

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

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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, 2011 and 2010, 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. 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 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, 2011 and 2010, 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.

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MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 28,799	\$ 67,029
Unconditional promises to give	43,200	86,400
Accounts receivable	2,517	-
Prepaid expenses	2,020	912
Property held for resale	497,197	325,872
Notes receivable	48,221	53,721
Land trust	1,845,408	1,800,408
Land	<u>105,080</u>	<u>61,280</u>
Total assets	<u>\$ 2,572,442</u>	<u>\$ 2,395,622</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 69,262	\$ 70,844
Notes payable	370,058	165,267
Refundable advance	-	13,500
Deferred loans	<u>2,284,247</u>	<u>2,215,397</u>
Total liabilities	2,723,567	2,465,008
NET DEFICIT		
Unrestricted net deficit	(195,553)	(158,186)
Temporarily restricted net assets	<u>44,428</u>	<u>88,800</u>
Total net deficit	<u>(151,125)</u>	<u>(69,386)</u>
Total liabilities and net deficit	<u>\$ 2,572,442</u>	<u>\$ 2,395,622</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011	2010
UNRESTRICTED NET DEFICIT		
REVENUE AND OTHER SUPPORT		
Sales of property	\$ 110,000	\$ 64,000
Contributions	24,234	23,332
Grants	18,471	94,544
Rental income	51,359	42,940
Fee for service	-	339
Interest income	79	40
Miscellaneous income	-	35
	204,143	225,230
EXPENSES AND LOSSES		
Professional fees	39,347	25,938
Cost of properties sold	158,791	73,032
Interest	6,483	2,257
Marketing	2,346	88
Miscellaneous expense	3,025	3,046
Office	5,878	3,857
Occupancy	1,600	5,085
Travel, meetings and events	3,073	1,660
Property holding and maintenance	1,399	4,885
Taxes and insurance	3,867	15,351
Personnel	58,808	58,426
	284,617	193,625
Loss on uncollectible receivables	1,265	22,602
	285,882	216,227
NET ASSETS RELEASED FROM RESTRICTIONS	44,372	43,200
Change in unrestricted net deficit	(37,367)	52,203
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	2,400
Net assets released from restrictions	(44,372)	(43,200)
	(44,372)	(40,800)
Change in net deficit	(81,739)	11,403
Net deficit - beginning of year	(69,386)	(80,789)
Net deficit - end of year	\$ (151,125)	\$ (69,386)

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (81,739)	\$ 11,403
Adjustments to reconcile change in net deficit to net cash flows from operating activities		
Donated land	(43,800)	(43,200)
Loss on uncollectible receivables	1,265	22,602
(Increase) decrease in assets		
Unconditional promises to give	43,200	43,200
Accounts receivable	(3,782)	9,608
Prepaid expenses	(1,108)	1,236
Property held for resale	(216,325)	(180,121)
Increase (decrease) in liabilities		
Refundable advance	(13,500)	13,500
Accounts payable and accrued expenses	(1,582)	61,638
Net cash flows from operating activities	(317,371)	(60,134)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from payments on notes receivable	5,500	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deferred loans	68,850	-
Repayment of notes payable	(58,821)	-
Proceeds from notes payable	263,612	90,547
Net cash flows from financing activities	273,641	90,547
Change in cash	(38,230)	30,413
Cash - beginning of year	67,029	36,616
Cash - end of year	<u>\$ 28,799</u>	<u>\$ 67,029</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 12,353	\$ 5,657
Noncash investing activities		
Donated land	43,800	43,200

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

Madison Area CLT Corporation (MACLT) provides affordable homeownership opportunities to low- and moderate-income and disadvantaged people in Dane County, Wisconsin. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of MACLT and its wholly owned subsidiaries, Troy Gardens Residential Parcel, LLC and Troy Gardens Conservancy Parcel, LLC. All material intra-entity transactions have been eliminated.

Basis of Presentation

MACLT is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by MACLT in perpetuity.

Income Tax Status

MACLT is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. MACLT's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, MACLT is no longer subject to such examinations for tax years before 2008.

Date of Management's Review

Management has evaluated subsequent events through June 15, 2012, the date which the financial statements were available to be issued.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure or contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Management considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they are charged to operations when that determination is made.

Notes Receivable

Notes receivable consist of non-interest bearing notes due from individuals. The notes are not payable until the individuals sell the land trust homes that they currently own or certain other contingencies occur. The notes are secured by the land trust homes occupied by the individuals. Since repayment of the notes is not certain, the notes have not been discounted.

