

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Convoy of Hope, Incorporated
Springfield, Missouri

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Convoy of Hope, Incorporated as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Convoy of Hope, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Convoy of Hope, Incorporated's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Convoy of Hope, Incorporated's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Convoy of Hope, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Overland Park, Kansas
March 27, 2022

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 62,070,806	\$ 31,363,092
Assets Held by Field Operations	562,346	614,994
Investments	39,692,308	40,716,166
Amounts Due from Other Organizations	647,780	426,491
Accounts and Other Receivables	57,318	17,996
Inventory	30,110,870	12,462,788
Cash Value of Life Insurance	419,894	366,560
Other Assets	215,798	143,629
Prepaid Expenses	2,475,165	2,341,382
Property and Equipment, Net	29,055,838	21,078,557
Assets Held in Trust by Others	197,363	173,514
	\$ 165,505,486	\$ 109,705,169
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 4,353,203	\$ 5,510,346
Deferred Gain on Sale-Leaseback	-	6,979,672
Notes Payable	6,508	7,874,251
	4,359,711	20,364,269
NET ASSETS		
Without Donor Restrictions	150,962,032	84,874,748
With Donor Restrictions	10,183,743	4,466,152
Total Net Assets	161,145,775	89,340,900
Total Liabilities and Net Assets	\$ 165,505,486	\$ 109,705,169

See accompanying Notes to Consolidated Financial Statements.

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 60,236,594	\$ 49,036,288	\$ 109,272,882	\$ 46,897,354	\$ 28,990,666	\$ 75,888,020
Gifts-in-Kind	307,869,947	6,935,319	314,805,266	280,404,890	3,570,216	283,975,106
Public Cash and Food Commodity Grants	119,608	-	119,608	21,770	-	21,770
Nongovernmental Grants	3,076,341	-	3,076,341	2,686,103	-	2,686,103
Investment Return	1,856,491	-	1,856,491	1,935,057	-	1,935,057
Other Income	1,015,581	-	1,015,581	1,171,281	-	1,171,281
Loan Forgiveness	3,633,700	-	3,633,700	-	-	-
Gain on Disposal of Asset	5,102,878	-	5,102,878	3,651,187	-	3,651,187
Net Assets Released from Restriction Due to Satisfaction of Program Restrictions	50,254,016	(50,254,016)	-	40,637,940	(40,637,940)	-
Total Revenues, Gains, and Other Support	433,165,156	5,717,591	438,882,747	377,405,582	(8,077,058)	369,328,524
EXPENSES AND LOSSES						
Program Services	333,657,889	-	333,657,889	317,857,171	-	317,857,171
Fundraising	21,564,744	-	21,564,744	15,348,946	-	15,348,946
Administration	11,855,239	-	11,855,239	11,007,122	-	11,007,122
Total Expenses and Losses	367,077,872	-	367,077,872	344,213,239	-	344,213,239
CHANGE IN NET ASSETS	66,087,284	5,717,591	71,804,875	33,192,343	(8,077,058)	25,115,285
Net Assets - Beginning of Year	84,874,748	4,466,152	89,340,900	51,682,405	12,543,210	64,225,615
NET ASSETS - END OF YEAR	<u>\$ 150,962,032</u>	<u>\$ 10,183,743</u>	<u>\$ 161,145,775</u>	<u>\$ 84,874,748</u>	<u>\$ 4,466,152</u>	<u>\$ 89,340,900</u>

See accompanying Notes to Consolidated Financial Statements.

