

HOPE INTERNATIONAL

***CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2011

HOPE INTERNATIONAL

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Consolidated Statement of Financial Position,</i> December 31, 2011	2
<i>Consolidated Statement of Activities,</i> Year ended December 31, 2011	3
<i>Consolidated Statement of Changes in Unrestricted Net Assets,</i> Year ended December 31, 2011	4
<i>Consolidated Statement of Functional Expenses,</i> Year ended December 31, 2011	5
<i>Consolidated Statement of Cash Flows,</i> Year ended December 31, 2011	6
<i>Notes to Consolidated Financial Statements</i>	7-20
SUPPLEMENTAL INFORMATION	
<i>Consolidating Statement of Financial Position,</i> December 31, 2011	21
<i>Consolidating Statement of Activities,</i> Year ended December 31, 2011	23

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
Hope International
Lancaster, Pennsylvania**

We have audited the accompanying consolidated statement of financial position of Hope International as of December 31, 2011, and the related consolidated statements of activities, changes in unrestricted net assets, functional expenses and cash flows for the year ended December 31, 2011. These consolidated financial statements are the responsibility of the Organization'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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope International as of December 31, 2011, and the changes in its net assets and its cash flows for the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming the opinion on the consolidated financial statements referred to above taken as a whole. The accompanying supplemental consolidating statement of financial position and consolidating statement of activities, on pages 21 and 23, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
September 29, 2012**

HOPE INTERNATIONAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 5,156,351
Contribution receivable	1,213,986
Microfinance loans receivable, net	3,968,910
Interest receivable	46,053
Other receivables	102,020
Prepaid expenses and other assets	<u>111,773</u>
Total Current Assets	<u>10,599,093</u>

NONCURRENT ASSETS

Cash and cash equivalents – board designated endowment	1,642,420
Investments	800,606
Property and equipment, net	705,962
Other long-term assets	204,123
Loan receivable, net	100,000
Minority interest in net assets	<u>1,305,617</u>
Total Assets	<u>\$15,357,821</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 514,782
Interest payable	69,527
Unearned revenue	36,474
Current portion of notes payable	2,011,571
Client deposits	694,580
Security deposits and other liabilities	<u>3,820</u>
Total Current Liabilities	<u>3,330,754</u>

NOTES PAYABLE

Total Liabilities	<u>911,000</u>
	<u>4,241,754</u>

NET ASSETS

Unrestricted	
Net assets	7,076,152
Board designated for endowment	
First loss reserve – HOPE notes	500,000
Investment	1,142,420
Noncontrolling interest	<u>229,931</u>
Total Unrestricted Net Assets	8,948,503
Temporarily restricted	1,385,168
Permanently restricted	<u>782,396</u>
Net Assets	<u>11,116,067</u>
Total Liabilities and Net Assets	<u>\$15,357,821</u>

The accompanying notes are an integral part of these financial statements.

HOPE INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Contributions (includes in-kind support of \$278,230)	\$ 3,241,917	\$ 4,351,530	\$220,187	\$ 7,813,634
Special events, net of direct expenses of \$17,022	356,877	399,675	25,000	781,552
Investment return designated for current operations	12,318	20,322	-	32,640
Interest income	2,456,141	-	-	2,456,141
Rental revenue	41,745	-	-	41,745
Less expenses (including depreciation)	<u>34,001</u>	<u>-</u>	<u>-</u>	<u>34,001</u>
Net rental income	<u>7,744</u>	<u>-</u>	<u>-</u>	<u>7,744</u>
Minority interest in income of a microfinance institution	76,001	-	-	76,001
Other income	<u>635</u>	<u>-</u>	<u>-</u>	<u>635</u>
Total support and revenue before net assets released from restrictions	6,151,633	4,771,527	245,187	11,168,347
Net assets released from restrictions	<u>4,733,664</u>	<u>(4,733,664)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>10,885,297</u>	<u>37,863</u>	<u>245,187</u>	<u>11,168,347</u>
FUNCTIONAL EXPENSES				
Program services	7,438,530	-	-	7,438,530
Management and general	506,008	-	-	506,008
Fundraising	<u>1,219,982</u>	<u>-</u>	<u>-</u>	<u>1,219,982</u>
Total expenses	<u>9,164,520</u>	<u>-</u>	<u>-</u>	<u>9,164,520</u>
Excess of revenues over expenses	1,720,777	37,863	245,187	2,003,827
OTHER CHANGES				
Investment return in excess of amounts designated for current operations	-	-	6,269	6,269
Net realized loss on foreign currency transactions	(10,471)	-	-	(10,471)
Loss on foreign currency translation	<u>(95,739)</u>	<u>-</u>	<u>-</u>	<u>(95,739)</u>
Total other changes	<u>(106,210)</u>	<u>-</u>	<u>6,269</u>	<u>(99,941)</u>
CHANGE IN NET ASSETS	1,614,567	37,863	251,456	1,903,886
NET ASSETS				
Beginning of year	<u>7,333,936</u>	<u>1,347,305</u>	<u>530,940</u>	<u>9,212,181</u>
End of year	<u>\$ 8,948,503</u>	<u>\$ 1,385,168</u>	<u>\$782,396</u>	<u>\$11,116,067</u>

HOPE INTERNATIONAL

CONSOLIDATED STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

For the year ended December 31, 2011

	<u>Unrestricted HOPE</u>	<u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u>	<u>Total</u>
Unrestricted net assets, December 31, 2010	\$ 7,027,765	\$306,171	\$ 7,333,936
Change in unrestricted net assets	<u>1,690,807</u>	<u>(76,240)</u>	<u>1,614,567</u>
Unrestricted net assets, December 31, 2011	<u>\$ 8,718,572</u>	<u>\$229,931</u>	<u>\$ 8,948,503</u>

