

Convoy of Hope, Incorporated

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2017 and 2016

Convoy of Hope, Incorporated
December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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
June 6, 2018

Convoy of Hope, Incorporated
Consolidated Statements of Financial Position
December 31, 2017 and 2016

Assets

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 14,816,758	\$ 9,110,187
Assets held by field operations	430,778	149,057
Investments	12,562,446	1,709,424
Amounts due from other organizations	542,869	362,792
Accounts and other receivables	223,694	233,799
Grants receivable	137,304	2,924
Inventory	13,088,197	16,026,149
Cash value of life insurance	276,547	175,170
Other assets	19,920	2,500
Prepaid expenses	913,133	213,724
Assets held for sale	1,044,323	-
Property and equipment, net	13,528,437	10,840,133
Assets held in trust by others	150,408	133,847
	<u>57,734,814</u>	<u>38,959,706</u>
Total assets	<u>\$ 57,734,814</u>	<u>\$ 38,959,706</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 3,455,152	\$ 1,773,533
Notes payable	3,044,524	4,067,738
	<u>6,499,676</u>	<u>5,841,271</u>
Total liabilities	<u>6,499,676</u>	<u>5,841,271</u>

Net Assets

Unrestricted	31,964,268	18,148,238
Temporarily restricted	19,087,386	14,836,713
Permanently restricted	183,484	133,484
	<u>51,235,138</u>	<u>33,118,435</u>
Total net assets	<u>51,235,138</u>	<u>33,118,435</u>
Total liabilities and net assets	<u>\$ 57,734,814</u>	<u>\$ 38,959,706</u>

Convoy of Hope, Incorporated
Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support				
Contributions	\$ 23,647,037	\$ 33,567,071	\$ 50,000	\$ 57,264,108
Gifts-in-kind	70,326,014	47,009,560	-	117,335,574
Public cash and food commodity grants	519,234	-	-	519,234
Nongovernmental grants	792,381	-	-	792,381
Investment return	657,675	-	-	657,675
Other income	1,129,094	-	-	1,129,094
Contribution received in donation of Convoy of Hope Europe	-	291,525	-	291,525
Change in donor restrictions	(242,500)	242,500	-	-
Net assets released from restriction due to satisfaction of program restrictions	76,859,983	(76,859,983)	-	-
Total revenues, gains and other support	<u>173,688,918</u>	<u>4,250,673</u>	<u>50,000</u>	<u>177,989,591</u>
Expenses and Losses				
Program services	144,506,707	-	-	144,506,707
Fundraising	9,844,859	-	-	9,844,859
Administration	5,521,322	-	-	5,521,322
Total expenses and losses	<u>159,872,888</u>	<u>-</u>	<u>-</u>	<u>159,872,888</u>
Change in Net Assets	13,816,030	4,250,673	50,000	18,116,703
Net Assets, Beginning of Year	<u>18,148,238</u>	<u>14,836,713</u>	<u>133,484</u>	<u>33,118,435</u>
Net Assets, End of Year	<u>\$ 31,964,268</u>	<u>\$ 19,087,386</u>	<u>\$ 183,484</u>	<u>\$ 51,235,138</u>

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 15,960,620	\$ 14,495,952	\$ 6,500	\$ 30,463,072
28,134,917	79,376,092	-	107,511,009
474,672	-	-	474,672
-	-	-	-
(185,805)	-	-	(185,805)
1,137,010	-	-	1,137,010
-	-	-	-
-	-	-	-
<u>104,633,831</u>	<u>(104,633,831)</u>	<u>-</u>	<u>-</u>
<u>150,155,245</u>	<u>(10,761,787)</u>	<u>6,500</u>	<u>139,399,958</u>
136,587,200	-	-	136,587,200
8,622,107	-	-	8,622,107
4,211,462	-	-	4,211,462
<u>149,420,769</u>	<u>-</u>	<u>-</u>	<u>149,420,769</u>
734,476	(10,761,787)	6,500	(10,020,811)
<u>17,413,762</u>	<u>25,598,500</u>	<u>126,984</u>	<u>43,139,246</u>
<u>\$ 18,148,238</u>	<u>\$ 14,836,713</u>	<u>\$ 133,484</u>	<u>\$ 33,118,435</u>

