

MADISON AREA CLT CORPORATION

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY SCHEDULES
AND COMPLIANCE REPORTS**

December 31, 2003 and 2002

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PART I
FINANCIAL



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, 2003 and 2002, 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 U.S. generally accepted auditing standards 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 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, 2003 and 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2004 on our consideration of Madison Area CLT Corporation's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the additional supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
August 30, 2004

MADISON AREA CLT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 55,549	\$ 91,533
Accounts receivable	585,074	89,688
Prepaid expenses	1,733	1,463
Total current assets	642,356	182,684
PROPERTY AND EQUIPMENT HELD FOR LEASING		
Land trust	409,905	556,450
Land and buildings	148,567	148,567
Property and equipment held for leasing	558,472	705,017
Less accumulated depreciation	31,881	29,096
Property and equipment held for leasing - net	526,591	675,921
OTHER ASSETS		
Property development in process	963,153	483,165
Notes receivable	51,456	51,456
Total assets	<u>\$ 2,183,556</u>	<u>\$ 1,393,226</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 61,205	\$ 2,241
Short-term notes payable	25,475	-
Accounts payable and accrued expenses	12,006	19,123
Total current liabilities	98,686	21,364
LONG-TERM LIABILITIES		
Notes payable less current portion	58,493	119,183
Deferred loans	2,215,397	1,423,347
Total liabilities	2,372,576	1,563,894
NET ASSETS		
Unrestricted (deficit)	(189,020)	(180,668)
Temporarily restricted net assets	-	10,000
Total net assets (deficit)	(189,020)	(170,668)
Total liabilities and net assets	<u>\$ 2,183,556</u>	<u>\$ 1,393,226</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF ACTIVITIES
Years ended December 31, 2003 and 2002

	2003	2002
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Contributions	\$ 1,350	\$ 9,430
Member dues	4,880	1,045
Grant income	17,266	18,632
Rental income	50,095	50,589
Interest income	579	1,657
Developer's fees	10,023	-
Sales of property	-	61,360
Miscellaneous income	1,287	4,675
Total support and revenue	85,480	147,388
Net assets released from restrictions	10,000	15,000
Total support, revenue and reclassifications	95,480	162,388
EXPENSES		
Personnel	56,598	64,711
Accounting	9,900	8,125
Consulting	10,950	22,988
Cost of property sold	-	16,543
Depreciation	2,785	2,784
Interest	7,219	7,587
Marketing	374	1,354
Miscellaneous	3,888	2,134
Office	11,995	10,957
Construction costs	322,493	155,326
Property operation	188	6,301
Taxes and insurance	10,885	6,981
Repurchases of land trust	-	45,085
Capitalized expenses	(333,443)	(164,175)
Total	103,832	186,701
Change in unrestricted net assets	(8,352)	(24,314)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions		
Satisfaction of program restrictions	(10,000)	(15,000)
Change in net assets	(18,352)	(39,314)
Net assets (deficit) - beginning of year	(170,668)	(131,354)
Net assets (deficit) - end of year	\$ (189,020)	\$ (170,668)

See accompanying notes.

MADISON AREA CLT CORPORATION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (18,352)	\$ (39,314)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	2,785	2,784
(Increase) decrease in assets		
Accounts receivable	(495,386)	(83,800)
Prepaid expenses	(270)	1,228
Unconditional promises to give	-	25,657
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(7,117)	8,671
Net cash used in operating activities	(518,340)	(84,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property development in progress	(333,443)	(225,535)
Proceeds from sale of property	-	61,360
Proceeds from notes receivable	-	4,000
Net cash used in investing activities	(333,443)	(160,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable and deferred loans	(1,726)	(157,732)
Proceeds from notes payable and deferred loans	817,525	381,091
Net cash provided by financing activities	815,799	223,359
Net change in cash	(35,984)	(21,590)
Cash - beginning of year	91,533	113,123
Cash - end of year	<u>\$ 55,549</u>	<u>\$ 91,533</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 7,219</u>	<u>\$ 7,587</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

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, 2003 and 2002. 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

Purchases of property 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 those assets should the program be discontinued.

Income Taxes

The Madison Area CLT 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, 2003 and 2002

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, 2003 consisted of one CDBG non-interest bearing note of \$25,475 secured by property and payable in a lump sum upon sale of the property. 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, 2003. One letter of credit for \$6,000 expired March 18, 2003. The second letter of credit for \$101,000 expires February 9, 2004.

