

Convoy of Hope, Incorporated

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2016 and 2015

Convoy of Hope, Incorporated
December 31, 2016 and 2015

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Independent Auditor's Report

Board of Directors
Convoy of Hope, Incorporated
Springfield, Missouri

We have audited the accompanying consolidated financial statements of Convoy of Hope, Incorporated, and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Convoy of Hope, Incorporated
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Convoy of Hope, Incorporated as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Springfield, Missouri
August 16, 2017

Convoy of Hope, Incorporated
Consolidated Statements of Financial Position
December 31, 2016 and 2015

Assets

	2016	2015
Cash and cash equivalents	\$ 9,110,187	\$ 4,645,285
Assets held by field operations	149,057	83,825
Assets held by others	133,847	124,578
Investments	1,709,424	2,174,076
Amounts due from other organizations	362,792	325,414
Accounts and other receivables	233,799	133,623
Grants receivable	2,924	73,704
Inventory	16,026,149	30,530,538
Cash value of life insurance	175,170	175,023
Other assets	2,500	3,322
Prepaid expenses	213,724	105,590
Property and equipment, net	10,840,133	10,296,830
Total assets	\$ 38,959,706	\$ 48,671,808

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,773,533	\$ 1,083,689
Notes payable	4,067,738	4,448,873
Total liabilities	5,841,271	5,532,562

Net Assets

Unrestricted	18,148,238	17,413,762
Temporarily restricted	14,836,713	25,598,500
Permanently restricted	133,484	126,984
Total net assets	33,118,435	43,139,246
Total liabilities and net assets	\$ 38,959,706	\$ 48,671,808

Convoy of Hope, Incorporated
Consolidated Statements of Activities
Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions	\$ 15,960,620	\$ 14,495,952	\$ 6,500	\$ 30,463,072
Public cash and food commodity grants	474,672	-	-	474,672
Gifts-in-kind	28,134,917	79,376,092	-	107,511,009
Investment return	(185,805)	-	-	(185,805)
Other income	1,137,010	-	-	1,137,010
Change in donor restrictions	-	-	-	-
Net assets released from restriction due to satisfaction of program restrictions	104,633,831	(104,633,831)	-	-
Total revenues, gains and other support	<u>150,155,245</u>	<u>(10,761,787)</u>	<u>6,500</u>	<u>139,399,958</u>
Expenses and Losses				
Program services	136,587,200	-	-	136,587,200
Fundraising	9,203,199	-	-	9,203,199
Administration	3,630,370	-	-	3,630,370
Total expenses and losses	<u>149,420,769</u>	<u>-</u>	<u>-</u>	<u>149,420,769</u>
Change in Net Assets	734,476	(10,761,787)	6,500	(10,020,811)
Net Assets, Beginning of Year	<u>17,413,762</u>	<u>25,598,500</u>	<u>126,984</u>	<u>43,139,246</u>
Net Assets, End of Year	<u>\$ 18,148,238</u>	<u>\$ 14,836,713</u>	<u>\$ 133,484</u>	<u>\$ 33,118,435</u>

See Notes to Financial Statements

2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 13,947,517	\$ 9,193,623	\$ -	\$ 23,141,140
448,460	-	-	448,460
23,877,799	81,663,942	-	105,541,741
829,126	-	-	829,126
994,612	-	-	994,612
(200,000)	200,000	-	-
<u>87,377,522</u>	<u>(87,377,522)</u>	<u>-</u>	<u>-</u>
<u>127,275,036</u>	<u>3,680,043</u>	<u>-</u>	<u>130,955,079</u>
115,242,591	-	-	115,242,591
9,249,471	-	-	9,249,471
<u>3,786,871</u>	<u>-</u>	<u>-</u>	<u>3,786,871</u>
<u>128,278,933</u>	<u>-</u>	<u>-</u>	<u>128,278,933</u>
(1,003,897)	3,680,043	-	2,676,146
<u>18,417,659</u>	<u>21,918,457</u>	<u>126,984</u>	<u>40,463,100</u>
<u>\$ 17,413,762</u>	<u>\$ 25,598,500</u>	<u>\$ 126,984</u>	<u>\$ 43,139,246</u>

