

BLESSINGS INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

YEARS ENDED AUGUST 31, 2018 AND 2017

WITH

INDEPENDENT AUDITORS' REPORT

Blessings International
Consolidated Financial Statements
And
Supplementary Information
Years Ended August 31, 2018 and 2017

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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, 2018 and 2017, 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.

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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, 2018 and 2017, 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 7, 2018

Blessings International
Consolidated Statements of Financial Position
August 31, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$1,683,092	\$2,018,668
Short-term investments (<i>Note 5</i>)	1,912,728	1,607,902
Accounts receivable (net of reserve for doubtful accounts of \$2,500)	90,614	165,526
Unconditional promises to give (net of allowance for uncollectible promises of \$3,300 and \$4,200 at August 31, 2018 and 2017, respectively)	9,560	15,374
Pharmaceutical inventory (at cost) (<i>Note 2</i>)	1,237,548	1,211,615
Prepaid pharmaceutical purchases and other current assets	<u>459,616</u>	<u>223,457</u>
Total current assets	<u>5,393,158</u>	<u>5,242,542</u>
Property and Equipment (<i>Note 4</i>) :		
Land and building (Net of accumulated depreciation of \$537,753 and \$468,075 at August 31, 2018 and 2017, respectively)	2,677,513	2,747,191
Other property and equipment (Net of accumulated depreciation of \$672,389 and \$590,333 at August 31, 2018 and 2017, respectively)	<u>265,674</u>	<u>269,237</u>
Net property and equipment	<u>2,943,187</u>	<u>3,016,428</u>
Other Assets:		
Deposits	-	-
Long-term investments (<i>Note 5</i>)	<u>171,264</u>	<u>168,667</u>
Total other assets	<u>171,264</u>	<u>168,667</u>
Total assets	<u>\$ 8,507,609</u>	<u>\$ 8,427,637</u>

Blessings International
Consolidated Statements of Financial Position
August 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities:		
Accounts payable	\$ 42,088	\$ 60,029
Advance payments	14,249	7,515
Accrued payroll	-	-
Pension plan contributions payable and other accrued liabilities	18,445	12,277
Total current liabilities/total liabilities	74,782	79,821
 Unrestricted net assets		
Operating	8,225,542	8,112,823
Total unrestricted net assets	8,225,542	8,112,823
 Temporarily restricted net assets		
Designated offerings	207,285	234,993
Total temporarily restricted net assets	207,285	234,993
Total net assets	8,432,827	8,347,816
Total liabilities and net assets	\$ 8,507,609	\$ 8,427,637

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2018 and 2017

	2018	2017
Unrestricted Net Assets:		
Unrestricted revenues, gains and other support:		
Net sales of pharmaceutical products and supplies	\$ 4,982,381	\$ 4,602,902
General undesignated offerings:		
Combined Federal Campaign	5,325	12,492
State, local, corporate campaigns	8,963	4,755
Other	48,282	35,095
Investment return <i>(Note 5)</i>	55,581	27,106
Transfers to temporarily restricted net assets <i>(Note 3)</i>	(74,690)	(64,141)
Loss on disposal of assets	-	(6,766)
Other	640	466
Total unrestricted revenue and gains	5,026,482	4,611,909
Net assets released from restrictions:		
Restrictions satisfied by payments	188,806	126,650
Restrictions satisfied by passage of time	-	-
Total net assets released from restrictions	188,806	126,650
Total unrestricted revenues, gains, other support	5,215,288	4,738,559
Expenses:		
Program services:		
Assistance and gifts:		
Estimated cost of pharmaceutical shipments	2,882,612	2,601,087
Gifts and other distribution costs	496,637	443,002
Salaries, wages and allocated overhead costs	1,282,228	1,271,754
Total program services	4,661,477	4,315,843
Supporting services:		
Management and general	369,762	384,565
Fundraising <i>(Note 7)</i>	71,330	64,832
Total supporting services	441,092	449,397
Total expenses	5,102,569	4,765,240
Increase (decrease) in unrestricted net assets	112,719	(26,681)

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2018 and 2017

	2018	2017
Temporarily restricted net assets:		
Designated offerings	86,408	74,720
Transfer from unrestricted funds <i>(Note 3)</i>	74,690	64,141
Net assets released from restrictions <i>(Note 2)</i>	(188,806)	(126,650)
Increase (decrease) in temporarily restricted net assets	(27,708)	12,211
Increase (decrease) in net assets	85,011	(14,470)
Net assets, beginning of year	8,347,816	8,362,286
Net assets, end of year	\$ 8,432,827	\$ 8,347,816