HOPE INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011

2011	Program Services			Management And General	Fundraising	Total
	Microfinance		Total			
	Overseas Entities	United States Entities				
Salaries	\$1,464,401	\$1,133,517	\$2,597,918	\$325,067	\$ 765,250	\$3,688,235
Payroll taxes	244,454	92,488	336,942	28,075	61,343	426,360
Employee benefits	88,002	200,728	288,730	41,078	121,895	451,703
Other staff expenses	106,910	296,915	403,825	34,854	14,823	453,502
Insurance	4,791	1,450	6,241	4,232	542	11,015
Professional services	81,960	219,858	301,818	7,020	6,957	315,795
Office expenses	511,634	101,392	613,026	38,901	57,596	709,523
HOPE trips	-	450,342	450,342	-	-	450,342
Tomorrow Clubs	47,918	171,161	219,079	-	-	219,079
Education	2,530	109,752	112,282	-	-	112,282
Marketing	-	13,064	13,064	4,748	30,819	48,631
Travel	223,771	221,099	444,870	163	52,875	497,908
Finance expenses – interest and fees	132,214	37,085	169,299	1,341	26,920	197,560
Depreciation	46,829	21,656	68,485	8,137	11,438	88,060
Printing and reproduction	5,226	1,964	7,190	174	49,494	56,858
Loan loss reserve/(recapture), net	(62,158)	125,000	62,842	-	-	62,842
Other expenses	126,441	38,440	164,881	12,218	20,030	197,129
Grants to partners	-	1,120,015	1,120,015	-	-	1,120,015
Taxes	54,704	2,977	57,681	-	-	57,681
	<u>\$3,079,627</u>	<u>\$4,358,903</u>	<u>\$7,438,530</u>	<u>\$506,008</u>	<u>\$1,219,982</u>	<u>\$9,164,520</u>

HOPE INTERNATIONAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

OPERATING ACTIVITIES

Change in net assets	\$ 1,903,886
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	20,326
Loan loss reserve, net	62,842
Minority interest in income of a microfinance institution	(76,001)
Donated property available for resale	(89,300)
Donated computer software	(35,000)
Depreciation	103,893
Contributions restricted for endowment	(245,187)
(Increase) decrease in operating assets	
Contributions receivable	307,891
Prepaid expenses and other assets	2,377
Interest receivable	(19,439)
Other long term assets	(3,657)
Other receivables	200,215
Increase (decrease) in operating liabilities	
Unearned revenue	(51,729)
Interest payable	17,482
Accounts payable and accrued expense	116,308
Client deposits	134,133
Security deposits and other liabilities	<u>1,500</u>
Net cash provided by operating activities	<u>2,350,540</u>

INVESTING ACTIVITIES

Purchase of property, plant and equipment	(28,448)
Purchase of investments	(279,171)
Issuance of microfinance loans, net	(1,010,105)
Issuance of notes receivable	(100,000)
Repayment of notes receivable	<u>300,000</u>
Net cash used in investing activities	<u>(1,117,724)</u>

FINANCING ACTIVITIES

Proceeds from notes payable, net	133,280
Contributions restricted for endowments	<u>245,187</u>
Net cash provided by financing activities	<u>378,467</u>

Net decrease in cash and cash equivalents 1,611,283

CASH AND CASH EQUIVALENT

Beginning of year	<u>3,545,068</u>
End of year	<u>\$ 5,156,351</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 103,661</u>
--	-------------------

The accompanying notes are an integral part of these financial statements.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

(1) NATURE OF ORGANIZATION

HOPE International is a global, faith-based, 501(c)(3) non-profit organization focused on poverty alleviation through microenterprise development. HOPE International's vision is to enable sustainable economic development that results in significant and lasting change, temporal and eternal, in the lives of many people living in poverty. HOPE International accomplishes this vision through microfinance, making small loans to individual entrepreneurs and small business owners in developing countries, and by actively supporting complementary ministries through churches, with a focus on children. HOPE International was incorporated in 1996 and through its network currently serves in Afghanistan, Burundi, China, the Democratic Republic of Congo, the Dominican Republic, Haiti, India, Moldova, Peru, Philippines, the Republic of Congo, Romania, Russia, Rwanda, Ukraine and Zimbabwe.

HOPE International raises funds from several sources such as churches, foundations, and individuals to support its programs. In addition, HOPE International offers multiple mission trip opportunities each year.

Hope Global Investment Fund ("**HGIF**") is incorporated as a low profit limited liability corporation in the state of Vermont and is controlled by HOPE International. The mission of HGIF is to support microenterprise development through offering unsecured notes to accredited investors to leverage lending activities in established microfinance institutions.

Higher Impact Properties, LLC ("**HIP**"), a Pennsylvania limited liability corporation, manages rental properties which HOPE International has acquired or received as donations. Through its subsidiary HIP, HOPE International owns and operates several rental properties in Pennsylvania. These sources of funds contribute to HOPE International's work around the world.

