

MATTHEW 25: MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

INDEX

INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
NOTES TO THE FINANCIAL STATEMENTS	7

Steven Potter & Company, CPA's, 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. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017 and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

October 31, 2019

A handwritten signature in black ink, appearing to read "Steven L. Potts". The signature is written in a cursive style with a long horizontal stroke extending from the end of the name.

Certified Public Accountant

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents-unrestricted	\$ 194,757	\$ 2,041,505
Accounts receivable	1,020,699	152,373
Pledge Receivable--Current Portion	333,333	-
Prepaid insurance	9,728	9,728
Other current assets	3,925	31,058
Inventory	53,906,992	64,502,225
Marketable securities (Notes 4, 5)	5,039,954	5,915,344
TOTAL CURRENT ASSETS	<u>60,509,388</u>	<u>72,652,233</u>
NON CURRENT ASSETS		
Property and equipment, net (Note 10)	9,437,185	6,022,416
Pledge Receivable (Note 16)	333,334	-
Cash and cash equivalents-restricted (Note 7)	2,244,106	2,140,760
TOTAL NON CURRENT ASSETS	<u>12,014,625</u>	<u>8,163,176</u>
TOTAL ASSETS	<u>\$ 72,524,013</u>	<u>\$ 80,815,409</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 474,288	\$ 231,193
Salaries, benefits and taxes payable	3,657	55,840
Current portion of long term liabilities	50,000	100,000
TOTAL CURRENT LIABILITIES	<u>527,945</u>	<u>387,033</u>
LONG TERM LIABILITIES		
Notes payable (Note 15)	740,154	100,000
TOTAL LONG TERM LIABILITIES	<u>740,154</u>	<u>100,000</u>
NET ASSETS		
Unrestricted	69,011,808	78,187,616
Temporarily restricted (Note 7)	2,244,106	2,140,760
TOTAL NET ASSETS	<u>71,255,914</u>	<u>80,328,376</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 72,524,013</u>	<u>\$ 80,815,409</u>

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2 0 1 8			2 0 1 7		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Donated products received	\$220,259,140	-	\$220,259,140	\$204,924,191	-	\$204,924,191
Contributions	4,513,887	3,765,362	8,279,249	5,740,015	3,628,880	9,368,895
Handling and shipping fees	2,083,176	-	2,083,176	2,307,447	-	2,307,447
Investment income, net (Note 4)	(365,245)	-	(365,245)	818,059	-	818,059
Event revenue (Note 13)	104,312	171,968	276,280	247,285	-	247,285
Other program revenue	564,954	-	564,954	430,945	-	430,945
Missions hotel revenue	298,756	-	298,756	198,055	-	198,055
Other income	218,374	-	218,374	61,025	-	61,025
Assets released from restrictions	3,833,984	(3,833,984)	-	1,853,460	(1,853,460)	-
TOTAL SUPPORT AND REVENUE	<u>231,511,338</u>	<u>103,346</u>	<u>231,614,684</u>	<u>216,580,482</u>	<u>1,775,420</u>	<u>218,355,902</u>
EXPENSES						
Program services	239,116,676	-	239,116,676	209,641,361	-	209,641,361
General and administrative	676,057	-	676,057	523,815	-	523,815
Fundraising	894,413	-	894,413	868,656	-	868,656
TOTAL EXPENSES	<u>240,687,146</u>	<u>-</u>	<u>240,687,146</u>	<u>211,033,832</u>	<u>-</u>	<u>211,033,832</u>
CHANGE IN NET ASSETS	<u>(9,175,808)</u>	<u>103,346</u>	<u>(9,072,462)</u>	<u>5,546,650</u>	<u>1,775,420</u>	<u>7,322,070</u>
NET ASSETS - BEGINNING	<u>78,187,616</u>	<u>2,140,760</u>	<u>80,328,376</u>	<u>72,640,966</u>	<u>365,340</u>	<u>73,006,306</u>
NET ASSETS - ENDING	<u>\$ 69,011,808</u>	<u>\$ 2,244,106</u>	<u>\$ 71,255,914</u>	<u>\$ 78,187,616</u>	<u>\$ 2,140,760</u>	<u>\$ 80,328,376</u>

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,072,462)	\$ 7,322,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	595,321	555,331
Change in donated goods and property	10,595,233	(2,975,907)
Net decrease (increase) in fair value of investments	587,448	(599,657)
Loss (Gain) on sale of assets	(1,598)	(4,000)
(Increase) decrease in:		
Accounts receivable	(1,534,993)	(25,220)
Other current assets	27,133	(23,370)
Prepaid insurance	-	3,282
Note receivable	-	-
Increase (decrease) in:		
Accounts payable	243,096	75,973
Salaries, benefits and taxes payable	(52,183)	4,234
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,386,995	4,332,736
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(3,414,769)	(1,942,110)
Donated property	13,671	-
Proceeds from sale of fixed assets	500	20,000
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(3,400,598)	(1,922,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Property purchased with land contract	640,154	200,000
Payments on land contract	(50,000)	
Purchase of investments	(3,746,278)	(3,138,729)
Proceeds from sale of investments	3,893,835	3,980,277
Donated marketable securities	(244,629)	(447,269)
Investment income	(222,881)	(218,402)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	270,201	375,877
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,743,402)	2,786,504
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,182,265	1,395,762
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,438,862	\$ 4,182,265