Convoy of Hope, Incorporated
Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services					Support Services				Total
	Community Development	Community Events	Disaster Response	Partner Resourcing	Noncore Mission Initiatives	Total Program Services	Fundraising	Administration	Total Support Services	
Advertising and general promotion	\$ 12,494	\$ 139,608	\$ 20,900	\$ -	\$ 124	\$ 173,126	\$ 120,150	\$ -	\$ 120,150	\$ 293,276
Communications and telephone	27,915	3,924	22,157	1,177	4,500	59,673	26,158	83,330	109,488	169,161
Contract labor	140,052	1,010	4,547	500	1,024	147,133	206,441	11,345	217,786	364,919
Depreciation	246,737	64,893	148,479	160,942	21,164	642,215	190,400	199,681	390,081	1,032,296
Equipment, tools and rentals	8,150	26,264	47,266	27,954	271	109,905	15,780	13,290	29,070	138,975
Feeding, outreach, relief and resourcing	1,667,410	357,274	786,820	975,356	26,433	3,813,293	68,031	4,804	72,835	3,886,128
Gifts-in-kind	35,437,640	3,889,017	12,234,144	70,379,006	108,961	122,048,768	-	-	-	122,048,768
Grants to other ministries	1,148,700	126,486	538,404	248,329	546,300	2,608,219	25,500	87,950	113,450	2,721,669
Insurance	39,215	-	513	61,788	88	101,604	2,834	244,504	247,338	348,942
Interest	-	-	33	-	-	33	-	108,018	108,018	108,051
Licenses and fees	5,428	366	1,545	36,672	917	44,928	215,826	47,081	262,907	307,835
Occupancy	140,517	6,500	45,348	37,133	-	229,498	2,728	99,531	102,259	331,757
Office equipment and supplies	36,797	1,151	738	7,576	5,736	51,998	30,816	24,264	55,080	107,078
Postage and freight	29,406	586	706	1,465	-	32,163	192,290	4,469	196,759	228,922
Printing and publications	31,930	21,649	1,671	166	745	56,161	193,567	4,399	197,966	254,127
Professional services	19,471	-	12,795	-	393	32,659	402,225	120,879	523,104	555,763
Repairs and maintenance	88,154	9	82,570	168,517	-	339,250	149,509	113,882	263,391	602,641
Salaries, benefits and taxes	1,957,180	425,750	604,627	751,388	141,364	3,880,309	4,460,421	2,125,193	6,585,614	10,465,923
Shipping - outbound (third-party)	-	-	-	419,265	-	419,265	-	-	-	419,265
Special events	5,000	-	-	-	-	5,000	1,725,168	18,452	1,743,620	1,748,620
Taxes	-	-	-	-	-	-	63	104,485	104,548	104,548
Travel, conferences and training	1,316,121	214,987	150,845	19,527	5,214	1,706,694	1,032,811	134,693	1,167,504	2,874,198
Other	37,242	8,034	28,088	4,613	7,329	85,306	142,481	80,120	222,601	307,907
Total functional expenses	\$ 42,395,559	\$ 5,287,508	\$ 14,732,196	\$ 73,301,374	\$ 870,563	\$ 136,587,200	\$ 9,203,199	\$ 3,630,370	\$ 12,833,569	\$ 149,420,769

Convoy of Hope, Incorporated
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services					Support Services				Total
	Community Development	Community Events	Disaster Response	Partner Resourcing	Noncore Mission Initiatives	Total Program Services	Fundraising	Administration	Total Support Services	
Advertising and general promotion	\$ 5,497	\$ 117,149	\$ 8,097	\$ -	\$ -	\$ 130,743	\$ 109,139	\$ -	\$ 109,139	\$ 239,882
Communications and telephone	18,288	2,916	32,695	529	112	54,540	24,218	79,878	104,096	158,636
Contract labor	154,506	1,150	15,556	759	27,218	199,189	248,270	14,081	262,351	461,540
Depreciation	316,232	41,355	123,976	167,970	15,942	665,475	197,111	203,981	401,092	1,066,567
Equipment, tools and rentals	-	7,028	22,122	28,512	768	58,430	6,370	27,042	33,412	91,842
Feeding, outreach, relief and resourcing	1,269,255	350,831	924,316	756,118	-	3,300,520	-	-	-	3,300,520
Gifts-in-kind	30,706,604	3,283,589	7,531,725	59,385,795	201,525	101,109,238	-	-	-	101,109,238
Grants to other ministries	1,081,602	136,879	490,400	-	722,600	2,431,481	-	41,600	41,600	2,473,081
Insurance	33,840	36	627	60,702	239	95,444	3,489	271,472	274,961	370,405
Interest	-	-	-	-	-	-	-	121,004	121,004	121,004
Licenses and fees	10,965	-	10,013	57,518	501	78,997	227,237	80,797	308,034	387,031
Occupancy	156,551	-	43,781	2,611	-	202,943	-	139,083	139,083	342,026
Office equipment and supplies	645,880	10,145	38,634	6,758	33,367	734,784	18,118	36,699	54,817	789,601
Postage and freight	35,315	420	461	1,397	273	37,866	175,557	2,843	178,400	216,266
Printing and publications	16,135	20,223	575	714	1,122	38,769	241,395	3,730	245,125	283,894
Professional services	1,161	-	10,003	27,284	-	38,448	470,606	134,002	604,608	643,056
Repairs and maintenance	55,558	-	42,485	132,629	-	230,672	87,952	139,128	227,080	457,752
Salaries, benefits and taxes	1,946,173	405,487	664,095	724,527	118,935	3,859,217	4,516,535	2,210,266	6,726,801	10,586,018
Shipping - outbound (third-party)	-	-	-	339,774	-	339,774	-	-	-	339,774
Special events	-	-	-	-	-	-	2,074,623	200	2,074,823	2,074,823
Taxes	-	-	-	-	-	-	-	95,343	95,343	95,343
Travel, conferences and training	1,178,044	207,188	180,118	17,284	31,013	1,613,647	817,006	166,802	983,808	2,597,455
Other	16,096	158	3,119	33	3,008	22,414	31,845	18,920	50,765	73,179
Total functional expenses	\$ 37,647,702	\$ 4,584,554	\$ 10,142,798	\$ 61,710,914	\$ 1,156,623	\$ 115,242,591	\$ 9,249,471	\$ 3,786,871	\$ 13,036,342	\$ 128,278,933

