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HOPE Worldwide Audit - 1999
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* Section 1 is the - Summary Statements Prepared by Price Waterhouse Coopers.
* Section 2 is the Supplemental Information - Balance Sheets for [entities]. 14 pgs.
* Section 3 is the Expense Details for each of the [Regionals] - by Program. 37 pgs.

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Report of Independent Accountants

Board of Directors
HOPE *worldwide*, Ltd.:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the financial position of HOPE *worldwide*, Ltd. (the "Agency") at December 31, 1999 and 1998, and the changes in its net assets and its cash flows for each of years then ended in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Agency's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating statement of financial position, consolidating statement of activities and various schedules of expenses are presented for purposes of additional information and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

April 26, 2000

HOPE *worldwide*, Ltd.

Consolidated Statements of Financial Position
December 31, 1999 and 1998

ASSETS	1999	1998
Current assets:		
Cash and cash equivalents	$ 2,708,430	$ 2,947,559
Accounts receivable	176,363	193,116
Pledges receivable (net of $15,000 allowance for doubtful accounts)	645,056	437,580
Prepaid expenses and other current assets	100,587	99,972
Total current assets	3,630,436	3,678,227
Non-current assets:		
Investments	794,849	-
Property and equipment:		
Building	2,831,313	-
Equipment	990,111	786,907
Equipment under capital lease obligations	15,000	81,183
Leasehold improvements	167,836	114,736
	4,004,260	982,826
Less: Accumulated depreciation and amortization	(785,450)	(489,941)
	3,218,810	492,885
Total assets	$ 7,644,095	$ 4,171,112
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 340,729	$ 272,268
Accrued expenses and other current liabilities	26,285	76,173
Short-term debt	45,859	15,000
Current capital lease obligations	1,034	28,362
Current maturities of long-term debt	101,043	6,854
Total current liabilities	514,950	398,657
Long-term capital lease obligations	-	521
Long-term debt	2,378,520	13,892
Total liabilities	2,893,470	413,070
Net assets:		
Unrestricted	2,768,222	2,444,391
Temporarily restricted	982,403	1,313,651
Permanently restricted	1,000,000	-
Total net assets	4,750,625	3,758,042
Total liabilities and net assets	$ 7,644,095	$ 4,171,112

The accompanying notes are an integral part of the consolidated financial statements.

HOPE *worldwide*, Ltd.

Consolidated Statements of Activities and Changes in Net Assets for the years ended December 31, 1999 and 1998

	1999	1998
Changes in unrestricted net assets:		
Operating support and revenues:		
Contributions	$ 15,166,514	$ 11,994,373
Grants and other	2,450,322	1,865,152
	17,616,836	13,859,525
Net assets released from restrictions	2,732,646	2,692,659
Total operating support, revenues and net assets released from restrictions	20,349,482	16,552,184
Expenses:		
U.S. programs	7,024,530	6,073,212
Non-U.S. programs	8,546,345	6,367,772
Management and general	3,153,922	2,590,504
Fundraising	1,300,854	541,630
Total expenses	20,025,651	15,573,118
Increase in unrestricted net assets	323,831	979,066
Changes in temporarily restricted net assets:		
Operating support and revenues:		
Contributions	3,381,549	3,719,793
Investment income	18,534	-
Unrealized appreciation on investments	1,315	-
Net assets released from restrictions	(2,732,646)	(2,692,659)
Redesignation to establish endowment (see Note 5)	(1,000,000)	-
(Decrease) increase in temporarily restricted net assets	(331,248)	1,027,134
Changes in permanently restricted net assets:		
Operating support and revenues:		
Redesignation to establish endowment (see Note 5)	1,000,000	-
Increase in permanently restricted net assets	1,000,000	-
Increase in net assets	992,583	2,006,200
Net assets at beginning of year	3,758,042	1,751,842
Net assets at end of year	$ 4,750,625	$ 3,758,042

The accompanying notes are an integral part of the consolidated financial statements.

HOPE *worldwide*, Ltd.

