

MATTHEW 25: MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014

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Steven Potter & Company, CPAs, Inc.

1083 Hicks Blvd., Suite 305

Fairfield, Ohio 45014

Ph. (513) 939-0864 Toll Free (866) 579-4644 Fax: (513) 939-0865

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Matthew 25: Ministries, Inc.

We have audited the accompanying financial statements of Matthew 25: Ministries, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we do not express such an 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 financial position of Matthew 25: Ministries, Inc. as of December 31, 2015 and 2014 and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script, appearing to read "Steven L. Potter".

May 5, 2016

Certified Public Accountant

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents-unrestricted	\$ 1,464,719	\$ 1,169,360
Accounts receivable	137,670	194,554
Note receivable (Note 12)	20,000	40,000
Employee advances and deposits	16,071	8,710
Inventory	47,065,635	32,389,587
Marketable securities (Notes 4,5)	5,088,973	4,935,567
Cash and cash equivalents-restricted (Note 6)	243,594	383,394
TOTAL CURRENT ASSETS	54,036,662	39,121,172
NON CURRENT ASSETS		
Property and equipment, net (Note 10)	4,679,163	4,127,025
TOTAL ASSETS	\$58,715,825	\$ 43,248,197

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 120,284	\$ 98,715
Salaries, benefits and taxes payable	38,927	108,267
TOTAL CURRENT LIABILITIES	159,211	206,982
NET ASSETS		
Unrestricted	58,313,020	42,657,821
Temporarily restricted	243,594	383,394
Permanently restricted	-	-
TOTAL NET ASSETS	58,556,614	43,041,215
TOTAL LIABILITIES AND NET ASSETS	\$58,715,825	\$ 43,248,197

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES								
Donated products received	\$ 180,421,069	\$ -	\$ -	\$ 180,421,069	\$ 152,681,921	\$ -	\$ -	\$ 152,681,921
Contributions	4,073,794	420,077	-	4,493,871	3,325,398	457,172	-	3,782,570
Handling and shipping fees	2,180,762	-	-	2,180,762	2,226,426	-	-	2,226,426
Other program revenue	171,887	-	-	171,887	8,427	-	-	8,427
Event revenue	77,352	-	-	77,352	93,981	-	-	93,981
Other income	66,298	-	-	66,298	75,193	-	-	75,193
Investment income, net (Note 4)	(6,607)	-	-	(6,607)	68,955	-	-	68,955
Assets released from restrictions	559,877	(559,877)	-	-	468,895	(468,895)	-	-
TOTAL SUPPORT AND REVENUE	187,544,432	(139,800)	-	187,404,632	158,949,196	(11,723)	-	158,937,473
EXPENSES								
Program services	170,913,533	-	-	170,913,533	158,428,997	-	-	158,428,997
General and administrative	382,226	-	-	382,226	399,264	-	-	399,264
Fundraising	593,474	-	-	593,474	552,158	-	-	552,158
TOTAL EXPENSES	171,889,233	-	-	171,889,233	159,380,418	-	-	159,380,418
CHANGE IN NET ASSETS	15,655,199	(139,800)	-	15,515,399	(431,222)	(11,723)	-	(442,945)
NET ASSETS - BEGINNING	42,657,822	383,394	-	43,041,216	43,089,044	395,117	-	43,484,161
NET ASSETS - ENDING	\$ 58,313,020	\$ 243,594	\$ -	\$ 58,556,614	\$ 42,657,822	\$ 383,394	\$ -	\$ 43,041,216

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,515,399	\$ (442,945)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	422,546	311,127
Change in donated goods and property	(14,676,049)	1,539,722
Net appreciation in fair value of investments	36,619	(16,313)
Loss on sale of assets	-	1,180
(Increase) decrease in:		
Accounts receivable	56,884	(69,624)
Other receivables	-	13,500
Other current assets	(7,361)	7,720
Prepaid insurance	-	12,564
Note receivable	20,000	20,000
Increase (decrease) in:		
Accounts payable	21,569	(27,034)
Salaries , benefits and taxes payable	(69,340)	28,737
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,320,268	1,378,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(929,696)	(1,064,412)
Donated property	(44,988)	-
Proceeds from sale of fixed assets	-	200
Purchase of investments	(4,777,961)	(2,976,576)
Proceeds from sale of investments	5,066,591	2,544,396
Donated marketable securities	(491,291)	(136,788)
Interest and dividend received	12,636	(76,352)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,164,709)	(1,709,532)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	155,559	(330,898)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,552,755	1,883,653
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,708,313	\$ 1,552,755

