

MATTHEW 25: MINISTRIES, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

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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, 2013 and 2012, 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.

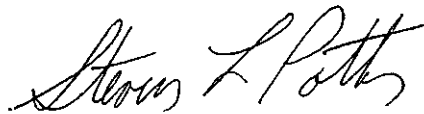
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2013 and 2012 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 black ink, appearing to read "Steven L. Potts". The signature is written in a cursive, flowing style.

June 26, 2014

Certified Public Accountant

MATTHEW 25: MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
<u>Unrestricted</u>		
Cash and cash equivalents	\$ 1,488,536	\$ 1,665,618
Marketable securities (Notes 4,5)	4,476,746	3,769,041
Accounts receivable	124,930	95,883
Other receivables	13,500	18,750
Employee advances	2,355	4,875
Inventory	33,929,309	26,291,673
Prepaid insurance	12,564	1,843
Other current assets	<u>14,075</u>	<u>3,925</u>
TOTAL UNRESTRICTED	40,062,015	31,851,608
<u>Restricted</u>		
Cash and cash equivalents (Note 6)	<u>395,117</u>	<u>31,154</u>
TOTAL CURRENT ASSETS	40,457,132	31,882,762
Note receivable (Note 12)	60,000	3,000
Property and equipment (Note 10)	<u>3,172,308</u>	<u>2,059,979</u>
TOTAL ASSETS	\$ <u>43,689,440</u>	\$ <u>33,945,741</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 125,749	\$ 174,181
Salaries, benefits and taxes payable	<u>79,530</u>	<u>10,306</u>
TOTAL LIABILITIES	<u>205,279</u>	<u>184,487</u>
NET ASSETS		
Unrestricted	43,089,044	33,730,100
Temporarily restricted (Note 6)	<u>395,117</u>	<u>31,154</u>
TOTAL NET ASSETS	<u>43,484,161</u>	<u>33,761,254</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>43,689,440</u>	\$ <u>33,945,741</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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE</u>						
Donated products received	\$148,245,579	\$ ----	\$148,245,579	\$116,227,069	\$ ----	\$116,227,069
Contributions	3,212,622	1,499,065	4,711,687	2,711,446	988,125	3,699,571
Handling and shipping fees	1,701,150	----	1,701,150	1,390,361	----	1,390,361
Processing fees	54,803	----	54,803	61,549	----	61,549
Race registration	94,644	----	94,644	79,947	----	79,947
Investment income, net (Note 4)	(18,327)	----	(18,327)	144,592	----	144,592
Product sales	20,475	----	20,475	60,324	----	60,324
Recycling materials	10,882	----	10,882	16,077	----	16,077
Other revenue, net	28,161	----	28,161	35,137	----	35,137
Released from restrictions	<u>1,135,102</u>	<u>(1,135,102)</u>	<u>----</u>	<u>1,109,032</u>	<u>(1,109,032)</u>	<u>----</u>
Total Support and Revenue	<u>154,485,091</u>	<u>363,963</u>	<u>154,849,054</u>	<u>121,835,534</u>	<u>(120,907)</u>	<u>121,714,627</u>
<u>EXPENSES</u>						
Program services	144,097,146	----	144,097,146	123,247,282	----	123,247,282
Administrative	385,258	----	385,258	387,848	----	387,848
Fundraising	<u>643,743</u>	<u>----</u>	<u>643,743</u>	<u>656,241</u>	<u>----</u>	<u>656,241</u>
Total Expenses	<u>145,126,147</u>	<u>----</u>	<u>145,126,147</u>	<u>124,291,371</u>	<u>----</u>	<u>124,291,371</u>
CHANGES IN NET ASSETS	9,358,944	363,963	9,722,907	(2,455,837)	(120,907)	(2,576,744)
NET ASSETS, JANUARY 1	<u>33,730,100</u>	<u>31,154</u>	<u>33,761,254</u>	<u>36,185,937</u>	<u>152,061</u>	<u>36,337,998</u>
NET ASSETS, DECEMBER 31	<u>\$ 43,089,044</u>	<u>\$ 395,117</u>	<u>\$ 43,484,161</u>	<u>\$ 33,730,100</u>	<u>\$ 31,154</u>	<u>\$ 33,761,254</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, 2013 AND 2012