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services					Support Services				Total
	Community Development	Community Events	Disaster Responses	Partner Resourcing	Non-Core Mission Initiatives	Total Program Services	Fundraising	Administration	Total Support Services	
Advertising and General Promotion	\$ 12,702	\$ 7,742	\$ 20,232	\$ 164	\$ -	\$ 40,840	\$ 399,153	\$ 14,298	\$ 413,451	\$ 454,291
Contract Labor	188,466	21,420	253,115	-	-	463,001	559,231	262,438	821,669	1,284,670
Depreciation	208,065	1,413	305,278	318,494	-	833,250	49,293	371,902	421,195	1,254,445
Equipment, Tools, and Rentals	53,054	4,750	122,556	76,044	-	256,404	144,152	220,192	364,344	620,748
Feeding, Outreach, Relief and Resourcing	3,106,904	16,611	4,315,907	1,847,552	-	9,286,974	161,581	10,494	172,075	9,459,049
Gifts-in-Kind	69,251,827	107,226	37,834,487	188,742,696	-	295,936,237	948,669	-	948,669	296,884,906
Grants to Other Ministries	6,318,302	2,514,410	2,618,053	37,000	400,000	11,887,765	103,302	234,650	337,952	12,225,717
Insurance	66,143	-	1,870	-	-	68,013	2,613	760,437	763,050	831,063
Interest	-	-	-	-	-	-	-	113,619	113,619	113,619
Licenses and Fees	111,027	147	25,574	128,080	-	264,828	152,294	1,479,160	1,631,454	1,896,282
Occupancy	236,528	-	88,240	-	-	324,768	24,144	788,063	812,207	1,136,975
Office Equipment and Supplies	298,930	4,304	61,896	27,553	-	392,683	288,501	449,928	738,429	1,131,112
Other	34,013	617	17,762	1,755	-	54,147	475,901	55,182	531,083	585,230
Postage and Freight	22,576	1,155	53,177	1,899	-	78,807	193,141	41,765	234,906	313,713
Printing and Publications	11,537	4,683	14,496	266	-	30,982	466,647	63,223	529,870	560,852
Professional Services	102,001	-	27,224	-	-	129,225	1,936,435	593,358	2,529,793	2,659,018
Repairs and Maintenance	347,248	176	174,288	309,835	-	831,547	1,122	234,660	235,782	1,067,329
Salaries, Benefits, and Taxes	5,225,497	320,192	1,981,256	2,169,813	-	9,696,758	9,877,844	5,416,632	15,294,476	24,991,234
Shipping - Outbound (Third Party)	-	-	-	224,143	-	224,143	-	-	-	224,143
Special Events	1,834,303	2,500	2,352	-	-	1,839,155	65,837	55,634	121,471	1,960,626
Taxes	15,441	-	-	-	-	15,441	161	129,703	129,864	145,305
Travel, Conferences, and Training	687,658	60,587	172,943	81,733	-	1,002,921	5,714,723	559,901	6,274,624	7,277,545
Total Functional Expenses	\$ 88,132,222	\$ 3,067,933	\$ 48,090,706	\$ 193,967,027	\$ 400,000	\$ 333,657,889	\$ 21,564,744	\$ 11,855,239	\$ 33,419,983	\$ 367,077,872

See accompanying Notes to Consolidated Financial Statements.

