

MATTHEW 25 AIDS SERVICES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

MATTHEW 25 AIDS SERVICES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Matthew 25 AIDS Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Matthew 25 AIDS Services, Inc. (a nonprofit organization), which comprise the statement of financial position as December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 AIDS Services, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Matthew 25 AIDS Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Matthew 25 AIDS Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Matthew 25 AIDS Services, Inc.'s internal control over financial reporting and compliance.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Henderson, Kentucky
September 30, 2020

MATTHEW 25 AIDS SERVICES, INC.

Statement of Financial Position

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 785,055	\$ 21,026	\$ 806,081
Certificates of deposit	594,099	-	594,099
Grant receivables	297,107	-	297,107
Patient receivables, net	1,050,381	-	1,050,381
Other receivables	2,504	-	2,504
Inventories	10,093	-	10,093
Prepaid expenses	25,579	-	25,579
Investments	202,512	-	202,512
Total current assets	<u>2,967,330</u>	<u>21,026</u>	<u>2,988,356</u>
Noncurrent assets:			
Property and equipment, net of accumulated depreciation	<u>207,379</u>	<u>-</u>	<u>207,379</u>
Total noncurrent assets	<u>207,379</u>	<u>-</u>	<u>207,379</u>
Total assets	<u>\$ 3,174,709</u>	<u>\$ 21,026</u>	<u>\$ 3,195,735</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable	\$ 482,806	\$ -	\$ 482,806
Accrued liabilities	<u>91,742</u>	<u>-</u>	<u>91,742</u>
Total liabilities	<u>574,548</u>	<u>-</u>	<u>574,548</u>
Net assets:			
Without donor restrictions			
Undesignated	2,600,161	-	2,600,161
With donor restrictions			
Purpose restrictions	<u>-</u>	<u>21,026</u>	<u>21,026</u>
Total net assets	<u>2,600,161</u>	<u>21,026</u>	<u>2,621,187</u>
Total liabilities and net assets	<u>\$ 3,174,709</u>	<u>\$ 21,026</u>	<u>\$ 3,195,735</u>

See accompanying notes to financial statements.

MATTHEW 25 AIDS SERVICES, INC.

Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Contributions:			
General public	\$ 16,760	\$ 11,209	\$ 27,969
Governmental grants	1,944,322	-	1,944,322
Other grants	35,656	66,435	102,091
Special events	29,418	-	29,418
Total support	<u>2,026,156</u>	<u>77,644</u>	<u>2,103,800</u>
Revenue:			
Patient service fees, net	9,364,253	-	9,364,253
Interest income	1,448	-	1,448
Realized gain (loss) on investments	22,563	-	22,563
Unrealized gain (loss) on investments	23,191	-	23,191
Total revenue	<u>9,411,455</u>	<u>-</u>	<u>9,411,455</u>
Net assets released from restrictions	<u>133,954</u>	<u>(133,954)</u>	<u>-</u>
Total support and revenue	<u>11,571,565</u>	<u>(56,310)</u>	<u>11,515,255</u>
Expenses:			
Program services:			
Clinical services	8,794,616	-	8,794,616
Housing	170,744	-	170,744
Prevention and education	335,225	-	335,225
Support services	791,939	-	791,939
Total program services	<u>10,092,524</u>	<u>-</u>	<u>10,092,524</u>
Administrative services:			
Management and general	1,376,670	-	1,376,670
Fund raising	17,654	-	17,654
Total support services	<u>1,394,324</u>	<u>-</u>	<u>1,394,324</u>
Total expenses	<u>11,486,848</u>	<u>-</u>	<u>11,486,848</u>
Change in net assets	84,717	(56,310)	28,407
Net assets, beginning of year	<u>2,515,444</u>	<u>77,336</u>	<u>2,592,780</u>
Net assets, end of year	<u>\$ 2,600,161</u>	<u>\$ 21,026</u>	<u>\$ 2,621,187</u>

See accompanying notes to financial statements.

