

MIDDLETON OUTREACH MINISTRY, INC.

FINANCIAL STATEMENTS

March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Middleton Outreach Ministry, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Middleton Outreach Ministry, Inc. as of March 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Middleton Outreach Ministry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Middleton Outreach Ministry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Middleton Outreach Ministry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Middleton Outreach Ministry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 23, 2022

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,002,038	\$ 1,600,899
Certificates of deposit	403,068	335,588
Unconditional promises to give	189,099	99,893
Accrued interest receivable	1,035	1,233
Other receivables	1,422	2,391
Prepaid expenses	1,538	7,516
Total current assets	2,598,200	2,047,520
Property and equipment, net	1,326,979	1,193,894
OTHER ASSETS		
Other investments	1,322	1,322
Non-current promises to give	3,000	34,000
Beneficial interest in assets held by Madison Community Foundation	57,919	56,035
Total other assets	62,241	91,357
Total assets	\$ 3,987,420	\$ 3,332,771
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 46,641	\$ 23,840
Accrued payroll, payroll taxes, and benefits	57,869	30,604
Current portion of lease payable	8,224	-
Total current liabilities	112,734	54,444
Lease payable less current portion	30,760	-
Total liabilities	143,494	54,444
NET ASSETS		
Without donor restrictions	3,577,591	3,123,410
With donor restrictions	266,335	154,917
Total net assets	3,843,926	3,278,327
Total liabilities and net assets	\$ 3,987,420	\$ 3,332,771

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 1,837,098	\$ 2,133,952
Paycheck Protection Program loan	-	107,489
Donated facilities, materials, and services	1,101,229	1,215,056
United Way	136,078	75,152
Change in value in beneficial interest in assets held by Madison Community Foundation	1,884	9,224
Other investment income	4,718	6,304
Total revenues	3,081,007	3,547,177
EXPENSES		
Program services		
Housing stabilization	561,057	548,436
Food security (pantry and clothing center)	1,356,612	1,530,673
Seniors program	30,295	19,485
Seasonal programs	148,863	95,105
Advocacy and community education	40,040	-
Supporting activities		
Management and general	329,380	262,797
Fundraising	275,917	251,377
Total expenses	2,742,164	2,707,873
NET ASSETS RELEASED FROM RESTRICTIONS		
Expiration of time restrictions	84,012	44,457
Satisfaction of purpose restrictions	31,326	76,339
Total net assets released from restrictions	115,338	120,796
Change in net assets without donor restrictions	454,181	960,100
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	226,756	140,607
Net assets released from restrictions	(115,338)	(120,796)
Change in net assets with donor restrictions	111,418	19,811
Change in net assets	565,599	979,911
Net assets at beginning of year	3,278,327	2,298,416
Net assets at end of year	\$ 3,843,926	\$ 3,278,327

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2022

	Housing Stability	Food Security (Pantry and Clothing Center)	Seniors Program	Seasonal Programs	Advocacy and Community Education	Management and General	Fundraising	Total Expenses
Personnel	\$ 250,472	\$ 148,281	\$ 25,063	\$ 19,817	\$ 18,207	\$ 232,411	\$ 140,202	\$ 834,453
Client assistance	267,549	-	30	105,835	-	-	500	373,914
Food	-	910,868	-	-	-	-	5,765	916,633
Clothing	-	163,217	-	-	-	-	-	163,217
Occupancy	3,094	31,708	769	704	1,041	2,921	3,017	43,254
Printing	3,408	2,038	329	380	136	2,150	44,333	52,774
Professional fees	2,985	2,098	271	90	336	15,724	5,287	26,791
Postage	83	83	83	-	55	411	17,255	17,970
Insurance	2,027	13,314	575	561	1,061	1,670	2,683	21,891
Telephone	2,066	1,157	197	157	125	1,249	919	5,870
Technology	16,145	16,454	949	826	953	12,996	18,306	66,629
Depreciation and amortization	3,726	26,282	856	856	2,469	2,754	4,594	41,537
Supplies	1,264	9,725	311	18,820	80	991	4,418	35,609
Banking and administrative fees	32	-	-	-	78	30,933	26	31,069
Equipment	6,238	24,034	841	817	924	3,990	4,994	41,838
Entertainment	-	-	-	-	-	-	12,681	12,681
Other	1,968	7,353	21	-	14,575	21,180	10,937	56,034
Total expenses	\$ 561,057	\$ 1,356,612	\$ 30,295	\$ 148,863	\$ 40,040	\$ 329,380	\$ 275,917	\$ 2,742,164

