

BLESSINGS INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2019 AND 2018

WITH

INDEPENDENT AUDITORS' REPORT

Blessings International

Consolidated Financial Statements

Years Ended August 31, 2019 and 2018

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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses 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.

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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, 2019 and 2018, 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 14, 2019

Blessings International
Consolidated Statements of Financial Position
August 31, 2019 and 2018

ASSETS	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$1,316,247	\$1,683,092
Short-term investments <i>(Note 6)</i>	1,848,244	1,912,728
Accounts receivable (net of reserve for doubtful accounts of \$4,500 and \$2,500 at August 31, 2019 and 2018, respectively)	162,180	90,614
Unconditional promises to give (net of allowance for uncollectable promises of \$3,300 at August 31, 2018 <i>(Note 2)</i>)	-	9,560
Pharmaceutical inventory (at cost) <i>(Note 2)</i>	1,640,170	1,237,548
Prepaid pharmaceutical purchases and other current assets	<u>246,860</u>	<u>459,616</u>
Total current assets	<u>5,213,701</u>	<u>5,393,158</u>
Property and Equipment <i>(Note 5)</i> :		
Land and building (Net of accumulated depreciation of \$607,431 and \$ 537,753 at August 31, 2019 and 2018, respectively)	2,607,835	2,677,513
Other property and equipment (Net of accumulated depreciation of \$753,677 and \$672,389 August 31, 2019 and 2018, respectively)	<u>204,441</u>	<u>265,674</u>
Net property and equipment	<u>2,812,276</u>	<u>2,943,187</u>
Other Assets:		
Deposits	-	-
Long-term investments <i>(Note 6)</i>	<u>429,854</u>	<u>171,264</u>
Total other assets	<u>429,854</u>	<u>171,264</u>
Total assets	<u><u>\$ 8,455,831</u></u>	<u><u>\$ 8,507,609</u></u>

Blessings International
Consolidated Statements of Financial Position
August 31, 2019 and 2018

LIABILITIES AND NET ASSETS

	2019	2018
Current liabilities:		
Accounts payable	\$ 35,073	\$ 42,088
Advance payments	11,952	14,249
Accrued payroll	-	-
Pension plan contributions payable and other accrued liabilities	11,120	18,445
Total current liabilities/total liabilities	58,145	74,782
 Net Assets:		
Without donor restrictions		
Operating	8,174,746	8,225,542
With donor restrictions		
Designated offerings	222,940	207,285
Total net assets	8,397,686	8,432,827
Total liabilities and net assets	\$ 8,455,831	\$ 8,507,609

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions:		
Revenues, gains and other support:		
Net sales of pharmaceutical products and supplies	\$ 4,766,580	\$ 4,982,231
General undesignated offerings:		
Medicine for Nations Fund	55,522	48,282
Combined Federal, state, local, and corporate campaigns <i>(Note 2)</i>	2,455	14,288
Investment return <i>(Note 5)</i>	95,309	55,581
Transfers to temporarily restricted net assets <i>(Note 3)</i>	(69,549)	(74,690)
Other	1,505	640
Total revenue and gains without donor restrictions	4,851,822	5,026,332
Net assets released from restrictions:		
Restrictions satisfied by payments	141,619	188,806
Restrictions satisfied by passage of time	-	-
Total net assets released from restrictions	141,619	188,806
Total revenues, gains, other support without donor restrictions	4,993,441	5,215,288
Expenses:		
Program services:		
Assistance and gifts:		
Estimated cost of pharmaceutical shipments	2,823,639	2,882,612
Gifts and other distribution costs	424,025	496,637
Salaries, wages and allocated overhead costs	1,337,957	1,282,228
Total program services	4,585,621	4,661,477
Supporting services:		
Management and general	364,528	369,762
Fundraising <i>(Note 7)</i>	94,088	71,330
Total supporting services	458,616	441,092
Total expenses	5,044,237	5,102,569
Increase (decrease) in net assets without donor restrictions	(50,796)	112,719

Blessings International
Consolidated Statements of Activities
Years Ended August 31, 2019 and 2018

	2019	2018
Changes in net assets with donor restrictions:		
Designated offerings	87,725	86,408
Transfer from unrestricted funds <i>(Note 3)</i>	69,549	74,690
Net assets released from restrictions <i>(Note 2)</i>	(141,619)	(188,806)
Increase (decrease) in net assets with with donor restrictions	15,655	(27,708)
Increase (decrease) in net assets	(35,141)	85,011
Net assets, beginning of year	8,432,827	8,347,816
Net assets, end of year	\$ 8,397,686	\$ 8,432,827

