



ANNUAL REPORT 2008

WHO WE ARE

OUR MISSION

The mission of *Esperanza International* is to free children and their families from poverty through initiatives that generate income, education and health; restoring self-worth and dignity to those who have lost hope.



VALUES

Following Christ and living the Gospel in all of our relationships
Honoring the worth, dignity and potential of every person
Developing the whole person: body, mind, and spirit
Strengthening the family
Fostering a sense of community wherever we serve
Learning from all those with whom we serve as we endeavor to teach truth
The earth as God's creation that we steward for the good of all people
Achieving excellence in all we do
Pursuing integrity over image
Enabling every person to have the opportunity to become
all that God intends

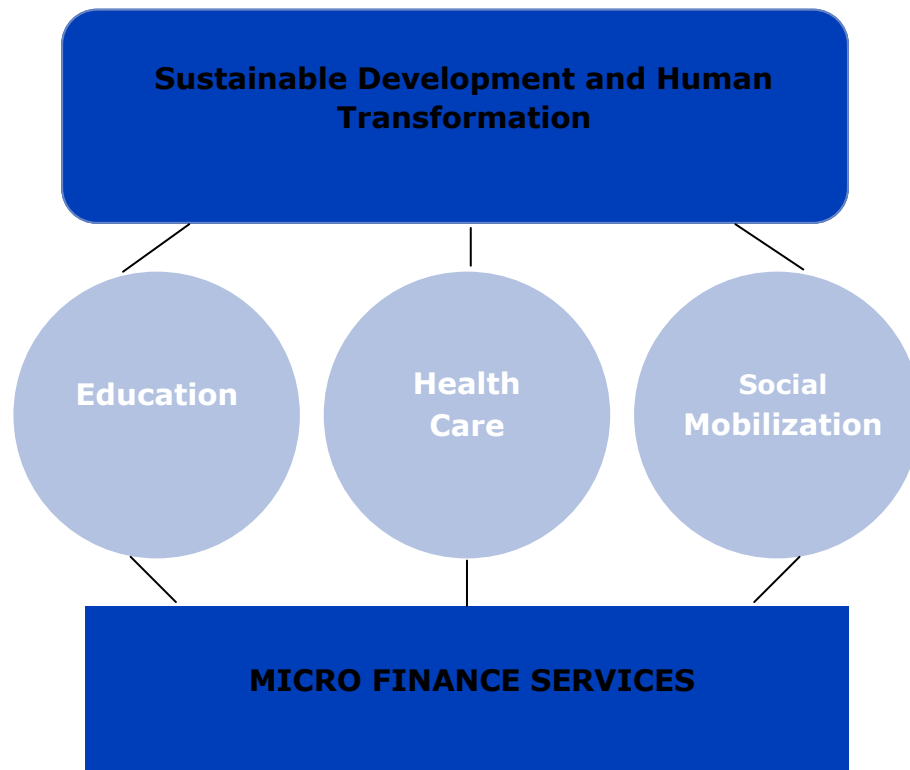
WHERE WE WORK



"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

MICROFINANCE SERVICES



More Than *Just* a Loan.

By offering credit to the poorest of the poor in the Dominican Republic and Haiti, we give people the opportunity to start a new business, or expand and improve their existing one. To allow our associates to thrive as entrepreneurs, we offer them **more than just a loan**; we provide business training that equips them with the skills to manage inventory and revenues, and instruction that helps them boost profit margins, gain an edge on competitors, and attract new customers. As associates began this new chapter of their lives, we at Esperanza continue to stand by them through challenges and victories alike. The solidarity fostered amongst our group members allows associates find the strength, hope and resiliency within themselves to overcome even the most daunting situations.

Specifically, educational and vocational programs are provided to enable associates and their families to become literate, learn to use computers, and prepare themselves for a sustainably better future. Dental and preventative health care services are offered to help associates and their families enjoy health and wellbeing. Lastly, spiritual programs are provided to help associates find dignity, purpose and *hope* in their lives again. Esperanza is committed to walking every step of the journey with each of our associates and we understand total transformation to occur on the economic, physical, and spiritual level. As such, we do our best to minister to the needs of our associates with the same unyielding compassion and love that our Lord Jesus Christ confers to us, every single day.