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2021

	Housing Stability	Food Security (Pantry and Clothing Center)	Seniors Program	Seasonal Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 192,332	\$ 148,081	\$ 14,429	\$ 8,733	\$ 179,245	\$ 113,533	\$ 656,353
Client assistance	337,390	5,292	-	61,297	-	-	403,979
Food	-	1,131,323	-	-	-	34,713	1,166,036
Clothing	-	98,428	-	-	-	-	98,428
Occupancy	1,166	27,322	995	995	3,452	3,516	37,446
Printing	3,378	2,588	257	173	2,582	44,374	53,352
Professional fees	2,240	6,112	169	151	15,833	11,424	35,929
Postage	156	120	120	-	603	18,467	19,466
Insurance	1,033	11,309	627	611	2,030	2,372	17,982
Telephone	1,871	1,395	148	90	1,291	940	5,735
Technology	4,631	6,798	361	294	10,897	5,606	28,587
Depreciation	1,225	23,340	1,225	1,225	4,201	4,375	35,591
Supplies	1,129	8,698	53	20,516	1,322	2,794	34,512
Banking and administrative fees	-	-	38	-	26,239	-	26,277
Equipment	1,114	58,242	1,049	994	3,296	3,300	67,995
Other	771	1,625	14	26	11,806	5,963	20,205
Total expenses	\$ 548,436	\$ 1,530,673	\$ 19,485	\$ 95,105	\$ 262,797	\$ 251,377	\$ 2,707,873

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 565,599	\$ 979,911
Adjustments to reconcile change in net assets to net change in cash		
Depreciation	41,537	35,591
Donated materials and services capitalized	(4,914)	-
Change in beneficial interest in assets held by Madison Community Foundation	(1,884)	(9,224)
(Increase) decrease in assets		
Unconditional promises to give	(89,206)	(33,555)
Accrued interest receivable	198	1,967
Other receivables	969	(2,391)
Prepaid expenses	5,978	(3,151)
Non-current promises to give	31,000	(34,000)
Increase (decrease) in liabilities		
Accounts payable	22,801	14,643
Accrued payroll, payroll taxes, and benefits	27,265	6,428
Net cash flows from operating activities	599,343	956,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(129,329)	(7,275)
Purchases of certificates of deposit	(200,000)	-
Redemptions of certificates of deposit	134,095	-
Interest reinvested in certificates of deposit	(1,575)	(6,006)
Net cash flows from investing activities	(196,809)	(13,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on lease payable	(1,395)	-
Net change in cash	401,139	942,938
Cash at beginning of year	1,600,899	657,961
Cash at end of year	\$ 2,002,038	\$ 1,600,899
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing transactions		
Donated materials and services capitalized	\$ 4,914	\$ -
Capital lease asset	40,379	-
Cash paid for interest	2	-

See accompanying notes.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Middleton Outreach Ministry, Inc. (MOM) is a nonprofit charitable organization that provides services to people living in Middleton, Cross Plains, and west side of Madison, Wisconsin area communities with our food pantry services expanded to serve all of Dane County. MOM is supported by contributions from individuals, local businesses, churches, service clubs, the United Way of Dane County, and other grants and foundations.

Promises to Give

Unconditional promises to give are recognized as revenues 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. There was no allowance established at March 31, 2022 and 2021 as all promises were considered collectible.

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.

Other Investments

Other investments consist of equity securities that are carried at fair value.

Beneficial Interest in Assets Held by Madison Community Foundation

MOM's beneficial interest in assets held by Madison Community Foundation represents an agreement between MOM and the Foundation in which MOM transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to MOM by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program Loan

MOM received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. MOM expects to meet the PPP's eligibility criteria and believes the loan is, in substance, a grant that is expected to be forgiven. MOM recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions, 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements 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 would otherwise need to be purchased.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, printing, professional fees, postage, telephone, technology, supplies, and other, which are allocated on the basis of estimates of staff time and effort; as well as occupancy, insurance, depreciation, and equipment, which are allocated on a square-footage basis.