Consolidated Statements of Cash Flows
for the years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Change in net assets	$ 992,583	$ 2,006,200
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	295,509	134,597
Gain on sale of assets	(1,336)	(20,895)
Net appreciation on investments	(19,849)	-
Changes in assets and liabilities:		
Accounts receivable	16,753	(67,499)
Pledges receivable, net	(207,476)	(410,000)
Prepaid expenses and other assets	(615)	(35,005)
Accounts payable	35,290	173,812
Accrued expenses and other current liabilities	(49,888)	22,373
Net cash provided by operating activities	1,060,971	1,803,583
Cash flows from investing activities:		
Purchase of property and equipment	(2,992,963)	(127,493)
Proceeds from sale of assets	6,036	176,895
Purchase of investments	(775,000)	-
Net cash (used in) provided by investing activities	(3,761,927)	49,402
Cash flows from financing activities:		
Principal borrowed on building mortgage	2,510,000	-
Principal payments on building mortgage	(44,330)	-
Payments on long-term debt	(6,853)	(126,335)
Principal payments under capital lease obligation	(27,849)	(29,343)
Net change in revolving credit borrowings	30,859	(38,225)
Net cash provided by (used in) financing activities	2,461,827	(193,903)
Net (decrease) increase in cash and cash equivalents	(239,129)	1,659,082
Cash and cash equivalents at beginning of year	2,947,559	1,288,477
Cash and cash equivalents at end of year	$ 2,708,430	$ 2,947,559
Supplemental disclosures:		
Cash paid for interest	$ 103,080	$ 13,000
Noncash activity:		
Purchases of property and equipment in accounts payable	$ 33,171	-

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Description of Organization:

HOPE *worldwide*, Ltd. ("The Agency") is a not-for-profit, faith-based charity founded in 1991 by the International Churches of Christ dedicated to developing, managing, and funding programs domestically and internationally to help the poor and needy. Funding is provided by special fundraising events, volunteer fundraisers, contributions from the International Churches of Christ, corporate grants and Federal, State and Local Government grants. The Agency's mission is to bring hope to a hurting world through its programs in 70 countries on all 6 inhabited continents. Through its 500 employees and its corps of over 100,000 committed volunteers, the Agency annually serves more than 2 million needy people. Its non-sectarian programs serve disadvantaged children and the elderly, provide education, and deliver medical services in developing communities. The Agency 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). The Agency is divided into 5 global program areas: Health, Education, Children, Elderly and Volunteer Outreach.

Principles of Consolidation:

The consolidated financial statements are presented in accordance with Statement of Position 94-3, Reporting of Related Entities by Not-for-Profit Organizations. As a result, the consolidated financial statements include the accounts of the Agency and its subsidiaries and controlled affiliates. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Effective December 10, 1996, the Agency entered into a joint sponsorship agreement with three organizations (Japan Relief for Cambodia, American Assistance for Cambodia, and World Mate) to sponsor the Sihanouk Hospital center of HOPE, in Phnom Penh, Cambodia. A non-profit 501(c)(3) Delaware corporation was set up for the purpose of owning and operating the Sihanouk Hospital (the "Sihanouk Hospital Corporation"). The Board of Directors of the Sihanouk Hospital Corporation oversees the development and operation of the Sihanouk Hospital. The Agency has one-third representation on the Board of Directors of the Sihanouk Hospital Corporation, and is fully responsible for the management of the Hospital.

1. Summary of Significant Accounting Policies, continued:

Principles of Consolidation, continued:

In accordance with the accounting and reporting requirements of Statement of Position 94-3, Reporting of Related Entities by Not-for-Profit Organizations, the Sihanouk Hospital Corporation is not consolidated in the financial statements of the Agency.

Financial Statement Presentation:

The financial statements have been prepared in accordance with the Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made," and SFAS No. 117, "Financial Statements of Not-for Profit Organizations." SFAS 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions or as a matter of law. A description of the three net asset categories follows:

- **Unrestricted Net Assets** are those assets that are available for the support of operations and whose use is not externally restricted, although their use may be limited by other factors such as by contract or board designation.

- **Temporarily Restricted Net Assets** include gifts for which donor imposed restrictions have not been met and trust activity and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

- **Permanently Restricted Net Assets** include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Basis of Reporting:

The financial statements of the Agency have been prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies, continued:

Cash and Cash Equivalents:

The Agency considers short-term highly liquid investments with original maturities of three months or less to be cash equivalents. At times, these amounts may exceed the federally insured limit. The Agency's policy is to place cash and cash equivalents with high credit quality financial institutions. The Agency has not experienced any losses in such accounts.

Pledges Receivable:

Unconditional promises to give that are due in future periods are considered pledges receivable and are recorded at fair value at the time the pledge is made. All pledges of the Agency are due within one year.

Investments:

Investments are recorded in the statement of financial position at fair value, as determined based on quoted market prices. Realized and unrealized gains and losses are reflected in the statements of activities.

Property and Equipment:

Property and equipment are recorded at cost and are depreciated over the estimated useful lives of assets, generally 3 to 39.5 years, using the straight-line method. Expenditures for major improvements are capitalized and repairs and maintenance are charged to income as incurred. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss from such disposition is included in income. The Agency reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. Management does not believe that there are any impairments at either December 31, 1999 or 1998.

Amortization of equipment under capital lease obligations is computed over the life of the lease and is included in accumulated depreciation and amortization of property and equipment.