Convoy of Hope, Incorporated
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Operating Activities		
Change in net assets	\$ (10,020,811)	\$ 2,676,146
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,032,296	1,066,567
Loss on disposition of equipment	995	1,218
Equipment contributions	(82,185)	(15,500)
Investment contributions	(989,423)	(450,866)
Net realized and unrealized (gain) loss on investments	294,758	(754,950)
Contributions restricted for long-term investment	(6,500)	-
Decrease (increase) in gift-in-kind inventory	14,256,563	(4,676,560)
Increase in cash value of life insurance	(147)	(68,774)
Changes in operating assets and liabilities		
Assets held by field operations	(65,232)	69,667
Amounts due from other organizations	(37,378)	22,205
Accounts and other receivables	(100,176)	(4,821)
Grants receivable	70,780	(47,544)
Prepaid expenses and other assets	(107,312)	(20,324)
Pledges receivable	-	500,000
Purchased inventory	247,826	(173,136)
Accounts payable and accrued expenses	689,844	(674,717)
	<u>5,183,898</u>	<u>(2,551,389)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Acquisition of equipment	(1,443,541)	(305,323)
Acquisition of investments	(1,124,586)	(148,127)
Proceeds from sale of investments	2,274,634	1,216,852
	<u>(293,493)</u>	<u>763,402</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Borrowings under line-of-credit agreement	1,500,000	1,250,000
Repayments under line-of-credit agreement	(1,500,000)	(1,250,000)
Principal payments on notes payable	(432,003)	(980,492)
Proceeds from contributions restricted for long-term investment	6,500	-
	<u>(425,503)</u>	<u>(980,492)</u>
Net cash used in financing activities		
Increase (Decrease) in Cash and Cash Equivalents	<u>4,464,902</u>	<u>(2,768,479)</u>
Cash and Cash Equivalents, Beginning of Year	<u>4,645,285</u>	<u>7,413,764</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 9,110,187</u></u>	<u><u>\$ 4,645,285</u></u>

Convoy of Hope, Incorporated
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Supplemental Cash Flows Information		
Interest paid	\$ 108,052	\$ 121,004
Note payable issued for purchase of equipment	\$ 27,000	\$ -
Capital lease obligation incurred for equipment	\$ 23,868	\$ -

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Convoy of Hope, Incorporated (the “Organization”) is a faith-based entity, headquartered in Springfield, Missouri, with a driving passion to feed the world. The Organization impacts lives through four primary service areas:

- *Community development* – The Organization not only provides meals as part of its international feeding initiative to eradicate hunger, but also creates sustainable solutions to help strengthen communities through agricultural initiatives, women’s empowerment education and rural community involvement. In addition, field teams provide individuals an opportunity to serve people around the world through projects within programs.
- *Community events* – The Organization provides guests of honor with unconditional love and acceptance through the mobilization, training and resourcing of volunteers from local churches, businesses and communities. Inner city outreach events, primarily conducted in the United States, feature resources such as free medical and dental screenings, haircuts, food, job placement assistance, entertainment, groceries and connection to local churches and community organizations.
- *Disaster response* – The Organization provides initial response teams, incident support and long-term recovery solutions through its dedicated volunteer network, fleet of tractor-trailers, 300,000 square foot world distribution center and on-the-ground partners. Since 1998, the Organization has quickly and effectively provided emergency food, water, shelter and supplies to survivors throughout the world.
- *Partner resourcing* – Through collaboration with other like-minded organizations throughout the world, the Organization is able to expand its reach by supplying and empowering other organizations with food and other products.

Administrative activities include the functions necessary to support the Organization’s program activities. Administrative activities include those activities that provide governance (Board of Directors), oversight, business and compliance management, financial record keeping, budgeting, legal services, information technology, human resource management and similar activities.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with the solicitation of money, securities, services, materials, facilities, other assets or time from individuals, businesses, foundations, government agencies and others.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Convoy of Hope, Incorporated and its wholly owned and controlled affiliates (collectively, the “Organization”): Convoy of Hope Foundation (Foundation) and Asper COH Investment Holdings, LLC (ACIHLLC). All intercompany transactions and accounts have been eliminated.

The Foundation is comprised of a trust (Convoy of Hope Foundation) and a corporate trustee (Convoy of Hope Corporation) established by Convoy of Hope, Incorporated, in 2013 under the laws of the State of Delaware as supporting organizations. Both Foundation entities are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and corresponding Delaware provisions. The Foundation is also the sole member of Ozark NN Land, LLC, a single-purpose entity organized in 2016 under the laws of the State of Missouri to purchase and hold certain land.

ACIHLLC is a single-purpose entity organized by Convoy of Hope, Incorporated in 2012 under the laws of the State of Delaware to invest, reinvest, manage, hold, sell, exchange, transfer and otherwise dispose of certain investments.

