

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

Report of Independent Auditors on
Financial Statements
For the Years Ended December 31, 2016 and 2015



Report of Independent Auditors

To the Board of Directors
Adventist Development and Relief Agency International

We have audited the accompanying financial statements of Adventist Development and Relief Agency International (“ADRA”), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and of functional expenses for the year ended December 31, 2016 and of cash flows for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to ADRA's preparation and fair presentation of the 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 ADRA'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Adventist Development and Relief Agency International as of December 31, 2016 and 2015 and the changes in its net assets and functional expenses for the year ended December 31, 2016, and its cash flows for the years ended December 31, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended (not presented herein), and in our report dated June 30, 2016 we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of December 31, 2015 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers up

June 15, 2017

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
as of December 31, 2016 and December 31, 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 10,575,409	\$ 9,445,938
Investments	40,348,264	38,309,453
Amount due from affiliates	1,706,347	684,654
Amount due from government agency	1,140,809	1,224,656
Other receivables	177,731	121,745
Contributions receivable	579,214	237,092
Inventories	4,120,197	712,126
Prepaid expenses	223,521	199,989
Furniture and equipment, net of accumulated depreciation	219,534	199,903
Agency funds	308,475	-
Contributions receivable - long-term	<u>1,350,366</u>	<u>1,068,424</u>
 Total assets	 <u>\$ 60,749,867</u>	 <u>\$52,203,980</u>

LIABILITIES

Accounts payable	\$ 361,164	\$ 1,036,428
Accrued expenses	2,852,433	1,991,576
Amount due to affiliates	1,447,287	1,523,357
Amount due to government agency	356,074	559,399
Amount due to other	1,544,202	122,227
Agency Funds	<u>308,475</u>	<u>-</u>
 Total liabilities	 <u>6,869,635</u>	 <u>5,232,987</u>

NET ASSETS

Unrestricted	34,315,364	31,642,241
Temporarily restricted	<u>19,564,868</u>	<u>15,328,752</u>
 Total net assets	 <u>53,880,232</u>	 <u>46,970,993</u>
 Total liabilities and net assets	 <u>\$ 60,749,867</u>	 <u>\$52,203,980</u>

The accompanying notes are an integral part of these financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF ACTIVITIES
for the year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
U.S. Government support:				
Commodities - distributed	\$ 3,803,881	\$ -	\$ 3,803,881	\$ 1,632,490
Ocean and inland freight	1,564,283	-	1,564,283	697,198
Grants - direct	17,176,284	-	17,176,284	17,341,385
Grants - subrecipient	2,388,131	-	2,388,131	4,369,314
Public support:				
Seventh-day Adventist Church	5,153,565	-	5,153,565	5,485,774
Contributions	11,185,923	4,760,949	15,946,872	15,405,140
Donated materials	369,851	9,675,743	10,045,594	6,594,884
Grants - other	1,517,072	-	1,517,072	745,630
Freight and handling fees reimbursement	4,561	-	4,561	7,162
Investment and other revenue	832,299	(966)	831,333	456,490
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>10,199,610</u>	<u>(10,199,610)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>\$ 54,195,460</u>	<u>\$ 4,236,116</u>	<u>\$ 58,431,576</u>	<u>\$ 52,735,467</u>

The accompanying notes are an integral part of these financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF ACTIVITIES (Cont.)
for the year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
Expenses:				
Programs	\$ 41,673,067	\$ -	\$ 41,673,067	\$ 41,262,753
Fundraising	1,306,850	-	1,306,850	1,243,405
Public relations	641,357	-	641,357	1,290,669
Management and general	9,267,119	-	9,267,119	7,455,782
Total expenses	52,888,393	-	52,888,393	51,252,609
Net Increase (decrease) from operations	1,307,067	4,236,116	5,543,183	1,482,858
Nonoperating activity:				
Realized/unrealized gain/(loss) on investment and other	1,366,056	-	1,366,056	(1,408,536)
Change in net assets	2,673,123	4,236,116	6,909,239	74,322
Net assets, at beginning of year	31,642,241	15,328,752	46,970,993	46,896,671
Net assets, at end of year	\$ 34,315,364	\$ 19,564,868	\$ 53,880,232	\$ 46,970,993

The accompanying notes are an integral part of these financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF FUNCTIONAL EXPENSES
for the year ended December 31, 2016
(with summarized financial information as of December 31, 2015)

