

**SAMARITAN'S PURSE**

**Consolidated Financial Statements  
and Supplemental Schedule**

**December 31, 2018**

**(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**

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## **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, 2018, 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. The prior year summarized comparative information has been derived from the Ministry's 2017 consolidated financial statements and, in our report dated March 28, 2018, 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 Ministry'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 Ministry'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, 2018, 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.

***Emphasis of Matter***

As discussed in Note 1 to the consolidated financial statements, the Ministry adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. Our opinion is not modified with respect to that matter.

***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 schedule referred to in the table of contents is presented for purposes of additional analysis and is 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  
April 4, 2019

**SAMARITAN'S PURSE**  
Consolidated Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

<u><b>Assets</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u> <u><b>As Adjusted</b></u>
Current assets:		
Cash and cash equivalents:		
Available for ministries	\$ 10,854,974	\$ 8,539,982
Held for donor-restricted ministry purposes	206,035,042	221,498,205
Investments:		
Available for ministries	186,339,736	159,287,835
Held for donor-restricted ministry purposes	14,076,384	38,252,450
Planned giving program	7,133,780	7,252,146
Grants receivable	9,073,607	9,961,363
Other current assets	21,334,122	19,262,149
Inventories	56,364,752	47,742,141
Total current assets	<u>511,212,397</u>	<u>511,796,271</u>
Noncurrent assets:		
Planned giving program investments	32,813,589	31,746,942
Endowment investments	1,110,796	1,106,559
Other noncurrent assets	760,601	711,927
Property and equipment, net of accumulated depreciation	162,405,195	132,848,630
Total noncurrent assets	<u>197,090,181</u>	<u>166,414,058</u>
Total assets	<u><u>\$ 708,302,578</u></u>	<u><u>\$ 678,210,329</u></u>
<u><b>Liabilities and Net Assets</b></u>		
Current liabilities:		
Accounts payable - suppliers	\$ 20,110,979	\$ 17,786,062
Accrued expenses	11,786,978	7,321,336
Current portion of planned giving program obligations	7,133,780	7,252,146
Total current liabilities	<u>39,031,737</u>	<u>32,359,544</u>
Noncurrent liabilities:		
Planned giving program obligations	19,574,666	18,366,490
Total noncurrent liabilities	<u>19,574,666</u>	<u>18,366,490</u>
Total liabilities	<u>58,606,403</u>	<u>50,726,034</u>
Net assets:		
Without donor restrictions:		
Designated by governing board	60,628,356	57,286,883
Represented by property and equipment	162,405,195	132,848,630
General	165,018,209	137,060,595
Total without donor restrictions	<u>388,051,760</u>	<u>327,196,108</u>
With donor restrictions:		
Ministry purpose restrictions	260,637,406	299,281,178
Perpetual in nature	1,007,009	1,007,009
Total with donor restrictions	<u>261,644,415</u>	<u>300,288,187</u>
Total net assets	<u>649,696,175</u>	<u>627,484,295</u>
Total liabilities and net assets	<u><u>\$ 708,302,578</u></u>	<u><u>\$ 678,210,329</u></u>

See accompanying notes.

