

MATTHEW 25, INCORPORATED

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

MATTHEW 25, INCORPORATED
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1

FINANCIAL STATEMENTS

 Statements of Financial Position2

 Statements of Activities..... 3-4

 Statements of Functional Expenses 5-6

 Statements of Cash Flows7

 Notes to the Financial Statements 8-12

Report of Independent Auditor

To the Board of Directors
Matthew 25, Incorporated
Nashville, Tennessee

We have audited the accompanying financial statements of Matthew 25, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America. 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 express no such 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, Incorporated, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Nashville, Tennessee
February 10, 2022

MATTHEW 25, INCORPORATED
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents, including amounts held for residents of \$8,911 and \$9,873, respectively	\$ 75,735	\$ 144,432
Grants receivable	37,116	49,987
Property and equipment, net	59,730	76,709
Total Assets	\$ 172,581	\$ 271,128
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 14,426	\$ 15,008
Accrued expenses	14,705	8,840
Resident deposits	8,911	9,873
Line of credit	24,991	25,000
Economic Injury Disaster Loan	-	10,000
Deferred grant revenue	87,231	87,230
Total Liabilities	150,264	155,951
Net Assets:		
Without donor restrictions	8,499	101,359
With donor restrictions	13,818	13,818
Total Net Assets	22,317	115,177
Total Liabilities and Net Assets	\$ 172,581	\$ 271,128

MATTHEW 25, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Federal and state financial assistance	\$ 395,066	\$ -	\$ 395,066
Contributions	213,336	-	213,336
Paycheck Protection Program grant income	87,230	-	87,230
Program service fees	51,090	-	51,090
Other income	11,949	-	11,949
Total Revenue and Other Support	<u>758,671</u>	<u>-</u>	<u>758,671</u>
Expenses:			
Program Services:			
Transitional programs	53,021	-	53,021
Veteran Affairs programs	574,595	-	574,595
Three-Quarter Way Housing	24,543	-	24,543
Case management	53,770	-	53,770
Total Program Services	<u>705,929</u>	<u>-</u>	<u>705,929</u>
Supporting Services:			
Management and general	114,382	-	114,382
Fundraising	31,220	-	31,220
Total Supporting Services	<u>145,602</u>	<u>-</u>	<u>145,602</u>
Total Expenses	<u>851,531</u>	<u>-</u>	<u>851,531</u>
Change in net assets	(92,860)	-	(92,860)
Net assets, beginning of year	<u>101,359</u>	<u>13,818</u>	<u>115,177</u>
Net assets, end of year	<u>\$ 8,499</u>	<u>\$ 13,818</u>	<u>\$ 22,317</u>

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

MATTHEW 25, INCORPORATED
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Federal and state financial assistance	\$ 436,580	\$ -	\$ 436,580
Contributions	130,300	10,000	140,300
Program service fees	94,477	-	94,477
Other income	7,842	-	7,842
Total Revenue and Other Support	<u>669,199</u>	<u>10,000</u>	<u>679,199</u>
Expenses:			
Program Services:			
Transitional programs	87,049	-	87,049
Veteran Affairs programs	471,683	-	471,683
Three-Quarter Way Housing	31,957	-	31,957
Case management	44,664	-	44,664
Total Program Services	<u>635,353</u>	<u>-</u>	<u>635,353</u>
Supporting Services:			
Management and general	88,313	-	88,313
Fundraising	22,380	-	22,380
Total Supporting Services	<u>110,693</u>	<u>-</u>	<u>110,693</u>
Total Expenses	<u>746,046</u>	<u>-</u>	<u>746,046</u>
Change in net assets	(76,847)	10,000	(66,847)
Net assets, beginning of year	<u>178,206</u>	<u>3,818</u>	<u>182,024</u>
Net assets, end of year	<u>\$ 101,359</u>	<u>\$ 13,818</u>	<u>\$ 115,177</u>