	2016				2015	
	Programs	Fundraising	Public Relations	Management and General	Total	Total
Overseas program costs:						
U.S. Government grants:						
Federal assistance:						
Commodities - distributed	\$ 2,979,206	\$ -	\$ -	\$ -	\$ 2,979,206	\$ 1,192,313
Ocean and inland freight	1,564,283	-	-	-	1,564,283	697,198
Grants - direct	17,176,284	-	-	-	17,176,284	17,341,385
Grants - subrecipient	2,184,491	-	-	-	2,184,491	4,369,314
ADRA funding	452,350	-	-	-	452,350	947,915
Donated materials	7,320,752	-	-	-	7,320,752	6,639,583
Development and relief projects and disaster assistance	8,437,080	-	-	-	8,437,080	9,226,247
Grants - other	1,449,779	-	-	-	1,449,779	753,330
Freight and handling fees	4,561	-	-	-	4,561	7,162
General and administrative costs:						
Personnel and related costs	1,608,753	433,489	323,028	8,814,077	11,179,347	9,938,712
Travel	258,116	33,889	109,671	563,150	964,826	864,590
Rent	103,696	53,100	7,082	686,158	850,036	842,926
Depreciation	585	2,253	457	78,505	81,800	82,384
Other	-	784,119	201,119	2,848,981	3,834,219	4,037,551
Salary and travel allocation	(1,866,869)	-	-	(7,605)	(1,874,474)	(1,652,175)
Overhead allocated to grants	-	-	-	(3,716,147)	(3,716,147)	(4,035,826)
Total expenses	<u>\$ 41,673,067</u>	<u>\$ 1,306,850</u>	<u>\$ 641,357</u>	<u>\$ 9,267,119</u>	<u>\$ 52,888,393</u>	<u>\$ 51,252,609</u>

The accompanying notes are an integral part of these financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
STATEMENTS OF CASH FLOWS
as of December 31, 2016 and December 31, 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 6,909,239	\$ 74,322
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	\$ 81,800	\$ 82,384
(Gain) loss on sale of fixed assets	(360)	(318)
Dividends reinvested	(659,915)	(681,272)
Realized/Unrealized (gain) loss on securities	(1,365,853)	1,408,536
Receipt of contributed securities	(28,803)	(50,845)
Sale of contributed securities	15,760	48,254
(Increase) decrease in net amounts due from affiliates	(1,021,693)	263,200
(Increase) decrease in amounts due from government agency	83,847	605,480
(Increase) decrease in other receivables	(55,985)	59,705
(Increase) decrease in contributions receivable	(342,122)	123,180
(Increase) decrease in inventories	(3,408,071)	(575,165)
(Increase) decrease in prepaid expenses	(23,532)	(91,087)
(Increase) decrease in agency funds - asset	(308,475)	-
(Increase) decrease in contributions receivable - long term	(281,942)	513,939
Increase (decrease) in accounts payable	(675,265)	618,580
Increase (decrease) in accrued expenses	860,857	592,064
Increase (decrease) in amounts due to affiliates	(76,070)	965,507
Increase (decrease) in amounts due to government agency	(203,325)	(700,934)
Increase (decrease) in amounts due to other	1,421,975	(26,030)
Increase (decrease) in agency funds - liability	308,475	-
Total adjustments	(5,678,697)	3,155,178
Net cash flow provided by operating activities:	\$ 1,230,542	\$ 3,229,500
Cash flows from investing activities:		
Purchases of furniture and equipment	\$ (101,431)	\$ (75,975)
Proceeds from sale of fixed assets	360	318
Net cash flows provided (used in) by investing activities:	\$ (101,071)	\$ (75,657)
Net decrease in cash and cash equivalents	1,129,471	3,153,843
Cash and cash equivalents, at beginning of year	9,445,938	6,292,095
Cash and cash equivalents, at end of year	\$ 10,575,409	\$ 9,445,938
Supplemental disclosure of cash flow information		
Non cash investing activities:		
Donated Securities	\$ 28,803	\$ 50,845
Reinvested dividends and interest	\$ 659,915	\$ 681,272

The accompanying notes are an integral part of these financial statements.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

1. Organization and Purpose

The Adventist Development and Relief Agency International (ADRA) is a not-for-profit corporation organized under the District of Columbia law. ADRA was established by the Seventh-day Adventist Church for the purpose of providing aid to charitable, educational and developmental endeavors throughout the world, without regard to race, gender, political or religious affiliation. ADRA maintains an active relationship with the General Conference of Seventh-day Adventist, which is the headquarters for the Seventh-day Adventist Church. Activity with the General Conference and its other church related entities are classified as affiliates and disclosed in Note 7.

2. Summary of Significant Accounting Policies

Basis of Accounting

ADRA's financial statements have been prepared on the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in the United States of America.

