

SAMARITAN'S PURSE

**Consolidated Financial Statements
and Supplemental Schedules**

December 31, 2017

(with Independent Auditors' Report thereon)

SAMARITAN'S PURSE

Mission Statement

Samaritan's Purse is a nondenominational evangelical Christian organization providing spiritual and physical aid to hurting people around the world. Since 1970, Samaritan's Purse has helped meet needs of people who are victims of war, poverty, natural disasters, disease, and famine with the purpose of sharing God's love through His Son, Jesus Christ. The organization serves the church worldwide to promote the Gospel of the Lord Jesus Christ.



SAMARITAN'S PURSE

Table of Contents

December 31, 2017

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-17
Supplemental Schedules:	
Schedule of Functional Expenses Information.....	18
Schedule of Ministry Expenses Information	19

Independent Auditors' Report

Board of Directors
Samaritan's Purse

We have audited the accompanying consolidated financial statements of Samaritan's Purse (the "Ministry"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements. The prior year summarized comparative information has been derived from the Ministry's 2016 consolidated financial statements and, in our report dated March 27, 2017, we expressed an unmodified opinion on those consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Ministry as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules referred to in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounts and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dixon Hughes Goodman LLP

Charlotte, North Carolina
March 28, 2018

SAMARITAN'S PURSE
Consolidated Statement of Financial Position
December 31, 2017
(With Comparative Totals for 2016)

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents:		
Available for ministries	\$ 8,539,982	\$ 8,210,854
Held for donor-restricted ministry purposes	221,498,205	154,627,367
Investments:		
Available for ministries	159,287,835	100,794,123
Held for donor-restricted ministry purposes	38,252,450	3,726,867
Planned giving program	7,252,146	6,896,349
Grants receivable	9,961,363	9,551,975
Other current assets	19,262,149	13,137,188
Inventories	47,742,141	36,532,601
Total current assets	<u>511,796,271</u>	<u>333,477,324</u>
Noncurrent assets:		
Planned giving program investments	31,746,942	27,705,159
Endowment investments	1,106,559	1,007,009
Other noncurrent assets	711,927	677,063
Property and equipment, net of accumulated depreciation	132,848,630	127,120,175
Total noncurrent assets	<u>166,414,058</u>	<u>156,509,406</u>
Total assets	<u>\$ 678,210,329</u>	<u>\$ 489,986,730</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable - suppliers	\$ 17,786,062	\$ 18,302,737
Accrued expenses	7,321,336	10,203,136
Current portion of planned giving program obligations	7,252,146	6,896,349
Total current liabilities	<u>32,359,544</u>	<u>35,402,222</u>
Noncurrent liabilities:		
Planned giving program obligations	18,366,490	17,003,690
Total noncurrent liabilities	<u>18,366,490</u>	<u>17,003,690</u>
Total liabilities	<u>50,726,034</u>	<u>52,405,912</u>
Net assets:		
Unrestricted:		
Designated by governing board	8,539,982	8,210,854
Represented by property and equipment	132,848,630	127,120,175
General	185,807,496	112,672,287
Total unrestricted	<u>327,196,108</u>	<u>248,003,316</u>
Temporarily restricted	299,281,178	188,570,493
Permanently restricted	1,007,009	1,007,009
Total net assets	<u>627,484,295</u>	<u>437,580,818</u>
Total liabilities and net assets	<u>\$ 678,210,329</u>	<u>\$ 489,986,730</u>

See accompanying notes.

