

BLESSINGS INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

YEARS ENDED AUGUST 31, 2017 AND 2016

WITH

INDEPENDENT AUDITORS' REPORT

Blessings International
Consolidated Financial Statements
And
Supplementary Information
Years Ended August 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Blessings International
Broken Arrow, Oklahoma

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Blessings International (a nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

HOOD & ASSOCIATES, CPAs, P.C.

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 consolidated financial position of Blessings International as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Associates, CPAs, P.C.

Hood & Associates, CPAs, P.C.

Tulsa, Oklahoma
November 15, 2017

Blessings International
Consolidated Statements of Financial Position
August 31, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 2,018,668	\$ 2,041,823
Short-term investments (<i>Note 5</i>)	1,607,902	1,360,285
Accounts receivable (net of reserve for doubtful accounts of \$2,500)	165,526	262,246
Unconditional promises to give (net of allowance for uncollectible promises of \$4,200 and \$5,800 at August 31, 2017 and 2016, respectively)	15,374	15,260
Pharmaceutical inventory (at cost) (<i>Note 2</i>)	1,211,615	1,299,757
Prepaid pharmaceutical purchases and other current assets	223,457	224,648
Total current assets	5,242,542	5,204,019
 Property and Equipment (<i>Note 4</i>) :		
Land and building (Net of accumulated depreciation of \$468,075 and \$399,156 at August 31, 2017 and 2016, respectively)	2,747,191	2,801,539
Other property and equipment (Net of accumulated depreciation of \$590,333 and \$544,211 at August 31, 2017 and 2016, respectively)	269,237	254,381
Net property and equipment	3,016,428	3,055,920
 Other Assets:		
Deposits	-	-
Long-term investments (<i>Note 5</i>)	168,667	166,184
Total other assets	168,667	166,184
Total assets	\$ 8,427,637	\$ 8,426,123

Blessings International
Consolidated Statements of Financial Position
August 31, 2017 and 2016

LIABILITIES AND NET ASSETS

	2017	2016
Current liabilities:		
Accounts payable	\$ 60,029	\$ 28,769
Advance payments	7,515	22,288
Accrued payroll	-	-
Pension plan contributions payable and other accrued liabilities	12,277	12,780
Total current liabilities/total liabilities	79,821	63,837
 Unrestricted net assets		
Operating	8,112,823	8,139,504
Total unrestricted net assets	8,112,823	8,139,504
 Temporarily restricted net assets		
Designated offerings	234,993	222,782
Total temporarily restricted net assets	234,993	222,782
Total net assets	8,347,816	8,362,286
Total liabilities and net assets	\$ 8,427,637	\$ 8,426,123

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2017 and 2016

	2017	2016
Unrestricted Net Assets:		
Unrestricted revenues, gains and other support:		
Net sales of pharmaceutical products and supplies	\$ 4,602,902	\$ 4,504,971
General undesignated offerings:		
Combined Federal Campaign	12,492	14,093
State, local, corporate campaigns	4,755	5,877
Other	35,095	49,031
Investment return <i>(Note 5)</i>	27,106	34,135
Transfers to temporarily restricted net assets <i>(Note 3)</i>	(64,141)	(43,475)
Loss on disposal of assets	(6,766)	-
Other	466	1,340
Total unrestricted revenue and gains	4,611,909	4,565,972
Net assets released from restrictions:		
Restrictions satisfied by payments	126,650	120,905
Restrictions satisfied by passage of time	-	-
Total net assets released from restrictions	126,650	120,905
Total unrestricted revenues, gains, other support	4,738,559	4,686,877
Expenses:		
Program services:		
Assistance and gifts:		
Estimated cost of pharmaceutical shipments	2,601,087	2,443,581
Gifts and other distribution costs	443,002	449,301
Salaries, wages and allocated overhead costs	1,312,140	1,144,643
Total program services	4,356,229	4,037,525
Supporting services:		
Management and general	344,179	340,374
Fund-raising <i>(Note 7)</i>	64,832	63,127
Total supporting services	409,011	403,501
Total expenses	4,765,240	4,441,026
Increase (decrease) in unrestricted net assets	(26,681)	245,851