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services					Support Services			Total	
	Community Development	Community Events	Disaster Responses	Partner Resourcing	Non-Core Mission Initiatives	Total Program Services	Fundraising	Administration		Total Support Services
Advertising and General Promotion	\$ 11,756	\$ -	\$ 80,439	\$ 183	\$ -	\$ 92,378	\$ 167,004	\$ 95	\$ 167,099	\$ 259,477
Contract Labor	221,948	28,948	524,633	640	-	776,169	464,168	152,497	616,665	1,392,834
Depreciation	169,678	2,332	309,912	300,640	-	782,562	54,532	175,066	229,598	1,012,160
Equipment, Tools, and Rentals	65,727	1,647	107,914	15,587	-	190,875	151,444	31,501	182,945	373,820
Feeding, Outreach, Relief and Resourcing	2,854,683	141,733	6,302,915	855,927	25,400	10,180,658	36,318	10,585	46,903	10,227,561
Gifts-in-Kind	50,763,410	1,288,004	169,865,306	62,138,723	122	284,055,565	131,775	-	131,775	284,187,340
Grants to Other Ministries	5,017,235	150,750	2,682,085	42,000	-	7,892,070	450,799	2,572,350	3,023,149	10,915,219
Insurance	54,258	-	2,791	-	-	57,049	2,008	536,297	538,305	595,354
Interest	5,781	-	-	-	-	5,781	7,103	120,744	127,847	133,628
Licenses and Fees	60,096	4,964	43,738	117,665	26	226,489	154,202	1,136,602	1,290,804	1,517,293
Occupancy	249,556	-	227,579	-	-	477,135	41,595	782,958	824,553	1,301,688
Office Equipment and Supplies	216,669	3,962	46,092	13,208	10,151	290,082	68,005	454,356	522,361	812,443
Other	45,840	218	8,937	614	566	56,175	285,515	40,581	326,096	382,271
Postage and Freight	21,204	270	51,818	677	107	74,076	199,013	34,214	233,227	307,303
Printing and Publications	18,576	11,912	49,805	47	47	80,387	384,494	68,550	453,044	533,431
Professional Services	216,268	1,920	2,969	350	-	221,507	1,329,817	430,270	1,760,087	1,981,594
Repairs and Maintenance	287,058	150	296,982	92,855	-	677,045	1,733	105,859	107,592	784,637
Salaries, Benefits, and Taxes	4,443,079	626,793	3,123,046	1,175,847	155,999	9,524,764	7,580,551	4,032,783	11,613,334	21,138,098
Shipping - Outbound (Third Party)	20	-	447	178,091	-	178,558	-	-	-	178,558
Special Events	1,221,685	-	-	-	226	1,221,911	276,871	3,376	280,247	1,502,158
Taxes	4,535	-	-	-	-	4,535	196	45,983	46,179	50,714
Travel, Conferences, and Training	532,059	37,734	186,387	34,994	226	791,400	3,561,803	272,455	3,834,258	4,625,658
Total Functional Expenses	\$ 66,481,121	\$ 2,301,337	\$ 183,913,795	\$ 64,968,048	\$ 192,870	\$ 317,857,171	\$ 15,348,946	\$ 11,007,122	\$ 26,356,068	\$ 344,213,239

See accompanying Notes to Consolidated Financial Statements.

CONVOY OF HOPE, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 71,804,875	\$ 25,115,285
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,254,446	1,012,161
Gain on Disposition of Property and Equipment	(5,102,878)	(3,651,187)
Deferred Gain on Sale of Property	6,979,672	3,641,567
Net Realized and Unrealized Gain on Investments	(874,855)	(839,031)
Decrease in Cash Value of Life Insurance	(53,334)	-
Forgiveness of PPP Loan	(3,633,700)	-
(Increase) Decrease in Assets:		
Assets Held by Field Operations	52,648	(414,714)
Amounts Due from Other Organizations	(221,289)	84,399
Accounts and Other Receivables	(39,322)	56,050
Prepaid Expenses and Other Assets	(229,801)	(879,941)
Inventory	(17,648,082)	181,582
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(1,157,143)	2,636,506
Deferred Gain on Sale-Leaseback	(6,979,672)	(3,641,565)
Net Cash Provided by Operating Activities	44,151,565	23,301,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(14,034,608)	(12,098,574)
Acquisition of Investments	(15,136,194)	(35,780,746)
Proceeds from Sale of Investments	17,034,907	24,314,836
Proceeds from Sale of Property and Equipment	2,926,087	10,000
Net Cash Used by Investing Activities	(9,209,808)	(23,554,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(4,234,043)	(2,038,137)
Proceeds from Notes Payable	-	7,558,700
Net Cash Provided (Used) by Financing Activities	(4,234,043)	5,520,563
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,707,714	5,267,191
Cash and Cash Equivalents - Beginning of Year	31,363,092	26,095,901
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,070,806	\$ 31,363,092
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 154,705	\$ 92,542

See accompanying Notes to Consolidated Financial Statements.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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. All intercompany transactions and accounts have been eliminated.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation and Principles of Consolidation (Continued)

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.

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, 2021 and 2020, cash equivalents consisted primarily of Assemblies of God Financial Services loan fund demand deposits and bank repurchase agreements.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020. 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.