SAMARITAN'S PURSE
Consolidated Statement of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			2016	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue:					
Contributions	\$ 248,253,226	\$ 303,584,517	\$ -	\$ 551,837,743	\$ 386,345,092
Contributed goods and services	14,001,323	224,847,683	-	238,849,006	246,747,258
Investment income	3,829,795	170,258	-	4,000,053	2,132,216
Change in value of annuities and trusts	1,037,634	57,687	-	1,095,321	(2,577,465)
Other income	4,225,710	815,757	-	5,041,467	2,148,738
Total support and revenue	<u>271,347,688</u>	<u>529,475,902</u>	<u>-</u>	<u>800,823,590</u>	<u>634,795,839</u>
Reclassifications:					
Assessment against restricted contributions	19,193,289	(19,193,289)	-	-	-
Satisfaction of program and property restrictions	399,571,928	(399,571,928)	-	-	-
Total reclassifications	<u>418,765,217</u>	<u>(418,765,217)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:					
Ministry expenses:					
Emergency relief	119,462,053	-	-	119,462,053	112,756,746
Community development ministry	59,527,962	-	-	59,527,962	43,805,972
Medical ministry	45,401,110	-	-	45,401,110	35,749,139
Children's ministry-Operation					
Christmas Child	266,615,897	-	-	266,615,897	281,279,919
Children's ministry-other	7,509,588	-	-	7,509,588	6,960,897
Christian education	33,044,733	-	-	33,044,733	30,854,466
Other ministry services	3,233,591	-	-	3,233,591	2,892,734
Total ministry expenses	<u>534,794,934</u>	<u>-</u>	<u>-</u>	<u>534,794,934</u>	<u>514,299,873</u>
Supporting activities:					
Fund raising	46,539,304	-	-	46,539,304	42,567,892
General and administrative	29,585,875	-	-	29,585,875	26,924,042
Total expenses	<u>610,920,113</u>	<u>-</u>	<u>-</u>	<u>610,920,113</u>	<u>583,791,807</u>
Increase in net assets	79,192,792	110,710,685	-	189,903,477	51,004,032
Net assets at beginning of year	<u>248,003,316</u>	<u>188,570,493</u>	<u>1,007,009</u>	<u>437,580,818</u>	<u>386,576,786</u>
Net assets at end of year	<u>\$ 327,196,108</u>	<u>\$ 299,281,178</u>	<u>\$ 1,007,009</u>	<u>\$ 627,484,295</u>	<u>\$ 437,580,818</u>

See accompanying notes.

SAMARITAN'S PURSE
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ 189,903,477	\$ 51,004,032
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	16,859,490	14,925,798
(Gain) loss on disposition of property	745,503	(54,829)
(Gain) loss on sale of investments	344,528	(1,248,854)
Property and equipment contributions received	(78,003)	(311,089)
Contributions of other assets received and held for sale	(2,855,974)	(901,538)
Adjustment of planned giving obligations	1,757,663	4,338,089
Unrealized (gain) loss on investments	(2,568,805)	571,849
Increase in value of other assets	(34,864)	(29,327)
Net change in:		
Grants receivable	(409,388)	30,728
Other assets	(3,268,987)	(3,102,726)
Inventories	(11,209,540)	(1,667,761)
Accounts payable-suppliers	(833,051)	658,396
Accrued expenses	(2,881,800)	4,978,097
Net cash provided by operating activities	<u>185,470,249</u>	<u>69,190,865</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	523,059	60,888
Proceeds from sale of investments	86,692,897	53,393,324
Purchase of investments	(179,523,800)	(56,656,432)
Increase in planned giving program assets	(2,461,245)	(3,053,080)
Capital expenditures	(23,462,128)	(28,506,758)
Net cash used by investing activities	<u>(118,231,217)</u>	<u>(34,762,058)</u>
Cash flows from financing activities:		
Proceeds from planned giving program contracts	2,083,523	2,143,945
Payments of planned giving program contracts	(2,122,589)	(1,987,486)
Net cash provided (used) by financing activities	<u>(39,066)</u>	<u>156,459</u>
Net increase in cash and cash equivalents	67,199,966	34,585,266
Cash and cash equivalents - beginning of year	<u>162,838,221</u>	<u>128,252,955</u>
Cash and cash equivalents - end of year	<u>\$ 230,038,187</u>	<u>\$ 162,838,221</u>
Non cash investing and financing activities:		
Capital expenditures in accounts payable-suppliers	<u>\$ 316,376</u>	<u>\$ 1,149,410</u>
Cash and cash equivalents:		
Available for ministries	\$ 8,539,982	\$ 8,210,854
Held for donor-restricted ministry purposes	221,498,205	154,627,367
Total cash and cash equivalents	<u>\$ 230,038,187</u>	<u>\$ 162,838,221</u>

See accompanying notes.

SAMARITAN'S PURSE
Notes to Consolidated Financial Statements
December 31, 2017
(With Comparative Totals for 2016)

1. **Description of Ministry and Summary of Significant Accounting Policies**

Ministry – Samaritan's Purse (the "Ministry") is incorporated as a nonprofit organization under the laws of North Carolina. The Ministry is a nondenominational evangelical Christian organization providing spiritual and physical aid to hurting people around the world since 1970. Based on the Scriptural example of the Good Samaritan in Luke 10:25-37, the Ministry helps meet the needs of people who are victims of war, poverty, natural disasters, disease, and famine with the purpose of sharing God's love through His Son, Jesus Christ. The Ministry serves the church worldwide to promote the Gospel of the Lord Jesus Christ.