1. Summary of Significant Accounting Policies, continued:

Contributions:

Contributions are recorded as revenue when received or unconditionally pledged, whichever occurs first. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted contributions are reclassified to unrestricted contributions and reported in the statement of activities as net assets released from restrictions when a stipulated time restriction ends or purpose restriction is accomplished. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Contributed Services:

In accordance with FAS 116, if the Agency receives contributed services that require specialized skills, are provided by individuals possessing those skills, and would typically be purchased by the Agency if they had not been provided by donation, the value of these services would be reflected in the financial statements. Approximately 100,000 volunteers, including the members of the Board of Directors, have made significant contributions of time to the Agency's policy-making, program and support functions. The value of this contributed time does not meet the above criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

Reclassifications:

Certain amounts in the 1998 statements have been reclassified to conform to the 1999 presentation.

2. Investments:

Investments consisted of the following as of December 31, 1999:

Cash and cash equivalents	$	240,081
Equities		337,929
Corporate/government bonds		216,839
	$	794,849

3. Retirement Program:

The Agency participates in a multiemployer defined contribution pension plan which covers all full-time employees who have met certain age and service requirements. The Agency recorded approximately $223,000 and $172,000 of expense related to the defined contribution plan in 1999,and 1998, respectively.

4. Long-Term Debt:

Long-term debt at December 31, 1999 and 1998 consists of:

	1999	1998
Mortgage payable (interest at 7.98%) due in monthly principal and interest installments of $23,957 through July 2014, collateralized by property	$ 2,465,670	-
Note payable (interest at 0.9%) due in monthly principal and interest installments of $584 through December 2001, collateralized by a vehicle	13,893	$ 20,746
	2,479,563	20,746
Less current portion	101,043	6,854
	$ 2,378,520	$ 13,892

Principal repayments on long-term debt for the years following December 31, 1999 are:

2000	$ 101,043
2001	108,898
2002	110,357
2003	119,493
2004	129,385
Thereafter	1,910,387
	$ 2,479,563

5. Temporarily and Permanently Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes at December 31, 1999 and 1998 as follows:

	1999	1998
Program activities:		
Cambodia Hospital	$ 433,618	$ 68,008
China	5,911	911
Disaster Relief	136,460	47,642
Family Resource Center (PA)	35,547	-
HFK National Office	2,677	4,842
HOPE *worldwide* Programs	19,849	1,000,000
India/Indonesia/Oceania Programs	66,348	-
Middle East Programs	195	-
Midwest (U.S.) Program Oversight	6,500	-
Moscow	46,318	91,998
Scholarship Fund	100,000	100,000
Soweto	25,000	-
Pacific Rim Programs	7,000	-
Philippines	200	250
HOPE for Children – Adoption Programs	96,780	-
	$ 982,403	$ 1,313,651

5. Temporarily and Permanently Restricted Net Assets, continued:

In 1998, the Agency received $575,000 in cash and $425,000 as a pledge which was restricted by the donor for the benefit of the Agency's medical programs, to enhance its health education outreach efforts, and to provide for the needs of disadvantaged children and the elderly. Subsequent to 1998, this donor restriction was redesignated to establish a permanent endowment for $1,000,000.

The corpus of this endowment is to be restricted in perpetuity. Income equal to the annual increase percentage multiplied by the balance in the Hart Endowment Fund (not including current undistributed income) as of December 31 of the preceding year shall be added to the corpus and permanently restricted. Any excess of income shall be temporarily restricted for the benefit of the Agency's medical programs, to enhance its health education outreach efforts, and to provide for the needs of disadvantaged children and the elderly.

At December 31, 1999, $775,000 of the original endowment balance was in investments, and $225,000 was in a pledge receivable that is due within one year.

6. Related Party Transactions:

The Agency provides certain accounting and administrative services to its subsidiaries. In 1999 and 1998, the Agency absorbed the cost of these services since the amounts were not material. Beginning with the year ended December 31, 2000, these services will be billed to the subsidiary entities due to the centralization of certain accounting and administrative services.

Key executives of the Agency also provide business advisory services to certain overseas affiliated organizations, free of charge. The dollar value of such contributed services is not estimable.

7. Federal Income Tax Status:

The Agency has been granted tax exempt status as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

8. Litigation:

During 1999, a medical malpractice suit was filed against Hope Clinic, a subsidiary of the Agency. This matter is in the earliest stages of discovery and is not expected to be completed until April 2001. Management cannot determine what potential liability might exist, if any. Management has denied the claims and will contest them vigorously. Any settlement, in the opinion of management and based on information it presently possesses, will not have a material adverse effect on the Agency's financial position, results of operations, or cash flows.