



**OPERATION BLESSING
INTERNATIONAL RELIEF AND DEVELOPMENT CORPORATION
AND AFFILIATED ORGANIZATIONS**

Consolidated Financial Statements

March 31, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Board of Directors
Operation Blessing International Relief
and Development Corporation:

We have audited the accompanying consolidated financial statements of Operation Blessing International Relief and Development Corporation and affiliated organizations, which comprise the consolidated statements of financial position as of March 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Operation Blessing International Relief and Development Corporation and affiliated organizations as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Norfolk, Virginia
July 22, 2021

**OPERATION BLESSING
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Consolidated Statements of Financial Position

March 31, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 19,895,047	15,022,501
Contributions receivable, net (note 3)	2,513,511	1,718,728
Due from affiliate, net (note 6)	252,903	129,907
Prepaid expenses and other	1,878,257	1,240,223
Gifts-in-kind inventories (note 1(e))	9,580,603	15,164,877
Total current assets	34,120,321	33,276,236
Property and equipment, net (note 4)	1,639,623	1,468,393
Long-term contributions receivable, net (note 3)	235,475	277,276
Other	164,198	—
Total assets	\$ 36,159,617	35,021,905
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 907,354	1,083,041
Deferred gifts-in-kind revenue (note 1(e))	9,580,603	15,164,877
Total current liabilities	10,487,957	16,247,918
Net assets:		
Without donor restrictions	11,574,762	4,354,353
With donor restrictions (note 7)	14,096,898	14,419,634
Total net assets	25,671,660	18,773,987
Commitments and contingencies (notes 5 and 11)	—	—
Total liabilities and net assets	\$ 36,159,617	35,021,905

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Activities

Years ended March 31, 2021 and 2020

	2021			2020		
	Net assets without donor restrictions	Net assets with donor restrictions	Total	Net assets without donor restrictions	Net assets with donor restrictions	Total
Revenue:						
Contributions (note 6)	\$ 18,273,086	14,039,309	32,312,395	17,990,834	14,604,656	32,595,490
Gifts-in-kind (note 1(e))	60,476,131	—	60,476,131	52,497,117	—	52,497,117
Other revenue	3,850	33,569	37,419	20,338	215,263	235,601
Net assets released from restrictions (note 8)	14,395,614	(14,395,614)	—	10,303,257	(10,303,257)	—
Total revenue	<u>93,148,681</u>	<u>(322,736)</u>	<u>92,825,945</u>	<u>80,811,546</u>	<u>4,516,662</u>	<u>85,328,208</u>
Expenses:						
Program expenses:						
Hunger Strike Force	6,912,950	—	6,912,950	6,175,465	—	6,175,465
Outreach and humanitarian relief	14,339,783	—	14,339,783	15,506,495	—	15,506,495
Gifts-in-kind (note 1(e))	60,830,152	—	60,830,152	53,300,196	—	53,300,196
Total program expenses	<u>82,082,885</u>	<u>—</u>	<u>82,082,885</u>	<u>74,982,156</u>	<u>—</u>	<u>74,982,156</u>
Supporting services:						
Fundraising	2,429,286	—	2,429,286	2,391,918	—	2,391,918
General and administrative	1,436,101	—	1,436,101	1,306,351	—	1,306,351
Total supporting services	<u>3,865,387</u>	<u>—</u>	<u>3,865,387</u>	<u>3,698,269</u>	<u>—</u>	<u>3,698,269</u>
Total expenses	<u>85,948,272</u>	<u>—</u>	<u>85,948,272</u>	<u>78,680,425</u>	<u>—</u>	<u>78,680,425</u>
Gain on disposal of property and equipment	20,000	—	20,000	34,797	—	34,797
Increase (decrease) in net assets	7,220,409	(322,736)	6,897,673	2,165,918	4,516,662	6,682,580
Net assets at beginning of year	4,354,353	14,419,634	18,773,987	2,188,435	9,902,972	12,091,407
Net assets at end of year	<u>\$ 11,574,762</u>	<u>14,096,898</u>	<u>25,671,660</u>	<u>4,354,353</u>	<u>14,419,634</u>	<u>18,773,987</u>

See accompanying notes to consolidated financial statements.

