

**MIDDLETON OUTREACH MINISTRY, INC.**

**FINANCIAL STATEMENTS**

December 31, 2010 and 2009

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## 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, 2010 and 2009, 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, 2010 and 2009, 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.

*Wegner LLP*

Wegner LLP  
Madison, Wisconsin  
March 18, 2011



**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
Cash	\$ 549,099	\$ 422,478
Investments	-	63,113
Promises to give	10,773	13,038
Prepaid expenses	1,942	1,927
Property and equipment - net	248,367	269,655
<b>Total assets</b>	<b>\$ 810,181</b>	<b>\$ 770,211</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 15,975	\$ 8,353
Accrued payroll, payroll taxes, and benefits	5,710	7,091
Deferred revenue	425	425
Note payable	171,341	178,035
<b>Total liabilities</b>	<b>193,451</b>	<b>193,904</b>
<b>NET ASSETS</b>		
Unrestricted	594,191	563,269
Temporarily restricted	22,539	13,038
<b>Total net assets</b>	<b>616,730</b>	<b>576,307</b>
<b>Total liabilities and net assets</b>	<b>\$ 810,181</b>	<b>\$ 770,211</b>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2010 and 2009

	2010	2009
<b>UNRESTRICTED NET ASSETS</b>		
REVENUE AND GAINS		
Contributions	\$ 547,246	\$ 543,487
Donated facilities, materials and services	579,115	526,660
United Way of Dane County	79,563	85,699
Other grants	52,339	75,065
Other	7,498	9,796
Total unrestricted revenue and gains	1,265,761	1,240,707
EXPENSES		
Program services		
Housing assistance	126,459	116,287
Food pantry and clothing closet	713,283	622,270
Seniors programs	47,944	52,590
Seasonal and other programs	57,744	62,781
Supporting activities		
Management and general	148,436	127,634
Fundraising	154,011	134,565
Total expenses	1,247,877	1,116,127
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	13,038	41,347
Restrictions satisfied by payments	-	4,500
Total net assets released from restrictions	13,038	45,847
Change in unrestricted net assets	30,922	170,427
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	22,539	13,038
Net assets released from restrictions		
Expiration of time restrictions	(13,038)	(41,347)
Restrictions satisfied by payments	-	(4,500)
Change in temporarily restricted net assets	9,501	(32,809)
<b>Change in net assets</b>	40,423	137,618
Net assets - beginning of year	576,307	438,689
<b>Net assets - end of year</b>	<u>\$ 616,730</u>	<u>\$ 576,307</u>

See accompanying notes.

**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
Food	-	346,414	-	-	-	-	346,414
Clothing	-	242,521	-	-	-	-	242,521
Cash assistance	78,583	-	-	14,594	-	-	93,177
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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2009

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 30,242	\$ 48,538	\$ 38,959	\$ 25,654	\$ 81,390	\$ 104,533	\$ 329,316
Food	-	284,433	-	-	-	-	284,433
Clothing	-	234,843	-	-	-	-	234,843
Cash assistance	72,932	-	252	23,747	-	-	96,931
Occupancy	2,338	29,326	2,340	2,340	6,748	6,748	49,840
Printing	2,409	2,409	2,409	2,409	1,204	9,659	20,499
Depreciation	-	13,892	-	-	3,473	-	17,365
Professional fees	-	-	-	-	17,244	-	17,244
Telephone	1,460	1,459	1,459	1,459	1,946	1,946	9,729
Bad debt expense	-	-	-	-	9,380	-	9,380
Insurance	1,769	1,769	1,769	1,769	885	885	8,846
Postage	1,220	1,220	1,220	1,220	610	3,119	8,609
Supplies	1,136	1,136	1,136	1,136	568	568	5,680
Other	2,781	3,245	3,046	3,047	4,186	7,107	23,412
<b>Total expenses</b>	<b>\$ 116,287</b>	<b>\$ 622,270</b>	<b>\$ 52,590</b>	<b>\$ 62,781</b>	<b>\$ 127,634</b>	<b>\$ 134,565</b>	<b>\$ 1,116,127</b>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 40,423	\$ 137,618
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	21,288	17,365
Donated equipment	-	(24,500)
Net realized and unrealized gain on investments	-	(2,369)
(Increase) decrease in assets		
Promises to give	2,265	30,509
Prepaid expenses	(15)	4,372
Increase (decrease) in liabilities		
Accounts payable	7,622	622
Accrued payroll, payroll taxes, and benefits	(1,381)	19
Deferred revenue	-	425
<b>Net cash provided by operating activities</b>	<b>70,202</b>	<b>164,061</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6)	(56,210)
Proceeds from sale of investments	63,119	56,341
Purchases of property and equipment	-	(5,000)
<b>Net cash provided by (used in) investing activities</b>	<b>63,113</b>	<b>(4,869)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of note payable	(6,694)	(6,305)
<b>Net change in cash</b>	<b>126,621</b>	<b>152,887</b>
Cash - beginning of year	422,478	269,591
<b>Cash - end of year</b>	<b>\$ 549,099</b>	<b>\$ 422,478</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 10,500	\$ 10,889
Noncash investing and financing activity		
Donated equipment	-	24,500