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from net sales charges	\$ 5,064,027	\$ 4,684,849
Cash received from general undesignated offerings	69,284	53,828
Cash received from interest and other investment income	20,398	16,775
Cash received from grants	-	-
Cash received from designated offerings	86,408	74,720
Cash received from other income	640	466
Cash disbursed for program services	(4,801,336)	(4,131,984)
Cash disbursed for management and general expenses	(341,833)	(313,312)
Cash disbursed for fundraising expenses	(71,330)	(64,832)
	<u>26,258</u>	<u>320,510</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(776,124)	(1,437,128)
Proceeds from redemption of investments	503,884	1,197,359
Additions to real estate, equipment and software	(89,594)	(103,896)
Proceeds from sale of assets	-	-
	<u>(361,834)</u>	<u>(343,665)</u>
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(335,576)	(23,155)
Cash and cash equivalents, beginning of year	2,018,668	2,041,823
Cash and cash equivalents, end of year	\$ 1,683,092	\$ 2,018,668

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2018 and 2017

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

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 85,011	\$ (14,470)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	151,734	147,723
Reinvested investment income	(30,629)	(11,013)
Provision for bad debts	(900)	(1,600)
Unrealized (gain) loss on investments	(4,554)	682
Loss on disposal of assets	-	6,766
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	74,912	96,720
(Increase) decrease in unconditional promises to give	6,714	1,486
(Increase) decrease in grant receivable	-	-
(Increase) decrease in prepaid expenses	(236,159)	1,191
(Increase) decrease in inventory	(25,933)	88,142
Increase (decrease) in accounts payable	(6,840)	20,159
Increase (decrease) in advance payments	6,734	(14,773)
Increase (decrease) in accrued payroll	-	-
Increase (decrease) in pension plan contributions payable and other accrued liabilities	6,168	(503)
Total adjustments	(58,753)	334,980
Net cash provided by operating activities	\$ 26,258	\$ 320,510

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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 several 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 with the goal to heal the hurting, build health communities and transform lives for men, women and children.

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 expanded partnerships with existing client organizations while also providing the capacity to serve new organizations 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, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017

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, 2018, 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 through a perpetual management information system.

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, 2018 and 2017

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 cause, region/country 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, 2018 and 2017, unconditional promises to give consisted of pledges made to the Christian Service Charities for the benefit of the Ministry through the Fall 2017 and 2016 Combined Federal Campaigns and to Neighbor to Nation through state, local and corporate Fall 2017 and 2016 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 and humanitarian 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, 2018 and 2017

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 three 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 \$151,734 and \$147,723 for the years ended August 31, 2018 and 2017, 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, 2015, 2016, 2017, and 2018 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, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

(m) Donated Services

During the years ended August 31, 2018 and 2017, 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 7, 2018, which was the date the financial statements were available to be issued.

Note 3 – Transfers to Temporarily Restricted Net Assets

In September 2017, pursuant to a resolution of the Ministry's Executive Committee, \$40,625 was transferred from general unrestricted net assets in equal amounts to two designated funds, the USA Fund and the Meds for Orphans Fund, out of fiscal year 2017 net revenues. An additional \$34,065 was transferred to two designated funds which had incurred expenditures in excess of their offerings during the year ended August 31, 2018.

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.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

Note 4 – Property and Equipment

At August 31, 2018 and 2017, property and equipment was comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 253,649	\$ 253,649
Building and improvements	2,961,617	2,961,617
Machinery and equipment	678,577	614,902
Computer equipment	43,930	35,762
Computer software costs	139,698	133,048
Office furniture and fixtures	28,306	28,306
Website	25,364	25,364
Automobile	22,188	22,188
	<u>4,153,329</u>	<u>4,074,836</u>
Less accumulated depreciation	<u>1,210,142</u>	<u>1,058,408</u>
	<u>\$ 2,943,187</u>	<u>\$ 3,016,428</u>

Note 5 – Investments

Investments at August 31, 2018 and 2017 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>2018</u>	<u>2017</u>
Certificates of deposit	\$ 985,237	\$ 1,176,476
Mutual funds	999,995	499,093
Preferred stock	<u>98,760</u>	<u>101,000</u>
	2,083,992	1,776,569
Less certificates of deposit, mutual funds and preferred stock classified as current assets	<u>1,912,728</u>	<u>1,607,902</u>
	<u>\$ 171,264</u>	<u>\$ 168,667</u>

