THE HOPE PROGRAM
(A Not-for-Profit Corporation)

Financial Statements

June 30, 2003
(With Comparative Totals for June 30, 2002)

Marks Paneth & Shron LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The HOPE Program
One Smith Street
Brooklyn, New York 11201

We have audited the accompanying statement of financial position of The HOPE Program, a Not-for-Profit Corporation ("Corporation"), as of June 30, 2003, and the related statements of activities, functional expenses by natural classification and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Corporation's June 30, 2002 financial statements and in our report dated November 14, 2002, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The HOPE Program as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

October 9, 2003

622 Third Avenue
New York, NY 10017
Telephone 212 503 8800
Facsimile 212 370-3759

88 Froehlich Farm Boulevard
Woodbury, NY 11797-2921
Telephone 516 992-5900
Facsimile 516 992-5800

Website www.markspaneth.com
Associated worldwide with Jeffreys Henry International

THE HOPE PROGRAM
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Statements of Financial Position

June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003	2002
ASSETS		
Cash and cash equivalents – Note 1		
General operating cash	$ 737,359	$ 461,261
Designated reserve fund – Note 8	500,000	500,000
Total Cash and Cash Equivalents	1,237,359	961,261
Investments and restricted cash – Note 1 and 4	260,036	249,187
Contributions receivable – Note 7	327,043	275,307
Property, equipment and leasehold improvements, net – Notes 1, 2 and 10	492,791	478,184
Prepaid expenses and other assets – Note 11	59,022	69,164
Total Assets	$ 2,376,251	$ 2,033,103
LIABILITIES		
Accounts and accrued expense payable	$ 27,401	$ 45,093
Accrued rent – Note 1	59,674	51,338
Advance payable – Note 12	45,122	45,122
Total Liabilities	132,197	141,553
NET ASSETS		
Unrestricted:		
General operating	1,335,229	1,039,729
Designated Reserve Fund – Note 8	500,000	500,000
Total Unrestricted	1,835,229	1,539,729
Restricted:		
Temporarily restricted – Note 5	197,975	140,971
Permanently restricted – Note 6	210,850	210,850
Total Restricted	408,825	351,821
Total Net Assets	2,244,054	1,891,550
Total Liabilities and Net Assets	$ 2,376,251	$ 2,033,103

See accompanying notes to the financial statements.

THE HOPE PROGRAM
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Statements of Activities

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003				2002
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Total**
REVENUES, INVESTMENT INCOME AND OTHER SUPPORT					
Foundation & corporate contributions – Notes 5, 7 and 10	$ 291,250	$ 843,500	$ -	$ 1,134,750	$ 1,103,480
Individual contributions	154,338	-	-	154,338	159,541
Government grants – Note 7 and 10	221,691	133,673	-	355,364	322,558
Other not-for-profit organizations	10,000	-	-	10,000	7,500
Investment income – Note 4	18,515	-	-	18,515	14,450
Net assets released from restrictions:					
Satisfaction of program restrictions	920,169	(920,169)	-	-	-
Total Revenues, Investment Income and Other Support	1,615,963	57,004	-	1,672,967	1,607,529
EXPENSES					
Program services	1,092,549	-	-	1,092,549	828,189
Management and general	119,638	-	-	119,638	77,031
Fund raising	108,276	-	-	108,276	74,255
Total Expenses	1,320,463	-	-	1,320,463	979,475
Change in Net Assets	295,500	57,004	-	352,504	628,054
Net Assets at Beginning of Year	1,539,729	140,971	210,850	1,891,550	1,263,496
Net Assets at End of Year - Notes 5 and 6	$ 1,835,229	$ 197,975	$ 210,850	$ 2,244,054	$ 1,891,550

See accompanying notes to the financial statements.

THE HOPE PROGRAM
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Schedule of Functional Expenses by Natural Classification
Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

