

# Convoy of Hope, Incorporated

## Independent Auditor's Report and Consolidated Financial Statements

December 31, 2014 and 2013

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**Convoy of Hope, Incorporated**  
**December 31, 2014 and 2013**

**Contents**

**Independent Auditor's Report..... 1**

**Consolidated Financial Statements**

Statements of Financial Position ..... 3  
Statements of Activities..... 4  
Statements of Functional Expenses ..... 5  
Statements of Cash Flows ..... 7  
Notes to Financial Statements ..... 8

## 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, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, 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  
Page 2

***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, 2014 and 2013, 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  
December 9, 2015

**Convoy of Hope, Incorporated**  
**Consolidated Statements of Financial Position**  
**December 31, 2014 and 2013**

**Assets**

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 7,413,764	\$ 12,720,803
Assets held by field operations	153,492	197,641
Assets held by others	127,297	-
Investments	2,034,266	1,473,494
Amounts due from other organizations	347,619	562,210
Accounts and other receivables	128,802	160,246
Grants receivable	26,160	-
Pledges receivable	500,000	-
Inventory	25,680,842	18,589,320
Cash value of life insurance	106,249	34,620
Other assets	6,609	19,040
Prepaid expenses	81,979	140,724
Property and equipment, net	<u>11,043,792</u>	<u>9,618,272</u>
Total assets	<u>\$ 47,650,871</u>	<u>\$ 43,516,370</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,758,406	\$ 1,624,800
Notes payable	<u>5,429,365</u>	<u>5,264,615</u>
Total liabilities	<u>7,187,771</u>	<u>6,889,415</u>

**Net Assets**

Unrestricted	18,417,659	15,457,369
Temporarily restricted	21,918,457	21,102,094
Permanently restricted	<u>126,984</u>	<u>67,492</u>
Total net assets	<u>40,463,100</u>	<u>36,626,955</u>
Total liabilities and net assets	<u>\$ 47,650,871</u>	<u>\$ 43,516,370</u>

**Convoy of Hope, Incorporated**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2014 and 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenues, Gains and Other Support</b>				
Contributions	\$ 13,624,940	\$ 9,504,330	\$ 59,492	\$ 23,188,762
Government grants	219,485	-	-	219,485
Gifts-in-kind	24,160,416	64,991,554	-	89,151,970
Investment return	39,447	313	-	39,760
Other income	887,557	-	-	887,557
Change in donor restrictions	(180,000)	180,000	-	-
Net assets released from restriction due to satisfaction of program restrictions	73,859,834	(73,859,834)	-	-
 Total revenue, gains and other support	 <u>112,611,679</u>	 <u>816,363</u>	 <u>59,492</u>	 <u>113,487,534</u>
<b>Expenses and Losses</b>				
Program services	96,592,636	-	-	96,592,636
Fundraising	9,178,276	-	-	9,178,276
Administration	3,880,477	-	-	3,880,477
 Total expenses and losses	 <u>109,651,389</u>	 <u>-</u>	 <u>-</u>	 <u>109,651,389</u>
 <b>Change in Net Assets</b>	 2,960,290	 816,363	 59,492	 3,836,145
 <b>Net Assets, Beginning of Year</b>	 <u>15,457,369</u>	 <u>21,102,094</u>	 <u>67,492</u>	 <u>36,626,955</u>
 <b>Net Assets, End of Year</b>	 <u>\$ 18,417,659</u>	 <u>\$ 21,918,457</u>	 <u>\$ 126,984</u>	 <u>\$ 40,463,100</u>

**2013**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 10,998,934	\$ 13,211,899	\$ 57,492	\$ 24,268,325
23,978	-	-	23,978
22,180,058	66,045,887	-	88,225,945
961,249	-	-	961,249
820,797	-	-	820,797
(10,000)	-	10,000	-
73,054,186	(73,054,186)	-	-
108,029,202	6,203,600	67,492	114,300,294
92,158,229	-	-	92,158,229
7,274,295	-	-	7,274,295
3,554,571	-	-	3,554,571
102,987,095	-	-	102,987,095
5,042,107	6,203,600	67,492	11,313,199
10,415,262	14,898,494	-	25,313,756
\$ 15,457,369	\$ 21,102,094	\$ 67,492	\$ 36,626,955

