

MATTHEW 25: MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

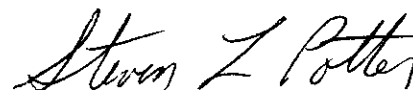
To the Board of Directors
Matthew 25: Ministries, Inc.

We have audited the accompanying statements of financial position of Matthew 25: Ministries, Inc. as of December 31, 2011 and 2010 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, 2011 and 2010 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.

July 17, 2012



Certified Public Accountant

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MATTHEW 25: MINISTRIES, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
<u>Unrestricted</u>		
Cash and cash equivalents	\$ 1,069,805	\$ 649,274
Marketable securities	2,824,582	1,908,396
Accounts receivable	131,098	148,895
Inventory	30,134,846	14,001,619
Prepaid insurance	9,052	-----
Other current assets	<u>3,925</u>	<u>3,925</u>
TOTAL UNRESTRICTED	34,173,308	16,712,109
 <u>Restricted</u>		
Cash and cash equivalents	<u>152,061</u>	<u>350,024</u>
TOTAL CURRENT ASSETS	34,325,369	17,062,133
PROPERTY AND EQUIPMENT	<u>2,083,994</u>	<u>2,149,663</u>
TOTAL ASSETS	<u>\$ 36,409,363</u>	<u>\$ 19,211,796</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 60,590	\$ 44,773
Salaries, benefits and taxes payable	<u>10,775</u>	<u>36,069</u>
TOTAL LIABILITIES	<u>71,365</u>	<u>80,842</u>
 NET ASSETS		
Unrestricted	36,185,937	18,780,930
Temporarily restricted	<u>152,061</u>	<u>350,024</u>
TOTAL NET ASSETS	<u>36,337,998</u>	<u>19,130,954</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,409,363</u>	<u>\$ 19,211,796</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, 2011 AND 2010

	2011		2010	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE				
Donated products received	\$142,325,771	-----	\$131,150,421	-----
Contributions	1,965,006	503,358	1,358,336	739,604
Handling and shipping fees	1,505,205	-----	1,528,089	-----
Processing fees	94,934	-----	82,809	-----
Race registration	82,443	-----	31,748	-----
Investment income	61,510	-----	29,039	-----
Rice and soy meal sales	24,290	-----	10,132	-----
Recycling materials	11,589	-----	9,091	-----
Other revenue, net	(387)	-----	1,235	-----
Released from restrictions	701,321	(701,321)	547,933	(547,933)
	146,771,682	(197,963)	134,748,833	191,671
Total Support and Revenue				134,940,504
EXPENSES				
Program services	128,553,249	-----	132,454,524	-----
Administrative	256,549	-----	253,001	-----
Fundraising	556,877	-----	423,284	-----
	129,366,675	-----	133,130,809	-----
Total Expenses				133,130,809
CHANGES IN NET ASSETS				
NET ASSETS, JANUARY 1	17,405,007	(197,963)	1,618,024	191,671
NET ASSETS, DECEMBER 31	18,780,930	350,024	17,162,906	158,353
	\$ 36,185,937	\$ 152,061	\$ 18,780,930	\$ 350,024
				\$ 19,130,954

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, 2011 AND 2010

	2011				2010			
	PROGRAM SERVICES	ADMIN-ISTRATIVE	FUND RAISING	TOTAL EXPENSES	PROGRAM SERVICES	ADMIN-ISTRATIVE	FUND RAISING	TOTAL EXPENSES
Humanitarian supplies and aid	\$127,137,404	\$	----	\$127,137,404	\$131,224,245	\$	----	\$131,224,245
Salaries	780,363	152,353	324,501	1,257,217	679,933	165,707	223,437	1,069,077
Pension	10,722	2,093	4,458	17,273	17,440	4,250	5,731	27,421
Employee benefits	63,581	12,413	26,439	102,433	59,931	14,606	19,694	94,231
Payroll taxes	65,107	12,711	27,074	104,892	55,689	13,572	18,300	87,561
Supplies	92,338	18,102	23,168	133,608	67,025	6,521	15,140	88,686
Telephone	12,736	2,123	6,369	21,228	14,689	2,448	7,345	24,482
Postage and shipping	1,501	1,501	12,008	15,010	1,252	1,252	10,015	12,519
Occupancy	186,665	17,330	454	204,449	166,603	15,511	365	182,479
Equipment rental and maintenance	42,762	----	----	42,762	35,993	----	----	35,993
Printing and publications	5,159	3,393	18,054	26,606	5,738	3,229	20,084	29,051
Travel	17,315	17,315	8,658	43,288	12,747	12,747	6,373	31,867
Conferences and meetings	1,168	1,762	2,053	4,983	613	1,131	1,451	3,195
Depreciation	128,584	11,938	312	140,834	104,837	8,519	227	113,583
Consulting	4,075	1,630	2,445	8,150	3,862	1,545	2,317	7,724
Accounting	3,769	1,885	1,885	7,539	3,927	1,963	1,963	7,853
Other expenses	----	----	98,999	98,999	----	----	90,842	90,842
Total Expenses	<u>\$128,553,249</u>	<u>\$ 256,549</u>	<u>\$ 556,877</u>	<u>\$129,366,675</u>	<u>\$132,454,524</u>	<u>\$ 253,001</u>	<u>\$ 423,284</u>	<u>\$133,130,809</u>
Percentage of Total	99.37%	0.20%	0.43%	100.00%	99.49%	0.19%	0.32%	100.00%

