

MATTHEW 25: MINISTRIES, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2010 AND 2009

## INDEX

INDEPENDENT AUDITOR'S REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Matthew 25: Ministries, Inc. as of December 31, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Our audits were conducted 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

May 16, 2011

  
Certified Public Accountant

MATTHEW 25: MINISTRIES, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2010 AND 2009

ASSETS

CURRENT ASSETS	<u>2010</u>	<u>2009</u>
<u>Unrestricted</u>		
Cash and cash equivalents	\$ 649,274	\$ 598,939
Marketable securities	1,908,396	1,155,033
Accounts receivable	148,895	93,781
Inventory	14,001,619	13,255,555
Prepaid insurance	-----	8,842
Other current assets	<u>3,925</u>	<u>3,925</u>
TOTAL UNRESTRICTED	<u>16,712,109</u>	<u>15,116,075</u>
 <u>Restricted</u>		
Cash and cash equivalents	<u>350,024</u>	<u>158,353</u>
TOTAL CURRENT ASSETS	17,062,133	15,274,428
 PROPERTY AND EQUIPMENT	<u>2,149,663</u>	<u>2,136,922</u>
 TOTAL ASSETS	<u>\$ 19,211,796</u>	<u>\$ 17,411,350</u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 44,773	\$ 64,117
Salaries, benefits and taxes payable	<u>36,069</u>	<u>25,974</u>
 TOTAL LIABILITIES	<u>80,842</u>	<u>90,091</u>
 NET ASSETS		
Unrestricted	18,780,930	17,162,906
Temporarily restricted	<u>350,024</u>	<u>158,353</u>
 TOTAL NET ASSETS	<u>19,130,954</u>	<u>17,321,259</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 19,211,796</u>	<u>\$ 17,411,350</u>

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

MATTHEW 25: MINISTRIES, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Donated products received	\$131,150,421	\$----	\$131,150,421	\$107,527,291	\$----	\$107,527,291
Contributions	1,333,103	729,604	2,062,707	780,892	74,157	855,049
Handling and shipping fees	1,528,089	-----	1,528,089	1,070,020	-----	1,070,020
Processing fees	82,809	-----	82,809	108,044	-----	108,044
Grants	25,233	10,000	35,233	60,467	300,017	360,484
Race registration	31,748	-----	31,748	22,442	-----	22,442
Investment income	29,039	-----	29,039	2,349	-----	2,349
Rice & Soy Meal Sales	10,132	-----	10,132	-----	-----	-----
Recycling materials	9,091	-----	9,091	1,737	-----	1,737
Other revenue, net	1,110	-----	1,110	50,284	-----	50,284
Bobblehead activity, net	125	-----	125	35,894	-----	35,894
Released from restrictions	547,933	( 547,933)	-----	274,708	( 274,708)	-----
<b>Total Support and Revenue</b>	<u>134,748,833</u>	<u>191,671</u>	<u>134,940,504</u>	<u>109,934,128</u>	<u>99,466</u>	<u>110,033,594</u>
<b>EXPENSES</b>						
Program services	132,454,524	-----	132,454,524	109,328,147	-----	109,328,147
Administrative	253,001	-----	253,001	145,907	-----	145,907
Fundraising	423,284	-----	423,284	450,878	-----	450,878
<b>Total Expenses</b>	<u>133,130,809</u>	<u>-----</u>	<u>133,130,809</u>	<u>109,924,932</u>	<u>-----</u>	<u>109,924,932</u>
<b>CHANGES IN NET ASSETS</b>	1,618,024	191,671	1,809,695	9,196	99,466	108,662
<b>NET ASSETS, JANUARY 1</b>	<u>17,162,906</u>	<u>158,353</u>	<u>17,321,259</u>	<u>17,153,710</u>	<u>58,887</u>	<u>17,212,597</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 18,780,930</u>	<u>\$ 350,024</u>	<u>\$ 19,130,954</u>	<u>\$ 17,162,906</u>	<u>\$ 158,353</u>	<u>\$ 17,321,259</u>

