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Annual Report

Building for the Future

A Letter from Robert and Patricia Gempel, President and Executive Vice President, HOPE worldwide



The year 2002 was one of exciting new developments for HOPE *worldwide*. As we move into our second decade, we are building on the successes of the past to achieve a more effective future – meeting the needs of the poor through health and education, two of our core program areas. We greatly appreciate the individuals who make our work possible through their financial commitments as well as their volunteer efforts. In response, HOPE *worldwide* continues to commit these resources to achieve the highest possible return, not only in effectiveness but also in efficiency.

The development of the Karte Seh Hospital in Kabul, Afghanistan, a program initiated by our affiliate HOPE *worldwide* – UK, illustrates our success in using a variety of key building blocks. Afghan medical professionals have access to high-quality training while meeting the medical needs of the poor, especially those of women and children in a country plagued by years of war and strife. We gained access to Afghanistan through partnerships cultivated in the process of working with Afghan refugees encamped just across the border in Pakistan. That outreach in turn grew out of disaster relief programs strengthened through the Center of HOPE *worldwide* built in Bhuj, India, in the wake of a disastrous earthquake that struck the region in 2001. The medical procurement system developed for the Sihanouk Hospital Center of Hope in Phnom Penh, Cambodia, facilitated the shipment of critical supplies that persuaded the Afghan government to open its borders to a HOPE *worldwide* team led by Dr. Mark Timlin and his wife, Vicki. A template for healthcare delivery that grew out of our experience at the Sihanouk Hospital as well as medical programs in other parts of the world was implemented at Karte Seh, with an emphasis on training personnel to replicate this model through rural Afghanistan.



Building on successful efforts to address specific needs of the poor, some HOPE *worldwide* programs continue to develop in breadth and depth. The community capacity-building programs that address HIV/AIDS needs in sub-Saharan Africa, developed by our affiliate HOPE *worldwide* – South Africa, provide an excellent example. After years of experience battling this pandemic, our personnel now have highly refined skills and insights into the needs of those affected by HIV/AIDS. These programs have been cited as “Best Practices” by UNAIDS. By building capacity within local communities, HOPE *worldwide* has strengthened and integrated HIV/AIDS prevention, treatment and care. These programs go far beyond distribution of medication or direct treatment. The Community Child Care approach is being scaled up for implementation throughout Africa, and for replication in other countries. In the Caribbean, HOPE *worldwide* – Jamaica maintains a comprehensive medical clinic in Kingston, but also extends healthcare services to rural areas through mobile medical units. These approaches are being implemented in other countries, including a new clinic in Honduras.

HOPE *worldwide* builds on more than a decade of experience addressing a variety of parallel needs for the poor in the developing world. Across India, programs address health needs, including HIV/AIDS and leprosy; educational

opportunities, including preschool, after-school, and vocational training; and housing for people living with AIDS and their families. All of these programs flourish because of the involvement of dedicated volunteers. HOPE *worldwide* has begun consolidating many of these programs onto campuses to achieve greater cost-efficiency and to benefit from the synergies of shared facilities and personnel. Examples include the Village of HOPE in Delhi that provides housing, medical care, and educational programs for leprosy patients and their families, and the Center of HOPE *worldwide* in Bhuj. Additional Center of HOPE *worldwide* facilities are under development in India, the Philippines, and Thailand. We are grateful for the crucial support of our donors, without whom these programs could not be built or sustained. In 2002, we completed the fundraising efforts to allow completion of the final phase of the Village of HOPE.

Across the United States, HOPE *worldwide* has continued to build on years of grass-roots volunteer programs. Efforts have focused on identifying the common strengths of those programs, resulting in a renewed emphasis on educational programs to address the needs of America's young people. In partnership with America's Promise, HOPE *worldwide* is committed to programs that bring caring adults into mentoring relationships with youngsters through programs that meet both academic and character development needs. This approach helps instill a healthy attitude toward learning as well as a desire in these children to give something back to their communities. The strategy of bringing together government, business, faith and community groups to form public-private partnerships serves as a model of collaboration necessary to achieve the goal of helping our youth grow into successful

adults. Great examples are seen in the statewide implementation of HOPE *worldwide* Saturday Academies across South Carolina and a new Community of Promise anchored by HOPE *worldwide* – Los Angeles.

