

**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**



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**CONVOY OF HOPE, INCORPORATED  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - 2019</b>	<b>5</b>
<b>CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - 2018</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>8</b>



## INDEPENDENT AUDITORS' 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, 2019 and 2018, 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.

### ***Auditors' 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 auditors' 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

***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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Overland Park, Kansas  
June 17, 2020

**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 26,095,901	\$ 21,805,050
Assets Held by Field Operations	200,280	548,639
Investments	28,411,225	12,183,500
Amounts Due from Other Organizations	510,890	419,003
Accounts and Other Receivables	74,046	192,581
Inventory	12,644,370	13,455,766
Cash Value of Life Insurance	366,560	276,547
Other Assets	20,253	8,101
Prepaid Expenses	1,596,114	1,764,499
Property and Equipment, Net	9,992,524	13,347,997
Assets Held in Trust by Others	162,217	142,146
	\$ 80,074,380	\$ 64,143,829
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 2,873,840	\$ 2,642,738
Deferred Gain on Sale-Leaseback	10,621,237	-
Notes Payable	2,353,688	2,777,615
Total Liabilities	15,848,765	5,420,353
<b>NET ASSETS</b>		
Without Donor Restrictions	51,682,405	42,229,411
With Donor Restrictions	12,543,210	16,494,065
Total Net Assets	64,225,615	58,723,476
Total Liabilities and Net Assets	\$ 80,074,380	\$ 64,143,829

See accompanying Notes to Consolidated Financial Statements.

**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 38,272,941	\$ 17,173,572	\$ 55,446,513	\$ 29,353,282	\$ 19,007,224	\$ 48,360,506
Gifts-in-Kind	134,732,932	5,779,103	140,512,035	124,502,170	4,320,586	128,822,756
Public Cash and Food Commodity Grants	17,495	-	17,495	48,910	-	48,910
Nongovernmental Grants	946,488	-	946,488	1,169,758	-	1,169,758
Investment Return	1,006,573	-	1,006,573	350,805	-	350,805
Other Income	2,285,209	-	2,285,209	1,217,891	-	1,217,891
Change in Donor Restrictions	200,000	(200,000)	-	-	-	-
Net Assets Released from Restriction Due to	-	-	-	-	-	-
Satisfaction of Program Restrictions	26,703,530	(26,703,530)	-	26,104,615	(26,104,615)	-
Total Revenues, Gains, and Other Support	204,165,168	(3,950,855)	200,214,313	182,747,431	(2,776,805)	179,970,626
<b>EXPENSES AND LOSSES</b>						
Program Services	170,018,768	-	170,018,768	151,435,385	-	151,435,385
Fundraising	17,855,217	-	17,855,217	14,552,456	-	14,552,456
Administration	6,838,189	-	6,838,189	6,494,447	-	6,494,447
Total Expenses and Losses	194,712,174	-	194,712,174	172,482,288	-	172,482,288
<b>CHANGE IN NET ASSETS</b>	9,452,994	(3,950,855)	5,502,139	10,265,143	(2,776,805)	7,488,338
Net Assets - Beginning of Year	42,229,411	16,494,065	58,723,476	31,964,268	19,270,870	51,235,138
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 51,682,405</u>	<u>\$ 12,543,210</u>	<u>\$ 64,225,615</u>	<u>\$ 42,229,411</u>	<u>\$ 16,494,065</u>	<u>\$ 58,723,476</u>

See accompanying Notes to Consolidated Financial Statements.

