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CERTIFIED PUBLIC ACCOUNTANTS

Convoy of Hope

Consolidated Financial Statements

For The Year Ended December 31, 2023

Table of Contents

CONVOY OF HOPE
Springfield, Missouri

CONSOLIDATED FINANCIAL STATEMENTS
For The Year Ended December 31, 2023

MINISTRY IMPACT SUMMARY	1
REPORT OF INDEPENDENT AUDITOR	2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position.....	4
Consolidated Statement of Activities	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Functional Expenses	7
Notes to Consolidated Financial Statements	8



1995

Convoy of Hope served 70,000 people through 12 major outreaches in the United States.



2023

Since 1994, Convoy has served more than 250 million people and counting.



2012

Convoy surpassed 50 million people served.

CONVOY OF HOPE





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REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Convoy of Hope
Springfield, Missouri

Opinion

We have audited the accompanying consolidated financial statements of Convoy of Hope (“the Organization”), which consist of the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Convoy of Hope as of December 31, 2023, the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error and to issue an auditor’s 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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- Identify and assess the risk of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Other Information

Management is responsible for the other information included in the Organization's ministry impact summary. The other information includes highlights of the Organization's service to individuals, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
June 3, 2024

CONVOY OF HOPE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2023
(In thousands)

ASSETS

ASSETS

Cash and cash equivalents	\$ 34,700
Investments	50,859
Inventory	40,758
Other assets	9,799
Property and equipment, net	<u>85,900</u>

Total assets	<u>\$ 222,016</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 5,112
Other liabilities	<u>3,687</u>

Total liabilities	<u>8,799</u>
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NET ASSETS

Without donor restrictions	
Undesignated	78,555
Undistributed inventory	40,758
Investment in property and equipment	85,900
Board designated	<u>1,628</u>

Total without donor restrictions	206,841
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With donor restrictions	<u>6,376</u>
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Total net assets	<u>213,217</u>
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Total liabilities and net assets	<u>\$ 222,016</u>
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CONVOY OF HOPE
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2023
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Noncash contributions	\$ 509,827	\$ 10,450	\$ 520,277
Cash contributions	77,775	36,071	113,846
Other revenue	4,346	—	4,346
Net assets released from restrictions	48,184	(48,184)	—
Total public support and revenue and net assets released from restrictions	640,132	(1,663)	638,469
EXPENSES			
Program services			
Partner resourcing	332,865	—	332,865
Community development	106,456	—	106,456
Disaster response	88,841	—	88,841
Community events	64,871	—	64,871
Total program services	593,033	—	593,033
Supporting services			
Fundraising	28,008	—	28,008
Management and general	19,247	—	19,247
Total supporting services	47,255	—	47,255
Total expenses	640,288	—	640,288
CHANGE IN NET ASSETS	(156)	(1,663)	(1,819)
NET ASSETS - Beginning of year	206,997	8,039	215,036
NET ASSETS - End of year	\$ 206,841	\$ 6,376	\$ 213,217

CONVOY OF HOPE
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2023
(In thousands)

OPERATING CASH FLOWS

Cash received from contributors	\$ 113,846
Other revenue received	3,532
Cash paid for operating activities and costs	<u>(110,790)</u>

Net operating cash flows 6,588

INVESTING CASH FLOWS

Proceeds from net sales of investments and reinvestment of interest	28,319
Proceeds from net sales of property and equipment	2,317
Purchases of and improvements to property and equipment	<u>(28,733)</u>

Net investing cash flows 1,903

NET CHANGE IN CASH AND CASH EQUIVALENTS **8,491**

CASH AND CASH EQUIVALENTS - Beginning of year 26,209

CASH AND CASH EQUIVALENTS - End of year \$ 34,700

RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS

Change in net assets	\$ (1,819)
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	2,931
Amortization of right-of-use assets	534
Net gain on investments	(469)
Net gain on sales and disposals of property and equipment	(345)
Change in inventory	7,867
Change in other assets	(1,964)
Change in accounts payable and accrued expenses	275
Change in other liabilities	<u>(422)</u>

Net operating cash flows \$ 6,588

SUPPLEMENTAL DISCLOSURES

During 2023, the Organization recognized approximately \$3.5 million of right-of-use assets in exchange for the same amount of lease liabilities. Such amounts are included on the accompanying consolidated statement of financial position within "other assets" and "other liabilities," respectively.

Also during 2023, the Organization paid approximately \$4.6 million for property and equipment additions that were accrued as construction costs payable in the prior year.