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2017 and 2016

	2017	2016
Temporarily restricted net assets:		
Designated offerings	74,720	74,235
Transfer from unrestricted funds <i>(Note 3)</i>	64,141	43,475
Net assets released from restrictions <i>(Note 2)</i>	(126,650)	(120,905)
Increase (decrease) in temporarily restricted net assets	12,211	(3,195)
Increase (decrease) in net assets	(14,470)	242,656
Net assets, beginning of year	8,362,286	8,119,630
Net assets, end of year	\$ 8,347,816	\$ 8,362,286

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from net sales charges	\$ 4,684,849	\$ 4,357,151
Cash received from general undesignated offerings	53,828	64,098
Cash received from interest and other investment income	16,775	13,567
Cash received from grants	-	-
Cash received from designated offerings	74,720	74,235
Cash received from other income	466	1,340
Cash disbursed for program services	(4,131,984)	(3,746,256)
Cash disbursed for management and general expenses	(313,312)	(308,872)
Cash disbursed for fund-raising expenses	<u>(64,832)</u>	<u>(63,127)</u>
Net cash provided by operating activities	<u>320,510</u>	<u>392,136</u>
Cash flows from investing activities:		
Purchase of investments	(1,437,128)	(285,000)
Proceeds from redemption of investments	1,197,359	269,914
Additions to real estate, equipment and software	(103,896)	(53,965)
Proceeds from sale of assets	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(343,665)</u>	<u>(69,051)</u>
Net increase (decrease) in cash and cash equivalents	(23,155)	323,085
Cash and cash equivalents, beginning of year	<u>2,041,823</u>	<u>1,718,738</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,018,668</u></u>	<u><u>\$ 2,041,823</u></u>

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2017 and 2016

**Reconciliation of changes in net assets to net cash
provided by operating activities:**

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (14,470)	\$ 242,656
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	147,723	142,760
Reinvested investment income	(11,013)	(15,468)
Provision for bad debts	(1,600)	2,100
Unrealized (gain) loss on investments	682	(5,100)
Loss on disposal of assets	6,766	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	96,720	(135,957)
(Increase) decrease in unconditional promises to give	1,486	(4,903)
(Increase) decrease in grant receivable	-	-
(Increase) decrease in prepaid expenses	1,191	18,320
(Increase) decrease in inventory	88,142	186,028
Increase (decrease) in accounts payable	20,159	(21,115)
Increase (decrease) in advance payments	(14,773)	(11,863)
Increase (decrease) in accrued payroll	-	-
Increase (decrease) in pension plan contributions payable and other accrued liabilities	(503)	(5,322)
Total adjustments	334,980	149,480
Net cash provided by operating activities	\$ 320,510	\$ 392,136

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 1 – Nature of Activities

Blessings International (the “Ministry”) was incorporated in the State of Oklahoma on July 6, 1981. The primary focus of the Ministry is to obtain and distribute pharmaceuticals essential for the eradication of major diseases and parasites to clinics, hospitals and mission groups operating in developing nations. The Ministry obtains its pharmaceuticals by purchasing them from both U.S. and overseas sources. In recent years, the Ministry has increasingly relied on bulk purchases of generic drugs from four overseas suppliers through its “Import for Export” program. In prior years, the Ministry has obtained significant pharmaceuticals from donations solicited from major pharmaceutical firms; however, no donations have been received since February 2009.

The Ministry distributes pharmaceuticals overseas to over 150 developing nations for the treatment of needy or indigent people and as well to areas of the United States to serve the needs of the “underserved” and “working poor” populations. By working through other non-profit medical providers, church-based ministries and clinics, the desired results of the services Blessings International offers is helping people in the realm of one of their most basic needs – good health. This is accomplished through the provision of essential medicines, thereby offering men, women and children hope for a better future.

