

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**

December 31, 2007 and 2006

## CONTENTS

Independent Auditor's Report.....	1
Consolidated Statements of Financial Position.....	2
Consolidated Statements of Activities.....	3
Consolidated Statements of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5
Schedule of Expenditures of Federal Awards.....	9
Schedule of CDBG Office Funds Expended by Program.....	10
Schedule of Revenue and Expenses by Program and by Funding Source.....	11
Schedule of Real Property and Related Debt.....	13
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	14
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	16
Schedule of Findings and Questioned Costs.....	18
Schedule of CDBG Office Findings and Questioned Costs.....	19
Schedule of Current and Prior Year Findings and Responses.....	20



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of Madison Area CLT Corporation as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of Madison Area CLT Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly in all material respects, the financial position of Madison Area CLT Corporation as of December 31, 2007 and 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008 on our consideration of Madison Area CLT Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part the consolidated financial statements. The additional information on pages 10-13 is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Wegner LLP  
September 25, 2008



**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash	\$ 115,847	\$ 1,568,071
Accounts receivable	3,684	39,740
Prepaid expenses	1,278	1,208
Notes receivable	73,501	88,501
Land trust	1,800,408	952,325
Land and buildings	37,617	37,617
Property development in process	-	1,051,176
<b>Total assets</b>	<u>\$ 2,032,335</u>	<u>\$ 3,738,638</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 14,947	\$ 766,697
Short-term notes payable	-	996,722
Deferred loans	2,215,397	2,215,397
<b>Total liabilities</b>	2,230,344	3,978,816
<b>NET DEFICIT</b>		
Unrestricted net deficit	(232,268)	(299,678)
Temporarily restricted net assets	34,259	59,500
<b>Total net deficit</b>	<u>(198,009)</u>	<u>(240,178)</u>
<b>Total liabilities and net deficit</b>	<u>\$ 2,032,335</u>	<u>\$ 3,738,638</u>

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET DEFICIT</b>		
<b>SUPPORT AND OTHER REVENUE</b>		
Sales of properties	\$ 1,565,192	\$ 3,945,580
Grant income	58,388	65,097
Rental income	52,045	36,959
Contributions	25,995	6,328
Fee for service	17,458	-
Interest income	3,673	965
Miscellaneous income	5,899	1,986
Net assets released from restrictions	25,241	-
	<u>1,753,891</u>	<u>4,056,915</u>
<b>EXPENSES</b>		
Cost of properties sold	1,471,225	3,973,396
Personnel	123,885	159,534
Interest	11,867	13,577
Professional fees	27,317	5,150
Office	29,815	28,193
Meetings and events	1,970	380
Taxes and insurance	3,232	4,346
Predevelopment expenses	6,083	-
Miscellaneous expense	11,087	11,081
Bad debt expense	-	7,259
	<u>1,686,481</u>	<u>4,202,916</u>
<b>Change in unrestricted net deficit</b>	67,410	(146,001)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	-	22,500
Net assets released from restrictions	(25,241)	-
	<u>(25,241)</u>	<u>22,500</u>
<b>Change in temporarily restricted net assets</b>		
Change in net deficit	42,169	(123,501)
Net deficit - beginning of year	(240,178)	(116,677)
<b>Net deficit - end of year</b>	<u>\$ (198,009)</u>	<u>\$ (240,178)</u>

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net deficit	\$ 42,169	\$ (123,501)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities		
Depreciation	-	7,259
(Increase) decrease in assets		
Accounts receivable	36,056	593,225
Prepaid expenses	(70)	707
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	<u>(751,750)</u>	<u>728,108</u>
<b>Net cash provided by (used in) operating activities</b>	<b>(673,595)</b>	<b>1,205,798</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of property	1,565,192	3,945,580
Proceeds from notes receivable	15,000	-
Issuance of notes receivable	-	(21,609)
Purchases of property development in process	<u>(1,362,099)</u>	<u>(4,353,892)</u>
<b>Net cash provided by (used in) investing activities</b>	<b>218,093</b>	<b>(429,921)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of notes payable and deferred loans	(1,093,972)	(20,001)
Proceeds from notes payable and deferred loans	<u>97,250</u>	<u>620,542</u>
<b>Net cash provided by (used in) financing activities</b>	<b>(996,722)</b>	<b>600,541</b>
Net change in cash	(1,452,224)	1,376,418
Cash - beginning of year	<u>1,568,071</u>	<u>191,653</u>
<b>Cash - end of year</b>	<b><u>\$ 115,847</u></b>	<b><u>\$ 1,568,071</u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 23,856	\$ 1,588