Hope Advancement, Inc. is incorporated as a not-for-profit in the state of Delaware and has applied for 501(c)(3) status from the United States Internal Revenue Service. Hope Advancement, Inc. was created during the year ended December 31, 2011, for the primary purpose of holding equity positions in HOPE International's controlled subsidiaries. Hope Advancement has an equity interest of \$3,684,078, including a noncontrolling interest of \$229,931, in microfinance entities in Ukraine, Russia, Afghanistan, the Democratic Republic of Congo and the Republic of Congo. Accordingly, Hope Advancement and its wholly and majority-owned microfinance entities are consolidated in HOPE International's financial statements. A description of the type of legal entity and the percentage of Hope Advancement's ownership interest in the microfinance entities included in the consolidation follows:

- (i) HOPE Congo is a wholly owned microfinance institution registered in the Republic of Congo as a for-profit public limited company and is registered with the Central African Bank Commission.
- (i) HOPE DRC is a wholly owned microfinance institution registered in the Democratic Republic of Congo as a for-profit public limited company and is regulated by the Central Bank of Congo.
- (iii) HOPE Ukraine is a wholly owned microfinance institution registered in Ukraine as a Finance Company, a for-profit limited liability company, with the Ukraine State Regulatory Committee of Markets of Financial Services. HOPE Ukraine is controlled through equity holdings held directly by HOPE and two non-profits based in Uzhgorod and Zaporozhye, Ukraine, which HOPE International controls.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

- (iv) HOPE Russia is a wholly owned microfinance institution registered in Russia as a non-governmental organization.
- (v) Hope for Life is a majority-owned microfinance institution registered in Afghanistan as a Microfinance Company, a for-profit joint stock limited liability company, that is registered with the Afghanistan Investment Support Agency. HOPE has a 69% ownership interest in Hope for Life as of December 31, 2011.

The consolidated financial statements include the accounts of HOPE International, Hope Advancement, Inc., Hope Global Investment Fund and Higher Impact Properties, LLC. The consolidated financial statements also include the accounts of the following microfinance institutions: HOPE Congo in the Republic of Congo, HOPE Ukraine in Ukraine, HOPE Russia in Russia, HOPE DRC in the Democratic Republic of Congo and Hope for Life in Afghanistan (collectively “*HOPE*”). Prior to 2011, HOPE did not consolidate the HOPE DRC and HOPE Russia foreign microfinance entities due to uncertainties and restrictions regarding their control of the operations and assets within these respective countries. HOPE management believes such restrictions regarding their operations of these foreign microfinance institutions have been alleviated effective for 2011 and sufficient control of these entities rest with HOPE. In conjunction with the consolidation of these two additional entities and a related adjustment to HGIF’s beginning net assets, the beginning net assets of HOPE have been adjusted by \$1,141,222.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of HOPE have been prepared on the accrual basis of accounting. All material intercompany accounts and transactions have been eliminated. For the microfinance entity in Afghanistan in which HOPE owns less than 100%, the noncontrolling interest is recorded and reflected as a component of unrestricted net assets in the consolidated statement of financial position.

SUBSEQUENT EVENTS

Subsequent events after the date of the statement of financial position through the date that the financial statements were available for issuance, September 29, 2012, have been evaluated in the preparation of the financial statements.

CASH AND CASH EQUIVALENTS

HOPE considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for money market funds which have been designated for long-term investment, including those funds reflected as cash and cash equivalents – board designated endowment on the Statement of Position.

INVESTMENTS

Marketable securities are stated at their market value.

LOANS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Loans receivable represent monies loaned to microfinance organizations in developing countries for the purpose of lending monies to individuals and business owners. These loans are unsecured. HOPE uses the allowance method to account for uncollectible receivables. An allowance for estimated loan losses is based on management’s estimates of the ability of the microfinance organizations to repay, current economic conditions and historical information.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

MICROFINANCE ENTERPRISE LOANS

Microfinance loans receivable are carried at their estimated collectible amounts. Interest income on loans receivable is recognized using the interest method. Interest income on impaired loans is recognized as cash is collected.

Microfinance loans receivable are periodically evaluated for collectibility based on past credit history with clients and their current financial condition. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, and current economic conditions. Management believes that these allowances are adequate for loan losses inherent in the loan portfolio. Loans are written off when the loan is 180 days delinquent or sooner if, in management's judgment, there is no prospect of recovery.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Impairment is recognized by allocating a portion of the allowance for loan losses to such a loan to the extent that the recorded investment of an impaired loan exceeds its value. Allocations on impaired loans are considered in relation to the overall adequacy of the allowance for loan losses, and adjustments are made to the provision for loan losses as deemed necessary.

PROPERTY AND EQUIPMENT

Expenditures in the United States greater than \$3,000 for the acquisition of property and equipment are capitalized at cost, and donated property and equipment are capitalized at fair value. Expenditures at HOPE's foreign operations are capitalized at differing levels depending on local statutory regulations. All depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years.

NET ASSETS

HOPE reports its resources, according to externally (donor) imposed restrictions, in the following net asset categories.

Unrestricted net assets include the revenues and expenses associated with the principal purpose of HOPE and its subsidiaries.

The Board of Directors designated funds to the board designated endowment. As of December 31, 2011, \$500,000 of the endowment is designated as a first loss reserve to repay investors of HOPE Notes, if required. The remaining board designated endowment of \$1,142,420 is designated for investment. The board designated endowment is invested in cash and cash equivalents.

Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

Permanently restricted net assets include gifts held in perpetuity for the HOPE International Loan Endowment. The HOPE International Loan Endowment, as required by the donors' restrictions, requires that the corpus, realized and unrealized gains and losses, and 50% of dividend and interest earned be maintained in perpetuity. The remaining 50% of dividend and interest is to be made available for microfinance loans. Initially, endowment fund cash contributions are maintained in a money market fund until the endowment fund investment manager has identified investments to be purchased that are in accordance with the endowment fund investment policy.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

INCOME TAXES

HOPE is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

Management has reviewed the tax positions for each of the open tax years (2008 – 2010) or expected to be taken in HOPE's 2011 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

HOPE Congo, HOPE DRC, HOPE Ukraine and Hope for Life as for-profit entities, and HOPE Russia as a non-governmental organization, each pay taxes in the respective countries in which they are registered.