In August 2010, the Ministry completed construction of a new headquarters facility located in Broken Arrow, Oklahoma, to provide expanded warehouse, packaging, shipping and office space. This state-of-the-art facility has approximately 18,300 square feet of space, including a 14,000 square foot temperature-controlled warehouse facility with an automated packaging room. The enlarged size and design of the facility allows for increased capacity allowing for expanded partnerships with existing client organizations, while also providing the capacity to serve new organizations requesting assistance, both at an accelerated rate.

On October 10, 2016, Blessings International Board of Trustees formed Blessings THC, Inc., a 501(c)(2) organization, for the purpose of holding title to the real estate, consisting of the headquarters facility and land, and limited assets, as well as diversifying risk. The building and land were transferred effective in January 2017, and cash assets of 500,000 were transferred in February 2017. Blessings THC, Inc. cannot conduct charitable or fund-raising activities and cannot retain income, turning over any retained income to its only member, Blessings International.

The Ministry is supported primarily through sales charges to its Christian and humanitarian mission clientele to cover the costs of overseas shipment, warehouse and other overhead costs, as well as the costs of purchased pharmaceuticals. To a much lesser extent, the Ministry is supported by donor contributions, including federal and state government campaign pledges that support its benevolent activities.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Ministry have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(b) Financial Statement Presentation

Under U.S. generally accepted accounting principles, a not-for-profit organization such as Blessings International is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At August 31, 2017 and 2016, the Ministry had no permanently restricted net assets.

(c) Principles of Consolidation

The consolidated financial statements include the accounts of Blessing International and its wholly owned subsidiary, Blessings THC, Inc. All inter-entity transactions and balances have been eliminated in consolidation.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Ministry considers all unrestricted highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Such investments with an initial maturity of more than three months are classified as short-term investments in the Statement of Financial Position if their final maturity is one year or less from the date of the financial statements, and long-term investments if their final maturity is more than one year from the date of the financial statements.

(e) Investments

Investments in marketable securities with readily determinable fair values and all investments in certificates of deposit and other debt securities are reported at their estimated fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of debt securities with original maturities of twelve months or less or maturing within twelve months from year end and all marketable securities. Long-term investments consist of debt securities with original maturities greater than twelve months.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (continued)

(f) Concentration of Credit Risk

The Ministry's cash equivalents and certificates of deposit may, at times, exceed federally insured limits. At August 31, 2017, there were no significant concentrations of credit risk. To date, the Ministry has not experienced any losses on such deposits, and management believes that the Ministry is not exposed to any significant credit risk associated with its cash equivalents and certificates of deposit.

(g) Inventories

Inventories of pharmaceuticals, consisting of medicines, vitamins, and medical supplies purchased from both U.S. and overseas suppliers are stated at the lower of cost or market using a weighted moving average cost method. The cost of pharmaceutical inventories includes the actual purchase cost of the products, including freight and any customs fees and duties associated with products imported from overseas suppliers, as well as an allocation of processing costs of bulk-purchased imported items for sorting, bottling, and labeling. Processing costs include the costs of materials and supplies used in processing, direct labor costs and allocated overhead costs, such as depreciation, insurance, and employee benefits. The ratio of inventoried processing costs to total inventoried purchase costs of bulk-purchased pharmaceuticals is estimated to be the same as the ratio of total processing costs incurred for the year to the total purchase costs of such products incurred for the year.

For specific pharmaceuticals purchased from U.S. pharmaceutical companies, the inventory received is identified by manufacturer, item number and packaging size (National Drug Code ("NDC")), and lot number and expiration date. Generic pharmaceutical products purchased in bulk quantities from overseas suppliers are referred to as "Import for Export" (IFE) products. For these IFE products, Ministry warehouse personnel sort and further process the products under Blessings International NDC number. All such pharmaceutical products are tracked and accounted for by a specific identification method.