MATTHEW 25 AIDS SERVICES, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Total Program Services
	Clinical Services	Housing	Prevention/ Education	Support Services	
Salaries	\$ 1,077,286	\$ 42,362	\$ 189,200	\$ 394,971	\$ 1,703,819
Payroll taxes and fringe benefits	237,859	9,353	41,775	87,208	376,195
Specific assistance to individuals	181,552	81,221	-	87,451	350,224
Supplies	6,133,130	3,299	28,610	37,193	6,202,232
Professional fees	60,685	-	-	119,662	180,347
Rent	132,582	24,073	37,619	46,359	240,633
Utilities	12,448	4,439	4,767	4,358	26,012
Telephone	-	-	-	600	600
Insurance	17,195	1,171	3,692	2,033	24,091
Conferences and training	-	-	-	-	-
Travel	-	454	431	5,538	6,423
Dues and subscriptions	2,715	-	-	-	2,715
Advertising	31	-	20,577	-	20,608
Equipment rent and maintenance	1,328	1,057	-	1,747	4,132
Miscellaneous	933,520	1,685	-	-	935,205
Depreciation	4,285	1,630	8,554	4,819	19,288
Total expenses	\$ 8,794,616	\$ 170,744	\$ 335,225	\$ 791,939	\$ 10,092,524

See accompanying notes to financial statements.

Management and General	Fund Raising	Total Expenses
\$ 611,367	\$ 5,395	\$ 2,320,581
134,987	1,191	512,373
175	-	350,399
27,276	7,363	6,236,871
333,646	-	513,993
30,410	-	271,043
9,175	-	35,187
13,366	-	13,966
7,840	-	31,931
61,858	-	61,858
8,529	-	14,952
2,715	-	5,430
372	3,702	24,682
68,480	-	72,612
47,034	3	982,242
19,440	-	38,728
<u>\$ 1,376,670</u>	<u>\$ 17,654</u>	<u>\$ 11,486,848</u>

MATTHEW 25 AIDS SERVICES, INC.

Statement of Cash Flows

Year Ended December 31, 2019

Cash flows from operating activities:

Change in net assets	\$ 28,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	38,728
Realized (gain) loss on investments	(22,563)
Unrealized (gain) loss on investments	(23,191)
(Increase) decrease in grant receivables	(43,243)
(Increase) decrease in patient receivables	(271,186)
(Increase) decrease in other receivables	(103)
(Increase) decrease in inventories	(10,093)
(Increase) decrease in prepaid expenses	20,993
Increase (decrease) in accounts payable	(5,909)
Increase (decrease) in accrued liabilities	<u>4,359</u>
Net cash from (used by) operating activities	<u>(283,801)</u>

Cash flows from (used by) investing activities:

Purchase of fixed assets	(14,264)
Purchase of certificates of deposit	(195,062)
Proceeds from certificates of deposit	95,000
Proceeds from sale of investments	<u>1,190</u>
Net cash from (used by) investing activities	<u>(113,136)</u>

Net increase (decrease) in cash (396,937)

Cash, beginning of year 1,203,018

Cash, end of year \$ 806,081

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Matthew 25 AIDS Services, Inc, is a Kentucky nonprofit corporation created to support, educate, and treat those infected with and affected by HIV/AIDS in the Western Kentucky and Southern Indiana areas. Approximately 21% of the Organization's funding is derived from grants from the Federal government either received directly from the U.S. Department of Health and Human Services or passed through the State of Kentucky Department for Public Health.

B. Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

C. Contributions

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

D. Donated Services

The organization reports amounts for donated services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. No amounts were recognized for donated services in the current year.

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

Purchases of property and equipment having a cost of \$5,000 or more are capitalized at cost. Donated assets are capitalized at the estimated fair market value at time of receipt. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The following is a summary of useful lives:

Furniture & equipment	3 – 10 years
Leasehold Improvements	10 – 39 years
Vehicles	5 years

F. Income Taxes

The organization, a nonprofit organization classified under section 501(c)(3) of the Internal Revenue Code as other than a private foundation, is exempt from income taxes and, accordingly, the financial statements do not reflect a provision for income taxes. The entity is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from the business activities that are unrelated to their exempt purposes. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

G. Functional Allocation of Expenses

The organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by various statistical bases.

H. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Cash and Cash Equivalents

The organization considers cash equivalents to be all short-term, highly liquid investments, which are readily convertible into cash. The organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2019, the uninsured portion of this balance was \$278,800.

J. Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Contingent Liabilities

Support funded by governmental grants is recognized as the organization incurs outlays for eligible reimbursement under reimbursement grant agreements or as draws are requested from non-reimbursement grants. These grants are subject to program compliance audits by the grantors or their representatives.

Such audits for or including the year ended December 31, 2019, have not been conducted. The amount, if any, of expenses which may be disallowed cannot be determined at this time although the organization expects such amounts, if any, to be immaterial.

L. Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

M. Net Patient Service Fees

The organization has agreements with third-party payers that provide for payments at amounts different than its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, and discounted charges. Net patient service fees are reported at the estimated net realizable amount from patients, third-party payers, and others for services rendered, including estimated retroactive agreements with third-party payers.