LOAN PORTFOLIO PERFORMANCE



DOMINICAN REPUBLIC and HAITI

Number of loans: 74,798

Businesses created: 37,624

Loan amt. disbursed: US \$13.8 Million

Loan Portfolio: US \$1.7 Million

Repayment rate 97.75%

Client retention rate: 80%

Banks of Hope: 1,031

Loan officers: 40

Total local staff: 98

Total clients: 17,412

Avg, loan size: US \$184

Percentage of women 87%

SPECIAL **MICRO FINANCE PROGRAMS**

*Special Programs
for Special Needs*

HOME IMPROVEMENT DEPARTMENT

Esperanza's Home Improvement Department provides our associates the opportunity to improve their living conditions through our microfinance services. We believe inadequate housing promotes hopelessness, creates instability for families, and increases the risks of disease. Therefore, the Housing Improvement Department's mission is to provide dignity, stability, and health through affordable home improvement opportunities. Building on Esperanza's microfinance services, the Housing Improvement Department provides special financing options and construction services to help our associates enjoy more dignifying living situations.



Tomasina is an associate in Batey Ulloa, who holistically represents Esperanza's Human Development Transformation. Tomasina is a rock in the poverty-stricken community of Batey Ulloa outside of San Pedro de Macoris. She is the mother of eight sons, her Bank of Hope President, a volunteer at the school, and owner of a town Colmado. Tomasina's Colmado (mini-market), which she started with an Esperanza loan of \$150 provides the community with food, beverages, and toys. In the fall, Tomasina received a loan to renovate her Colmado by adding cinder-block walls, new windows, a welcoming door and a raised roof. Another Esperanza associate served as her mason and the H.I.D. team arranged the delivery of the necessary supplies. Despite the massive construction project, Tomasina never closed her Colmado and sales probably increased as the community gathered to watch the construction. It was a magical day for Tomasina, her Bank of Hope and the H.I.D. team when the construction finished.

In the Dominican Republic, it is estimated that over 700,000 people live in inadequate housing consisting of dirt floors and unsafe make-shift shacks. Many of our associates lack adequate housing exposing their families to hopelessness, instability, and disease.

More Than

ESPERANZA Y VIDA

Esperanza y Vida, which means Hope and Life, is one of Esperanza's specialized micro finance programs. Esperanza y Vida specifically targets those living in the Dominican Republic and Haiti that are either infected with, or affected by HIV/AIDS. Those living with the disease are often discriminated against; it is not uncommon for children to be denied access to a school or for families to throw their own members out upon discovering someone is infected.

Esperanza y Vida targets this group and taking into account their vulnerability, works with them in high confidence to build emotional support groups, provide healthcare options, and also facilitate small business training and loans. It is our intent to show those infected with or affected by HIV/AIDS that they can learn to manage their illness and continue living a life of purpose and dignity.

An estimated 62,000
Dominicans are HIV
Positive and an
estimated 120,000
Haitians are HIV positive

40 DAYS TO A BETTER LIFE

Esperanza International's recent undertaking of the project "40 Days For A New Life" was inspired by the recognition of many women who have found themselves living within the destructive trap of poverty and prostitution. Partnering with CEPROSH, a Dominican based organization specializing in HIV awareness, prevention, and treatment, as well as the local church of Muños, Esperanza was able to complete a 40-day program oriented around touching and changing the lives of fifteen women trapped in prostitution. The program was created to focus on three broad aspects of their lives, working to impact their spiritual health, vocational skills, and the physical health of the women associates and their families.

This program was developed and created by one of Esperanza's long term interns, Jennifer Hovee. We are very grateful to Jen for her dedication and initiative with the 40 Days Program.



"The majority of women in prostitution are often in such a position because their children are starving or sick, and they believe there are no other possible means of income. When faced with the decision to allow your children to suffer or even die, or to offer your body as a means of their very survival, one can only sympathize with the pain and hurtful situation that brings the women to this position. But we are assured there is another option."