CONVOY OF HOPE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2023
(In thousands)

	Program Services					Supporting Services			Total Expenses
	Partner Resourcing	Community Development	Disaster Response	Community Events	Total Program	Fundraising	Management and General	Total Supporting	
Gifts in-kind	\$ 322,382	\$ 68,906	\$ 73,117	\$ 61,960	\$ 526,365	\$ 1,795	\$ 221	\$ 2,016	\$ 528,381
Salaries and benefits	3,346	12,582	2,278	1,621	19,827	10,744	8,296	19,040	38,867
Travel	344	4,895	605	304	6,148	6,723	2,185	8,908	15,056
Grants to other ministries	81	7,816	3,669	26	11,592	8	298	306	11,898
Freight and postage	2,910	3,965	2,500	346	9,721	291	70	361	10,082
Feeding, outreach, and relief	801	2,760	5,208	487	9,256	23	312	335	9,591
Professional services	145	1,765	636	32	2,578	2,724	1,443	4,167	6,745
Other	362	1,383	95	27	1,867	908	2,777	3,685	5,552
Equipment, repairs, and maintenance	1,235	1,081	335	14	2,665	576	1,734	2,310	4,975
Events and conferences	12	537	19	15	583	2,912	922	3,834	4,417
Depreciation	1,218	540	283	—	2,041	81	809	890	2,931
Media and advertising	29	226	96	39	390	1,223	180	1,403	1,793
Total expenses	\$ 332,865	\$ 106,456	\$ 88,841	\$ 64,871	\$ 593,033	\$ 28,008	\$ 19,247	\$ 47,255	\$ 640,288

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE A – NATURE OF ACTIVITIES

Convoy of Hope (“the Organization”) is a California not-for-profit corporation. As a humanitarian, faith-based organization, Convoy of Hope’s purpose is to serve people who are impoverished, hungry, and hurting. In partnership with local churches, businesses, civic organizations, and government agencies, the Organization strategically offers help and hope to communities around the world. In fulfilling its purpose, the Organization distributes gifts in-kind, including donated food, medicines, equipment, and supplies. The Organization also receives cash contributions and grants from individuals, churches, government agencies, and other organizations.

The Organization works with its partners to accomplish the following primary program activities:

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.

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.

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.

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.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of the Organization include the accounts of subsidiaries (“the subsidiaries”) utilized for various operations of the Organization for which Convoy of Hope maintains the authority to directly, or indirectly, appoint the governing bodies. All significant interorganizational balances and transactions have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as “net assets released from restrictions.”

Assessments

The Board of Directors has established a policy to utilize up to 20% of cash contributions restricted for the support of ministry programs to help offset general operational expenses, including fundraising and administrative expenses. The amounts so utilized are reflected as “cash contributions without donor restrictions” in the accompanying consolidated statement of activities.

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash and cash equivalents.

Inventory

Inventory consists of purchased supplies and donated humanitarian relief goods which were not yet distributed to beneficiaries as of year-end. Purchased inventory is stated at the lower of cost or net realizable value. Donated inventory is recorded at estimated fair value on the date of the gift.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board has designated a portion of net assets without donor restrictions for donor advised funds and a certain endowment. Net assets with donor restrictions consist primarily of amounts held by the Organization for use toward specific projects or for distribution in specific geographic areas.

Noncash contributions

The Organization receives donations of medicines, medical supplies, food, water, disaster relief supplies, and other supplies for use in serving those who are impoverished, hungry, and hurting across the world. Noncash contributions are not monetized. Certain noncash contributions are donor-restricted for specific geographic regions. Noncash contributions are recognized as revenue at estimated fair value on the date the gifts are received and are recognized as expenses when they are shipped from the Organization's warehouse or the date upon which the Organization no longer exercises practical control over those items. The Organization only records the value of noncash contributions over which it exercises variance power.

Noncash contributions such as food, clothing and household goods, and disaster relief supplies are generally valued at estimated fair value as provided by the donors and verified through a third-party website. In the absence of donor valuations, estimated fair value is determined with reference to online pricing sources, which are used to arrive at the wholesale value that the Organization expects would be received for selling goods in their principal or most advantageous market, considering their condition and utility for use at the time the goods are contributed by the donors.

Noncash contributions of pharmaceuticals and medical supplies are generally valued at estimated fair value based on partner donor valuations, which approximate either "wholesale acquisition cost" or "average wholesale price." In the absence of donor valuations, estimated average wholesale price is determined with reference to online pricing sources, which are used to arrive at the wholesale value that the Organization expects would be received for selling the pharmaceuticals and medical supplies in their principal or most advantageous market, considering their condition and utility for use at the time they are contributed by the donors.

