

MIDDLETON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

December 31, 2012 and 2011

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Wegner CPAs INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Middleton Outreach Ministry, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, 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 Middleton Outreach Ministry, Inc. as of December 31, 2012 and 2011, 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.

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MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 422,419	\$ 645,212
Promises to give	19,060	1,750
Prepaid expenses	<u>2,189</u>	<u>1,300</u>
Total current assets	443,668	648,262
Property and equipment - net	<u>1,016,717</u>	<u>227,411</u>
Total assets	<u><u>\$ 1,460,385</u></u>	<u><u>\$ 875,673</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 11,006	\$ 9,009
Construction payable	77,167	-
Accrued payroll, payroll taxes, and benefits	7,384	5,830
Current portion of note payable	<u>11,740</u>	<u>7,546</u>
Total current liabilities	107,297	22,385
LONG-TERM LIABILITIES		
Note payable less current portion	<u>634,090</u>	<u>156,688</u>
Total liabilities	741,387	179,073
NET ASSETS		
Unrestricted	698,416	676,059
Temporarily restricted	<u>20,582</u>	<u>20,541</u>
Total net assets	<u>718,998</u>	<u>696,600</u>
Total liabilities and net assets	<u><u>\$ 1,460,385</u></u>	<u><u>\$ 875,673</u></u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
REVENUE AND GAINS		
Contributions	\$ 523,540	\$ 534,603
Donated facilities, materials and services	704,407	695,278
United Way of Dane County	84,854	84,505
Other grants	142,687	156,972
Other	5,057	8,037
Total unrestricted revenue and gains	1,460,545	1,479,395
EXPENSES AND LOSSES		
Program services		
Housing assistance	142,891	130,161
Food pantry and clothing closet	824,809	836,676
Seniors programs	50,120	49,327
Seasonal and other programs	64,952	58,883
Supporting activities		
Management and general	150,026	124,804
Fundraising	219,791	220,215
Total expenses	1,452,589	1,420,066
Loss on sale of property	6,140	-
Total expenses and losses	1,458,729	1,420,066
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	1,750	8,773
Restrictions satisfied by payments	18,791	13,766
Total net assets released from restrictions	20,541	22,539
Change in unrestricted net assets	22,357	81,868
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	20,582	20,541
Net assets released from restrictions		
Expiration of time restrictions	(1,750)	(8,773)
Restrictions satisfied by payments	(18,791)	(13,766)
Change in temporarily restricted net assets	41	(1,998)
Change in net assets	22,398	79,870
Net assets - beginning of year	696,600	616,730
Net assets - end of year	<u>\$ 718,998</u>	<u>\$ 696,600</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2012

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 31,744	\$ 55,969	\$ 33,232	\$ 26,469	\$ 95,714	\$ 117,577	\$ 360,705
Cash and in-kind assistance	94,781	720,062	194	21,784	-	-	836,821
Occupancy	2,258	25,031	2,258	2,258	6,194	6,194	44,193
Printing	4,171	4,171	4,171	4,171	2,085	25,159	43,928
Special event expense	-	-	-	-	-	40,368	40,368
Professional fees	-	-	-	-	32,197	-	32,197
Postage	1,602	1,602	1,602	1,602	801	11,629	18,838
Insurance	2,183	2,183	2,183	2,183	1,092	1,093	10,917
Telephone	1,417	1,417	1,417	1,417	1,890	1,890	9,448
Technology	1,886	1,886	1,881	1,886	943	943	9,425
Depreciation	-	6,908	-	-	1,727	-	8,635
Supplies	1,244	1,244	1,244	1,244	621	622	6,219
Equipment	269	1,357	269	269	269	269	2,702
Other	1,336	2,979	1,669	1,669	6,493	14,047	28,193
Total expenses	<u>\$ 142,891</u>	<u>\$ 824,809</u>	<u>\$ 50,120</u>	<u>\$ 64,952</u>	<u>\$ 150,026</u>	<u>\$ 219,791</u>	<u>\$ 1,452,589</u>

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
Telephone	1,537	1,537	1,537	1,537	2,050	2,050	10,248
Technology	2,238	2,238	2,238	2,238	8,054	1,119	18,125
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
Total expenses	<u>\$ 130,161</u>	<u>\$ 836,676</u>	<u>\$ 49,327</u>	<u>\$ 58,883</u>	<u>\$ 124,804</u>	<u>\$ 220,215</u>	<u>\$ 1,420,066</u>