Jesus said, "For God so loved the world that He gave His only begotten Son, that whoever believes in Him should not perish but have everlasting life. For God did not send His Son into the world to condemn the world, but that the world through Him might be saved" (John 3:16-17). At the core of the Ministry is the belief that mankind has been separated from God by sin and our only hope of salvation comes from the atoning sacrifice of God's Son, Jesus Christ. The Bible tells us, "All have sinned and come short of the glory of God," (Romans 3:23) and "the wages of sin is death, but the gift of God is eternal life through Jesus Christ our Lord" (Romans 6:23). Jesus took our sins upon Himself, suffered and died on a cross. He took our sins to the grave, and on the third day, God raised His Son to life. Through His death and resurrection, Jesus became the way for man to be reconciled to God. Jesus said, "I am the way, the truth, and the life. No one comes to the Father except through Me" (John 14:6).

God's Word commands His followers to take this Good News to the ends of the earth and make disciples of all nations (Matthew 28:19-20). People who choose to remain in their sins will be separated from God forever. But those who put their faith and trust in what Jesus Christ has done will be saved by God's grace. "If you confess with your mouth the Lord Jesus and believe in your heart that God has raised Him from the dead, you will be saved" (Romans 10:9).

If you would like to receive God's free gift of salvation, you can pray a prayer like this: "Dear God, I know that I am a sinner. I am sorry for my sins. Please forgive me. Help me turn from my sinful life. I believe by faith that Jesus is Your Son who died for my sins, and whom You have raised to life. I want to trust Jesus as my Savior and follow Him as my Lord from this day forward. Amen."

Basis of Presentation – Consolidated financial statement presentation follows accounting principles generally accepted in the United States of America ("GAAP") pertaining to Financial Statements of Nonprofit Organizations. Under Financial Statements of Nonprofit Organizations, the Ministry is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Principles of Consolidation – The consolidated financial statements include the accounts of the Ministry and its interrelated organizations, Samaritan's Purse (Kenya), Samaritan's Purse (Sri Lanka), and Ippan Shadan Houjin Samaritan's Purse (Japan). The accounts of Emmanuel Group, a wholly owned title holding corporation formed in 2004 under Section 501(c)(2) of the Internal Revenue Code, are also included in the consolidated financial statements. Emmanuel Group has no operations or activities other than holding titles. All interorganization transactions and account balances are eliminated upon consolidation.

Use of Estimates – The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Board approved an investment policy for the operating fund that maintains adequate cash flow with preservation of principal and liquidity as the primary investment objectives with maximization of earnings as a secondary objective.

Investments – Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the increase in net assets.

Investment income is recorded net of investment expenses. For the years ended December 31, 2017 and 2016, investment expenses were \$209,023 and \$182,243, respectively.

Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the consolidated statement of financial position date.

Planned Giving Program – The Ministry has a fully-funded program whereby donors may contribute through gift annuities and charitable remainder trusts. Assets equal to the present value of payment liabilities, plus an additional reserve, are held in segregated trust accounts by a bank or brokerage firm and are managed by professional investment advisors. The Ministry complies with state laws regulating gift annuities and trusts.

The Ministry records planned gift assets at their fair value. Liabilities are recorded at the present value of projected payments, usually for beneficiaries' lives using a 4.5% discount rate and the 2012 IAR mortality table and other actuarial assumptions. Changes in value of annuities and trusts are recorded in the consolidated statement of activities. The charitable present value of annuities and trusts is recorded as contribution revenue at the time the agreement is executed. Values of trust agreements in which the Ministry's remainder interest is revocable are recorded as a liability until that interest becomes irrevocable, at which time the contribution revenue is recorded.

The Ministry is also named as a beneficiary in trusts and wills not managed by the Ministry, the values of which are unknown and are not included in the consolidated statement of financial position.

Fair Value Measurements – Fair value is defined under GAAP as an exit price, representing 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. The Ministry utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Grants Receivable – Grants receivable consist of grant funds receivable from the United States Agency for International Development (USAID), World Food Program, and other grantors. Grant receivables are carried at original invoice amount.

Other Assets – Other assets consists primarily of receivables, prepaid expenses, and deposits which are carried at cost at the date of acquisition as well as gifts of property held for liquidation and cash surrender value of life insurance which are carried at fair value. Changes in fair value are reported in other income in the consolidated statement of activities.

The Ministry has contracted with a captive insurance company to obtain coverage for workers' compensation, general liability, property, and automobile liability insurance. The Ministry owns a non-controlling share of the common stock of the captive insurance company and is accounting for this asset under the cost method of investment accounting. The cost of this asset in the amount of \$285,000 as of December 31, 2017 and 2016, is included as other noncurrent assets in the consolidated statement of financial position.