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Program Services	General & Administrative	Fund Raising	Total	Program Services	General & Administrative	Fund Raising	Total
Humanitarian supplies and aid	\$ 167,464,119	\$ -	\$ -	\$ 167,464,119	\$ 155,570,831	\$ -	\$ -	\$ 155,570,831
Salaries	1,809,074	212,066	216,328	2,237,468	1,490,095	218,297	219,945	1,928,337
Depreciation	395,410	26,444	692	422,546	291,146	19,471	510	311,127
Occupancy	260,070	17,393	455	277,918	293,489	19,628	514	313,631
Supplies	240,599	10,658	18,419	269,676	187,528	12,026	15,108	214,662
Employee benefits	200,390	23,490	23,963	247,843	205,048	30,039	30,266	265,353
Other program expenses	188,440	-	-	188,440	24,649	-	-	24,649
Payroll taxes	143,844	16,862	17,201	177,907	115,288	16,890	17,017	149,195
Event expenses	-	-	122,793	122,793	-	-	102,060	102,060
Printing and publication	18,594	9,558	71,203	99,355	18,394	11,958	64,560	94,912
Travel	54,951	6,477	7,522	68,950	68,469	9,074	10,449	87,992
Miscellaneous expenses	-	5,015	59,694	64,709	-	-	43,760	43,760
Professional services	33,507	8,594	7,211	49,313	28,748	8,256	6,824	43,828
Equipment rental and maintenance	44,798	-	-	44,798	50,838	-	-	50,838
Postage and shipping	1,471	1,471	40,256	43,197	1,859	1,859	33,124	36,842
Bank charges	-	37,255	-	37,255	-	44,430	-	44,430
Telephone	26,720	3,149	3,657	33,527	26,853	3,559	4,098	34,510
Retirement (Note 11)	26,639	3,123	3,185	32,947	23,338	3,419	3,445	30,202
Volunteer education	4,235	-	-	4,235	32,066	-	-	32,066
Conference and meeting	671	671	894	2,237	358	358	478	1,194
TOTAL EXPENSES	\$ 170,913,533	\$ 382,226	\$ 593,474	\$ 171,889,233	\$ 158,428,997	\$ 399,264	\$ 552,158	\$ 159,380,418

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - THE ORGANIZATION

Matthew 25: Ministries, Inc. (the Organization) is a not-for-profit, non-denominational, ecumenical, inter-faith ministry headquartered in Blue Ash, Ohio. The purpose of the Organization is to help those in need regardless of religious tradition or political persuasion. The Organization receives goods donated by United States corporations, hospitals, and individuals. The goods are processed and distributed to those in need, both domestically and internationally. Other funding is from shipping and handling fees collected to defray warehousing and transportation expenses and monetary contributions from individuals, businesses and churches.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in preparation of the financial statements. These policies conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions whose restrictions are met within the same reporting period are reported as unrestricted net assets. The Organization has no permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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Contributed Services

Contributed services are recognized as contributions only if the contributed services create or enhance nonfinancial assets or require specialized skills, and would typically be purchased if not provided by donation to the Organization. There were no such contributed services recorded in 2015 or 2014.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in the accomplishment of its programs, but these services do not meet the criteria for recognition as contributed services. The Organization received approximately 139,000 volunteer hours in 2015 and 124,000 volunteer hours in 2014.