- Jennifer Hovee,
Program Founder

JUST a Loan...

HUMAN DEVELOPMENT AND TRANSFORMATION

The root causes of extreme poverty go deeper than lack of capital. Borrowers and their children need education as well as vocational and spiritual training - giving them access to practical information and skills. Esperanza looks to develop and transform each individual on as many levels as possible.

BUSINESS TRAINING



Each entrepreneur works with their loan officer to create a business plan and develop their proficiency in a specific trade. Our staff is continually engaged in workshops and training sessions provided by partner organizations to give them the information they need to adequately train our associates. Prior to receiving their loans, each of our borrowers completes five business training courses that help them be successful with the budgeting, pricing, accounting, marketing of their business, as well as the logistics of where to buy, prepare, and sell their products or services.

EDUCATION

In addition to educating our own borrowers, Esperanza looks to empower local community leaders in their efforts to educate youth of the same underprivileged communities they live. Currently, Esperanza works to support upwards of six small schools (all founded by our very own borrowers) that together, are reaching nearly 2,000 children that would otherwise not have received an education!



SOCIAL MOBILIZATION

As a part of our group lending model, our associates attend biweekly meetings with loan Officers and their solidarity groups, these meetings foster a consistent and true sense of social support in communities. For the children of our associates, little league baseball facilities, sports training programs, and periodic youth and Bible camps improve childhood development and self confidence.

Through biblical discipleship and a Christian witness from our loan officers and community churches, Esperanza works hard to minister to the spiritual needs of our associates as well. Our unique combination of credit and holistic services transforms individuals and communities, returning dignity and self-worth to many.



Photos show an assortment of activities implemented to foster integral and transformative community development



HEALTH CARE

Esperanza's holistic approach to alleviating poverty incorporates much more than just micro credit services. We believe it's important to address other factors in a person's life that may continue condemning them to a life of poverty. Some of those specific areas include: preventative health care such as PAP smears, PSA tests, and HIV/AIDS testing, dental care, spiritual guidance, and a variety of other basic health needs. These services are provided in collaboration with our best-of-practice partnerships.



These services are provided at a highly discounted rate to associates and are even provided free of charge at times. To help cover a portion of costs, associates themselves assume marginal amounts that are paid as part of the interest rate charged on their loans. Contributing to their own healthcare and wellbeing is yet another way our associates are able to earn dignity in and ownership over their lives.



Photos: (TOP) Dr. Lourdes Cubero giving a community awareness talk on the flu, malaria and general sanitation. (BOTTOM) A volunteer nurse giving women a seminar on infant and newborn resuscitation.



Since Esperanza's inception, the *Esperanza y Caridad* clinic has played an integral role in providing basic health services to our associates. This one clinic services the regions of and Boca Chica, Consuelo, El Seibo, Hato Mayor, La Romana, and San Pedro de Macorís associates. At *Esperanza y Caridad*, associates are able to receive general healthcare services, rehabilitation services for motor-vehicle accidents and strokes, HIV/AIDS testing and counseling, and much, much more.

Photo: Ercilia Santa of the *Esperanza y Caridad* Health Care Clinic in San Pedro de Macorís.

DENTAL CARE

In continuation of our belief in forming best-of-practice partnerships, 2008 proved to be wildly successful year for our partnership with the organization Smiles for Life! In March, September, and November of 2008 leaders Dr. Roy and Frances Hammond graciously brought down groups of dentists, hygienists, and general volunteers to serve our associates in the Dominican Republic. Highlights from the 2008 partnership are:

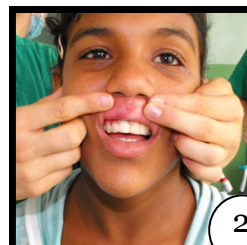
15 new communities served

Children & Associates who received cleanings: 1,500+

Fillings (approx): 900

Extractions (approx): 1,400

Reconstructive or cosmetic dentistry cases: 12



The Dominican Republic has been identified as a country with an oral health crisis. The consequences of poor oral health are innumerable. Poor brushing habits and care lead to cavities, periodontal disease, and other infections which compromise the health of children and adults alike. In our partnership with Smiles for Life, Dr. Roy and his wife Frances take special care to invest in the education of Dominicans such as Dr. Patricia Diaz. Like our microfinance model, they strive to empower Dominicans to take their future into their own hands, and enjoy a brighter future. By investing in the education of dental students and hygienists, Smiles For Life will help change lives in a way that lasts.