The following program services and supporting activities are included in the accompanying financial statements:

Housing stability—Through the Housing Stability program, case managers assess and provide support to households, including financial housing assistance to help prevent eviction and maintain long-term stable housing. Families receive assistance with rent, security deposits, utilities, and other small emergency grants. In addition, an outreach case manager works with area organizations to facilitate broader access to services for our community. The Connections housing program serves households in doubled-up living arrangements. Doubling-up is when an individual or family lives with another household temporarily or shuffles indefinitely between homes because of economic need. The Connections program supports individuals through case management and funds to ensure households have a place of their own to call home.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food security (pantry and clothing center)—In response to COVID-19, the food pantry operated as a choice drive-thru pantry in FY22, allowing guests to choose items through a menu system, including fresh produce, ample protein options, and dairy, in addition to pantry staples and personal care items. Groceries were put in people’s cars through a no-contact system. The food pantry serves all of Dane County. Due to the necessary pivots in these systems and to ensure the safety of clients, volunteers, and staff, we had to limit the amount of food that was donated by the community, but we were able to continue providing a breadth of items through a focused top ten list, including culturally responsive items, such as spices and collard greens. In addition, the food security program responded to emerging and shifting needs in the food security system throughout the year, partnering with area organizations and targeting identified needs in specific areas of the community.

MOM staff also participated in many food security advocacy opportunities, including working with statewide organizations to increase participation in Foodshare and Pandemic-EBT, and hosting a COVID-19 vaccine clinic on site.

The clothing center is operated by appointment only and one household at a time. Due to the necessary pivots in these systems and to ensure the safety of clients, volunteers, and staff, we had to limit the amount of clothing donated by the community. As a result, we were limited in the amount of clothing we could distribute.

Seniors program—The seniors program keeps seniors (age 60+) independent by providing transportation, shopping, and home chore assistance. During FY22, the seniors program reopened for transportation services (closed for all of FY21 due to COVID-19). The program also continued seniors’ grocery delivery from the food pantry, as well as friendly visitor phone calls and outdoor chore assistance.

Seasonal programs—The seasonal programs included the Back to School Program, Thanksgiving Basket Distribution, and Winter Wishes Program. The Back to School program provided backpacks stuffed with school supplies to clients who signed up for the program. The backpacks included additional items such as headphones with microphones. The Thanksgiving basket distribution operated as a choice model, allowing clients to choose from an enhanced variety of food options, including cultural traditions not represented in previous years. Winter Wishes transitioned to a gift card program, allowing donors to continue to give directly to families while still allowing individuals and families the dignity of choosing their own items through shopping.

Advocacy and community education—Advocacy and Community Education is essential for creating upstream outcomes to housing instability and food insecurity that respond to systemic inequities. Specifically, racial inequities affect access to food and housing security. This program provides education opportunities for our staff as well as for our volunteers and provides opportunities for community collaboration. Activities this year included creating a new equity onboarding for volunteers as well as organizing an ongoing foundational racial equity training series.

Management and General—Management and general activities relate to the overall direction of MOM and include activities of the board of directors, business management, finance, and general recordkeeping.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fundraising—Fundraising activities include soliciting contributions from individuals, foundations, and others, and grant-writing activities.

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 23, 2022, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATION OF CREDIT RISK

MOM maintains its cash balances at six financial institutions in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2022 and 2021, MOM's uninsured cash balances totaled approximately \$147,000 and \$168,000, respectively.

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment for the years ended March 31 consists of the following:

	2022	2021
Land	\$ 324,765	\$ 324,765
Land improvements	125,715	125,715
Building and improvements	985,484	913,223
Equipment	144,547	138,561
Vehicles	99,119	43,123
Copiers	40,379	-
	1,720,009	1,545,387
Property and equipment		
Less accumulated depreciation and amortization	393,030	351,493
Property and equipment, net	\$ 1,326,979	\$ 1,193,894

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 4—DONATED SERVICES

The fair value of donated services in the financial statements and the corresponding expenses for the years ended March 31 are as follows:

	2022			
	Housing Stabilization	Food Security (Pantry and Clothing Center)	Seniors Program	Seasonal Programs
Professional fees	\$ 2,819	\$ 1,786	\$ 271	\$ 90
	Advocacy and Community Education	Management and General	Fundraising	
Professional fees	\$ 186	\$ 4,073	\$ 1,367	
	2021			
	Housing Stabilization	Food Security (Pantry and Clothing Center)	Seniors Program	
Professional fees	\$ 2,240	\$ 6,112	\$ 169	
	Seasonal Programs	Management and General	Fundraising	
Professional fees	\$ 151	\$ 1,164	\$ 1,462	

In addition, for the year ended March 31, 2022 donated services totaling \$4,914 were capitalized. There were no capitalized services for the year ended March 31, 2021.