Blessings International
Consolidated Statement of Functional Expenses
Year Ended August 31, 2019

	Program Services		Supporting Services		Total
	Assistance and Gifts	Other Program Costs	Management and General	Fund-Raising	
Cost of pharmaceutical shipments	\$ 2,823,639	\$ -	\$ -	\$ -	\$ 2,823,639
Cash contributions	137,936	-	-	-	137,936
Outbound freight	271,047	-	-	-	271,047
Travel/Mission trips	3,066	32,737	-	-	35,803
Pharmaceutical reassay/destruction	11,976	-	-	-	11,976
Salaries, wages and bonuses	-	936,678	160,225	73,945	1,170,848
Pension plan	-	59,471	11,718	3,150	74,339
Employee medical and other benefits	-	68,598	12,460	4,690	85,748
Payroll taxes	-	64,519	10,439	5,691	80,649
Allocated processing costs	-	(178,404)	-	-	(178,404)
Depreciation	-	120,772	30,194	-	150,966
Insurance - general	-	41,998	10,183	316	52,497
Credit card process fees	-	45,077	-	-	45,077
Computer maintenance and expense	-	46,705	11,676	-	58,381
Building, grounds and warehouse expenses	-	34,202	8,551	-	42,753
Dues and subscriptions	-	-	36,601	-	36,601
Office and warehouse supplies	-	27,192	6,798	-	33,990
Legal and professional fees	-	-	30,578	-	30,578
Printing, artwork, books and tapes	-	18,886	-	-	18,886
Telephone and internet fees	-	8,129	2,032	-	10,161
Seminars and conventions	-	-	9,544	-	9,544
Employee training and recruitment	-	-	9,560	-	9,560
Vehicle and other equipment maintenance and expense	-	3,205	801	-	4,006
Advertising and marketing	-	5,625	-	-	5,625
Entertainment/Employee relations	-	-	9,150	-	9,150
Fund-raising	-	-	-	6,296	6,296
Postage	-	2,567	642	-	3,209
Bad debts	-	-	2,606	-	2,606
Bank charges	-	-	770	-	770
	<u>\$ 3,247,664</u>	<u>\$ 1,337,957</u>	<u>\$ 364,528</u>	<u>\$ 94,088</u>	<u>\$ 5,044,237</u>

Blessings International
Consolidated Statement of Functional Expenses
Year Ended August 31, 2018

	Program Services		Supporting Services		Total
	Assistance and Gifts	Other Program Costs	Management and General	Fund-Raising	
Cost of pharmaceutical shipments	\$ 2,882,612	\$ -	\$ -	\$ -	\$ 2,882,612
Cash contributions	164,015	-	-	-	164,015
Outbound freight	280,211	-	-	-	280,211
Travel/Mission trips	7,683	28,690	-	-	36,373
Pharmaceutical reassay/destruction	44,728	-	-	-	44,728
Salaries, wages and bonuses	-	913,868	177,480	50,988	1,142,336
Pension plan	-	55,405	9,439	4,412	69,256
Employee medical and other benefits	-	68,015	16,190	814	85,019
Payroll taxes	-	64,077	12,103	3,916	80,096
Allocated processing costs	-	(212,607)	-	-	(212,607)
Depreciation	-	121,387	30,347	-	151,734
Insurance - general	-	41,639	10,276	134	52,049
Credit card process fees	-	39,716	-	-	39,716
Computer maintenance and expense	-	46,021	11,505	-	57,526
Building, grounds and warehouse expenses	-	31,734	7,933	-	39,667
Dues and subscriptions	-	-	26,557	-	26,557
Office and warehouse supplies	-	26,948	6,737	-	33,685
Legal and professional fees	-	9,577	28,289	-	37,866
Printing, artwork, books and tapes	-	24,922	-	-	24,922
Telephone and internet fees	-	8,010	2,002	-	10,012
Seminars and conventions	-	-	7,693	-	7,693
Employee training and recruitment	-	-	6,171	-	6,171
Vehicle and other equipment maintenance and expense	-	6,672	1,668	-	8,340
Advertising and marketing	-	6,260	-	-	6,260
Entertainment/Employee relations	-	-	9,016	-	9,016
Fund-raising	-	-	-	11,066	11,066
Postage	-	1,894	474	-	2,368
Bad debts	-	-	5,172	-	5,172
Bank charges	-	-	710	-	710
	<u>\$ 3,379,249</u>	<u>\$ 1,282,228</u>	<u>\$ 369,762</u>	<u>\$ 71,330</u>	<u>\$ 5,102,569</u>