The dedicated hearts of individual volunteers, staff, and donors make the real difference in the effectiveness of our programs around the world. Over the past several years a number of specific volunteer programs, including the HOPE *worldwide* Health Corps and HOPE Youth Corps, have provided opportunities for medical professionals and young people to serve the poor in countries throughout Africa, Asia, Eastern Europe, Central and South America and the Caribbean, as well as in the inner cities of the United States. These programs have left a lasting impact on the communities served and, just as importantly, on the individuals who served. HOPE *worldwide* will continue to build on these programs, developing volunteer opportunities for individuals and families who wish to spend extended periods serving the poor and needy. HOPE *worldwide* will also continue to develop skills in motivating and training volunteers, to provide opportunities to serve, and to mentor other organizations in these areas. Building on the Global Outreach programs of the past, we will continue to foster local, grass-roots volunteer efforts around the world.

In all these areas, the key building block is the individual. Bringing hope to a hurting world involves both the individual being served and the individual who is serving. HOPE *worldwide* is confidently building on the lessons and successes of the past as we move forward into the future, meeting a world of needs.

Financial Summary

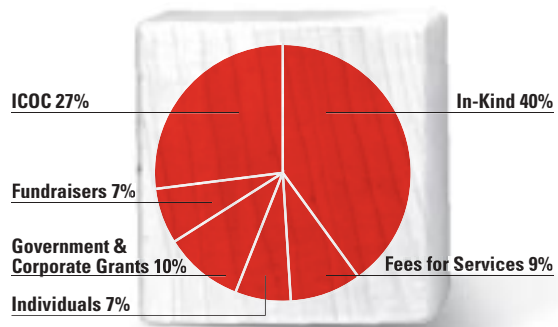
HOPE *worldwide* is a tax-exempt 501(c)(3) non-profit corporation founded in 1991 by the International Churches of Christ. Since its inception, the organization has been committed to ensuring that its financial resources are managed effectively and efficiently. Funds are accounted for in strict accordance with donor restrictions and under generally-accepted standards and practices for not-for-profit organizations.

Revenue

With just over 11 years of service to the poor and needy around the world, HOPE *worldwide* has seen its annual income grow from less than \$0.8 million in 1991 to more than \$32 million by the end of 2002. We continue to maintain programs on all six populated continents meeting a variety of needs from healthcare, nutrition and education to orphan care, adoption, and senior services. While a value cannot be placed on the time and energy contributed by our global pool of volunteers, we are truly grateful for their generous and compassionate hearts.

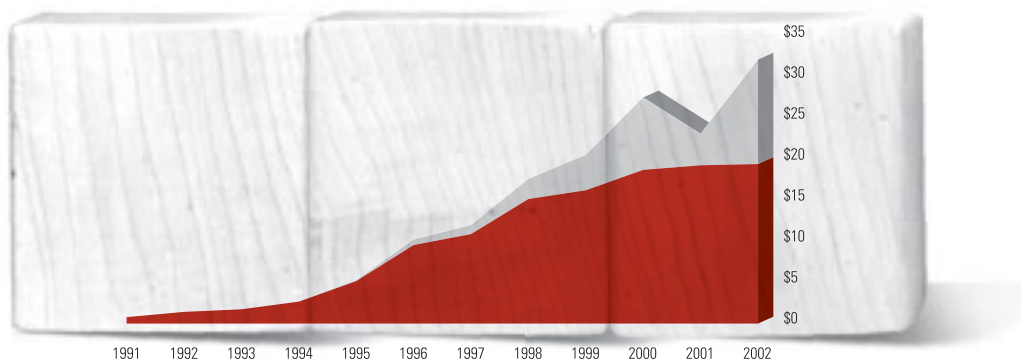
In 1991, HOPE *worldwide*'s revenue consisted almost exclusively (95%) of donations from the International Churches of Christ (ICOC). By 2002, the ICOC portion had decreased to 27%, as other sources of funding were identified and developed. These sources include individual donors (7%), local fundraising events (7%), government and corporate grants (10%), and program revenue such as fees for service (9%). While cash receipts remained virtually unchanged from 2001 to 2002, in-kind supplies (primarily medical and equipment) increased by \$8.8 million dollars. This increase can be attributed to the continued growth of the Sihanouk Hospital Center of HOPE in Cambodia and the new Karte Seh Hospital in Kabul, Afghanistan, the first public hospital to open in that country following the events of September 11, 2001.