**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services					Support Services			Total	
	Community Development	Community Events	Disaster Responses	Partner Resourcing	Noncore Mission Initiatives	Total Program Services	Fundraising	Administration		Total Support Services
Advertising and General Promotion	\$ 34,011	\$ 1,906	\$ 11,206	\$ 2,600	\$ 310	\$ 50,033	\$ 381,747	\$ 1,304	\$ 383,051	\$ 433,084
Contract Labor	282,993	10,997	853,068	114	-	1,147,172	764,180	76,544	840,724	1,987,896
Depreciation	146,830	2,816	247,435	245,070	123	642,274	48,085	302,169	350,254	992,528
Equipment, Tools, and Rentals	307,903	34,989	104,247	14,734	1,444	463,317	32,622	10,579	43,201	506,518
Feeding, Outreach, Relief and Resourcing	2,959,757	606,055	2,800,882	888,265	13,863	7,268,822	61,787	2,640	64,427	7,333,249
Gifts-in-Kind	65,811,609	3,093,147	12,133,779	60,162,204	158,953	141,359,692	46,563	-	46,563	141,406,255
Grants to Other Ministries	3,230,310	395,444	725,770	42,007	-	4,393,531	639,500	125,000	764,500	5,158,031
Insurance	61,458	130	14,802	-	-	76,390	25,664	484,091	509,755	586,145
Interest	-	-	-	-	-	-	73,163	-	73,163	73,163
Licenses and Fees	49,372	818	27,005	107,770	42	185,007	221,240	943,944	1,165,184	1,350,191
Occupancy	255,189	-	171,632	-	-	426,821	671,475	282,374	953,849	1,380,670
Office Equipment and Supplies	315,025	12,974	80,998	21,828	44,192	475,017	106,568	291,603	398,171	873,188
Other	19,480	679	34,714	30,528	453	85,854	226,299	22,957	249,256	335,110
Postage and Freight	34,459	1,759	25,731	1,390	-	63,339	226,238	28,313	254,551	317,890
Printing and Publications	18,330	24,315	16,684	87	619	60,035	379,239	40,998	420,237	480,272
Professional Services	110,455	6,323	3,040	2,450	-	122,268	1,525,646	263,794	1,789,440	1,911,708
Repairs and Maintenance	362,409	1,336	132,592	203,927	-	700,264	3,976	135,976	139,952	840,216
Salaries, Benefits, and Taxes	3,403,767	614,393	1,912,822	1,535,701	277,821	7,744,504	6,476,034	3,377,453	9,853,487	17,597,991
Shipping - Outbound (Third Party)	-	-	-	220,268	-	220,268	-	-	-	220,268
Special Events	1,204,612	2,564	5,867	-	548	1,213,591	480,336	33,859	514,195	1,727,786
Taxes	1,089	-	-	-	-	1,089	195	-	195	1,284
Travel, Conferences, and Training	2,017,803	310,632	921,565	69,432	48	3,319,480	5,464,660	414,591	5,879,251	9,198,731
<b>Total Functional Expenses</b>	<b>\$ 80,626,861</b>	<b>\$ 5,121,277</b>	<b>\$ 20,223,839</b>	<b>\$ 63,548,375</b>	<b>\$ 498,416</b>	<b>\$ 170,018,768</b>	<b>\$ 17,855,217</b>	<b>\$ 6,838,189</b>	<b>\$ 24,693,406</b>	<b>\$ 194,712,174</b>

See accompanying Notes to Consolidated Financial Statements.