The accompanying financial statements do not include the revenue, expenses, assets, liabilities, and net assets of ADRA's affiliate implementing partners. ADRA's implementing partners include some subrecipient non-government organizations and ADRA affiliate implementing partners operating outside of the United States. This subset of ADRA's implementing partners, referred to herein as affiliate implementing partners although related to the Seventh-day Adventist Church, are not under the control of ADRA and therefore are not consolidated.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ADRA's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The amounts ADRA will ultimately realize could differ from the estimates in the near term. Significant estimates include assessing the fair value of investments, contributions receivables, gifts-in-kind, inventory related to commodities and liability accrual for questioned cost.

Reclassifications

Certain prior year financial information has been reclassified to conform to the current year presentation. *(See Footnotes 5 & 11)*

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents include checking account balances in various banks and money market funds invested in the General Conference (GC) Money Fund with original maturities of ninety days or less. Cash equivalents held in the GC Money fund are classified as level 2 under the Financial Accounting Standards Board Financial Accounting Standards Codification Topic 820 Fair Value Measurement (ASC 820) fair value hierarchy.

Fair Value of Financial Instruments

The value of all financial instruments on the Statement of Financial Position is approximated at fair value, including in-kind donations of stock.

ASC 820 requires additional disclosure about the sources of information used to determine the fair values of assets and liabilities, and expands disclosure about fair value measurements. ASC 820 also establishes a hierarchy of valuation methodologies based on the extent to which asset valuations are observable in the marketplace. The following describes the hierarchy of methodologies used to measure fair value:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active;
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

Investments

The fair values of the investments in the General Conference Corporation of the Seventh-day Adventist Church (General Conference) unitized funds are based on the unit value of each fund and the number of units owned. Unit values are calculated each month by the Investment Office of the General Conference, based on portfolio values provided by the funds' custodian, the net asset value of other assets and the total number of units held by the participants. The General Conference is the trustee of the unitized funds. The fair value of investment in the GC Unitized funds is assessed on a recurring basis and the inputs utilized in determining fair value are summarized in the additional disclosure presented in Note 6.

Split-interest Agreements

Contributions receivable representing split-interest agreements where ADRA is a beneficiary of a charitable gift annuity or trust held by a third party are initially recorded at fair value and re-measured annually based on valuations provided by the third party administrator which factor in net present value of future cash flows. Split interest agreements are classified as level 3, as presented in Note 5.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

Inventories

Purchased inventory, which includes pre-positioned inventory, is carried at original cost by applying the specific identification method except for premiums inventory which is valued using the weighted average cost method. Other donated materials are valued at estimated fair value at the date of receipt through reference to available fair values for similar items. Donation of food commodities received for monetization programs is reported at fair value. Valuation of donated food commodities from the U.S. Government for distribution is provided by the Commodity Credit Corporation (CCC).

Furniture and Equipment

Furniture and equipment are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to ten years. Grant related fixed asset procurements are expensed in the year of acquisition. The donor, at its discretion, determines whether furniture and equipment procured using grant funds are to be returned or retained by ADRA for use in similar programs upon grant conclusion.

Public Support

Unrestricted and temporarily restricted donations are recognized as support when received.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor for either purpose or time. The unrestricted net assets are used to account for resources over which ADRA's Board of Directors has discretionary control for use within the limitations imposed by its charter and bylaws.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restrictions.

ADRA reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the donated assets must be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, ADRA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Other grants are recognized as unrestricted support when received, and the related project costs are recorded as expenses when incurred. Generally grant expenses are incurred when grant funds are disbursed to implementing partners and adjusted for unexpended amount at the period end.

Government Support and Related Project Costs

Government grants are recognized as unrestricted support when received, and the related project costs are recorded as expenses when incurred. Generally grant expenses are incurred when grant funds are disbursed to implementing partners and adjusted for unexpended amount at the period end.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

Ocean freight for monetized and distributed commodities are recognized as unrestricted support when received and deemed expended when the commodities are on board. Inland freight for distributed commodities are recognized as unrestricted support and expensed when incurred.

Commodities to be distributed that were donated by the U.S. Government are recorded as U.S. Government support when received and expensed at amounts representing the fair value of commodities as determined by CCC when the commodities arrive at the destination port. For distributed commodities at sea on December 31, revenue is recognized and the commodities are recorded as inventory.

Commodities received for monetization programs are recorded as assets and liabilities at their fair value at the time of transfer of title, and the valuation is adjusted as necessary subsequent to the sale of such commodities (monetization). Assets are first recognized as inventory at the time of transfer of ownership from the U.S. Government until title is transferred to the buyer. At this point the inventory is converted to other receivables, and is held as such until actual cash collection. When another organization controls the commodities, as in consortium arrangements, assets and liabilities are recorded when proceeds are received from the sale of such commodities. The proceeds from the sale are controlled by ADRA for disbursement to the implementing partners as needed. Expenses are recorded consistent with the recognition of all other cash grants, as the proceeds from sale are disbursed for program expenditures.