Sources of Donations and Other Income



Total Revenue (in millions)
(1991-2002)

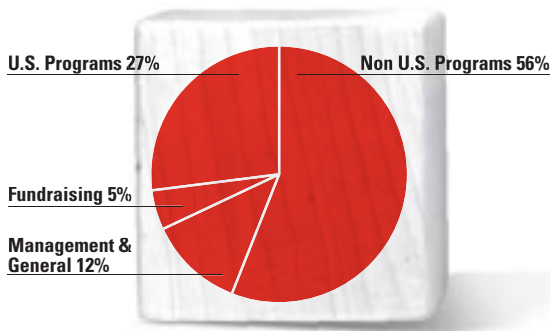
■ Total In-Kind Contribution
■ Total Cash Contribution



Allocation of Expenditures

Total expenditures in 2002 were up by more than 30% from the previous year, primarily due to the sizeable increase in in-kind donations (see above). Cash expenditures for the same period were down 8% compared to an increase of 11% in the previous year. This trend is expected to continue in 2003. Of the total expenditures for the year, programs accounted for 83%, management and general, 12%, and fundraising, 5%. While the percentage of management and general costs decreased slightly from the prior year, the actual dollar cost increased by \$436,500 (13.5%). Of program support, 32% went to U.S. programs (27% of total expenditures) while 68% went to non-U.S. programs (56% of total expenditures).

2002 Expenditures
\$31,122,600

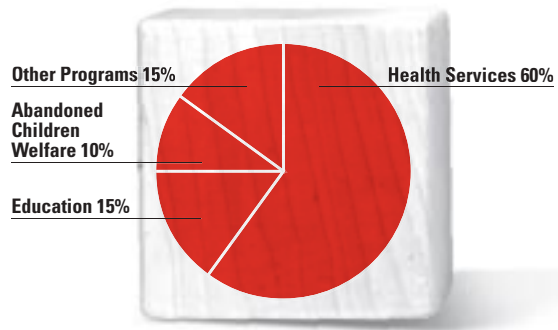


Strategic Program Areas

In order to track HOPE *worldwide's* performance against strategic goals and objectives, program expenditures are characterized in two ways. The first is by type of service provided. "Health Services" programs account for 60% of all program funds expended encompassing not only primary and secondary healthcare (clinics and hospitals), but also other health-related activities such as feeding, nutrition, disease eradication and immunization. It also includes volunteer-driven community outreach programs designed to promote awareness of public health issues such as HIV/AIDS and tuberculosis. "Education" programs account for 15% of all program dollars. This includes a wide range of activities from schools to after-school programs, computer learning and job training, as well as youth leader-

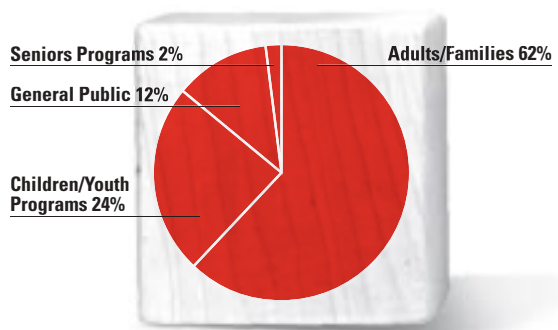
ship development. "Abandoned Children Welfare" programs include orphan care, foster care and adoption services and comprises 10% of all program funds expended. The category referred to as "Other Programs" (15%) includes disaster relief as well as volunteer services where the areas of service were unspecified.

2002 Program Expenses by Type of Services
\$25,925,400



The second way that program expenditures are characterized is by target populations served, specifically whether they are children and youth, adults (including families) or the elderly. Most of HOPE *worldwide's* programs provide services to adults and their families. This group is the recipient of 62% of all program funds. Twelve percent (12%) of expenditures were directed primarily to volunteer community-based programs that serve all age groups. Another 24% of funds went to programs serving children and youth, while only 2% of program funding serves exclusively the elderly. Most programs for the elderly involve the devotion of time by large numbers of volunteers whose impact is not adequately measured by the dollars spent.

