs/animal husbandry	134,636	244,634	106	-	-	-	-	-
Office expenses	7,696	52,963	7,091	654	8,500	52,639	356	13,656
Depreciation/loss on sale of assets	-	13,524	-	-	-	-	3,763	-
Contract labor/temporary staffing	4,031	24,109	10,433	13,000	3,994	13,832	-	29,521
IT/electronic communications	13,768	73,168	13,776	2,345	6,667	39,935	4,666	24,963
Equipment purchase/maintenance/repairs	5,735	79,525	2,487	4,192	1,004	12,422	113	10,381
Postage/shipping	8,786	34,510	6,214	1,544	25,773	2,264	2,006	4,229
Financial fees and expense	2,614	19,442	791	-	1,408	55,022	-	2,344
Recruiting	-	6,723	8	-	-	-	432	1,168
Media/public awareness	326	51,866	612	-	10,247	291	2,907	31,282
Dues and subscriptions	18,444	143	-	-	185	890	5	595
Relief/medical supplies	-	8,124	11	-	-	-	24,987	-
Interest and fees	2	-	-	-	-	13,170	-	-
Other program expenses	1,673	4,650	6,891	-	1,562	1,759	-	2,577
Conferences/meetings	51	4,132	1,559	549	429	4,847	735	2,468
In-Country Board expenses	10	-	-	-	-	3,783	-	-
Insurance	-	23	-	-	-	-	2,299	-
Website hosting/design/maintenance	-	-	-	-	-	-	1,733	-
Keyman life insurance	-	-	-	-	-	-	-	-
Licenses/permits/personal property taxes	-	706	125	-	-	686	589	110
Contributions/gifts	-	1,713	-	32	79	-	-	77
Miscellaneous expenses	-	-	1,204	-	-	-	-	-
Microfinance loan expenses	-	7,547	-	-	-	163,899	-	-
Microfinance loan expenses - WHI MicroCapital Fund LLC	-	-	-	-	-	1,539	-	-
Capitalization of training center cost	-	-	-	-	-	-	-	-
Indirect applied	201,916	872,818	21,385	49,416	69,222	41,546	-	129,529
TOTAL	\$ 1,305,270	\$ 5,661,614	\$ 999,726	\$1,476,103	\$ 1,557,502	\$ 1,274,426	\$ 346,442	\$1,124,574