CONTRIBUTIONS

HOPE records unconditional promises to give (pledges) as a receivable and revenue when the pledge is received, net of the discount to present value of the future cash flows and of uncollectible receivables. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets and reported in the statement of activities as *"net assets released from restrictions."*

DONATED MATERIALS AND SERVICES

In-kind contributions are reflected as support in the financial statements at their estimated values on the date of donation. Donated services are recognized as contributions in accordance with accounting standards associated with recognition of contribution revenue, if the services (a) create or enhance nonfinancial assets or (b) specialized skills, are performed by people with those skills, and would otherwise be purchased by HOPE. Volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for revenue recognition are not met in accordance with accounting standards for such donated services.

FUNCTIONAL EXPENSE ALLOCATION

The costs of providing HOPE's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services. Microfinance expenses are allocated to overseas entities or United States entities in the Statement of Functional Expenses.

ACCOUNTING ESTIMATES

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

CONCENTRATIONS OF CREDIT RISK AND OTHER RISKS

HOPE occasionally maintains cash in banks in excess of federally insured limits. The accounting standards associated with concentration of credit risk identifies uninsured cash as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Concentration of credit risk with respect to loans receivable is the result of a small number of loans being made to both third party and subsidiary microfinance organizations in developing countries. HOPE manages the risks through its underwriting process and the continued monitoring of the respective microfinance organization's financial condition and operating performance.

In addition to loans receivable, HOPE issues microfinance loans through its five subsidiaries located in foreign countries. These subsidiaries operate in countries which from time to time do not have stable governments or economies to the extent that if negative events occur in these countries, HOPE may be at risk to recover and repatriate such assets from these countries. HOPE's investment of minority interest in microfinance organizations is subject to similar credit and other risks. Equity in HOPE's microfinance organizations was \$3,684,078, which included a non-controlling interest of \$229,931.

The microfinance institutions are exposed to a number of other risks. The following outlines some of these risks:

(a) Credit Risk

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the microfinance institution as they fall due. This is an inherent risk associated with the microfinance industry. HOPE's financial institutions manage exposure to credit risk on a regular basis by closely monitoring credit limits, loan portfolios and concentrations of exposure.

(b) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The exposure to exchange rate risk is continually monitored by HOPE.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. HOPE manages interest rate risk by monitoring market conditions and applying pricing based on the cost analysis of each product. Generally, all loans are due in less than one year.

(d) Liquidity Risk

Liquidity risk is the risk that the microfinance institutions will encounter difficulty in raising funds to meet the commitment associated with financial instruments. Each country has minimum capital requirements that the microfinance institutions must adhere to. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

FOREIGN CURRENCY TRANSLATION

For HOPE's subsidiary microfinance organizations, assets and liabilities reflected in foreign currencies are translated into US dollars at the rate of exchange at the statement of financial position date. Accounts reflected in the statement of activities are translated at the average exchange rates during the year, and any gains or losses resulting from foreign currency translation are reflected in the statement of activities. The net effect of such translation adjustments for the year ending December 31, 2011, was a decrease to net assets of \$95,739.

(3) CONTRIBUTION RECEIVABLE

HOPE had pledges receivable totaling \$1,213,986 at December 31, 2011. The total amount is expected to be collected within one year.

(4) MICROFINANCE LOANS

HOPE, through wholly owned and majority-owned microfinance institutions operating separately in Ukraine, Russia, Afghanistan, the Democratic Republic of Congo and the Republic of Congo, provides microfinance loans. These loans consist of funds lent to entrepreneurial individuals for the purpose of furthering economic development in the communities served. These loans are granted generally for periods between one week to one year at interest rates between 18% and 93%.

Microfinance loans receivable as of December 31, 2011, by location consist of the following:

Ukraine	\$1,727,687
Republic of Congo	866,159
Democratic Republic of Congo	637,998
Russia	245,016
Afghanistan	<u>747,113</u>
	4,223,973
Less: allowance for doubtful accounts	<u>255,063</u>
	<u>\$3,968,910</u>

HOPE's microfinance institutions will often make loans to borrowers who would be unable to secure financing commercial sources. The ability of each borrower to repay their respective microfinance institution depends on the entrepreneurial success of each borrower. In addition, payments to the microfinance institutions depend on the economic and political environment of each locality in which loans are made.

The microfinance institutions in the Republic of Congo and the Democratic Republic of Congo have a compulsory savings component. This savings requirement can be applied towards balances in default. The \$694,580 of client deposits as of December 31, 2011, includes voluntary and compulsory savings.

The loan value of microfinance loans that were classified as nonperforming was \$10,176 at December 31, 2011, and as such, interest income was not being accrued on these loans.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

A summary of the activity in the allowance for loan losses for the year ended December 31, 2011, is as follows:

	<u>2011</u>
Balance at beginning of year	\$147,330
Provision for loan losses	140,195
Loans written off	<u>(32,462)</u>
	<u>\$255,063</u>

(5) LONG-TERM INVESTMENTS

A summary of investments at December 31, 2011, is as follows:

	<u>Cost</u>	<u>Market</u>
Money market funds	\$1,648,482	\$1,648,482
Corporate bonds	550,269	565,862
Equities	209,943	189,317
Mutual fund – equity	<u>38,023</u>	<u>39,365</u>
	<u>\$2,446,717</u>	2,443,026
Less: cash and cash equivalent – board designated endowment		<u>1,642,420</u>
Long-term investment		<u>\$ 800,606</u>

Investments are comprised of the following net assets:

	<u>2011</u>
Unrestricted – funds functioning as endowment funds	\$1,642,420
Unrestricted – general	145,356
Permanently restricted endowment funds	<u>655,250</u>
	<u>\$2,443,026</u>

The board designated endowment consists of money market funds and is included in noncurrent cash and cash equivalents – board designated reserve. The earnings from those assets designated for endowment are used for current year operations.

