

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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.

Wegner LLP

Wegner LLP
Madison, Wisconsin
June 14, 2011



MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash	\$ 67,029	\$ 36,616
Unconditional promises to give	86,400	129,600
Accounts receivable	-	12,430
Prepaid expenses	912	2,148
Property held for resale	325,872	145,751
Notes receivable	53,721	73,501
Land trust	1,800,408	1,800,408
Land	61,280	18,080
Total assets	\$ 2,395,622	\$ 2,218,534
LIABILITIES		
Accounts payable and accrued expenses	\$ 70,844	\$ 9,206
Notes payable	165,267	74,720
Refundable advance	13,500	-
Deferred loans	2,215,397	2,215,397
Total liabilities	2,465,008	2,299,323
NET DEFICIT		
Unrestricted net deficit	(158,186)	(210,389)
Temporarily restricted net assets	88,800	129,600
Total net deficit	(69,386)	(80,789)
Total liabilities and net deficit	\$ 2,395,622	\$ 2,218,534

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2010 and 2009

	2010	2009
UNRESTRICTED NET DEFICIT		
REVENUE AND OTHER SUPPORT		
Sales of property	\$ 64,000	\$ 145,000
Contributions	23,332	23,377
Grants	94,544	-
Rental income	42,940	46,714
Fee for service	339	17,347
Interest income	39	319
Miscellaneous income	36	999
Total unrestricted revenue and other support	225,230	233,756
EXPENSES AND LOSSES		
Professional fees	25,938	37,798
Cost of properties sold	73,032	135,996
Interest	2,257	3,296
Marketing	88	1,719
Miscellaneous expense	3,046	3,465
Office	3,857	12,136
Occupancy	5,085	10,932
Travel, meetings and events	1,660	3,062
Property holding and maintenance	4,885	4,611
Taxes and insurance	15,351	2,946
Personnel	58,426	85,034
Total expenses	193,625	300,995
Loss on uncollectible receivables	22,602	-
Total expenses and losses	216,227	300,995
NET ASSETS RELEASED FROM RESTRICTIONS	43,200	55,861
Change in unrestricted net deficit	52,203	(11,378)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,400	-
Net assets released from restrictions	(43,200)	(55,861)
Loss on contributions returned	-	(9,167)
Change in temporarily restricted net assets	(40,800)	(65,028)
Change in net deficit	11,403	(76,406)
Net deficit - beginning of year	(80,789)	(4,383)
Net deficit - end of year	<u>\$ (69,386)</u>	<u>\$ (80,789)</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ 11,403	\$ (76,406)
Adjustments to reconcile change in net deficit to net cash flows from operating activities		
Donated land	(43,200)	(43,200)
Loss on uncollectible receivables	22,602	-
(Increase) decrease in assets		
Unconditional promises to give	43,200	50,450
Accounts receivable	9,608	(10,623)
Prepaid expenses	1,236	(1,452)
Property held for resale	(180,121)	59,538
Increase (decrease) in liabilities		
Refundable advance	13,500	-
Accounts payable and accrued expenses	61,638	(1,855)
Net cash flows from operating activities	(60,134)	(23,548)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments on land acquisition cost	-	(3,680)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	-	(133,658)
Proceeds from notes payable	90,547	74,720
Net cash flows from financing activities	90,547	(58,938)
Change in cash	30,413	(86,166)
Cash - beginning of year	36,616	122,782
Cash - end of year	\$ 67,029	\$ 36,616
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 5,657	\$ 3,296
Noncash investing activities		
Donated land	43,200	43,200

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 2007.

Date of Management's Review

Management has evaluated subsequent events through June 14, 2011, 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, 2010 and 2009

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, 2010 and 2009

NOTE 2 – UNCONDITIONAL AND CONDITIONAL PROMISES TO GIVE

At December 31, 2010, unconditional promises to give totaling \$43,200 are receivable in less than one year and \$43,200 are receivable in one to five years. MACLT also received a \$14,521 promise to give conditioned on MACLT undertaking a Neighborhood Stabilization Program contract approved by the city of Madison. This amount has not been recorded in the financial statements.

NOTE 3 – NOTES PAYABLE

Notes payable consisted of the following at December 31:

	2010	2009
6% interest only mortgage payable secured by real estate that matures in February 2012.	\$ 88,003	\$ 74,720
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 2011.	19,712	-
Notes payable	\$ 165,267	\$ 74,720

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

2011	\$ 77,264
2012	88,003
Total	\$ 165,267

NOTE 4 – DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leases land to various individuals to further its mission of providing low cost housing. Ground lease income was \$42,940 and \$42,834 in 2010 and 2009.

MACLT leases space for its administrative office on a month to month lease that requires monthly payments of \$400. Rent expense for 2010 and 2009 was \$4,851 and \$10,070.

NOTE 5 – DONATED SERVICES

MACLT received donated legal services with an estimated fair value of \$6,300 and \$9,440 in 2010 and 2009. Management estimates that in each year 50% of these services were for management and general purposes and 50% were for fundraising purposes.

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NOTE 7 – 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, 2010 and 2009 had the following balances:

	2010	2009
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>\$ 2,215,397</u>	<u>\$ 2,215,397</u>
Deferred loans	<u>\$ 2,215,397</u>	<u>\$ 2,215,397</u>

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NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Forest demonstration project	\$ 2,400	\$ -
Promises to give with payments due in future periods	<u>86,400</u>	<u>129,600</u>
Temporarily restricted net assets	<u>\$ 88,800</u>	<u>\$ 129,600</u>

NOTE 9 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Program services		
Property management	\$ 42,809	\$ 45,719
Project development	108,801	198,758
Management and general	35,193	45,655
Fundraising	<u>6,822</u>	<u>10,863</u>
Total expenses	<u>\$ 193,625</u>	<u>\$ 300,995</u>