Inventory

Donated inventory consists primarily of clothing, fabric, food, personal care items, medical and school supplies donated by businesses, individuals, and other organizations. Donated inventory is recorded as revenue at estimated wholesale value on the date of the receipt and such items are recorded as an expense when they are shipped. Purchased inventory is recorded at the lower of cost or market using the FIFO method. The Organization uses the specific identification method to determine the value of ending donated inventory. The value of inventory was \$47,065,635 and \$32,389,587 as of December 31, 2015 and 2014 respectively.

Investments

Investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair market values in the statement of financial position. Fair market value of equity and debt investments is based on the quoted market price of the underlying securities. Unrealized gains and losses are included as a change in net assets.

Property and Equipment

Property and equipment with an economic life of more than one year are capitalized and recorded at cost, if purchased, or at fair market value at the time of receipt, if contributed. Maintenance and repair costs are charged to expense as incurred. Depreciation is provided over the estimated useful lives of property and equipment using the straight-line method.

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Income Tax Status

The Organization is a not-for profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is, therefore, not subject to federal income tax. The Organization qualifies for deductible contributions as provided in IRC Section 170(b)(1)(A)(vi) and has not been classified as a private foundation within the meaning of IRC Section 509(a).

Functional Allocation of Expenses

The cost of programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Management has made certain allocations of expenses among program, administrative and fund raising expenses according to their judgment of the categories receiving the benefit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassification

Certain prior year amounts in the financial statements have been reclassified to conform with the current year financial statement presentation.

NOTE 3 - STATEMENT OF CASH FLOWS--SUPPLEMENTAL INFORMATION

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

No income taxes or interest were paid in the years ended December 31, 2015 and 2014.

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NOTE 4 - MARKETABLE SECURITIES

The Organization invests excess cash in portfolios that contain mutual funds, equity securities, corporate bonds, government securities, and certificates of deposit. All of the Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Marketable securities as of December 31 consist of the following:

	<u>2015</u>	<u>2014</u>
Equity securities	\$ 1,019,136	\$ 18,052
Bonds	1,718,421	871,465
Mutual funds	1,981,550	3,663,685
Certificate of deposits	<u>369,866</u>	<u>382,365</u>
Total	<u>\$ 5,088,973</u>	<u>\$ 4,935,567</u>

Cost, market value, and unrealized gains and losses of marketable securities as of December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Market Value	\$ 5,088,973	\$ 4,935,567
Cost	<u>5,125,592</u>	<u>4,939,213</u>
Unrealized gain/(loss)	<u>\$ (36,619)</u>	<u>\$ (3,646)</u>

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Investment income consists of the following and is included in support and revenue on the Statements of Activities:

	2015	2014
Interest and dividends	\$ 74,724	\$ 57,127
Realized gain/(losses)	(22,928)	43,664
Unrealized gain/(losses)	(36,619)	(3,646)
Investment fees	(21,784)	(28,190)
 Total investment income/ (losses)	 \$ (6,607)	 \$ 68,955

Included in certificates of deposit are four CD's with a total market value of \$15,645 which are assigned to Ohio Department of Job and Family Services as a pledge against future unemployment benefits.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board, in FASB *Accounting Standards Codification 820, Fair Value Measurements and Disclosures* (ASC 820), defined fair value, established a framework for measuring fair value, and expanded disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1-inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2-inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in market that are not considered to be active (examples include corporate or municipal bonds);

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Level 3-inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and hedge funds)

The following presents assets carried at fair value as of December 31, 2015 by ASC 820 valuation hierarchy (as described above):

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 1,019,136	\$ -	\$ -	\$ 1,019,136
Mutual funds	1,981,550	-	-	1,981,550
Bonds	-	1,718,421	-	1,718,421
Certificate of deposit	-	369,866	-	369,866
 Total fair value of investments	 <u>\$ 3,000,686</u>	 <u>\$ 2,088,287</u>	 <u>\$ -</u>	 <u>\$ 5,088,973</u>

The following presents assets carried at fair value as of December 31, 2014 ASC 820 valuation hierarchy (as described above):

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 18,052	\$ -	\$ -	\$ 18,052
Mutual funds	3,663,685	-	-	3,663,685
Bonds	-	871,465	-	871,465
Certificate of deposit	-	382,365	-	382,365
 Total fair value of investments	 <u>\$ 3,681,737</u>	 <u>\$ 1,253,830</u>	 <u>\$ -</u>	 <u>\$ 4,935,567</u>

The fair value of a financial instrument is defined in FASB ASC Topic 825, *Financial Instruments*, as “the amount at which the instrument could be exchanged in a current transaction between willing parties.” The carrying amounts reported in the accompanying statements of financial position for cash and cash equivalents, accounts receivable, other receivables, and payables approximate fair value given the short-term nature of each financial instrument.