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

MATTHEW 25, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
	Transitional Programs	Veteran Affairs Programs	Three- Quarter Way Housing	Case Management	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Payroll and related expenses	\$ 31,899	\$ 433,335	\$ 3,671	\$ 53,770	\$ 522,675	\$ 57,043	\$ 19,460	\$ 76,503	\$ 599,178
Rent	3,999	24,724	13,034	-	41,757	12,516	-	12,516	54,273
Professional fees	3,434	17,169	-	-	20,603	18,635	-	18,635	39,238
Food and supplies	2,137	27,372	1,352	-	30,861	-	-	-	30,861
Insurance	1,680	22,121	-	-	23,801	4,200	-	4,200	28,001
Depreciation	3,396	11,038	-	-	14,434	2,545	-	2,545	16,979
Utilities	2,267	8,435	1,190	-	11,892	4,396	-	4,396	16,288
IT support	2,030	8,813	-	-	10,843	4,855	-	4,855	15,698
Maintenance and repairs	487	6,004	4,943	-	11,434	1,460	-	1,460	12,894
Miscellaneous	881	5,519	353	-	6,753	4,772	318	5,090	11,843
Marketing	-	-	-	-	-	-	10,794	10,794	10,794
Office supplies	480	4,878	-	-	5,358	2,639	-	2,639	7,997
Transportation	259	4,060	-	-	4,319	-	-	-	4,319
Drug testing	72	1,127	-	-	1,199	-	-	-	1,199
Postage	-	-	-	-	-	394	648	1,042	1,042
Website	-	-	-	-	-	927	-	927	927
Total Expenses	<u>\$ 53,021</u>	<u>\$ 574,595</u>	<u>\$ 24,543</u>	<u>\$ 53,770</u>	<u>\$ 705,929</u>	<u>\$ 114,382</u>	<u>\$ 31,220</u>	<u>\$ 145,602</u>	<u>\$ 851,531</u>

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

MATTHEW 25, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			Total Expenses
	HUD Progressive Housing	Transitional Programs	Veteran Affairs Programs	Three- Quarter Way Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Payroll and related expenses	\$ 66,340	\$ 351,620	\$ 5,800	\$ 42,542	\$ 466,302	\$ 54,316	\$ 16,020	\$ 70,336	\$ 536,638
Rent	4,759	26,358	20,482	-	51,599	5,491	-	5,491	57,090
Food and supplies	3,452	31,839	720	-	36,011	-	-	-	36,011
Insurance	3,612	20,005	-	-	23,617	4,167	-	4,167	27,784
Professional fees	2,288	11,442	-	-	13,730	9,153	-	9,153	22,883
Depreciation	3,562	11,576	-	-	15,138	2,671	-	2,671	17,809
Utilities	849	4,365	4,159	2,122	11,495	815	-	815	12,310
Office supplies	882	4,489	-	-	5,371	2,645	-	2,645	8,016
Miscellaneous	408	3,067	692	-	4,167	1,956	1,821	3,777	7,944
Maintenance and repairs	493	3,660	104	-	4,257	934	-	934	5,191
Marketing	-	-	-	-	-	-	4,383	4,383	4,383
Dues and memberships	-	-	-	-	-	4,345	-	4,345	4,345
IT support	139	927	-	-	1,066	394	-	394	1,460
Transportation	142	1,168	-	-	1,310	-	-	-	1,310
Drug testing	123	1,167	-	-	1,290	-	-	-	1,290
Bad debt	-	-	-	-	-	816	-	816	816
Website	-	-	-	-	-	515	-	515	515
Postage	-	-	-	-	-	95	156	251	251
Total Expenses	<u>\$ 87,049</u>	<u>\$ 471,683</u>	<u>\$ 31,957</u>	<u>\$ 44,664</u>	<u>\$ 635,353</u>	<u>\$ 88,313</u>	<u>\$ 22,380</u>	<u>\$ 110,693</u>	<u>\$ 746,046</u>

