

MADISON AREA CLT CORPORATION

FINANCIAL STATEMENTS

December 31, 2005 and 2004

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5



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, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wegner LLP

Wegner LLP
April 25, 2006



MADISON AREA CLT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 191,653	\$ 170,531
Accounts receivable	632,965	718,552
Prepaid expenses	1,915	2,036
Total current assets	826,533	891,119
PROPERTY HELD FOR LEASING		
Land trust	680,939	512,124
Land and buildings	-	148,567
Property held for leasing	680,939	660,691
Less accumulated depreciation	-	34,666
Property held for leasing - net	680,939	626,025
OTHER ASSETS		
Property development in process	951,867	996,773
Notes receivable	74,151	61,356
Total assets	\$ 2,533,490	\$ 2,575,273
LIABILITIES AND DEFICIT NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ -	\$ 2,637
Short-term notes payable	396,181	396,181
Accounts payable and accrued expenses	38,589	12,825
Total current liabilities	434,770	411,643
LONG-TERM LIABILITIES		
Notes payable less current portion	-	114,991
Deferred loans	2,215,397	2,215,397
Total liabilities	2,650,167	2,742,031
DEFICIT NET ASSETS		
Unrestricted	(179,569)	(229,650)
Temporarily restricted net assets	62,892	62,892
Total deficit net assets	(116,677)	(166,758)
Total liabilities and deficit net assets	\$ 2,533,490	\$ 2,575,273

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2005 and 2004

	2005	2004
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 102	\$ 100
Member dues	125	2,249
Grant income	26,827	70,852
Rental income	32,493	44,998
Interest income	1,327	527
Developer's fees	72,287	-
Sales of properties	1,199,266	336,680
Special events	-	19,833
Miscellaneous income	2,664	1,349
Total support and revenue	1,335,091	476,588
EXPENSES		
Personnel	104,576	58,337
Accounting	10,500	12,105
Cost of properties sold	1,092,112	404,063
Depreciation	696	2,785
Interest	4,671	6,589
Marketing	1,033	197
Miscellaneous	22,563	3,107
Office	18,304	11,815
Property operation	18,383	1,176
Taxes and insurance	12,132	11,071
Fundraising events	40	15,873
Construction costs	29,584	251,695
Capitalized expenses	(29,584)	(251,695)
Total expenses	1,285,010	527,118
Change in unrestricted net assets	50,081	(50,530)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	62,892
Change in net assets	50,081	12,362
Deficit net assets - beginning of year	(166,758)	(179,120)
Deficit net assets - end of year	\$ (116,677)	\$ (166,758)

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,081	\$ 12,362
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	696	2,785
Gain on sale of properties	(202,815)	-
(Increase) decrease in assets		
Accounts receivable	85,587	(133,478)
Prepaid expenses	121	(303)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	25,764	819
Net cash provided by (used in) operating activities	<u>(40,566)</u>	<u>(117,815)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	1,199,266	336,680
Proceeds from notes receivable	(12,795)	-
Purchase of property development in process	<u>(1,007,155)</u>	<u>(472,519)</u>
Net cash provided by (used in) investing activities	179,316	(135,839)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable and deferred loans	(117,628)	(2,070)
Proceeds from notes payable and deferred loans	<u>-</u>	<u>370,706</u>
Net cash provided by (used in) financing activities	<u>(117,628)</u>	<u>368,636</u>
Net change in cash	21,122	114,982
Cash - beginning of year	<u>170,531</u>	<u>55,549</u>
Cash - end of year	<u>\$ 191,653</u>	<u>\$ 170,531</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 4,671	\$ 6,589

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

Madison Area CLT Corporation (MACLT) 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 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 MACLT and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that may or will be met, by the actions of MACLT. 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 from restrictions. Temporarily restricted net assets consist of a contribution for providing down payment assistance to home buyers.

Receivables

Management considers all 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. The loans are not payable until the individuals sell the land trust homes that 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

Purchases of property and equipment in excess of \$2,500 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 those assets should the program be discontinued.

Income Taxes

MACLT 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, 2005 and 2004

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 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, 2005 and 2004 consisted of the following:

	2005	2004
0% CDBG note secured by properties and payable upon sale of the last of these properties.	\$ 196,181	\$ 196,181
4.75% Dane Fund note secured by properties and due ratably on the sale of each property.	200,000	200,000
Short-term notes payable	\$ 396,181	\$ 396,181

NOTE 3 – NOTES PAYABLE

Notes payable at December 31, 2005 and 2004 consist of the following:

	2005	2004
4.759% mortgage payable, with monthly payment of \$339, including interest, paid off in 2005. Secured by real estate.	\$ -	\$ 59,330
5.875% mortgage payable, with monthly payment of \$376, including interest, paid off in 2005. Secured by real estate.	-	58,298
Notes payable	-	117,628
Less current portion of notes payable	-	2,637
Notes payable less current portion	\$ -	\$ 114,991

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 4 – DEFERRED LOANS

MACLT has received deferred loans from the City of Madison Community Development Block Grant program. 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.

Deferred loans at December 31, 2005 and 2004 had the following balances:

	2005	2004
Troy Gardens Housing Land	\$ 748,350	\$ 748,350
5 Camino del Sol	51,682	51,682
6 Camino del Sol	51,682	51,682
9 Camino del Sol	51,682	51,682
10 Camino del Sol	51,682	51,682
13 Camino del Sol	51,682	51,682
14 Camino del Sol	51,682	51,682
18 Camino del Sol	51,682	51,682
22 Camino del Sol	51,682	51,682
26 Camino del Sol	51,682	51,682
803 Troy Drive	51,682	51,682
805 Troy Drive	51,682	51,682
Anniversary Court	476,076	476,076
Troy Gardens - Conservancy	153,430	153,430
Baldwin Street	39,424	39,424
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
Sequoia Trail	24,332	24,332
Buckeye Road	15,520	15,520
Beld Street	14,763	14,763
	<u>\$ 2,215,397</u>	<u>\$ 2,215,397</u>
Deferred loans	<u>\$ 2,215,397</u>	<u>\$ 2,215,397</u>

NOTE 5 – ECONOMIC DEPENDENCY

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

NOTE 6 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject MACLT to credit risk consists of cash deposits in excess of insured limits. Cash deposits in excess of the FDIC insured limit were \$96,371 and \$68,799 at December 31, 2005 and 2004.

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 7 – DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leased residential housing and land to various individuals to further its mission of providing low cost housing. The residential houses and land were sold in 2005. Total rent income from residential housing and land and ground leases were \$32,493 and \$44,998 in 2005 and 2004.

MACLT leases space for its administrative office on a three-year lease ending in June 2008 that requires monthly payments of \$1,700. MACLT also leases a copier on a five-year lease ending in July 2010 that requires monthly payments of \$548 per month. Rent expense for 2005 and 2004 was \$9,334 and \$6,579. Future minimum lease payments are \$27,223, \$22,951, \$12,343, \$1,315, and \$767 for 2006, 2007, 2008, 2009, and 2010.

MACLT started subleasing a portion of its office space to the President of the Board of Directors on a monthly lease that requires monthly payments of \$850. Sublease income was \$850 in 2005.

NOTE 8 – FUNCTIONAL EXPENSES

Functional expenses for 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Program services	\$ 1,224,874	\$ 489,018
Management and general	57,638	20,824
Fundraising	<u>2,498</u>	<u>17,276</u>
Total expenses	<u>\$ 1,285,010</u>	<u>\$ 527,118</u>