Matthew 25 Ministries and Subsidiary

Consolidated Financial Statements
December 31, 2023 and 2022, and
Independent Auditors' Report

MATTHEW 25 MINISTRIES AND SUBSIDIARY

December 31, 2023 and 2022

Contents

BARNES DENNIG
Accounting • Tax • Business Insight

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Independent Auditors' Report

To the Board of Trustees
of Matthew 25 Ministries and Subsidiary
Cincinnati, Ohio

Opinion

We have audited the accompanying consolidated financial statements of Matthew 25 Ministries (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Matthew 25 Ministries and Subsidiary as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Matthew 25 Ministries and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Matthew 25 Ministries and Subsidiary's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Independent Auditors' Report
(Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Matthew 25 Ministries and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Matthew 25 Ministries and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Barnes, Dennig & Co., Ltd.

June 26, 2024
Cincinnati, Ohio

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Cash	$ 1,158,103	$ 3,710,784
Receivables and other assets	1,423,934	968,654
Inventory	118,269,726	183,023,117
Investments	5,370,319	5,292,629
Employee Retention Credit receivable	1,300,847	-
Right of use assets - finance leases	103,370	97,948
Property and equipment, net	26,638,017	19,954,602
Total assets	$ 154,264,316	$ 213,047,734
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 672,951	$ 265,811
Accrued payroll and related	225,410	217,505
Other accrued liabilities	296,240	1,111,037
Refundable advance	1,080,000	-
Lease liabilities - finance leases	103,370	97,948
Notes payable	76,925	41,849
Lines of credit	6,000,000	1,563,001
Accumulated postretirement benefit obligation	471,266	560,233
Total liabilities	8,926,162	3,857,384
Net Assets		
Without donor restrictions	141,171,941	204,194,746
With donor restrictions	4,166,213	4,995,604
Total net assets	145,338,154	209,190,350
Total liabilities and net assets	$ 154,264,316	$ 213,047,734

See accompanying notes to consolidated financial statements

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Non-cash donations received	$ 278,377,053	$ -	$ 278,377,053
Contributions	10,140,702	4,130,419	14,271,121
Handling and shipping reimbursements	1,389,769	-	1,389,769
Investment return, net	710,781	-	710,781
Other program income	1,348,758	-	1,348,758
Special events, net	(57,097)	-	(57,097)
Employee Retention Credit grant	1,300,847	-	1,300,847
Other income	234,493	-	234,493
Donated artwork	212,500	-	212,500
Loss on disposal of property and equipment	(45)	-	(45)
Released from restrictions	4,959,810	(4,959,810)	-
Total revenue, gains and other support	298,617,571	(829,391)	297,788,180
Expenses			
Program services	359,318,379	-	359,318,379
General and administrative	1,189,881	-	1,189,881
Fundraising	1,132,116	-	1,132,116
Total expenses	361,640,376	-	361,640,376
Change in net assets	(63,022,805)	(829,391)	(63,852,196)
Net assets, beginning of year	204,194,746	4,995,604	209,190,350
Net assets, end of year	$ 141,171,941	$ 4,166,213	$ 145,338,154

See accompanying notes to consolidated financial statements

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support			
Non-cash donations received	$ 350,946,361	$ -	$ 350,946,361
Contributions	10,391,115	6,499,973	16,891,088
Handling and shipping reimbursements	1,160,969	-	1,160,969
Investment return, net	(965,985)	-	(965,985)
Other program income	553,691	-	553,691
Special events	(91,890)	-	(91,890)
Other income	59,094	-	59,094
Loss on disposal of property and equipment	(18,000)	-	(18,000)
Released from restrictions	3,910,836	(3,910,836)	-
Total revenue, gains and other support	365,946,191	2,589,137	368,535,328
Expenses			
Program services	301,681,364	-	301,681,364
General and administrative	1,022,172	-	1,022,172
Fundraising	1,148,895	-	1,148,895
Total expenses	303,852,431	-	303,852,431
Change in net assets	62,093,760	2,589,137	64,682,897
Net assets, beginning of year	142,100,986	2,406,467	144,507,453
Net assets, end of year	$ 204,194,746	$ 4,995,604	$ 209,190,350