Indirect cost recovery from such grants and agreements is recorded as support when the related direct costs are incurred.

Donated Materials

ADRA receives donations of food commodities, educational material, medical equipment and supplies, clothing, and other commodities for use in relief and development programs.

ADRA accounts for donated materials in accordance with generally accepted accounting principles and also applies the industry standards developed by an interagency taskforce appointed by the Association of Evangelical Relief and Development Organization (AERDO), the Interagency Gifts In Kind Standards. ADRA only records the value of gifts-in-kind for which ADRA was either the original recipient of the gift, was involved in partnership with another end-user agency organization for distribution internationally, or if gifts-in-kind are used in ADRA programs.

ADRA retains final discretion over their ultimate disposition. Contributions of donated materials are recognized as support when received, expensed when disbursed to programs, and are recorded at their estimated fair value.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

Functional Expenses

ADRA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are charged directly according to their natural expenditure classification.

Income Taxes

ADRA is a not-for-profit corporation whose revenue is derived from contributions and other fundraising activities, and is exempt from federal and state income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code.

Advertising

Expenses for advertising to promote ADRA's image is recognized in the period incurred and recorded in the Statement of Functional Expense under Public Relations. Further details of such activity are provided in Note 17.

Subsequent Events

Subsequent events have been evaluated through June 15, 2017, which is the date the financial statements were available to be issued.

3. U.S. Government Grants

ADRA receives various grants from agencies of the U.S. Government for the purpose of furthering its development and relief efforts in various countries throughout the world. These grants are principally received from the U.S. Agency for International Development (USAID) and typically have performance periods of multiple years. As a significant portion of the revenue for ADRA is derived from one source, USAID, there exists concentration risk for ADRA. During 2016 and 2015 respectively, ADRA received 39% and 36% of its total revenue from USAID directly, and 4% and 8% from sub-awards revenue whose source of funding is USAID. The grants are administered by ADRA, which generally disburses funds or commodities received, to affiliate implementing partners, which are under the direction of the local division of the Seventh-day Adventist Church. The implementing partners are responsible to ADRA for fulfillment of the grant requirements and for reporting and control of related expenditures.

4. Concentration of Credit Risk

Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States (domestic) and foreign countries. Significant portions of the domestic cash are held with the General Conference unitized investment funds and in a money market fund as detailed in Note 6 and 7, respectively. The total deposits at institutions in the United States at times exceed FDIC insurance limits, while those accounts held at institutions outside the United States are not covered by insurance. As of December 31, 2016 and 2015,

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

domestic deposits of \$8,948,906 and \$7,121,832, respectively, were in excess of FDIC insurance. In addition, as of December 31, 2016 and 2015, no deposits were held in foreign accounts as referenced above. ADRA has not experienced a loss due to concentration of credit risk, and does not expect such a loss to occur.

5. Fair Value

ADRA has adopted FASB guidance on fair value measurements and disclosures. This standard establishes a framework for measuring fair value, establishes a fair value hierarchy described in Note 2, and expands disclosure requirements for fair value measurements. As defined in the guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Items subject to fair value measurements include the General Conference Money Fund - a cash equivalent, Investments - includes various unitized funds for which the General Conference is trustee and donated stock, and split-interest agreements held by a third party.

For the General Conference Money Fund and investments the valuations are calculated by the investment manager based on the number of units owned in each fund. Valuation techniques take into account each fund's underlying assets and include traditional valuation methods such as cost and market approaches. Investment funds that are valued and redeemable at Net Asset Value, require no adjustments to the valuation provided by the General Conference and have no redemption restrictions, are classified as level 2. Donated stock that are publicly traded are classified as level 1.

Split-interest agreements held by a third party are valued at the present value of future cash flows. Charitable gift annuities valuations are performed by the third party administrator who factors in net present value of future cash flows expected to be received over the term of the agreement. ADRA relies on the valuations presented by the third party that are independently audited. Change in value of split-interest are recorded annually, with the exception of maturities that are recorded when they occur. ADRA monitors that new gifts reflect its percentage of the remainder, and distributions occur in accordance with the activity voted by the Trust Service Committee of the General Conference, of which ADRA has representation. Since the valuation requires judgment and estimates, ADRA's interest in these agreements are included in level 3.

The methods described above may produce fair value calculations that may not be indicative of net realizable or reflective of future fair values. Furthermore, while ADRA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

The following table presents the financial instruments carried at fair value as of December 31, 2016 and 2015, by level within the fair value hierarchy, as defined in Note 2.

