OPERATION BLESSING
INTERNATIONAL RELIEF AND DEVELOPMENT CORPORATION
AND AFFILIATED ORGANIZATIONS

Consolidated Financial Statements

March 31, 2023 and 2022

(With Independent Auditors’ Report Thereon)
Independent Auditors’ Report

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

Opinion

We have audited the consolidated financial statements of Operation Blessing International Relief and Development Corporation and its subsidiaries (collectively, Operation Blessing), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Operation Blessing as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Operation Blessing and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(k) to the consolidated financial statements, Operation Blessing has changed its method of accounting for leases as of April 1, 2022 due to the adoption of Accounting Standards Codification Topic 842, Leases. Moreover, Operation Blessing adopted the Financial Accounting Standards Board (FASB) Financial Accounting Standards update No. 2020-07 - Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Operation Blessing’s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.
Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Operation Blessing’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Operation Blessing’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Norfolk, Virginia
July 13, 2023
## Consolidated Statements of Financial Position

**March 31, 2023 and 2022**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,993,754</td>
<td>31,362,025</td>
</tr>
<tr>
<td>Contributions receivable, net (note 3)</td>
<td>3,386,307</td>
<td>3,667,346</td>
</tr>
<tr>
<td>Due from affiliate, net (note 7)</td>
<td>76,273</td>
<td>309,202</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>1,806,388</td>
<td>1,566,535</td>
</tr>
<tr>
<td>Gifts-in-kind inventories (note 1(e))</td>
<td>6,489,108</td>
<td>7,980,509</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>46,751,830</td>
<td>44,885,617</td>
</tr>
<tr>
<td><strong>Property and equipment, net (note 4)</strong></td>
<td>2,234,594</td>
<td>1,785,354</td>
</tr>
<tr>
<td><strong>Operating lease right-of-use asset (note 6)</strong></td>
<td>6,954,385</td>
<td>—</td>
</tr>
<tr>
<td><strong>Long-term contributions receivable, net (note 3)</strong></td>
<td>79,552</td>
<td>151,529</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>134,324</td>
<td>175,854</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$56,154,685</td>
<td>46,998,354</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$1,442,354</td>
<td>933,232</td>
</tr>
<tr>
<td>Current maturities of long-term debt (note 5)</td>
<td>231,414</td>
<td>72,143</td>
</tr>
<tr>
<td>Current portion of operating lease liabilities (note 6)</td>
<td>1,711,814</td>
<td>—</td>
</tr>
<tr>
<td>Deferred gifts-in-kind revenue (note 1(e))</td>
<td>6,489,108</td>
<td>7,980,509</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>9,874,690</td>
<td>8,985,884</td>
</tr>
<tr>
<td><strong>Long-term debt, excluding current portion (note 5)</strong></td>
<td>720,151</td>
<td>261,837</td>
</tr>
<tr>
<td><strong>Long-term operating lease liabilities, excluding current portion (note 6)</strong></td>
<td>5,327,977</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>15,922,818</td>
<td>9,247,721</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>14,160,895</td>
<td>15,211,151</td>
</tr>
<tr>
<td>With donor restrictions (note 8)</td>
<td>26,070,972</td>
<td>22,539,482</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>40,231,867</td>
<td>37,750,633</td>
</tr>
</tbody>
</table>

| Commitments and contingencies (notes 6 and 12) |            |            |
| **Total liabilities and net assets**          | $56,154,685| 46,998,354 |

See accompanying notes to consolidated financial statements.
OPERATION BLESSING
INTERNATIONAL RELIEF AND DEVELOPMENT CORPORATION
AND AFFILIATED ORGANIZATIONS
Consolidated Statements of Activities
Years ended March 31, 2023 and 2022

<table>
<thead>
<tr>
<th></th>
<th>2023 Without Donor Restrictions</th>
<th>2023 With Donor Restrictions</th>
<th>Total 2023</th>
<th>2022 Without Donor Restrictions</th>
<th>2022 With Donor Restrictions</th>
<th>Total 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions (note 7)</td>
<td>$17,223,380</td>
<td>25,656,255</td>
<td>42,879,635</td>
<td>21,440,813</td>
<td>21,103,496</td>
<td>42,544,309</td>
</tr>
<tr>
<td>Gifts-in-kind (note 1(e))</td>
<td>47,898,969</td>
<td>—</td>
<td>47,898,969</td>
<td>55,143,801</td>
<td>—</td>
<td>55,143,801</td>
</tr>
<tr>
<td>Other revenue</td>
<td>183,270</td>
<td>502,969</td>
<td>686,239</td>
<td>4,510</td>
<td>88,641</td>
<td>93,151</td>
</tr>
<tr>
<td>Net assets released from restrictions (note 9)</td>
<td>22,627,734</td>
<td>(22,627,734)</td>
<td>—</td>
<td>12,749,553</td>
<td>(12,749,553)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>87,933,353</td>
<td>3,531,490</td>
<td>91,464,843</td>
<td>89,338,677</td>
<td>8,442,584</td>
<td>97,781,261</td>
</tr>
</tbody>
</table>