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services (Continued)			Supporting Services			Total Expenses
	Public Awareness and Education	Other Programs	Total Program Services	Fundraising	General and Administrative (HQ)	Total Supporting Services	
Salaries and related benefits-US staff/foreign national staff (Note 4)	\$ 137,141	\$ 337,432	\$ 2,779,811	302,126	\$ 763,636	\$ 1,065,762	\$ 3,845,573
Grants to other organizations	-	21,693	2,441,761	-	10,000	10,000	2,451,761
Travel	48,536	135,445	1,411,823	21,581	38,550	60,131	1,471,954
Construction and repairs-schools, wells, other	-	644,893	1,687,495	-	-	-	1,687,495
Occupancy (Note 3)	-	62,477	330,789	-	305,032	305,032	635,821
Child sponsorship	-	-	399,646	-	-	-	399,646
Donated goods and services	-	14,121	588,482	2,019	20,606	22,625	611,107
Vehicle purchase/operations	118	123,188	797,766	29	97	126	797,892
Printing and production/video production	90,507	2,544	172,962	125,655	3,528	129,183	302,145
Orphans and vulnerable children/victim care expenses	-	-	594,024	-	-	-	594,024
Grants to affiliates	-	83,411	221,580	-	-	-	221,580
Professional fees	171	3,708	138,245	89,880	106,747	196,627	334,872
School equipment/supplies/scholarships	-	-	267,167	-	-	-	267,167
Education and training	118	6,031	249,299	184	4,987	5,171	254,470
Volunteer activities	-	102	496,925	-	-	-	496,925
Agricultural inputs/animal husbandry	-	40	379,416	-	-	-	379,416
Office expenses	883	38,183	182,621	578	39,889	40,467	223,088
Depreciation/loss on sale of assets	2,567	2,933	22,787	7,120	93,663	100,783	123,570
Contract labor/temporary staffing	27,500	18,808	145,228	-	-	-	145,228
IT/electronic communications	1,184	30,532	211,004	1,611	38,747	40,358	251,362
Equipment purchase/maintenance/repairs	-	23,304	139,163	-	6,084	6,084	145,247
Postage/shipping	28,891	4,352	118,569	33,790	20,337	54,127	172,696
Financial fees and expense	-	1,096	82,717	8,425	62,756	71,181	153,898
Recruiting	-	10,994	19,325	8,873	17,640	26,513	45,838
Media/public awareness	29,015	2,963	129,509	7,716	3,631	11,347	140,856
Dues and subscriptions	636	1,744	22,642	4,286	3,652	7,938	30,580
Relief/medical supplies	-	12,915	46,037	-	-	-	46,037
Interest and fees	-	82	13,254	-	9,071	9,071	22,325
Other program expenses	11	936	20,059	-	-	-	20,059
Conferences/meetings	949	3,420	19,139	1,268	5,947	7,215	26,354
In-Country Board expenses	-	1,228	5,021	-	10,301	10,301	15,322
Insurance	-	193	2,515	-	12,689	12,689	15,204
Website hosting/design/maintenance	4,423	-	6,156	782	220	1,002	7,158
Keyman life insurance	-	-	-	-	5,132	5,132	5,132
Licenses/permits/personal property taxes	-	1,198	3,414	2,080	4,897	6,977	10,391
Contributions/gifts	468	56	2,425	35	5,693	5,728	8,153
Miscellaneous expenses	-	1,612	2,816	48	1,105	1,153	3,969
Microfinance loan expenses	-	-	171,446	-	-	-	171,446
Microfinance loan expenses - WHI MicroCapital Fund LLC	-	-	1,539	-	-	-	1,539
Capitalization of training center cost	-	(691,074)	(691,074)	-	-	-	(691,074)
Indirect applied	54,120	(476,058)	963,894	119,214	(1,083,108)	(963,894)	-
TOTAL	\$ 427,238	\$ 424,502	\$ 14,597,397	\$ 737,300	\$ 511,529	\$ 1,248,829	\$ 15,846,226

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 (Note 4)	\$ 191,862	\$ 560,104	\$ 48,332	\$ 114,106	\$ 114,806	\$ 338,611	\$ 69,680
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 (Note 3)	15,067	47,872	35,882	600	322	27,493	7,200	76,984
Donated goods and services	-	70,616	-	16,094	156,890	-	309,367	-
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	-	-	-	-	3,763	-
Orphans and vulnerable children/victim care expenses	253	169,732	3,451	-	-	-	-	35,192
Office expenses	4,326	29,232	8,998	1,738	5,528	32,968	1,255	10,537
School equipment/supplies/scholarships	4,172	73,989	60,686	487	110	-	-	25
IT/electronic communications	6,566	58,160	6,947	5,475	4,868	27,128	1,000	21,070
Postage/shipping	3,419	16,669	51,630	1,332	13,454	484	465	1,154
Professional fees	128	20,188	4,375	92	1,175	20,674	-	879
Microfinance loan expenses	-	-	-	-	-	42,631	-	105
Financial fees and expense	3,106	2,455	5,670	-	1,290	16,603	-	(728)
Equipment purchase/maintenance/repairs	3,612	42,494	2,361	-	962	7,701	-	4,033
Relief/medical supplies	1,526	4,042	-	-	-	-	8,690	12,319
Media/public awareness	38	35,992	262	832	11,875	20	-	1,481
In-Country Board expenses	-	-	-	-	-	3,833	-	-
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	-	-	-	-	-	-	2,872	86
Website hosting/design/maintenance	-	-	-	-	-	-	-	378
Recruiting	2	2,050	2	-	-	-	-	509
Keyman life insurance	-	-	-	-	-	-	-	-
Contributions/gifts	5	658	168	25	1,740	10	-	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					
	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	Total Expenses
Salaries and related benefits-US staff/foreign national staff (Note 4)	\$ -	\$ 166,983	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 (Note 3)	-	-	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	-	-	861	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	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	-	84,373	3,658	610,905	107,028	(717,933)	-	(610,905)	-
TOTAL	\$12,000	\$ 395,888	\$213,839	\$ 10,318,747	\$ 510,853	\$ 608,329	\$ 338,036	\$1,457,218	\$11,775,965