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for Not-For-Profits. The net assets, revenues, gains and other support and expenses in the accompanying consolidated financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated by the Board of Directors for specific purposes at any time.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets are resources subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program and operations.

The Organization is supported primarily through individuals, churches and businesses who give cash and in-kind donations.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based on historical experience and various other factors. The actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents, unless the investments are held for meeting restrictions of a capital or endowment nature. At December 31, 2016 and 2015, cash equivalents consisted primarily of Assemblies of God Financial Services loan fund demand deposits and bank repurchase agreements.

At December 31, 2016, the Organization had approximately \$6,740,010 in cash and cash equivalents, which were not insured or guaranteed by the FDIC.

Assets Held by Field Operations

The Organization operates in seven foreign field offices using local currency. Assets held by field operations are primarily remaining cash positions of funds forwarded to project field sites for use in carrying out program activities. The field office net assets have been translated at foreign exchange rates in effect at December 31, 2016 and 2015. Foreign office transactions are reported in the foreign currency and converted at the rate in effect at the end of the reporting quarter. Foreign currency transaction gains and losses are included in the determination of the change in net assets.

Assets Held By Others

Assets held by others are Board-designated endowment assets, consisting of cash and cash equivalents, held in an irrevocable trust by Assemblies of God Foundation (AG Foundation).

Investments and Investment Return

Investments in equity securities having a readily determinable fair value are recorded at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return is reflected in the consolidated statements of activities as unrestricted based upon the absence of any donor or legally imposed restrictions. The Organization's marketable securities are primarily held in trust at Charles Schwab and ADM Investor Services.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
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Donor advised funds (the “Funds”) are amounts available for distribution to support public charitable organizations whose purposes are not adverse to the mission of the Organization. Assets of the Funds include the initial gift made in creating the fund, any subsequent property gifts made into the Funds and all income and other proceeds from the foregoing assets. The Organization recognizes income to the Funds when assets are contributed. The Funds are the property of the Organization and may be commingled with other funds held by it. The Organization has ultimate authority and control over all assets in the Funds. Grants from the Funds are typically initiated when the donor recommends which other organizations should receive grants from their Fund. The Organization usually follows such recommendations, though it is not required to do so. All grants made to other organizations from the Funds are recorded as gifts to other ministries under program expenses.

Amounts Due from Other Organizations

Amounts due from other organizations are primarily amounts collected by the General Council of the Assemblies of God (GCAG) and its affiliates on behalf of the Organization. Management believes all amounts are collectible in full, therefore no allowance for uncollectible amounts has been provided.

Accounts and Other Receivables

Accounts receivable consist primarily of unsecured amounts due from tenants and ocean freight partners. Management believes all amounts are collectible in full, therefore no allowance for uncollectible amounts has been provided. If amounts become uncollectible, those amounts will be charged to operations when that determination is made.

Inventory

Inventory consists of purchased supplies and donated food, medical products and other supplies. Purchased inventory is stated at the lower of cost or market. Donated inventory is stated at fair value as disclosed below under *Gifts-in-Kind Contributions*. Donated inventory is intended for distribution to qualified organizations only, and is not available for sale. Management periodically evaluates the net realizable value of all inventories to ensure any impairment is recognized in the period in which it is incurred.

Property and Equipment

Items purchased as land, buildings, building improvements, furniture, equipment and vehicles are recorded at historical cost. Donated items are recorded at fair market value on the date of the gift. Depreciation of buildings, building improvements, furniture, equipment and vehicles is computed using the straight-line method over the estimated useful lives of the assets. All land and buildings are capitalized. Equipment with a cost over \$1,000 and a useful life of more than three years is capitalized. Repairs and maintenance costs not significantly increasing the useful life of the asset are expensed as incurred.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	40 years
Building improvements	15 years
Furniture and equipment	3-10 years
Transportation equipment	7 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2016 and 2015.

Contributions

The Organization follows ASC Subtopic 958-605, *Revenue Recognition*, to recognize cash and gift-in-kind contributions from individuals and domestic and multi-national organizations. Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made or ownership of donated assets is transferred. Gifts-in-kind (including inventory, securities, property and equipment) are recorded at fair value at the date of the gift.

Contributions other than gifts-in-kind are primarily cash contributions derived from ongoing fundraising initiatives. All contributions are considered to be available for unrestricted use unless specified by the donor. Bequests are recorded as income and contribution receivable when the probate court declares the will is valid and the Organization has an irrevocable right to the bequest. Contributions receivable are unrestricted and are expected to be received within a year, therefore no present value discount has been recorded.

Restricted contributions received by the Organization may have an assessment applied at the time of donation to cover fundraising and administrative costs of twelve to twenty percent. At the time of assessment, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the consolidated statement of activities as a component of net assets released due to satisfaction of program restrictions. The Organization's actual overhead rate applied to restricted contributions in connection with this policy was 18.9% and 17.0% for the years ended December 31, 2016 and 2015, respectively.

