

MIDDLETON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

December 31, 2013 and 2012

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 financial statements of Middleton Outreach Ministry, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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, 2013 and 2012, 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.

Wegner CPAs, LLP
Wegner CPAs, LLP
Madison, Wisconsin
March 17, 2014

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 192,963	\$ 422,419
Promises to give	109,954	19,060
Prepaid expenses	-	2,189
Total current assets	302,917	443,668
Promises to give	121,952	-
Property and equipment - net	1,288,195	1,016,717
Total assets	<u>\$ 1,713,064</u>	<u>\$ 1,460,385</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 11,279	\$ 11,006
Construction payable	-	77,167
Accrued payroll, payroll taxes, and benefits	9,550	7,384
Current portion of note payable	12,218	11,740
Total current liabilities	33,047	107,297
LONG-TERM LIABILITIES		
Note payable less current portion	620,727	634,090
Total liabilities	653,774	741,387
NET ASSETS		
Undesignated	168,598	327,529
Designated for property and equipment	655,250	370,887
Total unrestricted	823,848	698,416
Temporarily restricted	235,442	20,582
Total net assets	1,059,290	718,998
Total liabilities and net assets	<u>\$ 1,713,064</u>	<u>\$ 1,460,385</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
REVENUE AND GAINS		
Contributions	\$ 792,121	\$ 523,540
Donated facilities, materials and services	941,532	704,407
United Way	93,268	84,854
Other grants	125,952	142,687
Other	963	5,057
Total unrestricted revenue and gains	1,953,836	1,460,545
EXPENSES AND LOSSES		
Program services		
Housing assistance	167,529	142,891
Food pantry and clothing closet	1,113,435	824,809
Seniors program	57,532	50,120
Seasonal and other programs	71,300	64,952
Supporting activities		
Management and general	155,768	150,026
Fundraising	283,422	219,791
Total expenses	1,848,986	1,452,589
Loss on sale of property	-	6,140
Total expenses and losses	1,848,986	1,458,729
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	19,060	1,750
Satisfaction of purpose restrictions	1,522	18,791
Total net assets released from restrictions	20,582	20,541
Change in unrestricted net assets	125,432	22,357
Temporarily restricted contributions	235,442	20,582
Net assets released from restrictions		
Expiration of time restrictions	(19,060)	(1,750)
Satisfaction of purpose restrictions	(1,522)	(18,791)
Change in temporarily restricted net assets	214,860	41
Change in net assets	340,292	22,398
Net assets - beginning of year	718,998	696,600
Net assets - end of year	<u>\$ 1,059,290</u>	<u>\$ 718,998</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2013

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total
Personnel	\$ 33,176	\$ 50,863	\$ 34,851	\$ 27,656	\$ 105,657	\$ 126,985	\$ 379,188
Cash and in-kind assistance	111,605	979,046	1,526	14,287	5,839	2,327	1,114,630
Occupancy	3,413	40,967	3,413	3,413	17,950	8,133	77,289
Printing	4,954	4,954	4,954	4,954	2,477	27,879	50,172
Special event expense	-	-	-	-	-	88,451	88,451
Professional fees	-	-	-	-	8,100	-	8,100
Postage	1,176	1,176	1,176	1,176	586	11,600	16,890
Insurance	2,497	2,497	2,497	2,497	1,249	1,248	12,485
Telephone	1,322	1,322	1,322	1,322	1,762	1,763	8,813
Technology	2,758	2,758	2,758	2,758	1,379	1,379	13,790
Depreciation	1,181	21,922	1,181	1,181	4,132	4,132	33,729
Supplies	1,423	1,423	1,423	1,423	712	713	7,117
Equipment	1,853	5,280	1,853	1,853	1,853	1,853	14,545
Other	2,171	1,227	578	8,780	4,072	6,959	23,787
Total expenses	<u>\$ 167,529</u>	<u>\$ 1,113,435</u>	<u>\$ 57,532</u>	<u>\$ 71,300</u>	<u>\$ 155,768</u>	<u>\$ 283,422</u>	<u>\$ 1,848,986</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
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>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 340,292	\$ 22,398
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	33,729	8,635
Loss on sale of property	-	6,140
Donated services capitalized	-	(3,763)
Allowance for uncollectable promises to give	5,000	-
(Increase) decrease in assets		
Promises to give	(217,846)	(17,310)
Prepaid expenses	2,189	(889)
Increase (decrease) in liabilities		
Accounts payable	273	1,997
Accrued payroll, payroll taxes, and benefits	2,166	1,554
Net cash flows from operating activities	165,803	18,762
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	212,638
Purchases of property and equipment	(305,207)	(203,471)
Purchases of construction-in-progress	-	(82,318)
Net cash flows from investing activities	(305,207)	(73,151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of note payable	(12,885)	(168,404)
Payments of construction payable	(77,167)	-
Net cash flows from financing activities	(90,052)	(168,404)
Net change in cash	(229,456)	(222,793)
Cash - beginning of year	422,419	645,212
Cash - end of year	<u>\$ 192,963</u>	<u>\$ 422,419</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest, net of interest capitalized	\$ 23,431	\$ 4,075
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	<u>\$ -</u>	<u>\$ 150,000</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