See accompanying notes to consolidated financial statements

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program	Administrative	Fundraising	Total
Salaries	$ 4,762,086	$ 745,094	$ 429,055	$ 5,936,235
Employee benefits	691,907	108,258	62,340	862,505
Payroll taxes	351,371	54,977	31,658	438,006
Retirement	104,088	16,286	9,378	129,752
Total salaries and related	5,909,452	924,615	532,431	7,366,498
Humanitarian supplies and aid	342,390,863	-	-	342,390,863
Inventory obsolescence	5,706,597	-	-	5,706,597
Depreciation	1,916,342	35,222	11,386	1,962,950
Other programs	1,047,121	-	-	1,047,121
Supplies	666,459	34,168	22,373	723,000
Occupancy	646,109	27,205	6,801	680,115
Equipment rental and maintenance	432,816	8,198	7,156	448,170
Fundraising events	298	298	358,992	359,588
Other	259,351	39,138	21,162	319,651
Information technology	128,268	28,437	24,004	180,709
Royalties	86,000	-	86,000	172,000
Office	66,481	35,238	29,646	131,365
Professional fees	39,375	56,400	31,925	127,700
Interest	22,847	962	240	24,049
Total expenses	$ 359,318,379	$ 1,189,881	$ 1,132,116	$ 361,640,376

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program	Administrative	Fundraising	Total
Salaries	$ 4,429,146	$ 619,777	$ 488,476	$ 5,537,399
Employee benefits	1,055,219	147,658	116,377	1,319,254
Payroll taxes	351,015	49,118	38,712	438,845
Retirement	94,244	13,187	10,394	117,825
Total salaries and related	5,929,624	829,740	653,959	7,413,323
Humanitarian supplies and aid	287,331,547	-	-	287,331,547
Inventory obsolescence	3,846,266	-	-	3,846,266
Depreciation	1,476,196	31,411	11,144	1,518,751
Other programs	1,012,499	-	-	1,012,499
Supplies	409,891	31,455	30,513	471,859
Occupancy	592,858	24,962	6,241	624,061
Equipment rental and maintenance	471,901	6,682	5,861	484,444
Fundraising events	4,824	675	359,405	364,904
Other	216,944	24,420	15,838	257,202
Information technology	72,098	15,557	18,818	106,473
Royalties	172,000	-	-	172,000
Office	72,415	36,358	34,151	142,924
Professional fees	37,974	19,467	12,604	70,045
Interest	34,327	1,445	361	36,133
Total expenses	$ 301,681,364	$ 1,022,172	$ 1,148,895	$ 303,852,431

See accompanying notes to consolidated financial statements

MATTHEW 25 MINISTRIES AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (63,852,196)	$ 64,682,897
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,962,951	1,518,751
Net realized and unrealized (gains) losses on investments	(579,672)	1,053,287
Non-cash donations received	(278,377,053)	(350,946,361)
Distribution of non-cash donations	337,423,847	282,389,968
Loss on inventory obsolescence	5,706,597	3,846,266
Loss on disposal of property and equipment	45	18,000
Changes in:		
Receivables and other assets	(455,280)	(586,018)
Employee Retention Credit receivable	(1,300,847)	-
Accounts payable	407,140	(157,237)
Accrued payroll and related	7,905	39,716
Refundable advance	1,080,000	-
Other accrued liabilities	(814,797)	1,043,679
Accumulated postretirement benefit obligation	(88,967)	(74,653)
Net cash provided by operating activities	1,119,673	2,828,295
Cash flows from investing activities		
Proceeds from sale of investments	780,074	843,341
Purchase of investments	(278,092)	(1,088,539)
Purchase of property and equipment	(8,646,411)	(4,589,398)
Net cash used in investing activities	(8,144,429)	(4,834,596)
Cash flows from financing activities		
Draws on line of credit	6,056,365	1,563,000
Repayment of line of credit	(1,563,366)	(1,000,367)
Payments on note payable	(20,924)	(20,924)
Proceeds from issuance of note payable	-	
Net cash provided by financing activities	4,472,075	541,709
Net change in cash	(2,552,681)	(1,464,592)
Cash, beginning of year	3,710,784	5,175,376
Cash, end of year	$ 1,158,103	$ 3,710,784
Supplemental cash flows information		
Cash paid for interest	$ 149,422	$ 36,134
Property and equipment acquired through issuance of notes payable	$ 56,000	$ -