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

MATTHEW 25, INCORPORATED
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (92,860)	\$ (66,847)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	16,979	17,809
Changes in operating assets and liabilities:		
Grants receivable	12,871	(20,323)
Accounts payable	(582)	1,230
Accrued expenses	5,865	133
Resident deposits	(962)	(20,205)
Deferred grant revenue	1	87,230
Net cash flows from operating activities	<u>(58,688)</u>	<u>(973)</u>
Cash flows from financing activities:		
(Repayments) borrowings under line of credit	(9)	25,000
Economic Injury Disaster Loan (forgiveness) borrowings	<u>(10,000)</u>	<u>10,000</u>
Net cash flows from financing activities	<u>(10,009)</u>	<u>35,000</u>
Change in cash and cash equivalents	(68,697)	34,027
Cash and cash equivalents, beginning of year	<u>144,432</u>	<u>110,405</u>
Cash and cash equivalents, end of year	<u><u>\$ 75,735</u></u>	<u><u>\$ 144,432</u></u>

MATTHEW 25, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies

Matthew 25, Incorporated (the “Organization”) was incorporated in Tennessee on February 11, 1986, as a nonprofit corporation, to provide shelter and other assistance to homeless persons in the Metropolitan Nashville – Davidson County, Tennessee area. The Organization also assists with vocational training and job placement of homeless people. The Organization is supported primarily through governmental grants, donor contributions, and private agency funding.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization had no net assets with donor restrictions perpetual in nature at June 30, 2021 and 2020.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all cash funds, cash bank accounts, and liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. The cash accounts are held primarily by financial institutions and, at times, may exceed amounts that are federally insured. Cash balances were within federally insured limits at June 30, 2021 and 2020.

Property and Equipment – Property and equipment are recorded at cost if purchased or fair value if contributed. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives. Estimated useful lives of all major classes of assets are as follows:

Leasehold improvements	2 - 10 years
Furniture and equipment	5 - 7 years

Income Taxes – The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for income taxes has been made.

MATTHEW 25, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Organization and summary of significant accounting policies (continued)

The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at June 30, 2021 and 2020.

Allocation of Functional Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated based on the area served. The following program and supporting services are included in the accompanying financial statements:

Program Services – Includes housing and recovery services through counseling and financial education carried out to fulfill the Organization’s mission.

Supporting Services:

Management and General – Relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, information systems and technology, and other administrative activities.

Fundraising – Includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Donated Services, Materials, and Assets – Donated services, materials, and assets, if any, are reflected as contributions in the accompanying statements at their estimated values at the date of receipt.

Adoption of New Accounting Pronouncement – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the fiscal year ended June 30, 2021. The adoption of this pronouncement had no significant effect on the Organization’s recording of revenue.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that reports substantially all leases on the statements of financial position. This guidance is effective for the year ending June 30, 2023. The Organization is evaluating the impact this guidance may have on its financial statements.

Subsequent Events – The Organization evaluated subsequent events through February 10, 2022, when these financial statements were available to be issued. See Note 9 for disclosure of subsequent event.

MATTHEW 25, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. 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 of providing programs and services, as well as conduct of services undertaken to support those activities to be general expenditures.

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as discussed in Note 8, the Organization has access to a line of credit.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 75,735	\$ 144,432
Grants receivable	37,116	49,987
Total financial assets	112,851	194,419
Less amounts not available to be used for general expenditures within one year:		
Net assets subject to restrictions	13,818	13,818
Cash held for residents	8,911	9,873
Financial assets available to meet cash needed for general expenditures within one year	\$ 90,122	\$ 170,728

Note 3—Grants receivable

A summary of grants receivable is as follows as of June 30:

	2021	2020
Veterans Affairs	\$ 37,116	\$ 49,987

Note 4—Property and equipment

Property and equipment consist of the following at June 30:

	2021	2020
Equipment	\$ 59,033	\$ 59,033
Furniture	40,545	40,545
Automobiles	38,326	38,326
Leasehold improvements	40,548	40,548
	178,452	178,452
Less accumulated depreciation	(118,722)	(101,743)
Net property and equipment	\$ 59,730	\$ 76,709

MATTHEW 25, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Restricted cash

Cash of \$8,911 and \$9,873 as of June 30, 2021 and 2020, respectively, is held by the Organization (as trustee) under a savings plan for the benefit of the residents.