Convoy of Hope, Incorporated
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	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	\$ 19,459	\$ 94,884	\$ 105,442	\$ 80	\$ 15,756	\$ 235,621	\$ 349,061	\$ -	\$ 349,061	\$ 584,682	
Communications and telephone	40,510	4,220	58,670	7,955	-	111,355	24,532	95,049	119,581	230,936	
Contract labor	265,777	163	217,617	550	150	484,257	219,738	45,662	265,400	749,657	
Depreciation	231,031	81,610	173,064	148,104	20,374	654,183	183,904	203,299	387,203	1,041,386	
Equipment, tools and rentals	72,375	7,253	485,371	27,732	-	592,731	9,194	13,908	23,102	615,833	
Feeding, outreach, relief and resourcing	2,239,565	184,230	5,338,430	961,973	142	8,724,340	77,081	468	77,549	8,801,889	
Gifts-in-kind	46,742,117	4,314,903	17,699,012	52,306,929	-	121,062,961	-	-	-	121,062,961	
Grants to other ministries	1,204,431	197,260	1,648,821	238,515	175,000	3,464,027	-	157,932	157,932	3,621,959	
Insurance	60,186	-	1,306	-	15	61,507	9,717	338,901	348,618	410,125	
Interest	-	-	-	-	-	-	-	151,311	151,311	151,311	
Licenses and fees	9,444	1,283	9,688	41,844	160	62,419	45,689	508,192	553,881	616,300	
Occupancy	185,480	-	94,845	20,366	-	300,691	1,363	126,629	127,992	428,683	
Office equipment and supplies	113,742	18,838	33,988	12,543	16,672	195,783	30,245	45,695	75,940	271,723	
Postage and freight	39,734	231	17,012	1,217	56	58,250	204,895	29,583	234,478	292,728	
Printing and publications	2,513	24,258	27,129	50	2,374	56,324	152,175	3,150	155,325	211,649	
Professional services	25,432	-	7,902	450	26	33,810	386,119	138,007	524,126	557,936	
Repairs and maintenance	171,218	-	69,292	179,271	150	419,931	38,196	347,689	385,885	805,816	
Salaries, benefits and taxes	2,319,045	423,408	1,230,535	809,235	337,821	5,120,044	4,666,898	2,791,668	7,458,566	12,578,610	
Shipping - outbound (third-party)	-	-	-	315,476	-	315,476	-	-	-	315,476	
Special events	-	-	87	-	-	87	1,897,048	9,994	1,907,042	1,907,129	
Taxes	-	-	468	-	-	468	-	141,415	141,415	141,883	
Travel, conferences and training	1,718,171	184,841	499,726	29,047	12,607	2,444,392	1,320,214	260,843	1,581,057	4,025,449	
Other	10,687	2,720	77,219	9,306	8,118	108,050	228,790	111,927	340,717	448,767	
Total functional expenses	\$ 55,470,917	\$ 5,540,102	\$ 27,795,624	\$ 55,110,643	\$ 589,421	\$ 144,506,707	\$ 9,844,859	\$ 5,521,322	\$ 15,366,181	\$ 159,872,888	

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	44,055	218,852	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	30,250	24,830	55,080	107,078
Postage and freight	29,406	586	706	1,465	-	32,163	167,267	29,492	196,759	228,922
Printing and publications	31,930	21,649	1,671	166	745	56,161	192,018	5,948	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	36,752	226,639	263,391	602,641
Salaries, benefits and taxes	1,957,180	425,750	604,627	751,388	141,364	3,880,309	4,191,330	2,394,284	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	1,032,496	135,008	1,167,504	2,874,198
Other	37,242	8,034	28,088	4,613	7,329	85,306	142,461	80,140	222,601	307,907
Total functional expenses	\$ 42,395,559	\$ 5,287,508	\$ 14,732,196	\$ 73,301,374	\$ 870,563	\$ 136,587,200	\$ 8,622,107	\$ 4,211,462	\$ 12,833,569	\$ 149,420,769