**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services					Support Services				Total
	Community Development	Community Events	Disaster Responses	Partner Resourcing	Noncore Mission Initiatives	Total Program Services	Fundraising	Administration	Total Support Services	
Advertising and General Promotion	\$ 6,826	\$ 870	\$ 87	\$ 12,786	\$ 784	\$ 21,353	\$ 179,152	\$ -	\$ 179,152	\$ 200,505
Contract Labor	374,480	61,482	342,783	245	-	778,990	582,319	72,300	654,619	1,433,609
Depreciation	157,079	1,801	233,545	171,509	31	563,965	38,996	603,803	642,799	1,206,764
Equipment, Tools, and Rentals	98,504	13,545	183,862	21,687	95	317,693	17,539	14,081	31,620	349,313
Feeding, Outreach, Relief and Resourcing	2,302,547	369,603	2,603,765	762,845	6,752	6,045,512	54,828	-	54,828	6,100,340
Gifts-in-Kind	54,705,532	2,930,387	12,751,184	58,213,464	-	128,600,567	-	-	-	128,600,567
Grants to Other Ministries	1,855,748	159,371	1,294,615	42,000	130,000	3,481,734	246,400	118,420	364,820	3,846,554
Insurance	63,539	55	12,772	2,968	-	79,334	26,578	389,008	415,586	494,920
Interest	31	-	-	-	-	31	71,428	-	71,428	71,459
Licenses and Fees	188,867	209	24,648	110,802	145	324,671	180,769	705,624	886,393	1,211,064
Occupancy	198,857	-	248,827	6,386	-	454,070	640,502	133,178	773,680	1,227,750
Office Equipment and Supplies	404,392	15,276	76,385	22,493	15,698	534,244	121,405	186,240	307,645	841,889
Other	46,667	464	823	377	59	48,390	94,814	17,251	112,065	160,455
Postage and Freight	22,177	9,027	13,553	1,437	304	46,498	245,098	38,078	283,176	329,674
Printing and Publications	1,848	23,784	45,659	1,022	298	72,611	285,298	39,292	324,590	397,201
Professional Services	80,128	575	59,201	3,732	-	143,636	591,725	249,804	841,529	985,165
Repairs and Maintenance	226,945	4,188	256,309	177,683	-	665,125	13,798	87,371	101,169	766,294
Salaries, Benefits, and Taxes	2,498,916	477,681	1,222,349	1,445,245	399,322	6,043,513	5,372,485	3,412,925	8,785,410	14,828,923
Shipping - Outbound (Third Party)	4,735	-	-	507,773	-	512,508	57	-	57	512,565
Special Events	18,850	7,500	2,917	2,400	592	32,259	1,462,942	38,072	1,501,014	1,533,273
Taxes	-	-	1,570	-	-	1,570	204	40,932	41,136	42,706
Travel, Conferences, and Training	1,838,749	238,615	498,153	69,346	22,248	2,667,111	4,326,119	348,068	4,674,187	7,341,298
<b>Total Functional Expenses</b>	<b>\$ 65,095,417</b>	<b>\$ 4,314,433</b>	<b>\$ 19,873,007</b>	<b>\$ 61,576,200</b>	<b>\$ 576,328</b>	<b>\$ 151,435,385</b>	<b>\$ 14,552,456</b>	<b>\$ 6,494,447</b>	<b>\$ 21,046,903</b>	<b>\$ 172,482,288</b>

See accompanying Notes to Consolidated Financial Statements.



**CONVOY OF HOPE, INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 5,502,139	\$ 7,488,338
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	992,528	1,206,764
Loss (Gain) on Disposition of Equipment	(882,994)	280,114
Deferred Gain on Sale of Property	(10,621,237)	-
Net Realized and Unrealized Gain on Investments	(450,911)	(105,379)
Decrease in Cash Value of Life Insurance	(90,013)	-
(Increase) Decrease in Assets:		
Assets Held by Field Operations	348,359	(117,861)
Amounts Due from Other Organizations	(91,887)	123,866
Accounts and Other Receivables	118,535	31,113
Grants Receivable	-	137,304
Prepaid Expenses and Other Assets	136,162	213,038
Purchased Inventory	811,396	(367,569)
Accounts Payable and Accrued Expenses	231,102	(812,414)
Deferred Gain on Sale-Leaseback	10,621,237	-
Net Cash Provided by Operating Activities	6,624,416	8,077,314
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and Equipment	(1,080,507)	(1,294,858)
Acquisition of Investments	(23,700,442)	(4,295,234)
Proceeds from Sale of Investments	7,923,628	4,779,559
Proceeds from Sale of Property and Equipment	14,947,683	(11,580)
Net Cash Used by Investing Activities	(1,909,638)	(822,113)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Notes Payable	(423,927)	(266,909)
Net Cash Used by Financing Activities	(423,927)	(266,909)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,290,851	6,988,292
Cash and Cash Equivalents - Beginning of Year	21,805,050	14,816,758
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 26,095,901	\$ 21,805,050
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 83,663	\$ 71,459