2002 Program Expenses by Population Served
\$25,925,400



Annual income grew 13.5% to \$32 million and administrative expenses declined to 17%.

HOPE worldwide, Ltd.

Consolidated Statements of Financial Position

Years ended December 31	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,251,759	\$ 2,628,344
Accounts receivable (net of \$33,821 and \$18,750 allowance for doubtful accounts in 2002 and 2001, respectively)	667,567	297,553
Pledges receivable	471,560	211,782
Prepaid expenses and other current assets	117,690	152,114
Total current assets	4,508,576	3,289,793
Non-current assets:		
Investments	2,863,961	881,668
Property and equipment:		
Building	3,036,397	3,034,602
Equipment	1,336,420	1,306,757
Leasehold improvements	236,238	217,758
	4,609,055	4,559,117
Less: Accumulated depreciation and amortization	(1,484,044)	(1,310,106)
	3,125,011	3,249,011
Total assets	\$ 10,497,548	\$ 7,420,472
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 294,177	\$ 305,312
Accrued expenses and other current liabilities	292,400	34,746
Deferred revenue	2,121,780	147,475
Short-term debt	287,519	268,403
Current maturities of long-term debt	147,368	136,873
Total current liabilities	3,143,244	892,809
Long-term debt	2,089,105	2,224,364
Total liabilities	5,232,349	3,117,173
Net assets:		
Unrestricted	2,605,962	2,536,890
Temporarily restricted	1,608,780	722,052
Permanently restricted	1,050,457	1,044,357
Total net assets	5,265,199	4,303,299
Total liabilities and net assets	\$10,497,548	\$ 7,420,472

HOPE worldwide, Ltd.

Consolidated Statements of Activities and Changes in Net Assets

Years ended December 31	2002	2001
Changes in unrestricted net assets:		
Operating support and revenues:		
Contributions	\$24,097,221	\$15,371,970
Grants and other	4,745,649	4,551,439
	28,842,870	19,923,409
Net assets released from restrictions	2,348,775	3,067,381
Total operating support, revenues and net assets released from restrictions	31,191,645	22,990,790
Expenses:		
U.S. programs	8,406,935	9,201,692
Non-U.S. programs	17,518,447	9,747,215
Management and general	3,674,663	3,238,083
Fundraising	1,522,528	1,795,995
Total expenses	31,122,573	23,982,985
Increase in unrestricted net assets	69,072	(992,195)
Changes in temporarily restricted net assets:		
Operating support and revenues:		
Contributions	3,264,663	3,154,050
Investment income, net	14,322	20,971
Unrealized appreciation on investments	(42,882)	(26,686)
Net assets released from restrictions	(2,348,775)	(3,067,381)
Investment earnings allocation	(600)	(2,364)
Increase (decrease) in temporarily restricted net assets	886,728	78,590
Changes in permanently restricted net assets:		
Operating support and revenues:		
Contributions	5,500	2,500
Investment earnings allocation	600	2,364
Increase in permanently restricted net assets	6,100	4,864
Increase (decrease) in net assets	961,900	(908,741)
Net assets, at beginning of year	\$ 4,303,299	\$ 5,212,040
Net assets, at end of year	\$ 5,265,199	\$ 4,303,299

Reports of Audited Financial Statements

The consolidated financial information provided for the United States corporations has been derived from the audited consolidated financial statements of HOPE worldwide, Ltd. (Wayne, Pennsylvania) and its U.S. subsidiaries as of and for the years ending December 31, 2002 and 2001. The consolidated financial data presented on these pages were derived from financial statements audited by PricewaterhouseCoopers LLP.

HOPE worldwide, ltd.