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 \$31,422,024 and \$35,816,620 as of December 31, 2021 and 2020, respectively.

Investments held in Predictive Fitness, Inc. and Texoma Revenue Fund III, LP are valued at cost and totaled \$900,000 and \$400,000 as of December 31, 2021 and 2020, respectively.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

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, 2021 and 2020, 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 \$3,076,341 for which qualifying expenditures have not yet been incurred, with a progress payment of \$1,590,244 recognized in the consolidated statement of financial position as an accrued liability.

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 12% for the years ended December 31, 2021 and 2020.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition (Continued)

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.

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.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts-in-Kind Contributions (Continued)

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 CDL driver hours for Partner Resourcing totaling \$85,106 and \$106,434 for the years ended December 31, 2021 and 2020, respectively.

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.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 17 below as it relates to joint cost allocations.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 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 2021 and 2020.

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:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 62,070,806	\$ 31,363,092
Assets Held by Field Operations	562,346	614,994
Accounts Receivable	705,098	444,487
Operating Investments	39,692,308	40,716,166
Assets Held in Trust by Others	<u>197,363</u>	<u>173,514</u>
Total Financial Assets	103,227,921	73,312,253
Cash Restricted to Specific Uses	(7,373,271)	(3,621,168)
Board Designations:		
Endowments	<u>(197,363)</u>	<u>(173,514)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 95,657,287</u>	<u>\$ 69,517,571</u>

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 INVESTMENTS AND INVESTMENT RETURN

Investments consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Mutual Funds:		
Vanguard Total Stock Market Index Adm	\$ 540	\$ 420
Vanguard Total Stock Market Index Inv	1,063	846
Vanguard High-Yield Corp	266,350	703,811
JP Morgan Hedged Equity	532,560	-
Exchange Traded Funds:		
Spider S&P Regional	12,753	-
iShares ESG 1-5 Year Corporate Bond ETF	1,183,244	678,533
iSharesCore	1,291,815	678,343
iShares High Yield	-	36,545
Vanguard Total Stock Market	119,754	-
Newmont Corporation	1,861	-
Qualcomm Incorporated	1,829	-
Roblox Corporation	1,547	-
iShares S&P 500	33,389	-
Ishares Trust iShares MSCI India	18,611	-
Spider S&P	26,728	-
iShares Short Treasury Bond ETF	148,404	-
iShares US Treasury Bond ETF	50,532	-
iShaes 0-5 Year TIPS Bond ETF	79,728	-
Spider Portfolio TIPS ETF	59,724	-
Invesco Optimum Yield	6,819	-
Spider Gold MiniShares	54,104	-
Schwab 15 Year	78,201	-
Equity Securities	1,072,033	449,953
Commodity Options	(45,688)	(2,449,781)
Commodity Futures	2,875	1,626,050
Fixed Income	951,224	596,483
Cash Held by Broker	1,369,495	2,133,569
AGFS Loan Fund Notes (Greater than 30 Days)	20,585,019	25,404,912
Alternative Investments:		
Community Foundation of the Ozarks Hope Fund	50,788	44,774
Foundation Capital Resources	10,837,005	10,411,708
Predictive Fitness, Inc.	400,000	200,000
Texoma Revenue Fund III, LP	500,000	200,000
Total	<u>\$ 39,692,308</u>	<u>\$ 40,716,166</u>

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 INVENTORY

Inventory consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
GIK Food Inventory	\$ 7,682,937	\$ 3,696,019
GIK Supply Inventory	19,134,107	6,918,457
GIK Medical Supply Inventory	2,399,462	1,002,304
GIK Disaster Relief Inventory	358,581	37,945
Purchased Food Inventory	535,783	808,063
Total	<u>\$ 30,110,870</u>	<u>\$ 12,462,788</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land, Buildings, and Improvements	\$ 24,795,434	\$ 11,332,984
Furniture and Equipment	2,206,841	1,774,124
Transportation Equipment	8,775,398	8,456,206
Construction in Progress	1,311,794	6,938,860
Total Property and Equipment	<u>37,089,467</u>	<u>28,502,174</u>
Less: Accumulated Depreciation	8,033,629	7,423,617
Property and Equipment, Net	<u>\$ 29,055,838</u>	<u>\$ 21,078,557</u>

Depreciation expense was \$1,254,446 and \$1,012,161 for 2021 and 2020, respectively.