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.

MOM provides for probable uncollectible promises through an allowance for doubtful accounts based on its assessment of the current status of individual promises. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are carried at cost or, if donated, at the estimated fair value of the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 2010.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through March 17, 2014, the date which the financial statements were available to be issued.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2 – PROMISES TO GIVE

Promises to give at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Receivable in less than one year	\$ 109,954	\$ 19,060
Receivable in one to five years	126,952	-
Promises to give	236,906	19,060
Less allowance for doubtful accounts	5,000	-
Promises to give - net	<u>\$ 231,906</u>	<u>\$ 19,060</u>

MOM has determined any discount associated with promises to give receivable in one to five years could be immaterial to the financial statements as a whole.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 and 2012 consisted of the following:

	2013	2012
Land	\$ 324,765	\$ 324,765
Building and improvements	889,732	482,983
Equipment	118,952	113,435
Truck	13,810	13,810
Construction in progress	-	163,248
Property and equipment	1,347,259	1,098,241
Less accumulated depreciation	59,064	81,524
Property and equipment - net	<u>\$ 1,288,195</u>	<u>\$ 1,016,717</u>

NOTE 4 – LINE OF CREDIT

MOM has a \$250,000 revolving line of credit, which was unused at December 31, 2013 and 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% over prime. The line matures on October 15, 2014 and is secured by a general business security agreement.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 – NOTE PAYABLE

Note payable balances of \$632,945 and \$645,830 at December 31, 2013 and 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 \$23,431 and \$4,075 for 2013 and 2012. Capitalized interest was \$4,302 and \$8,283 for 2013 and 2012.

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

2014	\$	12,218
2015		12,716
2016		13,234
2017		13,773
2018		581,004

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Campaign promises to give	\$ 187,202	\$ -
For subsequent year's activities	44,704	19,060
School supplies	1,694	1,522
Other	1,842	-
	<u>\$ 235,442</u>	<u>\$ 20,582</u>
Temporarily restricted net assets	<u>\$ 235,442</u>	<u>\$ 20,582</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 2013 and 2012 was \$4,829 and \$5,196.

NOTE 8 – OPERATING LEASES

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

MOM leased warehouse space for its food and clothing pantry under a month to month operating lease. Monthly rent payments were \$1,300. Rent expense for 2013 and 2012 was \$3,900 and \$15,600. The lease ended in March 2013.

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 2013 and 2012 was \$2,670 and \$4,656. The lease ended in March 2013.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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:

	2013			
	Food Pantry and Clothing Closet	Seasonal and Other Programs	Management and General	Fundraising
Food	\$ 478,298	\$ -	\$ -	\$ -
Clothing	433,949	-	-	-
Space	-	-	-	12,700
Printing/advertising	-	-	-	11,500
Supplies	-	-	-	2,010
Landscaping services	-	-	3,075	-
	<u>\$ 912,247</u>	<u>\$ -</u>	<u>\$ 3,075</u>	<u>\$ 26,210</u>
	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
Supplies	-	-	-	3,122
Architectural services	3,763	-	-	5,996
	<u>\$ 672,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,878</u>

In addition, MOM received donated services from many unpaid volunteers who provided assistance during 2013 and 2012. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

NOTE 10 – BUILDING HOPE – STRENGTHENING COMMUNITIES CAMPAIGN

In 2013, MOM initiated the Building Hope - Strengthening Communities Campaign to finance the purchase and renovation of a new facility. An existing facility was purchased in 2012 which has enabled MOM to significantly increase its capacity to serve clients and to consolidate the administrative offices and the program services into one location. The estimated cost of site acquisition and extensive renovation of the facility, combined with administrative costs of the campaign are \$1,800,000. Renovation was completed during 2013, when MOM moved to the new facility. The building and renovations have been recorded as property and equipment in the accounts on the statements of financial position.