Convoy of Hope, Incorporated

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the asset. A donor restriction expires when the stipulated time ends or purpose restriction is accomplished. In addition, if restricted contributions exceed the need of a crisis, the capacity to respond to a crisis and/or when local conditions prevent effective assistance, the Organization's Board may reallocate these funds to ensure the Organization fulfills its global mission of helping children and families in need. Temporarily restricted net assets are then reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts-in-Kind Contributions

Donated inventory (consisting of food, supplies, medicines, medical supplies and other goods) for use in ministry programs is recorded as inventory and contribution revenue at its estimated fair value at the date of donation, taking into consideration inventory condition and utility for use. All donated inventory is received from private organizations, not-for-profit entities or under government agreements and is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which it was either the original recipient of the gift, was involved in partnership with the end-user organization for distribution domestically or internationally or used in the Organization's programs. The Organization does not sell donated gifts-in-kind (GIK) and only distributes the goods for program use.

Donated property and equipment is recorded as temporarily restricted if donors stipulate how or how long the asset must be used. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated use of facilities is recorded as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is recorded as a contribution and the expense is recorded over the term of use.

In accordance with interagency standards established by the Accord Network, the Organization only records the value of gifts-in-kind for which it receives and exercises variance power, which is the discretion to distribute or redistribute the commodity without the donor's prior consent in accordance with its mission and purpose.

Accordingly, food and supply donations are valued as noncash contributions at estimated fair value as provided by the donor or, in the absence of donors' valuations, based on the Organization's estimate of fair value based upon estimates of the wholesale values that would be received for selling goods in their principal exit market considering their condition and utility for use at the time the goods are contributed by the donor. Pharmaceutical donations are valued at estimated fair value based predominantly on partner donor valuations, which approximate either Wholesale Acquisition Cost or Average Wholesale Price. In the absence of donors' valuations, the Organization estimates Average Wholesale Price.

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Donated inventory with specific geographic or purpose restrictions are recognized as temporarily restricted contributions. Donor restrictions are satisfied, and donated inventory is released from restriction and reclassified as unrestricted, when the donated product has been shipped. Donated inventories received with conditions, such as provision that they cannot be distributed within the United States, are considered limitations rather than purpose restrictions and are therefore reported as unrestricted contributions.

Contributed Services

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's programs and support service operations. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing those skills. Contribution revenue recognized from contributed services consisted of:

	2016	2015
Professional labor hours for Community Events	\$ 672,874	\$ 800,990
Professional labor hours for Disaster Response	103	21,651
CDL driver hours for Partner Resourcing	194,182	178,281
	\$ 867,159	\$ 1,000,922

Public Cash and Food Commodity Grants

Certain projects of the Organization are assisted by federal cash and food commodity grants through the United States Agency of International Development's (USAID) Office of Food for Peace, as well as, the United States (US) Department of State's US Embassy in San Salvador.

Revenues from grants are deemed earned and recognized in the consolidated statement of activities when qualifying costs are incurred for the purposes specified. Grant funds that have been received in advance of qualifying costs being incurred are reported as deferred revenue. Food commodities are valued using guidelines published by the United States Department of Agriculture and USAID. Food contribution revenue granted for distribution is generally recognized when the commodities are delivered to the ultimate destination. Grant activities and outlays may be subject to audit and acceptance by grantor agencies. These reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes costs ultimately disallowed, if any, would not materially affect the consolidated financial position of the Organization.

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Income Taxes

Originally registered as New Era Ministries, Inc. in 1984, the Organization changed its legal name to ChurchCare America, Inc. and then, in 2002, to Convoy of Hope, Incorporated. The Organization incorporated under the laws of the State of California and is exempt from federal income taxes on income related to its exempt purposes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the code.

The Organization is subject to tax on unrelated business income and, accordingly, pays estimated taxes. In accordance with the provisions associated with accounting for uncertainty in income taxes, management has analyzed its various federal and state filing positions and believes that its income tax filing positions and deductions are well documented and supported. Additionally, management believes that no accruals for tax liabilities related to uncertain income tax positions are required. Therefore, no reserves for uncertain income tax positions have been recorded.

There have been no increases or decreases in unrecognized tax benefits for current or prior years. Further, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next 12 months. When applicable, interest and penalties will be reported as a component of income tax expense. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2013.

As a publicly supported entity, the Organization is classified as a public charity under Section 509(a)(1) of the Code and the Foundation entities are classified as public charities under Section 509(a)(3) of the Code. Contributions to the Organization are tax deductible to donors under section 170 of the Code.

Functional Expense Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the consolidated statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions, such as depreciation and payroll, have been allocated among the various functions benefited based on management's estimates.