		Supporting Services			
	Program Services	Management and General	Fund Raising	June 30, 2003 Total	June 30, 2002 Total
Salaries	$ 510,742	$ 67,628	$ 57,703	$ 636,073	$ 516,164
Payroll taxes and related benefits	97,462	12,903	11,013	121,378	96,095
Professional fees	27,885	3,117	2,878	33,880	16,215
Consultant fees	52,470	2,736	1,074	56,280	39,676
Rent – Notes 1 and 3	127,343	12,320	12,506	152,169	132,893
Insurance	20,006	1,991	1,726	23,723	15,999
Stipends	55,475	-	-	55,475	33,170
Cleaning, maintenance & equipment rental	7,736	926	663	9,325	6,106
Printing & postage	7,528	2,538	4,735	14,801	3,847
Utilities	10,758	1,042	1,057	12,857	-
Telephone	9,311	720	1,173	11,204	11,241
Food expense – Note 10	35,385	-	-	35,385	25,621
Program expenses	30,391	-	-	30,391	25,162
Office expense	20,375	2,116	1,677	24,168	12,839
Relocation expense	-	-	-	-	9,194
Miscellaneous	9,809	4,346	6,320	20,475	11,381
Depreciation and amortization	69,873	7,255	5,751	82,879	23,872
Total Expenses	$1,092,549	$ 119,638	$108,276	$ 1,320,463	$ 979,475

See accompanying notes to the financial statements.

THE HOPE PROGRAM
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Statements of Cash Flows

Year Ended June 30, 2003
(With Comparative Totals for June 30, 2002)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 352,504	$ 628,054
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization expense	82,879	23,872
Net realized and unrealized (loss)/gain on investments	(1,823)	12,525
Increase (decrease) in cash flows due to changes in operating assets and liabilities		
Contributions receivable	(51,736)	(218,007)
Prepaid expenses and other assets	10,142	(64,015)
Accounts and accrued expenses payable	(17,692)	40,133
Accrued rent	8,336	51,338
Net Cash Provided by Operating Activities	382,610	473,900
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance payable	-	45,122
Net Cash Provided by Financing Activities	-	45,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and leasehold improvements	(95,507)	(450,485)
Investments and restricted cash	(11,005)	(29,394)
Net Cash Used by Investing Activities	(106,512)	(479,879)
Net Increase in Cash and Cash Equivalents	276,098	39,143
Cash and Cash Equivalents at Beginning of Year	961,261	922,118
Cash and Cash Equivalents at End of Year	$1,237,359	$ 961,261

See accompanying notes to the financial statements.

THE HOPE PROGRAM
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Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The HOPE Program, a Not-for-Profit Corporation ("Corporation"), was incorporated pursuant to the laws of the State of New York on March 6, 1985. The purpose of the Corporation is to empower individuals living in poverty to achieve self sufficiency and to inform practices and policy by sharing its research and solutions. The Corporation serves individuals who live in the five boroughs of New York City.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2002, from which the summarized information was derived. Certain prior year items in the financial statements have been reclassified to conform to the current year presentation.

Principles of Accounting and Basis of Presentation

The accompanying financial statements include all accounts of the Corporation and have been prepared on the accrual basis of accounting in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 116 "Accounting for Contributions Received and Contributions Made" and SFAS No. 117 "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 116, the Corporation distinguishes the contributions it receives as being permanently restricted, temporarily restricted or unrestricted depending on donor-imposed restrictions, if any. Under SFAS No. 117, the net assets, revenues, gains and expenses of the Corporation are classified based on the existence or absence of donor-imposed restrictions as permanently restricted, temporarily restricted or unrestricted.

Contributions

Contributions received are recorded as permanently restricted when a donor-imposed restriction stipulates that the contribution be maintained permanently, as in the case of permanent endowments. Contributions received are recorded as temporarily restricted if the donor-imposed restrictions either expire by the passage of time or the contributions are to be used for a specified program purpose.

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Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers money market funds and all unrestricted highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents, except for money market funds held for long-term purposes.

Investments

The Corporation accounts for its investments in accordance with SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." The Corporation reports its investments at fair value. The fair values are determined by using market quotations.

Concentration of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of cash held in financial institutions. At times such funds may exceed the amount of insurance provided on them.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are recorded at cost less accumulated depreciation. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are depreciated using a straight-line method over the term of the lease.

Rents

The Corporation leases real property under a lease expiring October 31, 2011. The difference between rental payments actually due under the lease and rent expense calculated on the straight-line basis is reflected in the accompanying financial statements as accrued rent. For the year ended June 30, 2003, the adjustment to record rent on a straight-line basis totaled approximately $8,000 which resulted in an increase in expenses in the same amount. The total accrued rent from the commencement of the lease through June 30, 2003 is approximately $60,000. The annual rent expense (base rent excluding escalation charges) on a straight-line basis will be approximately $154,000 per year in future years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing The HOPE Program services and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Income Tax Status

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements.