The Organization considers the above valuation practices to be consistent with industry standards.

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Leases

The Organization leases warehouses and office space. The Organization assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement change. Leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position. Lease expense is recognized for those leases on a straight-line basis over the lease term.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization's U.S.-based subsidiaries are exempt from federal income tax and/or treated as disregarded entities for federal tax purposes. Foreign-based subsidiaries are organized according to the tax laws in each jurisdiction. Taxes on unrelated business income are not material to the consolidated financial statements and are generally recognized when paid.

Use of estimates

Management uses estimates and assumptions in preparing the accompanying consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those used in estimating the fair value of investments and noncash contributions and determining the useful lives of property and equipment. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through the date of the report of independent auditor, the date as of which the accompanying consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the consolidated statement of financial position are as follows (*in thousands*):

Financial assets available:		
Cash and cash equivalents	\$	34,700
Investments		50,859
Accounts receivable (included in "other assets")		<u>732</u>
Total financial assets available within one year		86,291
Less amounts unavailable for general expenditure due to:		
Board designations		(1,628)
Donor restrictions (other than those related to undistributed gifts in-kind – see Note I)		<u>(4,229)</u>
Net financial assets available within one year	\$	<u>80,434</u>

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization is primarily supported by contributions. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board of Directors has designated certain amounts for donor advised funds and a certain endowment. Because of the nature of these designations, these amounts may not be available for general expenditure within the next year; however, the Board of Directors could make them available, if necessary. Certain of the Organization’s net assets with donor restrictions are limited to use for donor-restricted purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditure within one year and are excluded from net financial assets available to meet general expenditure within one year. The Organization also has an operating line of credit with advances available up to \$7.5 million as an additional source of liquidity (further described in Note M).

Management believes the Organization has sufficient financial assets available for general operations that may be drawn upon in the event of unanticipated financial distress or immediate liquidity need.

NOTE D – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Organization’s investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

As of December 31, 2023, approximately 54% of the Organization’s cash and cash equivalents and investments were held by a certain denominational organization and its affiliates.

During 2023, approximately 31% of the Organization’s noncash contribution revenue was sourced from the Organization’s five largest donors.

NOTE E – INVESTMENTS

Investments consisted of the following (*in thousands*):

Money market and similar funds	\$	3,464
Equity securities		5,541
Corporate and municipal bonds		1,515
U.S. Treasury notes		4,139
Demand certificates		13,053
Time certificates		10,385
Other nonpublicly traded investments		<u>12,762</u>
Total investments	\$	<u>50,859</u>

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE F – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated fair value of certain assets measured on a recurring basis at December 31, 2023, are as follows (*in thousands*):

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 5,541	\$ 5,541	\$ —	\$ —
Corporate and municipal bonds	1,515	1,515	—	—
U.S. Treasury notes	4,139	4,139	—	—
Demand certificates	13,053	—	13,053	—
Time certificates	10,385	—	10,385	—
Other nonpublicly traded investments	<u>53</u>	<u>—</u>	<u>—</u>	<u>53</u>
Subtotal	34,686	<u>\$ 11,195</u>	<u>\$ 23,438</u>	<u>\$ 53</u>
Other nonpublicly traded investments –carried at cost	<u>12,709</u>			
Total	<u>\$ 47,395</u>			

The demand and time certificates are issued by a certain denominational organization (“the issuer”). The estimated fair values of the demand and time certificates determined using Level 2 inputs are based on amounts provided by the issuer. The demand certificates bear interest at 3.50% per annum and can be redeemed by the Organization upon written notice to the issuer. The time certificates have original maturities from 8 to 15 months and bear interest at rates up to 5.20% per annum and can be redeemed by the Organization upon written notice to the issuer, subject to a forfeiture penalty as determined by the issuer.

Other nonpublicly traded investments not subject to the fair value hierarchy include an interest in a certain real estate investment trust and interests in certain private enterprises carried at cost in conformity with U.S. GAAP. Generally, such investments cannot be liquidated in the near term at the direction of the Organization. It is at least reasonably possible that changes in the carrying values of nonpublicly traded investments could occur in the near term.

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE F – FAIR VALUE MEASUREMENTS (Continued)

Management evaluates the carrying values of other nonpublicly traded investments for impairment each year. As of December 31, 2023, management believes the carrying values of the other nonpublicly traded investments are not impaired.

