

MIDDLETON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 24, 2015

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, 2014 and 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 429,167	\$ 192,963
Promises to give	152,849	109,954
Prepaid expenses	1,688	-
Total current assets	583,704	302,917
Promises to give	73,116	121,952
Property and equipment - net	1,243,223	1,288,195
Total assets	<u>\$ 1,900,043</u>	<u>\$ 1,713,064</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 13,942	\$ 11,279
Accrued payroll, payroll taxes, and benefits	18,212	9,550
Current portion of note payable	21,077	12,218
Total current liabilities	53,231	33,047
LONG-TERM LIABILITIES		
Note payable less current portion	348,225	620,727
Total liabilities	401,456	653,774
NET ASSETS		
Undesignated	388,530	168,598
Designated for property and equipment	873,921	655,250
Total unrestricted	1,262,451	823,848
Temporarily restricted	236,136	235,442
Total net assets	1,498,587	1,059,290
Total liabilities and net assets	<u>\$ 1,900,043</u>	<u>\$ 1,713,064</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUE AND GAINS		
Contributions	\$ 1,005,207	\$ 792,121
Donated facilities, materials and services	1,877,458	941,532
United Way	100,145	93,268
Other grants	106,696	125,952
Other	12,125	963
Total unrestricted revenue and gains	3,101,631	1,953,836
EXPENSES		
Program services		
Housing assistance	167,226	167,529
Food pantry and clothing closet	2,038,175	1,113,435
Seniors program	51,729	57,532
Seasonal and other programs	85,809	71,300
Supporting activities		
Management and general	144,349	155,768
Fundraising	281,574	283,422
Total expenses	2,768,862	1,848,986
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	102,298	19,060
Satisfaction of purpose restrictions	3,536	1,522
Total net assets released from restrictions	105,834	20,582
Change in unrestricted net assets	438,603	125,432
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily restricted contributions	106,528	235,442
Net assets released from restrictions		
Expiration of time restrictions	(102,298)	(19,060)
Satisfaction of purpose restrictions	(3,536)	(1,522)
Change in temporarily restricted net assets	694	214,860
Change in net assets	439,297	340,292
Net assets - beginning of year	1,059,290	718,998
Net assets - end of year	<u>\$ 1,498,587</u>	<u>\$ 1,059,290</u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

	Housing Assistance	Food Pantry and Clothing Closet	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total
Personnel	\$ 35,507	\$ 58,798	\$ 33,205	\$ 33,375	\$ 109,410	\$ 129,780	\$ 400,075
Cash and in-kind assistance	115,117	1,889,458	2,172	31,458	6,153	47,124	2,091,482
Occupancy	3,467	42,323	3,217	3,217	7,284	7,284	66,792
Printing	3,723	3,723	3,722	3,723	1,861	25,989	42,741
Professional fees	-	-	-	-	8,100	29,000	37,100
Postage	956	956	955	956	478	19,040	23,341
Insurance	2,383	2,383	2,384	2,383	1,192	1,192	11,917
Telephone	968	968	969	968	1,291	1,291	6,455
Technology	2,420	2,420	2,421	2,420	1,210	1,210	12,101
Depreciation	1,574	29,232	1,574	1,574	5,509	5,509	44,972
Supplies	758	758	758	758	379	4,810	8,221
Good Samaritan Aid	-	-	-	544	-	-	544
Equipment	230	3,897	230	230	805	1,283	6,675
Other	123	3,259	122	4,203	677	8,062	16,446
Total expenses	<u>\$ 167,226</u>	<u>\$ 2,038,175</u>	<u>\$ 51,729</u>	<u>\$ 85,809</u>	<u>\$ 144,349</u>	<u>\$ 281,574</u>	<u>\$ 2,768,862</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
	<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.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 439,297	\$ 340,292
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	44,972	33,729
Allowance for uncollectable promises to give	-	5,000
(Increase) decrease in assets		
Promises to give	5,941	(217,846)
Prepaid expenses	(1,688)	2,189
Increase (decrease) in liabilities		
Accounts payable	2,663	273
Accrued payroll, payroll taxes, and benefits	8,662	2,166
Net cash flows from operating activities	499,847	165,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(305,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of note payable	(263,643)	(12,885)
Payments of construction payable	-	(77,167)
Net cash flows from financing activities	(263,643)	(90,052)
Net change in cash	236,204	(229,456)
Cash - beginning of year	192,963	422,419
Cash - end of year	<u>\$ 429,167</u>	<u>\$ 192,963</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest, net of capitalized interest	\$ 20,615	\$ 23,431

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2014 and 2013

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 2011.

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 24, 2015, the date which the financial statements were available to be issued.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 2 – CONCENTRATION OF CREDIT RISK

MOM maintains cash balances at four financial institutions located in Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the Organization's uninsured cash balances at one institution total approximately \$60,000.

NOTE 3 – PROMISES TO GIVE

Promises to give at December 31, 2014 and 2013 consisted of the following:

	2014	2013
Receivable in less than one year	\$ 152,849	\$ 109,954
Receivable in one to five years	78,116	126,952
Promises to give	230,965	236,906
Less allowance for doubtful accounts	5,000	5,000
Promises to give - net	<u>\$ 225,965</u>	<u>\$ 231,906</u>

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

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 and 2013 consisted of the following:

	2014	2013
Land	\$ 324,765	\$ 324,765
Building and improvements	889,732	889,732
Equipment	118,952	118,952
Truck	13,810	13,810
Property and equipment	1,347,259	1,347,259
Less accumulated depreciation	104,036	59,064
Property and equipment - net	<u>\$ 1,243,223</u>	<u>\$ 1,288,195</u>

NOTE 5 – LINE OF CREDIT

MOM has a \$250,000 revolving line of credit, which was unused at December 31, 2014 and 2013. 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 January 15, 2017 and is secured by a general business security agreement.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 6 – NOTE PAYABLE

Note payable balances of \$369,302 and \$632,945 at December 31, 2014 and 2013 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 \$20,615 and \$23,431 for 2014 and 2013. Capitalized interest was \$4,302 for 2013.

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

2015	\$ 21,077
2016	23,890
2017	324,335

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Campaign promises to give	\$ 224,441	\$ 187,202
For subsequent year's activities	6,524	44,704
School supplies	1,623	1,694
Other	<u>3,548</u>	<u>1,842</u>
Temporarily restricted net assets	<u>\$ 236,136</u>	<u>\$ 235,442</u>

NOTE 8 – 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 2014 and 2013 was \$7,031 and \$4,829.

NOTE 9 – OPERATING LEASES

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 was \$3,900. The lease ended in March 2013.

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 was \$2,670. The lease ended in March 2013.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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:

	2014		
	Food Pantry and Clothing Closet	Management and General	Fundraising
Food	\$ 1,226,170	\$ -	\$ -
Clothing	588,263	-	-
Space	-	-	30,500
Printing/advertising	-	-	3,700
Supplies	17,290	-	4,875
Professional services	-	6,660	-
	<u>\$ 1,831,723</u>	<u>\$ 6,660</u>	<u>\$ 39,075</u>
	2013		
	Food Pantry and Clothing Closet	Management and General	Fundraising
Food	\$ 478,298	\$ -	\$ -
Clothing	433,949	-	-
Space	-	-	12,700
Printing/advertising	-	-	11,500
Supplies	-	-	2,010
Architectural services	-	3,075	-
	<u>\$ 912,247</u>	<u>\$ 3,075</u>	<u>\$ 26,210</u>

In addition, MOM received donated services from many unpaid volunteers who provided assistance during 2014 and 2013. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

NOTE 11 – 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.