**SAMARITAN'S PURSE**  
Consolidated Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and revenue:				
Contributions	\$ 245,815,909	\$ 202,609,270	\$ 448,425,179	\$ 551,837,743
Contributed goods and services	15,388,943	239,369,730	254,758,673	238,849,006
Investment income	4,230,789	22,769	4,253,558	4,000,053
Change in value of annuities and trusts	(1,963,140)	(41,370)	(2,004,510)	1,095,321
Other income	3,304,586	323,405	3,627,991	5,041,467
Total support and revenue	<u>266,777,087</u>	<u>442,283,804</u>	<u>709,060,891</u>	<u>800,823,590</u>
Reclassifications:				
Assessment against restricted contributions	12,704,339	(12,704,339)	-	-
Satisfaction of program and property restrictions	468,223,237	(468,223,237)	-	-
Total reclassifications	<u>480,927,576</u>	<u>(480,927,576)</u>	<u>-</u>	<u>-</u>
Expenses:				
Ministry expenses:				
Emergency relief	102,425,556	-	102,425,556	119,462,053
Community development ministry	117,320,046	-	117,320,046	59,527,962
Medical ministry	37,013,998	-	37,013,998	45,401,110
Children's ministry-Operation				
Christmas Child	300,851,181	-	300,851,181	266,615,897
Children's ministry-other	7,598,874	-	7,598,874	7,509,588
Christian education	31,662,937	-	31,662,937	33,044,733
Other ministry services	6,184,625	-	6,184,625	3,233,591
Total ministry expenses	<u>603,057,217</u>	<u>-</u>	<u>603,057,217</u>	<u>534,794,934</u>
Supporting activities:				
Fund raising	50,156,042	-	50,156,042	46,539,304
General and administrative	33,635,752	-	33,635,752	29,585,875
Total expenses	<u>686,849,011</u>	<u>-</u>	<u>686,849,011</u>	<u>610,920,113</u>
Increase (decrease) in net assets	60,855,652	(38,643,772)	22,211,880	189,903,477
Net assets at beginning of year	<u>327,196,108</u>	<u>300,288,187</u>	<u>627,484,295</u>	<u>437,580,818</u>
Net assets at end of year	<u>\$ 388,051,760</u>	<u>\$ 261,644,415</u>	<u>\$ 649,696,175</u>	<u>\$ 627,484,295</u>

See accompanying notes.

**SAMARITAN'S PURSE**  
Consolidated Statement of Functional Expenses  
For The Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<b>2018</b>				<b>2017</b>
	<b>Ministry expenses</b>	<b>Fund raising</b>	<b>General and administrative</b>	<b>Total</b>	<b>Total</b>
Grants	\$ 54,888,440	\$ -	\$ -	\$ 54,888,440	\$ 18,372,204
Contributed goods and services	253,230,857	72	42,046	253,272,975	229,548,357
Direct materials/project costs	98,182,093	186,680	51,033	98,419,806	87,799,510
Employment	99,695,125	23,976,423	21,028,449	144,699,997	137,391,739
Contracted services	12,331,056	1,773,626	1,407,658	15,512,340	17,584,724
Vehicle maintenance and repairs	6,652,826	102,915	56,848	6,812,589	6,875,207
Travel - staff	24,843,325	3,772,045	1,214,814	29,830,184	27,003,485
Ministry and missionary aircraft	7,262,652	160,815	279,538	7,703,005	10,114,165
Supplies	2,911,063	137,209	1,115,275	4,163,547	4,485,260
Telecommunications	2,561,731	447,420	777,264	3,786,415	4,451,344
Postage and shipping	5,298,591	4,246,884	316,241	9,861,716	8,147,907
Printing and broadcast	5,768,073	8,447,692	875,197	15,090,962	15,621,143
Buildings and equipment	10,714,452	750,811	3,748,893	15,214,156	15,131,514
Depreciation	11,944,558	2,676,765	2,453,701	17,075,024	16,859,490
Other	6,772,375	3,476,685	268,795	10,517,855	11,534,064
Total expenses	<u>\$ 603,057,217</u>	<u>\$ 50,156,042</u>	<u>\$ 33,635,752</u>	<u>\$ 686,849,011</u>	<u>\$ 610,920,113</u>

See accompanying notes.



**SAMARITAN'S PURSE**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2018**  
**(With Comparative Totals for 2017)**