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (749,895)	\$ 24,817
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	123,570	107,261
Donated securities	(77,403)	(126,023)
Loss on disposals of fixed assets	-	41,424
Unrealized gain on investments	(156,509)	(64,944)
Realized loss on investments	1,542	674
(Increase) decrease in:		
Grants and accounts receivable	(884,823)	(355,329)
Prepaid expenses	(10,238)	(124,310)
Loans receivable - MicroCap Fund	(132,229)	(145,115)
Deposits	(5,140)	9,908
Other non-current assets	(1,497)	-
Increase (decrease) in:		
Accounts payable	116,947	24,077
Other payables	7,848	231
Accrued expenses	72,406	(65,644)
Deferred rent abatement	(7,432)	116,954
Other current liabilities	167,960	20,246
Other long-term liabilities	<u>27,931</u>	<u>20,451</u>
Net cash used by operating activities	<u>(1,506,962)</u>	<u>(515,322)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(785,983)	(322,437)
Proceeds from sale of investments	105,934	125,349
Proceeds from sale of fixed assets	<u>-</u>	<u>649</u>
Net cash used by investing activities	<u>(680,049)</u>	<u>(196,439)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	422,940	-
Repayment of notes payable	<u>(15,037)</u>	<u>-</u>
Net cash provided by financing activities	<u>407,903</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,779,108)	(711,761)
Cash and cash equivalents at beginning of year	<u>3,106,044</u>	<u>3,817,805</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,326,936</u>	<u>\$ 3,106,044</u>

See accompanying notes to consolidated financial statements.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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. World Hope International, Inc.'s mission is to alleviate suffering, injustice and poverty. It pursues this mission by identifying and equipping field-based leadership and, with them, implementing responses that are positive and sustainable. These responses address education, community development, human trafficking, microfinance, agriculture, emergency assistance and community health. The financial statements include the accounts of World Hope International, Inc., but do not include the various foreign locations which World Hope International, Inc. may support but over which it has no legal or direct control.

During 2006, World Hope International, Inc. created the World Hope MicroCapital Fund, LLC, 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 World Hope International, Inc. and the World Hope MicroCapital Fund, LLC (collectively, WHI) as of December 31, 2008. 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, WHI 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 \$326,714 of cash and cash equivalents held in financial institutions and on hand in foreign countries at December 31, 2008. 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, 2008 AND 2007

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

Fixed assets -

Fixed assets 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 -

World Hope International, Inc. 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. World Hope International, Inc. is not a private foundation.

For the purpose of corporate tax reporting for the World Hope MicroCapital Fund, LLC, all financial transactions are reported under World Hope International, Inc.'s filing status.

Uncertain tax positions -

In June 2006, the FASB released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As defined by the guidance in FSP FIN 48-3, WHI is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, WHI has not implemented those provisions in the 2008 consolidated financial statements.

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, WHI continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, WHI has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Net asset classification -

The net assets of WHI 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 WHI and include both internally designated and undesignated resources.

WORLD HOPE INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of WHI 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 WHI.

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 consolidated 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 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties -

WHI invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements

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.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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

Fair value measurements -

WHI adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. WHI accounts for its financial instruments at fair value or considers fair value in their measurement.

