

Blessings International
Consolidated Financial Statements
Years Ended August 31, 2021, And 2020
With
Independent Auditors' Report

Blessings International
Consolidated Financial Statements
Years Ended August 31, 2021, and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Blessings International
Broken Arrow, Oklahoma

Report on 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, 2021 and 2020, 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 judgement, 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 controls 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.

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, 2021, and 2020, 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, OK

December 6, 2021

Blessings International
Consolidated Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 850,362	\$ 542,666
Short-term investments (<i>Note 6</i>)	2,095,488	2,188,186
Accounts receivable (net of reserve for doubtful accounts of \$4,500)	128,873	34,523
Pharmaceutical inventory (at cost, less reserve for obsolete inventory of \$0 and \$95,000 at August 31, 2021 and 2020, respectively) (<i>Note 2</i>)	1,564,229	2,316,496
Prepaid pharmaceutical purchases and other current assets	185,102	120,287
Total current assets	4,824,054	5,202,158
Property and Equipment (<i>Note 5</i>) :		
Land and building (Net of accumulated depreciation of \$750,878 and \$677,802 at August 31, 2021 and 2020, respectively)	2,478,523	2,546,031
Other property and equipment (Net of accumulated depreciation of \$859,702 and \$826,284 August 31, 2021 and 2020, respectively)	102,118	148,922
Net property and equipment	2,580,641	2,694,953
Other Assets:		
Long-term investments (<i>Note 6</i>)	179,007	176,372
Total other assets	179,007	176,372
Total assets	\$ 7,583,703	\$ 8,073,483

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

Blessings International
Consolidated Statements of Financial Position
August 31, 2021 and 2020

	2021	2020
Current liabilities:		
Current portion of long-term liabilities (<i>Note 10</i>)	\$ -	\$ 142,300
Accounts payable	25,969	2,449
Advance payments	33,721	16,648
Pension plan contributions payable and other accrued liabilities	937	11,067
Total current liabilities	60,627	172,464
Long-term liabilities, less current portion (<i>Note 10</i>) :		
Note payable - IBC Bank (Paycheck Protection Program)	255,600	113,300
Total liabilities	316,227	285,764
Net Assets:		
Without donor restrictions		
Operating	7,150,613	7,518,319
With donor restrictions		
Designated offerings	116,863	269,400
Total net assets	7,267,476	7,787,719
Total liabilities and net assets	\$ 7,583,703	\$ 8,073,483

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

Blessings International
Consolidated Statements of Activities
August 31, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Revenues, gains and other support:		
Net sales of pharmaceutical products and supplies	\$ 2,308,308	\$ 3,185,215
General undesignated offerings:		
Medicines for Nations Fund	71,854	72,000
Grants	-	24,500
Investment return (<i>Note 6</i>)	187,861	110,162
Net transfers to and from temporarily restricted net assets (<i>Note 3</i>)	30,987	(96,263)
Other	455	492
Other: Gain on Extinguishment of Debt	255,600	-
Total revenue and gains without donor restrictions	2,855,065	3,296,106
Net assets released from restrictions:		
Restrictions satisfied by payments	174,532	145,586
Restrictions satisfied by passage of time	-	-
Total net assets released from restrictions	174,532	145,586
Total revenues, gains, other support without donor restrictions	3,029,597	3,441,692
Expenses:		
Program services:		
Assistance and gifts:		
Estimated cost of pharmaceutical shipments	1,801,329	2,099,551
Gifts and other distribution costs	204,968	335,728
Salaries, wages and allocated overhead costs	1,012,189	1,231,475
Total program services	3,018,486	3,666,754
Supporting services:		
Management and general	323,223	358,020
Fundraising (<i>Note 8</i>)	58,154	73,345
Total supporting services	381,377	431,365
Total expenses	3,399,863	4,098,119
Increase (decrease) in net assets without donor restrictions	(370,266)	(656,427)

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

Blessings International
Consolidated Statements of Activities
August 31, 2021 and 2020