Convoy of Hope, Incorporated
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	\$ 18,116,703	\$ (10,020,811)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,041,386	1,032,296
Loss on disposition of equipment	24,397	995
Equipment contributions	(60,875)	(82,185)
Investment contributions	(356,575)	(989,423)
Net realized and unrealized (gain) loss on investments	(496,988)	294,758
Contributions restricted for long-term investment	(50,000)	(6,500)
Decrease in gift-in-kind inventory	3,413,830	14,256,563
Contribution received in donation of		
Convoy of Hope Europe	(291,525)	-
Increase in cash value of life insurance	(101,377)	(147)
Changes in operating assets and liabilities		
Assets held by field operations	(281,721)	(65,232)
Amounts due from other organizations	(101,983)	(37,378)
Accounts and other receivables	10,105	(100,176)
Grants receivable	(134,380)	70,780
Prepaid expenses and other assets	(692,390)	(107,312)
Purchased inventory	(475,878)	247,826
Accounts payable and accrued expenses	1,657,068	689,844
	<u>21,219,797</u>	<u>5,183,898</u>
Investing Activities		
Acquisition of property and equipment	(2,757,599)	(1,443,541)
Acquisition of investments	(10,917,986)	(1,124,586)
Proceeds from sale of investments	901,966	2,274,634
Cash received in donation of Convoy of Hope Europe	213,543	-
	<u>(12,560,076)</u>	<u>(293,493)</u>
Financing Activities		
Borrowings under line-of-credit agreement	-	1,500,000
Repayments under line-of-credit agreement	-	(1,500,000)
Principal payments on notes payable	(3,003,150)	(432,003)
Proceeds from contributions restricted for long-term investment	50,000	6,500
	<u>(2,953,150)</u>	<u>(425,503)</u>
Increase in Cash and Cash Equivalents	<u>5,706,571</u>	<u>4,464,902</u>
Cash and Cash Equivalents, Beginning of Year	<u>9,110,187</u>	<u>4,645,285</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 14,816,758</u></u>	<u><u>\$ 9,110,187</u></u>

Convoy of Hope, Incorporated
Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Supplemental Cash Flows Information		
Interest paid	\$ 151,311	\$ 108,052
Note payable issued for purchase of equipment	\$ -	\$ 27,000
Note payable issued for purchase of land	\$ 1,929,406	\$ -
Capital lease obligation incurred for equipment	\$ 50,530	\$ 23,868

Convoy of Hope, Incorporated

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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.

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), Asper COH Investment Holdings, LLC (ACIHLLC) and Convoy of Hope Europe. All intercompany transactions and accounts have been eliminated.

Convoy of Hope, Incorporated

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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.

Convoy of Hope Europe was acquired by the Organization effective April 1, 2017 for no consideration.

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.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016, cash equivalents consisted primarily of Assemblies of God Financial Services loan fund demand deposits and bank repurchase agreements.

At December 31, 2017, the Organization had approximately \$12,423,000 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, 2017 and 2016. 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.

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.

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.

Convoy of Hope, Incorporated
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

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 described 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.

Assets Held in Trust by Others

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

Assets Held for Sale

Assets held for sale at December 31, 2017, include transportation equipment and other equipment purchased during the year, expected to be sold within one year. The assets have not been placed into service and are not currently used by the Organization. All assets held for sale are stated at the lower of cost or estimated net realizable value. The balance at December 31, 2017, is recorded at cost. There were no assets held for sale at December 31, 2016.

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, 2017 and 2016

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, 2017 and 2016.

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 18.6% and 18.9% for the years ended December 31, 2017 and 2016, respectively.

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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:

	2017	2016
Professional labor hours for Community Events	\$ 568,738	\$ 672,874
Professional labor hours for Disaster Response	1,086	103
CDL driver hours for Partner Resourcing	196,620	194,182
	\$ 766,444	\$ 867,159

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.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated statement of functional expenses to conform to the 2017 presentation. These reclassifications had no effect on the change in net assets.