	2016			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 7,364,163	\$ -	\$ 7,364,163
Investments (<i>see note 6</i>)	15,640	40,332,624	-	40,348,264
Split-interest ²	-	-	990,442	990,442
Total assets measured at fair value	<u>\$ 15,640</u>	<u>\$ 47,696,787</u>	<u>\$ 990,442</u>	<u>\$ 48,702,869</u>

	2015			Total
	Level 1	Level 2	Level 3	
General Conference Money Fund ¹	\$ -	\$ 6,070,861	\$ -	\$ 6,070,861
Investments (<i>see note 6</i>)	2,635	38,306,818	-	38,309,453
Split-interest ²	-	-	949,587	949,587
Total assets measured at fair value	<u>\$ 2,635</u>	<u>\$ 44,377,679</u>	<u>\$ 949,587</u>	<u>\$ 45,329,901</u>

¹ General Conference Money Fund is included in cash and cash equivalents in the Statement of Financial Position, and further described in Note 7.

² Split-interest are a part of contributions receivable, and contributions receivable-long term in the Statement of Financial Position.

Changes in Level 3 Assets

The following table is a roll forward of the statement of financial position amounts for financial instruments classified by ADRA within Level 3 of the fair value hierarchy as defined in Note 2.

	Split-interest
Balance at January 1, 2015	\$ 1,339,986
Net realized/unrealized gains (losses)	(271,178)
Maturities	(150,043)
New Gifts	30,822
Balance at December 31, 2015	<u>\$ 949,587</u>
Net realized/unrealized gains (losses)	117,429
Maturities	(169,297)
New Gifts	92,723
Balance at December 31, 2016	<u>\$ 990,442</u>

Realized/unrealized gains(losses) included in changes in net assets for the years ended December 31, 2016 and 2015 respectively are reported in support and revenue as follows:

	Investment and other	
	2016	2015
Total gains (losses) included in changes in net assets	\$ 117,429	\$ (271,178)
Change in unrealized gains (losses) relating to assets still held at year end	\$ 1,678	\$ (357,442)

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

6. Investments

Investments as of December 31, 2016 and 2015, which consist of units held in various unitized funds for which the General Conference is the trustee, are summarized below. The fair value measurement of all 2016 investments is based on the net asset values of the unitized funds, which is a level 2 input as per Note 2.

	<u>2016</u>			<u>2015</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Appreciation (Decline)</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Appreciation (Decline)</u>
Unitized GC Large Cap/U.S Equity Fund	\$ 7,669,168	\$ 10,138,002	\$ 2,468,834	\$ 7,502,675	\$ 9,316,519	\$ 1,813,844
Unitized GC International fund	9,557,119	5,865,099	(3,692,020)	9,425,330	5,882,783	(3,542,547)
Unitized GC Small Cap/US Equity Fund	2,307,969	2,584,630	276,661	2,284,921	2,242,810	(42,111)
Unitized GC Emerging Markets Fund	2,753,467	1,841,783	(911,684)	2,731,432	1,682,165	(1,049,267)
Unitized GC Income Fund	9,249,361	9,192,484	(56,877)	9,050,268	8,894,849	(155,419)
Unitized GC Bond Fund	4,490,979	4,440,601	(50,378)	4,406,474	4,364,043	(42,431)
Unitized Capital Preservation Fund	2,296,908	2,231,913	(64,995)	2,264,122	2,192,378	(71,744)
Unitized Global Opportunities Fund	4,300,000	4,038,112	(261,888)	4,300,000	3,731,271	(568,729)
Donated Stock	15,640	15,640	-	2,591	2,635	44
	<u>\$ 42,640,611</u>	<u>\$ 40,348,264</u>	<u>\$ (2,292,346)</u>	<u>\$ 41,967,813</u>	<u>\$ 38,309,453</u>	<u>\$ (3,658,360)</u>

Investment income for the years ended December 31, 2016 and 2015 is summarized below.

	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 659,915	\$ 681,272
Net realized loss on sale of investments	(203)	-
Net unrealized gain in value of investments	1,366,056	(1,408,536)
Total investment income	<u>\$ 2,025,768</u>	<u>\$ (727,264)</u>

Investment management fees for 2016 and 2015 were \$146,994 and \$162,780 respectively.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

7. Transactions With Affiliated Entities:

Amounts due from (to) affiliates at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Net amounts due from affiliates:		
ADRA – Canada	\$ 1,262	\$ 1,941
ADRA – Honduras	-	210
ADRA – India	-	23,603
ADRA – Jamaica	194	-
ADRA – Kenya	4,531	-
ADRA – Malawi	7,075	-
ADRA – Middle East North Africa Regional Office	-	583
ADRA – South Sudan	10,493	-
ADRA – Sudan	1,866	1,919
ADRA – Yemen	-	325
ADRA – Zimbabwe	25,252	-
General Conference	331,941	297,979
North American Division	244,298	174,378
Other Affiliated Organizations	1,079,435	183,716
	<u>\$ 1,706,347</u>	<u>\$ 684,654</u>