Generally no write downs of pharmaceutical inventories are required for estimated obsolescence or unmarketable inventory. The Ministry's policy is to dispose of any expired, obsolete or unmarketable inventories as needed. In many circumstances, the Ministry is able to locate organizations who can utilize short-dated pharmaceutical products and arrangements are made for bulk shipments of such items to the recipient organizations.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (continued)

(h) Public Support and Revenues

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions, generally related to the designation of a country, region or natural disaster for which the contribution is to be used.

All donor-restricted support is classified as “designated funds” and is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give are recorded as received. For the years ended August 31, 2017 and 2016, unconditional promises to give consisted of pledges made to the Christian Service Charities for the benefit of the Ministry through the Fall 2016 and 2015 Combined Federal Campaigns and to Neighbor to Nation through state, local and corporate Fall 2016 and 2015 campaigns, and were classified as unrestricted support.

All contributions received, whether designated or general, are used toward the Ministry's benevolence projects. Because pharmaceutical sales charges are sufficient to cover all management and fund-raising expenses, not one penny of a donor's dollar is used to pay supporting overhead expenses.

Pharmaceutical sales, net of any amounts forgiven (“gifts from Blessings International”) or usage of designated offerings, are recognized when billed, upon shipment of pharmaceuticals to recipients.

(i) Accounts and Other Receivables and Allowances for Doubtful Accounts

Accounts and other receivables consist of trade receivables and pledges receivable.

Trade receivables from Christian missions for pharmaceutical sales are stated at the historical invoice amount net of write-offs and allowance for doubtful accounts. The Ministry establishes an estimated allowance for doubtful accounts receivable based on various factors, including revenue, historical credit loss experience and current trends, but principally from any specific customer collection issues that the Ministry has identified. Uncollectible accounts receivable are written off when a settlement is reached for amount that is less than outstanding historical balance or when the Ministry has determined the balance will not be collected.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (continued)

(i) Accounts and Other Receivables and Allowances for Doubtful Accounts (continued)

Pledges receivable are reflected net of estimated uncollectible promises to give. An allowance for uncollectible promises is provided based upon Management's evaluation of potential uncollectible pledges receivable at year end, utilizing historical collection experience.

(j) Property and Equipment

Acquisitions of property and equipment in excess of \$500 with a useable life of more than one year are capitalized. Property and equipment are carried at cost, if purchased, or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Depreciation of furniture and fixtures, machinery and equipment, some computer hardware and software costs, and automotive equipment is computed using the straight-line method over estimated useful lives ranging from five to ten years. Depreciation of the cost of the Ministry's office and warehouse building, net of 10% salvage value, is computed using the straight-line method over a forty-year life.

Depreciation expense amounted to \$147,723 and \$142,760 for the years ended August 31, 2017 and 2016, respectively.

(k) Income Taxes

The Ministry is a not-for-profit Private Voluntary Organization (PVO) that is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended August 31, 2014, 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

(l) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities as either program services, management and general, or fund-raising expenses. Program services include assistance and gifts, consisting principally of the purchase and processing cost of pharmaceuticals shipped, overseas shipping costs, and allocated salaries, wages and overhead costs. Accordingly, certain costs have been allocated between program services and supporting services expenses based on estimates of the Ministry's management.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 2 – Summary of Significant Accounting Policies (continued)

(m) Donated Services

During the years ended August 31, 2017 and 2016, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, a number of individuals volunteer their time and perform a variety of tasks that assist the Ministry in its warehouse facilities, but these services do not meet the criteria for recognition as donated services.

(n) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and other support and expenses during the reporting period. Actual results could differ from those estimates.

(o) Date of Management's Review

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

Note 3 – Transfers to Temporarily Restricted Net Assets

In September 2016, pursuant to a resolution of the Ministry's Executive Committee, \$49,750 was transferred from general unrestricted assets to two designated funds, \$24,875 each to the USA Fund and Meds for Orphans Fund, out of fiscal year 2016 net revenues. An additional \$14,391 was transferred to two designated funds during fiscal 2017 which had incurred expenditures in excess of their offerings.