**OPERATION BLESSING
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Consolidated Statements of Cash Flows

Years ended March 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 6,897,673	6,682,580
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	437,354	303,533
Gain on disposal of property and equipment	(20,000)	(34,797)
Changes in assets and liabilities:		
Contributions receivable	(752,982)	(422,611)
Prepaid expenses and other	(638,034)	(163,561)
Due from affiliate	(122,996)	(139,743)
Accounts payable and accrued liabilities	(175,687)	(132,010)
Other assets	(164,198)	—
Net cash provided by operating activities	5,461,130	6,093,391
Cash flows from investing activities:		
Proceeds from sale of property and equipment	20,000	34,797
Purchases of property and equipment	(608,584)	(815,636)
Net cash used in investing activities	(588,584)	(780,839)
Increase in cash and cash equivalents	4,872,546	5,312,552
Cash and cash equivalents at beginning of year	15,022,501	9,725,951
Cash and cash equivalents at end of year	\$ 19,895,047	15,038,503
Supplemental disclosure of noncash investing activities:		
Contribution of property and equipment	\$ 216,517	—

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

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(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Operation Blessing International Relief and Development Corporation is a controlled affiliate of The Christian Broadcasting Network, Inc. (CBN). The mission of Operation Blessing International Relief and Development Corporation and its affiliated organizations (Operation Blessing) is to bring humanitarian relief to the world's poor and needy. This relief may take the form of in-kind contributions of food, clothing, medical supplies, equipment, and financial support, as well as the furnishing of services, transportation, and facilities. Additionally, Operation Blessing conducts its relief efforts, in part, by assisting charitable organizations worldwide whose purposes and activities are compatible with its own.

(b) Basis of Presentation

The consolidated financial statements include Operation Blessing International Relief and Development Corporation and its affiliated organizations under common control. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements of Operation Blessing have been prepared on the accrual basis of accounting.

These consolidated financial statements have been prepared to focus on Operation Blessing as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Operation Blessing's net assets are segregated into the following net asset groups:

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Donor-imposed restrictions that are temporary in nature will be met by actions pursuant to the stipulations and/or the passage of time. Donor-imposed restrictions that are perpetual in nature neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of Operation Blessing. Investment income and unrealized gains and losses from resources held in perpetuity can be either restricted or unrestricted.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. Contributions received and contributions receivable with donor-imposed restrictions are reported as increases to net assets with donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions (note 8). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are placed in service.

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(c) Cash and Cash Equivalents

Operation Blessing considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consisting of money market funds totaled \$16,780,551 and \$307,718 at March 31, 2021 and 2020, respectively, and are valued based on unadjusted quoted prices in active markets for identified assets that Operation Blessing has the ability to access at the measurement date.

(d) Contributions Receivable

Contributions receivable, which include unconditional promises to give to Operation Blessing, are recognized as revenue in the period the promise is made by the donor and are recorded at estimated net realizable value. Contributions to be received after one year, if any, are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contribution. Conditional contributions to give are not recognized until the conditions on which they depend are substantially met. Contributions receivable from estate interests are recorded at Operation Blessing's percent interest in the estimated fair value based on the fair value of the underlying assets.

(e) Gifts-in-Kind

Gifts-in-kind are primarily comprised of medicines, school and medical supplies, canned and packaged food, produce, clothing, and other relief products. Gifts-in-kind are recorded at their estimated fair wholesale value when received. There is inherent uncertainty in determining the fair value of donated products. Gifts-in-kind revenue and expense are recognized in the year in which the product is distributed. Amounts at the end of the fiscal year that have not been distributed are included in gifts-in-kind inventories and deferred gifts-in-kind revenue.