Amounts due to affiliates:		
ADRA – Africa Regional Office	\$ 159,355	\$ 130,089
ADRA – Asia	62,969	34,179
ADRA – Democratic Republic of Congo (East)	7,753	2,278
ADRA – Ghana	6,908	-
ADRA – India	3,789	-
ADRA – Jamaica	-	107
ADRA – Madagascar	-	8,255
ADRA – Mozambique	1,383	29,195
ADRA – South Sudan	-	189,847
ADRA – Yemen	295,375	-
Other Affiliated Organizations	909,755	1,129,407
	<u>\$ 1,447,287</u>	<u>\$ 1,523,357</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

Amounts due from the General Conference, include direct and indirect public support collected by the General Conference for ADRA. The amount due from the General Conference is net of amounts due to the General Conference for services provided by the General Conference to ADRA, such as utilities, facility operation, and general services. Total amounts billed to ADRA for these services were \$541,254 and \$528,276, resulting in a net receivable of \$331,941 and \$297,979 for the years ended December 31, 2016 and 2015, respectively.

ADRA has its principal office in the facility owned by the General Conference. The rental value of that facility has been recognized as an in-kind donation in the Statement of Activities and is included in the Seventh-day Adventist Church public support. The amount was \$308,782 and \$314,650 for the years ended December 31, 2016 and 2015, respectively.

Investment income earned on the General Conference Money Fund for the years ended December 31, 2016 and 2015 was \$35,449 and \$12,660 respectively, which is included in investment and other revenue, net in the Statement of Activities. These earnings were generated from the General Conference Money Fund ending balances as of December 31, 2016 and 2015 totaling \$7,364,163 and \$6,070,861, respectively, and which are reflected in the Statement of Financial Position as part of cash and cash equivalents.

Investment income earned on unitized funds for which the General Conference is trustee for the years ended December 31, 2016 and 2015 was \$659,915 and \$681,272 respectively, which is included in Investment and other revenue in the Statement of Activities. These earnings relate to investments held as of December 31, 2016 and 2015 totaling \$40,332,623 and \$38,306,818 respectively. See Note 6 for additional disclosures.

Contributions from the Seventh-day Adventist Church are reflected in the Statement of Activities for the years ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Disaster and famine relief offering	\$ 2,080,658	\$ 2,229,304
Institutional Support	94,423	-
Tithe	224,381	219,981
Non tithe	541,254	528,276
Rent	308,782	314,650
Appropriations for field offices	<u>1,904,067</u>	<u>2,193,563</u>
	<u>\$ 5,153,565</u>	<u>\$ 5,485,774</u>

As of December 31, 2016 and 2015, ADRA passed through \$19,527,660 and \$18,590,677, respectively, of U.S. government grants to affiliate implementing partners as sub recipients of their federal awards.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

8. Contributions Receivable

Contributions receivable consist of estates, installment pledges, and irrevocable split-interest agreements including charitable gift annuities and trusts in which ADRA has either lead or remainder interest. These amounts are recorded at the present value of future cash flows, which is based on the actuarial calculations using fair market value of the assets, IRS life expectancy tables and industry standards for discount rates.

	2016	2015
<u>Less than one year</u>		
Estates and installments	\$ 564,214	\$ 222,092
Split-interest agreements	15,000	15,000
	\$ 579,214	\$ 237,092
 <u>One to five years</u>		
Estates and installments	\$ 374,924	\$ 133,837
Split-interest agreements	975,442	934,587
Contributions receivable – long term, net	\$ 1,350,366	\$ 1,068,424
	\$ 1,929,580	\$ 1,305,516
Present value discounts	\$ 64,535	\$ 20,062
Allowance for uncollectible pledged contributions	\$ (507,802)	\$ (195,048)

In 2014, ADRA received a cash distribution of \$19,900. This distribution is conditional pending final expenses, and is recorded in the Statement of Financial Position as amounts due to other.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

9. Inventories

Inventories at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Purchased	\$ 130,502	\$ 271,949
Donated	<u>3,989,695</u>	<u>440,177</u>
	<u>\$ 4,120,197</u>	<u>\$ 712,126</u>

10. Furniture and Equipment

Furniture and equipment at December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 840,119	\$ 765,457
Less accumulated depreciation	<u>(620,585)</u>	<u>(565,554)</u>
	<u>\$ 219,534</u>	<u>\$ 199,903</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Africa	\$ 689,360	\$ 1,023,103
Asia	123,847	1,056,898
Central America	433,496	84,857
Europe	110,305	2,758
North America	352,155	437,698
South America	93,484	11,282
South Pacific	95,098	96,660
Children	1,497,528	1,551,257
Economic development	3,830	3,785
Education	111,235	34,500
Emergency - disaster	2,984,525	2,870,932
Food	7,193,112	5,714,846
Health	960,435	684,565
Restricted as to time	1,769,580	1,290,516
Term endowment	98,146	97,520
Other	3,048,732	367,575
	<u>\$ 19,564,868</u>	<u>\$ 15,328,752</u>