See Note 8 for supplemental cash flow information related to leases

See accompanying notes to consolidated financial statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Matthew 25 Ministries, Inc. (M25M or the Organization) is an international humanitarian aid and disaster relief organization helping the poorest of the poor and disaster victims locally, regionally and internationally regardless of race, creed or political persuasion. Headquartered in Blue Ash, Ohio, 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 support is from financial donations and shipping and handling fees collected to defray warehousing and transportation expenses and monetary contributions from individuals, businesses and churches.

M25M Haiti, LLC was formed as a single-member limited liability company in the state of Ohio. M25M is the sole member of M25M Haiti, LLC. M25M Haiti, LLC was formed to lease, purchase, invest in the renovation, construct, manage and operate lodging and hotel facilities for missionaries and their guests in the country of Haiti and to undertake programs for aid and humanitarian relief.

Principles of Consolidation

The accompanying financial statements include the assets, liabilities, and financial activities of M25M and M25M Haiti, LLC (collectively, the Organization). All significant inter-organizational balances and transactions have been eliminated for purposes of this presentation.

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Fair Value Measurements

GAAP has a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory and Non-Cash Donations

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 specific identification method. The Organization uses the specific identification method to determine the value of ending donated inventory. Donated inventory is utilized in the Organization’s programs and does not contain any donor-imposed restrictions.

Investments and Investment Return

Investments in equity and debt securities are carried at fair market value. Investment return includes dividends, interest and other investment income and realized and unrealized gains and losses on investments. Investment return that is initially restricted by donor stipulations and for which the restriction will be satisfied in the same year is recorded as revenue and net assets with donor restrictions and then released from restrictions. Other investment return is reflected in the statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Handling and Shipping Reimbursements Receivable

Handling and shipping reimbursements receivable are amounts due from certain partner organizations. Management believes that all receivables are fully collectible within a reasonable period after year end. Therefore, no allowance for uncollectible accounts is provided.

Property and Equipment

Property and equipment are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Maintenance and repairs are expensed as incurred while significant improvements are capitalized.

GAAP requires the Organization to assess the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on its most recent analysis, the Organization believes no impairments existed at December 31, 2023 and 2022.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets with donor restrictions and then released from restrictions.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenues when the conditions are substantially met and the gift becomes unconditional.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Ohio state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statement.

Functional Allocation of Expenses

The cost of programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were salaries and related expenses, which were allocated based upon estimates of time spent by the Organization's personnel, and occupancy and depreciation, which were allocated based on estimated utilization.

Use of Estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that effect certain reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of Adopting New Accounting Standards

During 2023, Matthew 25 Ministries adopted ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the increases or decreases of expected credit losses that have taken place during the period. This standard did not have a significant impact to the financial statements.

Subsequent Event Evaluation

In preparing its financial statements, the Organization has evaluated events subsequent to the statement of financial position date through June 26, 2024, which is the date the consolidated financial statements were issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement financial position date for general expenditure are as follows as of December 31:

	2023	2022
Cash and cash equivalents	$ 1,158,103	$ 3,710,784
Receivables and other assets	1,423,934	968,654
Investments	5,370,319	5,292,629
Less: net assets restricted for capital improvements	(650,513)	(467,279)
	$ 7,301,843	$ 9,504,788

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities and programs as well as general expenses that support the programs. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization also has lines of credit available to meet operating cash needs, if necessary (see Note 5).