	<u><b>2018</b></u>	<u><b>2017</b></u>
Cash flows from operating activities:		
Increase in net assets	\$ 22,211,880	\$ 189,903,477
Adjustments to reconcile increase in net assets to		
net cash provided by operating activities:		
Depreciation	17,075,024	16,859,490
(Gain) loss on disposition of property	(472,944)	745,503
Loss on sale of investments	173,135	344,528
Property and equipment contributions received	(457,565)	(78,003)
Contributions of other assets received and held for sale	(781,376)	(2,855,974)
Adjustment of planned giving obligations	1,113,144	1,757,663
Unrealized (gain) loss on investments	3,131,094	(2,568,805)
Increase in value of other assets	(48,674)	(34,864)
Net change in:		
Grants receivable	887,756	(409,388)
Other assets	(1,290,597)	(3,268,987)
Inventories	(8,622,611)	(11,209,540)
Accounts payable-suppliers	622,790	(833,051)
Accrued expenses	4,465,642	(2,881,800)
Net cash provided by operating activities	<u><b>38,006,698</b></u>	<u><b>185,470,249</b></u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	658,984	523,059
Proceeds from sale of investments	51,293,652	86,692,897
Purchase of investments	(55,526,055)	(179,523,800)
Increase in planned giving program assets	(2,900,179)	(2,461,245)
Capital expenditures	(44,657,937)	(23,462,128)
Net cash used by investing activities	<u><b>(51,131,535)</b></u>	<u><b>(118,231,217)</b></u>
Cash flows from financing activities:		
Proceeds from planned giving program contracts	2,214,813	2,083,523
Payments of planned giving program contracts	(2,238,147)	(2,122,589)
Net cash used by financing activities	<u><b>(23,334)</b></u>	<u><b>(39,066)</b></u>
Net increase (decrease) in cash and cash equivalents	(13,148,171)	67,199,966
Cash and cash equivalents - beginning of year	<u><b>230,038,187</b></u>	<u><b>162,838,221</b></u>
Cash and cash equivalents - end of year	<u><b>\$ 216,890,016</b></u>	<u><b>\$ 230,038,187</b></u>
Non cash investing and financing activities:		
Capital expenditures in accounts payable-suppliers	<u><b>\$ 1,702,127</b></u>	<u><b>\$ 316,376</b></u>
Cash and cash equivalents:		
Available for ministries	\$ 10,854,974	\$ 8,539,982
Held for donor-restricted ministry purposes	206,035,042	221,498,205
Total cash and cash equivalents	<u><b>\$ 216,890,016</b></u>	<u><b>\$ 230,038,187</b></u>

See accompanying notes.

**SAMARITAN'S PURSE**  
Notes to Consolidated Financial Statements  
December 31, 2018  
(With Comparative Totals for 2017)

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**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, all debt securities, and real estate 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.

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 various 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, 2018 and 2017, 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.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets 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 Ministry's Board of Directors has designated net assets without donor restrictions for the following purpose(s) as of December 31:

	<u>2018</u>	<u>2017</u>
Capital reserves	\$ 10,854,974	\$ 8,513,501
Contingency operating reserves	22,600,000	21,600,000
The Greatest Journey	22,173,382	22,173,382
Evangelistic outreaches	1,000,000	1,000,000
Tenwek Hospital - New Heart Institute construction	4,000,000	4,000,000
Total	<u>\$ 60,628,356</u>	<u>\$ 57,286,883</u>

*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. 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.

**Revenue and Revenue Recognition** – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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

**Contributed Services** – The Ministry received contributed services from approximately 192,000 individuals in 2018 and approximately 191,000 individuals in 2017. The Ministry recorded the value of approximately 91,000 and 87,000 of those volunteers for the years ended December 31, 2018 and 2017, respectively. The value of contributed services recorded by the Ministry amounted to approximately \$14,900,000 in 2018 and \$13,900,000 in 2017. 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 101,000 volunteers in 2018 and 104,000 in 2017 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 \$8,500,000 in 2018 and \$9,000,000 in 2017. Approximately \$4,200,000 of the 2018 amount and \$4,900,000 of the 2017 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 \$239,800,000 and \$225,000,000 were received for the years ended December 31, 2018 and 2017, respectively. These donations include the receipt of individual gift boxes through the Operation Christmas Child project. This project collected approximately 8,700,000 and 8,800,000 gift boxes from individuals for the years ended December 31, 2018 and 2017, respectively. The estimated value per gift box was \$24.61 for 2018 and \$22.37 for 2017. Contributed goods are held in inventory and expensed as used by the Ministry.