The overall investment objective is to further the advancement of HOPE's vision through providing the proper amount of liquidity while preserving capital and allowing for a return on investment in excess of investment costs and inflation. In order to achieve the investment objective, the board utilizes an investment advisor to manage the permanently restricted endowment fund and maintains its board designated endowment in money market funds. HOPE's Finance Committee in conjunction with the investment advisor monitors portfolio performance and the compliance of investment guidelines given to selected investment managers.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

The following schedule summarizes the investment return for the endowment investments and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 12,318	\$ 20,322	\$ 20,322	\$ 52,962
Net realized and unrealized gains	<u>-</u>	<u>-</u>	<u>(14,053)</u>	<u>(14,053)</u>
Return on investments	12,318	20,322	6,269	38,909
Less: Investment return designated for current operations	<u>12,318</u>	<u>20,322</u>	<u>-</u>	<u>32,640</u>
Investment return in excess of amounts designated for current operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,269</u>	<u>\$ 6,269</u>

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS

HOPE follows financial accounting standards associated with fair value measurements which clarify the definition of fair value and require additional disclosures about the use of fair value measurements. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of the fair value hierarchy in accordance with financial accounting standards are described below:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities that HOPE has the ability to access.

Level 2 – observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing HOPE's own assumptions about the assumptions a market participant would use in valuing the asset or liability, would be based on the best information available.

The summary of inputs used to value HOPE's investments as of December 31, 2011, is as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Money market funds	\$1,648,482	\$1,648,482	\$ -	\$ -
Corporate bonds	565,862	-	565,862	-
Equities	189,317	189,317	-	-
Mutual fund – equity	<u>39,365</u>	<u>39,365</u>	<u>-</u>	<u>-</u>
	<u>\$2,443,026</u>	<u>\$1,877,164</u>	<u>\$565,862</u>	<u>\$ -</u>

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

(7) PROPERTY

Property and equipment as of December 31, 2011, consisted of the following:

Equipment and computer software	\$ 457,312
Leasehold improvements	130,514
Rental properties	
Buildings	477,586
Building improvements	<u>1,173</u>
	1,066,585
Less: accumulated depreciation	<u>360,623</u>
	<u>\$ 705,962</u>

Depreciation expense was \$103,893 for the year ended December 31, 2011, of which \$15,833 is included within rental properties expense.

(8) LOANS RECEIVABLE

As of December 31, 2011, \$100,000 in loans receivable was outstanding to Invest-Credit, a Moldovan microfinance organization. The loan requires semi-annual interest payments of 5.88% on outstanding principal. Principal repayments of \$5,000 will begin on a quarterly basis starting March 2014. The maturity date of the loan receivable is March 2016.

(9) MINORITY INTEREST IN NET ASSETS

As of the year ended December 31, 2011, HOPE had a minority interest in the following financial institutions:

<u>Name</u>	<u>% Owned</u>	<u>Carrying Value</u>
URWEGO Opportunity Bank, a microfinance institution in Rwanda	32.51%	\$1,211,528
Turame Community Finance, a microfinance institution in Burundi	4.18%	<u>94,089</u>
		<u>\$1,305,617</u>

HOPE carries its equity interest in URWEGO Opportunity Bank on the equity basis of accounting. For the year ended December 31, 2011, HOPE's minority interest in the income of URWEGO Opportunity Bank was \$76,001. HOPE carries its minority interest in Turame at cost. HOPE's proportionate share of Turame's equity as of December 31, 2011, was \$69,880 (unaudited).

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

(10) NOTES PAYABLE

Notes payable as of December 31, 2011, consisted of the following:

<u>LENDER</u>	<u>TERMS</u>	
HGIF Various	Two unsecured HOPE Notes bearing interest at a rate of 3% due annually, payable in full by December 31, 2012.	\$ 750,000
Various	Three unsecured HOPE Notes bearing interest at a rate of 3% due annually, payable in full throughout 2016.	550,000
HOPE International Kiva	Unsecured zero interest rate loan due upon demand.	347,566
HOPE Ukraine Oikocredit	Unsecured debt bearing interest at a rate of 11% due semi-annually, principal is due in December 2011; repaid in January 2012.	125,000
Habitat for Humanity International	Unsecured debt bearing interest at a rate of 4% due semi-annually, principal is due in July 2013.	200,000
Oxfam Novib	Unsecured debt bearing interest at a rate of 10% due semi-annually, principal is due November 2011; repaid in January 2012.	638,000
Hope for Life (Afghanistan) Microfinance Investment Support Facility for Afghanistan (MISFA)	Debt bearing interest at a rate of 5% due quarterly, principal repayable commencing in February 2016 with the final principal payment due in November 2020.	152,315
International Assistance Mission	Unsecured zero interest rate loan, payable upon Hope for Life reaching operational self-sufficiency.	8,685
HOPE Democratic Republic of Congo Kiva	Unsecured zero interest rate loan due upon demand.	112,401
HOPE Congo Kiva	Unsecured zero interest rate loan due upon demand. HOPE International is the guarantor for these loans.	<u>38,604</u>
		2,922,571
	Less: current portion	<u>2,011,571</u>
		<u>\$ 911,000</u>

The notes payable of the microfinance organizations are the obligations of the individual institution. These borrowings are nonrecourse to HOPE and its subsidiaries, except for two loans to Kiva for which HOPE is the guarantor.