| **Expenses:**        |                                 |                              |            |                                 |                               |            |
|----------------------|                                 |                              |            |                                 |                               |            |
| Program expenses:    |                                 |                              |            |                                 |                               |            |
| Hunger Strike Force  | 7,810,903                       | —                            | 7,810,903  | 8,197,406                       | —                             | 8,197,406  |
| Outreach and humanitarian relief | 25,921,437                     | —                            | 25,921,437 | 17,334,494                      | —                             | 17,334,494 |
| Gifts-in-kind (note 1(e)) | 49,481,145                     | —                            | 49,481,145 | 55,928,677                      | —                             | 55,928,677 |
| **Total program expenses** | 83,213,485                      | —                            | 83,213,485 | 81,460,577                      | —                             | 81,460,577 |

| Supporting services expenses: |                                 |                              |            |                                 |                               |            |
| Fundraising             | 4,160,534                       | —                            | 4,160,534  | 2,787,552                       | —                             | 2,787,552  |
| General and administrative | 1,609,590                       | —                            | 1,609,590  | 1,454,159                       | —                             | 1,454,159  |
| **Total supporting services expenses** | 5,770,124                       | —                            | 5,770,124  | 4,241,711                       | —                             | 4,241,711  |
| **Total expenses**      | 88,983,609                      | —                            | 88,983,609 | 85,702,288                      | —                             | 85,702,288 |

| Increase (decrease) in net assets | 1,050,256 | 3,531,490 | 2,481,234 | 3,636,389 | 8,442,584 | 12,078,973 |

| Net assets at beginning of year | 15,211,151 | 22,539,482 | 37,750,633 | 11,574,762 | 14,096,898 | 25,671,660 |

| Net assets at end of year | $14,160,895 | 26,070,972 | 40,231,867 | 15,211,151 | 22,539,482 | 37,750,633 |

See accompanying notes to consolidated financial statements.
**Consolidated Statements of Cash Flows**

**Years ended March 31, 2023 and 2022**

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$2,481,234</td>
<td>$12,078,973</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>719,281</td>
<td>501,833</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>353,016</td>
<td>(1,069,889)</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>(239,853)</td>
<td>311,722</td>
</tr>
<tr>
<td>Due from affiliate</td>
<td>232,929</td>
<td>(56,299)</td>
</tr>
<tr>
<td>Operating lease assets and liabilities</td>
<td>85,406</td>
<td>—</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>509,122</td>
<td>25,878</td>
</tr>
<tr>
<td>Other assets</td>
<td>41,530</td>
<td>(11,656)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>4,182,665</td>
<td>11,780,562</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |            |            |
| Purchases of property and equipment | (1,168,521) | (647,564)  |
| **Net cash used in investing activities** | (1,168,521) | (647,564)  |

| **Cash flows from financing activities:** |            |            |
| Proceeds from issuance of long-term debt | 828,324    | 350,877    |
| Payments of long-term debt              | (210,739)  | (16,897)   |
| **Net cash provided by financing activities** | 617,585    | 333,980    |

| Increase in cash and cash equivalents | 3,631,729  | 11,466,978 |
| **Cash and cash equivalents at beginning of year** | 31,362,025 | 19,895,047 |
| **Cash and cash equivalents at end of year** | $34,993,754 | 31,362,025 |

| **Supplemental disclosure of cash flow information:** |            |            |
| Cash paid during the period for interest | $39,786    | 4,842      |

| **Supplemental disclosure of noncash investing activities:** |            |            |
| Acquisition of property and equipment in accounts payable at year-end | $33,049   | —          |
| Acquisition of property and equipment from issuance of debt | 828,324    | 350,887    |

See accompanying notes to consolidated financial statements.
(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.

(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 $31,752,237 and $16,783,197 at March 31, 2023 and 2022, 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. Contributed pharmaceuticals were restricted by donors for use outside the United States and are used in international humanitarian and disaster relief programs. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, Operation Blessing used the National Average Drug Acquisition Cost (NADAC), which approximates wholesale costs in the United States (the principal market). Food and other gifts-in-kind are recorded at their estimated fair wholesale value when received and used domestically and internationally for feeding programs, disaster relief and other humanitarian outreach. 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.

