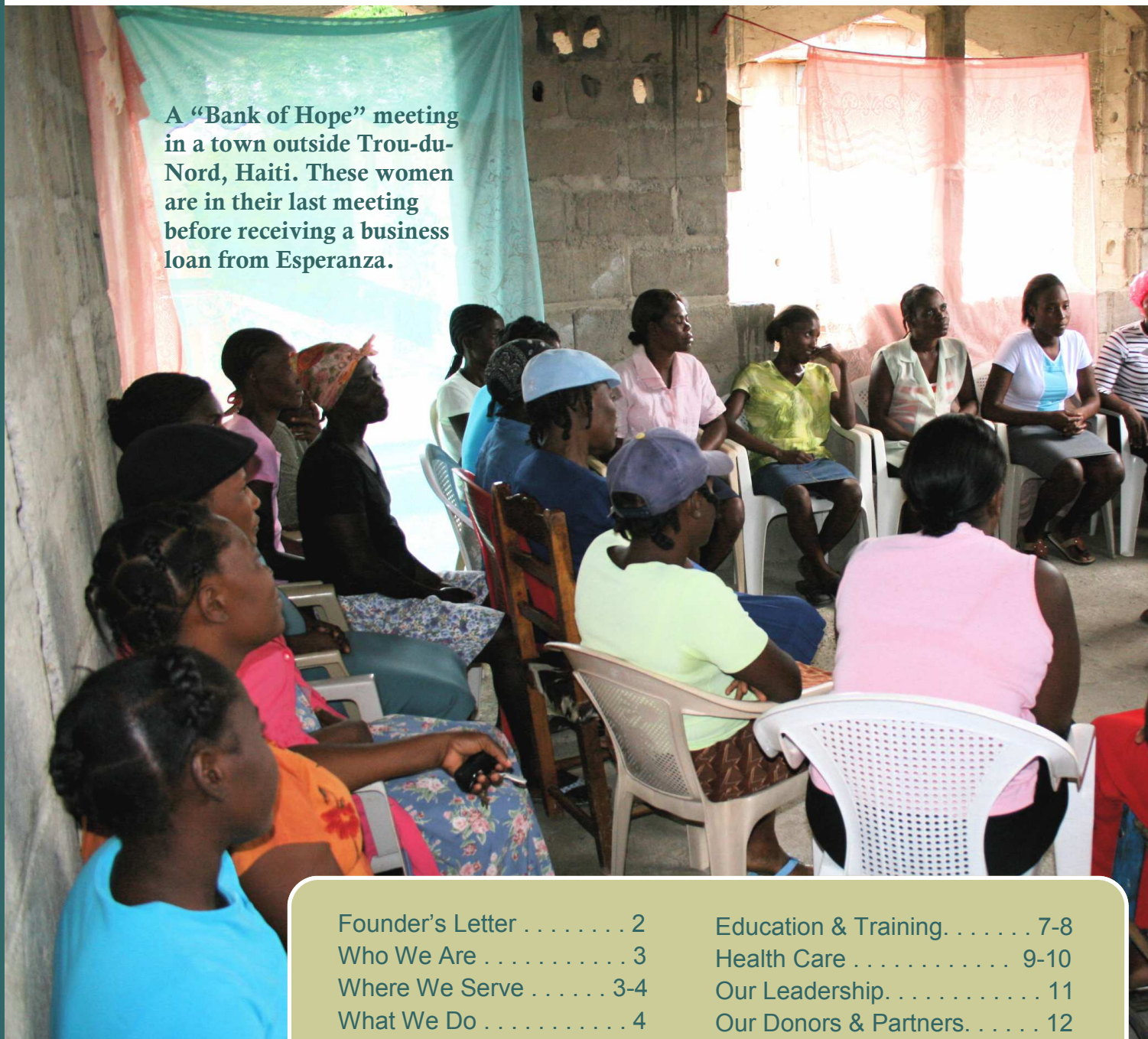




Annual Report 2007

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A “Bank of Hope” meeting in a town outside Trou-du-Nord, Haiti. These women are in their last meeting before receiving a business loan from Esperanza.



