

MIDDLETON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Middleton Outreach Ministry, Inc., which comprise the statement of financial position as of March 31, 2017, and the related statements of activities, functional expenses, and cash flows for the fifteen months 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 audit. We conducted our audit 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 March 31, 2017, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

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MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FINANCIAL POSITION
 March 31, 2017

ASSETS	
CURRENT ASSETS	
Cash	\$ 462,566
Accounts receivable	900
Promises to give	118,476
Prepaid expenses	4,235
	586,177
Total current assets	586,177
Promises to give	10,502
Property and equipment - net	1,184,082
	1,194,584
Total assets	\$ 1,780,761
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 12,167
Accrued payroll, payroll taxes, and benefits	12,734
	24,901
Total liabilities	24,901
NET ASSETS	
Undesignated	403,732
Designated for property and equipment	1,184,082
	1,587,814
Total unrestricted	1,587,814
Temporarily restricted	168,046
	1,755,860
Total net assets	1,755,860
Total liabilities and net assets	\$ 1,780,761

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF ACTIVITIES
Fifteen months ended March 31, 2017

UNRESTRICTED NET ASSETS	
SUPPORT, REVENUE AND GAINS	
Contributions	\$ 808,034
Donated facilities, materials and services	3,818,810
United Way	185,379
Other grants	100,295
Other	<u>1,058</u>
 Total unrestricted support, revenue and gains	 4,913,576
EXPENSES	
Program services	
Housing assistance	179,123
Food pantry and clothing center	4,026,117
Seniors program	59,379
Seasonal and other programs	98,114
Supporting activities	
Management and general	262,321
Fundraising	<u>269,487</u>
 Total expenses	 4,894,541
NET ASSETS RELEASED FROM RESTRICTIONS	
Expiration of time restrictions	94,936
Satisfaction of purpose restrictions	<u>8,673</u>
 Total net assets released from restrictions	 <u>103,609</u>
 Change in unrestricted net assets	 122,644
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	85,555
Net assets released from restrictions	
Expiration of time restrictions	(94,936)
Satisfaction of purpose restrictions	<u>(8,673)</u>
 Change in temporarily restricted net assets	 <u>(18,054)</u>
 Change in net assets	 104,590
 Net assets - beginning of period	 <u>1,651,270</u>
 Net assets - end of period	 <u><u>\$ 1,755,860</u></u>

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Fifteen months ended March 31, 2017

	Housing Assistance	Food Pantry and Clothing Center	Seniors Program	Seasonal and Other Programs	Management and General	Fundraising	Total
Personnel	\$ 52,073	\$ 110,159	\$ 45,191	\$ 42,922	\$ 142,619	\$ 151,416	\$ 544,380
Cash assistance	114,399	1,986	-	9,859	-	-	126,244
Food	-	2,954,806	-	3,646	-	-	2,958,452
Clothing	-	833,053	-	-	-	-	833,053
Occupancy	1,950	45,335	1,950	1,950	7,150	17,826	76,161
Printing	3,445	3,445	3,445	3,445	2,150	44,355	60,285
Professional fees	-	700	-	-	65,802	8,475	74,977
Postage	256	256	256	281	2,405	13,150	16,604
Insurance	1,395	3,296	1,500	1,120	3,696	3,447	14,454
Telephone	719	1,697	733	578	1,949	1,774	7,450
Technology	967	2,285	1,040	776	2,562	2,389	10,019
Depreciation	2,047	38,023	2,047	2,047	7,166	7,167	58,497
Supplies	487	5,736	1,776	30,378	2,795	3,751	44,923
Banking and administrative fees	-	-	-	-	14,380	-	14,380
Equipment	209	18,092	224	167	1,179	3,916	23,787
Other	1,176	7,248	1,217	945	8,468	11,821	30,875
Total expenses	\$ 179,123	\$ 4,026,117	\$ 59,379	\$ 98,114	\$ 262,321	\$ 269,487	\$ 4,894,541

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF CASH FLOWS
Fifteen months ended March 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 104,590
Adjustments to reconcile change in net assets to net cash from operating activities	
Contributions restricted for long-term purposes	(20,500)
Depreciation	58,497
Donated services capitalized	(4,800)
(Increase) decrease in assets	
Accounts receivable	(900)
Promises to give	22,441
Prepaid expenses	(1,633)
Decrease in liabilities	
Accounts payable	(4,814)
Accrued payroll, payroll taxes, and benefits	(4,500)
	148,381
Net cash flows from operating activities	
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments of note payable	(346,271)
Proceeds from contributions restricted for investment in property and equipment	20,500
	(325,771)
Net cash flows from financing activities	
Net change in cash	(177,390)
Cash - beginning of period	639,956
	\$ 462,566
Cash - end of period	
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest	\$ 7,773
Noncash investing and financing transactions	
Donated services capitalized	4,800