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

MATTHEW 25: MINISTRIES, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	PROGRAM SERVICES	ADMIN-ISTRATIVE	FUND RAISING	TOTAL EXPENSES	PROGRAM SERVICES	ADMIN-ISTRATIVE	FUND RAISING	TOTAL EXPENSES
Humanitarian supplies and aid	\$131,224,245	\$ 165,707	\$ 223,437	\$131,224,245	\$108,317,339	\$ 82,112	\$ 205,280	\$108,317,339
Salaries	679,933	4,250	5,731	1,069,077	533,728	2,729	6,822	821,120
Pension	17,440	14,606	19,694	94,231	17,738	10,447	26,118	27,289
Employee benefits	59,931	13,572	18,300	87,561	67,908	7,102	17,756	104,473
Payroll taxes	55,689	6,521	15,140	88,686	46,165	2,401	14,207	71,023
Supplies	67,025	2,448	7,345	24,482	64,988	1,842	5,527	81,596
Telephone	14,689	1,252	10,015	12,519	11,055	1,093	8,748	18,424
Postage and shipping	1,252	15,511	365	182,479	1,093	11,040	260	10,934
Occupancy	166,603	35,993	---	35,993	118,583	---	---	129,883
Equipment rental and maintenance	35,993	3,229	20,084	29,051	21,626	3,604	28,829	21,626
Printing and publications	5,738	12,747	6,373	31,867	3,604	12,216	6,108	36,037
Travel	12,747	1,131	1,451	3,195	12,216	1,102	1,469	30,540
Conferences and meetings	613	8,519	227	113,583	1,102	7,978	188	3,673
Depreciation	104,837	1,545	2,317	7,724	85,693	668	2,005	93,859
Consulting	3,862	1,963	1,963	7,853	22,168	1,573	1,572	24,841
Accounting	3,927	---	90,842	90,842	3,141	---	125,989	6,286
Other expenses	---	---	---	---	---	---	---	125,989
<b>Total Expenses</b>	<b>\$132,454,524</b>	<b>\$ 253,001</b>	<b>\$ 423,284</b>	<b>\$133,130,809</b>	<b>\$109,328,147</b>	<b>\$ 145,907</b>	<b>\$ 450,878</b>	<b>\$109,924,932</b>
<b>Percentage of Total</b>	<b>99.49%</b>	<b>0.19%</b>	<b>0.32%</b>	<b>100.00%</b>	<b>99.46%</b>	<b>0.13%</b>	<b>0.41%</b>	<b>100.00%</b>

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

**MATTHEW 25: MINISTRIES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,809,695	\$ 108,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in inventory	( 725,293)	488,077
Depreciation	113,583	93,859
Donations of marketable securities	( 1,091)	----
Unrealized investment activity	<u>9,929</u>	<u>1,952</u>
	1,206,823	692,550
Decrease (increase) in assets:		
Accounts receivable	( 55,114)	( 41,650)
Prepaid insurance	8,842	( 8,842)
Purchased inventory	( 20,771)	----
Increase (decrease) in liabilities:		
Accounts payable	( 19,344)	3,704
Salaries, benefits and taxes payable	<u>10,095</u>	<u>23,098</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,130,531</u>	 <u>668,860</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of marketable securities	( 1,450,703)	(3,754,834)
Interest and dividends reinvested	( 11,811)	( 1,646)
Sale of marketable securities	700,313	3,408,628
Purchase of property and equipment	<u>( 126,324)</u>	<u>( 170,286)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>( 888,525)</u>	 <u>( 518,138)</u>
 <u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	 242,006	 150,722
 <u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	 <u>757,292</u>	 <u>606,570</u>
 <u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	 <u>\$ 999,298</u>	 <u>\$ 757,292</u>

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

**MATTHEW 25: MINISTRIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

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 and hospitals. 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. 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. The organization has elected to report restricted contributions as unrestricted support when the restrictions are met in the same reporting period as when contributed.

Contributed Services

Contributed services are recognized as contributions only if the contributed services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation to the Organization. There were no such contributed services recorded in 2010 or 2009.



**MATTHEW 25: MINISTRIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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 83,500 volunteer hours in 2010 and 29,100 volunteer hours in 2009.

Inventory

Donated inventory consists primarily of clothing, fabric, food, medical and school supplies donated by businesses, individuals, and other organizations. Donated inventory is recorded as revenue at the fair market 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.