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Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	2017	2016
Equity securities		
Amazon.com Inc	\$ 18,711	\$ -
American Express Co	7,448	-
AQR Equity Market Neutral	17,213	-
AQR Long-Short Equity	16,199	-
Comcast Corporation	40	-
Kroger Company	-	4,486
Lockheed Martin Corp	321	-
Microsoft Corp	6,416	-
Nuveen Equity Market Neutral	11,181	-
Stanley Black & Deck	170	-
Synopsys Inc	4,859	-
Mutual funds		
American Funds Fundamental Invs F1	12,079	12,828
American Funds New World F1	-	1,509
BlackRock Multi-Asset Income Investor A	-	1,498
BlackRock Strategic Income Opps Inv A	31,315	76,192
DoubleLine Flexible Income	41,041	-
Janus Global Unconstrained	-	38,005
Oppenheimer Senior Floating Rate A	14,864	21,247
Vanguard 500 Index Investor	282	-
Vanguard High Yield Corporation	27,850	25,997
Vanguard Total Stock Mkt Idx Adm	71,614	-
Vanguard Total Stock Mkt Idx Inv	1,497	-
	<hr/>	<hr/>
Total forward	283,100	181,762

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Notes to Consolidated Financial Statements
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	2017	2016
Total forward	\$ 283,100	\$ 181,762
Exchange traded funds		
iShares 1-3 Year Treasury Bond ETF	-	19,086
iShares Currency Hedged MSCI EAFE ETF	15,288	-
iShares US Preferred Stock ETF	-	6,145
Vanguard Total Stock Market ETF	114,144	64,629
Commodity options		
February 2018 Wheat	(60,688)	-
March 2018 Wheat	(242,156)	-
February 2017 Corn	-	(71,800)
March 2017 Soybeans	-	(123,563)
Commodity futures		
March 2018 Soybeans	(4,887)	-
March 2018 Soybean Oil	(17,280)	-
March 2018 Wheat	(43,250)	-
May 2018 Soybeans	22,500	-
May 2018 Soybean Oil	(16,320)	-
July 2018 Soybeans	(15,750)	-
July 2018 Soybean Oil	85,800	-
November 2018 Soybeans	(66,425)	-
November 2019 Soybeans	(5,650)	-
March 2017 Corn	-	(3,400)
March 2017 Soybeans	-	(9,450)
July 2017 Soybeans	-	60,000
November 2017 Soybeans	-	(47,000)
Cash held by broker for commodity trading	1,731,547	1,549,859
U.S. Treasury Bills	749,048	-
AGFS Loan Fund notes (greater than 30 days)	10,000,000	-
Community Foundation of the Ozarks Hope Fund	33,425	27,727
Cole Office & Industrial II REIT - A Share	-	55,429
	<u>\$ 12,562,446</u>	<u>\$ 1,709,424</u>

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

	2017	2016
Interest and dividend income	\$ 160,687	\$ 108,953
Net realized and unrealized gains (losses)	496,988	(294,758)
	<u>\$ 657,675</u>	<u>\$ (185,805)</u>

Note 3: Inventory

Inventory at December 31 consists of:

	2017	2016
GIK food inventory	\$ 5,199,806	\$ 5,336,426
GIK supply inventory	5,776,188	8,018,643
GIK medical supply inventory	582,565	1,308,867
GIK disaster relief inventory	991,926	1,300,379
Purchased food inventory	511,828	20,632
Merchandise inventory for sale	25,884	41,202
	<u>\$ 13,088,197</u>	<u>\$ 16,026,149</u>

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

	2017	2016
Land, buildings and improvements	\$ 14,560,984	\$ 12,565,372
Furniture and equipment	1,530,862	2,068,621
Transportation equipment	6,251,939	5,437,146
Construction in progress	112,847	-
	<u>22,456,632</u>	<u>20,071,139</u>
Less accumulated depreciation	<u>8,928,195</u>	<u>9,231,006</u>
	<u>\$ 13,528,437</u>	<u>\$ 10,840,133</u>

Depreciation expense was \$1,041,386 and \$1,032,298 for 2017 and 2016, respectively.

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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 \$364,633 and \$321,169 as of December 31, 2017 and 2016, respectively.

Note 6: Line of Credit

The Organization has a \$3,000,000 bank line of credit maturing August 1, 2019. At December 31, 2017 and 2016, 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 and is payable monthly. The interest rate was 4.50% and 3.75% on December 31, 2017 and 2016, respectively.