Equipment

MACLT capitalizes all acquisitions of equipment in excess of \$2,500. Equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management makes reasonable collection efforts and determines the promises will not be collected.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

At December 31, 2011, unconditional promises to give totaling \$43,200 are receivable in less than one year.

NOTE 3 – NOTES PAYABLE

Notes payable consisted of the following at December 31:

	<u>2011</u>	<u>2010</u>
6% interest only mortgage payable secured by real estate that matures in February 2013.	\$ 86,734	\$ 88,003
4% interest only mortgage payable secured by real estate that matures on December 1, 2012.	83,100	-
6% interest only \$75,000 construction line of credit secured by real estate. The balance was paid off in 2011.	-	57,552
6% interest only \$219,700 construction line of credit secured by real estate that matures in December 2012.	<u>200,224</u>	<u>19,712</u>
Notes payable	<u>\$ 370,058</u>	<u>\$ 165,267</u>

Future principal payments on notes payable are as follows for the year ending December 31:

2012	\$ 283,324
2013	<u>86,734</u>
Total	<u>\$ 370,058</u>

NOTE 4 – DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leases land held in land trust as reported on statements of financial position to various individuals to further its mission of providing low cost housing. Ground lease income was \$43,235 and \$42,940 in 2011 and 2010. Future minimum rentals are \$43,235 per year indefinitely.

MACLT also leases a house with a cost of \$97,662 in a lease to purchase agreement that will expire when permanent financing is secured by the tenant. The lease requires monthly payments of \$677. Rental income on this property was \$8,124 for 2011.

NOTE 5 – DONATED SERVICES

MACLT received donated legal services with an estimated fair value of \$12,000 and \$6,300 in 2011 and 2010. Management estimates that in each year 50% of these services were for management and general purposes and 50% were for fundraising purposes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 6 – DEFERRED LOANS

MACLT received deferred loans from the City of Madison's Community Development Block Grant program. These loans are payable upon the sale or change of use of the respective property purchased with the loan proceeds. Upon the 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, 2011 and 2010 had the following balances:

	<u>2011</u>	<u>2010</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
Gannon Avenue	22,950	-
E. Dayton	45,900	-
	<u> </u>	<u> </u>
Deferred loans	<u>\$ 2,284,247</u>	<u>\$ 2,215,397</u>

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
Forest demonstration project	\$ 1,228	\$ 2,400
Promises to give with payments due in future periods	<u>43,200</u>	<u>86,400</u>
Temporarily restricted net assets	<u>\$ 44,428</u>	<u>\$ 88,800</u>

NOTE 8 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Program services		
Property management	\$ 27,024	\$ 42,809
Project development	208,928	108,801
Management and general	35,252	35,193
Fundraising	<u>13,413</u>	<u>6,822</u>
Total expenses	<u>\$ 284,617</u>	<u>\$ 193,625</u>

NOTE 9 – RELATED PARTIES

MACLT has an affiliation agreement with Commonwealth Development, Inc. (CWD) to provide MACLT with management and staffing services. These organizations also have common board members. During 2011, the total value of services received from CWD totaled \$33,862. MACLT had a payable of \$6,951 to CWD at December 31, 2011.

MADISON AREA CLT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development Pass-Through Programs from City of Madison Community Development Division Community Development Block Grants/ Entitlement Grants	14.218	26bh006	\$ 256,927
Community Development Block Grants/ Entitlement Grants	14.218	NSP 09.15	22,950
Community Development Block Grants/ Entitlement Grants	14.218	B-2009-MC-55-0005	<u>54,000</u>
Total 14.218			333,877
Home Investment Partnerships Program Community Development Block Grants/ Brownfields Economic Development Initiative	14.239	CDBG-91-01	1,210,120
	14.246	b01-sp-wi-0771	<u>748,350</u>
Total expenditures of federal awards			<u><u>\$ 2,292,347</u></u>

See accompanying notes to schedule of expenditures of federal awards.

MADISON AREA CLT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Madison Area CLT Corporation under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of Madison Area CLT Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Madison Area CLT Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – LOANS OUTSTANDING

The federal expenditures reported on the schedule include the balances of loans from previous years for which the Department of Housing and Urban Development imposes continuing compliance requirements. At December 31, 2011, the balance of these loans outstanding total \$2,284,247.