Long-term certificates of deposit at August 31, 2018, mature during the year 2021.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

Note 5 – Investments (continued)

Investment return for the years ended August 31, 2018 and 2017 was comprised of the following:

	2018	2017
Interest and dividend income from certificates of deposit, money market accounts and equity investments	\$ 51,027	\$ 27,788
Unrealized appreciation (depreciation) in fair value of investments in mutual funds and preferred stock	4,554	(682)
	\$ 55,581	\$ 27,106

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 \$69,256 and \$67,034 for the years ended August 31, 2018 and 2017, respectively.

Note 7 – Fundraising Expenses

The Ministry's fundraising efforts consist of annual participation in the Combined Federal and State Campaigns, as well as regular newsletter appeals and on occasion 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 \$71,330 and \$64,832 for the years ended August 31, 2018 and 2017, respectively.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

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, 2018 and 2017 are as follows:

August 31, 2018:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Short-Term Investments:			
Certificates of deposit	\$ 813,973	\$ -	\$ 813,973
Mutual funds	999,995	999,995	-
Preferred Stocks	98,760	98,760	-
	<u>1,912,728</u>	<u>1,098,755</u>	<u>813,973</u>
Long-Term Investments:			
Certificates of deposit	171,264	-	171,264
	<u>\$ 2,083,992</u>	<u>\$ 1,098,755</u>	<u>\$ 985,237</u>

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>

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2018 and 2017

Note 8 – Fair Value Measurements (continued)

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, 2018, and have issued our report thereon dated November 7, 2018, 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 7, 2018

Hood & Associates, CPAs, P.C.

Blessings International
Schedule of Expenses by Functional Classification
Year Ended August 31, 2018

	<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>Fundraising</u>	
Cost of pharmaceutical shipments	\$ 2,882,612	\$ -	\$ -	\$ -	\$ 2,882,612
Allocated processing costs	-	(212,607)	-	-	(212,607)
CEO officer's salary and bonus	-	155,058	29,074	9,691	193,823
Office salaries and bonuses	-	758,810	148,406	41,297	948,513
Freight outbound	276,048	-	-	-	276,048
Reassay pharmaceuticals	15,481	-	-	-	15,481
Depreciation	-	65,645	16,411	-	82,056
Payroll taxes	-	64,077	12,103	3,916	80,096
Pension plan	-	55,405	9,439	4,412	69,256
Legal and professional fees and regulatory expenses	-	9,577	28,289	-	37,866
Fundraising	-	-	-	11,066	11,066
Computer maintenance & expense	-	46,021	11,505	-	57,526
Cash contributions	164,015	-	-	-	164,015
Pharmaceuticals destruction/loss	29,247	-	-	-	29,247
Group medical insurance	-	68,015	16,190	814	85,019
Bad debts	-	-	5,172	-	5,172
Travel	-	28,690	-	-	28,690
Supplies (Office And Warehouse)	-	26,948	6,737	-	33,685
Mission trips	7,683	-	-	-	7,683
Telephone and internet fees	-	8,010	2,002	-	10,012
Bank charges	-	-	710	-	710
Depreciation (Blessings THC, Inc.)	-	55,742	13,936	-	69,678
Air Freight	4,163	-	-	-	4,163
Equipment repair/maintenance	-	6,156	1,539	-	7,695
Auto expenses	-	516	129	-	645
Postage	-	1,894	474	-	2,368
Utilities	-	20,953	5,238	-	26,191
Dues and subscriptions	-	-	26,557	-	26,557
Insurance-general	-	41,639	10,276	134	52,049
Seminars and conventions	-	-	7,693	-	7,693
Security	-	962	240	-	1,202
Printing, photo, artwork	-	23,328	-	-	23,328
Books and tapes	-	1,594	-	-	1,594
Recruitment	-	-	930	-	930
Building, grounds and warehouse maintenance	-	9,819	2,455	-	12,274
Entertainment	-	-	9,016	-	9,016
Advertising and marketing	-	6,260	-	-	6,260
Credit card process fees	-	39,716	-	-	39,716
Tuition reimbursement	-	-	5,241	-	5,241
Miscellaneous	-	-	-	-	-
	<u>\$ 3,379,249</u>	<u>\$ 1,282,228</u>	<u>\$ 369,762</u>	<u>\$ 71,330</u>	<u>\$ 5,102,569</u>