Note 7: Notes Payable

	<u>2017</u>	<u>2016</u>
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
3.75%, interest due monthly, principal due at maturity, July 19, 2018, collateralized by real estate	1,929,406	-
0%, principal due monthly at \$20,833, maturing March 1, 2022, collateralized by real estate (<i>Note 12</i>)	1,062,500	1,312,500
0%, principal due monthly at \$1,125, maturing March 15, 2018	6,750	16,875
Capital lease obligation covering forklifts expiring January 2017	-	1,989
Capital lease obligation covering forklifts expiring April 2022	45,868	-
	<u>\$ 3,044,524</u>	<u>\$ 4,067,738</u>

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Aggregate annual maturities of long-term debt at December 31, 2017, are:

2018	\$ 2,196,262
2019	260,106
2020	260,106
2021	260,106
2022	67,944
	<u>67,944</u>
	<u>\$ 3,044,524</u>

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

	<u>2017</u>	<u>2016</u>
Equipment	\$ 74,395	\$ 23,868
Less accumulated depreciation	<u>11,999</u>	<u>3,125</u>
	<u>\$ 62,396</u>	<u>\$ 20,743</u>

Note 8: Net Assets

Unrestricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Working capital	\$ 12,546,839	\$ 2,808,100
Board-designated endowment	150,408	133,847
Property and equipment, net of debt	10,483,913	6,772,395
Donor advised funds	2,308,138	1,657,434
ACIHLLC interest	1,575,223	1,362,747
Undistributed inventories	<u>4,899,747</u>	<u>5,413,715</u>
	<u>\$ 31,964,268</u>	<u>\$ 18,148,238</u>

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Temporarily Restricted Net Assets

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

	2017	2016
Global disaster response	\$ 9,783,753	\$ 2,546,810
Community development	1,083,283	1,558,145
Community events	31,900	119,324
Undistributed GIK inventory	8,188,450	10,612,434
	\$ 19,087,386	\$ 14,836,713

Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

	2017	2016
Investment in perpetuity, the income of which is expendable to support Convoy of Hope programs	\$ 183,484	\$ 133,484

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.

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The Organization maintained two endowment funds totaling \$333,892 and \$267,331 at December 31, 2017 and 2016, respectively. One of these funds was a Board-designated endowment which totaled \$150,408 and \$133,847 at December 31, 2017 and 2016, respectively, and is included in unrestricted net assets. This endowment is maintained under the AG Foundation. The permanently restricted endowment totaling \$183,484 and \$133,484 at December 31, 2017 and 2016, 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.

Note 10: Public Cash and Food Commodity Grants

Cash grant revenue received from USAID was \$155,853 and \$111,291 for the years ended December 31, 2017 and 2016, respectively. Food commodities received from USAID were \$363,381 and \$363,381 for the years ended December 31, 2017 and 2016, respectively.

Note 11: Gifts-in-Kind Contributions

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

	2017	2016
Food	\$ 67,874,411	\$ 51,828,372
Pharmaceuticals and medical supplies	19,633,508	28,073,740
Clothing and household goods	28,354,989	26,162,536
Services	766,444	867,159
Relief supplies	645,347	497,018
Vehicles	60,875	82,184
	\$ 117,335,574	\$ 107,511,009

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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:

Two Directors of the Organization were full-time management level employees 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, 2017 and 2016, was \$542,869 and \$362,792, respectively, and are reported on the consolidated statement of financial position as amounts due from other organizations. These funds are generally disbursed monthly.

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:

	2017	2016
Cash contributions from GCAG and AGWM MOU	<u>\$ 706,113</u>	<u>\$ 192,900</u>

Cash contribution revenue recognized from GCAG and AGWM, not under the memorandums of understanding, totaled \$3,306,972 and \$2,283,428 for 2017 and 2016, respectively.

The Organization did not make any cash payments under the GCAG MOU or the AGWM MOU during the years ended December 31, 2017 and 2016.

The GCAG and its affiliate assigned 19 and 21 missionaries to the Organization to assist in program activities during 2017 and 2016, respectively. The value of these services has not been reflected in the accompanying financial statements.