Pursuant to a resolution of the Ministry's Executive Committee in September 2015, \$17,525 was transferred from unrestricted assets in the Mission Partnership Fund ("MPF") to the Emergency Disaster Relief Fund. An additional \$25,950 was transferred to three designated funds which had incurred expenditures in excess of their offerings during the year ended August 31, 2016.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 4 – Property and Equipment

At August 31, 2017 and 2016, property and equipment was comprised of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 253,649	\$ 253,649
Building and improvements	2,961,617	2,947,046
Machinery and equipment	614,902	572,007
Computer equipment	35,762	35,762
Computer software costs	133,048	130,917
Office furniture and fixtures	28,306	28,306
Website	25,364	19,600
Automobile	22,188	12,000
	<u>4,074,836</u>	<u>3,999,287</u>
Less accumulated depreciation	<u>1,058,408</u>	<u>943,367</u>
	<u>\$ 3,016,428</u>	<u>\$ 3,055,920</u>

Note 5 – Investments

Investments at August 31, 2017 and 2016 consisted of certificates of deposit stated at cost, which approximated fair value as their interest rates reflect market rates, various mutual funds and 4,000 shares of preferred stock stated at their estimated fair values.

	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$ 1,176,476	\$ 1,424,369
Mutual funds	\$ 499,093	\$ -
Preferred stock	101,000	102,100
	<u>1,776,569</u>	<u>1,526,469</u>
Less certificates of deposit, mutual funds and preferred stock classified as current assets	<u>1,607,902</u>	<u>1,360,285</u>
	<u>\$ 168,667</u>	<u>\$ 166,184</u>

Long-term certificates of deposit at August 31, 2017, mature during the year 2021.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 5 – Investments (continued)

Investment return for the years ended August 31, 2017 and 2016 was comprised of the following:

	2017	2016
Interest and dividend income from certificates of deposit, money market accounts and equity investments	\$ 27,788	\$ 29,035
Unrealized appreciation (depreciation) in fair value of investment in mutual funds and preferred stock	(682)	5,100
	\$ 27,106	\$ 34,135

Note 6 – Retirement Arrangement With Staff Employees

The Ministry offers staff employees the opportunity for participation in a contributory 403(B) defined contribution plan. All full or part-time staff employees may participate with elective deferrals after 90 days of employment. After two years of employment, the Ministry double matches (2% for every 1%) employees' contributions up to 5% of their regular salary. The expense to the Ministry under this arrangement was \$67,034 and \$64,950 for the years ended August 31, 2017 and 2016, respectively.

Note 7 – Fund-Raising Expenses

The Ministry's fund-raising efforts consist of annual participation in the Combined Federal and State Campaigns, as well as occasional newsletter appeals and special events. The Ministry's fund-raising efforts through normal operations consist of the allocated portion of the salary and related overhead of the Ministry's President, Chief Financial Officer and other administrative staff members, and certain identifiable costs related to fund-raising, including advertisements for cash donations placed in various publications. Such identifiable fund-raising expenses were \$64,832 and \$63,127 for the years ended August 31, 2017 and 2016, respectively.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Note 8 – Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at August 31, 2017 and 2016 are as follows:

August 31, 2017:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Short-Term Investments:			
Certificates of deposit	\$ 1,007,809	\$ -	\$ 1,007,809
Mutual funds	499,093	499,093	-
Preferred Stocks	101,000	101,000	-
	<u>1,607,902</u>	<u>600,093</u>	<u>1,007,809</u>
Long-Term Investments:			
Certificates of deposit	168,667	-	168,667
	<u>\$ 1,776,569</u>	<u>\$ 600,093</u>	<u>\$ 1,176,476</u>

August 31, 2016:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Short-Term Investments:			
Certificates of deposit	\$ 1,258,185	\$ -	\$ 1,258,185
Preferred Stocks	102,100	102,100	-
	<u>1,360,285</u>	<u>102,100</u>	<u>1,258,185</u>
Long-Term Investments:			
Certificates of deposit	166,184	-	166,184
	<u>\$ 1,526,469</u>	<u>\$ 102,100</u>	<u>\$ 1,424,369</u>

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2017 and 2016

Level 1 Fair Value Measurements

Investments in mutual funds and preferred stock are reported at fair value on a recurring basis by reference to quoted market prices on an active market and other relevant information generated by market transactions.