Inventories – Inventory consisting of Operation Christmas Child gift boxes, medical equipment and supplies, and other equipment and supplies is stated at the lower of fair value as of the date of the donation or at market value as of the date of the consolidated statement of financial position.

Property and Equipment – Land is stated at cost. All other property and equipment are stated at cost less accumulated depreciation. Depreciation over the following estimated useful lives of property and equipment is computed using the straight-line method:

Buildings	30 years
Furniture, fixtures, land improvements and equipment	3-10 years
Ministry and missionary aircraft	10 years

Ministry and missionary aircraft represents aircraft stationed throughout the world that are used by the Ministry and other organizations in their ministries.

Donated Property – Donated property is recorded at fair value at the date of donation.

Net Assets Designated by Governing Board – The Board of Directors designates an amount equivalent to 10 percent of the cost basis of the Ministry's buildings to replace and repair buildings owned by the Ministry. The amounts designated as of December 31, 2017 and 2016, were \$8,539,982 and \$8,210,854, respectively.

Contributed Services – The Ministry received contributed services from approximately 191,000 individual volunteers in 2017 and approximately 202,000 individuals in 2016. The Ministry recorded the value of approximately 87,000 and 106,000 of those volunteers for the years ended December 31, 2017 and 2016, respectively. The value of contributed services recorded by the Ministry amounted to approximately \$13,900,000 in 2017 and \$14,700,000 in 2016. The recorded value is determined based on hours of service donated at average fair value of comparable services and is reported both as revenue and expense in the period the service is performed.

The remaining 104,000 volunteers in 2017 and 96,000 in 2016 performed services which are not reflected in the consolidated financial statements as the services did not require specialized skills as specified by GAAP pertaining to Accounting for Contributions Received and Contributions Made. These services are estimated to be valued at \$9,000,000 in 2017 and \$7,200,000 in 2016. Approximately \$4,900,000 of the 2017 amount and \$4,100,000 of the 2016 amount not reflected in the consolidated financial statements were related to the collection of gift boxes for Operation Christmas Child.

Contributed Goods – The Ministry receives donations of medical equipment, supplies and other materials for use in its programs. Such gifts are recorded at their estimated fair value at the date of donation. Based upon the quantities donated, some gifts were valued using the estimated wholesale value of gifts received considering their condition and utility for use. Gifts of approximately \$225,000,000 and \$232,000,000 were received for the years ended December 31, 2017 and 2016, respectively. These donations include the receipt of individual gift boxes through the Operation Christmas Child project. This project collected approximately 8,800,000 and 9,100,000 gift boxes from individuals for the years ended December 31, 2017 and 2016, respectively. The estimated value per gift box was \$22.37 for 2017 and \$23.14 for 2016. Contributed goods are held in inventory and expensed as used by the Ministry.

Gifts-in-kind distributed through the Ministry amounted to approximately \$215,600,000 and \$230,500,000 for the years ended December 31, 2017 and 2016, respectively.

The Ministry liquidates contributed securities upon receipt. The amounts, therefore, are included on the consolidated statement of cash flows as an operating activity.

Functional Classification of Expenses – GAAP pertaining to Financial Statements of Nonprofit Organizations requires reporting of expenses by their functional classification in major classes such as ministry, fund raising, and general and administrative.

Ministry expenses consist of activities that result in food, medicine, clothing, shelter, other relief supplies and Operation Christmas Child gift boxes being distributed to beneficiaries and all Christian evangelical activities such as sharing the Gospel through the distribution of Bibles or literature, training pastors, Christian education, intercessory prayer, religious services, lifestyle evangelism, or other activities that fulfill the purpose or mission for which the Ministry exists.

These services are the major purpose for, and the major output of, the Ministry. Ministry expenses are in furtherance of our stated purpose as presented in our Articles of Incorporation, Bylaws, and representations to government authorities.

Fund raising expenses involve informing potential donors and facilitating contributions of money, securities, materials, facilities, other assets, or time. Fund raising activities include publicizing and conducting fund raising campaigns, maintaining donor mailing lists, conducting special fund raising events, preparing and distributing fund raising manuals and other materials, and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies, and others.

General and administrative expenses are those that are not identifiable with a single ministry or fund raising activity, but are indispensable to the conduct of those activities and to the Ministry's existence. They include oversight, business management, general record keeping, budgeting, and financing activities.