See accompanying Notes to Consolidated Financial Statements.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 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, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation and Principles of Consolidation (Continued)**

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 (IRC) 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 nonprofits. 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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2019 and 2018, cash equivalents consisted primarily of Assemblies of God Financial Services loan fund demand deposits and bank repurchase agreements.

At December 31, 2019, the Organization had approximately \$2,422,271 in cash and cash equivalents, which were not insured or guaranteed by the Federal Deposit Insurance Corporation (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, 2019 and 2018. Foreign office transactions are reported in the foreign currency and converted at the rate in effect at the end of the reporting month. 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 without donor restrictions 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.

Alternative investments consist of those investments that do not trade in secondary markets and are not redeemable with the issuer on demand in current transactions, such as non-marketable hedge fund and private equity assets. These funds invest in various partnership interests, managed accounts, and other vehicles to generate investment return. These funds are reported at estimated fair value.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments and Investment Return (Continued)**

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.

Investments held in AGFS Loan Fund Notes and Foundation Capital Resources are valued at cost and totaled \$25,064,847 and \$10,027,436 as of December 31, 2019 and 2018, respectively.

**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 net realizable value. 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).

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 to 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, 2019 and 2018.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give-that is, those with a measurable performance or other barrier and a right of return-are not recognized until the conditions on which they depend have been met. At December 31, 2019 and 2018, the Organization had not received any conditional contributions.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants. Amounts received are recognized as earned and are reported as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received but not yet earned are reported as a refundable advance in the consolidated statement of financial position. The Organization received cost-reimbursable grants of \$946,488 for which qualifying expenditures have not yet been incurred, with a progress payment of \$249,688 recognized in the consolidated statement of financial position as an accrued liability.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

Contributions other than gifts-in-kind are primarily cash contributions derived from ongoing fundraising initiatives. All contributions are considered to be available without donor restrictions 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 received with donor restrictions by the Organization may have an assessment applied at the time of donation to cover fundraising and administrative costs of 12% to 20%. At the time of assessment, which aligns with when the expenses are incurred, the net assets are reclassified from with donor restrictions to without donor restrictions 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% and 17.3% for the years ended December 31, 2019 and 2018, 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. Net assets with donor restrictions are then reclassified to net assets without donor restrictions and reported in the consolidated 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, nonprofit entities or under government agreements and is considered to be support without donor restrictions 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 with donor restrictions 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 support without donor restrictions.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Gifts-in-Kind Contributions (Continued)**

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, and verified through third party website, 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 contributions with donor restrictions. Donor restrictions are satisfied, and donated inventory is released from restriction and reclassified as without donor restrictions, 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 contributions without donor restrictions.

**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 the consolidated financial statements. Accounting principles generally accepted in the United States of America 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:

	<u>2019</u>	<u>2018</u>
Professional Labor Hours for Global Outreach	\$ 1,026,151	\$ 997,278
CDL Driver Hours for Partner Resourcing	163,515	168,386
Total	<u>\$ 1,189,666</u>	<u>\$ 1,165,664</u>



**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 (U.S.) Department of State's U.S. 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 IRC as an organization described in Section 501(c)(3) of the IRC.

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.

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

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expense Allocation**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the consolidated statement of activities and consolidated statement 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. See Note 18 below as it relates to joint cost allocations.

**New Accounting Pronouncement Effective in Future Accounting Period**

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for the fiscal year ending December 31, 2021. Management will be evaluating the effects of this new standard.

**NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization's consolidated financial statements reflect the application of ASC 606 guidance beginning in 2018. The full retrospective approach was applied. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the organization's reported historical revenue.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)**

In 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This update clarified and improved guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. There is no material impact on the consolidated financial statements, as such, there have been no related reclassifications on previously presented change in net assets or total net assets.

**NOTE 3 LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and investments.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal years 2019 and 2018.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2019	2018
Cash and Cash Equivalents	\$ 26,095,901	\$ 21,805,050
Assets Held by Field Operations	200,280	548,639
Accounts Receivable	584,936	611,584
Operating Investments	28,411,225	12,183,500
Assets Held in Trust by Others	162,217	142,146
Total Financial Assets	55,454,559	35,290,919
Cash Restricted to Specific Uses	(12,543,210)	(16,494,065)
Board Designations:		
Endowments	(162,217)	(142,146)
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 42,749,132	\$ 18,654,708

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 4 INVESTMENTS AND INVESTMENT RETURN**

Investments consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Mutual Funds:		
BlackRock Strategic Income Opps Inv A	\$ -	\$ 8,279
DoubleLine Flexible Income	-	8,308
Nuveen Equity Market Neutral A	-	28,892
Vanguard 500 Index Investor	-	270
Vanguard Total Stock Market Index Adm	354	11,792
Vanguard Total Stock Market Index Inv	699	1,419
Exchange Traded Funds:		
Spider Gold Shares ETF	5,002	4,244
Vanguard Total Stock Market ETF	113,160	98,914
IsharesCore	51,710	-
Ishares High Yield	9,890	-
PIMCO Enhanced	37,080	-
Equity Securities	354,150	-
Commodity Options	(547,188)	(504,688)
Commodity Futures	125,150	(250,125)
Fixed Income	627,129	-
Money Market	297,256	-
Cash Held by Broker	863,701	1,211,755
U.S. Treasury Bills	811,904	1,030,380
AGFS Loan Fund Notes (Greater than 30 Days)	15,027,124	10,027,436
Alternative Investments:		
Community Foundation of the Ozarks Hope Fund	41,270	31,813
Foundation Capital Resources	10,037,723	-
Investment Properties	555,111	474,811
Total	<u>\$ 28,411,225</u>	<u>\$ 12,183,500</u>

**NOTE 5 INVENTORY**

Inventory consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
GIK Food Inventory	\$ 4,726,665	\$ 5,631,698
GIK Supply Inventory	6,629,072	6,949,912
GIK Medical Supply Inventory	383,816	115,450
GIK Disaster Relief Inventory	127,405	68,513
Purchased Food Inventory	777,412	690,193
Total	<u>\$ 12,644,370</u>	<u>\$ 13,455,766</u>

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land, Buildings, and Improvements	\$ 7,453,366	\$ 14,730,882
Furniture and Equipment	1,615,355	1,932,472
Transportation Equipment	7,288,904	6,712,980
Construction in Progress	192,998	57,485
Total Property and Equipment	<u>16,550,623</u>	<u>23,433,819</u>
Less: Accumulated Depreciation	<u>6,558,099</u>	<u>10,085,822</u>
Property and Equipment, Net	<u>\$ 9,992,524</u>	<u>\$ 13,347,997</u>

Depreciation expense was \$992,528 and \$1,206,764 for 2019 and 2018, respectively.

**NOTE 7 COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacations and can carryover unused vacation from one fiscal year to the next. The consolidated financial statements include a provision for compensated absences earned, but not paid amounting to \$485,250 and \$423,189 as of December 31, 2019 and 2018, respectively.