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FOUNDER'S LETTER



In October of this past year, Tropical storm Noel hit the Caribbean and showed how vulnerable impoverished communities can be, but also how our programs build resiliency. Our clients were able to bounce back better than others because they had savings in a bank rather than stashed in their homes or none at all. They had insurance as a safety net as well as support from our staff and their community Banks of Hope. Another testament to the power of microfinance.

The microfinance movement has been gaining momentum as an effective and sustainable tool in the fight to end global poverty. Within this movement is the concept of Microcredit Plus – Esperanza's defining characteristic – which is the strategy of combining microfinance with other development services like health care and education.

In 2007 Esperanza surpassed the milestone of actively serving more than 10,000 clients with microfinance services – putting Esperanza among the top 25% largest microfinance institutions operating worldwide.

Two programs we want to highlight this year are our new microfinance operations that have extended our reach to Haiti and people living with HIV and AIDS. These and the rest of Esperanza's accomplishments are featured in the following pages of this annual report.

Thanks to your support, the dedication of our staff, and the hard work of the families in our program, Esperanza is bringing hope and opportunity to those in greatest need. Together we can continue to build on this success to reach more families throughout Haiti and the Dominican Republic.

We are grateful for your continued support.

David Valle
Co-Founder
President & CEO

Victoria Valle
Co-Founder
Treasurer

WHO WE ARE

WHERE V



OUR MISSION

Esperanza is a Christian development organization dedicated to freeing children and their families from poverty through initiatives that generate income, education and health, restoring dignity and self-worth to those who have lost hope.

CORE VALUES

We strive to follow Christ and living the Gospel in all of our relationships by honoring the worth, dignity and potential of every person. We work to foster a sense of community wherever we serve, strengthen families and develop the entire person—body, mind and spirit.

We endeavor to be good stewards of faith, achieve excellence in all we do, pursue integrity over image, and enable every person to have the opportunity to become all that God intends.



“For I know the plans I have for you,” declares the Lord, “plans to prosper you and not to harm you, plans to give you hope and a future.”

~ Jeremiah 29:11

WE SERVE

WHAT WE DO



GUIDING PRINCIPLES

Esperanza's principles lead us towards community-based sustainable development strategies that address the root causes of poverty, especially those impacting children.

Our three major programs are financial services, health care and educational opportunities.

We work to improve the capacity of people to learn from their experiences of development, to be empowered by that process and to lead more fulfilled lives with greater understanding of the world they live in.

This goal is achieved by letting families and communities be the agents, planners, implementers and evaluators of the development efforts, where the vision comes from the people, and the ownership is theirs.

We seek to free people from the bondage and oppression of social, cultural, spiritual and economic forces that inhibit becoming all that is intended.

We accomplish this by reaching the most vulnerable and neglected populations such as the rural poor, single mothers, immigrants & refugees, people living with HIV and AIDS and those with little or no material assets.

★ = ESPERANZA OPERATION BRANCH OFFICE

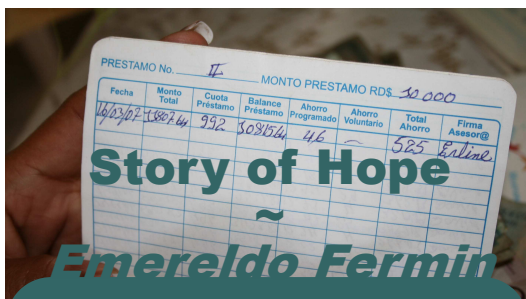


Emeraldo Fermin and his family at his grocery store, which he bought and expanded with business loans from Esperanza



“Here at Esperanza, we emphasize not just economic, but holistic development. We understand that providing complementary services is a significant cost for us, but we continue to invest resources into these services because the bottom poor need health care and education too.”

~ *Carlos Pimentel, Country Director*



“With the first loan from Esperanza, I was able to start a business, which I wasn't able to do before. I was able to develop my business with further loans, and today my store boasts an inventory of RD\$ 50,000 (US\$ 1,560) in merchandise and a RD\$ 19,000 (US\$ 590) freezer.

“Before I began receiving loans, my children had to live with their grandmother, because my wife and I could not support them in our own home. With the help of the loans I've received, I've been able to make my business a success and earn the resources we needed to reunite our family. All four of our children live with us now, and I am able to support and educate them as God wills.