N. Charity Care

The organization provides care to patients who meet certain criteria under its charity care policy without charge. Such patients are identified based on financial information obtained from the patient. Since the organization does not expect payment, estimated charges for charity care are not included in revenue.

O. Subsequent Events

Management has evaluated subsequent events and transactions that occurred after the balance sheet date up to September 30, 2020, the date that the financial statements were issued. Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 2 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date comprise of the following:

Cash and cash equivalents	\$ 785,055
Certificates of deposit	594,099
Investments	202,512
Grant receivables	297,107
Patient receivables, net	1,050,381
Other receivables	2,504
Inventories	<u>10,093</u>
	<u>\$ 2,941,751</u>

NOTE 3 – GRANT RECEIVABLES

Grant receivables at December 31, 2019, are deemed to be fully collectible and are receivable in less than one year. The following is a summary by source of grant receivables:

<u>Funding Source</u>	<u>Amount</u>
KY Housing Corporation – Housing Opportunities for Persons with AIDS	\$ 1,800
KY Cabinet for Health and Family Services – HIV Care Formula Grants	175,559
IN State Department of Health – HIV Care Formula Grants	64,974
KY Housing Corporation – Shelter Plus Care	25,314
IN State Department of Health – PREP	6,022
Health Foundation of Greater Indianapolis, Inc. – Nurse Practitioner	<u>23,438</u>
Total grant receivables	<u>\$ 297,107</u>

NOTE 4 – PATIENT RECEIVABLES

Patient receivables are stated net of contractual adjustments and un-collectibles. Patient receivables consisted of the following at December 31, 2019:

Third party receivable	\$ 1,035,509
Patient receivable	16,142
Less allowance for doubtful accounts	<u>1,270</u>
Net patient receivables	<u>\$ 1,050,381</u>

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019:

Clinic equipment	\$ 9,485
Office equipment	60,380
Leasehold improvements	120,121
Vehicles	<u>151,539</u>
	341,525
Less accumulated depreciation	<u>134,146</u>
	<u>\$ 207,379</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following specified purposes at December 31, 2019:

Food Pantry	\$ 12,949
Prevention	8,023
Primary care and support	<u>54</u>
Total net assets with donor restrictions	<u>\$ 21,026</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the year ending December 31, 2019:

Purpose restrictions accomplished:	
Food pantry	\$ 20,725
Prevention	2,088
Primary care and support	<u>111,141</u>
Total restrictions released	<u>\$ 133,954</u>

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 7 – SUMMARY OF GOVERNMENTAL GRANT FUNDING

The organization received funding through the following governmental grants for the year ended December 31, 2019:

<u>Funding Source</u>	<u>Direct or Pass-through</u>	<u>Recognized Support</u>
U.S. Department of Health and Human Services:		
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	Direct	\$ 492,409
Services & Access to Research for Women, Infants and Youth	Direct	350,093
HIV Care Formula Grants	KY Pass-through	353,426
HIV Prevention Activities Health Department Based	KY Pass-through	25,000
U.S. Department of Housing and Urban Development:		
Shelter Plus Care	KHC Pass-through	70,128
Housing Opportunities for Persons with Aids	KHC Pass-through	22,551
Commonwealth of Kentucky:		
General Fund – KY HIV/AIDS Care Coordinator Program	Direct	328,369
Indiana State Department of Health:		
General Fund – IN HIV/AIDS Care Coordinator Program	Direct	302,346
Total governmental grants		<u>\$1,944,322</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

The organization rents office and clinic space from Matthew 25 AIDS Services Foundation, a nonprofit corporation. The Foundation is a separate legal entity that shares one board member with the Clinic, this board member acts as a liaison between the two entities. Rent paid to the foundation was \$69,729.

NOTE 9 – LEASE COMMITMENTS

The organization leases spaces for operations at various locations under the terms of non-cancelable operating leases. Future minimum lease payments under operating leases with greater than one year terms as of December 31, 2019 are:

2020	\$ 263,436
2021	263,436
2022	248,811
2023	173,524
2024	120,500
Thereafter	<u>600,000</u>
Total Minimum Lease Payments	<u>\$ 1,669,707</u>

Rental expense under operating leases was \$271,043 for the year ended December 31, 2019.

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 10 – EMPLOYEE BENEFITS

The organization provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with six months of eligible experience. The organization matches employees' contribution up to 3% of their compensation. Contributions to the plan during the year ended December 31, 2019 were \$39,776.