NOTE 6 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 \$669,514 and \$619,127 as of December 31, 2021 and 2020, respectively.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 NOTES PAYABLE

<u>Description</u>	<u>2021</u>	<u>2020</u>
Principal due monthly at \$20,833, interest at 0%, maturing March 1, 2022, collateralized by real estate.	\$ -	\$ 312,499
Principal due monthly at \$4,886, with a variable interest rate which was 4.5% as of December 31, 2020, maturing July 1, 2040.	-	3,899,415
Interest and principal due monthly at \$204,494, interest at 1%, maturing April 13, 2022.	-	3,633,700
Capital lease obligations covering forklifts expiring September 2021 and April 2022.	<u>6,508</u>	<u>28,637</u>
Total Notes Payable	<u>\$ 6,508</u>	<u>\$ 7,874,251</u>

On April 13, 2020, the Organization received a loan from Central Bank of the Ozarks in the amount of \$3,633,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from April 13, 2020 to September 27, 2020, is the time that a business has to spend their PPP Loan funds. On June 10, 2021, the Organization received full forgiveness of the balance of this loan.

Aggregate annual maturities of long-term debt at December 31, 2021 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$ 6,508</u>
Total	<u>\$ 6,508</u>

Property and equipment include the following property under capital leases at December 31, 2021, and 2020:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 66,439	\$ 82,348
Less: Accumulated Depreciation	<u>51,409</u>	<u>41,303</u>
Total	<u>\$ 15,030</u>	<u>\$ 41,045</u>

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are represented by the following at December 31, 2021, and 2020:

	<u>2021</u>	<u>2020</u>
Working Capital	\$ 89,326,634	\$ 50,571,032
Board-Designated Endowment	197,363	173,514
Property and Equipment, Net of Debt	29,049,330	16,838,006
Donor Advised Funds	3,570,699	4,207,033
ACIHLLC Interest	1,517,606	1,467,359
Undistributed Inventories	27,300,400	11,617,804
Total Net Assets Without Donor Restrictions	<u>\$ 150,962,032</u>	<u>\$ 84,874,748</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31, 2021, and 2020:

	<u>2021</u>	<u>2020</u>
Global Disaster Response	\$ 6,666,160	\$ 2,593,643
Community Development	523,627	844,041
Undistributed GIK Inventory	2,810,472	844,984
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>\$ 10,183,743</u>	<u>\$ 4,466,152</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 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 revenue with or without donor restrictions per the donor's specifications.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 9 ENDOWMENT (CONTINUED)

The Organization maintained two endowment funds totaling \$380,847 and \$356,998 at December 31, 2021 and 2020, respectively. One of these funds was a board-designated endowment which totaled \$197,363 and \$173,514 at December 31, 2021 and 2020, 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 at December 31, 2021 and 2020, 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 COMMODITY GRANT

Cash grant revenue received from USAID was \$119,608 and \$21,770 for the years ended December 31, 2021 and 2020.

NOTE 11 GIFTS-IN-KIND CONTRIBUTIONS

Gifts-in-kind recognized consisted of the following for the years ended December 31, 2021 and 2020.

	2021	2020
Food	\$ 149,222,445	\$ 212,852,942
Pharmaceuticals and Medical Supplies	29,968,007	47,253,823
Clothing and Household Goods	133,692,565	23,507,443
Services	85,106	106,434
Relief Supplies	1,837,143	254,464
Total Gift-in-Kind Contributions	<u>\$ 314,805,266</u>	<u>\$ 283,975,106</u>

NOTE 12 RELATED PARTY TRANSACTIONS

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

Two directors of the Organization were full-time management level employees of the GCAG or its affiliates.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

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, 2021 and 2020 was \$647,780 and \$426,491, 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.