Gifts-in-kind inventories and deferred gifts-in-kind revenue totaled $6,489,108 and $7,980,509 at March 31, 2023 and 2022, respectively. Medical gifts-in-kind revenue were $11,432,692 and $12,957,312 and food and other gifts-in-kind revenue were $36,466,277 and $42,186,489, for the years ended March 31, 2023 and 2022, respectively.

(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.

(h) **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.

(i) **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.

(j) **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.

(k) **New Accounting Pronouncements**

During 2023, Operation Blessing adopted the Financial Accounting Standards Board (FASB) Financial Accounting Standards Update 2016-02 – *Leases (Topic 842)*. This update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements.
The update requires lessees to recognize right-of-use assets and lease liabilities, initially measured at the present value of lease payments, in the statements of financial position. Operation Blessing utilized the modified retrospective approach to recognize right-of-use assets and lease liabilities as of April 1, 2022 with no material impact on reported net assets.

During 2023, Operation Blessing adopted the FASB Financial Accounting Standards Update No. 2020-07 – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This update is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

The update requires nonfinancial assets be presented as separate line items in the consolidated statements of activities and disclosures include a disaggregation of the amount contributed by category, description of programs which utilize the nonfinancial assets, any donor-imposed restrictions, and valuation techniques used to estimate fair value.

(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.

Operation Blessing is not aware of any other specific events or transactions occurring after March 31, 2023 and up to July 13, 2023, 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, 2023 and 2022:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets at year end:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$34,993,754</td>
<td>$31,362,025</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>3,465,859</td>
<td>3,818,875</td>
</tr>
<tr>
<td>Other</td>
<td>373,405</td>
<td>529,173</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>38,833,018</td>
<td>35,710,073</td>
</tr>
</tbody>
</table>

Less amounts not available to be used within one year:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets with donor restrictions</td>
<td>26,070,972</td>
<td>22,539,482</td>
</tr>
<tr>
<td>Less net assets with time and purpose restrictions to be met in less than one year</td>
<td>(24,939,837)</td>
<td>(21,013,411)</td>
</tr>
<tr>
<td></td>
<td>1,131,135</td>
<td>1,526,071</td>
</tr>
</tbody>
</table>

Financial assets available to meet general expenditures over the next twelve months:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$37,701,883</td>
<td>34,184,002</td>
</tr>
</tbody>
</table>

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 anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

(3) Contributions Receivable, Net

Operation Blessing has contributions receivable of $3,465,859 and $3,818,875 as of March 31, 2023 and 2022, respectively. Contributions receivable expected to be received after one year are netted against a present value discount of 4.54% equal to $3,813 and 3.75% equal to $8,038 at March 31, 2023 and 2022, respectively. Contributions receivable at March 31, 2023 and 2022 are expected to be received as follows:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>$3,386,307</td>
<td>3,667,346</td>
</tr>
<tr>
<td>One to five years</td>
<td>83,365</td>
<td>147,497</td>
</tr>
<tr>
<td>Thereafter</td>
<td>—</td>
<td>12,070</td>
</tr>
<tr>
<td></td>
<td>3,469,672</td>
<td>3,826,913</td>
</tr>
<tr>
<td>Less present value discount</td>
<td>(3,813)</td>
<td>(8,038)</td>
</tr>
<tr>
<td></td>
<td>$3,465,859</td>
<td>3,818,875</td>
</tr>
</tbody>
</table>
(4) Property and Equipment, Net

Property and equipment and accumulated depreciation and amortization consist of the following at March 31, 2023 and 2022:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution center equipment</td>
<td>$690,550</td>
<td>$565,972</td>
</tr>
<tr>
<td>Disaster relief land, facilities, vehicles, and equipment</td>
<td>$7,141,875</td>
<td>$6,269,945</td>
</tr>
<tr>
<td>Information technology and other equipment</td>
<td>$1,298,293</td>
<td>$1,219,615</td>
</tr>
<tr>
<td>Office equipment</td>
<td>$280,563</td>
<td>$282,838</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$488,643</td>
<td>$393,033</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$9,899,924</td>
<td>$8,731,403</td>
</tr>
<tr>
<td><strong>Accumulated depreciation and amortization</strong></td>
<td>$(7,665,330)</td>
<td>$(6,946,049)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>$2,234,594</td>
<td>$1,785,354</td>
</tr>
</tbody>
</table>