Allocation of Joint Costs – In 2017, the Ministry conducted activities that included requests for contributions, as well as ministry and general and administrative components. Those activities included print communications and broadcast productions. The costs of conducting those activities included a total of \$14,133,950 and \$14,794,820 of joint costs for 2017 and 2016, respectively. These joint costs are not specifically attributable to particular components of the activities and were allocated as follows:

	<u>2017</u>	<u>2016</u>
Ministry	\$ 4,446,842	\$ 5,781,088
Fund raising	9,602,621	8,872,232
General and administrative	<u>84,487</u>	<u>141,500</u>
Total	<u>\$ 14,133,950</u>	<u>\$ 14,794,820</u>

Net Assets – Temporarily restricted net assets are comprised of funds that are restricted by donors for specific purposes.

Permanently restricted net assets include contributions that donors have specified must be maintained in perpetuity.

The Ministry follows the Uniform Prudent Management of Institutional Funds Act for endowment funds. At December 31, 2017, the Ministry's donor-restricted endowment funds consist of one fund established in the year ending December 31, 2016, with appreciation and growth of the fund designated to benefit one program. Endowment investments have been segregated from other investments. The primary investment objective for donor-restricted endowment funds is to meet the donor's charitable objective and, absent specific donor guidance, invest with the objective to preserve and protect assets while seeking to produce a return appropriate for each fund. The Ministry targets an annual total return of 6% for endowments. The agreement between Samaritan's Purse and the donor governs expenditures from the endowment fund and in this case spending is based on positive returns and appreciation of the fund. Accordingly, investment returns, gains and losses are reported as temporarily restricted activities. In the year ended December 31, 2017 and 2016 approximately \$50,000 and \$17,000, respectively, was released for specific program expenditures. The endowment investment fund, including additional appreciation and gains above original donation, was valued at approximately \$1,107,000 as of December 31, 2017 and \$1,007,000 as of December 31, 2016.

Income Taxes – The Ministry is exempt from federal income taxes, and contributions to the Ministry are deductible as charitable contributions under Internal Revenue Code Section 170.

The Internal Revenue Service has issued an updated determination letter to the Ministry stating that it continues to qualify for tax-exempt status under Internal Revenue Code Section 501(c)(3); that it is not a private foundation, and that it is classified as a public charity as described in 509(a)(1) and 170(b)(1)(A)(i).

The Ministry has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2017.

Assessment – The Board of Directors has established a policy that all donor-restricted contributions for a specific project may be assessed up to 10 percent to be used for administering the gift if needed.

Unrestricted and Restricted Support and Revenue – Contributions received are recorded as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as satisfaction of program and property restrictions.

The Ministry has one endowment with permanently restricted net assets totaling approximately \$1,007,000 at December 31, 2017 and December 31, 2016.

Subsequent Events – Subsequent events have been evaluated through March 28, 2018, which is the date the consolidated financial statements were available to be issued.

Comparative Data – The consolidated financial statements include certain summarized prior year comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Ministry's consolidated financial statements for the year ended December 31, 2016, from which the summarized information is derived.

2. **Property and Equipment**

A summary of property and equipment and related accumulated depreciation at December 31 follows:

	<u>2017</u>	<u>2016</u>
Equipment, furniture and fixtures	\$ 54,012,512	\$ 46,161,460
Ministry and missionary aircraft	84,565,993	75,953,066
Land and land improvements	14,146,866	12,291,934
Buildings	<u>85,399,817</u>	<u>82,108,543</u>
Total	238,125,188	216,515,003
Less accumulated depreciation	<u>105,276,558</u>	<u>89,394,828</u>
Property and equipment, net	<u>\$ 132,848,630</u>	<u>\$ 127,120,175</u>

The Ministry places assets in various countries at any given time to be used for support of missions, medical assistance, and emergency relief. These assets are subject to the laws of the governments in the countries in which they reside. Ministry and missionary aircraft, equipment, and other assets that have a cost basis of \$26,535,542 in 2017 and \$27,303,417 in 2016 have been placed in various foreign countries.

The Ministry has entered into agreements for property and asset acquisitions, capital improvements, and inventory of approximately \$17,152,000 as of December 31, 2017.

3. Investments

Investments are composed of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 3,620,422	\$ 2,707,463
Certificates of deposit	201,310	201,016
Equities	20,188,601	17,471,730
Fixed income	<u>213,635,599</u>	<u>119,749,298</u>
Total	<u>\$ 237,645,932</u>	<u>\$ 140,129,507</u>

Investment income (loss), exclusive of annuities and trusts, consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 3,712,111	\$ 2,321,036
Net realized gains (losses)	(601,240)	1,092,905
Net unrealized gains (losses)	<u>889,182</u>	<u>(1,281,725)</u>
Total	<u>\$ 4,000,053</u>	<u>\$ 2,132,216</u>

4. Planned Giving Program

The assets and liabilities of the planned giving program are as follows:

	<u>2017</u>	<u>2016</u>
Assets:		
Gift annuities	\$ 32,895,486	\$ 28,744,853
Irrevocable trusts	1,140,501	1,059,412
Revocable trusts	4,963,101	4,797,243
Total	<u>\$ 38,999,088</u>	<u>\$ 34,601,508</u>
Liabilities:		
Gift annuities	\$ 20,066,501	\$ 18,537,163
Irrevocable trusts	589,034	565,633
Revocable trusts	4,963,101	4,797,243
Total	<u>\$ 25,618,636</u>	<u>\$ 23,900,039</u>

The change in value of annuities and trusts presented on the consolidated statement of activities consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 1,151,276	\$ 1,099,110
Net realized gains on investments	256,712	155,949
Net unrealized gains losses on investments	1,679,623	709,876
Actuarial adjustments	364,926	(2,350,603)
Administrative fees	(234,627)	(204,311)
Payments to income beneficiaries	<u>(2,122,589)</u>	<u>(1,987,486)</u>
Total	<u>\$ 1,095,321</u>	<u>\$ (2,577,465)</u>

5. Fair Value Measurements

The carrying amount of cash and cash equivalents and accounts receivable approximates fair value because of the short-term maturities of those instruments. The fair values of investments are based on market prices obtained from various financial institutions.

The carrying amount of accounts payable and accrued expenses approximates fair value because of the short-term maturities of those instruments.

Prices for certain cash equivalents, such as investment securities and U.S. government agency instruments, which are readily available in the active markets in which those securities are traded, are categorized as Level 1. Prices for non-U.S. government agency fixed income instruments and real estate are based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets and are categorized as Level 2. Prices for privately held stocks are based on assumptions developed by management and are categorized as Level 3.

There were no changes during the years ended December 31, 2017 and 2016, to the Ministry's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables set forth by level within the fair value hierarchy the Ministry's assets accounted for at fair value on a recurring basis as of December 31, 2017 and 2016. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Ministry's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Measured at Fair Value on a Recurring Basis

<u>Description</u>	<u>As of December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities				
Basic materials	\$ 754,925	\$ -	\$ -	\$ 754,925
Consumer goods	652,845	-	-	652,845
Financial	493,258	-	-	493,258
Healthcare	100,189	-	-	100,189
Industrial goods	238,709	-	-	238,709
Services	259,758	-	-	259,758
Technology	529,602	-	-	529,602
Utilities	788,387	-	-	788,387
Equity Funds	16,370,928	-	-	16,370,928
Fixed income				
U.S. government	34,137,797	-	-	34,137,797
Municipal	-	328,492	-	328,492
Mortgage backed securities	-	9,756,571	-	9,756,571
Asset backed securities	-	39,461,351	-	39,461,351
Corporate	-	129,127,395	-	129,127,395
Mutual funds	-	823,993	-	823,993
Other assets				
Donated equity securities and other financial instruments included in other assets	1,305,451	-	224	1,305,675
Total	<u>\$ 55,631,849</u>	<u>\$ 179,497,802</u>	<u>\$ 224</u>	<u>\$ 235,129,875</u>

<u>Description</u>	<u>As of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities				
Basic materials	\$ 762,485	\$ -	\$ -	\$ 762,485
Consumer goods	457,259	-	-	457,259
Financial	448,132	-	-	448,132
Healthcare	107,905	-	-	107,905
Industrial goods	159,744	-	-	159,744
Services	505,116	-	-	505,116
Technology	534,538	-	-	534,538
Utilities	587,485	-	-	587,485
Equity funds	13,909,066	-	-	13,909,066
Fixed income				
U.S. government	27,438,251	-	-	27,438,251
Municipal	-	204,448	-	204,448
Mortgage backed securities	-	5,089,525	-	5,089,525
Asset backed securities	-	20,498,319	-	20,498,319
Corporate	-	65,610,763	-	65,610,763
Mutual funds	-	907,992	-	907,992
Other assets				
Donated equity securities and other financial instruments included in other assets	1,353,880	-	224	1,354,104
Total	<u>\$ 46,263,861</u>	<u>\$ 92,311,047</u>	<u>\$ 224</u>	<u>\$ 138,575,132</u>

Cash and cash equivalents, money market deposit accounts, and certificates of deposit are not defined within the levels as prescribed in *Fair Value Measurements*. Accordingly, \$3,821,732 as of December 31, 2017 and \$2,908,479 as of December 31, 2016 of cash and cash equivalents, money market deposits, and certificates of deposit are not included in the table above.

The determination of fair value above incorporates various factors. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Ministry's nonperformance risk on its liabilities.

6. Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Africa projects	\$ 10,001,405	\$ 7,734,763
Agriculture projects	10,515,970	8,822,436
Asia projects	4,631,466	2,202,878
Bibles and Christian literature	442,943	340,453
Central and South America projects	3,649,402	1,560,645
Children's projects - Operation Christmas Child	31,868,022	31,313,487
Children's projects - other	10,062,299	10,096,790
Church construction projects	661,250	813,981
Clean water projects	3,697,135	5,480,640
Development projects	2,138,870	690,233
Emergency relief	6,746,882	15,395,605
Europe refugee relief	2,799,835	6,199,533
Housing construction projects	24,878	449,120
Hurricane relief - international	35,657,692	-
Medical missionaries' expenses to foreign field	3,623,524	3,480,310
Medical projects	8,993,710	6,427,364
Middle East projects	5,644,911	4,122,216
Missionary aid	3,482,018	3,865,168
Nepal projects	4,736,942	8,730,569
Persecuted Christians	4,420,095	4,132,223
Philippines relief	2,854,929	5,655,097
U.S.A. - disaster relief	16,340,065	20,271,634
U.S.A. - hurricane relief	78,961,021	-
U.S.A. - nonemergency relief	7,358,137	10,151,251
Other	1,277,804	1,166,769
Inventories:		
Operation Christmas Child gift boxes	32,568,419	22,850,572
Medical equipment and supplies	5,328,431	5,683,443
Other equipment and supplies	793,123	933,313
Total	<u>\$ 299,281,178</u>	<u>\$ 188,570,493</u>

7. Related-Party Transactions

The Chief Executive Officer, President, and Chairman of the Ministry serves as Chief Executive Officer, President, and Chairman of Billy Graham Evangelistic Association. Billy Graham Evangelistic Association is controlled by an independent Board of Directors, though the two ministries share certain board members. The Ministry and Association are engaged in related party transactions including a shared services agreement to gain efficiencies over administrative services supporting their individual ministries, receive and forward contributions intended for the other Ministry, transfer assets that align with the other Ministry's projects and activities, and staff and financially support joint ministry activities and disaster responses. The Ministry paid the Association \$2,500,865 in 2017 and \$1,235,272 in 2016 while the Association paid the Ministry \$4,360,424 in 2017 and \$1,751,517 in 2016 related to these activities.

Following is 2017 unaudited summary financial information for Billy Graham Evangelistic Association: total assets - \$423,537,267; total liabilities - \$75,805,573; total net assets - \$347,731,694; total revenues - \$108,350,359; and total expenses - \$107,212,927.

The Ministry maintains license agreements with the following unconsolidated organizations: Samaritan's Purse-Australia, The Samaritan's Purse-Canada, Samaritan's Purse International-United Kingdom, and Gifts of Hope-Germany. The agreements outline how the affiliate organizations coordinate program activities and the terms and conditions of their use of the Ministry's registered name and trademarks. The Ministry paid these affiliated organizations \$1,877,473 in 2017 and \$2,885,923 in 2016 for employment cost reimbursement and support of various projects. These affiliated organizations reimbursed the Ministry \$1,426,737 in 2017 and \$532,138 in 2016 for ministry support and materials. These affiliated organizations contributed \$7,443,572 in 2017 and \$8,034,811 in 2016 to the Ministry in support of programs and projects.

8. Retirement Plan

The Ministry sponsors a defined contribution retirement and salary reduction plan (the "Plan") that covers eligible employees as determined by the Plan agreement. Employer contributions are five percent of each participant's salary plus a matching provision which provides a \$1 employer contribution to each \$1 employee contribution up to three percent of each participant's salary. Retirement expense was \$4,219,046 in 2017 and \$3,777,516 in 2016. The assets of the Plan are held in an employee benefit trust and are not included in the accompanying consolidated financial statements.

9. Concentrations of Credit Risk

The Ministry has deposits in various banks in excess of the amounts covered by federal depository insurance. Management believes that credit risk related to these deposits is minimal.

10. Self-Insurance Program

The Ministry maintains a self-insurance program for hospitalization and medical coverage for its employees. The Ministry limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to \$112,500 per year. The Ministry's aggregate annual loss limitation is based on a formula that considers, among other things, the total number of employees. At December 31, 2017 and 2016, the estimated liability, net of stop loss recoveries, for these claims approximated \$1,200,000 and \$617,000 respectively, and is included in accrued expenses.

11. Line of Credit

In February, 2018, Branch Banking and Trust Company, Inc. ("BB&T") extended to the Ministry a \$5,000,000 unsecured line of credit bearing interest at bank prime rate (3.75% at December 31, 2017) until its expiration in May 2019. There were no outstanding borrowings under this line of credit at December 31, 2017. This line of credit is subject to certain restrictive financial covenants. At December 31, 2017, the Ministry was in compliance with the covenants.