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

	2021	2020
Cash Contributions from GCAG and AGWM MOU	\$ 210	\$ 40,000

Cash contribution revenue recognized from GCAG and AGWM, not under the memorandums of understanding, totaled \$3,224,183 and \$2,502,182 for 2021 and 2020, respectively.

The Organization did not make any cash payments under the GCAG MOU or the AGWM MOU during the years ended December 31, 2021 and 2020.

The GCAG and its affiliate assigned missionaries to the Organization to assist in program activities during 2021 and 2020 totaling 16 and 17, respectively. The value of these services has not been reflected in the accompanying consolidated financial statements.

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

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, 2021 and 2020, was \$61,673,019 and \$31,273,965, respectively, and is reported on the consolidated statement of financial position as Cash Equivalents and Investments. These accounts earned investment return of \$482,391 and \$613,010 in 2021 and 2020, respectively. The Organization maintains board-designated endowment funds at AG Foundation with a balance of \$197,363 and \$173,514 at December 31, 2021 and 2020, respectively. These funds are reported as assets held in trust by others on the consolidated statement of financial position and earned investment return of \$24,677 and \$17,333 in 2021 and 2020, 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, 2021 and 2020. The note had a balance of \$-0- and \$312,499 at December 31, 2021 and 2020, respectively. Principal payments on the 4.5% interest note the Organization secured from AGFS in 2021 were \$3,899,415 for the year ended December 31, 2021. The note had a balance of \$-0- and \$3,899,415 for the years ended December 31, 2021 and 2020, respectively. AGFS contributed \$210 and \$240,670 to the Organization during the years ended December 31, 2021 and 2020, respectively.

The Organization leases excess warehouse space to two organizations affiliated with the GCAG. Lease income for the years ended December 31, 2021 and 2020 was \$42,811 and \$525,287, respectively.

The Organization purchased services provided by board members totaling \$59,300 and \$36,750 for the years ended December 31, 2021 and 2020, 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 \$301,439 and \$525,287 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease receipts under operating leases are:

Year Ending December 31,	Amount
2022	\$ 143,295
Total	\$ 143,295

CONVOY OF HOPE, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 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 lease was terminated during 2021. 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 \$6,979,672 and \$3,641,567 and a deferred gain of \$-0- and \$6,979,672,672 at December 31, 2021 and 2020, respectively.

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>
2022	<u>\$ 143,295</u>
Total	<u>\$ 143,295</u>

NOTE 15 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 \$723,654 and \$724,431 for 2021 and 2020, respectively.

NOTE 16 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, 2021 AND 2020

NOTE 16 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, 2021 and 2020:

	2021			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Vanguard Total Stock Market Index Adm	\$ 540	\$ -	\$ -	\$ 540
Vanguard Total Stock Market Index Inv	1,063	-	-	1,063
Vanguard High Yield Corporation	266,350	-	-	266,350
JP Morgan Hedged Equity	532,560			532,560
Exchange Traded Funds:				
Spider S&P Regional	12,753	-	-	12,753
iShares ESG 1-5 Year Corporate Bond ETF	1,183,244	-	-	1,183,244
iSharesCore	1,291,815	-	-	1,291,815
iShares High Yield	-	-	-	-
Vanguard Total Stock Market	119,754	-	-	119,754
Newmont Corporation	1,861	-	-	1,861
Qualcomm Incorporated	1,829	-	-	1,829
Roblox Corporation	1,547	-	-	1,547
iShares S&P 500	33,389	-	-	33,389
Ishares Trust iShares MSCI India	18,611	-	-	18,611
Spider S&P	26,728	-	-	26,728
iShares Short Treasury Bond ETF	148,404	-	-	148,404
iShares US Treasury Bond ETF	50,532	-	-	50,532
iShaes 0-5 Year TIPS Bond ETF	79,728	-	-	79,728
Spider Portfolio TIPS ETF	59,724	-	-	59,724
Invesco Optimum Yield	6,819	-	-	6,819
Spider Gold MiniShares	54,104	-	-	54,104
Schwab 15 Year	78,201	-	-	78,201
Equity Securities:	1,072,032			1,072,032
Commodity Options:				
February 2022 Corn	(45,688)	-	-	(45,688)
Commodity Futures:				
March 2022 Soybeans	2,875	-	-	2,875
Fixed Income	-	951,224	-	951,224
Alternative Investments:				
Community Foundation of the Ozarks Hope Fund	-	-	50,788	50,788
Total	<u>\$ 4,998,776</u>	<u>\$ 951,224</u>	<u>\$ 50,788</u>	<u>\$ 6,000,788</u>