(f) Property and Equipment, Net

Property and equipment are stated at cost or at estimated fair value at date of gift if acquired by gift, less accumulated depreciation and amortization. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets, which is five years for medical equipment, disaster relief facilities, vehicles and equipment, office equipment and leasehold improvements, and three to five years for information technology and other equipment. The cost and associated accumulated depreciation of property sold or retired is removed from the accounts and any gain or loss is reflected in the accompanying consolidated statements of activities.

(g) Functional Allocation of Expenses

Operation Blessing allocates its expenses on a functional basis among its various programs and supporting services. Expenses, including depreciation and amortization, that can be identified with a specific program or supporting service are allocated directly. Property and liability insurance is allocated based on the estimated risk of loss. Personnel costs related to worker's compensation and life and disability insurances, and medical claims expenses are allocated based on employee headcount.

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(h) Noncash Transactions

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled \$9,580,603 and \$15,164,877 at March 31, 2021 and 2020, respectively. Gifts-in-kind revenue were \$60,476,131 and \$52,497,117 and gifts-in-kind expense were \$60,830,152 and \$53,300,196 during the years ended March 31, 2021 and 2020.

(i) Income Taxes

Operation Blessing has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. Contributions to Operation Blessing qualify for a charitable contribution deduction to the extent provided by law.

Operation Blessing recognizes or derecognizes its tax positions based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. The consolidated financial statements do not include any uncertain tax positions.

(j) Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be presented separately in the accompanying consolidated statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated.

(k) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management of Operation Blessing to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the consolidated financial statements and revenue and expenses recognized during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of contributions receivable, gifts-in-kind contributions, and the carrying amount of property and equipment. Actual results could differ from those estimates.

(l) Subsequent Events

The preparation of consolidated financial statements in conformity with GAAP requires entities to evaluate events that occur after the balance sheet date but before the consolidated financial statements are issued for potential recognition or disclosure. Entities are required to disclose the date through which subsequent events were evaluated, as well as the rationale for why that date was selected. In preparing these consolidated financial statements, Operation Blessing has evaluated events and transactions for potential recognition or disclosure.

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On May 7, 2021, Operation Blessing secured a \$1,200,000 commitment for term note borrowing to finance equipment purchases. Additionally, on May 27, 2021, Operation Blessing entered into non-cancelable operating leases with future minimum commitments totaling \$1,087,000.

Operation Blessing is not aware of any other specific events or transactions occurring after March 31, 2021 and up to July 22, 2021, the date the consolidated financial statement were available to be issued, that could have a material impact on the presentation of the accompanying consolidated financial statements.

(2) Liquidity and Availability

The following represents Operation Blessing's financial assets at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 19,895,047	15,022,501
Contributions receivable	2,748,986	1,996,004
Other	548,271	145,606
Total financial assets	<u>23,192,304</u>	<u>17,164,111</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	14,096,898	14,419,634
Less net assets with time and purpose restrictions to be met in less than one year	<u>(12,345,848)</u>	<u>(12,806,691)</u>
	<u>1,751,050</u>	<u>1,612,943</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 21,441,254</u>	<u>15,551,168</u>

Operation Blessing regularly monitors liquidity and maintains liquidity reserves required to meet its operational needs. In addition to financial assets available to meet general expenditures over the next year, it operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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(3) Contributions Receivable, Net

Operation Blessing has contributions receivable, net, of \$2,758,834 and \$2,015,462 as of March 31, 2021 and 2020, respectively. Contributions receivable expected to be received after one year are netted against a present value discount of 2.65% equal to \$9,848 and 3.00% equal to \$19,458 at March 31, 2021 and 2020, respectively. Contributions receivable at March 31, 2021 and 2020 are expected to be received as follows:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 2,513,511	1,718,728
One to five years	215,381	250,376
Thereafter	<u>20,094</u>	<u>26,900</u>
	<u>\$ 2,748,986</u>	<u>1,996,004</u>