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.

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.

**MATTHEW 25: MINISTRIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009.

NOTE 4 - MARKETABLE SECURITIES

The Organization invests excess cash in portfolios that contain money market 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>2010</u>	<u>2009</u>
Equity Securities	\$ 49,742	\$ 46,661
Corporate Bonds	508,187	505,575
U.S. Government Securities	754,045	495,390
Certificates of Deposit	<u>596,422</u>	<u>107,407</u>
Total	<u>\$ 1,908,396</u>	<u>\$ 1,155,033</u>

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

	<u>2010</u>	<u>2009</u>
Market Value	\$ 1,908,396	\$ 1,155,033
Cost	<u>1,918,325</u>	<u>1,156,985</u>
Unrealized (loss) gain	<u>\$ ( 9,929)</u>	<u>\$ ( 1,952)</u>

**MATTHEW 25: MINISTRIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

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

	2010	2009
Interest and dividends	\$ 38,968	\$ 4,301
Unrealized gains (losses)	( 9,929)	( 1,952)
Total investment income	\$ 29,039	\$ 2,349

**NOTE 5 - FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board, in *FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures (ASC 820)*, defines fair value, establishes a framework for measuring fair value, and expands 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);

**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).

**MATTHEW 25: MINISTRIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2010 AND 2009**

The following presents assets carried at fair value as of December 31, 2010 by ASC 820 valuation hierarchy (as described above).

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Securities	49,742			49,742
Money Market Funds	132,594			132,594
U.S. Government Securities	754,045			754,045
Corporate Bonds		508,187		508,187
Certificates of Deposit		596,422		596,422
Total assets at fair value	<u>\$ 936,381</u>	<u>\$1,104,609</u>	<u>-</u>	<u>\$2,040,990</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2010</u>	<u>2009</u>
Micro Nutrient Program	\$ 35,000	\$ ----
Pakistan	235	----
Haiti	289,789	----
Life Outreach Int'l shoes	25,000	19,915
Nicaraguan housing	----	21,300
Print shop	----	29,102
Food processing	----	88,036
Total	<u>\$ 350,024</u>	<u>\$ 158,353</u>

**NOTE 7 - LEASE COMMITMENTS**

The Organization leases a copier and a postage machine. Total rental expense was \$4,352 and \$3,428 for the years ended December 31, 2010 and 2009, respectively. The future minimum lease payments are:

2011	4,352
2012	4,352
2013	4,352
2014	<u>2,563</u>
	<u>\$15,619</u>

**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 not-for-profit resulted in 65% of the total shipping and handling revenue in 2010 and 2009.

MATTHEW 25: MINISTRIES, INC.  
NOTES TO THE FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2010 AND 2009

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

NOTE 9 - CREDIT LINE

The Organization has an unsecured line of credit of \$36,000 on a credit card. The available credit as of December 31, 2010 was \$24,646.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Building and improvements	\$ 1,863,129	\$ 1,789,518
Land	361,200	361,200
Machinery and equipment	294,960	95,859
Office furniture and equipment	62,563	57,903
Vehicle	64,918	64,918
Construction in progress	-----	<u>158,486</u>
Total cost	<u>2,646,770</u>	<u>2,527,884</u>
Accumulated depreciation	<u>( 497,107)</u>	<u>( 390,962)</u>
Net property and equipment	<u>\$ 2,149,663</u>	<u>\$ 2,136,922</u>

Depreciation expense was \$113,583 and \$93,859 for the years ended December 31, 2010 and 2009, respectively.

NOTE 11 - RETIREMENT PLANS

Effective August 1, 2006, the Organization 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 work 1,560 hours or more per year and have completed one year of service are eligible for participation in the plan. Matching contributions paid by the Organization were \$18,168 and \$16,185 for the years ended December 31, 2010 and 2009, respectively.

The Organization paid voluntary and discretionary pension contributions for the Executive Director of Matthew 25: Ministries, Inc. The contributions were \$9,253 and \$11,104 for the years ended December 31, 2010 and 2009, respectively. No other employees are eligible for this plan.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2010, which is the date the financial statements were issued.