The change in Level 3 investments for 2023 was immaterial.

NOTE G – INVENTORY

Inventory consisted of the following (*in thousands*):

Category		
Food	\$	15,422
Clothing and household goods		20,378
Pharmaceuticals and medical supplies		2,025
Disaster relief supplies		2,933
Total inventory	\$	40,758

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (*in thousands*):

Category		
Land and land improvements	\$	12,924
Buildings and building improvements		64,808
Furniture, fixtures, and equipment		7,553
Vehicles and transportation equipment		11,632
Construction in progress		125
Total property and equipment		97,042
Less: Accumulated depreciation		(11,142)
Net property and equipment	\$	85,900

Depreciation expense amounted to approximately \$2.9 million during 2023.

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE I – RESTRICTIONS ON NET ASSETS

Net assets were restricted by donors for the following purposes during 2023 (*in thousands*):

	Balance <u>January 1</u>	Contributions	Releases	Balance <u>December 31</u>
Community development	\$ 1,049	\$ 19,688	\$ (17,390)	\$ 3,347
Gifts in-kind restricted for certain geographic regions	1,547	10,450	(9,850)	2,147
Disaster response	5,352	16,267	(20,737)	882
Community events	<u>91</u>	<u>116</u>	<u>(207)</u>	<u>—</u>
Total	<u>\$ 8,039</u>	<u>\$ 46,521</u>	<u>\$ (48,184)</u>	<u>\$ 6,376</u>

NOTE J – NONCASH CONTRIBUTIONS

Noncash contributions recognized in the consolidated statement of activities included (*in thousands*):

<u>Category</u>	
Food	\$ 262,203
Clothing and household goods	204,919
Pharmaceuticals and medical supplies	43,441
Disaster relief supplies	7,773
Other	<u>1,941</u>
Total noncash contributions	<u>\$ 520,277</u>

The Organization distributed gifts in-kind to its partners totaling approximately \$528 million during 2023. Of these amounts, approximately \$286 million was shipped directly from the donor to the Organization’s partners.

NOTE K – RETIREMENT PLANS

The Organization offers a defined contribution retirement plan (“the Plan”) for which employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. Eligible employees may make tax-deferred contributions to the Plan. The Organization provides a matching contribution for each participant’s elective deferrals up to 5% of total compensation. Matching contributions of approximately \$1.4 million were made to the Plan during 2023.

The Organization offers a deferred compensation plan (“the 409A Plan”) for which certain employees are eligible to participate upon meeting the eligibility requirements described in the 409A Plan document. Eligible employees may make tax-deferred contributions to the 409A Plan. The 409A Plan allows for the Organization to make a discretionary contribution on behalf of participants. Discretionary employer contributions to the 409A Plan during 2023 were immaterial.

NOTE L – JOINT COST ALLOCATION

During 2023, the Organization incurred joint costs of approximately \$8.7 million for special events and activities that included fundraising appeals. Of those costs, approximately \$1.7 million and \$7 million were allocated to “program services” expense and “fundraising” expense, respectively, in the accompanying consolidated statement of activities.

CONVOY OF HOPE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023

NOTE M – COMMITMENTS

The Organization has a construction line of credit agreement (“the construction line of credit”) with a certain denominational organization with an available balance of up to \$10 million available to be drawn through February 2026 (unless otherwise extended). Interest on any outstanding balance is payable monthly at 4.50% per annum. Commencing in March 2026 (unless otherwise extended), the construction line of credit converts to a permanent note, requiring payments of principal and interest at a variable rate as defined in the line of credit agreement, not less than 4.50% per annum, based on a 203-month amortization schedule. The construction line of credit is secured by a certain deed of trust, the assignment of certain leases and rents, and certain investments and matures in February 2043. No draws were made on the construction line of credit during 2023 and no balance was outstanding as of December 31, 2023.

The Organization has an operating line of credit agreement (“the operating line of credit”) with a bank with an available balance up to \$7.5 million. Interest on any outstanding balance is payable monthly at the prime rate less 0.50% per annum (8.00% as of December 31, 2023). The interest rate is subject to change at the bank’s discretion based on changes in the prime rate. The operating line of credit is unsecured and matured in May 2024. Subsequent to December 31, 2023, the bank guaranteed to renew the operating line of credit subject to the same terms as described above at the election of management. The guarantee expires on May 1, 2025. No draws were made on the operating line of credit during 2023, and no balance was outstanding on the operating line of credit as of December 31, 2023.