**NOTE 8 NOTES PAYABLE**

<u>Description</u>	<u>2019</u>	<u>2018</u>
Interest due monthly at 3.75%, principal due at maturity, This note was paid in full on February 18, 2020. Collateralized by real estate.	\$ 1,736,465	\$ 1,929,406
Principal due monthly at \$20,833, interest at 0%, maturing March 1, 2022, collateralized by real estate.	562,499	811,374
Principal due monthly at \$1,125, interest at 0%, maturing August 1, 2019.	-	1,125
Capital lease obligations covering forklifts expiring September 2021 and April 2022	<u>54,724</u>	<u>35,710</u>
Total Notes Payable	<u>\$ 2,353,688</u>	<u>\$ 2,777,615</u>

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 NOTES PAYABLE (CONTINUED)**

Aggregate annual maturities of long-term debt at December 31, 2019 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 2,012,897
2021	272,455
2022	68,336
Total	<u>\$ 2,353,688</u>

Property and equipment include the following property under capital leases at December 31, 2019, and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 82,348	\$ 50,530
Less: Accumulated Depreciation	26,619	14,728
Total	<u>\$ 55,729</u>	<u>\$ 35,802</u>

**NOTE 9 NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are represented by the following at December 31, 2019, and 2018:

	<u>2019</u>	<u>2018</u>
Working Capital	\$ 30,116,285	\$ 13,291,606
Board-Designated Endowment	162,217	142,146
Property and Equipment, Net of Debt	7,638,836	10,570,382
Donor Advised Funds	2,156,855	2,212,091
ACIHLLC Interest	1,215,861	3,560,469
Undistributed Inventories	10,392,351	12,452,717
Total Net Assets Without Donor Restrictions	<u>\$ 51,682,405</u>	<u>\$ 42,229,411</u>

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 9 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at December 31, 2019, and 2018:

	2019	2018
Global Disaster Response	\$ 9,875,215	\$ 13,664,993
Community Development	232,492	1,640,939
Community Events	-	1,600
Undistributed GIK Inventory	2,252,019	1,003,049
Investment in Perpetuity, the Income of Which is Expendable to Support Convoy of Hope Programs	183,484	183,484
Total Net assets With Donor Restrictions	<u>\$ 12,543,210</u>	<u>\$ 16,494,065</u>

**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 10 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 revenue with or without donor restrictions per the donor's specifications.

The Organization maintained two endowment funds totaling \$345,701 and \$325,630 at December 31, 2019 and 2018, respectively. One of these funds was a board-designated endowment which totaled \$162,217 and \$142,146 at December 31, 2019 and 2018, respectively, and is included in net assets without donor restrictions. This endowment is maintained under the AG Foundation. The endowment with donor restrictions totaling \$183,484 and \$183,484 at December 31, 2019 and 2018, 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.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 11 PUBLIC CASH AND FOOD COMMODITY GRANTS**

Cash grant revenue received from USAID was \$17,495 and \$48,910 for the years ended December 31, 2019 and 2018. Food commodities received from USAID were \$-0- and \$103,823 for the years ended December 31, 2019 and 2018.

**NOTE 12 GIFTS-IN-KIND CONTRIBUTIONS**

Gifts-in-kind recognized consisted of the following for the years ended December 31, 2019 and 2018.

	2019	2018
Food	\$ 109,376,924	\$ 93,204,233
Pharmaceuticals and Medical Supplies	10,215,866	11,737,381
Clothing and Household Goods	19,304,604	21,415,991
Services	1,189,666	1,165,664
Relief Supplies	424,975	1,291,987
Airtime	-	7,500
Total Gift-in-Kind Contributions	<u>\$ 140,512,035</u>	<u>\$ 128,822,756</u>

**NOTE 13 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-through donations on behalf of the Organization. The balance in these accounts for the years ended December 31, 2019 and 2018 was \$510,890 and \$419,003, respectively, and is 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.



**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)**

Cash contribution revenue recognized under the GCAG and AGWM memorandums of understanding consisted of the following:

	2019	2018
Cash Contributions from GCAG and AGWM MOU	\$ 150,000	\$ 729

Cash contribution revenue recognized from GCAG and AGWM, not under the memorandums of understanding, totaled \$3,132,185 and \$2,782,673 for 2019 and 2018, respectively.