SAMARITAN'S PURSE
Schedule of Functional Expenses Information
For The Year Ended December 31, 2017
(With Comparative Totals for 2016)

	<u>2017</u>			<u>2016</u>	
	<u>Ministry expenses</u>	<u>Fund raising</u>	<u>General and administrative</u>	<u>Total</u>	<u>Total</u>
Grants	\$ 18,372,204	\$ -	\$ -	\$ 18,372,204	\$ 14,438,163
Contributed goods and services	229,044,939	8,044	495,374	229,548,357	245,215,359
Direct materials/project costs	87,573,629	174,825	51,056	87,799,510	81,369,609
Employment	98,266,446	20,534,403	18,590,890	137,391,739	118,650,707
Contracted services	14,719,159	1,354,760	1,510,805	17,584,724	15,948,311
Vehicle maintenance and repairs	6,765,486	66,818	42,903	6,875,207	6,126,796
Travel - staff	22,409,466	3,959,961	634,058	27,003,485	24,479,686
Ministry and missionary aircraft	9,570,998	236,210	306,957	10,114,165	8,600,406
Supplies	3,119,628	167,398	1,198,234	4,485,260	4,666,349
Telecommunications	2,925,904	803,406	722,034	4,451,344	4,194,245
Postage and shipping	3,814,335	4,143,854	189,718	8,147,907	8,582,699
Printing and broadcast	6,681,175	8,053,228	886,740	15,621,143	15,413,028
Buildings and equipment	11,045,538	651,860	3,434,116	15,131,514	13,300,125
Depreciation	14,049,696	1,596,474	1,213,320	16,859,490	14,925,798
Other	6,436,331	4,788,063	309,670	11,534,064	7,880,526
Total expenses	\$ 534,794,934	\$ 46,539,304	\$ 29,585,875	\$ 610,920,113	\$ 583,791,807

SAMARITAN'S PURSE
Schedule of Ministry Expenses Information
For The Year Ended December 31, 2017

	2017							
	Emergency relief	Community development ministry	Medical ministry	Children's ministry- Operation Christmas Child	Children's ministry-other	Christian education	Other ministry services	Total ministry expenses
Grants	\$ 3,348,309	\$ 6,776,365	\$ 2,162,110	\$ 358,924	\$ 1,849,470	\$ 3,579,249	\$ 297,777	\$ 18,372,204
Contributed goods and services	10,607,587	53,058	16,363,974	201,977,333	33,652	9,168	167	229,044,939
Direct materials/project costs	39,463,987	14,436,387	4,220,523	27,118,684	854,729	1,405,537	73,782	87,573,629
Employment	32,106,555	22,957,346	11,644,643	16,915,366	2,239,733	10,339,751	2,063,052	98,266,446
Contracted services	3,832,873	1,552,931	2,914,995	5,169,117	369,739	782,000	97,504	14,719,159
Vehicle maintenance and repairs	4,396,216	1,672,257	242,422	34,693	129,356	278,592	11,950	6,765,486
Travel - staff	6,028,980	1,564,298	3,815,559	6,690,289	1,026,253	2,993,569	290,518	22,409,466
Ministry and missionary aircraft	4,605,083	1,257,423	1,147,108	286,553	209,007	1,939,853	125,971	9,570,998
Supplies	1,466,222	515,554	481,067	286,944	85,659	274,939	9,243	3,119,628
Telecommunications	1,103,189	619,165	206,079	318,113	90,780	553,064	35,514	2,925,904
Postage and shipping	60,792	67,799	31,460	1,356,423	495	2,285,501	11,865	3,814,335
Printing and broadcast	830,116	138,082	99,809	1,824,684	35,366	3,750,974	2,144	6,681,175
Buildings and equipment	4,212,140	2,146,581	1,482,413	1,590,120	431,822	1,143,210	39,252	11,045,538
Depreciation	4,429,155	5,101,095	255,436	1,213,320	75,225	2,847,746	127,719	14,049,696
Other	2,970,849	669,621	333,512	1,475,334	78,302	861,580	47,133	6,436,331
Total ministry expenses 2017	<u>\$ 119,462,053</u>	<u>\$ 59,527,962</u>	<u>\$ 45,401,110</u>	<u>\$ 266,615,897</u>	<u>\$ 7,509,588</u>	<u>\$ 33,044,733</u>	<u>\$ 3,233,591</u>	<u>\$ 534,794,934</u>