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

---

---

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 consolidated financial statements to the reader.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of MACLT, Troy Gardens Residential Parcel, LLC, and Troy Gardens Conservancy Parcel, LLC. Troy Gardens Residential Parcel, LLC operates the Troy Gardens development project. Troy Gardens Conservancy Parcel, LLC holds 26 acres of land that is leased to Community Groundworks, Inc. These two entities are consolidated with MACLT because they are wholly owned subsidiaries. MACLT has both an economic interest in Troy Gardens and the ability to control its activities through appointment of its board of directors. All significant inter-organization transactions have been eliminated.

**Basis of Presentation**

The accompanying consolidated 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. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. At December 31, 2006, the board had designated \$36,242 for providing down payment assistance to home buyers. There were no board designated net assets at December 31, 2007.

**Temporarily Restricted Net Assets** – Net assets subject to donor-imposed restrictions that may or will be met, by the actions of MACLT. Temporarily restricted net assets at December 31, 2007 and 2006 are available for the Nature Education Center at Troy Gardens.

**Accounts and Notes Receivable**

Management considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are 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.

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

---

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 taxes.

**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 consolidated 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 – ECONOMIC DEPENDENCY**

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

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

MACLT maintains cash balances at one financial institution. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$100,000. MACLT had uninsured cash balances of \$16,166 at December 31, 2007.

**NOTE 4 – STANDBY LETTER OF CREDIT**

MACLT has a \$13,000 standby letter of credit in connection with a development project. The City of Madison may draw on this letter of credit in certain circumstances. Draws must be initiated by the expiration date of December 15, 2008. There were no outstanding draws at December 31, 2007.



**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

---

**NOTE 5 – SHORT-TERM NOTES PAYABLE**

Short-term notes payable at December 31, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
0% CDBG note secured by properties and payable upon sale of the last of these properties.	\$ -	\$ 380,000
5.5% Forward Community Investments note secured by property due in one payment on August 3, 2007.	-	100,000
6% Forward Community Investments note secured by properties and due ratably on the sale of each property.	-	<u>516,722</u>
Short-term notes payable	<u>\$ -</u>	<u>\$ 996,722</u>

**NOTE 6 – DESCRIPTION OF LEASING ARRANGEMENTS**

MACLT leases land to various individuals to further its mission of providing low cost housing. Ground lease income was \$41,625 and \$23,876 in 2007 and 2006.

MACLT leases space for its administrative office on a three-year lease ending in June 2011 that requires monthly payments of \$1,838. MACLT also leases a copier on a five-year lease ending in July 2010 that requires monthly payments of \$110 per month. Rent expense for 2007 and 2006 was \$22,963 and \$22,123. Future minimum lease payments are \$23,562, \$24,203, \$24,571, and \$12,135 for 2008, 2009, 2010, and 2011.

MACLT subleases a portion of its office space to a board member on a monthly lease that requires payments of \$919. Sublease income was \$10,420 and \$10,498 in 2007 and 2006.

**NOTE 7 – FUNCTIONAL EXPENSES**

Expenses by function for 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Program services	\$ 1,576,185	\$ 4,128,464
Management and general	73,224	66,456
Fundraising	<u>37,072</u>	<u>7,996</u>
Total expenses	<u>\$ 1,686,481</u>	<u>\$ 4,202,916</u>

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

---

**NOTE 7 – 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, 2007 and 2006 had the following balances:

	<u>2007</u>	<u>2006</u>
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>                    </u>	<u>                    </u>
Deferred loans	<u>\$ 2,215,397</u>	<u>\$ 2,215,397</u>

**NOTE 8 – CONDITIONAL PROMISE TO GIVE**

MACLT has a \$38,000 conditional promise to give from a foundation. The condition will be met upon MACLT securing of all funds for the Nature Education Center at Troy Gardens.