NOTE 4 – NOTES PAYABLE

Notes payable at December 31, 2003 and 2002 consist of the following:

	2003	2002
6% mortgage payable, with monthly payment of \$391, including interest, maturing July 2004. Secured by real estate.	\$ 60,134	\$ 60,551
5.875% mortgage payable, with monthly payment of \$376, including interest, maturing November 2029. Secured by real estate.	59,564	60,873
Notes payable	119,698	121,424
Less current portion of notes payable	61,205	2,241
Notes payable less current portion	\$ 58,493	\$ 119,183

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

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 are due as follows:

2004	\$ 61,205
2005	1,110
2006	1,177
2007	1,248
2008	1,323
Future	<u>53,635</u>
Total	<u>\$ 119,698</u>

NOTE 5 – DEFERRED LOANS

Madison Area CLT Corporation has received \$792,050 and \$381,091 from the City of Madison Community Development Block Grant program as deferred loans for 2003 and 2002. 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, 2003 and 2002, these deferred loans had the following balances:

	<u>2003</u>	<u>2002</u>
Troy Gardens Housing Land	\$ 748,350	\$ 359,551
Camino del Sol	568,501	-
Anniversary Court	476,076	476,076
Troy Gardens - Land	-	155,835
Troy Gardens - Conservancy	153,430	162,845
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	24,333	24,333
Buckeye Road	15,520	15,520
Beld Street	<u>14,763</u>	<u>14,763</u>
Deferred loans	<u>\$ 2,215,397</u>	<u>\$ 1,423,347</u>

MADISON AREA CLT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

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 2003 and 2002 was \$5,428 and \$4,896.

NOTE 7 – FUNCTIONAL EXPENSES

Functional expenses for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Program services	\$ 83,186	\$ 160,946
Management and general	19,274	24,242
Fundraising	<u>1,372</u>	<u>1,513</u>
Total expenses	<u>\$ 103,832</u>	<u>\$ 186,701</u>

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 could have a significant effect on the Corporation's programs and activities.

MADISON AREA CLT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2003

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Loan Balances from Prior Years
U.S. Department of Housing and Urban Development			
Passed through from City of Madison Community Block Grant Office			
Community Development Block Grant - Entitlement Grant	14.218	\$ 20,973	\$ -
Community Development Block Grant - Entitlement Grant - Loans	14.218	-	256,927
Community Development Block Grant - Brownfields Economic Development Initiative	14.246	364,945	-
HOME Investment Partnerships Program - Loans	14.239	<u>203,634</u>	<u>1,166,420</u>
Total expenditures of federal awards		<u>\$ 589,552</u>	<u>\$ 1,423,347</u>

BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of the Organization 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, 2003

	Futures Fund	Developer Fee	Troy Garden	Camino del Sol
CDBG OFFICE FUNDS				
CDBG	\$ 10,950	\$ 10,023	\$ -	\$ -
HUD/EDI - deferred loan	-	-	588,415	-
HOME - deferred loan	-	-	-	203,634
less amount not drawn	-	-	(223,470)	-
Total funds received	10,950	10,023	364,945	203,634
FUNDS EXPENDED				
Construction	10,950	-	364,945	203,634
Personnel	-	10,023	-	-
Total funds expended	10,950	10,023	364,945	203,634
Excess (deficit)	\$ -	\$ -	\$ -	\$ -

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
Year ended December 31, 2003

	Property Development	Property Management	Operations	Total
SUPPORT AND REVENUE				
Contributions	\$ -	\$ -	\$ 1,350	\$ 1,350
Member dues	-	-	4,880	4,880
Grant income	10,950	-	6,316	17,266
Rental income	-	50,095	-	50,095
Interest income	140	-	439	579
Developer's fees	10,023	-	-	10,023
Miscellaneous income	1,251	-	36	1,287
Total support and revenue	22,364	50,095	13,021	85,480
EXPENSES				
Personnel	20,973	-	35,625	56,598
Accounting	-	-	9,900	9,900
Consulting	10,950	-	-	10,950
Construction costs	322,493	-	-	322,493
Depreciation	-	-	2,785	2,785
Interest	-	7,219	-	7,219
Marketing	-	374	-	374
Miscellaneous	-	-	3,888	3,888
Office	-	-	11,995	11,995
Property operation	-	188	-	188
Taxes and insurance	-	7,932	2,953	10,885
Capitalized expenses	(333,443)	-	-	(333,443)
Total expenses	20,973	15,713	67,146	103,832
Excess revenue (expenses)	\$ 1,391	\$ 34,382	\$ (54,125)	\$ (18,352)