	2013				2012			
	PROGRAM SERVICES	ADMIN- ISTRATIVE	FUND RAISING	TOTAL EXPENSES	PROGRAM SERVICES	ADMIN- ISTRATIVE	FUND RAISING	TOTAL EXPENSES
Humanitarian supplies and aid	\$141,824,246	\$ ----	\$ ----	\$141,824,246	\$121,364,272	\$ ----	\$ ----	\$121,364,272
Salaries	1,237,020	207,833	240,593	1,685,446	943,284	215,331	290,000	1,448,615
Retirement (Note 11)	16,531	2,777	3,215	22,523	12,967	2,960	3,987	19,914
Employee benefits	116,089	19,505	22,578	158,172	80,776	18,439	24,833	124,048
Payroll taxes	99,119	16,653	19,278	135,050	87,358	19,942	26,857	134,157
Supplies	140,791	17,657	19,964	178,412	106,734	20,987	28,914	156,635
Telephone	17,994	2,429	3,869	24,292	16,681	2,780	8,341	27,802
Postage and shipping	3,111	3,111	24,886	31,108	1,806	1,806	14,445	18,057
Occupancy	288,525	26,787	702	316,014	266,163	24,711	647	291,521
Depreciation	186,136	17,281	453	203,870	140,011	12,999	340	153,350
Global village education	23,891	----	----	23,891	130,130	----	----	130,130
Equipment rental and maintenance	50,254	----	----	50,254	45,308	----	----	45,308
Printing and publications	20,487	11,654	33,021	65,162	1,958	979	51,781	54,718
Travel	51,251	6,919	11,019	69,189	39,661	19,830	6,610	66,101
Conferences and meetings	354	354	473	1,181	381	723	850	1,954
Consulting	16,112	3,625	3,559	23,296	5,559	3,335	2,224	11,118
Accounting	5,235	2,618	2,618	10,471	4,233	2,117	2,116	8,466
Other expenses	----	46,055	257,515	303,570	----	40,909	194,296	235,205
Total Expenses	<u>\$144,097,146</u>	<u>\$ 385,258</u>	<u>\$ 643,743</u>	<u>\$145,126,147</u>	<u>\$123,247,282</u>	<u>\$ 387,848</u>	<u>\$ 656,241</u>	<u>\$124,291,371</u>
Percentage of Total	99.29%	0.27%	0.44%	100.00%	99.16%	0.31%	0.53%	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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 9,722,907	\$(2,576,744)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net change in donated inventory	(7,637,636)	3,962,486
Depreciation	203,870	153,350
Donations of marketable securities	(52,547)	(23,134)
Unrealized investment activity	<u>46,590</u>	<u>(26,200)</u>
	2,283,184	1,489,758
Decrease (increase) in assets:		
Accounts receivable	(29,047)	35,215
Other receivable	5,250	(18,750)
Employee advances	2,520	(4,875)
Prepaid insurance	(10,721)	7,209
Purchased inventory	----	(119,313)
Other current assets	(10,150)	----
Increase (decrease) in liabilities:		
Accounts payable	(48,432)	113,591
Salaries, benefits and taxes payable	<u>69,224</u>	<u>(469)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>2,261,828</u>	<u>1,502,366</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of marketable securities	(2,563,500)	(1,576,300)
Interest and dividends reinvested	(68,882)	(40,788)
Sale of marketable securities	1,930,634	721,963
Cash advanced under note agreement	(57,000)	(3,000)
Purchase of property and equipment	<u>(1,316,199)</u>	<u>(129,335)</u>
<u>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>(2,074,947)</u>	<u>(1,027,460)</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	186,881	474,906
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,696,772</u>	<u>1,221,866</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,883,653</u>	<u>\$ 1,696,772</u>

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

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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.