2009 Goals

Host four dental mission teams

Host four national dental missions utilizing Dominican dentists and hygienists

Train an additional four hygienists, and 9 local dental students

Serve 3,000 people between American and Dominican dental mission groups

Improve & promote oral hygiene in the Dominican Republic



Stories of Hope

The Dominican Republic

Agueda Trinidad Mota, *Dominican Republic*



Agueda Trinidad Mota knows the true meaning of transformation. Just two and a half years ago she spent her days cooking and cleaning in the house, interacting very rarely with others. Her husband was the sole provider for the family, barely making enough to get by. The family lived without electricity and other basic furniture and appliances. Agueda's unhappiness was clearly visible by the melancholy expression fixated on her face every day.

When Agueda took out her first loan, she used it to help her husband's dairy business. He had started a business making milk and cheese and selling it to an assortment of 'colmados', or small grocery stores, in Hato Mayor, San Pedro, and Santo Domingo. Once his business was stable, Agueda decided it was time that she break free of her overwhelming dependence

and start her own business. With her husband producing milk and cheese on a rural farm, she had the idea to start her own store from their home, selling his milk and cheese in addition to making her own ice cream and ice. Originally, she stored the maximum capacity of products possible in a cooler; however, the inefficiency of the limited inventory and extra transportation became a major hindrance. The following loans were used to purchase a refrigerator and two freezers, allowing Agueda to store her products for an extended period of time.

Agueda's business has obviously prospered over the last two years, but that is not the only growth that has occurred. Through working with her husband and eventually developing her own business, she has become a more cheerful, independent, and gracious person. As a result of her personal transformation, Agueda has been such a blessing to her family, neighbors, and fellow bank members, willingly supporting them in any way possible. She has learned that her source of joy has not just come from her successful business or being a part of a solidarity group, but ultimately from the Lord Jesus Christ. She is very thankful for Esperanza and the careful attention her loan officer gives to each individual. The holistic transformation exemplified by Agueda is certainly a testimony to the individuals in her bank of hope and in her community.

Stories of Hope

Haiti

Naslyn Charles, Haiti



Naslyn Charles is a strong minded family man from Trou du Nord, in northern Haiti. He is married with two young children of 1 and 5 years old. Naslyn has come a long way from his early working days to arrive where he is now. Originally a plumber by trade, and having spent some time also selling clothes in the local market of his home town, he now owns a small boutique located in the center of town. He sells cold drinks,

snacks, batteries, light bulbs, crazy glue, and a variety of other small items.

With his first loan of \$200 usd he purchased a better sound system and expanded his merchandise. Now one of the few boutiques in the area with a good sound system people often come from a distance to his shop. As they soak in the ambiance, Naslyn shares his attention with other clients. Acknowledging that the training received before the loan was dispersed helped him develop a new view of customer service, he gives special attention to each of his customers. "We are all created in the image of God. We all have dignity and deserve respect."

Now on his second loan, he continues to invest into his business. He dreams of being able to sell drinks and food in bulk to other businesses in the area and expanding into a larger locale over the next couple of years. This would help to create a stronger and more stable economic condition for himself and his family.

LEADERSHIP



Board of Directors

David Valle, President, Board Chair, Co-Founder

Victoria Valle, Secretary/Treasurer, Co-Founder

Nancy L. Cahill, Esq.