Gifts-in-kind distributed through the Ministry amounted to approximately \$238,300,000 and \$215,600,000 for the years ended December 31, 2018 and 2017, 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 2018, 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 \$14,175,751 and \$14,133,950 of joint costs for 2018 and 2017, respectively. These joint costs are not specifically attributable to particular components of the activities and were allocated as follows:

	<u>2018</u>	<u>2017</u>
Ministry	\$ 3,828,153	\$ 4,446,842
Fund raising	10,186,030	9,602,621
General and administrative	<u>161,568</u>	<u>84,487</u>
Total	<u>\$ 14,175,751</u>	<u>\$ 14,133,950</u>

**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 a 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, 2018.

**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.

**Change in Accounting Principle** – During 2018, the Ministry adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The comparative totals and disclosures from the consolidated financial statements for the year ended December 31, 2017, have been adjusted to reflect retrospective application of the new accounting guidance. The retrospective application resulted in temporarily restricted net assets of \$299,281,178 and permanently restricted net assets of \$1,007,009 being reported as net assets with donor restrictions totaling \$300,288,187 and unrestricted net assets of \$327,196,108 being reported as net assets without donor restrictions as of December 31, 2017.

**Subsequent Events** – Subsequent events have been evaluated through April 4, 2019, 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, 2017, from which the summarized information is derived.

## 2. **Liquidity and Availability**

The following reflects the Ministry's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available include amounts set aside by the Board of Directors for property repairs and maintenance, as well as contingency reserves and program funding, all of which could be drawn upon for other purposes if the Board approves that action.

	<u>2018</u>	<u>2017</u>
Financial assets, at year-end	\$ 458,364,301	\$ 467,684,119
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with perpetual restrictions	(1,007,009)	(1,007,009)
Subject to appropriation and satisfaction of donor restrictions	(220,919,300)	(260,591,205)
Investments held for planned giving obligations	(39,947,369)	(38,999,088)
Board designations:		
Capital reserves	(10,854,974)	(8,513,501)
Contingency operating reserves	(22,600,000)	(21,600,000)
The Greatest Journey	(22,173,382)	(22,173,382)
Evangelistic outreaches	(1,000,000)	(1,000,000)
Tenwek Hospital - New Heart Institute construction	(4,000,000)	(4,000,000)
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 135,862,267</u>	<u>\$ 109,799,934</u>

The Ministry is substantially supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the Ministry must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Ministry's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Ministry invests cash in excess of daily requirements in short-term investments.

The Board designates a portion of any operating surplus to its contingency reserve or other specific projects within the Ministry. These funds are established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the financial liabilities. In the event of an unanticipated liquidity need, the Ministry also could draw upon funds designated as capital reserves.

### 3. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Equipment, furniture and fixtures	\$ 61,755,284	\$ 54,012,512
Ministry and missionary aircraft	84,331,501	84,565,993
Land and land improvements	26,385,913	14,146,866
Buildings	<u>108,549,735</u>	<u>85,399,817</u>
Total	281,022,433	238,125,188
Less accumulated depreciation	<u>118,617,238</u>	<u>105,276,558</u>
Property and equipment, net	<u>\$ 162,405,195</u>	<u>\$ 132,848,630</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 \$29,880,871 in 2018 and \$26,535,542 in 2017 have been placed in various foreign countries.

The Ministry has entered into agreements for property and asset acquisitions and capital improvements of approximately \$1,980,000 as of December 31, 2018.

### 4. Investments

Investments are composed of the following:

	<u>2018</u>	<u>2017</u>
Cash	\$ 1,730,378	\$ 3,620,422
Certificates of deposit	202,659	201,310
Equities	20,051,198	20,188,601
Fixed income	219,225,050	213,635,599
Real estate	<u>265,000</u>	<u>-</u>
Total	<u>\$ 241,474,285</u>	<u>\$ 237,645,932</u>



Investment income, exclusive of annuities and trusts, consists of:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 5,605,888	\$ 3,712,111
Net realized gains (losses)	20,491	(601,240)
Net unrealized gains (losses)	<u>(1,372,821)</u>	<u>889,182</u>
Total	<u>\$ 4,253,558</u>	<u>\$ 4,000,053</u>