Administrative and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, the policy to account for joint costs that include fundraising is to allocate all costs which have a fundraising component as 100% fundraising.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
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Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2016	2015
	<hr/>	<hr/>
Equity securities		
Kroger Company	\$ 4,486	\$ -
Mutual funds		
BlackRock Strategic Income Opps Inv A	76,192	76,395
American Funds Fundamental Invs F1	12,828	11,407
American Funds New World F1	1,509	1,452
BlackRock Multi-Asset Income Investor A	1,498	1,408
Janus Global Unconstrained	38,005	-
Oppenheimer Senior Floating Rate A	21,247	18,854
Vanguard High Yield Corporation	25,997	-
Exchange traded funds		
iShares US Preferred Stock ETF	6,145	19,231
iShares 1-3 Year Treasury Bond ETF	19,086	73,731
SPDR Doubleline Total Return Tactical ETF	-	69,498
Vanguard Total Stock Market ETF	64,629	57,977
Commodity options		
February 2016 Corn	-	(170,250)
February 2016 Soybeans	-	(81,250)
March 2016 Soybeans	-	(93,225)
February 2017 Corn	(71,800)	-
March 2017 Soybeans	(123,563)	-
Commodity futures		
March 2016 Corn	-	49,245
March 2016 Soybeans	-	40,950
November 2016 Soybeans	-	(174,636)
March 2017 Corn	(3,400)	-
March 2017 Soybeans	(9,450)	-
July 2017 Soybeans	60,000	-
November 2017 Soybeans	(47,000)	-
December 2017 Corn	-	(2,874)
Cash held by broker for commodity trading	1,549,859	2,249,663
Community Foundation of the Ozarks Hope Fund	27,727	26,500
Cole Office & Industrial II REIT - A Share	55,429	-
	<hr/>	<hr/>
	\$ 1,709,424	\$ 2,174,076
	<hr/>	<hr/>

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Notes to Consolidated Financial Statements
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Total investment return, including interest income on cash equivalents, is comprised of the following:

	2016	2015
Interest and dividend income	\$ 108,953	\$ 74,176
Net realized and unrealized gains (losses)	(294,758)	754,950
	\$ (185,805)	\$ 829,126

Note 3: Inventory

Inventory at December 31 consists of:

	2016	2015
GIK food inventory	\$ 5,336,426	\$ 13,828,087
GIK supply inventory	8,018,643	15,843,261
GIK medical supply inventory	1,308,867	345,360
GIK disaster relief inventory	1,300,379	204,170
Purchased food inventory	20,632	306,001
Merchandise inventory for sale	41,202	3,659
	\$ 16,026,149	\$ 30,530,538

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2016	2015
Land, buildings and improvements	\$ 12,565,372	\$ 11,511,846
Furniture and equipment	2,068,621	2,010,344
Transportation equipment	5,437,146	5,044,020
	20,071,139	18,566,210
Less accumulated depreciation	9,231,006	8,269,380
	\$ 10,840,133	\$ 10,296,830

Depreciation expense was \$1,032,298 and \$1,066,567 for 2016 and 2015, respectively.

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Notes to Consolidated Financial Statements
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Note 5: Compensated Absences

Employees of the Organization are entitled to paid vacations and can carryover unused vacation from one fiscal year to the next. The financial statements include a provision for compensated absences earned, but not paid amounting to \$321,169 and \$379,099 as of December 31, 2016 and 2015, respectively.

Note 6: Line of Credit

The Organization has a \$3,000,000 bank line of credit maturing May 1, 2018. At December 31, 2016 and 2015, there was \$0 borrowed against this line. The line is collateralized by real estate and rental income. Interest varies with the bank's prime rate, with a floor of 3.50%, and is payable monthly. The interest rate was 3.75% and 4.00% on December 31, 2016 and 2015, respectively.

Note 7: Notes Payable

	2016	2015
3%, principal and interest due monthly at \$19,622 with one final principal payment due August 1, 2018, collateralized by real estate and rental income	\$ 2,736,374	\$ 2,886,373
0%, principal due monthly at \$20,833, maturing March 1, 2022, collateralized by real estate (<i>Note 12</i>)	1,312,500	1,562,500
0%, principal due monthly at \$1,125, maturing March 15, 2018	16,875	-
Capital lease obligation covering forklifts expiring January 2017	1,989	-
	\$ 4,067,738	\$ 4,448,873

Aggregate annual maturities of long-term debt at December 31, 2016, are:

2017	\$ 421,013
2018	2,834,225
2019	250,000
2020	250,000
2021	250,000
Thereafter	62,500
	\$ 4,067,738

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Property and equipment include the following property under capital leases at December 31, 2016:

	2016	2015
Equipment	\$ 23,868	\$ -
Less accumulated depreciation	3,125	-
	<u>\$ 20,743</u>	<u>\$ -</u>

Note 8: Net Assets

Unrestricted Net Assets

Unrestricted net assets are represented by the following at December 31:

	2016	2015
Working capital	\$ 2,808,100	\$ 844,285
Board-designated endowment	133,847	124,578
Property and equipment, net of debt	6,772,395	5,847,957
Donor advised funds	1,657,434	1,797,722
ACIHELLC interest	1,362,747	1,826,089
Undistributed inventories	5,413,715	6,973,131
	<u>\$ 18,148,238</u>	<u>\$ 17,413,762</u>

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2016	2015
Global disaster response	\$ 2,546,810	\$ 1,492,317
Community development	1,558,145	440,444
Community events	119,324	108,332
Undistributed GIK inventory	10,612,434	23,557,407
	<u>\$ 14,836,713</u>	<u>\$ 25,598,500</u>

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Notes to Consolidated Financial Statements
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Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

	2016	2015
Investment in perpetuity, the income of which is expendable to support Convoy of Hope programs	\$ 133,484	\$ 126,984

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of other events specified by donors, or Board-approved allocations.