	2021	2020
Changes in net assets with donor restrictions:		
Designated offerings	\$ 55,542	\$ 95,783
Transfers to and from unrestricted funds <i>(Note 3)</i>	(30,987)	96,263
Net assets released from restrictions <i>(Note 2)</i>	(174,532)	(145,586)
Increase (decrease) in net assets with donor restrictions	(149,977)	46,460
Increase (decrease) in net assets	(520,243)	(609,967)
Net assets, beginning of year	7,787,719	8,397,686
Net assets, end of year	\$ 7,267,476	\$ 7,787,719

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

Blessings International
Consolidated Statement of Functional Expenses
Year Ended August 31, 2021

	<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	\$ 1,801,329	\$ -	\$ -	\$ -	\$ 1,801,329
Cash Contributions	38,100	-	-	-	38,100
Outbound freight	147,746	-	-	-	147,746
Travel/Mission trips	638	5,965	-	-	6,602
Pharmaceutical reassay/destruction	18,483	-	-	-	18,483
Salaries, wages and bonuses	-	786,714	147,509	49,170	983,393
Pension plan	-	27,749	5,203	1,734	34,686
Employee medical and other benefits	-	53,242	9,983	3,328	66,552
Payroll taxes	-	55,307	10,370	3,457	69,134
Allocated processing costs	-	(168,742)	-	-	(168,742)
Depreciation	-	99,424	24,856	-	124,280
Insurance - general	-	43,451	10,618	244	54,313
Credit card processing fees	-	29,555	-	-	29,555
Computer maintenance and expense	-	24,026	6,007	-	30,033
Building, grounds and warehouse expenses	-	29,672	7,418	-	37,090
Dues and subscriptions	-	-	52,344	-	52,344
Office and warehouse supplies	-	5,787	1,447	-	7,233
Legal and professional fees	-	-	25,632	-	25,632
Printing, artwork, books and tapes	-	7,476	-	-	7,476
Telephone and internet fees	-	8,638	2,159	-	10,797
Seminars and conventions	-	-	2,149	-	2,149
Employee training and recruitment	-	-	9,128	-	9,128
Vehicle and other equipment maintenance and expense	-	1,752	438	-	2,190
Advertising and marketing	-	660	-	-	660
Entertainment/Employee relations	-	-	7,039	-	7,039
Fundraising	-	-	-	222	222
Postage	-	1,514	378	-	1,892
Bad debts	-	-	-	-	-
Bank charges	-	-	545	-	545
	<u>\$ 2,006,297</u>	<u>\$ 1,012,189</u>	<u>\$ 323,223</u>	<u>\$ 58,154</u>	<u>\$ 3,399,863</u>

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

Blessings International
Consolidated Statement of Functional Expenses
Year Ended August 31, 2020

	<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	\$ 2,099,551	\$ -	\$ -	\$ -	\$ 2,099,551
Cash Contributions	92,600	-	-	-	92,600
Outbound freight	200,868	-	-	-	200,868
Travel/Mission trips	13,961	10,587	-	-	24,548
Pharmaceutical reassay/destruction	28,299	-	-	-	28,299
Salaries, wages and bonuses	-	893,915	163,935	59,544	1,117,394
Pension plan	-	51,362	11,093	1,747	64,202
Employee medical and other benefits	-	85,729	15,201	6,231	107,161
Payroll taxes	-	60,757	10,610	4,579	75,946
Allocated processing costs	-	(187,979)	-	-	(187,979)
Depreciation	-	114,804	28,700	-	143,504
Insurance - general	-	45,346	11,084	252	56,682
Credit card processing fees	-	27,109	-	-	27,109
Computer maintenance and expense	-	30,198	7,550	-	37,748
Building, grounds and warehouse expenses	-	40,259	10,065	-	50,324
Dues and subscriptions	-	-	39,491	-	39,491
Office and warehouse supplies	-	24,053	6,013	-	30,066
Legal and professional fees	-	-	24,364	-	24,364
Printing, artwork, books and tapes	-	15,942	-	-	15,942
Telephone and internet fees	-	10,488	2,622	-	13,110
Seminars and conventions	-	-	5,275	-	5,275
Employee training and recruitment	-	-	10,248	-	10,248
Vehicle and other equipment maintenance and expense	-	4,987	1,247	-	6,234
Advertising and marketing	-	2,453	-	-	2,453
Entertainment/Employee relations	-	-	9,497	-	9,497
Fundraising	-	-	-	992	992
Postage	-	1,465	366	-	1,831
Bad debts	-	-	-	-	-
Bank charges	-	-	659	-	659
	<u>\$ 2,435,279</u>	<u>\$ 1,231,475</u>	<u>\$ 358,020</u>	<u>\$ 73,345</u>	<u>\$ 4,098,119</u>