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended December 31, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Loans Outstanding
<b>U.S. Department of Housing and Urban Development</b>			
Pass through programs from City of Madison Community Block Grant Office			
Community Development Block Grants/ Entitlement Grants	14.218	\$ -	\$ 256,927
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	37,418	710,932
HOME Investment Partnerships Program	14.239	-	1,210,120
<b>Total expenditures of federal awards</b>		<u>\$ 37,418</u>	<u>\$ 2,177,979</u>

**BASIS OF PRESENTATION**

The schedule of expenditures of federal awards includes the federal grant activity of MACLT and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF CDBG OFFICE FUNDS EXPENDED BY PROGRAM**  
Year ended December 31, 2007

---

---

	<u>Troy Gardens</u>
CDBG OFFICE FUNDS	
HUD/EDI - deferred loan	\$ 37,418
FUNDS EXPENDED	
Construction costs	<u>37,418</u>
Excess (deficit)	<u>\$ -</u>

---



---

<u>Operations</u>	
<u>Other</u>	<u>Total</u>
\$ -	\$ 1,565,192
5,900	58,388
10,420	52,045
9,360	25,995
17,458	17,458
171	3,673
161	5,899
<u>43,470</u>	<u>1,728,650</u>
-	1,471,225
43,360	123,885
-	11,867
26,679	27,317
29,359	29,815
1,970	1,970
876	3,232
-	6,083
<u>8,052</u>	<u>11,087</u>
<u>110,296</u>	<u>1,686,481</u>
<u>\$ (66,826)</u>	<u>\$ 42,169</u>

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF REAL PROPERTY AND RELATED DEBT**  
December 31, 2007

	<u>CDBG Deferred Mortgages</u>	<u>Other Notes</u>	<u>Interest Rate/ Maturity Date</u>	<u>Payments</u>
<b>Madison, Wisconsin</b>				
Troy Gardens Housing Land	\$ 748,350	\$ -	N/A	N/A
5 Camino del Sol	51,682	-	N/A	N/A
6 Camino del Sol	51,682	-	N/A	N/A
9 Camino del Sol	51,682	-	N/A	N/A
10 Camino del Sol	51,682	-	N/A	N/A
13 Camino del Sol	51,682	-	N/A	N/A
14 Camino del Sol	51,682	-	N/A	N/A
18 Camino del Sol	51,682	-	N/A	N/A
22 Camino del Sol	51,682	-	N/A	N/A
26 Camino del Sol	51,682	-	N/A	N/A
803 Troy Drive	51,682	-	N/A	N/A
805 Troy Drive	51,682	-	N/A	N/A
Anniversary Court	476,076	-	N/A	N/A
Troy Gardens - Conservancy	153,430	-	N/A	N/A
Baldwin Street	39,424	-	N/A	N/A
817 Troy Drive	35,000	-	N/A	N/A
825 Troy Drive	35,000	-	N/A	N/A
833 Troy Drive	35,000	-	N/A	N/A
Emerald Street	35,000	-	N/A	N/A
Lake Point	35,000	-	N/A	N/A
Sequoia Trail	24,332	-	N/A	N/A
Buckeye Road	15,520	-	N/A	N/A
Beld Street	14,763	-	N/A	N/A
	<u>\$ 2,215,397</u>	<u>\$ -</u>		



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

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

We have audited the consolidated financial statements of Madison Area CLT Corporation as of and for the year ended December 31, 2007, and have issued our report thereon dated September 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Madison Area CLT Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison Area CLT Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Madison Area CLT Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2007-1 to be a material weakness.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Area CLT Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Madison Area CLT Corporation's response to the finding identified in our audit is described in the accompanying schedule of current and prior year findings and responses. We did not audit Madison Area CLT Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wegner LLP*

Wegner LLP  
September 25, 2008





REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of Madison Area CLT Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Madison Area CLT Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Madison Area CLT Corporation's management. Our responsibility is to express an opinion on Madison Area CLT Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison Area CLT Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Madison Area CLT Corporation's compliance with those requirements.