“I saw the manner in which my store kept growing thanks to the good interest rate that Esperanza offers us and the guidance of my loan officer. From the beginning, my loan officer taught us how to keep a register of our accounts. I wouldn't change my relationship with my loan officer for anything. Through the instruction the loan officers provided before giving us the loans, I have learned to have faith in God and to be a responsible member of my community.

“Because I live in the community my store serves, I understand that my customers are as poor as I am. The loans have served the community by allowing me to offer needed goods at a fairer price than other stores in the area.

“Thank God for Esperanza. Thanks to them we have attained another way of life. Today we see the world from another point of view. If it weren't for the support and guidance that Esperanza has given us, we never would have been able to achieve our goals and aspirations.”

2007 Loan Portfolio

Number of active clients	12,993
Total loans disbursed	55,162
Gross loan portfolio	\$1,387,813.10
Average Loan Size	\$106.80
Loan repayment rate	97.3%
Female Clients	87.0%

* Figures as of December 31, 2007
* Amounts in United States Dollars

Financial services for the poor

The needs of children can best be met by their families. One way to address these needs is by providing financial services.

The microfinance industry has shown how the poor are just as entrepreneurial as successful business people only they lack access to capital and business skills. Esperanza gives impoverished families the opportunity to start or expand their own businesses to become self-reliant.

Our microfinance services are focused on assisting the poor people, especially mothers. Women worldwide have proven themselves to be good credit risks in job creation and income generation. The economic gains go to meeting family needs.

Children improve education and become healthier.

Esperanza accomplishes this by offering capital, savings, business training, and insurance. This creates a foundation for families to become financially self-sufficient in order to cover basic necessities. Self-worth and dignity are restored as well as hope for the future.

We implement a group-lending methodology where solidarity groups of five members of a community receive and repay a loan together. Multiple groups in a given community are known as a “Bank of Hope.” Members are accountable to each other for repaying their group loan.



A business training session conducted by
Esperanza's Haiti program director,
David Saint-Hilaire.



TRAINING PROGRAMS

Vocational Training

Esperanza develops and implements education and training opportunities that meet explicit needs of our bank associates, other community groups and our staff.

These include: leadership training, business planning, financial management, vocational/technical training, literacy, spiritual development and other issues that may emerge from our associates and their communities.

Associates and their children need education as well as vocational and spiritual training - giving them access to practical information and skills. For example, literacy courses are offered to expand their knowledge and understanding.

Vocational training programs are available for clients and their relatives to learn skills for managing their own small enterprise. Each entrepreneur works with their loan officer to create a business plan and develop their proficiency in a specific trade. This business training program gives five major lessons on personal finance, accounting, business management and principles of the loan contract so each of our associates is confident and prepared for the responsibilities of their enterprise.



Computer Labs

Esperanza has partnered with Microsoft and Dominican government departments to promote the education and training of youths and adolescents through Computer Technology Centers.

The centers provide students with tools such as basic know-how of computers, vocational skills such as word processing and access to information via the Internet and encyclopedias.

2007 Program Highlights

- ~ 5 centers open in 6 provinces
- ~ 3,850 students completed classes
- ~ Community members in 8 cities now have access to the centers.

2008 Goals

- ~ Open 3 new centers (2 Santo Domingo, 1 Santiago)
- ~ Consolidate courses from 1-year to 6 months to accommodate more students.

Story of Hope ~ *Milán Tapia*

Before Milán heard of Esperanza, she was living on less than \$2 per day with little formal education; the reality for 1/3 of Dominicans.

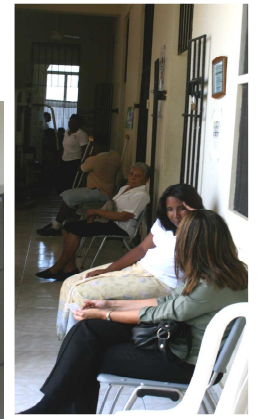
With her first loan from Esperanza, Milán learned business skills, which enabled her to open her own business manufacturing and selling women's clothing. The business was a success thanks to not only the loan itself, but the

educational opportunities she received from her loan officer.

Milán began to feel a calling to pass on her blessings to others. She focused on her community's children, especially those who were disadvantaged. She developed a vision of educating, feeding, and loving these children – providing them with an education. She opened up a school, which

began with a few students, but soon community members began bringing children to her, many from the streets.