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	General & Administrative	Fund Raising	Total	Program Services	General & Administrative	Fund Raising	Total
Compensation and related expenses								
Salaries	\$ 2,508,182	\$ 344,702	\$ 333,610	\$ 3,186,494	\$ 2,420,891	\$ 267,032	\$ 312,549	\$ 3,000,471
Employee benefits	523,246	71,910	69,596	664,752	358,769	39,573	46,319	444,661
Payroll taxes	195,827	26,913	26,047	248,787	189,865	20,943	24,512	235,320
Retirement (Note 11)	55,118	7,034	8,330	70,482	33,240	3,666	4,291	41,198
Total compensation and related expense:	3,282,373	450,559	437,583	4,170,515	3,002,765	331,214	387,671	3,721,650
Humanitarian supplies and aid	209,030,512	-	-	209,030,512	199,548,004	-	-	204,578,004
Inventory Obsolescence	24,203,032	-	-	24,203,032	5,030,000	-	-	204,578,004
Depreciation	557,089	37,256	976	595,321	519,668	34,754	909	555,331
Supplies	644,983	18,039	47,654	710,676	460,761	12,674	19,085	492,520
Other program expenses	422,555	-	-	422,555	478,109	-	-	478,109
Occupancy	412,653	27,597	723	440,973	325,090	21,741	569	347,400
Event expenses	18,980	-	187,036	206,016	-	-	217,384	217,384
Printing and publication	22,747	14,545	75,870	113,162	20,813	10,633	74,224	105,670
Staff expense	57,464	13,931	13,496	84,891	54,902	6,481	11,057	72,440
Equipment rental and maintenance	148,505	-	-	148,505	100,493	-	-	100,493
Other expenses	13,065	9,650	36,490	59,205	-	4,860	87,784	92,644
Postage and shipping	1,871	1,871	63,715	67,457	2,878	2,879	56,970	62,727
Professional services	237,508	6,804	21,104	265,416	53,492	6,802	6,194	66,488
Bank charges	9,595	86,355	-	95,950	-	87,642	-	87,642
Telephone	32,073	7,776	7,533	47,382	29,450	3,477	5,931	38,858
Volunteer education	19,997	-	-	19,997	14,277	-	-	14,277
Conference and meeting	1,674	1,674	2,233	5,581	659	658	878	2,195
TOTAL EXPENSES	\$ 239,116,676	\$ 676,057	\$ 894,413	\$ 240,687,146	\$ 209,641,361	\$ 523,815	\$ 868,656	\$ 211,033,832

SEE NOTES TO FINANCIAL STATEMENTS

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 businesses, individuals, and other organizations. 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. The organization has a 100% subsidiary, M25M Haiti, LLC which was formed to lease, purchase, invest in the renovation, construction, management and operation of lodging and hotel facilities for missionaries and their guests in the country of Haiti and to undertake programs for aid and humanitarian relief.

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 the 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.

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

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

provided by donation to the Organization. There were no such contributed services recorded in 2018 or 2017.

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 148,000 volunteer hours in 2018 and 174,200 volunteer hours in 2017.

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 \$53,906,992 and \$64,502,225 as of December 31, 2018 and 2017 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.

Accounts and Pledges Receivable

Accounts receivable are amounts due from organizations for shipping and handling fees and donations receivable. Management believes that all accounts and pledges receivable are fully collectible within a reasonable period after year end. Therefore, no allowance for uncollectible accounts is provided.

Income Tax Status

The Organization is a not-for profit organization that is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). 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).

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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.

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 were paid in the years ended December 31, 2018 and 2017. The amount of interest paid was \$6,917 and 0 in the years ended December 31, 2018 and 2017, respectively.

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:

	2018	2017
Equity securities	\$ 3,325,049	\$ 3,844,020
Bonds	1,680,124	2,051,789
Certificate of deposits	34,781	19,535
Total	<u>\$ 5,039,954</u>	<u>\$ 5,915,344</u>

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

	2018	2017
Market Value	\$ 5,039,954	\$ 5,915,344
Cost	4,836,859	5,124,802
Unrealized investment gain	\$ 203,095	\$ 790,542

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

	2018	2017
Interest and dividends	\$ 126,275	\$ 96,525
Realized gains (losses)	129,484	152,856
Unrealized gains (losses)	(587,448)	599,657
Investment fees	(33,556)	(30,979)
Net investment income	\$ (365,245)	\$ 818,059