See accompanying notes.



**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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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.

**Investments**

MOM carries investments in marketable securities with readily determinable fair values and all investment in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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

**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.

**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 2007.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

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

**Date of Management's Review**

Management has evaluated subsequent events through March 18, 2011, the date which the financial statements were available to be issued. There was one event that occurred during the period from December 31, 2010 through March 18, 2011 which required additional disclosure. See Note 7 for additional disclosure.

**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.

**NOTE 2 – 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 2010 and 2009 was \$4,407 and \$6,858.

**NOTE 3 – PROMISES TO GIVE**

Promises to give of \$10,773 as of December 31, 2010 are unconditional and are all due in 2011. Promises to give as of \$13,038 as of December 31, 2009 were unconditional and were all due in 2010.

**NOTE 4 – INVESTMENTS**

Investments at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Money market	\$ -	\$ 63,113

Investment return for 2010 and 2009 consisted of the following:

	2010	2009
Interest and dividends	\$ 2,305	\$ 1,846
Net realized and unrealized gain	-	2,369
Investment fees	(175)	(150)
Investment return	\$ 2,130	\$ 4,065

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 5 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 63,113	\$ 63,113	\$ -	\$ -

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2010 and 2009 consisted of the following:

	2010	2009
Land	\$ 85,000	\$ 85,000
Building and improvements	159,264	159,264
Equipment	67,714	67,714
Truck	13,810	13,810
Property and equipment	325,788	325,788
Less accumulated depreciation	77,421	56,133
Property and equipment - net	\$ 248,367	\$ 269,655

**NOTE 7 – NOTE PAYABLE**

Note payable at December 31, 2010 and 2009 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, 2011. In March 2011, MOM and the note holder agreed to extend the maturity date to March 27, 2014. Future principal payments are \$7,533, \$7,998, \$8,491, and \$147,319 for 2011, 2012, 2013 and 2014. Interest expense for 2010 and 2009 was \$10,500 and \$10,889.

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

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

	2010	2009
For subsequent year's activities	\$ 8,773	\$ 13,038
Food	9,046	-
School supplies	2,720	-
Seasonal and emergency assistance	2,000	-
Temporarily restricted net assets	<u>\$ 22,539</u>	<u>\$ 13,038</u>

**NOTE 9 – OPERATING LEASES**

MOM collects rent on a monthly basis from its tenant of their building. Apartment rent income for 2010 and 2009 was \$5,193 and \$5,181. The tenant has a month to month lease.

MOM leases warehouse space for its food and clothing pantry under an operating lease that expired September 30, 2009 and is now a month to month lease. Monthly rent payments are \$1,300.

Rent expense for 2010 and 2009 was \$15,600 and \$21,600, which includes a donation of \$6,000 in 2009.

**NOTE 10 – 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:

	2010		
	Program Services	Management and General	Fundraising
Food	\$ 307,250	\$ -	\$ -
Clothing	242,571	-	-
Space	1,627	-	-
Printing/advertising	150	-	3,286
Equipment	15,128	-	-
IT services	-	8,950	-
Professional fees	-	171	-
	<u>\$ 566,726</u>	<u>\$ 9,121</u>	<u>\$ 3,286</u>

**MIDDLETON OUTREACH MINISTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 10 – DONATED FACILITIES, MATERIALS AND SERVICES (CONTINUED)**

	2009		
	Program Services	Management and General	Fundraising
Food	\$ 262,977	\$ -	\$ -
Clothing	234,843	-	-
Space	1,500	-	-
Printing	298	-	-
Property and equipment	24,500	-	-
IT services	1,314	164	164
Professional fees	720	90	90
	<u>\$ 526,152</u>	<u>\$ 254</u>	<u>\$ 254</u>

In addition, MOM received donated services from many unpaid volunteers who provided assistance during 2010 and 2009. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.