#### 5. Planned Giving Program

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

	<u>2018</u>	<u>2017</u>
Assets:		
Gift annuities	\$ 34,061,933	\$ 32,895,486
Irrevocable trusts	1,280,097	1,140,501
Revocable trusts	4,605,339	4,963,101
Total	<u>\$ 39,947,369</u>	<u>\$ 38,999,088</u>
Liabilities:		
Gift annuities	\$ 21,361,661	\$ 20,066,501
Irrevocable trusts	741,446	589,034
Revocable trusts	4,605,339	4,963,101
Total	<u>\$ 26,708,446</u>	<u>\$ 25,618,636</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 1,307,303	\$ 1,151,276
Net realized gains (losses) on investments	(193,626)	256,712
Net unrealized gains (losses) on investments	(1,758,273)	1,679,623
Actuarial adjustments	1,125,003	364,926
Administrative fees	(246,770)	(234,627)
Payments to income beneficiaries	<u>(2,238,147)</u>	<u>(2,122,589)</u>
Total	<u>\$ (2,004,510)</u>	<u>\$ 1,095,321</u>

**6. 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, 2018 and 2017, 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, 2018 and 2017. 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, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities				
Basic materials	\$ 604,742	\$ -	\$ -	\$ 604,742
Consumer goods	498,183	-	-	498,183
Financial	515,078	-	-	515,078
Healthcare	72,085	-	-	72,085
Industrial goods	257,804	-	-	257,804
Services	224,987	-	-	224,987
Technology	452,338	-	-	452,338
Utilities	711,809	-	-	711,809
Equity Funds	16,714,172	-	-	16,714,172
Fixed income				
U.S. government	47,208,560	-	-	47,208,560
Municipal	-	327,617	-	327,617
Mortgage backed securities	-	8,000,249	-	8,000,249
Asset backed securities	-	33,689,382	-	33,689,382
Corporate	-	129,487,936	-	129,487,936
Mutual funds	-	511,306	-	511,306
Other assets				
Real estate	-	265,000	-	265,000
Donated equity securities and other financial instruments included in other assets	217,765	-	224	217,989
Total	<u>\$ 67,477,523</u>	<u>\$ 172,281,490</u>	<u>\$ 224</u>	<u>\$ 239,759,237</u>

<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>

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, \$1,933,037 as of December 31, 2018 and \$3,821,732 as of December 31, 2017 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.

7. **Endowment**

The Ministry follows the Uniform Prudent Management of Institutional Funds Act for endowment funds. At December 31, 2018, 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 activities with donor restrictions. In the year ended December 31, 2018 and 2017 approximately \$0 and \$50,000, respectively, was released for specific program expenditures. The endowment investment fund, including additional appreciation and gains above original donation, was valued at approximately \$1,111,000 as of December 31, 2018 and \$1,107,000 as of December 31, 2017.

8. **Net Assets with Donor Restrictions for Ministry Purposes**

Net assets with donor restrictions for ministry purposes are available for the following as of December 31:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Africa projects	\$ 10,249,438	\$ 10,001,405
Agriculture projects	5,487,723	10,515,970
Asia projects	5,562,455	4,631,466
Bibles and Christian literature	425,929	442,943
Central and South America projects	4,271,855	3,649,402
Children's projects - Operation Christmas Child	27,012,812	31,868,022
Children's projects - other	10,968,031	10,062,299
Church construction projects	1,436,944	661,250
Clean water projects	4,505,438	3,697,135
Development projects	1,764,694	2,138,870
Emergency relief	7,473,959	6,746,882
Europe refugee relief	2,016,323	2,799,835
Housing construction projects	401,880	24,878
Hurricane relief - international	10,634,869	35,657,692
Medical missionaries' expenses to foreign field	3,898,484	3,623,524
Medical projects	6,414,603	8,993,710
Middle East projects	7,851,749	5,644,911
Missionary aid	3,327,305	3,482,018
Nepal projects	1,070,680	4,736,942
Persecuted Christians	4,465,389	4,420,095
Philippines relief	1,114,457	2,854,929
U.S.A. - disaster relief	21,738,160	16,340,065
U.S.A. - hurricane relief	63,156,775	78,961,021
U.S.A. - nonemergency relief	14,484,016	7,358,137
Other	1,185,332	1,277,804
Inventories:		
Operation Christmas Child gift boxes	32,950,347	32,568,419
Medical equipment and supplies	5,905,316	5,328,431
Other equipment and supplies	862,443	793,123
Total	<b><u>\$ 260,637,406</u></b>	<b><u>\$ 299,281,178</u></b>

**9. Commitments**

The Ministry has entered into agreements for program beneficiary projects of approximately \$8,700,000 as of December 31, 2018.