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

Middleton Outreach Ministry, Inc. (MOM) is a nonprofit charitable organization that provides services to members of the Middleton, Cross Plains, and west side of Madison, Wisconsin area communities. MOM programs include: Housing Assistance, a free Food Pantry and Clothing Center, a Seniors Program, and Seasonal and Other Programs. MOM provides case management and referrals to 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, the United Way of Dane County, and other grants and foundations. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

MOM changed its fiscal year end date from December 31 to March 31. The financial statements presented cover the period ended March 31, 2017 and the fifteen months from January 1, 2016 to March 31, 2017.

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.

Accounts Receivable

MOM considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts receivable become uncollectible, they will be charged to operations when that determination is made.

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.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 statement of activities as net assets released from restrictions.

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.

Expense Allocation

The costs of providing programs and supporting activities have been summarized on a functional basis in the statement of activities and in the statement 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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 2, 2017, the date which the financial statements were available to be issued.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

NOTE 2 – PROMISES TO GIVE

Promises to give at March 31, 2017 consisted of the following:

Receivable in less than one year	\$ 118,476
Receivable in one to five years	<u>15,502</u>
Promises to give	133,978
Less allowance for doubtful accounts	<u>5,000</u>
Promises to give - net	<u><u>\$ 128,978</u></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 3 – PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2017 consisted of the following:

Land	\$ 324,765
Building and improvements	889,732
Equipment	118,952
Vehicles	43,123
Construction in progress	<u>4,800</u>
Property and equipment	1,381,372
Less accumulated depreciation	<u>197,290</u>
Property and equipment - net	<u><u>\$ 1,184,082</u></u>

NOTE 4 – LINE OF CREDIT

MOM has a \$250,000 revolving line of credit, which was unused at March 31, 2017. Advances on the credit line are payable in a single payment plus accrued monthly interest. The credit line carries an interest rate of 3.75%. The line matures on January 13, 2019 and is secured by a general business security agreement.

NOTE 5 – NOTE PAYABLE

MOM paid the balance on the note payable which consisted of a 4% land contract with monthly payments of \$3,115, including principal and interest.

Interest expense for the fifteen months ended March 31, 2017 was \$7,773.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2017

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31, 2017 are available for the following periods or purposes:

	2017
Campaign promises to give	\$ 60,822
United Way promise to give	36,264
2017 Canstruction	18,000
Parking lot	42,000
School supplies	5,697
Other	5,263
Temporarily restricted net assets	\$ 168,046

NOTE 7 – DONATED SERVICES

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

	Food Pantry and Clothing Center	Management and General	Fundraising	Total
Marketing	\$ -	\$ 43,560	\$ 8,475	\$ 52,035
Repairs and maintenance	700	645	-	1,345
Information technology	-	8,153	-	8,153
Legal services	-	4,665	-	4,665
Total donated services	\$ 700	\$ 57,023	\$ 8,475	\$ 66,198

During the fifteen months ended March 31, 2017, MOM received \$4,800 of donated professional services that was capitalized.

During the fifteen months ended March 31, 2017, MOM received approximately 47,000 hours of volunteer time. No amounts have been recognized in the financial statements for these services because the criteria for recognition have not been satisfied.

NOTE 8 – RETIREMENT PLAN

As of January 2016, MOM changed its retirement program from a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan to a 401(k) plan for all employees who are 21 years of age or older. MOM will match up to 3% of employees' contributions to the plan. Retirement expense for the fifteen months ended March 31, 2017 was \$11,147.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

NOTE 9 – LEASE

In January 2017, MOM entered into a lease for the use of two copy machines with a term of 60-months. The lease requires monthly payments of \$614.

Lease expense for the fifteen months ended March 31, 2017 was \$9,036.

Future minimum lease payments are as follows for the fifteen months ended March 31:

2018	\$	7,368
2019		7,368
2020		7,368
2021		7,368
2022		<u>6,140</u>
Total	<u>\$</u>	<u>35,612</u>

NOTE 10 – BUILDING HOPE – STRENGTHENING COMMUNITIES CAMPAIGN

In 2013, MOM initiated the Building Hope - Strengthening Communities Campaign to finance the purchase and renovation of the facility and to build capital reserves. 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 \$1,400,000. 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. As of March 31, 2017, MOM is currently in the public phase of the campaign.