Temporarily restricted net assets were released during the years ended December 31, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Satisfaction of program restriction	\$ 10,113,230	\$ 9,206,086
Satisfaction of time restriction	86,380	236,932
	<u>\$ 10,199,610</u>	<u>\$ 9,443,018</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

12. Retirement Plan

Eligible ADRA employees are covered by the Seventh-day Adventist Retirement Plan of the North America Division. The Retirement Plan is a multi-employer, defined benefit retirement plan for employees of the General Conference and its affiliates. The Retirement Plan provides for assistance of eligible employees, their spouses, and dependent children, and the eligible spouses and children of deceased participants. Benefits of the Retirement Plan include retirement allowance for the employee and the qualifying spouse, health care assistance, and death benefits.

The Retirement Plan was active through 1999, and continues to be actively funded by contributions of the participating entities. The contributions are calculated as a percentage of audited remuneration data for the fiscal year ending two years prior to the billing period. ADRA's exposure is their share of the unfunded actuarial liability. Financial information of the Retirement Plan's underlying assets, contributions, and actuarial liability are unavailable for disclosure. The Retirement Plan is exempt from IRS filings.

For the years ending December 31, 2016 and 2015 retirement expense of the Retirement Plan contributions consist of the following:

	2016	2015
Retirement	\$ 398,792	\$ 377,763
Health Care	192,520	182,368
	\$ 591,312	\$ 560,131

ADRA also participates in a multi-employer defined contribution retirement plan. The basic employer contribution rate is 5% of eligible wages. In addition ADRA will match employee's contribution up to an additional 3%. Contributions to the defined contribution plan were \$404,722 and \$382,678, for 2016 and 2015, respectively.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

13. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. These audits may result in a liability payable to the grantor. The amount of expenditures, if any, which may be potentially disallowed, cannot be determined at this time, although ADRA expects such amount to be immaterial.

In connection with its ongoing relationship with USAID and the regulatory provision for its Negotiated Indirect Cost Rate Agreement (NICRA), ADRA has been involved in a process to finalize provisional rates, settle any resulting adjustments as needed and close those grants affected. ADRA has finalized rates through 2014 and has been given new provisional rates for the years 2015 and 2016 and onward until amended. ADRA is currently reviewing the closing process for the years finalized, and is analyzing the subsequent year in which only preliminary rates exist. While additional revenue or expense may result, ADRA does not believe the net amount will be material based on the current analysis.

ADRA had an arrangement with the General Conference to guarantee home loans for ADRA employees held by the General Conference under denominational policy. Collateral for loans already established are held by the General Conference in the form of recorded first and second liens against the properties. The total amount of these loans as of December 31, 2016 and 2015 was \$2,420,473 and \$2,046,335 respectively. When a foreclosure arises, ADRA's exposure is limited to the difference between the outstanding loan balance and the value of the collateral as defined in the loan agreement.

14. Grant Compliance

Government grants and contracts are considered to be exchange transactions, the majority of which are cost-reimbursable grants. Revenue, including approved indirect cost recovery, is recognized when allowable costs have been incurred. ADRA's costs incurred under its government awards are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not have a material impact on the accompanying financial statements

15. Gifts in Kind

For the years ended December 31, 2016 and 2015, gifts in kind were received from other non-profit organizations of \$10,045,594 and \$6,594,884, respectively. For the years ended December 31, 2016 and 2015, gifts in kind were distributed to affiliate implementing partners of \$7,320,752 and \$6,639,583, respectively.

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

16. Supporting Services

Details of supporting services for the years ended December 31, 2016, and December 31, 2015 are as follows:

	Fundraising					
	2016					2015
	Marketing	Administration	Programs	Finance	Total Fundraising	Total Fundraising
General and administrative costs:						
Personnel and related costs	\$ 421,349	\$ 2,707	\$ 9,343	\$ 90	\$ 433,489	\$ 372,787
Travel	32,106	-	1,783	-	33,889	49,176
Rent	52,506	301	285	8	53,100	43,746
Depreciation	2,228	24	1	-	2,253	2,792
Other <i>(see additional detail)</i>	773,089	-	-	11,030	784,119	774,904
Salary and travel allocation	-	-	-	-	-	-
	<u>\$ 1,281,278</u>	<u>\$ 3,032</u>	<u>\$ 11,412</u>	<u>\$ 11,128</u>	<u>\$ 1,306,850</u>	<u>\$ 1,243,405</u>
Total Fundraising						
	Public Relations					
	2016					2015
	Marketing	Administration	Programs	Finance	Total Public Relations	Total Public Relations
General and administrative costs:						
Personnel and related costs	\$ 236,507	\$ 83,342	\$ 3,143	\$ 36	\$ 323,028	\$ 552,521
Travel	36,522	72,286	863	-	109,671	81,903
Rent	-	6,915	167	-	7,082	62,239
Depreciation	-	457	-	-	457	4,528
Other <i>(see additional detail)</i>	173,376	27,105	638	-	201,119	589,478
Salary and travel allocation	-	-	-	-	-	-
	<u>\$ 446,405</u>	<u>\$ 190,105</u>	<u>\$ 4,811</u>	<u>\$ 36</u>	<u>\$ 641,357</u>	<u>\$ 1,290,669</u>
Total Public Relations						
	Management and General					
	2016					2015
	Marketing	Administration	Programs	Finance	Total Management and General	Total Management and General
General and administrative costs:						
Personnel and related costs	\$ 912,891	\$ 3,184,243	\$ 2,769,232	\$ 1,947,711	\$ 8,814,077	\$ 7,531,980
Travel	23,011	232,775	266,106	41,258	563,150	562,760
Rent	164,602	253,959	140,166	127,431	686,158	648,811
Depreciation	6,987	70,108	271	1,139	78,505	74,888
Other <i>(see additional detail)</i>	433,415	1,409,307	569,753	436,506	2,848,981	2,673,169
Salary and travel allocation	-	-	(7,605)	-	(7,605)	-
Overhead recovered from grants	-	-	(3,716,147)	-	(3,716,147)	(4,035,826)
	<u>\$ 1,540,906</u>	<u>\$ 5,150,392</u>	<u>\$ 21,776</u>	<u>\$ 2,554,045</u>	<u>\$ 9,267,119</u>	<u>\$ 7,455,782</u>
Total Management and General						

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS

Further details of other fundraising and public relations expense during the years ended December 31, 2016 and December 31, 2015 are as follows:

	2016			
	<u>Fundraising</u>	<u>Public Relations</u>	<u>Management and General</u>	<u>Total</u>
Maintenance and repairs	\$ -	\$ -	\$ 135,543	\$ 135,543
Management and administration	11,030	20,325	740,859	772,214
Materials and supplies	153	61	180,421	180,635
Postage and telecommunications	7,100	69,934	171,093	248,127
Professional services	28,090	21,962	1,435,406	1,485,458
Public education/awareness	-	-	13,975	13,975
Publication and printing	737,094	12,844	15,085	765,023
Transportation, handling and warehousing	-	-	28,842	28,842
Promotion/advertising	652	75,993	-	76,645
Entertainment	-	-	75,478	75,478
Miscellaneous	-	-	52,279	52,279
Total	<u>\$ 784,119</u>	<u>\$ 201,119</u>	<u>\$ 2,848,981</u>	<u>\$ 3,834,219</u>

	2015			
	<u>Fundraising</u>	<u>Public Relations</u>	<u>Management and General</u>	<u>Total</u>
Maintenance and repairs	\$ -	\$ -	\$ 123,190	\$ 123,190
Management and administration	11,071	15,829	690,018	716,918
Materials and supplies	1,066	6,597	184,119	191,782
Postage and telecommunications	3,035	7,507	186,479	197,021
Professional services	76,667	4,375	1,356,027	1,437,069
Public education/awareness	-	-	17,065	17,065
Publication and printing	680,295	923	23,367	704,585
Transportation, handling and warehousing	-	-	21,097	21,097
Promotion/advertising	2,770	554,247	-	557,017
Entertainment	-	-	24,796	24,796
Miscellaneous	-	-	47,011	47,011
Total	<u>\$ 774,904</u>	<u>\$ 589,478</u>	<u>\$ 2,673,169</u>	<u>\$ 4,037,551</u>

ADVENTIST DEVELOPMENT AND RELIEF AGENCY INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS

17. ADRA Board Designated Funds

During 2015 and 2016 the ADRA Board of Directors (the Board) designated \$2,000,000 for capacity building focused on strategically repositioning the ADRA network to compete for funding opportunities. As of December 2016, \$36,360 has been met.

In 2007 and the following year, the ADRA Board of Directors adopted a multiyear plan to designate a total of \$8,000,000 for “Capacity Building and New Development”. As of December 31, 2016 and 2015 respectively, \$7,943,892 and \$7,572,628 of the commitment has been met.

The Board designated amounts are included in the Unrestricted Net Assets in the statement of financial position.