

MADISON AREA CLT CORPORATION

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY SCHEDULES**

December 31, 2002 and 2001

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Madison Area CLT Corporation
Madison, Wisconsin

We have audited the accompanying statements of financial position of Madison Area CLT Corporation as of December 31, 2002 and 2001, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Madison Area CLT Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Area CLT Corporation as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented in the accompanying supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
March 14, 2003

MADISON AREA CLT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2002 and 2001

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash	\$ 91,533	\$ 113,123
Accounts receivable	89,689	5,887
Unconditional promises to give	-	25,657
Prepaid expenses	1,463	2,691
Total current assets	182,685	147,358
PROPERTY AND EQUIPMENT HELD FOR LEASING		
Land trust	556,450	556,450
Land and buildings	148,567	148,567
Property and equipment held for leasing	705,017	705,017
Less accumulated depreciation	29,096	26,312
Property and equipment held for leasing - net	675,921	678,705
OTHER ASSETS		
Property development in process	483,165	318,990
Notes receivable	51,455	55,457
Total assets	\$ 1,393,226	\$ 1,200,510
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 2,241	\$ 1,715
Short-term notes payable	-	155,835
Accounts payable and accrued expenses	19,123	10,452
Total current liabilities	21,364	168,002
LONG-TERM LIABILITIES		
Notes payable less current portion	119,183	121,606
Deferred loans	1,423,347	1,042,256
Total liabilities	1,563,894	1,331,864
NET ASSETS		
Unrestricted (deficit)	(180,668)	(156,354)
Temporarily restricted net assets	10,000	25,000
Total net assets (deficit)	(170,668)	(131,354)
Total liabilities and net assets	\$ 1,393,226	\$ 1,200,510

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2002 and 2001

	2002	2001
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Contributions	\$ 9,430	\$ 11,645
Member dues	1,045	540
Grant income	18,632	56,563
Rental income	50,589	41,233
Interest income	1,657	2,277
Developer's fees	-	19,414
Sales of property	61,360	307,929
Miscellaneous income	4,675	686
Total support and revenue	147,388	440,287
Net assets released from restrictions	15,000	10,000
Total support, revenue and reclassifications released from restrictions	162,388	450,287
EXPENSES		
Program services		
Property development	13,803	415,830
Property management	80,571	50,763
Total program services	94,374	466,593
Operations	92,328	14,687
Total expenses	186,702	481,280
Change in unrestricted net assets	(24,314)	(30,993)
TEMPORARILY RESTRICTED NET ASSETS		
Donations	-	25,000
Net assets released from restrictions	(15,000)	(10,000)
Change in temporarily restricted net assets	(15,000)	15,000
Change in net assets	(39,314)	(15,993)
Net assets (deficit) - beginning of year	(131,354)	(115,361)
Net assets (deficit) - end of year	\$ (170,668)	\$ (131,354)

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2002 and 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (39,314)	\$ (15,993)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,784	2,784
(Increase) decrease in assets		
Accounts receivable	(83,802)	(1,854)
Prepaid expenses	1,228	(2,691)
Unconditional promises to give	25,657	(25,657)
Property held for resale	-	93,250
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	8,671	(32,445)
Net cash provided by (used in) operating activities	(84,776)	17,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property development in progress	(225,535)	(318,680)
Proceeds from sale of property	61,360	-
Proceeds from notes receivable collected	4,002	-
Net cash provided by (used in) investing activities	(160,173)	(318,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	(157,732)	(171,685)
Proceeds from debt	381,091	521,594
Net cash provided by financing activities	223,359	349,909
Net change in cash	(21,590)	48,623
Cash - beginning of year	113,123	64,500
Cash - end of year	\$ 91,533	\$ 113,123
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 7,587	\$ 8,682

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

Madison Area CLT Corporation assists low and moderate income and disadvantaged people in Dane County, Wisconsin by providing affordable homeownership opportunities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Madison Area CLT Corporation and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, by the actions of Madison Area CLT Corporation. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statements of activities as net assets released. Temporarily restricted net assets consist of a donation for support of the Executive Director's salary.

Receivables

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

Notes receivable consists of non-interest bearing notes due from individuals as of December 31, 2002 and 2001. The loans are not payable until the individuals sell the land trust homes which they currently own or certain other contingencies. The notes are secured by the land trust homes occupied by the individuals. Since the payback date of the loans are not certain, the notes have not been discounted.

Property and Equipment Held for Leasing

Expenditures for land, buildings and equipment in excess of \$500 are recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful life for the buildings and building improvements is 40 years.

Certain funding sources that provided funds for the acquisition of equipment and building improvements may have a reversionary interest in these assets should the program be discontinued.

Income Taxes

The Corporation is a tax-exempt public charity under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal and state income or franchise taxes.

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are 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.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 –SHORT-TERM NOTES PAYABLE

Short-term notes payable at December 31, 2001 consisted of one non-interest bearing interim note of \$155,835 secured by property and payable in a lump sum upon the sale of property. This note was refinanced with a Community Development Block Grant deferred loan in 2002. There were no short-term notes payable at December 31, 2002.

NOTE 3 – LINE OF CREDIT

Madison Area CLT Corporation entered into two letter of credit agreements in 2002. There were no outstanding balances on these letters of credit at December 31, 2002. One letter of credit for \$6,000 expires March 18, 2003. The second letter of credit for \$101,000 expires February 9, 2004.