**Convoy of Hope, Incorporated**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2014**

	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	\$ 14,937	\$ 90,093	\$ 8,202	\$ -	\$ 268	\$ 113,500	\$ 223,791	\$ -	\$ 223,791	\$ 337,291
Communications and telephone	19,438	168	8,914	509	-	29,029	17,629	80,373	98,002	127,031
Contract labor	68,582	2,990	5,730	10,085	51,330	138,717	393,115	44,353	437,468	576,185
Depreciation	304,195	21,778	100,648	123,457	-	550,078	97,653	197,414	295,067	845,145
Equipment, tools and rentals	63,759	7,048	30,879	28,774	90	130,550	10,934	17,611	28,545	159,095
Feeding, outreach, relief and resourcing	1,881,512	340,723	1,777,062	929,757	7,106	4,936,160	25,374	11,537	36,911	4,973,071
Gifts to other ministries	1,441,300	55,000	435,519	3,500	592,790	2,528,109	50,500	27,275	77,775	2,605,884
Gifts-in-kind	45,421,292	2,280,732	4,536,118	30,025,920	-	82,264,062	-	-	-	82,264,062
Insurance	30,833	-	385	51,728	-	82,946	3,585	251,065	254,650	337,596
Interest	-	-	-	-	-	-	-	113,027	113,027	113,027
Licenses and fees	11,498	2,000	2,813	39,710	11	56,032	123,748	52,590	176,338	232,370
Postage and freight	13,752	167	824	1,376	-	16,119	193,968	4,460	198,428	214,547
Printing and publications	13,471	14,982	1,339	1,047	5,101	35,940	220,867	12,536	233,403	269,343
Professional services	14,288	-	-	-	25	14,313	603,697	169,160	772,857	787,170
Repairs and maintenance	55,904	-	55,840	154,608	-	266,352	17,223	129,878	147,101	413,453
Salaries and benefits	1,766,114	372,359	710,264	653,698	120,586	3,623,021	4,259,664	2,203,394	6,463,058	10,086,079
Shipping - outbound (third-party)	-	-	-	239,599	-	239,599	-	-	-	239,599
Supplies	33,712	337	2,088	6,008	2,615	44,760	14,740	32,258	46,998	91,758
Taxes	-	-	-	-	-	-	-	105,036	105,036	105,036
Travel and special events	937,239	141,523	122,082	21,145	9,459	1,231,448	2,785,462	234,810	3,020,272	4,251,720
Occupancy	186,504	-	35,977	-	-	222,481	-	130,559	130,559	353,040
Other	53,968	1,141	12,158	287	1,866	69,420	136,326	63,141	199,467	268,887
<b>Total functional expenses</b>	<b>\$ 52,332,298</b>	<b>\$ 3,331,041</b>	<b>\$ 7,846,842</b>	<b>\$ 32,291,208</b>	<b>\$ 791,247</b>	<b>\$ 96,592,636</b>	<b>\$ 9,178,276</b>	<b>\$ 3,880,477</b>	<b>\$ 13,058,753</b>	<b>\$ 109,651,389</b>



**Convoy of Hope, Incorporated**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	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	\$ 1,036	\$ 177,021	\$ 13,436	\$ -	\$ -	\$ 191,493	\$ 117,773	\$ 84	\$ 117,857	\$ 309,350	
Communications and telephone	13,034	1,292	5,034	360	-	19,720	17,286	70,911	88,197	107,917	
Contract labor	81,779	29,532	48,191	15,632	725	175,859	247,672	20,745	268,417	444,276	
Depreciation	263,179	32,434	80,290	133,709	-	509,612	62,127	209,014	271,141	780,753	
Equipment, tools and rentals	177,207	31,575	70,238	13,615	-	292,635	4,556	11,989	16,545	309,180	
Feeding, outreach, relief and resourcing	1,392,474	503,368	936,903	773,073	15,984	3,621,802	17,965	403	18,368	3,640,170	
Gifts to other ministries	1,566,952	60,000	531,399	-	1	2,158,352	9,927	16,000	25,927	2,184,279	
Gifts-in-kind	28,208,664	2,750,499	3,940,844	45,110,143	-	80,010,150	-	-	-	80,010,150	
Insurance	26,272	10	993	41,632	-	68,907	3,917	210,559	214,476	283,383	
Interest	-	-	-	-	-	-	-	128,528	128,528	128,528	
Licenses and fees	8,189	56	2,540	35,108	-	45,893	119,268	40,112	159,380	205,273	
Postage and freight	4,726	1,546	455	1,162	-	7,889	179,554	3,981	183,535	191,424	
Printing and publications	6,666	28,986	21	-	-	35,673	180,990	14,885	195,875	231,548	
Professional services	18,659	21,301	170	-	(1)	40,129	459,731	145,295	605,026	645,155	
Repairs and maintenance	36,465	794	80,335	118,305	-	235,899	23,631	138,909	162,540	398,439	
Salaries and benefits	1,135,738	585,715	719,059	548,510	2	2,989,024	3,670,244	2,093,136	5,763,380	8,752,404	
Shipping - outbound (third-party)	-	-	-	274,411	-	274,411	-	-	-	274,411	
Supplies	48,967	534	9,525	6,944	1	65,971	17,338	24,791	42,129	108,100	
Taxes	-	-	-	-	-	-	-	91,832	91,832	91,832	
Travel and special events	655,030	243,699	229,262	18,646	(1)	1,146,636	2,030,485	175,384	2,205,869	3,352,505	
Occupancy	65,310	-	145,444	-	-	210,754	2,620	119,895	122,515	333,269	
Other	31,006	5,387	6,181	14,846	-	57,420	109,211	38,118	147,329	204,749	
<b>Total functional expenses</b>	<b>\$ 33,741,353</b>	<b>\$ 4,473,749</b>	<b>\$ 6,820,320</b>	<b>\$ 47,106,096</b>	<b>\$ 16,711</b>	<b>\$ 92,158,229</b>	<b>\$ 7,274,295</b>	<b>\$ 3,554,571</b>	<b>\$ 10,828,866</b>	<b>\$ 102,987,095</b>	