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

Blessings International
Consolidated Statements of Cash Flows
August 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from net sales charges	\$ 2,231,031	\$ 3,317,568
Cash received from general undesignated offerings	71,854	72,000
Cash received from interest and dividends	31,664	23,702
Cash received from grants	-	24,500
Cash received from designated offerings	55,542	95,783
Cash received from other income	455	700
Cash disbursed for program services	(2,193,364)	(4,130,892)
Cash disbursed for management and general expenses	(323,223)	(332,808)
Cash disbursed for fundraising expenses	(58,154)	(73,345)
Net cash provided (used) by operating activities	(184,195)	(1,002,792)
Cash flows from investing activities:		
Proceeds from redemption of investments	240,691	-
Additions to real estate, equipment and software	(4,400)	(26,389)
Net cash provided (used) by investing activities	236,291	(26,389)
Cash flows from financing activities:		
Proceeds from SBA PPP loan	255,600	255,600
Net increase (decrease) in cash and cash equivalents	307,696	(773,581)
Cash and cash equivalents, beginning of year	542,666	1,316,247
Cash and cash equivalents, end of year	\$ 850,362	\$ 542,666

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

Blessings International
Consolidated Statements of Cash Flows
August 31, 2021 and 2020

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

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (520,243)	\$ (609,967)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	124,280	143,504
Reserve for obsolete inventory	(95,000)	95,000
Reinvested income	(16,683)	(47,807)
Unrealized (gain) loss on investments	(139,513)	(38,653)
Loss on disposal of assets	-	208
Gain on extinguishment of Debt (Paycheck Protection Program)	(255,600)	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(94,350)	127,657
(Increase) decrease in prepaid expenses	(64,815)	126,573
(Increase) decrease in inventory	847,267	(771,326)
Increase (decrease) in accounts payable	23,520	(32,624)
Increase (decrease) in advance payments	17,073	4,696
Increase (decrease) in pension plan contributions payable and other accrued liabilities	(10,130)	(53)
Total adjustments	336,049	(392,825)
Net cash used by operating activities	\$ (184,195)	\$ (1,002,792)

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

Blessings International
Notes to Consolidates Financial Statements
August 31, 2021, and 2020

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 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 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 state government campaign pledges that support its benevolent activities.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

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).

Effective September 1, 2018, the Ministry adopted the Financial Accounting Standards Board's 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 required 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.

Effective September 1, 2020, the Ministry adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in generally accepted accounting principles (GAAP). This standard also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Ministry adopted the new standard effective for the fiscal year ended August 31, 2021, using the full retrospective method. Based on the Ministry's review of its sales transactions with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the statements of financial position and the statements of activities and changes in net assets.

(b) Principles of Consolidation

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

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

(c) 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.

(d) 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.

(e) Concentration of Credit Risk

The Ministry's cash equivalents, and certificates of deposit may, at times, exceed federally insured limits. As of August 31, 2021, 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.

(f) 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 for 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 generally 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.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

(f) Inventories (continued)

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’s 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.

(g) 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.

Effective September 1, 2018, pledges made to the Christian Service Charities for the benefit of the Ministry through the Combined Federal Campaign and to Neighbor to Nation through state, local and corporate campaigns, are recorded as received on the cash basis of accounting and are 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.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

(g) Public Support and Revenues (continued)

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.

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

Accounts and other receivables consisted solely of trade receivables at August 31, 2021 and 2020.

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.