During the years ended March 31, 2022 and 2021, MOM received 15,518 and 10,240 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.

In response to the COVID-19 pandemic, volunteer opportunities were limited to essential-hours only. Group volunteer opportunities were cancelled, as were most seniors program opportunities. Nearly all events were cancelled. The food pantry operated in a limited-contact system, cutting most food rescue opportunities. The food pantry drive-thru operation also required limited volunteers by design.

NOTE 5—RELATED PARTY

During the year ended March 31, 2021, MOM received consulting services from a board member for which it paid \$13,590. There were no related party transactions during the year ended March 31, 2022.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 6—CONDITIONAL PROMISE TO GIVE

MOM received a \$46,366 promise to give beginning in April 2022 conditioned upon helping families with children who are at imminent risk of homelessness to remain in their homes and/or to find stable alternative housing and thereby avoid or minimize school mobility for their children. This conditional promise to give will be recognized as revenue when the respective conditions are met.

NOTE 7—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the years ended March 31 are restricted for the following periods or purposes:

	<u>2022</u>	<u>2021</u>
For subsequent years' activities	\$ 257,553	\$ 112,013
Subject to purpose restrictions:		
Winter Wishes	-	7,670
Thanksgiving meals	205	2,434
School supplies	-	8,723
Food - Hunger Grant	3,000	6,000
Capacity building	-	12,500
Share-a-smile	5,113	5,113
Other	464	464
	<u>\$ 266,335</u>	<u>\$ 154,917</u>
Net assets with donor restrictions	<u>\$ 266,335</u>	<u>\$ 154,917</u>

NOTE 8—NET ASSETS WITHOUT DONOR RESTRICTIONS

The board of directors has designated net assets without donor restrictions for the years ended March 31 for the following purposes:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 1,932,454	\$ 1,710,544
Board-designated		
Capacity building	750,000	521,000
Capital reserve	300,378	270,113
COVID relief	-	210,000
Operating reserve	536,840	355,718
MCF endowment	57,919	56,035
	<u>\$ 3,577,591</u>	<u>\$ 3,123,410</u>
Net assets without donor restrictions	<u>\$ 3,577,591</u>	<u>\$ 3,123,410</u>

NOTE 9—BOARD-DESIGNATED ENDOWMENT

At March 31, 2022 and 2021, MOM's board of directors has designated \$57,919 and \$56,035, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of MOM. Since those amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 9—BOARD-DESIGNATED ENDOWMENT (continued)

MOM established a fund at the Madison Community Foundation to invest its endowment assets. The agreement between MOM and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to MOM. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation’s spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of MOM if MOM ceases to exist or if the Foundation’s board of governors votes that support of MOM either is no longer necessary or is inconsistent with the needs of the community.

The Foundation’s primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including nonmarketable, illiquid alternatives.

Changes in endowment net assets for the years ended March 31, were as follows:

	2022	2021
Endowment net assets at beginning of the year	\$ 56,035	\$ 46,811
Investment return, net	4,251	10,987
Amounts appropriated for expenditures	(2,367)	(1,763)
Endowment net assets at end of the year	\$ 57,919	\$ 56,035

NOTE 10—FAIR VALUE MEASUREMENT

MOM's beneficial interest in assets held by MCF represents an agreement between MOM and the Foundation in which MOM transfers assets to the Foundation in exchange for future distributions. The beneficial interest and equity securities are not actively traded and significant other observable inputs are not available. All investments are considered Level 3 investments. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to MOM by the Foundation. The fair value of the Capital Brewery common stock is based on the trades between individual buyers and sellers as it is not publicly traded. The book value of the common stock is based on the information provided on the stock certificate. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

NOTE 11—RETIREMENT PLAN

MOM has 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 years ended March 31, 2022 and 2021 was \$11,618 and \$9,417, respectively.

MIDDLETON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 12—LEASES

MOM had an operating lease for the use of two copy machines with a term of 60 months through February 22, 2022. The lease required monthly payments of \$720.

Beginning in 2022, MOM entered into a capital lease for the use of two copy machines with a term of 60 months through February 15, 2027. The lease requires monthly payments of \$699 with a payment escalation of 3% annually. The leased equipment is included in property and equipment on the statements of financial position.