Level 2 Fair Value Measurements

Investments in certificates of deposit are reported at estimated fair value on a recurring basis based on their original cost, which should reasonably approximate their market value, as compared to quoted prices for identical or similar instruments in markets that are not active.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or future fair values. Furthermore, although the Ministry believes the valuation methods used were 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 fair value measurement at the reporting date.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Trustees
Blessings International
Broken Arrow, Oklahoma

We have audited the consolidated financial statements of Blessings International as of and for the year ended August 31, 2017, and have issued our report thereon dated November 15, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of expenses by functional classification is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hood & Associates, CPAs, P.C.

Hood & Associates, CPAs, P.C.
Certified Public Accountants

Tulsa, Oklahoma
November 15, 2017

Hood & Associates, CPAs, P.C.

Blessings International
Schedule of Expenses by Functional Classification
Year Ended August 31, 2017

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Assistance and Gifts</u>	<u>Other Program Costs</u>	<u>Management and General</u>	<u>Fund-Raising</u>	
Cost of pharmaceutical shipments	\$ 2,601,087	\$ -	\$ -	\$ -	\$ 2,601,087
Allocated processing costs	-	(168,133)	-	-	(168,133)
CEO officer's salary and bonus	-	152,630	28,618	9,539	190,787
Office salaries and bonuses	-	757,662	153,398	36,018	947,078
Freight outbound	226,155	-	-	-	226,155
Reassay pharmaceuticals	4,070	-	-	-	4,070
Depreciation	-	81,422	20,355	-	101,777
Payroll taxes	-	63,867	12,467	3,500	79,834
Pension plan	-	53,627	9,595	3,812	67,034
Legal and professional fees and regulatory expenses	-	47,361	11,840	-	59,201
Fund-raising	-	-	-	11,257	11,257
Computer maintenance & expense	-	28,803	7,201	-	36,004
Cash contributions	180,404	-	-	-	180,404
Pharmaceuticals destruction/loss	18,329	-	-	-	18,329
Group medical insurance	-	63,325	15,271	560	79,156
Bad debts	-	-	3,178	-	3,178
Travel	-	28,373	-	-	28,373
Supplies (Office And Warehouse)	-	17,121	4,280	-	21,401
Mission trips	4,419	-	-	-	4,419
Telephone and internet fees	-	7,812	1,953	-	9,765
Bank charges	-	-	1,336	-	1,336
Depreciation (Blessings THC, Inc.)	-	36,757	9,189	-	45,946
Air Freight	9,625	-	-	-	9,625
Equipment repair/maintenance	-	2,202	550	-	2,752
Auto expenses	-	1,024	256	-	1,280
Postage	-	1,945	486	-	2,431
Utilities	-	17,766	4,441	-	22,207
Dues and fees	-	-	29,143	-	29,143
Insurance-general	-	45,818	11,309	146	57,273
Seminars and conventions	-	-	7,724	-	7,724
Security	-	846	212	-	1,058
Printing, photo, artwork	-	21,034	-	-	21,034
Books and tapes	-	982	-	-	982
Recruitment	-	-	1,285	-	1,285
Building, grounds and warehouse maintenance	-	9,126	2,282	-	11,408
Entertainment	-	-	7,810	-	7,810
Advertising and marketing	-	9,089	-	-	9,089
Credit card process fees	-	31,681	-	-	31,681
Celebration	-	-	-	-	-
Miscellaneous	-	-	-	-	-
	<u>\$ 3,044,089</u>	<u>\$ 1,312,140</u>	<u>\$ 344,179</u>	<u>\$ 64,832</u>	<u>\$ 4,765,240</u>