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from net sales charges	\$ 4,690,717	\$ 5,064,027
Cash received from general undesignated offerings	67,537	69,284
Cash received from interest and dividends	31,004	20,398
Cash received from grants	-	-
Cash received from designated offerings	87,725	86,408
Cash received from other income	1,505	640
Cash disbursed for program services	(4,689,546)	(4,801,336)
Cash disbursed for management and general expenses	(311,843)	(341,833)
Cash disbursed for fundraising expenses	(94,088)	(71,330)
	(216,989)	26,258
Net cash provided (used) by operating activities		
Cash flows from investing activities:		
Purchase of investments	(129,801)	(776,124)
Proceeds from redemption of investments	-	503,884
Additions to real estate, equipment and software	(20,055)	(89,594)
Proceeds from sale of assets	-	-
	(149,856)	(361,834)
Net cash provided (used) by investing activities		
Net increase (decrease) in cash and cash equivalents	(366,845)	(335,576)
Cash and cash equivalents, beginning of year	1,683,092	2,018,668
Cash and cash equivalents, end of year	\$ 1,316,247	\$ 1,683,092

Blessings International
Consolidated Statements of Cash Flows
Years Ended August 31, 2019 and 2018

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

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (35,141)	\$ 85,011
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	150,966	151,734
Reinvested investment income	(44,091)	(30,629)
Provision for bad debts	2,000	(900)
Unrealized (gain) loss on investments	(20,214)	(4,554)
Loss on disposal of assets	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(73,566)	74,912
(Increase) decrease in unconditional promises to give	9,560	6,714
(Increase) decrease in grant receivable	-	-
(Increase) decrease in prepaid expenses	212,756	(236,159)
(Increase) decrease in inventory	(402,622)	(25,933)
Increase (decrease) in accounts payable	(7,015)	(6,840)
Increase (decrease) in advance payments	(2,297)	6,734
Increase (decrease) in accrued payroll	-	-
Increase (decrease) in pension plan contributions payable and other accrued liabilities	(7,325)	6,168
Total adjustments	(181,848)	(58,753)
Net cash provided by operating activities	\$ (216,989)	\$ 26,258

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

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 healthy 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 cash received from federal and state government campaign pledges that support its benevolent activities.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

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) Adoption of New Accounting Standard

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU” or “Update”) 2016-14 *Not-for-Profit Entities* (Topic 958) which significantly changed the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The ASU provided, among other things, that only two classes of net assets are to be reported in the statement of financial position – net assets with donor restrictions and net assets without donor restrictions, and an analysis of expenses by both their nature and function are to be presented in one location – either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. The ASU also requires the disclosure of the method used to allocate costs among program and support services, and that nonprofit organizations must present more information about the liquidity of their financial assets and how the availability of the financial assets is limited by donor restrictions, legal restrictions, and governing board designations.

The Update was effective for fiscal years beginning after December 15, 2017. The Ministry has adopted the provisions of the Update, and there was no material impact on the accompanying consolidated financial statements.

(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.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

(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. .

(f) Concentration of Credit Risk

The Ministry's cash equivalents and certificates of deposit may, at times, exceed federally insured limits. At August 31, 2019, 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.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

(g) Inventories (continued)

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.

(h) Public Support and Revenues

Contributions received are recorded as either increases in net assets without donor restrictions or increases in net assets with donor restrictions, 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 net assets with donor restrictions. When a restriction expires (that is, when a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Unconditional promises to give were recorded as received for the year ended August 31, 2018 and consisted of pledges made to the Christian Service Charities for the benefit of the Ministry through the Fall 2017 Combined Federal Campaign and to Neighbor to Nation through state, local and corporate Fall 2017 campaign, and were classified as unrestricted support. Effective September 1, 2018, due to the continued decline in such contributions, the Ministry began recording contributions from the Combined Federal Campaign and Neighbor to Nation as received on the cash basis of accounting. The effect of this accounting change had only a negligible effect on the Ministry's recorded donor contributions for the year ended August 31, 2019.

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.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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

Accounts and other receivables consisted solely of trade receivables at August 31, 2019. At August 31, 2018, certain pledges receivable were reflected in addition to trade receivables.

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.

At August 31, 2018, pledges receivable were reflected net of estimated uncollectible promises to give. An allowance for uncollectible promises was 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 \$2,500 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 \$150,966 and \$151,734 for the years ended August 31, 2019 and 2018, 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.

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

(k) Income Taxes (continued)

The Ministry's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended August 31, 2016, 2017, 2018, and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

(l) Cost Allocation

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. As the financial statements of the Ministry report certain categories of expenses that are attributable to both program and supporting functions, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, depreciation and occupancy expenses. All such allocable expenses and costs are allocated between program services and supporting services expenses based on estimates of the Ministry's management.