**Convoy of Hope, Incorporated**  
**Consolidated Statements of Cash Flows**  
**Year Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Activities</b>		
Change in net assets	\$ 3,836,145	\$ 11,313,199
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	845,145	780,753
Loss on disposition of equipment	-	14,823
Noncash equipment contributions	(7,000)	(20,000)
Noncash investment contributions	(647,549)	(76,601)
Net realized and unrealized (gain) loss on investments	13,477	(897,200)
Noncash increase in gift-in-kind inventory	(7,030,742)	(8,178,834)
Changes in operating assets and liabilities		
Assets held by field operations	44,149	(141,463)
Amounts due from other organizations	214,591	(193,580)
Accounts and other receivables	31,444	3,824
Grants receivable	(26,160)	-
Prepaid expenses and other assets	71,176	60,879
Pledges receivable	(500,000)	-
Cash value of life insurance	(71,629)	(34,620)
Non gift-in-kind inventories	(60,780)	190,200
Accounts payable and accrued expenses	133,606	854,686
Assets held by others	(127,297)	-
Net cash provided by (used in) operating activities	(3,281,424)	3,676,066
<b>Investing Activities</b>		
Acquisition of equipment	(2,263,665)	(750,733)
Proceeds from sale of equipment	-	350
Acquisition of investments	(629,923)	(516,668)
Proceeds from sale of investments	703,223	88,817
Net cash used in investing activities	(2,190,365)	(1,178,234)
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	585,000	-
Principal payments on notes payable	(420,250)	(417,844)
Net cash provided by (used in) financing activities	164,750	(417,844)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(5,307,039)	2,079,988
<b>Cash and Cash Equivalents, Beginning of Year</b>	12,720,803	10,640,815
<b>Cash and Cash Equivalents, End of Year</b>	\$ 7,413,764	\$ 12,720,803
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 113,027	\$ 128,508
Noncash transactions		
Note receivable incurred for sale of equipment	\$ -	\$ 18,000

# **Convoy of Hope, Incorporated**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014 and 2013**

#### **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.
- *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.

##### ***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 (ACIHLIC). All intercompany transactions and accounts have been eliminated.

# **Convoy of Hope, Incorporated**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014 and 2013**

The Foundation is comprised of two entities, 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.

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 the assets.

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.

#### ***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, 2014 and 2013, cash equivalents consisted primarily of demand deposits with original maturities of three months or less and bank repurchase agreements.

# **Convoy of Hope, Incorporated**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014 and 2013**

At December 31, 2014, the Organization had approximately \$5,270,000 in demand deposits with original maturities of three months or less and bank repurchase agreements, 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, 2014 and 2013. 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 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. Other investments are valued at cost. 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 held in trust at Charles Schwab and ADM Investor Services.

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 property. 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 property 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.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

***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.

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
Vehicles	7 years

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

***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, 2014 and 2013.

***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 as of December 31, 2014, are expected to be received in 2015, and therefore no present value discount has been recorded.