(5) Long-Term Debt

Long-term debt consists of the following at March 31, 2023 and 2022:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term note, collateralized by equipment, bear interest at a rate of 2.20% maturing August 2026</td>
<td>$135,582</td>
<td>$173,377</td>
</tr>
<tr>
<td>Term note, collateralized by equipment, bear interest at a rate of 2.17% maturing September 2026</td>
<td>126,255</td>
<td>160,603</td>
</tr>
<tr>
<td>Term note, collateralized by equipment, bear interest at a rate of 4.39% maturing May 2027</td>
<td>689,728</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>951,565</td>
<td>333,980</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current maturities</td>
<td>(231,414)</td>
<td>(72,143)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>$720,151</td>
<td>261,837</td>
</tr>
</tbody>
</table>

Total interest expense in fiscal year 2023 and 2022 was $36,786 and $4,842.
Aggregate annual maturities of long-term debt at March 31, 2023 are as follows:

<table>
<thead>
<tr>
<th>Year ending March 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$231,414</td>
</tr>
<tr>
<td>2025</td>
<td>240,109</td>
</tr>
<tr>
<td>2026</td>
<td>249,149</td>
</tr>
<tr>
<td>2027</td>
<td>215,546</td>
</tr>
<tr>
<td>2028</td>
<td>15,347</td>
</tr>
<tr>
<td>Thereafter</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$951,565</strong></td>
</tr>
</tbody>
</table>

(6) Lease Commitments

Operation Blessing determines whether contractual arrangements contain a lease by evaluating whether those arrangements either implicitly or explicitly identify an asset, whether it has the right to obtain substantially all of the economic benefits from use of the asset throughout the term of the arrangement, and whether it has the right to direct the use of the asset.

Operation Blessing has entered into various long-term non-cancelable operating leases primarily for office and warehouse space and transportation equipment. The office and warehouse space operating leases expire at various dates through 2033, some of which have renewal options ranging from two to ten years and some have options to terminate at Operation Blessing’s discretion. Real estate leases may have fixed payments or provide for increases in future minimum annual rental payments. Transportation equipment leases generally have fixed payments with expiration dates ranging through 2029. Renewal options are included in the lease term if it is reasonably certain that it will exercise those options. Operation Blessing has made an accounting policy election to not recognize right-of-use (ROU) assets or lease liabilities for qualifying leases with terms of 12 months or less. Lease expense for these leases is recognized on a straight-line basis over the lease term.

Operation Blessing has certain agreements with lease and non-lease components which are combined as a single lease component based on its practical expedient election. Real estate leases may require that it pay maintenance in addition to rent. Additionally, the real estate leases generally require payment of real estate taxes and insurance. Maintenance, real estate taxes, and insurance payments are generally variable and based on actual costs incurred by the lessor. Therefore, these amounts are not included when determining the ROU asset and lease liability.

The discount rate to determine the present value of the lease payments for a lessee is calculated on the basis of information available at the commencement date. A lessee should use the rate implicit in the lease whenever that rate is readily determinable. A lessee that is not a public business entity is permitted to use a risk-free discount rate for the lease, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. Operation Blessing has elected to use the risk free rate which corresponds with the term of the applicable lease.
The components of lease cost for the operating leases for the year ended March 31 are:

<table>
<thead>
<tr>
<th>Lease cost</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease cost</td>
<td>$1,877,025</td>
</tr>
<tr>
<td>Variable lease cost</td>
<td>281,035</td>
</tr>
<tr>
<td>Short-term lease cost</td>
<td>592,493</td>
</tr>
<tr>
<td><strong>Total lease cost</strong></td>
<td><strong>$2,750,553</strong></td>
</tr>
</tbody>
</table>

The following table provides other key information related to operating leases at March 31:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for amounts included in the measurement of lease liabilities:</td>
<td></td>
</tr>
<tr>
<td>Operating cash flows from operating leases</td>
<td>$1,864,504</td>
</tr>
<tr>
<td>Right-of-use assets obtained in exchange for lease liabilities:</td>
<td></td>
</tr>
<tr>
<td>Operating leases recognized in 2023</td>
<td>5,155,321</td>
</tr>
</tbody>
</table>

Future minimum lease payments under noncancellable operating leases with terms greater than one year and the weighted average remaining lease term and weighted average discount rates as of March 31, 2023 are as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,868,104</td>
<td>1,743,233</td>
<td>1,617,853</td>
<td>1,267,925</td>
<td>708,165</td>
<td>232,373</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>7,437,653</strong></td>
</tr>
</tbody>
</table>

Effect of discounting

Present value of lease liabilities $7,039,791

Weighted-average discount rate 2.55%

Weighted-average remaining lease term in years 4
(7) Related-Party Transactions
CBN made contributions totaling $15,549,496 and $13,820,834 during the years ended March 31, 2023 and 2022, respectively, primarily in support of Operation Blessing’s program activities. Due from affiliate, net of $76,273 and $309,202 at March 31, 2023 and 2022, respectively represents contributions made by CBN prior to March 31, 2023 and 2022 and remitted subsequent to each respective year end.