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

Brian Holman

Businessman
Ron Blue Company

Omar Minaya

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

Joe Leininger

Partner
Resource Land Holdings

Mike Reilly

CEO
Reilly Brothers Real Estate

Mike Mortimer

CEO
Abner Group Real Estate & Investment

Senior Management Team

Carlos Pimentel — Executive Director

David Saint-Hilaire — Country Director, Haiti

Rafael Sena — Director, Finances and Administration

Andrés Barreto — Director, Information Technology

Pedro Lacén — Manager, Microfinance Services

Maria Teresa Hernandez — Manager, Finance & Human Resources

David Diaz — Manager, Human Development and Transformation

Branch Managers

El Seibo

Hato Mayor

Los Alcarrizos

Puerto Plata

Samaná

San Pedro de Macorís

Santiago

Daniel Martinez

Beruit Guzman

Lorenzo Ozorio

Norberto Eusebio

Gricer Figaro

Celida Perez

Helen Calcano

Regional Managers

Haiti, Regional:

David Saint-Hilaire

El Seibo & Hato Mayor Regional:

Yakaira Rosario

INCOME STATEMENT

Account Name	From	To	From	To
	1-Jan-2008	31-Dec-2008	1-Jan-2007	31-Dec-2007
Financial Revenue		854,146		537,833
Financial Revenue from Loan Portfolio		854,146		526,017
Interest on Loan Portfolio		612,874		424,849
Fees and Commissions on Loan Portfolio		241,272		101,168
Financial Revenue from Investments		0		0
Other Operating Revenue		0		11,816
Financial Expense		115,738		65,249
Financial Expense on Funding Liabilities		115,738		65,249
Interest and Fee Expense on Deposits		0		0
Interest and Fee Expense on Borrowings		115,738		65,249
Other Financial Expense		0		0
Net Financial Income		738,408		472,584
Impairment Losses on Loans		43,102		45,558
Provision for Loan Impairment		59,153		57,374
Value of Loans Recovered		(16,051)		(11,816)
Operating Expense		834,091		682,993
Personnel Expense		472,604		412,703
Administrative Expense		380,552		270,290
Depreciation and Amortization Expense		53,219		0
Other Administrative Expense		327,333		270,290
Net Operating Income		(157,850)		(255,967)
Net Non-Operating Income/(Expense)		(916,097)		0
Non-Operating Revenue		0		0
Non-Operating Expense		(758,247)		0
Net Income (Before Taxes and Donations)		(916,097)		(255,967)
Taxes		0		0
Net Income (After Taxes and Before Do-		(916,097)		(255,967)
Donations		1,693,583		669,409
Donations for Loan Capital and programs		1,693,583		669,409
Donations for Operating Expenses		0		0
Net Income (After Taxes and Donations)		777,486		413,442.00

BALANCE SHEET

Balance sheet for January 1, 2008 to December 31, 2008

All figures are in US Dollars

Assets

Account Name	Value as of: 31-Dec-2008	Value as of: 31-Dec-2007
Cash and Due from Banks	233,379	69,428
Trade Investments	0	0
Net Loan Portfolio	1,935,029	1,286,700
Gross Loan Portfolio	2,049,682	1,373,463
Impairment Loss Allowance	(114,652)	(86,763)
Interest Receivable on Loan Portfolio	9,273	20,975
Accounts Receivable and Other Assets	565,420	359,936
Other (Long-term) Investments	0	0
Net Fixed Assets	258,656	391,076
Fixed Assets	561,064	399,267
Accumulated Depreciation and Amortization	(302,407)	(8,191)
Total Assets	3,001,757	2,128,115

Demand Deposits	0	0
Short-term Time Deposits	0	0
Short-term Borrowings	474,651	106,499
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	1,234,388	954,210
Other Long-term Liabilities	0	0
Total Liabilities	1,709,039	1,060,709

Paid-In Capital	0	0
Donated Equity	2,362,992	669,409
Prior Years	669,409	0
Current Year	1,693,583	669,409
Retained Earnings	(1,070,273)	397,997
Prior Years	(154,177)	653,964
Current Year	(916,097)	(255,967)
Reserves	0	0
Other Equity Accounts	0	0
Adjustments to Equity	0	0
Total Equity	1,292,718	1,067,406
Total Liabilities and Equity	3,001,757	2,128,115



USA

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