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

In accordance with a private placement offering, HGIF offers unsecured notes (“**HOPE Notes**”) up to an aggregate principal amount of \$4,000,000. The HOPE Notes are sold solely by the directors, officers and employees of HGIF on a best efforts basis to accredited investors. Each HOPE Note is sold with an interest rate not to exceed 3%. The Notes have a maturity of up to 5 years. Generally, HOPE Notes are unsecured and will have interest only payments with a balloon principal payment at maturity. The proceeds of HOPE Notes have generally been loaned to microfinance institutions which are wholly owned by HOPE. Any outstanding loans between HOPE and its wholly owned subsidiaries have been eliminated in these consolidated financial statements. As of December 31, 2011, HOPE has one outstanding loan with a third party microfinance organization. Repayments of principal and interest on loans made to microfinance institutions will be used to repay HOPE Note obligations. Principal and interest payments on HOPE Notes will be dependent solely upon the financial condition and strength of HGIF and upon repayments of loans made by the borrowing microfinance institutions. Currently, HGIF maintains a reserve of \$500,000 for principal repayments to third party investors.

As of December 31, 2011, HOPE has a secured line of credit of \$500,000 with a financial institution. The line of credit is secured by all assets of HOPE. In addition, the loan is secured by a 1st lien mortgage on two real estate properties owned by HIP. There was no outstanding balance under the line of credit as of December 31, 2011. The interest rate on the line of credit is the financial institution’s prime rate minus .50% with a minimum interest rate of 5%. Any outstanding loan and interest is due on demand, and the line of credit is subject to renewal annually.

As of December 31, 2011, HGIF has an unsecured line of credit of \$250,000 with a financial institution. There was no outstanding balance under the line of credit as of December 31, 2011. The interest rate on the line of credit is the financial institution’s prime rate plus 1.50% with a minimum interest rate of 5%. Any outstanding loan and interest is due on demand, and the line of credit is subject to renewal annually.

Principal reductions of HOPE’s long-term debt for succeeding years are as follows:

2012	\$ 2,011,571
2013	208,685
2014	-
2015	-
2016	575,386
Thereafter	<u>126,929</u>
Total	<u>\$ 2,922,571</u>

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

(11) RESTRICTIONS OF NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2011:

Programs – Microfinance	
Democratic Republic of Congo	\$ 175,600
Dominican Republic	73,758
Republic of Congo	13,350
Haiti	130,690
Rwanda	151,874
Burundi	9,772
China	149,982
Caribbean Region	62,512
Other Countries	5,975
Undesignated	306,247
Programs – Savings and Credit Associations	
Haiti SCA	16,432
India SCA	41,741
Rwanda SCA	160,228
Zimbabwe SCA	14,669
Peru SCA	16,508
HOPE Trips	3,081
Spiritual Integration	20,000
Other	32,749
	<u>\$ 1,385,168</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows during the year ended December 31, 2011:

Programs – Microfinance	
Democratic Republic of Congo	\$ 833,134
Afghanistan	375,209
Burundi	43,799
China	109,267
Dominican Republic	475,759
Moldova	71,910
Philippines	74,924
Republic of Congo	439,098
Russia	31,114
Rwanda	62,997
Ukraine	370,767
Romania	6,424
Haiti	212,068
Programs – Savings and Credit Associations	
Haiti SCA	118,968
Rwanda SCA	456,321
India SCA	91,843
Zimbabwe SCA	18,934
Peru SCA	4,767
Philippines SCA	93,180
Tomorrow Clubs	
Ukraine	250,856
Russia	3,132
HOPE Trips	195,418
Education	50,000
Spiritual Integration	332,660
Other	11,115
	<u>\$ 4,733,664</u>

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

Permanently restricted net assets are available for the following purpose as of December 31, 2011:

HOPE Loan Endowment Funds	<u>\$782,396</u>
---------------------------	------------------

Endowment net asset composition by type of fund as of December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ -	\$782,396	\$ 782,396
Funds functioning as endowment funds	<u>1,642,420</u>	<u>-</u>	<u>-</u>	<u>1,642,420</u>
	<u>\$1,642,420</u>	<u>\$ -</u>	<u>\$782,396</u>	<u>\$2,424,816</u>

Donor restricted endowment fund are comprised of the following as of December 31, 2011:

Investments	\$655,250
Cash and cash equivalents	10,666
Contribution receivable	<u>116,480</u>
	<u>\$782,396</u>

HOPE classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. In 2011, interest and dividend earned on donor restricted endowment funds are allocated 50% to temporarily restricted and 50% to permanently restricted as stipulated by the donor. In addition, realized and unrealized gains and losses are to be classified as permanently restricted. HOPE's Board may also designate certain unrestricted revenues to function as endowment funds; such revenues are classified within unrestricted net assets as funds functioning as endowment funds.

Changes in endowment net assets for the year ended December 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$1,642,420	\$ -	\$530,940	\$2,173,360
Investment return	12,318	20,322	6,269	38,909
Contributions and other	-	-	245,187	245,187
Less: Endowment income designated for current operations	<u>12,318</u>	<u>20,322</u>	<u>-</u>	<u>32,640</u>
	<u>\$1,642,420</u>	<u>\$ -</u>	<u>\$782,396</u>	<u>\$2,424,816</u>

HOPE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

December 31, 2011

(12) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2011, HOPE received \$600,000 in operating grants from Homes for HOPE (“H4H”), and such amounts are included in contributions in the Statement of Activities. H4H is a related non-profit organization in which the chairman of the Board of Directors of HOPE serves as a Board member.