Milán became teacher, mentor, and mother to these children. Now, seven years later, her school and volunteer teachers serve roughly 200 children each day. The school nearly doubled in size during 2007.



“Clinica Esperanza y Caridad” (Hope & Charity Clinic) in San Pedro de Macoris is one of Esperanza’s partners who provides health services to our associates and their families.

“The Esperanza y Vida program has been an incredible and excellent source of both economic and spiritual support for all of our associates, and we know this by the praise and thanks we receive from all of the women and men we serve. Although we encounter many challenges, stigmatism, and difficulties we are very excited to continue growing and serving more families and children in the years to come.”

~ *Mirna Guillen, Esperanza y Vida Coordinator*

RE PROGRAM



Addressing a fundamental need

Esperanza's integrated microfinance and health care package offers a number of benefits to clients who receive both services. Our associates are able to access quality, affordable health services from a trusted network of providers.

For Esperanza, focusing on preventive care using external sources allows the healthcare program to function in areas with a limited availability of medical services. Additionally, our approach is easily adapted to different branch locations, providing a flexible system for instituting health services that is based on local conditions.

Those services that are not covered by the healthcare fee—such as medical procedures and medicines—are often available at a



reduced cost through pre-arranged agreements between Esperanza and health care providers. Esperanza pays each clinic and allied doctor based on services provided to their clients. Because these providers charge Esperanza a fraction of their normal fee, Esperanza is able to pass these savings on to clients in the form of lower monthly fees.

HIV/AIDS Program

Our "Esperanza y Vida" (Hope & Life) program was established to provide microfinance services to people living with HIV and AIDS. Microfinance rescues those who are outside the traditional financial system. Esperanza y Vida takes this notion a step further by demonstrating a good credit history for those living with HIV and AIDS.

2007 Program Highlights

- ~ People received training: 1,075
- ~ Loans distributed: 243
- ~ Provinces reached: 5
- ~ Partnerships: 7*

*Includes: UNICEF, Johnson & Johnson, Compassion, Clinton Initiative, Red del Camino, Grupo Paloma, others

2008 Goals

- ~ Distribute 650 *additional* loans to people not yet in our program
- ~ Reach 2,800 children, orphans and vulnerable or at-risk youth through workshops and community outreach programs

Smiles for Hope

Esperanza has joined with *Smiles for Hope*, a non-profit organization based in the U.S. which sends medical mission teams to developing countries such as the Dominican Republic to provide free dental care to impoverished communities.

Our partnership began two years ago. In 2007, Esperanza hosted three mission teams made up of dentists, oral hygienists and volunteers, who provided dental services to over 2,000 individuals in 15 communities.

2007 Program Highlights

- ~ Children received cleanings: 2,109
- ~ Fillings (approx): 900
- ~ Extractions (approx): 1,400
- ~ Reconstructive or cosmetic surgery: 8-10

2008 Goals

- ~ Host six medical mission teams
- ~ Reach an additional 3,000 children
- ~ Improve & promote oral hygiene

LEADERSHIP

Board of Directors

David Valle - Chair, Co-Founder
President & CEO
Esperanza International

Victoria Valle - Co-Founder
Treasurer
Esperanza International

Nancy Cahill
Attorney at Law
Holman Cahill Garrett Ives & Oliver PLLC

Brian Holman
Manager
Ron Blue Company

Paul Kennel
*President, DIME Foundation &
Coordinating Committee Member, Micah Network*

Omar Minaya
General Manager & Executive Vice President of Baseball Operations
New York Mets

Mike Mortimer
CEO
Abner Group Real Estate & Investment

Mike Reilly
CEO
Reilly Brothers Real Estate

Senior Management Team

Carlos Pimentel ~ Executive Director
David Saint-Hilaire ~ Haiti Country Director
Pedro Lacén ~ Microfinance Services Manager
Maria Teresa Hernandez ~ Human Resources Manager
Andrés Barréto ~ Information Technology Manager
Juan Alberto Marmolejos ~ Finance Manager

Branch Managers

Yakaira Rosario	El Seibo & Hato Mayor
Helena Calcano	San Pedro de Macorís
Lorenzo Ozorio	Santo Domingo
Grisér Figaro	Samaná
Norberto Eusebio	Puerto Plata
Celida Pérez	Ingenio Consuelo