Restricted contributions received by the Organization may have a twelve percent, with a ceiling of twenty percent, assessment applied at the time of donation to cover fundraising and administrative costs. 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 17.4% and 18.4% for the years ended December 31, 2014 and 2013, respectively.

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.

Pledges receivable of \$500,000 at December 31, 2014, were unrestricted and due within one year.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

***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 they were either the original recipient of the gift, were 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 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.

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.



**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**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:

	<b>2014</b>	<b>2013</b>
Professional labor hours for Community Events	\$ 1,087,058	\$ 1,070,690
Professional labor hours for Disaster Response	9,539	107,988
CDL driver hours for Partner Resourcing	154,265	96,309
	\$ 1,250,862	\$ 1,274,987

**Government Grants Revenue**

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 and Office of Development Partners, Private and Voluntary Cooperation Division, 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.

**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.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

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 2011.

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.

***Reclassifications***

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**Note 2: Investments and Investment Return**

Investments at December 31 consisted of the following:

	<b>2014</b>	<b>2013</b>
Equity securities		
American Airlines Group, Inc.	\$ 1,931	\$ -
Cadence Design System	10,054	-
O'Reilly Automotive, Inc.	1,926	3,475
Mutual funds		
American Funds Balanced Fund	84,113	-
BlackRock Strategic Income Opps Inv A	48,332	46,660
American Funds Fundamental Invs F1	11,040	86,260
American Funds New World F1	12,555	1,856
BlackRock Multi-Asset Income Investor A	27,010	25,776
Calamos Market Neutral Income A	14,566	14,280
Ariel Appreciation Fund	-	9
Schwab Short-Term Bond Market	5	5
Exchange traded funds		
Vanguard Intermediate-Term Bond ETF	-	1,226
Vanguard Short-Term Bond ETF	-	160
Commodity options		
March 2015 Corn	(115,375)	-
May 2015 Corn	(45,750)	-
July 2015 Corn	(16,900)	-
March 2015 Soybeans	(183,050)	-
May 2015 Soybeans	(153,500)	-
July 2015 Soybeans	28,250	-
March 2014 Corn	-	(72,813)
March 2014 Soybeans	-	(30,000)
May 2014 Soybeans	-	(95,675)
Commodity futures		
March 2015 Corn	(54,250)	-
March 2015 Soybeans	5,900	-
July 2015 Soybeans	32,750	-
November 2015 Soybeans	8,500	-
Total forward	(281,893)	(18,781)

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
Total forward	\$ (281,893)	\$ (18,781)
March 2014 Corn	-	4,250
March 2014 Soybeans	-	(11,937)
May 2014 Soybeans	-	4,675
January 2014 Soybean Meal	-	18,000
March 2014 Soybean Meal	-	16,300
May 2014 Soybean Meal	-	9,900
Cash held by broker for commodity trading	1,636,846	1,423,705
Community Foundation of the Ozarks Hope Fund	27,956	27,382
Assemblies of God Loan Fund Certificates	651,357	-
	\$ 2,034,266	\$ 1,473,494

Total investment return, including interest income on cash equivalents, is comprised of the following:

	<b>2014</b>	<b>2013</b>
Interest and dividend income	\$ 53,237	\$ 64,049
Net realized and unrealized gains (losses)	(13,477)	897,200
	\$ 39,760	\$ 961,249

**Note 3: Inventory**

Inventory at December 31 consists of:

	<b>2014</b>	<b>2013</b>
GIK food inventory	\$ 10,218,810	\$ 9,074,102
GIK supply inventory	12,348,636	8,852,976
GIK medical supply inventory	2,976,872	586,498
Purchased food inventory	134,922	75,245
Merchandise inventory for sale	1,602	499
	\$ 25,680,842	\$ 18,589,320

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**Note 4: Property and Equipment**

Property and equipment at December 31 consists of:

	<b>2014</b>	<b>2013</b>
Land, buildings and improvements	\$ 11,502,559	\$ 10,389,409
Construction in progress	487,681	76,889
Furniture and equipment	1,390,034	1,199,406
Transportation equipment	4,908,652	4,439,300
	18,288,926	16,105,004
Less accumulated depreciation	7,245,134	6,486,732
	\$ 11,043,792	\$ 9,618,272

Depreciation expense was \$845,145 and \$780,753 for 2014 and 2013, respectively.

**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 \$196,476 and \$149,673 as of December 31, 2014 and 2013, respectively.

