

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Madison Area CLT Corporation, which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, 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.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
May 21, 2014

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 16,840	\$ 19,519
Unconditional promises to give	5,000	-
Accounts receivable	215	820
Prepaid expenses	1,891	1,957
Property held for resale	97,662	97,662
Notes receivable	48,221	48,221
Land trust	1,999,000	2,015,000
Total assets	\$ 2,168,829	\$ 2,183,179
LIABILITIES		
Accounts payable and accrued expenses	\$ 18,793	\$ 6,854
Notes payable	99,211	85,708
Deferred loans	2,250,476	2,280,759
Total liabilities	2,368,480	2,373,321
NET DEFICIT		
Unrestricted net deficit	(204,651)	(190,756)
Temporarily restricted net assets	5,000	614
Total net deficit	(199,651)	(190,142)
Total liabilities and net deficit	\$ 2,168,829	\$ 2,183,179

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET DEFICIT		
REVENUES, GAINS, AND OTHER SUPPORT		
Sales of property	\$ -	\$ 373,602
Contributions	35,334	16,277
Grants	-	11,000
Rental income	45,330	47,539
Miscellaneous income	273	750
	<u>80,937</u>	<u>449,168</u>
Total unrestricted revenues, gains, and other support	80,937	449,168
EXPENSES		
Professional fees	78,901	79,925
Cost of properties sold	-	391,891
Interest	3,266	4,900
Marketing	252	951
Miscellaneous expense	4,439	2,815
Office	2,230	2,297
Travel, meetings and events	808	545
Property holding and maintenance	1,789	1,068
Taxes and insurance	3,761	3,793
	<u>95,446</u>	<u>488,185</u>
Total expenses	95,446	488,185
NET ASSETS RELEASED FROM RESTRICTIONS	<u>614</u>	<u>43,814</u>
Change in unrestricted net deficit	(13,895)	4,797
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	5,000	-
Net assets released from restrictions	(614)	(43,814)
	<u>4,386</u>	<u>(43,814)</u>
Change in temporarily restricted net assets	4,386	(43,814)
Change in net deficit	(9,509)	(39,017)
Net deficit - beginning of year	<u>(190,142)</u>	<u>(151,125)</u>
Net deficit - end of year	<u>\$ (199,651)</u>	<u>\$ (190,142)</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (9,509)	\$ (39,017)
Adjustments to reconcile change in net deficit to net cash flows from operating activities		
Donated land	-	(43,200)
(Gain) loss on exchange of land with deferred loan	480	(18,394)
(Increase) decrease in assets		
Unconditional promises to give	(5,000)	43,200
Accounts receivable	605	1,697
Prepaid expenses	66	63
Property held for resale	-	393,129
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	11,939	(62,408)
Net cash flows from operating activities	(1,419)	275,070
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of deferred loans	(14,763)	-
Repayment of notes payable	(1,497)	(284,350)
Proceeds from notes payable	15,000	-
Net cash flows from financing activities	(1,260)	(284,350)
Change in cash	(2,679)	(9,280)
Cash - beginning of year	19,519	28,799
Cash - end of year	<u>\$ 16,840</u>	<u>\$ 19,519</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 3,266	\$ 5,432
Noncash investing and financing activities		
Donated land	\$ -	\$ 43,200
Assumption of mortgage by other organization	\$ 15,520	\$ 51,682
Transfer of land to other organization	(16,000)	(33,288)
Gain (loss) on exchange of land with deferred loan	<u>\$ (480)</u>	<u>\$ 18,394</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 reports 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 2010.

Date of Management's Review

Management has evaluated subsequent events through May 21, 2014, the date which the consolidated financial statements were available to be issued.

Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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, 2013 and 2012

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.

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 consolidated statement of activities as net assets released from restrictions.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 2—NOTES PAYABLE

Notes payable consisted of the following at December 31:

	2013	2012
4% interest only mortgage secured by real estate that matures in March 2014.	\$ 84,211	\$ 85,708
.32% loan secured by real estate that matures in October 2015	15,000	-
Notes payable	\$ 99,211	\$ 85,708

Future minimum payments for the years ending December 31 are:

2014	\$ 86,611
2015	12,600
Total	\$ 99,211

MACLT subsequently refinanced the mortgage that matures in March 2014. The new mortgage is an \$84,074, 4.95% interest only mortgage secured by real estate that matures in February 2015.

NOTE 3—DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leases land held in land trust as reported on the consolidated statements of financial position to various individuals to further its mission of providing low cost housing. Ground lease income was \$45,330 and \$45,281 in 2013 and 2012. Future minimum rentals are \$45,330 per year indefinitely.

NOTE 4—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.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 4—DEFERRED LOANS (continued)

Deferred loans at December 31, 2013 and 2012 had the following balances:

	<u>2013</u>	<u>2012</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
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
Beld Street	-	14,763
Gannon Avenue	22,950	22,950
E. Dayton	45,900	45,900
5307 Hoboken Rd.	24,097	24,097
5311 Hoboken Rd.	24,097	24,097
	<u>\$ 2,250,476</u>	<u>\$ 2,280,759</u>
Deferred loans	<u>\$ 2,250,476</u>	<u>\$ 2,280,759</u>

NOTE 5—TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Forest demonstration project	\$ -	\$ 614
Promises to give with payments due in future periods	5,000	-
Temporarily restricted net assets	<u>\$ 5,000</u>	<u>\$ 614</u>

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 7—FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Program services		
Property management	\$ 25,029	\$ 24,468
Project development	42,623	434,593
Management and general	23,992	25,374
Fundraising	<u>3,802</u>	<u>3,750</u>
Total expenses	<u>\$ 95,446</u>	<u>\$ 488,185</u>

NOTE 8—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 2013 and 2012, the total value of services received from CWD totaled \$67,935 and \$66,093. MACLT had payables of \$18,016 to CWD at December 31, 2013 and no amounts payable at December 31, 2012.