DONORS

ORGANIZATIONS

American Management Services LLC
 Anheuser-Busch, Inc.
 Apex Foundation
 Azusa Pacific University
 Best Buy
 BlackRock Financial Management, Inc.
 Carleton A. Cleveland III Fund
 CHS Services, Inc.
 Credit Suisse
 Crystal Springs Foundation
 Extended Hands Ministries
 Grameen Foundation
 Grogan & Brawner PC
 Hoglund Foundation
 Hope International
 Hope International Europe
 Hugo Boss Fashions Inc.
 Jerry & Marcia Tubergen Foundation
 Kiva Microfunds
 Lord Abbett Distributor
 Merrill Lynch
 Microsoft Giving
 MLB Player Trust for Children
 New York Mets Foundation, Inc.
 Paetec
 Reilly Family Foundation
 Roy J & Jeanne Grogan Family Foundation
 SAP America
 Seattle Mariners
 Smiles for Hope Foundation
 Sterling Stamos Capital Mgmt, LP
 Steven A. & Alexandra M. Cohen Fdn. Inc.
 Symetra Financial
 Thomas O. & Cinda Hicks Foundation
 Tommy Bahama
 Toys for Kids
 UNICEF
 USAID
 Wind-Up Entertainment, Inc
 WREN Construction

INDIVIDUALS & FAMILIES

Orlando and Adriana Ayala
 Ray and Jennifer Baker
 Mr. and Mrs. Lee M. Bass
 Gregg and Lauren Bennett
 Randy Bennett
 Herb and Janice Blackinton
 Becky Bogard
 Stephen Bray and Diane Dakin
 Lawrence Dale
 Steven and Gail Brookshire
 Jeffrey and Michelle Brown
 Lora Brown
 Dan and Pat Brzusek
 Dave and Candie Canfield
 Sridhar Chandrashekar
 Emily Content
 Jason and Courtney Courter

Dr. Ruth Crosby
 Carolee Danz
 Rick and Michelle Devenuti
 Donald G. Ely
 David Fischer
 J.C. Franklin
 Michael and Shanna Garbooshian
 Lucio and Marta Dalla Gasperina
 Michael and Renee Gastineau
 John Stanton and Theresa Gillespie
 Stan and Mary Harrelson
 David Hedequist
 Brenda Hernandez
 Kevin Hoffberg
 Forrest and Sally Hoglund
 Steven Hornstein
 Steve and Joan Ihlenfeldt
 Anna Marie Iozzo
 Fred and Marie Iozzo
 Rob Karr
 James and Dolores Kemmerer
 Scott Krahling
 Michael and Kathleen Lambert
 Scott and Ellen Lampe
 Peter Lamy
 Joe Lara
 Jesus Lopez
 Howard and Grace Lincoln
 Rufus and Pat Lumry
 Dan and Barbara Masiello
 Dana Mathews
 Marty and Susan McCurry
 Charlie and Julie McNerney
 Omar and Rachel Minaya
 Steven and Julie Nardi
 Salvatore and Brita Naro
 Robert and Lynn Neidbalski
 Thomas and Cheryl O'Leary
 Paul O'Meara
 Robert Penn
 Paul Proscia
 Keith and Vivian Rahl
 Don Randall
 Rick Rizzs
 Luis Salazar
 Greg and Mimi Slyngstad
 Phil Smith
 Basil P. Stamos, M.D.
 Kent and Gretchen Stepaniuk
 Chuck Sutton
 Ed Vetri
 Jeff Villnow and Serena Blach
 Paul and Lillian Voigt
 Timothy Waymire
 Lori Wedlake
 Leland and Jane White
 Phil and Debbie Williams
 Dan and Tamara Wilskie
 Ann Wilson
 Michael Worthing

PARTNERS

Ceprosch
 Clinton Global Initiative
 Clinica Esperanza y Caridad
 Clinica Divina Providencia
 Dominican Institute of Technology
 Five Talents
 Grameen
 Hope
 Johnson & Johnson
 Kiva Microfunds
 La Red del Camino
 Microsoft
 MIX Market
 NY Mets
 Office of the First Lady, D.R.
 Tu Hogar Cristiano School
 UNICEF
 USAID

Esperanza works one-on-one, face-to-face with community members to foster human development from the ground up. To maximize our outreach impact, we have built strategic partnerships with institutions with compatible goals.