Note 9: Endowment

Endowment funds represent assets and net assets that are subject to permanent restriction by gift instruments as prescribed by donors. The principal amount, based on historical gift value of each endowment, is to be maintained permanently. The income derived from each permanent endowment is allocated to the unrestricted or temporarily restricted revenue per the donor’s specifications.

The Organization maintained two endowment funds totaling \$267,331 and \$251,562 at December 31, 2016 and 2015, respectively. One of these funds was a Board-designated endowment which totaled \$133,847 and \$124,578 at December 31, 2016 and 2015, respectively, and is included in unrestricted net assets. This endowment is maintained under the AG Foundation. The permanently restricted endowment totaling \$133,484 and \$126,984 at December 31, 2016 and 2015, respectively, is maintained under the Convoy of Hope Foundation. Going forward, the Convoy of Hope Foundation endowment may include both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by GAAP, net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization’s governing body has interpreted the California and Delaware Uniform Prudent Management of Institutional Funds Acts (UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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Note 10: Public Cash and Food Commodity Grants

Cash grant revenue received from the U.S. Department of State was \$0 and \$32,713 for the years ended December 31, 2016 and 2015, respectively. Cash grant revenue received from USAID was \$111,291 and \$156,190 for the years ended December 31, 2016 and 2015, respectively. Food commodities received from USAID were \$363,381 and \$259,557 for the years ended December 31, 2016 and 2015, respectively.

Note 11: Gifts-in-Kind Contributions

Gifts-in-kind recognized consisted of the following for the years ended December 31:

	2016	2015
Food	\$ 51,828,372	\$ 50,562,050
Pharmaceuticals and medical supplies	28,073,740	29,292,755
Clothing and household goods	26,162,536	24,208,094
Services	867,159	1,000,922
Relief supplies	497,018	462,420
Vehicles	82,184	15,500
	<u>\$ 107,511,009</u>	<u>\$ 105,541,741</u>

Note 12: Related Party Transactions

The Organization and the GCAG maintain separate and distinct Boards of Directors. The following summarizes significant affiliations between the two organizations:

One Board member of the Organization was a full-time management level employee of the GCAG or its affiliates.

The GCAG and its affiliate, the Assemblies of God World Missions (AGWM), receive pass-thru donations on behalf of the Organization. The balance in these accounts for the years ended December 31, 2016 and 2015, was \$362,792 and \$325,414, respectively, and are reported on the consolidated statement of financial position as amounts due from other organizations. These funds are generally disbursed monthly.

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In addition, the Organization maintains memorandums of understanding (MOU) with both the GCAG and AGWM to formalize the Organization's role as the preferred partner with the GCAG and its mission's agencies to provide compassion ministry resources and services. The memorandums outline strategic partnership roles encompassing joint fundraising, co-branding, media and communication releases, financial ramifications and on the ground response protocols in the event of major disasters due to these entities' shared constituencies. Funds received directly by the Organization as a result of joint appeals are recorded as previously described in the Organization's significant accounting policies, while funds received directly by the GCAG and its affiliate are recorded once disbursed to the Organization in relation to approved program activities.

Cash contribution revenue recognized under the GCAG and AGWM memorandums of understanding consisted of the following for the years ended December 31:

	2016	2015
Cash contributions from AGWM MOU	\$ 867,246	\$ 101,807

Cash contribution revenue recognized from GCAG, AGWM and AG Foundation, not under the memorandums of understanding, totaled \$1,144,711 and \$1,617,238 for 2016 and 2015, respectively.

The Organization did not make any cash payments under the GCAG MOU or the AGWM MOU during the years ended December 31, 2016 and 2015.

The GCAG and its affiliate assigned 21 and 17 missionaries to the Organization to assist in program activities during 2016 and 2015, respectively. The value of these services has not been reflected in the accompanying financial statements.

The Organization maintains investment accounts with AG Financial Services (AGFS) and the AG Foundation, both affiliated with the GCAG. The balances in the AGFS accounts at December 31, 2016 and 2015, were \$184,409 and \$939,818, respectively, and are reported on the consolidated statement of financial position as cash equivalents. The Organization maintains Board-designated endowment funds at AG Foundation with a balance of \$133,847 and \$124,578 at December 31, 2016 and 2015, respectively. These funds are reported as assets held by others on the consolidated statement of financial position. In addition, principal payments on the note the Organization secured from AGFS in 2012 were \$250,000 for the years ended December 31, 2016 and 2015. The note has a balance of \$1,312,500 and \$1,562,500 at December 31, 2016 and 2015, respectively. AGFS contributed \$245,000 and \$255,000, respectively, to the Organization during the years ended December 31, 2016 and 2015. Lastly, interest payments on a short-term note the Organization secured from AGFS in 2014 were \$0 and \$6,772 for the year ended December 31, 2016 and 2015, respectively.