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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, 2017 and 2016, were \$16,190,413 and \$184,409, respectively, and are reported on the consolidated statement of financial position as cash equivalents and investments. These accounts earned investment return of \$38,032 and \$2,948 in 2017 and 2016, respectively. The Organization maintains Board-designated endowment funds at AG Foundation with a balance of \$150,408 and \$133,847 at December 31, 2017 and 2016, respectively. These funds are reported as assets held in trust by others on the consolidated statement of financial position and earned investment return of \$16,561 and \$9,269 in 2017 and 2016, respectively. In addition, principal payments on the 0% interest note the Organization secured from AGFS in 2012 were \$250,000 for the years ended December 31, 2017 and 2016. The note has a balance of \$1,062,500 and \$1,312,500 at December 31, 2017 and 2016, respectively. AGFS contributed \$255,000 and \$245,000, respectively, to the Organization during the years ended December 31, 2017 and 2016.

The Organization leases excess warehouse space to two organizations affiliated with the GCAG. Lease income for the years ended December 31, 2017 and 2016, was \$86,296 and \$108,151, respectively.

The Organization purchased services provided by Board members totaling \$19,000 and \$100 for the years ended December 31, 2017 and 2016, respectively.

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 \$506,152 and \$528,007 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease receipts under operating leases are:

2018	\$ 510,774
2019	456,504
2020	456,504
2021	5,400
2022	5,575
Thereafter	<u>9,500</u>
Total minimum lease receipts	<u><u>\$ 1,444,257</u></u>

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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 \$335,934 and \$60,835 for 2017 and 2016, 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.

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, 2017 and 2016:

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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, 2017				
Equity securities				
Amazon.com Inc	\$ 18,711	\$ 18,711	\$ -	\$ -
American Express Co	7,448	7,448	-	-
AQR Equity Market Neutral	17,213	17,213	-	-
AQR Long-Short Equity	16,199	16,199	-	-
Comcast Corporation	40	40	-	-
Lockheed Martin Corp	321	321	-	-
Microsoft Corp	6,416	6,416	-	-
Nuveen Equity Market Neutral	11,181	11,181	-	-
Stanley Black & Deck	170	170	-	-
Synopsis Inc	4,859	4,859	-	-
Mutual funds				
American Funds Fundamental Invs F1	12,079	12,079	-	-
BlackRock Strategic Income Opps Inv A	31,315	31,315	-	-
DoubleLine Flexible Income	41,041	41,041	-	-
Oppenheimer Senior Floating Rate A	14,864	14,864	-	-
Vanguard 500 Index Investor	282	282	-	-
Vanguard High Yield Corporation	27,850	27,850	-	-
Vanguard Total Stock Mkt Idx Adm	71,614	71,614	-	-
Vanguard Total Stock Mkt Idx Inv	1,497	1,497	-	-
Exchange traded funds				
iShares Currency Hedged MSCI EAFE ETF	15,288	15,288	-	-
Vanguard Total Stock Market ETF	114,144	114,144	-	-
Commodity options				
February 2018 Wheat	(60,688)	(60,688)	-	-
March 2018 Wheat	(242,156)	(242,156)	-	-
Commodity futures				
March 2018 Soybeans	(4,887)	(4,887)	-	-
March 2018 Soybean Oil	(17,280)	(17,280)	-	-
March 2018 Wheat	(43,250)	(43,250)	-	-
May 2018 Soybeans	22,500	22,500	-	-
May 2018 Soybean Oil	(16,320)	(16,320)	-	-
July 2018 Soybeans	(15,750)	(15,750)	-	-
July 2018 Soybean Oil	85,800	85,800	-	-
November 2018 Soybeans	(66,425)	(66,425)	-	-
November 2019 Soybeans	(5,650)	(5,650)	-	-
U.S. Treasury Bills	749,048	749,048	-	-
Alternative investments				
Community Foundation of the Ozarks Hope Fund	33,425	-	33,425	-

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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, 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 2017 Soybeans	60,000	60,000	-	-
Community Foundation of the				
Ozarks Hope Fund	27,727	-	27,727	-
Cole Office & Industrial II				
REIT - A Share	55,429	-	55,429	-

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, 2017.

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December 31, 2017 and 2016

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, 2017.

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 two donors comprising 37% and 41% of the total donated food category for 2017 and 2016, respectively. Gifts-in-kind pharmaceutical and medical supplies donations include gifts from one donor comprising 96% and 94% of the total donated pharmaceutical and medical supplies categories for 2017 and 2016, respectively.

Note 17: Subsequent Events

Subsequent events have been evaluated through June 6, 2018, which is the date the financial statements were available to be issued.