Schedule of Expenses by Services Provided

Year ended December 31, 2002	Health	Education & Development	Children/ Adoption Care	Other Services*	Fundraising	Management & General	TOTAL
Salaries	\$1,076,409	\$1,345,556	\$855,688	\$2,046,005	\$ 668,152	\$1,923,676	\$ 7,915,486
Employee Benefits	135,485	123,636	180,929	384,179	153,048	316,406	1,293,683
Payroll Expenses	52,337	86,107	63,335	144,445	51,554	126,487	524,265
Out of town expenses**	62,956	593,142	44,662	94,723	77,448	123,931	996,862
Conference/seminar	91,915	8,894	4,326	19,810	4,701	10,925	140,571
Local Meals	4,882	56,321	8,438	56,360	24,762	26,651	177,414
Local Travel	5,226	34,067	24,286	30,440	8,799	8,821	111,639
Gifts	3,142	5,782	1,145	9,334	14,347	11,395	45,145
Office Equipment Rental/maintenance	2,084	6,837	10,588	14,834	6,152	20,155	60,650
Maintenance & Repairs – Building/Grounds/Equipment		1,717		2,593	6,360	38,158	48,828
Bad Debts Expenses	23,000		6,288	21,321		20,611	71,220
Depreciation	11,937	25,023	11,535	34,942	11,249	205,593	300,279
Printing	873	10,660	27,163	18,747	159,144	9,035	225,622
Promotional expenses	8,690	10,182	14,991	6,953	8,032	1,084	49,932
Professional/legal fees	19,637	203,739	58,119	28,431	43,991	218,479	572,396
Insurance	24,527	4,703	78	25,709	3,147	36,936	95,100
License/fees/taxes	4,701	3,043	1,922	11,589	12,089	49,847	83,191
Interest expense	1,173	7,554	30	18,132	22,492	138,202	187,583
Rent expense	87,332	150,397	115,609	110,442	27,126	66,551	557,457
Supplies	5,383	22,368	13,735	25,126	10,364	94,730	171,706
Bank charges	371	3,966	4,305	13,855	596	20,427	43,520
Shipping/Postage	10,013	7,951	25,699	15,360	20,045	30,021	109,089
Office Maintenance	5,033	4,547	76	4,542	3,447	46,944	64,589
Miscellaneous office expenses	3,264	2,069	1,973	3,422	354	15,499	26,581
Telephone expenses	17,717	55,792	35,207	64,143	18,217	68,748	259,824
Utilities	8,565	5,624	4,534	10,971	8,871	44,222	82,787
Special Events	0	0	52,598	0	156,319	0	208,917
Program expenses	13,814,583	1,045,716	1,122,920	712,167	1,722	1,129	16,698,237
Grand Total	\$15,481,235	\$3,825,393	\$2,690,179	\$3,928,575	\$1,522,528	\$3,674,663	\$31,122,573

* Services that can be included in more than one category.

** Includes HOPE Youth Corps expenses

HOPE worldwide Leadership

2002 Board Members

Douglas & Joyce Arthur
 Albert & Gloria Baird
 Russ & Gail Ewell
 Andy & Tammy Fleming
 Marty & Chris Fuqua
 Pedro & Laura Garcia-Bengochea
 Robert & Patricia Gempel
 Scott & Lynne Green
 Steve & Lisa Johnson
 Frank & Erica Kim
 Thomas & Elena Garcia-McKean
 Randy & Kay McKean

2003 Board Members

Andy Blocker
 Ron Brumley
 Henry Cramer
 Patricia Gempel
 Robert Gempel
 Frank Kim
 Karen Louis
 Gregg Marutzky
 Jenny Nash
 Wendy Richard
 Wyndham Shaw
 Charlie Spiller
 Charlie Stolper
 Jenny Tate

2003 Management Team

Robert F. Gempel –
President
 Patricia A. Gempel –
Executive Vice President
 Randolph S. Jordan –
Vice President & General Counsel
 Dan Liu –
Vice President, China
 Joanne Webber –
Vice President, USA
 Shawn Wooten –
Vice President, EurAsia
 Thomas W. Briscoe –
Communications & Development
 Mike Nosil –
Chief Financial Officer