(4) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Distribution center equipment	\$ 532,024	532,024
Disaster relief land, facilities, vehicles, and equipment	5,802,793	5,387,692
Information technology and other equipment	1,083,969	1,006,752
Office equipment	272,020	248,715
Leasehold improvements	<u>393,033</u>	<u>371,087</u>
	8,083,839	7,546,270
Accumulated depreciation and amortization	<u>(6,444,216)</u>	<u>(6,077,877)</u>
	<u>\$ 1,639,623</u>	<u>1,468,393</u>

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(5) Lease Commitments

Future minimum commitments for all noncancelable operating leases are as follows:

Year ending March 31:	
2022	\$ 1,475,571
2023	1,369,618
2024	921,125
2025	756,193
2026	608,856
Thereafter	<u>965,390</u>
	\$ <u><u>6,096,753</u></u>

Total rent of facilities and equipment amounted to \$2,073,339 and \$2,046,292 during the years ended March 31, 2021 and 2020, respectively.

(6) Related-Party Transactions

CBN made contributions totaling \$12,304,327 and \$17,376,614 during the years ended March 31, 2021 and 2020, respectively, primarily in support of Operation Blessing's program activities. Due from affiliate, net of \$252,903 and \$129,907 at March 31, 2021 and 2020, respectively represents contributions made by CBN prior to March 31, 2021 and 2020 and remitted subsequent to each respective year end.

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions at March 31, 2021 and 2020 consist primarily of unexpended donor restricted funds, disaster relief property and equipment, net, and contributions receivable, net.

(8) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were \$14,395,614 and \$10,303,257 for the years ended March 31, 2021 and 2020, respectively.

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(9) Schedule of Functional Expenses

The schedule of functional expenses for the year ended March 31, 2021 is as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Employment expenses	\$ 7,468,703	1,518,257	238,286	9,225,246
Gifts-in-kind	60,374,612	—	—	60,374,612
Contributions	3,976,215	—	5,102	3,981,317
Purchased product	2,423,893	—	—	2,423,893
Transportation costs	1,804,485	—	—	1,804,485
Professional fees	1,148,357	226,088	773,002	2,147,447
Rent and utilities	1,739,663	16,311	173,313	1,929,287
Travel	628,310	10,657	—	638,967
Taxes and insurance	873,518	12,640	181,891	1,068,049
Promotional expenses	127,036	552,408	—	679,444
Equipment and maintenance	678,521	11,575	5,892	695,988
Depreciation, amortization and other	839,572	81,350	58,615	979,537
	<u>\$ 82,082,885</u>	<u>2,429,286</u>	<u>1,436,101</u>	<u>85,948,272</u>

The schedule of functional expenses for the year ended March 31, 2020 is as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Total</u>
Employment expenses	\$ 7,662,276	1,383,959	302,421	9,348,656
Gifts-in-kind	52,640,930	—	—	52,640,930
Contributions	4,175,992	—	—	4,175,992
Purchased product	2,200,958	2,555	—	2,203,513
Transportation costs	1,950,558	—	—	1,950,558
Professional fees	1,132,355	245,359	539,985	1,917,699
Rent and utilities	1,684,765	13,534	176,399	1,874,698
Travel	1,322,778	103,641	11,862	1,438,281
Taxes and insurance	644,319	8,265	195,202	847,786
Promotional expenses	147,408	489,674	636	637,718
Equipment and maintenance	723,958	13,057	7,261	744,276
Depreciation, amortization and other	695,859	131,874	72,585	900,318
	<u>\$ 74,982,156</u>	<u>2,391,918</u>	<u>1,306,351</u>	<u>78,680,425</u>

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(10) Retirement Plan

Operation Blessing participates in a 401(k) retirement plan administered by CBN. All regular employees are eligible, and contributions are fully vested. Operation Blessing made contributions totaling \$82,442 and \$7,216 for the years ended March 31, 2021 and 2020, respectively.

(11) Commitments and Contingencies

Operation Blessing is subject to various legal proceedings and claims, which arise in the ordinary course of its business. Management believes that the outcome of these matters will not have a material adverse effect on Operation Blessing's consolidated statements of financial position or consolidated statements of activities.