Reclassification -

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

2. INVESTMENTS

At December 31, 2008 and 2007, the investments consisted of the following, which are reflected at their market value:

	2008	2007
Marketable Securities	\$ 4,399	\$ 2,218
9% Share of Credit Limited (A Microfinance Institute of Cambodia)	422,083	297,828
	\$ 426,482	\$ 300,046

Included in investment income are the following:

Interest and dividends	\$ 25,926	\$ 142,251
Realized loss	(1,542)	(674)
Unrealized gain	156,509	64,944
TOTAL INVESTMENT INCOME	\$ 180,893	\$ 206,521

3. LEASE COMMITMENT

On January 1, 2007, WHI signed a letter of agreement for the occupancy of Suite 200 beginning 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. On April 9, 2009, WHI signed a sublease agreement for Suite 202 beginning May 1, 2009 and expiring April 30, 2012. 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, 2008 AND 2007**

3. LEASE COMMITMENT (Continued)

At December 31, 2008, future minimum payments required under the leases are as follows:

<u>Year Ended December 31,</u>		
2009	\$	293,052
2010		300,086
2011		307,288
2012		314,663
2013		<u>79,129</u>
	\$	<u>1,294,218</u>

Rent expense for WHI headquarters totaled \$297,549 and \$222,606 during the years ended December 31, 2008 and 2007, 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, 2008 and 2007, total retirement expense was \$185,261 and \$148,895, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008 and 2007, temporarily restricted net assets consist of funds designated for the following:

	<u>2008</u>	<u>2007</u>
Community/Rural Development	\$ 563,905	\$ 516,043
Community Health/HIV/AIDS Programs	139,105	535,361
Education Initiatives/School Development	456,074	130,499
Hope Corp Program (Teams and Volunteers)	161,720	216,815
Hope for Children (Child Sponsorship)	106,733	108,655
Microfinance Development	850,181	250,621
Disaster Relief	127,234	265,203
Anti-Human Trafficking	114,443	86,047
Special Projects	14,369	183,500
Other Projects	3,410	5,796
WHI MicroCapital Fund, LLC	<u>553,643</u>	<u>529,603</u>
	<u>\$ 3,090,817</u>	<u>\$ 2,828,143</u>

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

6. NET ASSETS RELEASED FROM RESTRICTIONS

During the years ended December 31, 2008 and 2007, 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:

	<u>2008</u>	<u>2007</u>
Community/Rural Development	\$ 870,890	\$ 864,428
Community Health/HIV/AIDS Programs	4,222,669	2,503,513
Education Initiatives/School Development	664,385	970,129
Hope Corp Program (Teams and Volunteers)	1,278,847	765,476
Hope for Children (Child Sponsorship)	961,993	854,236
Microfinance Development	213,427	115,878
Disaster Relief	190,700	258,278
Anti-Human Trafficking	690,688	529,869
Special Projects	331,918	62,856
Other Projects	26,450	22,117
WHI MicroCapital Fund, LLC	<u>1,935</u>	<u>-</u>
	<u>\$ 9,453,902</u>	<u>\$ 6,946,780</u>

7. LINE OF CREDIT

WHI has a line of credit with Chevy Chase Bank for \$100,000, 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, 2008 and 2007, there were no borrowings on the line of credit.

8. NOTES PAYABLE

On May 21, 2008 WHI's Microfinance Program in Sierra Leone, Hope Micro, entered into a loan agreement with the United Nations Development Program (UNDP) for \$76,778. This is an interest free, unsecured loan, with the principal due in full on May 21, 2011. On June 1, 2008, Hope Micro entered into a loan agreement with Cordaid for \$346,162. The principal is due in full on June 1, 2014. Interest is payable monthly at 13%. At December 31, 2008 and 2007, Hope Micro's long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Notes payable - UNDP	\$ 68,773	\$ -
Notes payable - Cordaid	339,129	-
Less: Current portion of long-term debt	<u>(78,774)</u>	<u>-</u>
	<u>\$ 329,128</u>	<u>\$ -</u>

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

9. ALLOCATION OF JOINT COSTS

During 2008 and 2007, WHI conducted activities that included appeals for contributions and incurred joint costs of \$313,422 and \$265,189, respectively. These activities included direct mail.

Joint costs were allocated as follows:

	<u>2008</u>	<u>2007</u>
Public Awareness and Education Program	\$ 259,744	\$ 220,710
Fundraising	<u>53,678</u>	<u>44,479</u>
	<u>\$ 313,422</u>	<u>\$ 265,189</u>

10. 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. MicroCap shares office space, personnel, project revenues and other resources with WHI, and as a result, they incur costs on behalf of one another. Costs and revenues are allocated between the two organizations based on actual expenses or revenues.