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NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted as of December 31 for the following purposes:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Philippines relief	\$ 224,340	\$ 346,326
Holy Land container	6,583	6,584
Ebola relief	4,793	-
Nepal earthquake	4,369	-
Nicaraguan housing	2,689	29,984
Water project	320	-
Nigeria container	500	500
	<u>\$ 243,594</u>	<u>\$ 383,394</u>

NOTE 7 - LEASE COMMITMENTS

The Organization leases a copier for \$933 per month and a trash compactor for \$355 per month.

In July 2014, the organization entered into a ten year land lease in Haiti with a non-profit organization. The lease is for \$1 per year.

In August 2014 the Organization entered into a two year lease for retail space in Cincinnati. Monthly lease payments are \$1,400.

The future minimum lease payments are:

2016	\$ 25,252
2017	15,452
2018	15,452
2019	6,126
2020	4,261
	<u>\$ 66,544</u>

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NOTE 8 - CONCENTRATIONS OF RISK

The Organization distributes humanitarian supplies to other not-for-profit organizations who pay shipping and handling fees to cover warehousing and transportation costs. The volume of business conducted with one such organization was 71% and 73% of the total shipping and handling revenue in 2015 and 2014, respectively.

The value of the inventory is not covered under any of the Organization's insurance policies.

The Federal Deposit Insurance Corporation insures cash balances at participating banks at amounts up to \$250,000. The Organization had no uninsured balances as of December 31, 2015. The uninsured balances are computed on the balances on deposit with the bank as of December 31 and do not take into consideration outstanding checks or deposits.

NOTE 9 - CREDIT LINE

The Organization has an unsecured line of credit of \$150,000 on a credit card. The available credit as of December 31, 2015 was \$ 85,313.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2 0 1 5</u>	<u>2 0 1 4</u>
Building and improvements	\$ 3,392,154	\$ 3,363,198
Land	361,200	361,200
Machinery and equipment	919,004	879,570
Office furniture and equipment	234,622	136,144
Vehicles	622,630	461,614
Leasehold improvements	848,201	201,401
Total cost	<u>6,377,811</u>	<u>5,403,127</u>
Less: Accumulated depreciation	<u>(1,698,648)</u>	<u>(1,276,102)</u>
Net property and equipment	<u>\$ 4,679,163</u>	<u>\$ 4,127,025</u>

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Depreciation expense was \$422,546 and \$311,127 for the years ended December 31, 2015 and 2014, respectively.

NOTE 11 - RETIREMENT PLANS

The Organization has adopted a retirement plan under the provisions of Internal Revenue Code 403(b). The plan is a defined contribution plan and the Organization matches voluntary employee contributions up to 2% of employees' annual salary. All employees who have completed 3 months of service are eligible for participation in the plan. Matching contributions paid by the Organization were \$32,947 and \$30,202 for the years ended December 31, 2015 and 2014, respectively.

NOTE 12 - RELATED PARTY TRANSACTION

In 2012 the Board of Directors approved a \$60,000 loan to the CEO. The terms of the loan agreement call for monthly payments of interest at prevailing rates, for a ten-year period, at which time the entire principal balance is due and payable. If the CEO leaves the Organization within the ten-year period, the loan becomes payable in full immediately. At the end of December 31, 2015 an amount of \$40,000 had been forgiven by action of the Board of directors. The loan balance on December 31, 2015 was \$20,000. The remaining balance of \$20,000 of the debt was forgiven by Board action on January 1, 2016.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 5, 2016, the date of the audit report.