(8) Net Assets with Donor Restrictions
Net assets with donor restrictions at March 31, 2023 and 2022 consist primarily of unexpended donor restricted funds, disaster relief property and equipment, net, and contributions receivable, net.

(9) 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 $22,627,734 and $12,749,553 for the years ended March 31, 2023 and 2022, respectively.

(10) Schedule of Functional Expenses
The schedule of functional expenses for the year ended March 31, 2023 is as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Fundraising</th>
<th>General and administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment expenses</td>
<td>$8,224,423</td>
<td>2,210,403</td>
<td>278,715</td>
</tr>
<tr>
<td>Gifts-in-kind</td>
<td>47,972,461</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Contributions</td>
<td>5,752,537</td>
<td>—</td>
<td>5,186</td>
</tr>
<tr>
<td>Purchased product</td>
<td>8,570,017</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Transportation costs</td>
<td>2,897,246</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,395,648</td>
<td>90,093</td>
<td>773,119</td>
</tr>
<tr>
<td>Rent and utilities</td>
<td>2,325,722</td>
<td>10,744</td>
<td>179,599</td>
</tr>
<tr>
<td>Travel</td>
<td>1,436,122</td>
<td>51,486</td>
<td>11,859</td>
</tr>
<tr>
<td>Taxes and insurance</td>
<td>1,123,671</td>
<td>6,078</td>
<td>232,942</td>
</tr>
<tr>
<td>Promotional expenses</td>
<td>319,261</td>
<td>1,513,714</td>
<td>4,500</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>899,054</td>
<td>6,658</td>
<td>9,662</td>
</tr>
<tr>
<td>Depreciation, amortization and other</td>
<td>1,297,323</td>
<td>271,358</td>
<td>114,008</td>
</tr>
</tbody>
</table>

$ 83,213,485  4,160,534  1,609,590  88,983,609
The schedule of functional expenses for the year ended March 31, 2022 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Program</th>
<th>Fundraising</th>
<th>General and administrative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment expenses</td>
<td>$8,330,598</td>
<td>1,746,454</td>
<td>269,643</td>
<td>10,346,695</td>
</tr>
<tr>
<td>Gifts-in-kind</td>
<td>55,228,704</td>
<td>—</td>
<td>—</td>
<td>55,228,704</td>
</tr>
<tr>
<td>Contributions</td>
<td>5,096,794</td>
<td>—</td>
<td>—</td>
<td>5,096,794</td>
</tr>
<tr>
<td>Purchased product</td>
<td>3,160,318</td>
<td>—</td>
<td>—</td>
<td>3,160,318</td>
</tr>
<tr>
<td>Transportation costs</td>
<td>2,186,891</td>
<td>—</td>
<td>—</td>
<td>2,186,891</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,385,055</td>
<td>173,524</td>
<td>705,827</td>
<td>2,264,406</td>
</tr>
<tr>
<td>Rent and utilities</td>
<td>1,675,495</td>
<td>16,367</td>
<td>172,831</td>
<td>1,864,693</td>
</tr>
<tr>
<td>Travel</td>
<td>959,422</td>
<td>11,855</td>
<td>4,944</td>
<td>976,221</td>
</tr>
<tr>
<td>Taxes and insurance</td>
<td>1,208,215</td>
<td>6,091</td>
<td>219,265</td>
<td>1,433,571</td>
</tr>
<tr>
<td>Promotional expenses</td>
<td>219,254</td>
<td>759,180</td>
<td>—</td>
<td>978,434</td>
</tr>
<tr>
<td>Equipment and maintenance</td>
<td>1,021,045</td>
<td>11,127</td>
<td>7,322</td>
<td>1,039,494</td>
</tr>
<tr>
<td>Depreciation, amortization and other</td>
<td>988,786</td>
<td>62,954</td>
<td>74,327</td>
<td>1,126,067</td>
</tr>
<tr>
<td></td>
<td>$81,460,577</td>
<td>2,787,552</td>
<td>1,454,159</td>
<td>85,702,288</td>
</tr>
</tbody>
</table>

(11) 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 $71,892 for the year ended March 31, 2022. No contributions were made for the year ended March 31, 2023.

(12) 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.