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 17,207,044	\$ 1,809,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in donated inventory	(16,084,947)	(725,293)
Depreciation	140,834	113,583
Donations of marketable securities	(1,108)	(1,091)
Unrealized investment activity	<u>10,580</u>	<u>9,929</u>
	1,272,403	1,206,823
Decrease (increase) in assets:		
Accounts receivable	17,797	(55,114)
Prepaid insurance	(9,052)	8,842
Purchased inventory	(48,280)	(20,771)
Increase (decrease) in liabilities:		
Accounts payable	15,817	(19,344)
Salaries, benefits and taxes payable	<u>(25,294)</u>	<u>10,095</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>1,223,391</u>	 <u>1,130,531</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of marketable securities	(1,168,089)	(1,450,703)
Interest and dividends reinvested	(8,660)	(11,811)
Sale of marketable securities	251,091	700,313
Purchase of property and equipment	<u>(75,165)</u>	<u>(126,324)</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>(1,000,823)</u>	 <u>(888,525)</u>
 <u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	 222,568	 242,006
 <u>CASH AND CASH EQUIVALENTS -</u> <u>BEGINNING OF YEAR</u>	 <u>999,298</u>	 <u>757,292</u>
 <u>CASH AND CASH EQUIVALENTS -</u> <u>END OF YEAR</u>	 <u>\$ 1,221,866</u>	 <u>\$ 999,298</u>

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

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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. 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, and would typically be purchased if not provided by donation to the Organization. There were no such contributed services recorded in 2011 or 2010.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011 AND 2010

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 80,600 volunteer hours in 2011 and 83,500 volunteer hours in 2010.

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 is 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, 2011 AND 2010

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, 2011 and 2010.

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>2011</u>	<u>2010</u>
Equity Securities	\$ 51,538	\$ 49,742
Corporate Bonds	1,659,601	508,187
U.S. Government Securities	506,108	754,045
Certificates of Deposit	<u>607,335</u>	<u>596,422</u>
Total	<u>\$ 2,824,582</u>	<u>\$ 1,908,396</u>

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

	<u>2011</u>	<u>2010</u>
Market Value	\$ 2,824,582	\$ 1,908,396
Cost	<u>2,835,162</u>	<u>1,918,325</u>
Unrealized (loss) gain	<u>\$ (10,580)</u>	<u>\$ (9,929)</u>

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011 AND 2010

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

	2011	2010
Interest and dividends	\$ 72,090	\$ 38,968
Unrealized gains (losses)	(10,580)	(9,929)
 Total investment income	 \$ <u>61,510</u>	 \$ <u>29,039</u>

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, 2011 AND 2010

The following presents assets carried at fair value as of December 31, 2011 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	51,538			51,538
Money Market Funds	19,333			19,333
U.S. Government Securities	506,108			506,108
Corporate Bonds		1,659,601		1,659,601
Certificates of Deposit		607,335		607,335
Total assets at fair value	<u>\$ 576,979</u>	<u>\$2,266,936</u>		<u>\$2,843,915</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Micro Nutrient Program	\$ 23,779	\$ 35,000
Pakistan	----	235
Haiti	22,099	289,789
Life Outreach Int'l shoes	18,930	25,000
Nicaraguan housing	10,900	----
Africa famine	800	----
Haiti doctors	2,100	----
Scripps Howard intern	100	----
Japan relief	27,308	----
Mid-America relief	45,545	----
Nigeria container	500	----
Total	<u>\$ 152,061</u>	<u>\$ 350,024</u>

NOTE 7 - LEASE COMMITMENTS

The Organization leases a copier and a postage machine. Total rental expense was \$4,352 for each of the years ended December 31, 2011 and 2010. The future minimum lease payments are:

2012	4,352
2013	4,352
2014	<u>2,563</u>
	<u>\$11,267</u>

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2011 AND 2010

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 72% and 65% of the total shipping and handling revenue in 2011 and 2010, respectively.

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, 2011 was \$25,153.

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2011	2010
Building and improvements	\$ 1,863,129	\$ 1,863,129
Land	361,200	361,200
Machinery and equipment	357,284	294,960
Office furniture and equipment	64,511	62,563
Vehicles	<u>70,918</u>	<u>64,918</u>
Total cost	2,717,042	2,646,770
Accumulated depreciation	<u>(633,048)</u>	<u>(497,107)</u>
Net property and equipment	<u>\$ 2,083,994</u>	<u>\$ 2,149,663</u>

Depreciation expense was \$140,834 and \$113,583 for the years ended December 31, 2011 and 2010, 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 \$17,273 and \$18,168 for the years ended December 31, 2011 and 2010, respectively.

The Organization paid voluntary and discretionary pension contributions of \$9,253 in 2010 for the President of Matthew 25: Ministries, Inc. No payments were made in 2011. No other employees are eligible for this plan.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 17, 2012, which is the date the financial statements were issued