During the year ended December 31, 2011, HOPE provided administrative services to H4H for which HOPE was reimbursed in the amount of \$20,000.

(13) RETIREMENT PLAN

HOPE sponsors a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan provides for elective employee deferrals with no contribution made by HOPE.

(14) RESERVE AND REGULATORY CAPITAL REQUIREMENTS

HOPE’s microfinance institutions have certain regulatory and capital requirements that they must maintain. As of December 31, 2011, HOPE was in compliance with the various regulatory and reserve requirements associated with its microfinance institutions.

(15) SUBSEQUENT EVENT

Subsequent to year-end, HOPE International has begun planning the closure of the Kinshasa, HOPE DRC office. As HOPE is in the early stages of planning, no financial impact estimate is available.

SUPPLEMENTAL INFORMATION

HOPE INTERNATIONAL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2011

	*									
	HOPE	HOPE	HGIF	HOPE	HOPE	HOPE DRC	Russia	HOPE	Eliminating	Consolidated
	International	Advancement		Ukraine	For Life (Afghanistan)			Congo	Entries	
CURRENT ASSETS										
Cash and cash equivalents	\$ 2,142,127	\$ 35,000	\$ 28,491	\$ 1,374,160	\$ 199,577	\$ 804,905	\$ 132,336	\$ 439,755	\$ -	\$ 5,156,351
Contribution receivable	1,213,986	-	-	-	-	-	-	-	-	1,213,986
Microfinance loans receivable, net	(125,000)(1)	-	-	1,709,732	734,990	592,462	233,875	822,851	-	3,968,910
Loans receivable	250,000	-	769,884	-	-	-	-	-	(1,019,884)	-
Interest receivable	-	-	17,151	32,771	11,812	-	-	-	(15,681)	46,053
Other receivables	718,289	-	-	-	1,121	92,799	-	866	(711,055)	102,020
Prepaid expenses and other assets	74,132	-	103	18,908	6,595	11,348	-	687	-	111,773
Total Current Assets	<u>4,273,534</u>	<u>35,000</u>	<u>815,629</u>	<u>3,135,571</u>	<u>954,095</u>	<u>1,501,514</u>	<u>366,211</u>	<u>1,264,159</u>	<u>(1,746,620)</u>	<u>10,599,093</u>
NONCURRENT ASSETS										
Cash and cash equivalents – board designated reserve	1,142,420	-	500,000	-	-	-	-	-	-	1,642,420
Investments	800,606	-	-	-	-	-	-	-	-	800,606
Property and equipment, net	564,029	-	-	40,623	2,307	52,112	-	46,891	-	705,962
Other long-term assets	89,300	-	-	25,129	-	82,455	-	7,239	-	204,123
Minority interest in net assets	94,089	1,211,528	-	-	-	-	-	-	-	1,305,617
Loans receivable	-	-	800,000	-	-	-	-	-	(700,000)	100,000
Investment in subsidiaries	535,303	3,454,147	-	-	-	-	-	-	(3,989,450)	-
Total Assets	<u>\$ 7,499,281</u>	<u>\$ 4,700,675</u>	<u>\$ 2,115,629</u>	<u>\$ 3,201,323</u>	<u>\$ 956,402</u>	<u>\$ 1,636,081</u>	<u>\$ 366,211</u>	<u>\$ 1,318,289</u>	<u>\$ (6,436,070)</u>	<u>\$ 15,357,821</u>

* Includes assets, liabilities and net assets of Higher Impact Properties.

(1) Represents a general loan loss reserve in HOPE International's records related to HOPE's microfinance institutions' loans receivable.

HOPE INTERNATIONAL

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – (Continued)

December 31, 2011

	*									
	HOPE	HOPE	HGIF	HOPE	HOPE	HOPE DRC	Russia	HOPE	Eliminating	Consolidated
	International	Advancement		Ukraine	For Life (Afghanistan)			Congo	Entries	
CURRENT LIABILITIES										
Accounts payable and accrued expenses	\$ 262,179	\$ 395,000	\$ 1,791	\$ 1,025	\$ 52,154	\$ 165,249	\$ -	\$ 43,184	\$ (405,800)	\$ 514,782
Interest payable	-	-	28,535	39,457	1,535	15,681	-	-	(15,681)	69,527
Unearned revenue	-	-	-	36,474	-	-	-	-	-	36,474
Current portion of notes payable	347,566	305,255	750,000	813,000	-	832,285	-	38,604	(1,075,139)	2,011,571
Client deposits	-	-	-	-	-	363,011	-	331,569	-	694,580
Security deposits and other liabilities	<u>3,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,820</u>
Total Current Liabilities	<u>613,565</u>	<u>700,255</u>	<u>780,326</u>	<u>889,956</u>	<u>53,689</u>	<u>1,376,226</u>	<u>-</u>	<u>413,357</u>	<u>(1,496,620)</u>	<u>3,330,754</u>
NOTES PAYABLE	<u>-</u>	<u>-</u>	<u>800,000</u>	<u>900,000</u>	<u>161,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(950,000)</u>	<u>911,000</u>
Total Liabilities	<u>613,565</u>	<u>700,255</u>	<u>1,580,326</u>	<u>1,789,956</u>	<u>214,689</u>	<u>1,376,226</u>	<u>-</u>	<u>413,357</u>	<u>(2,446,620)</u>	<u>4,241,754</u>
NET ASSETS										
Unrestricted										
Operations	3,575,732	4,000,420	35,303	1,411,367	511,782	259,855	366,211	904,932	(3,989,450)	7,076,152
Board designated for endowment	1,142,420	-	500,000	-	-	-	-	-	-	1,642,420
Noncontrolling interest	-	-	-	-	229,931	-	-	-	-	229,931
Temporarily restricted	1,385,168	-	-	-	-	-	-	-	-	1,385,168
Permanently restricted	<u>782,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>782,396</u>
Total Net Assets	<u>6,885,716</u>	<u>4,000,420</u>	<u>535,303</u>	<u>1,411,367</u>	<u>741,713</u>	<u>259,855</u>	<u>366,211</u>	<u>904,932</u>	<u>(3,989,450)</u>	<u>11,116,067</u>
Total Liabilities and Net Assets	<u>\$ 7,499,281</u>	<u>\$ 4,700,675</u>	<u>\$ 2,115,629</u>	<u>\$ 3,201,323</u>	<u>\$ 956,402</u>	<u>\$ 1,636,081</u>	<u>\$ 366,211</u>	<u>\$ 1,318,289</u>	<u>\$ (6,436,070)</u>	<u>\$ 15,357,821</u>