**10. 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 (the "Association"). The Association is controlled by an independent Board of Directors, though the two ministries share certain board members. The Ministry and the 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 organization, transfer assets that align with the other organization's projects and activities, and staff and financially support joint ministry activities and disaster responses. The Ministry paid the Association \$2,034,027 in 2018 and \$2,500,865 in 2017 while the Association paid the Ministry \$9,042,623 in 2018 and \$4,360,424 in 2017 related to these activities. The Ministry made in-kind contributions to the Association valued at \$518,176 in 2018 and \$563,402 in 2017.

Following is 2018 unaudited summary financial information for Billy Graham Evangelistic Association: total assets - \$421,914,954; total liabilities - \$73,386,154; total net assets - \$348,528,800; total revenues - \$133,713,066; and total expenses - \$120,357,005.

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 \$3,364,420 in 2018 and \$1,877,473 in 2017 for employment cost reimbursement and support of various projects. These affiliated organizations reimbursed the Ministry \$1,016,699 in 2018 and \$1,426,737 in 2017 for ministry support and materials. These affiliated organizations contributed \$4,575,072 in 2018 and \$7,443,572 in 2017 to the Ministry in support of programs and projects.

**11. 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 expenses were \$4,906,564 in 2018 and \$4,219,046 in 2017. The assets of the Plan are held in an employee benefit trust and are not included in the accompanying consolidated financial statements.

**12. 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.

**13. 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, 2018 and 2017, the estimated liability, net of stop loss recoveries, for these claims approximated \$1,600,000 and \$1,200,000 respectively, and is included in accrued expenses.

**14. 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 (5.5% at December 31, 2018) until its expiration in May 2019. There were no outstanding borrowings under this line of credit at December 31, 2018. This line of credit is subject to certain restrictive financial covenants. At December 31, 2018, the Ministry was in compliance with the covenants.

**SAMARITAN'S PURSE**  
Schedule of Ministry Expenses Information  
For The Year Ended December 31, 2018

2018								
	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	\$ 3,613,632	\$ 40,012,337	\$ 2,183,646	\$ 1,963,339	\$ 2,434,040	\$ 2,508,003	\$ 2,173,443	\$ 54,888,440
Contributed goods and services	7,577,631	770,362	15,679,713	229,159,360	22,484	18,171	3,136	253,230,857
Direct materials/project costs	30,894,665	33,834,086	2,568,958	28,355,661	769,585	1,736,480	22,658	98,182,093
Employment	29,658,804	26,852,149	9,421,395	18,926,770	2,015,083	10,054,382	2,766,542	99,695,125
Contracted services	4,012,981	1,790,801	396,640	5,094,734	221,190	694,673	120,037	12,331,056
Vehicle maintenance and repairs	4,322,464	1,653,156	175,826	40,939	118,541	335,335	6,565	6,652,826
Travel - staff	6,121,671	2,784,382	3,082,475	8,629,133	953,797	2,820,234	451,633	24,843,325
Ministry and missionary aircraft	2,151,047	1,721,564	984,397	355,052	248,560	1,725,864	76,168	7,262,652
Supplies	1,115,504	712,318	442,160	282,474	61,580	251,995	45,032	2,911,063
Telecommunications	1,091,329	417,935	210,319	313,221	62,529	429,253	37,145	2,561,731
Postage and shipping	46,654	61,203	34,646	2,679,319	10,783	2,455,628	10,358	5,298,591
Printing and broadcast	565,134	135,491	120,595	1,248,530	37,391	3,649,321	11,611	5,768,073
Buildings and equipment	3,846,514	3,034,002	769,636	1,594,473	289,807	1,127,464	52,556	10,714,452
Depreciation	5,388,706	1,116,524	446,127	1,775,951	111,532	2,771,122	334,596	11,944,558
Other	2,018,820	2,423,736	497,465	432,225	241,972	1,085,012	73,145	6,772,375
Total ministry expenses	\$ 102,425,556	\$ 117,320,046	\$ 37,013,998	\$ 300,851,181	\$ 7,598,874	\$ 31,662,937	\$ 6,184,625	\$ 603,057,217