

**MIDDLETON OUTREACH MINISTRY, INC.**

**FINANCIAL STATEMENTS**

December 31, 2011 and 2010

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Middleton Outreach Ministry, Inc.  
Middleton, Wisconsin

We have audited the accompanying statements of financial position of Middleton Outreach Ministry, Inc. as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Middleton Outreach Ministry, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middleton Outreach Ministry, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
Cash	\$ 645,212	\$ 549,099
Promises to give	1,750	10,773
Prepaid expenses	1,300	1,942
Property and equipment - net	227,411	248,367
<b>Total assets</b>	<u>\$ 875,673</u>	<u>\$ 810,181</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 9,009	\$ 15,975
Accrued payroll, payroll taxes, and benefits	5,830	5,710
Deferred revenue	-	425
Note payable	164,234	171,341
<b>Total liabilities</b>	179,073	193,451
<b>NET ASSETS</b>		
Unrestricted	676,059	594,191
Temporarily restricted	20,541	22,539
<b>Total net assets</b>	<u>696,600</u>	<u>616,730</u>
<b>Total liabilities and net assets</b>	<u>\$ 875,673</u>	<u>\$ 810,181</u>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2011 and 2010

	2011	2010
<b>UNRESTRICTED NET ASSETS</b>		
REVENUE AND GAINS		
Contributions	\$ 534,603	\$ 500,172
Donated facilities, materials and services	695,278	579,115
United Way of Dane County	84,505	79,563
Other grants	156,972	99,413
Other	8,037	7,498
Total unrestricted revenue and gains	1,479,395	1,265,761
EXPENSES		
Program services		
Housing assistance	130,161	126,459
Food pantry and clothing closet	836,676	713,283
Seniors programs	49,327	47,944
Seasonal and other programs	58,883	57,744
Supporting activities		
Management and general	124,804	148,436
Fundraising	220,215	154,011
Total expenses	1,420,066	1,247,877
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	8,773	13,038
Restrictions satisfied by payments	13,766	-
Total net assets released from restrictions	22,539	13,038
Change in unrestricted net assets	81,868	30,922
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	20,541	22,539
Net assets released from restrictions		
Expiration of time restrictions	(8,773)	(13,038)
Restrictions satisfied by payments	(13,766)	-
Change in temporarily restricted net assets	(1,998)	9,501
<b>Change in net assets</b>	79,870	40,423
Net assets - beginning of year	616,730	576,307
<b>Net assets - end of year</b>	<u>\$ 696,600</u>	<u>\$ 616,730</u>

See accompanying notes.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2011

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 30,933	\$ 56,259	\$ 32,719	\$ 26,302	\$ 88,632	\$ 122,461	\$ 357,306
Cash and in-kind assistance	83,255	720,704	51	16,024	-	-	820,034
Occupancy	2,377	24,475	2,377	2,377	6,631	6,631	44,868
Printing	3,525	3,525	3,525	3,525	1,764	28,106	43,970
Special event expense	-	-	-	-	-	36,209	36,209
Depreciation	-	16,765	-	-	4,191	-	20,956
Postage	1,232	1,232	1,232	1,232	616	13,217	18,761
Technology	2,238	2,238	2,238	2,238	8,054	1,119	18,125
Telephone	1,537	1,537	1,537	1,537	2,050	2,050	10,248
Insurance	1,839	1,839	1,839	1,839	919	919	9,194
Professional fees	-	-	-	-	8,100	-	8,100
Supplies	1,269	1,269	1,269	1,269	635	635	6,346
Equipment	264	1,934	264	264	264	264	3,254
Other	1,692	4,899	2,276	2,276	2,948	8,604	22,695
<b>Total expenses</b>	<b>\$ 130,161</b>	<b>\$ 836,676</b>	<b>\$ 49,327</b>	<b>\$ 58,883</b>	<b>\$ 124,804</b>	<b>\$ 220,215</b>	<b>\$ 1,420,066</b>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2010

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 30,637	\$ 57,623	\$ 30,343	\$ 25,549	\$ 89,274	\$ 103,284	\$ 336,710
Cash and in-kind assistance	78,583	588,935	-	14,594	-	-	682,112
Occupancy	2,355	23,557	2,356	2,356	6,550	6,550	43,724
Professional fees	-	-	-	-	34,673	-	34,673
Printing	4,268	4,266	4,266	4,266	2,133	14,674	33,873
Depreciation	-	17,030	-	-	4,258	-	21,288
Postage	2,672	2,670	2,670	2,670	1,335	5,335	17,352
Equipment	532	9,868	532	532	1,732	532	13,728
Special event expense	-	-	-	-	-	11,594	11,594
Telephone	1,540	1,541	1,541	1,541	2,054	2,054	10,271
Insurance	1,753	1,753	1,753	1,753	876	876	8,764
Supplies	1,416	1,417	1,417	1,417	709	709	7,085
Other	2,703	4,623	3,066	3,066	4,842	8,403	26,703
Total expenses	\$ 126,459	\$ 713,283	\$ 47,944	\$ 57,744	\$ 148,436	\$ 154,011	\$ 1,247,877

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 79,870	\$ 40,423
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,956	21,288
(Increase) decrease in assets		
Promises to give	9,023	2,265
Prepaid expenses	642	(15)
Increase (decrease) in liabilities		
Accounts payable	(6,966)	7,622
Accrued payroll, payroll taxes, and benefits	120	(1,381)
Deferred revenue	(425)	-
<b>Net cash provided by operating activities</b>	103,220	70,202
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(6)
Proceeds from sale of investments	-	63,119
<b>Net cash provided by investing activities</b>	-	63,113
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of note payable	(7,107)	(6,694)
<b>Net change in cash</b>	96,113	126,621
Cash - beginning of year	549,099	422,478
<b>Cash - end of year</b>	<u>\$ 645,212</u>	<u>\$ 549,099</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 10,087	\$ 10,500

See accompanying notes.