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,398	\$ 79,870
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	8,635	20,956
Loss on sale of property	6,140	-
Donated services capitalized	(3,763)	-
(Increase) decrease in assets		
Promises to give	(17,310)	9,023
Prepaid expenses	(889)	642
Increase (decrease) in liabilities		
Accounts payable	1,997	(6,966)
Accrued payroll, payroll taxes, and benefits	1,554	120
Deferred revenue	-	(425)
Net cash provided by operating activities	18,762	103,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	212,638	-
Purchases of property and equipment	(203,471)	-
Purchases of construction-in-progress	(82,318)	-
Net cash used in investing activities	(73,151)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of note payable	(168,404)	(7,107)
Net change in cash	(222,793)	96,113
Cash - beginning of year	645,212	549,099
Cash - end of year	\$ 422,419	\$ 645,212
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest, net of interest capitalized	\$ 4,075	\$ 10,087
Noncash investing and financing transactions		
Donated services capitalized	3,763	-
Construction payable	77,167	-
Acquisition of property		
Cost of property	800,000	-
Note payable	(650,000)	-
Cash paid for property	\$ 150,000	\$ -

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 that 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, 2012 and 2011

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 2009.

Date of Management's Review

Management has evaluated subsequent events through March 22, 2013, 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, 2012 and 2011

NOTE 2 – PROMISES TO GIVE

Promises to give of \$19,060 as of December 31, 2012 are unconditional and are all due in 2013. Promises to give of \$1,750 as of December 31, 2011 were unconditional and were all due in 2012.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2012 and 2011 consisted of the following:

	2012	2011
Land	\$ 324,765	\$ 85,000
Building and improvements	482,983	159,264
Equipment	113,435	67,714
Truck	13,810	13,810
Construction in progress	163,248	-
Property and equipment	1,098,241	325,788
Less accumulated depreciation	81,524	98,377
Property and equipment - net	<u>\$ 1,016,717</u>	<u>\$ 227,411</u>

NOTE 4 – LINE OF CREDIT

MOM has a \$250,000 revolving line of credit, which was unused at December 31, 2012. Advances on the credit line are payable in a single payment plus accrued monthly interest. The credit line carries an interest rate of 1.00% over prime. The line matures on October 15, 2014 and is secured by a general business security agreement.

NOTE 5 – NOTE PAYABLE

Note payable of \$164,234 at December 31, 2011 consisted of a 6% land contract with monthly payments of \$1,433, including principal and interest. The land contract monthly payment was based on a 20-year amortization period. The land contract was paid during 2012.

Note payable of \$645,830 at December 31, 2012 consisted of a 4% fixed land contract with monthly payments of \$3,113, including principal and interest. The land contract monthly payment is based upon a 30 year amortization period that commenced on August 7, 2012. The note payable is due August 31, 2018.

Interest expense was \$4,075 and \$10,087 for 2012 and 2011. Capitalized interest for 2012 was \$8,283.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 5 – NOTE PAYABLE (continued)

Future maturities of the land contract payments are as follows for the years ending December 31:

2013	\$ 11,740
2014	12,218
2015	12,716
2016	13,234
2017	13,773
Thereafter	582,149

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
For subsequent year's activities	\$ 19,060	\$ 1,750
Food	-	727
School supplies	1,522	3,814
Facility expansion	-	14,250
Temporarily restricted net assets	<u>\$ 20,582</u>	<u>\$ 20,541</u>

NOTE 7 – 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 2012 and 2011 was \$5,196 and \$6,470.

NOTE 8 – OPERATING LEASES

MOM collects rent on a monthly basis from its tenant of their building on a month-to-month basis. Rent income for 2012 and 2011 was \$2,010 and \$5,285. The lease ended in March 2012.

MOM leases warehouse space for its food and clothing pantry under a month to month operating lease. Monthly rent payments were \$1,300. Rent expense for 2012 and 2011 was \$15,600.

During 2012, MOM commenced leasing office space under a month to month operating lease from the City of Middleton following the sale of the building at 7432 Hubbard Avenue to the City. Monthly rent payments were \$890. Rent expense for 2012 was \$4,656.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 9 – 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:

2012				
	Food Pantry and Clothing Closet	Seasonal and Other Programs	Management and General	Fundraising
Food	\$ 437,997	\$ -	\$ -	\$ 1,260
Clothing	230,769	-	-	-
Space	-	-	-	8,300
Printing/advertising	-	-	-	13,200
Equipment	-	-	-	-
Supplies	-	-	-	3,122
Professional fees	3,763	-	-	5,996
	<u>\$ 672,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,878</u>
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>

In addition, MOM received donated services from many unpaid volunteers who provided assistance during 2012 and 2011. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

NOTE 10 – COMMITMENTS

On October 22, 2012, MOM entered into a contract with Findorf Construction, whereby Findorf agrees to renovate the newly purchased office and distribution facility for \$308,811. For the year ended December 31, 2012, the progress billings incurred by MOM were \$99,416.