Included in certificates of deposit are four CD's with a total market value of \$19,536 in 2018 and \$19,536 in 2017 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);

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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);

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, 2018 by ASC 820 valuation hierarchy (as described above):

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,325,049	\$ -	\$ -	\$ 3,325,049
Mutual funds	-	-	-	-
Bonds	-	1,680,124	-	1,680,124
Certificates of deposit	-	34,781	-	34,781
Total fair value of investments	<u>\$ 3,325,049</u>	<u>\$ 1,714,905</u>	<u>\$ -</u>	<u>\$ 5,039,954</u>

The following presents assets carried at fair value as of December 31, 2017 ASC 820 valuation hierarchy (as described above):

Description	Level 1	Level 2	Level 3	Total
Equity securities	\$ 3,844,020	\$ -	\$ -	\$ 3,844,020
Mutual funds	-	-	-	-
Bonds	-	2,051,789	-	2,051,789
Certificate of deposit	-	19,535	-	19,535
Total fair value of investments	<u>\$ 3,844,020</u>	<u>\$ 2,071,324</u>	<u>\$ -</u>	<u>\$ 5,915,344</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.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 - 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 67% and 73% of the total shipping and handling revenue in 2018 and 2017, 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 has \$912,242 in uninsured balances as of December 31, 2018. 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 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
For periods after December 31	\$ 666,667	\$ -
Domestic Disasters	57,363	997,154
Hurricanes Irma/Maria	124,791	836,576
Loads of Hope Vehicle	-	136,348
Loads of Hope	-	54,300
Philippines relief	47,879	47,879
P&G disaster	21,911	38,212
Syrian Refugees	10,000	10,000
Ecuador Earthquake	-	8,928
Ebola relief	4,793	4,793
Nicaraguan housing	3,725	3,725
Food processing	23,232	2,345
Nigeria container	500	500
Hurricanes Florence/Michael	234,242	-
Capital Campaign	1,031,431	-
Guatemala Relief	1,450	-
Haiti	16,122	-
Total	<u>\$ 2,244,106</u>	<u>\$ 2,140,760</u>

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 8 - LEASE COMMITMENTS

The Organization leases a copier for \$933 per month, 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.

The future minimum lease payments are:

	2019	\$	6,126
	2020		4,261
	2021		4,261
	2022		4,261
	2023		4,261
			4,261
		\$	23,170

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, 2018 was \$74,314.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Building and improvements	\$ 4,155,602	\$ 3,958,393
Land	1,616,674	1,366,674
Machinery and equipment	1,174,685	1,031,776
Office furniture and equipment	548,930	332,849
Vehicles	888,980	724,242
Leasehold improvements	1,122,935	1,214,466
Construction in progress	3,158,241	58,800
Total cost	12,666,047	8,687,200
Less: Accumulated depreciation	(3,228,862)	(2,664,784)
Net property and equipment	\$ 9,437,185	\$ 6,022,416

Depreciation expense was \$595,321 and \$555,331 for the years ended December 31, 2018 and 2017, respectively.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$70,482 and \$41,198 for the years ended December 31, 2018 and 2017, respectively.

NOTE 13 - FUNDRAISING EVENTS

The following events contributed to the resources available for programs during the years ended December 31, 2018 and 2017.

	2018		
	Revenue	Expenses	Net Profit
5K race and hunger drive	73,532	110,470	(36,938)
Gala event	201,883	76,567	125,316
Other events	865	18,980	(18,115)
	\$ 276,280	\$ 206,017	\$ 70,263
	2017		
	Revenue	Expenses	Net Profit
5K race and hunger drive	139,985	112,332	27,653
Gala event	100,915	76,311	24,604
Other events	6,385	28,741	(22,356)
	\$ 247,285	\$ 217,384	\$ 29,901

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 31, 2019, the date of the audit report.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15 – LONG TERM DEBT

On July 10, 2017, Matthew 25: Ministries, Inc. purchased property in Wilmington, Ohio on an installment basis. As of 12-31-18, the balance on the contract was \$100,000, payable as follows:

2019	\$ 50,000
2020	\$ 50,000

No interest is due nor has any been imputed on the remaining principal payments. The contract balance is disclosed at face value. Any imputed interest is considered immaterial to the financial statements taken as a whole. No specific assets are pledged as collateral. The final payment is due July 10, 2020.

The organization has a Line of Credit with a bank in the amount of \$700,000. The balance as of December 31, 2018 was 690,154. The principle does not have to be paid until the maturity date which is September 17, 2027. Payments of interest only are payable monthly. The interest rate on the loan is 3.0%. The loan is secured by the property located at 11060 Kenwood Road in Cincinnati Ohio.

NOTE 16 -- PLEDGE RECEIVABLE

Pledge Receivable consists of a pledge from a foundation for \$1,000,000. One third was paid in December 2018. One third will be paid in December 2019 and the final one-third is to be paid in December 2020. The balance as of December 31, 2018 was \$666,667.