As of December 31, 2008, MicroCap had total assets of \$655,309, which included loans receivable of \$425,255. During 2008, WHI had intercompany revenues and expenses of \$150,097 and \$60,000, respectively. Intercompany interest earned from Hope Micro (WHI's Microfinance program in Sierra Leone) was \$11,570.

Outstanding MicroCap loans as of December 31, 2008 are as follows:

<u>Borrower*</u>	<u>Country</u>	<u>Amount (\$)</u>	<u>Rate (%)</u>	<u>Term (years)**</u>	<u>Issued</u>	<u>Outstanding Principal at December 31, 2008</u>
CREDIT Limited	Cambodia	\$ 150,000	10.75%	5-7	August 2007	\$ 130,747
Hope Micro	Sierra Leone	150,000	9.5%	5-10	February 2008	147,912
LEAP (Local Enterprise Assistance Program)	Liberia	<u>150,000</u>	7.5%	5-10	September 2008	<u>146,596</u>
TOTAL		<u>\$ 450,000</u>				<u>\$ 425,255</u>

* Each borrower is a Microfinance institution.

**5-7 terms means the outstanding principal is due in 5 years, but the loan is amortized over 7 years.

**5-10 terms means the outstanding principal is due in 5 years, but the loan is amortized over 10 years.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

11. CASH

During 2008 and 2007, WHI held cash of \$416,257 and \$541,987, respectively, to meet the restrictions of the Wesleyan Investment Foundation Endowment, the Charitable Gift Annuity Program and the World Hope MicroCapital Fund, LLC.

12. GIFT ANNUITY RECEIVABLE

During 2003, WHI recorded two charitable gift annuities. The value of the remaining charitable gift annuity at 2008 and 2007 was \$38,513 and \$38,513, respectively.

13. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2008 and 2007, 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.

14. 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 2008. 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.

15. RELATED PARTY TRANSACTIONS

John Lyon, son of Founder and former Chief Executive Officer, Jo Anne Lyon, received \$8,000 and \$3,900 in 2008 and 2007, respectively, for consulting services to WHI.

16. FAIR VALUE MEASUREMENTS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, WHI has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market WHI has the ability to access.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

16. FAIR VALUE MEASUREMENTS (Continued)

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2008</u>
Asset Category:				
Marketable Securities	\$ 4,399	\$ -	\$ -	\$ 4,399
9% Share of Credit Limited (A Microfinance Institute of Cambodia)	-	-	422,083	422,083
TOTAL	\$ 4,399	\$ -	\$ 422,083	\$ 426,482

Level 3 Financial Assets

The following table provides a summary of changes in fair value of WHI's financial assets for the year ended December 31, 2008:

	<u>Investments</u>
Beginning balance as of January 1, 2008	\$ 297,828
Unrealized gain on investments	124,255
BALANCE AS OF DECEMBER 31, 2008	\$ 422,083

17. ENDOWMENT

WHI's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

17. ENDOWMENT (Continued)

As a result of this interpretation, WHI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by WHI in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, WHI considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>110,000</u>	\$ <u>110,000</u>

Changes in endowment net assets for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 110,000	\$ 110,000
Investment income:				
Interest and dividends	-	4,961	-	4,961
Transfer of earnings to program	<u>-</u>	<u>(4,961)</u>	<u>-</u>	<u>(4,961)</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <u>-</u>	\$ <u>110,000</u>	\$ <u>110,000</u>

Return Objectives and Risk Parameters -

WHI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets.

WORLD HOPE INTERNATIONAL, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

17. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is long-term oriented. The primary objective will be to provide for consistent long-term growth of principal, without undue exposure to risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, WHI relies on a total-return strategy in which investment returns are achieved through current yield (interest and dividends). WHI targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Currently, WHI does not have a spending policy. Spending is in accordance with any donor-imposed restrictions. Accordingly, over the long-term, WHI expects to allow its endowment to grow annually. This is consistent with WHI's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.