The Organization did not make any cash payments under the GCAG MOU or the AGWM MOU during the years ended December 31, 2019 and 2018.

The GCAG and its affiliate assigned missionaries to the Organization to assist in program activities during 2019 and 2018 totaling 21 and 18, respectively. The value of these services has not been reflected in the accompanying consolidated financial statements.

The Organization maintains investment accounts with AG Financial Services (AGFS) and the AG Foundation, both affiliated with the GCAG. The balance in the AGFS accounts at December 31, 2019 and 2018, was \$25,279,898 and \$16,214,870, respectively, and is reported on the consolidated statement of financial position as Cash Equivalents and Investments. These accounts earned investment return of \$364,116 and \$181,137 in 2019 and 2018, respectively. The Organization maintains board-designated endowment funds at AG Foundation with a balance of \$162,217 and \$142,146 at December 31, 2019 and 2018, respectively. These funds are reported as assets held in trust by others on the consolidated statement of financial position and earned investment return of \$2,406 and \$2,495 in 2019 and 2018, 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, 2019 and 2018. The note had a balance of \$562,499 and \$811,374 at December 31, 2019 and 2018, respectively. AGFS contributed \$245,000 to the Organization during the years ended December 31, 2019 and 2018, respectively.

The Organization leases excess warehouse space to two organizations affiliated with the GCAG. Lease income for the years ended December 31, 2019 and 2018 was \$534,142 and \$532,915, respectively.

The Organization purchased services provided by board members totaling \$54,500 and \$31,500 for the years ended December 31, 2019 and 2018, respectively.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 14 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 \$538,193 and \$559,424 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease receipts under operating leases are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 512,414
2021	5,400
2022	5,575
2023	5,700
2024	3,800
Total	<u>\$ 532,889</u>

**NOTE 15 OPERATING LEASES**

In September 2019, the Organization entered into a sale-leaseback agreement with an unrelated party involving a building. Under the arrangement, the building with a net book value of \$3,409,967 was sold for \$14,941,596 and leased back under a three year operating lease agreement. The Organization is recognizing the gain on the sale of the leaseback transaction over the life of the lease, which resulted in a realized gain of \$910,392 and a deferred gain of \$10,621,237 at December 31, 2019. The lease provides for aggregate monthly base payments of \$60,000 and expires in September 2022.

The Organization also leases several buildings under various lease arrangements. Future minimum lease payments under operating leases are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 892,574
2021	746,710
2022	545,468
2023	3,600
Total	<u>\$ 2,188,352</u>

**NOTE 16 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 consolidated statement of functional expenses, were \$473,271 and \$438,755 for 2019 and 2018, respectively.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 17 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, 2019 AND 2018**

**NOTE 17 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated 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, 2019 and 2018:

	2019			Total
	Level 1	Level 2	Level 3	
<b>Mutual Funds:</b>				
Vanguard Total Stock Market Index Adm	\$ 354	\$ -	\$ -	\$ 354
Vanguard Total Stock Market Index Inv	699	-	-	699
<b>Exchange Traded Funds:</b>				
Spider Gold Shares ETF	5,002	-	-	5,002
Vanguard Total Stock Market ETF	113,160	-	-	113,160
IsharesCore	51,710			51,710
Ishares High Yield	9,890			9,890
PIMCO Enhanced	37,080			37,080
Equity Securities:	354,150			354,150
<b>Commodity Options:</b>				
February 2020 Corn	(107,500)	-	-	(107,500)
March 2020 Corn	(171,375)	-	-	(171,375)
March 2020 Soybeans	(268,313)			(268,313)
<b>Commodity Futures:</b>				
March 2020 Corn	6,375	-	-	6,375
March 2020 Soybeans	114,150	-	-	114,150
December 2020 Corn	4,625	-	-	4,625
Fixed Income	-	627,129	-	627,129
Money Market	297,256			297,256
U.S. Treasury Bills	811,904	-	-	811,904
<b>Alternative Investments:</b>				
Community Foundation of the Ozarks Hope Fund			41,270	41,270
Investment Properties	-	-	555,111	555,111
<b>Total</b>	<b>\$ 1,259,167</b>	<b>\$ 627,129</b>	<b>\$ 596,381</b>	<b>\$ 2,482,677</b>