NOTE 11 – CERTIFICATES OF DEPOSIT

Certificates of deposit at December 31, 2019 consisted of the following:

<u>Institution</u>	<u>Yield</u>	<u>Maturity</u>	<u>Amount</u>
Ameriprise Financial	2.00%	7/23/20	\$ 196,000
Ameriprise Financial	1.75%	9/10/20	200,000
Ameriprise Financial	2.45%	5/28/21	<u>198,099</u>
			<u>\$ 594,099</u>

NOTE 12 – INVESTMENTS

Investments are recorded at fair value. The fair value at December 31, 2019 are as follows:

	<u>Fair Value</u>
Corporate bonds	\$ 119,171
Mutual Funds	<u>83,341</u>
Total Investments	<u>\$ 202,512</u>

NOTE 13 – FAIR VALUE MEASUREMENT

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

MATTHEW 25 AIDS SERVICES, INC.

Notes to Financial Statements

December 31, 2019

NOTE 13 – FAIR VALUE MEASUREMENT, CONTINUED

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

The following table presents the fair value measurements of assets recognized in the accompany statement of financial position at fair value on a recurring basis and the level within the fair value measurements at December 31, 2019.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	\$ 119,171	\$ -	\$ 119,171	\$ -
Mutual Funds	83,341	83,341	-	-
Total Investments	\$ 202,512	\$ 83,341	\$ 119,171	\$ -

NOTE 14 – COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2019, Matthew 25 Services, Inc. terminated a contract with a 340B administrator which may result in legal proceedings. Management is unable to predict the outcome of the proceedings so no amount has been recorded on the Organization's financial statements. The legal proceedings are not expected to have a material adverse impact on the Organization's financial position.

MATTHEW 25 AIDS SERVICES, INC.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

	Federal CFDA Number	Pass-Through Grantor's Number	Amount Expended
<u>U.S. Department of Health and Human Services</u>			
Direct programs:			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (M)	93.918		\$ 485,549
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		<u>338,722</u>
Total direct programs			<u>824,271</u>
Pass-through programs from:			
KY State Cabinet for Health and Family Services:			
HIV Care Formula Grants	93.917	KY0033423	362,065
HIV Prevention Activities Health Department Based	93.940		24,673
IN State Department of Health:			
HIV Care Formula Grants	93.917		310,125
Total pass-through programs			<u>696,863</u>
Total Department of Health and Human Services			<u>1,521,134</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through programs from Kentucky Housing Corporation:			
Shelter Plus Care	14.238	TB14-0069-01	70,128
Housing Opportunities for Persons with Aids	14.241	KYH35H054F-999	<u>22,421</u>
Total Department of Housing and Urban Development			<u>92,549</u>
Total expenditures of federal awards			<u>\$ 1,613,683</u>

(M) - Major program

No awards were passed through to subrecipients

MATTHEW 25 AIDS SERVICES, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Matthew 25 AIDS Services, Inc. under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Matthew 25 AIDS Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Matthew 25 AIDS Services, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3 – INSURANCE AND LOAN GUARANTEES

The Organization had no Federal insurance or loan guarantees during the year ended December 31, 2019.

NOTE 4 – NON-CASH ASSISTANCE

The Organization did not receive any non-cash assistance for the year ended December 31, 2019.

NOTE 5 – INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Matthew 25 AIDS Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Matthew 25 AIDS Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Matthew 25 AIDS Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Matthew 25 AIDS Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Matthew 25 AIDS Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Matthew 25 AIDS Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kemper CPA Group LLP". The signature is written in a cursive, slightly slanted style.

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Henderson, Kentucky
September 30, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Matthew 25 AIDS Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Matthew 25 AIDS Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Matthew 25 AIDS Services, Inc.'s major federal programs for the year ended December 31, 2019. Matthew 25 AIDS Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Matthew 25 AIDS Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ABC Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Matthew 25 AIDS Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Matthew 25 AIDS Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Matthew 25 AIDS Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Matthew 25 AIDS Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Matthew 25 AIDS Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Henderson, Kentucky
September 30, 2020

MATTHEW 25 AIDS SERVICES, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Matthew 25 AIDS Services, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*". No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Matthew 25 AIDS Service, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit as reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance". No material weaknesses reported.
5. The auditor's report on compliance for the major federal award programs for Matthew 25 AIDS Services, Inc. expresses an unmodified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Matthew 25 AIDS Services, Inc. are reported in this schedule.
7. The programs tested as major programs included: Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program) – CFDA 93.918.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Matthew 25 AIDS Services, Inc. is a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None