NOTE 3 INVESTMENTS AT FAIR VALUE

Investments at fair value as of December 31 consisted of the following:

	2023	2022
Level 1:		
Common stocks	$ 3,185,758	$ 2,960,105
Level 2:		
Corporate bonds	749,776	708,212
U.S. Treasury, agency and municipal bonds	1,169,586	980,671
Money market funds	265,199	643,641
	$ 5,370,319	$ 5,292,629

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity and fixed income mutual funds and exchange traded funds. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include money market funds. There were no valuations using Level 3 inputs.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consisted of the following:

	2023	2022
Land, buildings and improvements	$ 22,670,706	$ 21,346,689
Machinery and equipment	4,396,273	3,315,950
Office furniture and equipment	245,609	245,609
Construction in progress	8,538,266	2,346,247
Less accumulated depreciation	(9,212,837)	(7,299,893)
	$ 26,638,017	$ 19,954,602

NOTE 5 LINES OF CREDIT

The Organization has a $1,300,000 line of credit with Guardian Savings Bank bearing interest at the prime rate (8.5% and 7.5% at December 31, 2023 and 2022, respectively), with the outstanding principal balance due in September 2027. The line is secured by the Organization's financial assets. No amounts were drawn against this line of credit had as of December 31, 2023 and 2022.

The Organization has a $700,000 line of credit with Guardian Savings Bank bearing interest at the prime rate (8.5% and 7.5% at December 31, 2023 and 2022, respectively), with the outstanding principal balance due in September 2027. The line is secured by the Organization's financial assets. No amounts were drawn against this line of credit as of December 31, 2023 and 2022.

NOTE 5 LINES OF CREDIT (CONTINUED)

The Organization has a $6,000,000 Home Equity Line of Credit (HELOC) with Union Savings Bank bearing interest at a fixed rate of 4.75% through March 13, 2028. Thereafter the HELOC bears interest at the prime rate (8.5% at December 31, 2023), with the outstanding balance due in March 2033. The line is secured by the Organization’s financial asset. This line of credit had an outstanding balance of $6,000,000 and $-0- as of December 31, 2023 and 2022, respectively.

The Organization has a $2,000,000 line of credit with PNC Bank bearing interest at the daily Bloomberg Short-Term Bank Yield (BSBY) rate, plus 1.5% (6.93% at December 31, 2023), with the outstanding principal balance due in March 2024. The line is secured by the Organization’s financial assets. This line of credit had an outstanding balance of $-0- and $1,563,000 as of December 31, 2023 and 2022, respectively.

The Organization has a $1,000,000 line of credit with PNC Bank bearing interest at the daily Bloomberg Short-Term Bank Yield (BSBY) rate plus 2.00% (6.93% at December 31, 2023), with the outstanding principal balance due in March 2029. The line is secured by the Organization’s financial assets. This line of credit had an outstanding balance of $56,000 and $-0- as of December 31, 2023 and 2022, respectively.

NOTE 6 NOTE PAYABLE

The Organization has a note payable with an outstanding balance of $20,925 and $41,850 as of December 31, 2023 and 2022, respectively. The note payable is non-interest bearing and is payable in monthly installments of $1,744, through maturity in December 2024. The note is secured by a vehicle and future minimum annual payments are $20,925 through 2024.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 consisted of the following:

	2023	2022
Ukraine	$ 2,244,677	$ 2,695,484
Chapel	650,513	467,279
Hurricane Dorian	328,822	328,822
Hawaii Wildfires	290,863	-
Syria & Turkey	188,183	-
Israel-Palestine Conflict	182,092	-
Haiti Earthquake	83,560	149,256
Food processing	75,966	51,788
Tornado disaster relief	69,960	1,141,312
Other	51,577	64,006
Eastern Kentucky Flooding	-	97,657
	$ 4,166,213	$ 4,995,604

NOTE 8 LEASES

The Organization leases warehouse and office equipment under long-term, non-cancellable finance leases. As of December 31, 2023 and 2022, the finance lease ROU asset and finance lease liability related to these leases was $30,879 and $97,948, respectively. The total lease expense under these agreements was $74,203 and $68,727 for 2023 and 2022, respectively.

The Organization also leases warehouse space, vehicles and equipment under short-term, non-cancellable operating leases. No amounts have been recognized as ROU assets and lease liabilities related to these leases. Total short-term lease expense under these agreements was $660,287 and $559,176 for 2023 and 2022, respectively.