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NOTE 16 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Recurring Measurements (Continued)

	2020			Total
	Level 1	Level 2	Level 3	
Mutual Funds:				
Vanguard Total Stock Market Index Adm	\$ 420	\$ -	\$ -	\$ 420
Vanguard Total Stock Market Index Inv	846	-	-	846
Vanguard High Yield Corporation	703,811	-	-	703,811
Exchange Traded Funds:				
Ishares ESG 1-5 Year Corporate Bond ETF	678,533	-	-	678,533
IsharesCore	678,343	-	-	678,343
Ishares High Yield	36,545	-	-	36,545
PIMCO Enhanced	449,953	-	-	449,953
Equity Securities:				
Commodity Options:				
February 2021 Corn	(1,233,281)	-	-	(1,233,281)
February 2021 Soybeans	(1,387,125)	-	-	(1,387,125)
March 2021 Soybeans	340,500	-	-	340,500
May 2021 Soybeans	(169,875)	-	-	(169,875)
Commodity Futures:				
March 2021 Corn	892,575	-	-	892,575
March 2021 Soybeans	733,475	-	-	733,475
Fixed Income	-	596,483	-	596,483
U.S. Treasury Bills	-	-	-	-
Alternative Investments				
Community Foundation of the				
Ozarks Hope Fund	-	-	44,774	44,774
Total	<u>\$ 1,724,720</u>	<u>\$ 596,483</u>	<u>\$ 44,774</u>	<u>\$ 2,365,977</u>

The following is a summary of the activity for the year ended December 31, 2021, and 2020. of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs.

	Investment Properties		Ozarks Hope Fund	
	2021	2020	2021	2020
Purchases	\$ -	\$ 250,000	\$ -	\$ 1,740
Sales	-	805,111	300	1,600

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NOTE 16 DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

The following is a summary of market value technique for ending balances of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2021 and 2020.

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Ozarks Hope Fund	\$ 50,788	\$ 44,774	Net Asset Value	Value of Underlying Assets

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, 2021 and 2020.

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 17 JOINT COSTS

The Organization incurred joint costs of \$6,941,532 and \$4,979,930 for special events and activities that included fundraising appeals during the years ended December 31, 2021 and 2020, respectively. These costs were allocated as follows:

	Travel, Conferences, and Training	
	2021	2020
Program Services	\$ 1,826,952	\$ 1,207,829
Fundraising	5,114,580	3,772,101
Total Joint Costs	<u>\$ 6,941,532</u>	<u>\$ 4,979,930</u>

CONVOY OF HOPE, INCORPORATED
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NOTE 18 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 three donors and one donor comprising 43% and 15% of the total gift-in-kind donated in 2021 and 2020, respectively. Contributions from one donor comprised 14% and 23% of the total contributions received in 2021 and 2020, respectively.

Cash

The Organization maintains cash balances at multiple banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to specified limits. The Organization had uninsured balances totaling \$13,185,836 at December 31, 2021.

NOTE 19 COMMITMENTS

As of December 31, 2021, the Organization has commitments totaling \$35,700,000 for the construction of a new office building.

NOTE 20 SUBSEQUENT EVENTS

Management evaluated subsequent events through March 27, 2022, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2021, but prior to March 27, 2022, that provided additional evidence about conditions that existed at December 31, 2021, have been recognized in the 2021 consolidated financial statements.

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