The Organization leases excess warehouse space to two organizations affiliated with the GCAG. Lease income for the years ended December 31, 2016 and 2015, was \$108,151 and \$123,426, respectively.

The Organization purchased services provided by Board members totaling \$100 and \$200 for the years ended December 31, 2016 and 2015, respectively.

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Note 13: Lease Income Under Operating Leases

The Organization leases excess warehouse space to tenants under lease agreements ranging from month-to-month to 11 years. Lease income was \$528,007 and \$543,283 for the years ended December 31, 2016 and 2015, respectively.

Future minimum lease receipts under operating leases are:

2017	\$ 486,610
2018	456,504
2019	456,504
2020	456,504
2021	5,400
Thereafter	<u>15,075</u>
Total minimum lease receipts	<u><u>\$ 1,876,597</u></u>

Note 14: Retirement Plan

The Organization offers employees a defined contribution retirement plan. This plan is available for the benefit of all full-time, regular employees who have completed 90 days of service with the Organization. The Organization matches 100% of employee contributions up to a maximum of 5% of compensation. Effective March 1, 2016, the Organization suspended the 5% employer-matching contributions. Effective January 1, 2017, the 5% employer matching contributions were reinstated. Contributions, which are included in employee benefits in the statement of functional expenses, were \$60,835 and \$288,522 for 2016 and 2015, respectively.

Note 15: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Equity security				
Kroger Company	\$ 4,486	\$ 4,486	\$ -	\$ -
Mutual funds				
BlackRock Strategic Income				
Opps Inv A	76,192	76,192	-	-
American Funds Fundamental				
Invs F1	12,828	12,828	-	-
American Funds New World F1	1,509	1,509	-	-
BlackRock Multi-Asset Income				
Investor A	1,498	1,498	-	-
Janus Global Unconstrained	38,005	38,005	-	-
Oppenheimer Senior Floating				
Rate A	21,247	21,247	-	-
Vanguard High Yield Corporation	25,997	25,997	-	-
Exchange traded funds				
iShares US Preferred Stock ETF	6,145	6,145	-	-
iShares 1-3 Year Treasury Bond ETF	19,086	19,086	-	-
Vanguard Total Stock Market ETF	64,629	64,629	-	-
Commodity options				
February 2017 Corn	(71,800)	(71,800)	-	-
March 2017 Soybeans	(123,563)	(123,563)	-	-
Commodity futures				
March 2017 Corn	(3,400)	(3,400)	-	-
March 2017 Soybeans	(9,450)	(9,450)	-	-
July 17 Soybeans	60,000	60,000	-	-
November 2017 Soybeans	(47,000)	(47,000)	-	-
Alternative investments				
Community Foundation of the Ozarks Hope Fund	27,727	-	27,727	-
Cole Office & Industrial II REIT - A Share	55,429	-	55,429	-

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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2015				
Mutual funds				
BlackRock Strategic Income				
Opps Inv A	\$ 76,395	\$ 76,395	\$ -	\$ -
American Funds Fundamental				
Invs F1	11,407	11,407	-	-
American Funds New World F1	1,452	1,452	-	-
BlackRock Multi-Asset Income				
Investor A	1,408	1,408	-	-
Oppenheimer Senior Floating				
Rate A	18,854	18,854	-	-
Exchange traded funds				
iShares US Preferred Stock ETF	19,231	19,231	-	-
iShares 1-3 Year Treasury Bond ETF	73,731	73,731	-	-
SPDR Doubleline Total Return				
Tactical ETF	69,498	69,498	-	-
Vanguard Total Stock Market ETF	57,977	57,977	-	-
Commodity options				
February 2016 Corn	(170,250)	(170,250)	-	-
February 2016 Soybeans	(81,250)	(81,250)	-	-
May 2016 Soybeans	(93,225)	(93,225)	-	-
Commodity futures				
March 2016 Corn	49,245	49,245	-	-
December 2017 Corn	(2,874)	(2,874)	-	-
March 2016 Soybeans	40,950	40,950	-	-
November 2016 Soybeans	(174,636)	(174,636)	-	-
Alternative investment				
Community Foundation of the				
Ozarks Hope Fund	26,500	-	26,500	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2016.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The investments in bank repurchase agreements and AG Financial Solutions Loan Fund notes are accounted for on the cost method and thus not included in this disclosure.

The value of certain investments, classified as alternative investments, is determined using net asset value (or its equivalent) as a practical expedient. Investments for which the Organization expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2. There are no unfunded commitments at December 31, 2016.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Gifts-in-Kind Contributions

Gifts-in-kind food donations include gifts from four donors comprising 41% and 63% of the total donated food category for 2016 and 2015, respectively. Gifts-in-kind pharmaceutical and medical supplies donations include gifts from one donor comprising 94% and 96% of the total donated pharmaceutical and medical supplies categories for 2016 and 2015, respectively.

Note 17: Subsequent Events

In July 2017, the Organization purchased land adjacent to land purchased during 2016 through Ozark NN Land, LLC totaling \$1,930,000 and financed with a note maturing in July 2018 and bearing interest at 3.75% payable monthly.

Subsequent events have been evaluated through August 16, 2017, which is the date the financial statements were available to be issued.