Other information related to these leases was as follows:

	2023	2022
Operating cash flows	$ 837,035	$ 634,342
Weighted average remaining lease term	22 mos.	19 mos.
Weighted average discount rate	1.68%	1.07%

Future minimum lease payments under noncancellable leases as of December 31, 2023 were as follows:

2024	$ 38,362
2025	28,059
2026	17,263
2027	17,263
2028	8,632
Total future minimum lease payments	109,579
Less present value discount	(6,209)
Lease liabilities	$ 103,370

NOTE 9 RETIREMENT PLANS

The Organization sponsors a defined contribution retirement plan available to all full-time staff. The plan provides for a match of voluntary employee contributions up to 2% of the employee's annual salary. Employees are eligible to participate in the plan immediately. Contributions made by the Organization were $129,752 and $117,826 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 CONCENTRATIONS

GAAP requires disclosures of current vulnerabilities due to concentrations. One donor accounted for approximately 9.69% and 18.2% of non-cash donations received for the year ended December 31, 2023 and 2022, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

During March 2018, the Organization entered into a license agreement with the founder and former President who is also the father of the current CEO. The agreement grants the Organization a non-exclusive, world-wide license to reproduce, perform publicly, display, transmit, distribute, and create derivative works based on the name, image and likeness of the founder and former President, the published and unpublished works as well as all future works of the founder and former President. The agreement requires the Organization to pay an annual fee of $162,000, payable in equal monthly installments for an initial term of three years and shall be automatically renewed for a period of one year unless terminated by either party within thirty days prior to the commencement of the next term. In January 2022, the Board agreed to increase the royalties paid to $172,000 per year, retroactive to 2021. The Organization paid the founder and former President $172,000 in both 2023 and 2022.

Post-Retirement Benefit Plan

Effective August 31, 2018, the Organization entered into an unfunded, non-contributory Founder's Medical Expenses Reimbursement Plan (the Plan) with the founder and former President. The agreement allows the participant to receive reimbursement for up to $100,000 of qualifying medical expenses incurred by the founder or his spouse during each plan year until the death of both the founder and his spouse. The Plan is unfunded and neither the Organization nor the participants contribute to the Plan. The Organization has recognized an accumulated postretirement benefit obligation of $471,266 and $560,233 as of December 31, 2023 and 2022, respectively. During both December 31, 2023 and 2022, the participant incurred qualifying expenses of $100,000, and was subsequently reimbursed by the Organization. The Organization expects to reimburse the participants $283,366 in aggregate over the next five years and $230,797 in aggregate for the five years thereafter. The assumed discount rate used to determine the accumulated postretirement benefit obligation was 1.97% and the assumed health care cost trend rate was 2.47%. There were no amendments, combinations, divestitures, curtailments, or settlements during 2023.

NOTE 12 RISKS AND UNCERTAINTIES

The Organization's investments consist of common stocks, U.S Government and fixed income securities and mutual funds. Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at December 31, 2023. However, the diversification of the Organization's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Trustees with advice and assistance from investment professionals.

NOTE 13 EMPLOYEE RETENTION CREDIT

The Organization was eligible for the Employee Retention Credit ("ERC") program under the CARES Act for qualified wages paid to employees. For the year ended December 31, 2023, $1,300,847 was recognized as grant revenue on the statement of activities, which represents refunds due for the quarters ended June 30th, September 30th, and December 31st of 2020 and the quarters ended March 31st and June 30th for 2021. The Organization elected to apply the conditional contribution guidance pursuant to ASC 958-605 to determine the timing of recognition for ERC. At December 31, 2023, $1,300,847 is still outstanding and included as grants receivable on the statement of financial position.

NOTE 14 REFUNDABLE ADVANCE

During 2023, The Organization was awarded a $2,532,000 grant which is conditioned upon the Organization incurring certain qualified expenses under the award agreement. As of December 31, 2023, the Organization has utilized $1,452,000 of this funding to cover qualifying expenses and the remaining $1,080,000 has been recognized as a refundable advance (liability) on the statement of financial position. The remaining funding will be recognized as the conditions are met; generally as qualifying expenses occur.

NOTE 15 COMMITMENTS

The Organization entered into construction contracts for the multi-purpose building and chapel for approximately $9,345,000. Remaining commitments of approximately $2,256,440 remain on these contracts as of December 31, 2023.