NOTE 2: PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

As of June 30, property, equipment and leasehold improvements, net of accumulated depreciation, consisted of the following:

	2003	2002
Property and equipment	$ 220,962	$ 159,325
Leasehold improvements	422,291	388,421
	643,253	547,746
Less: Accumulated depreciation	150,462	69,562
	$ 492,791	$ 478,184

Depreciation expense for the year ended June 30, 2003 and 2002 was approximately $81,000, and $24,000, respectively.

NOTE 3: RENT

The Corporation leased space on a month-to-month lease for approximately $4,600 per month from St. Ann and Holy Trinity Episcopal Church through June 13, 2002. The Corporation entered into a lease agreement for new space at One Smith Street, Brooklyn, NY and they moved on June 14, 2002. The lease term is from December 21, 2001 to October 31, 2011. Pursuant to the terms of the new lease, the Corporation's minimum obligations for future rental payments for the years ended June 30, are as follows:

2004	$ 137,891
2005	142,028
2006	146,289
2007	159,241
2008	168,300
Thereafter	597,708
	$ 1,351,457

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Notes to Financial Statements

NOTE 4: INVESTMENTS

As of June 30, the fair value of investments is as follows:

	2003	2002
Cash and investments restricted for permanent endowment (Merrill Lynch CMA Money Fund and ML Banking Advantage)	$ 62,347	$ 95,610
Mutual Funds	197,689	153,577
	$ 260,036	$ 249,187

	2003	2002
Investment income is comprised of the following:		
Interest income	$ 13,130	$ 11,608
Dividend income	3,562	15,367
Realized and Unrealized gain/(loss)	1,823	(12,525)
	$ 18,515	$ 14,450

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted Net Assets consist of cash contributions restricted by donors for specific program services.

NOTE 6: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted Net Assets consist of $210,850 for a permanent endowment: $200,000 from The Clark Foundation and $10,850 from miscellaneous donors. The investment income from this endowment is unrestricted.

NOTE 7: CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2003 and 2002, in the amounts of $327,043 and $275,307, respectively, were reported as income in their respective fiscal years, in accordance with generally accepted accounting principles, although they were not collected until the following fiscal years. These amounts are reported in the Statement of Activities as follows:

	2003	2002
Foundation & corporate contributions	$ 235,000	$ 6,950
Government grants	92,043	268,357
	$ 327,043	$ 275,307

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Notes to Financial Statements

NOTE 8: DESIGNATED RESERVE FUND

The HOPE Program's Board of Directors established a $500,000 Designated Reserve Fund, solely for use in emergency situations, with the approval of the Board.

NOTE 9: SAVINGS INCENTIVE MATCH PLAN

The Corporation has a savings incentive match plan ("SIMPLE") for its employees. Participation in the savings part of the plan is voluntary. Employees are automatically eligible to participate after a four month probationary period, provided there is a reasonable expectation they will receive at least $5,000 in compensation for the calendar year. The Corporation will contribute a matching contribution to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation.

NOTE 10: IN-KIND SUPPORT

Government grants includes in-kind contributions received by The HOPE Program during fiscal years 2003 and 2002 of $14,800, for each year. The support is in the form of a line of credit to purchase nutritious foods from approved vendors. The amounts reflected in the accompanying financial statements as Government grants are offset by like amounts included in program services as food expense.

Foundations and corporate contribution includes in-kind contributions received by The HOPE Program during fiscal year June 30, 2002 from Furniture Rental Associates ("FRA"). FRA contributed furniture to The HOPE Program with an approximate value of $11,000. This furniture is included in property, equipment and leasehold improvements on the Statement of Financial Position.

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Notes to Financial Statements

NOTE 11: PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets are comprised of the following:

	2003	2002
Security deposits	$ 34,313	$ 45,750
Deferred leasing expense – net	17,648	19,627
Prepaid insurance	7,061	3,787
	$ 59,022	$ 69,164

Deferred leasing expense represent legal fees relating to lease negotiations and preparation, and are amortized using the straight-line method, over the term of the lease. The deferred leasing expense shown above are net of amortization of $1,979 and $165 for 2003 and 2002, respectively.

NOTE 12: ADVANCE PAYABLE

The Department of Social Services of the Human Resources Administration on behalf of the City of New York (the "Department") advanced The HOPE Program $45,122 pursuant to an agreement entered into on December 4, 2001. Under the contract The HOPE Program shall repay the full amount of the advance to the Department, prior to the termination of the contract, in a time, manner, and form acceptable to the Department. The advance has no specified due date and must be held in an interest bearing account. Accrued interest may be paid to the Department or may be applied as a credit, at the direction of the Department. The contract terminates September 2006.