Lease expense for the years ended March 31, 2022 and 2021 was \$7,853 and \$8,426, respectively.

Future minimum lease payments for the years ending March 31 are as follows:

2023	\$	8,430
2024		8,683
2025		8,943
2026		9,212
2027		7,867
Total minimum lease payments		43,135
Less: Amounts representing interest		(4,151)
Present value of future net minimum lease payments	\$	38,984

NOTE 13—COMMUNITY TRUST FUND

MOM also has a component fund at the Madison Community Foundation (Foundation) that was established in 2019. The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving.

Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the funds are not included in MOM's financial statements.

The amount available for annual distributions represents 5% of a rolling twelve-quarter average. All other interest and appreciation is added to the funds. Principal may not be drawn from the funds except with approval of the Foundation's board of governors. MOM received a distribution of \$1,316 and \$909 from the fund during the years ended March 31, 2022 and 2021, respectively. The fair value of the fund at March 31, 2022 and 2021 was \$42,622 and \$30,708, respectively.

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NOTE 14—LINE OF CREDIT

MOM had a \$250,000 line of credit that matured on January 14, 2021, which was unused at March 31, 2022 and 2021. It was renewed for a \$325,000 line that matures on February 23, 2023. Advances on the credit line are payable in a single payment plus accrued monthly interest. The credit line carries a variable interest rate based on prime which was 3.50% and 3.25% at March 31, 2022 and 2021, respectively. The line is secured by a general business security agreement.

NOTE 15—LIQUIDITY AND AVAILABILITY

The table below reflects MOM's financial assets as of the dates of the statements of financial position, reduced by amounts not available for general expenditures within one year of the statements of financial position dates because of contractual, board designations, or donor-imposed restrictions:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,002,038	\$ 1,600,899
Certificates of deposit	403,068	335,588
Unconditional promises to give	189,099	99,893
Accrued interest receivable	1,035	1,233
Other receivables	1,422	2,391
Other investments	1,322	1,322
Non-current promises to give	3,000	34,000
Beneficial interest in assets held by Madison Community Foundation	<u>57,919</u>	<u>56,035</u>
Financial assets, at year-end	\$ 2,658,903	\$ 2,131,361
Less those unavailable for general expenditures within one year, due to contractual, board designations, or donor-imposed restrictions:		
Board-designated capacity building	(750,000)	(521,000)
Board-designated capital reserve	(300,378)	(270,113)
Board-designated COVID relief	-	(210,000)
Board-designated operating reserve	(536,840)	(355,718)
Beneficial interest in assets held by Madison Community Foundation	(57,919)	(56,035)
Restricted by donor with purpose or period restrictions	<u>(266,335)</u>	<u>(154,917)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 747,431</u>	<u>\$ 563,578</u>

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NOTE 15—LIQUIDITY AND AVAILABILITY (continued)

MOM has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations that come due. Due to the timing of MOM's contributions, MOM holds liquid cash balances as working capital to fund its obligations during the year. The rest of MOM's liquid assets are to fund fluctuations in contributions, unforeseen events, future program needs, and planned and unexpected building maintenance and repairs.

The purpose of the board designated operating reserve fund is to help ensure the long-term financial stability of MOM and position it to respond to varying economic conditions and changes affecting MOM'S financial position and ability for MOM to carry out its mission. The target amount to be maintained in the operating reserve fund is equal to three months of the current operating cash expense budget. The purpose of the board designated capital reserve fund is to fund significant future anticipated capital projects (improvements and maintenance) for its property, building, vehicles, and equipment.

In fiscal year 2021, MOM created a board designated capacity building fund to finance impending new client programs that align with MOM's mission, allowing the organization time to create sustainable funding plans for these programs. The fund also supports organizational investment that allows for accelerated capacity building.

As more fully described in Note 14, MOM also has a line of credit in the amount of \$325,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 16—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, MOM received a \$106,900 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On November 4, 2020, the SBA preliminarily approved forgiveness of the loan plus accrued interest of \$107,489, at which time MOM reclassified the loan to a grant on the statement of activities. MOM must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review MOM's good-faith certification concerning the necessity of its loan request, whether MOM calculated the loan amount correctly, whether MOM used loan proceeds for allowable uses specified in the CARES Act, and whether MOM is entitled to loan forgiveness in the amount claimed on its application. If SBA determines, MOM was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.