**Note 6: Line of Credit**

The Organization has a \$1,000,000 bank line of credit with no stated maturity. At December 31, 2014 and 2013, 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 4%, and is payable monthly. The interest rate was 4% on December 31, 2014 and 2013.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**Note 7: Notes Payable**

	<b>2014</b>	<b>2013</b>
3.5% note, interest and principal due monthly, due August 1, 2018, collateralized by real estate and rental income	\$ 3,031,865	\$ 3,202,115
0%, principal due monthly, due March 1, 2022, collateralized by real estate and rental income ( <i>Note 12</i> )	1,812,500	2,062,500
3.25% note, interest due monthly, due April 24, 2015, collateralized by investment holdings ( <i>Note 12</i> )	585,000	-
	<u>\$ 5,429,365</u>	<u>\$ 5,264,615</u>

Aggregate annual maturities of long-term debt at December 31, 2014, are:

2015	\$ 980,492
2016	400,453
2017	406,166
2018	2,829,754
2019	250,000
Thereafter	<u>562,500</u>
	<u>\$ 5,429,365</u>

**Note 8: Net Assets**

***Unrestricted Net Assets***

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

	<b>2014</b>	<b>2013</b>
Working capital	\$ 1,866,116	\$ 1,790,157
Board designated debt retirement fund	2,203,567	2,203,567
Board designated endowment	127,297	-
Property and equipment, net of debt	5,614,427	4,353,657
Donor advised funds	640,068	468,989
ACIHLLC interest	1,152,448	1,275,997
Undistributed inventories	6,813,736	5,365,002
	<u>\$ 18,417,659</u>	<u>\$ 15,457,369</u>

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

***Temporarily Restricted Net Assets***

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

	<b>2014</b>	<b>2013</b>
Global disaster response	\$ 2,163,183	\$ 7,551,188
Children's feeding initiatives	728,670	242,510
Capital equipment and other designated funds	159,498	84,079
Undistributed GIK inventory	18,867,106	13,224,317
	\$ 21,918,457	\$ 21,102,094

***Permanently Restricted Net Assets***

Permanently restricted net assets at December 31 are restricted to:

	<b>2014</b>	<b>2013</b>
Investment in perpetuity, the income of which is expendable to support Convoy of Hope programs	\$ 126,984	\$ 67,492

***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 \$254,281 and one endowment fund totaling \$67,492 at December 31, 2014 and 2013, respectively. One of these funds was a board-designated endowment which totaled \$127,297 at December 31, 2014, and is included in unrestricted net assets. This endowment is maintained under the AG Foundation. The other endowment 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.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

The Organization's governing body has interpreted the California and Delaware State Uniform Prudent Management of Institutional Funds Acts (SPMIFA) 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.

**Note 10: Government Grants**

Cash grant revenue received from the U.S. Department of State for years ended December 31, 2014 and 2013, was \$3,254 and \$23,978, respectively. Cash grant revenue received from USAID for the years ended December 31, 2014 and 2013, was \$60,497 and \$0, respectively. Food commodities received from USAID for the years ended December 31, 2014 and 2013, was \$155,734 and \$0, respectively.

**Note 11: Gifts-in-Kind Contributions**

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

	<b>2014</b>	<b>2013</b>
Food	\$ 42,553,787	\$ 38,827,332
Pharmaceuticals	22,316,632	27,163,451
Clothing and household goods	19,391,674	18,441,069
Services and other	1,315,062	1,405,987
Medical supplies	2,157,390	1,215,069
Books	270,402	58,438
Relief supplies	1,147,023	1,114,599
	<u>\$ 89,151,970</u>	<u>\$ 88,225,945</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, 2014 and 2013, was \$347,619 and \$562,210, respectively, and are classified on the statement of financial position as amounts due from other organizations. These funds are generally disbursed monthly.



**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

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:

	<b>2014</b>	<b>2013</b>
Cash contributions from AGWM MOU	\$ 795,816	\$ 283,794
Cash contributions from GCAG MOU	623,000	450,000
	\$ 1,418,816	\$ 733,794

Cash contribution revenue recognized from GCAG, AGWM and AG Foundation, not under the memorandums of understanding, totaled \$573,539 and \$2,036,113 for 2014 and 2013, respectively.

The Organization did not make any cash payments under the GCAG MOU or the AGWM MOU during the years ended December 31, 2014 and 2013.