**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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Middleton Outreach Ministry, Inc. (MOM) is a nonprofit charitable organization that provides services to members of the Middleton and west side of Madison, Wisconsin area communities. MOM programs include Housing Assistance, a free Food Pantry and Clothing Closet, a Seniors Program, and Seasonal and Other Programs. MOM provides case management and referrals to our clients, when appropriate. Seasonal and Other Programs consist of emergency grants for items such as car repair and medical assistance and seasonal programs such as a school supply drive and Sharing Christmas. The Seniors Program provides shopping assistance, transportation and home chore assistance to those age 60 and over within MOM's service area. MOM is supported by contributions from individuals, local businesses, churches, service clubs and the United Way of Dane County. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

MOM is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by MOM in perpetuity.

**Estimates**

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

**Promises to Give**

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determines the promises will not be collected.

**Donated Services**

Donated services are recognized at estimated market value if the services received (1) create or enhance non-financial assets, or (2) require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and Equipment**

Property and equipment items with a value greater than \$5,000 are recorded at cost or, if donated, as support at their estimated fair value. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Expense Allocation**

The costs of providing programs and supporting activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**Income Tax Status**

MOM is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the MOM's tax-exempt purpose is subject to taxation as unrelated business income. MOM's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. MOM is no longer subject to such examinations for tax years before 2008.

**Date of Management's Review**

Management has evaluated subsequent events through April 13 2012, the date which the financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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**NOTE 2 – PROMISES TO GIVE**

Promises to give of \$1,750 as of December 31, 2011 are unconditional and are all due in 2012. Promises to give of \$10,773 as of December 31, 2010 were unconditional and were all due in 2011.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2011 and 2010 consisted of the following:

	2011	2010
Land	\$ 85,000	\$ 85,000
Building and improvements	159,264	159,264
Equipment	67,714	67,714
Truck	13,810	13,810
	<hr/>	<hr/>
Property and equipment	325,788	325,788
Less accumulated depreciation	98,377	77,421
	<hr/>	<hr/>
Property and equipment - net	<u>\$ 227,411</u>	<u>\$ 248,367</u>

**NOTE 4 – NOTE PAYABLE**

Note payable at December 31, 2011 and 2010 consists of a 6% land contract with monthly payments of \$1,433, including principal and interest. The land contract monthly payment is based on a 20-year amortization period. If MOM prepays \$20,000 of principal in a lump sum payment during the term of the land contract, then the unpaid principal balance remaining will be amortized over 30 years. The land contract matures on March 27, 2014. Future principal payments are \$7,546, \$8,011 and \$148,677 for 2012, 2013, and 2014. Interest expense for 2011 and 2010 was \$10,087 and \$10,500.

**NOTE 5 – RETIREMENT PLAN**

MOM has a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan for all employees who work at least 20 hours a week. MOM will match up to 3% of employees' contributions to the plan. Retirement expense for 2011 and 2010 was \$6,470 and \$4,407.

**NOTE 6 – OPERATING LEASES**

MOM collects rent on a monthly basis from its tenant of their building. Apartment rent income for 2011 and 2010 was \$5,285 and \$5,193. The tenant has a month to month lease.

MOM leases warehouse space for its food and clothing pantry under a month to month operating lease. Monthly rent payments are \$1,300. Rent expense for 2011 and 2010 was \$15,600.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following periods or purposes:

	2011	2010
For subsequent year's activities	\$ 1,750	\$ 8,773
Food	727	9,046
School supplies	3,814	2,720
Seasonal and emergency assistance	-	2,000
Facility expansion	14,250	-
Temporarily restricted net assets	<u>\$ 20,541</u>	<u>\$ 22,539</u>

**NOTE 8 – DONATED FACILITIES, MATERIALS AND SERVICES**

The value of donated facilities, materials and services in the financial statements and the corresponding programs and activities for which the contributed services were used are as follows:

	2011			
	Food Pantry and Clothing Closet	Seasonal and Other Programs	Management and General	Fundraising
Food	\$ 355,197	\$ -	\$ -	\$ 1,475
Clothing	310,695	-	-	-
Space	-	-	-	6,500
Printing/advertising	-	-	280	4,944
Equipment	-	200	-	-
Professional fees	-	-	6,935	9,052
	<u>\$ 665,892</u>	<u>\$ 200</u>	<u>\$ 7,215</u>	<u>\$ 21,971</u>

  

	2010		
	Food Pantry and Clothing Closet	Management and General	Fundraising
Food	\$ 307,250	\$ -	\$ -
Clothing	242,571	-	-
Space	1,627	-	-
Printing	150	-	3,268
Property and equipment	15,128	-	-
IT services	-	8,950	-
Professional fees	-	171	-
	<u>\$ 566,726</u>	<u>\$ 9,121</u>	<u>\$ 3,268</u>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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**NOTE 8 – DONATED FACILITIES, MATERIALS AND SERVICES (continued)**

In addition, MOM received donated services from many unpaid volunteers who provided assistance during 2011 and 2010. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

**NOTE 9 – SUBSEQUENT EVENT**

On April 13, 2012, MOM entered into an agreement with the City of Middleton (City) to sell the MOM office building for \$215,000. Concurrent with the agreement to sell the building, MOM entered into an agreement to lease back the building from the City, on a month to month basis, for a period of up to one year. Monthly rent during the lease back period will be \$890.