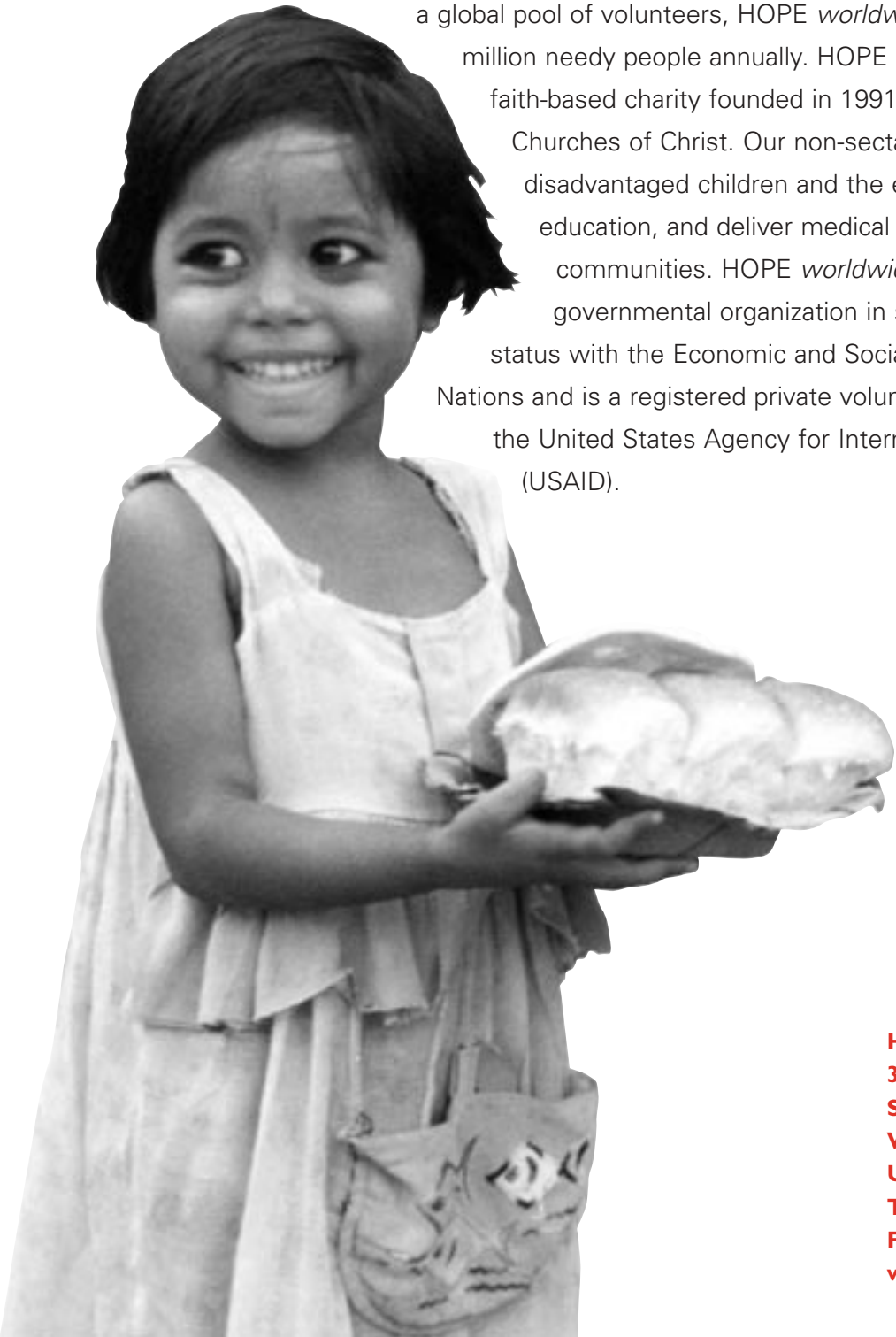
Independent Auditors

PricewaterhouseCoopers LLP
 Philadelphia, Pennsylvania

 Audited financial statements
 for 2003 will be available after
 completion of the corporation's
 annual audit expected in
 July 2004.

Our Mission:

HOPE *worldwide's* mission is to bring hope to a hurting world through programs on all six inhabited continents. With the support of a global pool of volunteers, HOPE *worldwide* serves more than a million needy people annually. HOPE *worldwide* is a 501(c)(3) faith-based charity founded in 1991 by the International Churches of Christ. Our non-sectarian programs serve disadvantaged children and the elderly, provide education, and deliver medical services in developing communities. HOPE *worldwide* is a recognized non-governmental organization in special consultative status with the Economic and Social Council of the United Nations and is a registered private voluntary organization with the United States Agency for International Development (USAID).



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