The GCAG and its affiliate assigned 14 and 15 missionaries to the Organization to assist in program activities during 2014 and 2013, 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, 2014 and 2013, were \$3,090,082 and \$9,085,392, respectively, and are classified on the consolidated statement of financial position as cash equivalents and investments. In addition, principal payments on the note the Organization secured from AGFS in 2012 were \$250,000 for the years ended December 31, 2014 and 2013. AGFS contributed \$255,000 and \$245,000 to the Organization during the years ended December 31, 2014 and 2013, respectively. Lastly, interest payments on a short-term note the Organization secured from AGFS in 2014 were \$2,552 for the year ended December 31, 2014.

The Organization leases excess warehouse space to two organizations affiliated with the GCAG. Lease income for the years ended December 31, 2014 and 2013, was \$121,060 and \$126,449, respectively.

The Organization purchased services provided by board members totaling \$500 and \$575 for the years ended December 31, 2014 and 2013, respectively.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**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 \$485,932 and \$491,321 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease receipts under operating leases are:

2015	\$ 508,994
2016	433,142
2017	419,856
2018	5,400
2019	5,400
Thereafter	<u>25,875</u>
Total minimum lease receipts	<u><u>\$ 1,398,667</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. Contributions, which are included in employee benefits in the statement of functional expenses, were \$249,588 and \$207,175 for 2014 and 2013, 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.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**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, 2014 and 2013:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
December 31, 2014				
Equity securities				
American Airlines Group, Inc.	\$ 1,931	\$ 1,931	\$ -	\$ -
Cadence Design System	10,054	10,054	-	-
O'Reilly Automotive, Inc.	1,926	1,926	-	-
Mutual funds				
American Funds Balanced Fund	84,113	84,113	-	-
BlackRock Strategic Income Opps Inv A	48,332	48,332	-	-
American Funds Fundamental Invs F1	11,040	11,040	-	-
American Funds New World F1	12,555	12,555	-	-
BlackRock Multi-Asset Income Investor A	27,010	27,010	-	-
Calamos Market Neutral Income A	14,566	14,566	-	-
Schwab Short-Term Bond Market	5	5	-	-
Commodity options				
March 2015 Corn	(115,375)	(115,375)	-	-
May 2015 Corn	(45,750)	(45,750)	-	-
July 2015 Corn	(16,900)	(16,900)	-	-
March 2015 Soybeans	(183,050)	(183,050)	-	-
May 2015 Soybeans	(153,500)	(153,500)	-	-
July 2015 Soybeans	28,250	28,250	-	-
Commodity futures				
March 2015 Corn	(54,250)	(54,250)	-	-
March 2015 Soybeans	5,900	5,900	-	-
July 2015 Soybeans	32,750	32,750	-	-
November 2015 Soybeans	8,500	8,500	-	-
Alternative investment				
Community Foundation of the Ozarks Hope Fund	27,956	-	27,956	-

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
December 31, 2013				
Equity security				
O'Reilly Automotive, Inc.	\$ 3,475	\$ 3,475	\$ -	\$ -
Mutual funds				
BlackRock Strategic Income Opps Inv A	46,660	46,660	-	-
American Funds Fundamental Invs F1	86,260	86,260	-	-
American Funds New World F1	1,856	1,856	-	-
BlackRock Multi-Asset Income Investor A	25,776	25,776	-	-
Calamos Market Neutral Income A	14,280	14,280	-	-
Ariel Appreciation Fund	9	9	-	-
Schwab Short-Term Bond Market	5	5	-	-
Vanguard Intermediate- Term Bond ETF	1,226	1,226	-	-
Vanguard Short-Term Bond ETF	160	160	-	-
Commodity options				
March 2014 Corn	(72,813)	(72,813)	-	-
March 2014 Soybeans	(30,000)	(30,000)	-	-
May 2014 Soybeans	(95,675)	(95,675)	-	-
Commodity futures				
March 2014 Corn	4,250	4,250	-	-
March 2014 Soybeans	(11,937)	(11,937)	-	-
May 2014 Soybeans	4,675	4,675	-	-
January 2014 Soybean Meal	18,000	18,000	-	-
March 2014 Soybean Meal	16,300	16,300	-	-
May 2014 Soybean Meal	9,900	9,900	-	-
Alternative investment				
Community Foundation of the Ozarks Hope Fund	27,382	-	27,382	-

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, 2014.

**Convoy of Hope, Incorporated**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014 and 2013**

***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, 2014 and 2013.

**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 59% and three donors comprising 51% of the total donated food category for 2014 and 2013, respectively. Gifts-in-kind pharmaceutical and medical supplies donations include gifts from one donor comprising 80% and two donors comprising 87% of the total donated pharmaceutical and medical supplies categories for 2014 and 2013, respectively.

**Note 17: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.