Our network includes local churches, schools and health clinics, as well as governments, large companies and non-governmental organizations—allowing our personal approach to benefit from world-class resources, infrastructure, technology and information.



Income Statement for January 1, 2007 to December 31, 2007

All figures are in US Dollars

Account Name	From: 1-Jan-2007	To: 31-Dec-2007	From: 1-Jan-2006	To: 31-Dec-2006
Financial Revenue		537,833		335,601
Financial Revenue from Loan Portfolio		526,017		331,508
Interest on Loan Portfolio		424,848		331,508
Fees and Commissions on Loan Portfolio		101,168		0
Financial Revenue from Investments		0		0
Other Operating Revenue		11,816		4,093
Financial Expense		65,249		58,627
Financial Expense on Funding Liabilities		65,249		58,627
Interest and Fee Expense on Deposits		0		0
Interest and Fee Expense on Borrowings		65,249		58,627
Other Financial Expense		0		0
Net Financial Income		472,585		276,974
Impairment Losses on Loans		45,553		41,625
Provision for Loan Impairment		57,370		42,606
Value of Loans Recovered		(11,816)		(981)
Operating Expense		682,994		487,080
Personnel Expense		412,703		293,048
Administrative Expense		270,290		194,031
Depreciation and Amortization Expense		0		21,388
Other Administrative Expense		270,290		172,644
Net Operating Income		(255,962)		(251,731)
Net Non-Operating Income/ (Expense)		0		0
Non-Operating Revenue		0		0
Non-Operating Expense		0		0
Net Income (Before Taxes and Do- nations)		(255,962)		(251,731)
Taxes		0		0
Net Income (After Taxes and Be- fore Donations)		(255,962)		(251,731)
Donations		669,409		221,845
Donations for Loan Capital		669,409		196,716
Donations for Operating Expenses		0		25,128
Foreign Currency Translation Gains (Losses) arising from converting finan- cial statements from functional currency to presentation currency		(669,409)		(221,845)
Net Income (After Taxes and Do- nations)		(255,962)		(251,731)

Balance Sheet for January 1, 2007 to December 31, 2007

All figures are in US Dollars

Account Name	Values as of: 31-Dec-2007	Values as of: 31-Dec-2006
Assets		
Cash and Due from Banks	69,428	35,731
Trade Investments	0	0
Net Loan Portfolio	1,286,700	850,042
Gross Loan Portfolio	1,373,463	896,803
Impairment Loss Allowance	(86,763)	(46,762)
Interest Receivable on Loan Portfolio	20,975	15,522
Accounts Receivable and Other Assets	359,936	383,320
Other (Long-term) Investments	0	0
Net Fixed Assets	391,077	333,468
Fixed Assets	399,267	368,332
Accumulated Depreciation and Amortization	(8,191)	(34,864)
Total Assets	2,128,116	1,618,082
Liabilities		
Demand Deposits	0	0
Short-term Time Deposits	0	0
Short-term Borrowings	106,499	134,305
Interest Payable on Funding Liabilities	0	0
Accounts Payable and Other Short-term Liabilities	0	0
Long-term Time Deposits	0	0
Long-term Borrowings	954,210	878,253
Other Long-term Liabilities	0	0
Total Liabilities	1,060,709	1,012,558
Equity		
Paid-In Capital	0	0
Donated Equity	1,385,742	751,173
Prior Years	716,333	529,328
Current Year	669,409	221,845
Retained Earnings	(318,335)	(145,649)
Prior Years	(62,372)	106,082
Current Year	(255,962)	(251,731)
Reserves	0	0
Other Equity Accounts	0	0
Adjustments to Equity	0	0
Total Equity	1,067,407	605,524

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HAITI

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Trou du Nord, Nord-Est Dept.
HAITI

Phone: 011-509-718-3493

Esperanza is a Christian development organization dedicated to freeing children and their families from poverty through initiatives that generate income, education and health, restoring dignity and self-worth to those who have lost hope.

All photos provided by Esperanza staff.

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