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 2013 or 2012.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2013 AND 2012

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 106,000 volunteer hours in 2013 and 93,000 volunteer hours in 2012.

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.

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, 2013 AND 2012

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, 2013 and 2012.

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>2013</u>	<u>2012</u>
Equity Securities	\$ 13,423	\$ 70,819
Corporate Bonds	961,146	1,191,901
U.S. Government Securities	----	250,135
Mutual Funds	2,834,974	1,615,772
Certificates of Deposit	<u>667,203</u>	<u>640,414</u>
Total	\$ <u>4,476,746</u>	\$ <u>3,769,041</u>

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

	<u>2013</u>	<u>2012</u>
Market Value	\$ 4,476,746	\$ 3,769,041
Cost	<u>4,523,336</u>	<u>3,742,841</u>
Unrealized gain (loss)	\$ (<u>46,590</u>)	\$ <u>26,200</u>

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2013 AND 2012

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 65,927	\$ 72,607
Realized/unrealized gains (losses)	(57,122)	83,033
Investment fees	(27,132)	(11,048)
Total investment income	<u>\$ (18,327)</u>	<u>\$ 144,592</u>

Included in certificates of deposit are three CD's with a total market value of \$13,979 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);

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, 2013 AND 2012

The following presents assets carried at fair value as of December 31, 2013 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	13,423			13,423
Mutual Funds	2,834,974			2,834,974
Corporate Bonds		961,146		961,146
Certificates of Deposit		<u>667,203</u>		<u>667,203</u>
Total investments at fair value	<u>\$ 2,848,397</u>	<u>\$ 1,628,349</u>		<u>\$ 4,476,746</u>

The following presents assets carried at fair value as of December 31, 2012 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	70,819			70,819
Mutual Funds	1,615,772			1,615,772
U.S. Government Securities	250,135			250,135
Corporate Bonds		1,191,901		1,191,901
Certificates of Deposit		<u>640,414</u>		<u>640,414</u>
Total investments at fair value	<u>\$ 1,936,726</u>	<u>\$1,832,315</u>		<u>\$3,769,041</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 (CONT.)
DECEMBER 31, 2013 AND 2012

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Colorado floods	\$ 6,156	\$ ----
Holy Land container	2,038	----
Philippines relief	360,985	----
Micro Nutrient Program	----	23,859
Nicaraguan housing	3,900	6,700
Scripps Howard intern	480	95
Mid-America relief	21,058	----
Nigeria container	<u>500</u>	<u>500</u>
Total	<u>\$ 395,117</u>	<u>\$ 31,154</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, 2013 and 2012. The future minimum lease payments are:

2014 \$ 2,563

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 65% and 78% of the total shipping and handling revenue in 2013 and 2012, 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 uninsured balances of \$877,266 as of December 31, 2013. The Organization did not incur any losses on cash deposits from December 31, 2013 to the date of the audit report. 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, 2013 was \$113,166.

MATTHEW 25: MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2013 AND 2012

NOTE 10 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2013</u>	<u>2012</u>
Building and improvements	\$ 1,863,129	\$ 1,863,129
Land	361,200	361,200
Machinery and equipment	663,526	425,839
Office furniture and equipment	104,315	94,237
Vehicles	354,929	101,972
Construction in progress	<u>815,477</u>	<u>-----</u>
Total cost	4,162,576	2,846,377
Accumulated depreciation	<u>(990,268)</u>	<u>(786,398)</u>
Net property and equipment	<u>\$ 3,172,308</u>	<u>\$ 2,059,979</u>

Depreciation expense was \$203,870 and \$153,350 for the years ended December 31, 2013 and 2012, 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 \$22,523 and \$19,914 for the years ended December 31, 2013 and 2012, respectively.

NOTE 12 - RELATED PARTY TRANSACTION

In 2012 the Board of Directors approved a \$60,000 loan to the CEO. As of December 31, 2012, \$3,000 had been disbursed. The remaining balance was disbursed in early 2013. 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.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 26, 2014, which is the date the financial statements were issued.