NOTE 4 – NOTES PAYABLE

Notes payable at December 31, 2002 and 2001 consist of the following:

	2002	2001
6% mortgage payable \$391 monthly, including interest, maturing July 2004. Secured by real estate.	\$ 60,873	\$ 61,880
7.45% mortgage payable, \$438 monthly, including interest, maturing November 2029. Secured by real estate.	60,551	61,441
Notes payable	121,424	123,321
Less current portion of notes payable	2,241	1,715
Notes payable less current portion	\$ 119,183	\$ 121,606

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 4 – NOTES PAYABLE (continued)

Certain notes payable contain covenants, some of which require Madison Area CLT Corporation to comply with certain restrictions as set forth in the note agreements.

Future principal payments due are as follows:

2003	\$ 2,241
2004	60,666
2005	1,110
2006	1,177
2007	1,248
Future	<u>54,982</u>
Total	<u>\$ 121,424</u>

NOTE 5 – DEFERRED LOANS

Madison Area CLT Corporation has received \$381,091 and \$271,982 from the City of Madison Community Development Block Grant program as deferred loans for 2002 and 2001. These loans are payable upon sale or change of use of the particular property where the loan proceeds were used. Upon sale or change of use of a property, the note amount due will be a percentage of the fair market value of the property, as outlined in each note agreement. Each note is secured by real estate in the City of Madison.

At December 31, 2002 and 2001, these deferred loans had the following balances:

	<u>2002</u>	<u>2001</u>
Beld Street	\$ 14,763	\$ 14,763
Sequoia Trail	24,333	24,333
Buckeye Road	15,520	15,520
Anniversary Court	476,076	476,076
Baldwin Street	39,424	39,424
Troy Court	359,551	134,295
817 Troy Drive	35,000	35,000
825 Troy Drive	35,000	35,000
833 Troy Drive	35,000	35,000
Emerald Street	35,000	35,000
Lake Point	35,000	35,000
Troy Gardens - Conservancy	162,845	162,845
Troy Gardens - Land	<u>155,835</u>	<u>-</u>
Deferred loans	<u>\$ 1,423,347</u>	<u>\$ 1,042,256</u>

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2002 and 2001

NOTE 6 – DESCRIPTION OF LEASING ARRANGEMENTS

Madison Area CLT Corporation leases residential housing and land to various individuals to further its mission of providing low cost housing. The leases are made for varying periods. The ground leases include use restrictions. Due to the uncertainty of future rental collections, no amounts are disclosed for future rental income.

Madison Area CLT Corporation leases space for its administrative office on a month-to-month basis. Rent expense for 2002 and 2001 was \$4,896 and \$3,243.

NOTE 8 – CONCENTRATIONS

Madison Area CLT Corporation receives a substantial amount of support from the City of Madison Community Development Block Grant Office and other agencies. If there were a significant reduction in the level of this support, it would have a significant effect on the Corporation's programs and activities.

NOTE 7 – FUNCTIONAL EXPENSES

Functional expenses for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Program services	\$ 94,374	\$ 466,593
Management and general	90,815	13,864
Fundraising	<u>1,513</u>	<u>823</u>
Total	<u>\$ 186,702</u>	<u>\$ 481,280</u>

MADISON AREA CLT CORPORATION
SCHEDULE OF ESTIMATED CURRENT VALUES - UNAUDITED
December 31, 2002

PROPERTY AND EQUIPMENT

Land trust	\$ 943,832
Land and buildings	<u>279,500</u>
Property and equipment	<u>\$ 1,223,332</u>

BASIS OF PRESENTATION

This information is presented on an estimated current value basis and does not present financial position and results of operations in accordance with U.S. generally accepted accounting principles. Information prepared on an estimated current value basis is characterized by greater subjectivity and imprecision than conventional historical cost information. In addition, the supplemental current-value schedule does not purport to present the net realizable, liquidation, or market value of the Corporation as a whole. Furthermore, amounts ultimately realized by the Corporation from the disposal of properties may vary significantly from the current values presented.

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
Year ended December 31, 2002

	Property Development	Property Management	Operations	Total
SUPPORT AND REVENUE				
Contributions	\$ -	\$ -	\$ 9,430	\$ 9,430
Member dues	-	-	1,045	1,045
Grant income	10,950	-	7,682	18,632
Rental income	-	50,589	-	50,589
Interest income	-	-	1,657	1,657
Sales of property	-	61,360	-	61,360
Miscellaneous income	965	(530)	4,240	4,675
Total support and revenue	11,915	111,419	24,054	147,388
EXPENSES				
Personnel	-	-	64,711	64,711
Accounting	-	-	8,125	8,125
Consulting	22,218	-	770	22,988
Cost of property sold	88	16,992	(537)	16,543
Depreciation	-	-	2,784	2,784
Interest	-	7,545	42	7,587
Marketing	200	1,154	-	1,354
Miscellaneous	-	-	2,135	2,135
Office	380	(778)	11,355	10,957
Construction costs	154,873	(1,599)	2,052	155,326
Property operation	146	6,155	-	6,301
Taxes and insurance	-	3,640	3,341	6,981
Repurchases of land trust	-	45,085	-	45,085
Capitalized expenses	(164,175)	-	-	(164,175)
Total expenses	13,730	78,194	94,778	186,702
Excess revenue (expenses)	\$ (1,815)	\$ 33,225	\$ (70,724)	\$ (39,314)