In our opinion, Madison Area CLT Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

**Internal Control Over Compliance**

The management of Madison Area CLT Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Madison Area CLT Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison Area CLT Corporation's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned



functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wegner LLP*

Wegner LLP  
September 25, 2008

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2007

---

**Section I - Summary of Auditor's Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unqualified
Internal control over financial reporting -	
Material weakness identified?	Yes
Significant deficiencies identified and not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs -	
Material weakness identified?	No
Significant deficiencies identified and not considered a material weakness?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs -

<u>Federal Program Name</u>	<u>CFDA Number</u>
HOME Investment Partnerships Program	14.239
Community Development Block Grants/Entitlement Grants	14.218
Community Development Block Grants/Brownfields Economic Development Initiative	14.246
Dollar threshold used to distinguish between type A and type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	No

**Section II - Financial Statement Findings**

See Schedule of Current and Prior Findings and Responses

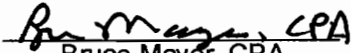
**Section III - Federal Award Findings and Questioned Costs**

No matters were reported

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF CDBG OFFICE FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2007

- |   |             |
|---|-------------|
| 1. Single Audit required?   | Yes         |
| Dollar threshold used to distinguish between type A and type B programs   | \$ 300,000  |
| 2. Type of auditor's report issued.   | Unqualified |
| 3. Internal control over financial reporting -  |             |
| Material weakness identified?   | Yes         |
| Significant deficiencies identified and not considered a material weakness?   | No          |
| Noncompliance material to financial statements noted?   | No          |
| 4. Internal control over major programs -   |             |
| Material weakness identified?   | No          |
| Significant deficiency identified not considered to be a material weakness?   | No          |
| 5. Indirect cost allocation plan reasonable and acceptable per OMB A-122?   | Yes         |
| 6. Actual costs reasonable and allocated appropriately per OMB A-122?   | Yes         |
| 7. Costs allocated to the CDBG Office contracts based on costs incurred and are supported by records and documents?               | Yes         |
| 8. Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?               | No          |
| 9. Identification of all Federal revenue sources and dollar amounts by program.<br>See Schedule of Expenditures of Federal Awards |             |
| 10. Financial statement findings.<br>See Schedule of Current and Prior Year Findings and Responses                                |             |
| 11. Federal award findings and questioned costs.<br>No matters were reported  |             |
| 12. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?                           | No          |
| 13. Does the audit report identify any additional audit issues related to the Agency's CDBG Office grants/contracts?              | No          |
| <b>Does the audit include the -</b>   |             |
| 14. Schedule of revenue and expenses by program and funding source?   | Yes         |
| 15. Schedule of CDBG Office funds expended by program?  | Yes         |
| 16. Schedule of real property assets and the debt recorded against each property?   | Yes         |
| 17. Was a management letter or other document conveying audit comments issued as a result of this audit?                          | Yes         |

Signature of Partner in Charge  
Name of Partner in Charge  
Date of report

  
Bruce Mayer, CPA  
September 25, 2008

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS AND RESPONSES**  
Year ended December 31, 2007

---

---

**2007-1 Material Weakness (also reported as a material weakness for the year ended December 31, 2006)**

**Condition** – The Organization does not have management personnel with the necessary expertise to prepare the year-end financial statements and related notes in accordance with generally accepted accounting principles. Due to limited resources, management has decided to accept certain risks relevant to financial reporting and relies on the auditor to assist with the preparation of the Organization's year-end audited financial statements.

**Criteria** – Internal controls over preparation of the financial statements, including footnote disclosures, should be in place to provide reasonable assurance that a misstatement in the financial statements would be prevented or detected.

**Effect** – Because management relies on the auditor to assist with the preparation of the year-end financial statements, the Organization's system of internal control may not prevent, detect, or correct misstatements in the financial statements.

**Auditor's Recommendation** – The auditor will continue to work with the Organization, providing information and training where needed, to make the Organization's personnel more knowledgeable about its responsibility for the financial statements.

**Grantee Response** – The control deficiency has been discussed with us and we acknowledge our responsibility for the financial statements. We also acknowledge that despite the fact that the auditor's assistance with the preparation of the year-end financial statements may give users more confidence that they are correct, it does not eliminate the control deficiency.