* – Includes assets, liabilities and net assets of Higher Impact Properties.

HOPE INTERNATIONAL

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

	*									
	HOPE International	HOPE Advancement	HGIF	HOPE Ukraine	HOPE For Life (Afghanistan)	HOPE DRC	Russia	HOPE Congo	Eliminating Entries	Consolidated
SUPPORT AND REVENUE										
Contributions (includes \$148,454 of in-kind support)	\$ 7,813,634	\$ 4,069,726	\$ -	\$ 1,084,060	\$ 113,316	\$ 404,043	\$ -	\$ 220,229	\$ (5,891,374)	\$ 7,813,634
Special events, net of direct expenses of \$17,022	781,552	-	-	-	-	-	-	-	-	781,552
Investment return designated for current operations	32,640	-	-	-	-	-	-	-	-	32,640
Interest income	2,604	-	61,058	826,274	323,707	787,157	129,317	371,498	(45,474)	2,456,141
Rental revenue	41,745	-	-	-	-	-	-	-	-	41,745
Less expenses (including depreciation)	<u>34,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,001</u>
Net rental income	<u>7,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,744</u>
Minority interest in income of microfinance institution	(554,620)	(11,889)	-	-	-	-	-	-	642,510	76,001
Other income	<u>635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>635</u>
Total support and revenue	<u>8,084,189</u>	<u>4,057,837</u>	<u>61,058</u>	<u>1,910,334</u>	<u>437,023</u>	<u>1,191,200</u>	<u>129,317</u>	<u>591,727</u>	<u>(5,294,338)</u>	<u>11,168,347</u>
FUNCTIONAL EXPENSES										
Program services	8,392,046	460	36,123	816,352	430,100	1,300,083	105,438	473,128	(4,115,200)	7,438,530
Management and general	476,358	-	29,650	-	-	-	-	-	-	506,008
Fundraising	<u>1,219,982</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,219,982</u>
Total expenses	<u>10,088,386</u>	<u>460</u>	<u>65,773</u>	<u>816,352</u>	<u>430,100</u>	<u>1,300,083</u>	<u>105,438</u>	<u>473,128</u>	<u>(4,115,200)</u>	<u>9,164,520</u>

* Includes revenue, expenses and changes in net assets of Higher Impact Properties.

HOPE INTERNATIONAL

CONSOLIDATING STATEMENT OF ACTIVITIES – (Continued)

For the year ended December 31, 2011

	* HOPE International	HOPE Advancement	HGIF	HOPE Ukraine	HOPE For Life (Afghanistan)	HOPE DRC	Russia	HOPE Congo	Eliminating Entries	Consolidated
OTHER CHANGES										
Investment return in excess of amounts designated for operations	\$ 6,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,269
Gain/(loss) on foreign currency transactions	-	-	-	(2,959)	2,690	(8,391)	-	(1,811)	-	(10,471)
Gain (loss) on foreign currency translation	(22,366)	(56,957)	-	(2,947)	(52,953)	566	(21,326)	(19,079)	79,323	(95,739)
Total other changes	<u>(16,097)</u>	<u>(56,957)</u>	<u>-</u>	<u>(5,906)</u>	<u>(50,263)</u>	<u>(7,825)</u>	<u>(21,326)</u>	<u>(20,890)</u>	<u>79,323</u>	<u>(99,941)</u>
CHANGE IN NET ASSETS	(2,020,294)	4,000,420	(4,715)	1,088,076	(43,340)	(116,708)	2,553	97,709	(1,099,815)	1,903,886
NET ASSETS										
Beginning of year	<u>8,906,010</u>	<u>-</u>	<u>540,018</u>	<u>323,291</u>	<u>785,053</u>	<u>376,563</u>	<u>363,658</u>	<u>807,223</u>	<u>(2,889,635)</u>	<u>9,212,181</u>
End of year	<u>\$ 6,885,716</u>	<u>\$ 4,000,420</u>	<u>\$ 535,303</u>	<u>\$ 1,411,367</u>	<u>\$ 741,713</u>	<u>\$ 259,855</u>	<u>\$ 366,211</u>	<u>\$ 904,932</u>	<u>\$ (3,989,450)</u>	<u>\$ 11,116,067</u>

* – Includes revenues, expenses and changes in net assets of Higher Impact Properties.