(m) Donated Services

During the years ended August 31, 2019 and 2018, 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 14, 2019, which was the date the financial statements were available to be issued

BLESSINGS INTERNATIONAL
Notes to Consolidated Financial Statements
August 31, 2019 and 2018

Note 3 – Transfers to Net Assets with Donor Restrictions

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 October 2018, pursuant to a resolution of the Ministry's Executive Committee, \$49,560 was transferred from general unrestricted assets to three designated funds, \$16,520, each to the USA Fund, One Nation One Day Fund and Meds for Orphans Fund, out of fiscal year 2018 net revenues. An additional \$19,989 was transferred to the Meds for Orphans Fund which had incurred expenditures in excess of its offerings during the year ended August 31, 2019.

Note 4 – Liquidity and Availability of Financial Assets

The Ministry is primarily funded by sales charges to its Christian and humanitarian mission clientele for pharmaceuticals and to a much lesser extent by contributions from donors, some of which contain restrictions which require that resources be designated for a certain country or region or for a cause or natural disaster. Therefore, the Ministry must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Ministry has a goal to structure its financial assets to be available as general expenditures, liabilities and other obligations become due. The Ministry also invests its cash in excess of its daily needs in money market amounts and short-term investments, such as certificates of deposit and mutual funds.

The summary below reflects the Ministry's financial assets as of the statement of financial position date, August 31, 2019, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of August 31, 2019. Amounts that are not available also include board designated amounts that could be utilized if the Board of Trustees approved the use.

Financial assets, at year-end	\$ 3,326,671
Less those unavailable for general expenditures within one year, due to:	
Donor-restricted to usage in a designated country or region, or for a designated cause or natural disaster	(222,940)
Board designated for a particular country, region, cause or natural disaster	(<u>90,300</u>)
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 3,013,431</u>

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Note 5– Property and Equipment

At August 31, 2019 and 2018, property and equipment was comprised of the following:

Land	\$ 253,649	\$ 253,649
Building and improvements	2,961,617	2,961,617
Machinery and equipment	685,162	678,577
Computer equipment	43,930	43,930
Computer software costs	153,168	139,698
Office furniture and fixtures	28,306	28,306
Website	25,364	25,364
Automobile	22,188	22,188
	<u>4,173,384</u>	<u>4,153,329</u>
Less accumulated depreciation	<u>1,361,108</u>	<u>1,210,142</u>
	<u>\$ 2,812,276</u>	<u>\$ 2,943,187</u>

Note 6 – Investments

Investments at August 31, 2019 and 2018 consisted of certificates of deposit stated at cost, which approximated fair value as their interest rates reflect market rates, various mutual funds and a preferred stock stated at their estimated fair values.

	<u>2019</u>	<u>2018</u>
Certificates of deposit	\$ 1,050,819	\$ 985,237
Mutual funds	1,040,132	999,995
Preferred stock	187,147	98,760
	<u>2,278,098</u>	<u>2,083,992</u>
Less certificates of deposit, mutual funds and preferred stock classified as current assets	<u>1,848,244</u>	<u>1,912,728</u>
	<u>\$ 429,854</u>	<u>\$ 171,264</u>

Long-term certificates of deposit at August 31, 2019, mature during the years 2020 and 2021.

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Note 6 – Investments (continued)

Investment return for the years ended August 31, 2019 and 2018 was comprised of the following:

Interest and dividend income from certificates of deposit, money market accounts and equity investments	\$ 75,095	\$ 51,027
Unrealized appreciation (depreciation) in fair value of investments in mutual funds and preferred stock	20,214	4,554
	\$ 95,309	\$ 55,581

Note 7 – 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 \$74,339 and \$69,256 for the years ended August 31, 2019 and 2018, respectively.

Note 8 – 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 \$94,088 and \$71,330 for the years ended August 31, 2019 and 2018, respectively.

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Note 9 – 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, 2019 and 2018 are as follows:

August 31, 2019:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Short-Term Investments:			
Certificates of deposit	\$ 620,965	\$ -	\$ 620,965
Mutual funds	1,040,132	1,040,132	-
Preferred stocks	187,147	187,147	-
	<u>1,848,244</u>	<u>1,227,279</u>	<u>620,965</u>
Long-Term Investments:			
Certificates of deposit	429,854	-	429,854
	<u>\$ 2,278,098</u>	<u>\$ 1,227,279</u>	<u>\$ 1,050,819</u>

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>

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Note 9 – 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.