

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

December 31, 2006 and 2005

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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, 2006 and 2005, 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, 2006 and 2005, 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 November 3, 2007 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 of 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

Wegner LLP
November 3, 2007



MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006	2005
ASSETS		
Cash	\$ 1,568,071	\$ 191,653
Accounts receivable	39,740	632,965
Prepaid expenses	1,208	1,915
Notes receivable	88,501	74,151
Land trust	952,325	680,939
Land and buildings	37,617	-
Property development in process	1,051,176	951,867
	\$ 3,738,638	\$ 2,533,490
LIABILITIES		
Accounts payable and accrued expenses	\$ 766,697	\$ 38,589
Short-term notes payable	996,722	396,181
Deferred loans	2,215,397	2,215,397
	3,978,816	2,650,167
NET DEFICIT		
Unrestricted net deficit	(298,920)	(179,569)
Temporarily restricted net assets	58,742	62,892
	(240,178)	(116,677)
Total liabilities and net deficit	\$ 3,738,638	\$ 2,533,490

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2006 and 2005

	2006	2005
UNRESTRICTED NET DEFICIT		
SUPPORT AND OTHER REVENUE		
Sales of properties	\$ 3,945,581	\$ 1,199,266
Developer's fees	38,970	72,287
Grant income	70,515	26,827
Rental income	36,959	32,493
Contributions	125	102
Member dues	785	125
Interest income	965	1,327
Miscellaneous income	1,985	2,664
Net assets released from restrictions		
Satisfaction of program restrictions	26,650	-
Total unrestricted support and other revenue	4,122,535	1,335,091
EXPENSES		
Cost of properties sold	4,012,365	1,092,112
Personnel	159,534	104,577
Property operation	157	18,383
Interest	13,577	4,671
Accounting	5,150	10,500
Depreciation	-	696
Marketing	5	1,033
Office	28,193	17,921
Annual meeting	380	383
Fundraising events	-	40
Taxes and insurance	4,346	12,132
Miscellaneous expense	10,920	22,562
Bad debt expense	7,259	-
Total expenses	4,241,886	1,285,010
Change in unrestricted net deficit	(119,351)	50,081
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	22,500	-
Net assets released from restrictions		
Satisfaction of program restrictions	(26,650)	-
Change in temporarily restricted net assets	(4,150)	-
Change in net deficit	(123,501)	50,081
Net deficit - beginning of year	(116,677)	(166,758)
Net deficit - end of year	\$ (240,178)	\$ (116,677)

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (123,501)	\$ 50,081
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities		
Bad debt expense	7,259	-
Depreciation	-	696
Gain on sales of properties	-	(202,815)
Decrease in assets		
Accounts receivable	593,225	85,587
Prepaid expenses	707	121
Increase in liabilities		
Accounts payable and accrued expenses	728,108	25,764
Net cash provided by (used in) operating activities	1,205,798	(40,566)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property	3,945,581	1,199,266
Issuance of notes receivable	(21,609)	(12,795)
Purchases of property development in process	(4,353,893)	(1,007,155)
Net cash provided by (used in) investing activities	(429,921)	179,316
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable and deferred loans	(20,001)	(117,628)
Proceeds from notes payable and deferred loans	620,542	-
Net cash provided by (used in) financing activities	600,541	(117,628)
Net change in cash	1,376,418	21,122
Cash - beginning of year	191,653	170,531
Cash - end of year	\$ 1,568,071	\$ 191,653
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 1,588	\$ 4,671

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 and 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 the 26 acres of land that is leased to the Friends of Troy Gardens. These two entities are consolidated because they are wholly owned subsidiaries. MACLT has both an economic interest in these entities and the ability to control their 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.

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, 2006 and 2005 are available for providing down payment assistance to home buyers.

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.

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.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment Held for Leasing

Purchases of property and equipment in excess of \$2,500 are recorded at cost and depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful life for the buildings and building improvements is 40 years. Certain funding sources that provided funds for the acquisition of equipment and building improvements may have a reversionary interest in those assets should the program be discontinued.

Income Taxes

MACLT is a tax-exempt public charity under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal and state income 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.

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

Financial instruments that potentially subject MACLT to credit risk consists of cash deposits in excess of insured limits. Cash deposits in excess of the FDIC insured limit were \$141,072 at December 31, 2006.

NOTE 4 – STANDBY LETTER OF CREDIT

MACLT has a \$139,000 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 July 1, 2008. There were no draws as of December 31, 2006.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 – SHORT-TERM NOTES PAYABLE

Short-term notes payable at December 31, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
0% CDBG note secured by properties and payable upon sale of the last of these properties.	\$ 380,000	\$ 196,181
\$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.	516,722	-
4.75% Forward Community Investments note secured by properties and due ratably on the sale of each property.	<u>-</u>	<u>200,000</u>
Short-term notes payable	<u>\$ 996,722</u>	<u>\$ 396,181</u>

All of these short-term notes payable were paid in full during 2007.

NOTE 6 – DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leased residential housing and land to various individuals to further its mission of providing low cost housing. The residential houses and land were sold in 2005. Total rent income from residential housing and land and ground leases were \$23,876 and \$31,643 in 2006 and 2005.