(i) 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 \$124,280 and \$143,504 for the years ended August 31, 2021 and 2020, respectively.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

(j) 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, 2018, 2019, 2020 and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

(k) 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.

(l) Donated Services

During the years ended August 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, generally a number of individuals volunteer their time and perform a variety of tasks that assist the Ministry in its warehouse facilities, but due to COVID-19 restrictions the Ministry was unable to host volunteers. As such these services do not meet the criteria for recognition as donated services.

(m) 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.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

Note 2 – Summary of Significant Accounting Policies (continued)

(n) Date of Management’s Review

Subsequent events have been evaluated through December 6, 2021, which was the date the financial statements were available to be issued.

Note 3 – Transfers to Net Assets with Donor Restrictions

In November 2020, pursuant to a resolution of the Ministry’s Executive Committee made on November 25, 2020, \$80,000 was transferred from Bless the Nation (BTN) designated fund to the Medicines for Nations (MFN) unrestricted fund. This was passed to replenish the depleting MFN fund. The BTN fund was originally set up in April 2013, with \$200,000, 100% funded from the MFN. The year end fund balance of BTN was \$43,412 as of August 31, 2021, and \$30,295 has been contributed to BTN by outside donors.

In August 2021, \$49,012 was transferred from the MFN fund to replenish the overexpanded designated funds of USA Maternal (\$8,308.48 transferred from MFN) and Medicines for Orphans (\$40,704.16 transferred from MFN).

In September 2019, pursuant to a resolution of the Ministry's Executive Committee, \$45,150 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 2019 net revenues.

In June 2020, the Ministry’s Executive Committee authorized the transfer of \$33,000 from unrestricted net assets to the COVID-19 Relief designated fund. An additional \$18,113 was transferred to a designated fund which had incurred expenditures in excess of its offerings during the year ended August 31, 2020.

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.

Blessings International
Notes to Consolidated Financial Statements
August 31, 2021, and 2020

Note 4 – Liquidity and Availability of Financial Assets (continued)

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, 2021, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of August 31, 2021. 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	3,074,723
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	(116,863)
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,957,860</u>

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Note 5– Property and Equipment

At August 31, 2021 and 2020, property and equipment was comprised of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 253,649	\$ 253,649
Building and improvements	2,975,753	2,970,184
Machinery and equipment	674,844	685,162
Computer equipment	41,966	43,930
Computer software costs	169,151	170,255
Office furniture and fixtures	28,306	28,306
Website	25,364	25,364
Automobile	22,188	22,188
	<u>4,191,221</u>	<u>4,199,039</u>
Less accumulated depreciation	<u>1,610,580</u>	<u>1,504,086</u>
	<u>\$ 2,580,641</u>	<u>\$ 2,694,953</u>

Note 6 – Investments

Investments at August 31, 2021 and 2020 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>2021</u>	<u>2020</u>
Certificates of deposit	\$ 847,239	\$ 1,071,838
Mutual funds	1,236,901	1,104,020
Preferred stock	<u>190,354</u>	<u>188,700</u>
	2,274,494	2,364,558
Less certificates of deposit, mutual funds and preferred stock classified as current assets	<u>2,095,488</u>	<u>2,188,186</u>
	<u>\$ 179,007</u>	<u>\$ 176,372</u>

Long-term certificates of deposit at August 31, 2021, mature during the year 2022.

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Note 6 – Investments (continued)

Investment return for the years ended August 31, 2021 and 2020 was comprised of the following:

	2021	2020
Interest and dividend income from certificates of deposit, money market accounts and equity investments	\$ 48,348	\$ 71,509
Unrealized appreciation (depreciation) in fair value of investments in mutual funds and preferred stock	139,513	38,653
	\$ 187,861	\$ 110,162

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 employer match was suspended due to the financial position as of July 15, 2020 but resumed on June 1, 2021. The expense to the Ministry under this arrangement was \$34,686 and \$64,202 for the years ended August 31, 2021 and 2020, 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 \$58,154 and \$73,345 for the years ended August 31, 2021 and 2020, 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, 2021 and 2020 are as follows:

August 31, 2021:

<u>Description</u>	Fair Value	Level 1	Level 2
Short-Term Investments:			
Certificates of deposit	\$ 668,232	\$ -	\$ 668,232
Mutual funds	1,236,901	1,236,901	-
Preferred stocks	190,354	190,354	-
	<u>2,095,488</u>	<u>1,427,255</u>	<u>668,232</u>
Long-Term Investments:			
Certificates of deposit	179,007	-	179,007
	<u>\$ 2,274,494</u>	<u>\$ 1,427,255</u>	<u>\$ 847,239</u>

August 31, 2020:

<u>Description</u>	Fair Value	Level 1	Level 2
Short-Term Investments:			
Certificates of deposit	\$ 895,466	\$ -	\$ 895,466
Mutual funds	1,104,020	1,104,020	-
Preferred stocks	188,700	188,700	-
	<u>2,188,186</u>	<u>1,292,720</u>	<u>895,466</u>
Long-Term Investments:			
Certificates of deposit	176,372	-	176,372
	<u>\$ 2,364,558</u>	<u>\$ 1,292,720</u>	<u>\$ 1,071,838</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.

Note 10 – Note Payable – IBC Bank (Paycheck Protection Program)

As of August 31, 2021, the balance in this caption was comprised of the following;

Note payable to IBC Bank	\$255,600
Less portion due within one year	=
	<u>\$255,600</u>

In February 2021, the Ministry was granted a second-round loan through the U.S. Small Business Administration (SBA) from IBC Bank in the aggregate amount of \$255,600, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title 1 of the CARES Act, which was enacted March 27, 2020.

The loan, which was in the form of a Note dated February 2, 2021 issued by the borrower, matures on February 2, 2026 and bears interest at a rate of 1.0% per annum, payable \$7,354 monthly, including interest, commencing on March 2, 2023. The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan could only be used for payroll costs, costs used to continue group health care benefits, rent and utilities incurred before July 20, 2021. The Ministry used the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of, or the entire loan may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act.

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Note 10 – Note Payable – IBC Bank (Paycheck Protection Program) (continued)

The Ministry was notified on October 27, 2021 that the Small Business Administration granted forgiveness in the amount of \$255,600 of the second-round Paycheck Protection Program Note Payable to IBC Bank (originated February 2, 2021).

As of August 31, 2020, the balance in this caption was comprised of the following;

Note payable to IBC Bank	\$255,600
Less portion due within one year	<u>142,300</u>
	<u>\$113,300</u>

The Ministry was notified on December 9, 2020 that the Small Business Administration granted forgiveness in the amount of \$255,600 of the first-round Paycheck Protection Program Note Payable to IBC Bank (originated April 17, 2020).

Note 11 – Contingency

Since the outbreak of the novel coronavirus (COVID-19) pandemic in March 2020, the Ministry experienced a significant decline in pharmaceutical sales, as many Christian and humanitarian mission trips to overseas destinations have been cancelled or postponed. At the present time, uncertainties exist that may continue to have a significant impact on Ministry's operations, through depressed future sales of pharmaceutical products, as well as possible declines in donor contribution and investment income of the Ministry. Since the beginning of the pandemic, the Ministry has increased pharmaceutical sales to direct locations internationally as well as US free and charitable clinics. Although orders of pharmaceutical products for the purpose of short-term mission trips have increased since the release of effective vaccines, the occurrence and full extent of the impact of the pandemic will depend on future developments, including (1) the duration, variations and spread of the virus, (2) government quarantine measures, (3) voluntary and precautionary restriction on travel or meetings, (4) the continued distribution and resiliency of effective vaccines and (5) the effects on the financial markets and on the overall U.S. economy, all of which are uncertain.

The full financial impact of COVID-19 cannot be determined at this time.

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Note 12 – New Accounting Pronouncements to be adopted

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to put most leases on their statement of financial position. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The new standard is effective for the fiscal years beginning after December 15, 2021, and early adoption is permitted. The Ministry is evaluating the impact this ASU will have on its financial statements.