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM AND BY FUNDING SOURCE
Year ended December 31, 2003

	<u>Property Development</u>		<u>Property Management</u>
	<u>City of Madison CDBG</u>	<u>Other</u>	
SUPPORT AND REVENUE			
Contributions	\$ -	\$ -	\$ -
Member dues	-	-	-
Grant income	10,950	-	-
Rental income	-	-	50,095
Interest income	-	140	-
Developer's fees	10,023	-	-
Miscellaneous income	-	1,251	-
	<u>20,973</u>	<u>1,391</u>	<u>50,095</u>
Total support and revenue	20,973	1,391	50,095
EXPENSES			
Personnel	20,973	-	-
Accounting	-	-	-
Consulting	10,950	-	-
Construction costs	322,493	-	-
Depreciation	-	-	-
Interest	-	-	7,219
Marketing	-	-	374
Miscellaneous	-	-	-
Office	-	-	-
Property operation	-	188	-
Taxes and insurance	-	-	7,932
Capitalized expenses	(333,443)	-	-
	<u>20,973</u>	<u>188</u>	<u>15,525</u>
Total expenses	20,973	188	15,525
Excess revenue (expenses)	<u>\$ -</u>	<u>\$ 1,203</u>	<u>\$ 34,570</u>

<u>Operations</u>	<u>Total</u>
1,350	\$ 1,350
4,880	4,880
6,316	17,266
-	50,095
439	579
-	10,023
36	1,287
<hr/>	<hr/>
13,021	85,480
35,625	56,598
9,900	9,900
-	10,950
-	322,493
2,785	2,785
-	7,219
-	374
3,888	3,888
11,995	11,995
-	188
2,953	10,885
-	(333,443)
<hr/>	<hr/>
67,146	103,832
<hr/>	<hr/>
<u>\$ (54,125)</u>	<u>\$ (18,352)</u>

MADISON AREA CLT CORPORATION
SCHEDULE OF REAL PROPERTY AND RELATED DEBT
December 31, 2003

	CDBG Deferred Mortgages	Other Notes	Interest Rate/ Maturity Date	Payments
Madison, WI				
Troy Gardens Housing Land	\$ 748,350	\$ -	n/a	n/a
Camino del Sol	568,501	-	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	24,333	-	n/a	n/a
Buckeye Road	15,520	-	n/a	n/a
Beld Street	14,763	-	n/a	n/a
Camino Construction	-	25,475	0%/ on sale of property	
Stoughton, WI				
Lincoln Avenue	-	59,564	6% / 7/2004	\$391 monthly
McFarland, WI				
Johnson Street	-	60,134	5.875% / 11/2029	\$376 monthly
	<u>\$ 2,215,397</u>	<u>\$ 145,173</u>		

PART II
COMPLIANCE



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 financial statements of Madison Area CLT Corporation as of and for the year ended December 31, 2003, and have issued our report thereon dated August 30, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison Area CLT Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison Area CLT Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and all applicable funding sources and is not intended to be and should not be used by anyone other than these specified parties.

Wegner LLP

Wegner LLP
August 30, 2004



INDEPENDENT AUDITOR'S 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 program for the year ended December 31, 2003. Madison Area CLT Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of federal 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 U.S. generally accepted auditing standards; 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 on Madison Area CLT Corporations 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, 2003.

Internal Control Over Compliance

The management of Madison Area CLT Corporation is responsible for establishing and maintaining effective internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, and all applicable funding sources and is not intended to be and should not be used by anyone other than these specified parties.

Wegner LLP

Wegner LLP
August 30, 2004

MADISON AREA CLT CORPORATION
SCHEDULE OF FEDERAL FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2003

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unqualified
Internal control over financial reporting -	
Material weakness identified?	No
Reportable condition 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
Reportable condition 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

No matters were reported

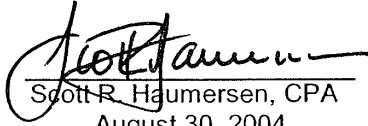
Section III - Federal Award Findings and Questioned Costs

No matters were reported

MADISON AREA CLT CORPORATION
SCHEDULE OF CDBG OFFICE FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2003

- | | |
|---|-------------|
| 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? | No |
| Reportable condition 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 |
| Reportable condition 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.
See Schedule of Expenditures of Federal Awards | |
| 10. Financial statement findings.
No matters were reported | |
| 11. Federal and State award findings and questioned costs.
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 |
| Does the audit include the - | |
| 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


Scott R. Haumersen, CPA
August 30, 2004