MACLT leases space for its administrative office on a three-year lease ending in June 2008 that requires monthly payments of \$1,768. MACLT also leases a copier on a five-year lease ending in July 2010 that requires monthly payments of \$548 per month. Rent expense for 2006 and 2005 was \$22,123 and \$9,334. Future minimum lease payments are \$22,951, \$12,343, \$1,315, and \$767 for 2007, 2008, 2009, and 2010.

MACLT started subleasing a portion of its office space to a board member on a monthly lease that requires payments of \$884. Sublease income was \$10,498 and \$850 in 2006 and 2005.

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.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 – DEFERRED LOANS (continued)

Deferred loans at December 31, 2006 and 2005 had the following balances:

	<u>2006</u>	<u>2005</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 – FUNCTIONAL EXPENSES

Expenses by function for 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Program services	\$ 4,167,434	\$ 1,224,874
Management and general	66,456	57,638
Fundraising	7,996	2,498
	<u> </u>	<u> </u>
Total expenses	<u>\$ 4,241,886</u>	<u>\$ 1,285,010</u>

MADISON AREA CLT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures	Loans Outstanding
U.S. Department of Housing and Urban Development			
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	248,779	462,153
HOME Investment Partnerships Program	14.239	<u>150,000</u>	<u>1,030,247</u>
Total expenditures of federal awards		<u>\$ 398,779</u>	<u>\$ 1,749,327</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, 2006

	<u>Troy Gardens</u>
CDBG OFFICE FUNDS	
HUD/EDI - deferred loan	\$ 248,779
Housing Trust Funds - short term loan	50,000
HOME Match Funds - short term loan	200,000
HOME - short term loan	<u>150,000</u>
Total funds received	648,779
FUNDS EXPENDED	
Construction costs	<u>648,779</u>
Excess (deficit)	<u><u>\$ -</u></u>

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSES BY PROGRAM AND BY FUNDING SOURCE
Year ended December 31, 2006

	Property Development		Property Management
	City of Madison	Other	Other
	CDBG		
SUPPORT AND OTHER REVENUE			
Sales of properties	\$ 1,578,139	\$ 2,367,442	\$ -
Developer's fees	-	27,500	-
Grant income	-	65,093	-
Rental income	-	-	6,585
Contributions	-	-	-
Member dues	-	-	-
Interest income	-	200	54
Miscellaneous income	-	1,343	-
Total unrestricted support and other revenue	1,578,139	2,461,578	6,639
EXPENSES			
Cost of properties sold	1,604,891	2,407,474	-
Personnel	-	107,024	9,100
Property operation	-	-	157
Interest	-	13,577	-
Accounting	-	-	-
Marketing	-	-	-
Office	-	9,346	9,226
Annual meeting	-	-	-
Taxes and insurance	-	-	2,173
Miscellaneous expense	-	4,160	306
Bad debt expense	-	-	-
Total expenses	1,604,891	2,541,581	20,962
Excess revenue (expenses)	\$ (26,752)	\$ (80,003)	\$ (14,323)

<u>Operations</u>	
<u>Other</u>	<u>Total</u>
\$ -	\$ 3,945,581
11,470	38,970
5,422	70,515
30,374	36,959
22,625	22,625
785	785
711	965
642	1,985
<u>72,029</u>	<u>4,118,385</u>
-	4,012,365
43,410	159,534
-	157
-	13,577
5,150	5,150
5	5
9,621	28,193
380	380
2,173	4,346
6,454	10,920
7,259	7,259
<u>74,452</u>	<u>4,241,886</u>
<u>\$ (2,423)</u>	<u>\$ (123,501)</u>

MADISON AREA CLT CORPORATION
SCHEDULE OF REAL PROPERTY AND RELATED DEBT
December 31, 2006

	CDBG Deferred Mortgages	Other Notes	Interest Rate/ Maturity Date	Payments
Madison, Wisconsin				
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
Troy Gardens Construction	-	380,000	0%/on sale of properties	
Troy Gardens Construction	-	100,000	5.5%/on sale of properties	
Troy Gardens Construction	-	516,722	6%/on sale of properties	
	<u>\$ 2,215,397</u>	<u>\$ 996,722</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, 2006, and have issued our report thereon dated November 3, 2007. 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 2006-1 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 the significant deficiency described above 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 findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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
November 3, 2007



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, 2006. 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, 2006.

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
November 3, 2007

MADISON AREA CLT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2006

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 Findings and Responses

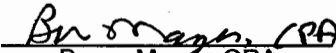
Section III - Federal Award Findings and Questioned Costs

No matters were reported

MADISON AREA CLT CORPORATION
SCHEDULE OF CDBG OFFICE FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2006

- | | |
|---|-------------|
| 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.
See Schedule of Expenditures of Federal Awards | |
| 10. Financial statement findings.
See Schedule of Findings and Responses | |
| 11. Federal 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


Bruce Mayer, CPA
November 3, 2007

MADISON AREA CLT CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
Year ended December 31, 2006

2006-1 Material Weakness

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.