Note 6—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2021	2020
Furniture renovations	\$ 3,818	\$ 3,818
Marketing	10,000	10,000
	<u>\$ 13,818</u>	<u>\$ 13,818</u>

Note 7—Donated services and materials

Numerous individuals volunteer their time and perform a variety of tasks that assist the Organization with its programs and supporting activities. No amounts have been reflected in the financial statements for the benefit received because the criteria for recognition under accounting standards is not met.

Note 8—Line of credit

On November 22, 2016, the Organization entered into a revolving loan agreement with a financial institution. The note evidencing the agreement is secured by the assets of the Organization. Interest is payable monthly and is variable. The interest rate at June 30, 2021 was 3.6%. The Organization may borrow up to \$25,000 under this agreement. As of June 30, 2021 and 2020, there was \$24,991 and \$25,000 of outstanding borrowings under this agreement, respectively. This revolving line of credit matures in December 2028.

Note 9—Deferred grant revenue

The Organization received a Paycheck Protection Program ("PPP") loan in the amount of \$87,230 during fiscal 2020. The PPP loan is granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization deferred recognition of grant revenue for the year ended June 30, 2020, because the conditions for forgiveness had not yet been substantially met. During fiscal 2021, the Organization received forgiveness of the PPP loan and recorded \$87,230 as PPP grant income in the accompanying 2021 statement of activities.

In addition, during fiscal 2021, the Organization applied for and received a second round of PPP funding in the amount of \$87,231 which has been recorded as deferred grant revenue at June 30, 2021. Subsequent to June 30, 2021, the PPP loan, plus accrued interest, was fully forgiven.

MATTHEW 25, INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Economic Injury Disaster Loan Advance Grant

The Organization received an Economic Injury Disaster Loan (“EIDL”) Advance Grant in the amount of \$10,000. An EIDL loan generally requires the recipient to repay the non-collateralized loan over 30 years at an interest rate of 2.75% per annum. Such loans or grants can be forgiven upon meeting certain criteria. The EIDL was forgiven during the year ended June 30, 2021.

Note 11—Leasing arrangements

The facility used by the Organization for its program services is leased from a governmental entity on a year-to-year basis and is classified as an operating lease. The annual rent includes insurance, utilities, and certain maintenance. The lease requires monthly payments of \$2,816 through September 2021. Subsequent to June 30, 2021, the lease was renewed for one year under the same terms.

Beginning in March 2014, the Organization signed a lease with a governmental entity for additional space at the Vine Hill location to provide affordable housing. The lease is on a year-to-year basis and is classified as an operating lease. The annual rent includes utilities and certain maintenance. The lease requires monthly payments of \$1,918 and renews automatically annually unless terminated by either party with a 30-day notice. The Organization, in turn, has short-term subleases with residents who are searching for affordable housing.

Additionally, the Organization leases other housing used in its progressive housing program, classified as operating leases. The Organization, in turn, has short-term subleases with residents who participate in the progressive housing program and the Vine Hill onsite program. Management expects that in the normal course of operations, the leases will be renewed or replaced by other leases.

Total rent expense for all operating leases was \$54,273 and \$57,090 for the years ended June 30, 2021 and 2020, respectively. Revenue received from residents under subleases totaled \$32,382 and \$72,420 for the years ended June 30, 2021 and 2020, respectively, and is included in program service fees revenue.

Note 12—Concentrations

The Organization receives a substantial amount of its support from governmental agencies, with approximately 82% and 95% for the years ended June 30, 2021 and 2020, respectively, of federal and state financial assistance received from the U.S. Department of Veterans Affairs. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization’s programs and activities.

Note 13—Contingencies

Late in December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could negatively impact the Organization’s revenue and operations for an indeterminable time period. At this time, the impact on the future operations cannot be reasonably estimated. Management has determined there are no other material events that require recognition or disclosure in the Organization’s financial statements.