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 17 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Recurring Measurements (Continued)**

	2018			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
BlackRock Strategic Income Opps Inv A	\$ 8,279	\$ -	\$ -	\$ 8,279
DoubleLine Flexible Income	8,308	-	-	8,308
Nuveen Equity Market Neutral A	28,892	-	-	28,892
Vanguard 500 Index Investor	270	-	-	270
Vanguard Total Stock Market Index Adm	11,792	-	-	11,792
Vanguard Total Stock Market Index Inv	1,419	-	-	1,419
Exchange Traded Funds:				
Spide Gold Shares ETF	4,244	-	-	4,244
Vanguard Total Stock Market ETF	98,914	-	-	98,914
Commodity Options:				
February 2019 Corn	(95,625)	-	-	(95,625)
February 2019 Soybeans	(36,188)	-	-	(36,188)
February 2019 Wheat	(245,625)	-	-	(245,625)
March 2019 Wheat	(127,250)	-	-	(127,250)
Commodity Futures:				
March 2019 Soybeans	(129,500)	-	-	(129,500)
March 2019 Wheat	22,250	-	-	22,250
November 2019 Soybeans	(142,875)	-	-	(142,875)
U.S. Treasury Bills	1,030,380	-	-	1,030,380
Alternative Investments				
Community Foundation of the Ozarks Hope Fund	-	-	31,813	31,813
Investment Properties	-	-	474,811	474,811
Total	<u>\$ 437,685</u>	<u>\$ -</u>	<u>\$ 506,624</u>	<u>\$ 944,309</u>

The following is a reconciliation of the beginning and ending balance of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) input during the year ended December 31, 2019

	Investment Properties	Ozarks Hope Fund
Balance - December 31, 2018	\$ 474,811	\$ 31,813
Additions	-	4,449
Change in Market Value	-	5,008
Investment Properties Entered Into Net of Proceeds	80,300	-
Balance - December 31, 2019	<u>\$ 555,111</u>	<u>\$ 41,270</u>

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 consolidated 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 years ended December 31, 2019 and 2018.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 17 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Recurring Measurements (Continued)**

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, which are certificates of deposit having maturities greater than three months, are accounted for on the cost method and thus not included in this disclosure.

**NOTE 18 JOINT COSTS**

The Organization incurred joint costs of \$6,342,592 and \$-0- for special events and activities that included fundraising appeals during the years ended December 31, 2019 and 2018, respectively. These costs were allocated as follows:

	Travel, Conference and Training
Program Services	<u>\$ 1,183,537</u>
Fundraising	<u>5,159,055</u>
Total Joint Costs	<u><u>\$ 6,342,592</u></u>

**NOTE 19 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:

**Contributions**

Gifts-in-kind donations include gifts from two donors and three donors comprising 35% and 38% of the total gift-in-kind donated in 2019 and 2018, respectively. Contributions from one donor comprised 16% of the total contributions received in 2019.

**CONVOY OF HOPE, INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 20 SUBSEQUENT EVENTS**

Management evaluated subsequent events through June 17, 2020, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2019, but prior to June 17, 2020, that provided additional evidence about conditions that existed at December 31, 2019, have been recognized in the 2019 consolidated financial statements.

During the period from January 1, 2020, through June 17, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the consolidated financial statements as of and for the year ended December 31, 2019.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. COVID-19 may impact various parts of the Organization's 2020 operations and financial results. Management believes they have taken the appropriate steps to combat these economic impacts of COVID-19; however, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

Subsequent to year-end, the Company received a loan in the amount of \$3,633,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.