

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012 and 2011, 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 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 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, 2012 and 2011, 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.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the supplementary information on pages 13-15 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Area CLT Corporation's internal control over financial reporting and compliance.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 20, 2013

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash	\$ 19,519	\$ 28,799
Unconditional promises to give	-	43,200
Accounts receivable	820	2,517
Prepaid expenses	1,957	2,020
Property held for resale	97,662	497,197
Notes receivable	48,221	48,221
Land trust	2,015,000	1,845,408
Land	-	105,080
	\$ 2,183,179	\$ 2,572,442
LIABILITIES		
Accounts payable and accrued expenses	\$ 6,854	\$ 69,262
Notes payable	85,708	370,058
Deferred loans	2,280,759	2,284,247
	2,373,321	2,723,567
NET DEFICIT		
Unrestricted net deficit	(190,756)	(195,553)
Temporarily restricted net assets	614	44,428
	(190,142)	(151,125)
Total liabilities and net deficit	\$ 2,183,179	\$ 2,572,442

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012	2011
UNRESTRICTED NET DEFICIT		
REVENUE AND OTHER SUPPORT		
Sales of property	\$ 373,602	\$ 110,000
Contributions	16,277	24,234
Grants	11,000	18,471
Rental income	47,539	51,359
Interest income	7	79
Miscellaneous income	743	-
Total unrestricted revenue and other support	449,168	204,143
EXPENSES AND LOSSES		
Professional fees	79,925	39,347
Cost of properties sold	391,891	158,791
Interest	4,900	6,483
Marketing	951	2,346
Miscellaneous expense	2,815	3,025
Office	2,297	5,878
Occupancy	-	1,600
Travel, meetings and events	545	3,073
Property holding and maintenance	1,068	1,399
Taxes and insurance	3,793	3,867
Personnel	-	58,808
Total expenses	488,185	284,617
Loss on uncollectible receivables	-	1,265
Total expenses and losses	488,185	285,882
NET ASSETS RELEASED FROM RESTRICTIONS	43,814	44,372
Change in unrestricted net deficit	4,797	(37,367)
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	(43,814)	(44,372)
Change in temporarily restricted net assets	(43,814)	(44,372)
Change in net deficit	(39,017)	(81,739)
Net deficit - beginning of year	(151,125)	(69,386)
Net deficit - end of year	<u>\$ (190,142)</u>	<u>\$ (151,125)</u>

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	\$ (39,017)	\$ (81,739)
Adjustments to reconcile change in net deficit to net cash flows from operating activities		
Donated land	(43,200)	(43,800)
Gain on exchange of land with deferred loan	(18,394)	-
Loss on uncollectible receivables	-	1,265
(Increase) decrease in assets		
Unconditional promises to give	43,200	43,200
Accounts receivable	1,697	(3,782)
Prepaid expenses	63	(1,108)
Property held for resale	393,129	(216,325)
Increase (decrease) in liabilities		
Refundable advance	-	(13,500)
Accounts payable and accrued expenses	(62,408)	(1,582)
Net cash flows from operating activities	275,070	(317,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from payments on notes receivable	-	5,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from deferred loans	-	68,850
Repayment of notes payable	(284,350)	(58,821)
Proceeds from notes payable	-	263,612
Net cash flows from financing activities	(284,350)	273,641
Change in cash	(9,280)	(38,230)
Cash - beginning of year	28,799	67,029
Cash - end of year	\$ 19,519	\$ 28,799
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 5,432	\$ 12,353
Noncash investing and financing activities		
Donated land	\$ 43,200	\$ 43,200
Assumption of mortgage by other organization	51,682	-
Transfer of land to other organization	(33,288)	-
Gain on exchange of land with deferred loan	\$ 18,394	\$ -

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 2009.

Date of Management's Review

Management has evaluated subsequent events through June 20, 2013, 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, 2012 and 2011

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 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, 2012 and 2011

NOTE 2 – NOTES PAYABLE

Notes payable consisted of the following at December 31:

	2012	2011
6% interest only mortgage payable secured by real estate that matures in February 2013.	\$ 85,708	\$ 86,734
4% interest only mortgage payable secured by real estate that matures on December 1, 2012.	-	83,100
6% interest only \$219,700 construction line of credit secured by real estate that matures in December 2012.	-	200,224
Notes payable	\$ 85,708	\$ 370,058

MACLT subsequently refinanced its mortgage that expired in February 2013. The new mortgage is an \$85,620, 6% interest only mortgage payable secured by real estate that matures in March 2014.

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 \$45,281 and \$43,235 in 2012 and 2011. Future minimum rentals are \$45,281 per year indefinitely.

MACLT also leases a house with a cost of \$97,662 in a lease to purchase agreement that will expire when permanent financing is secured by the tenant. The lease requires monthly payments of \$677. Rental income on this property was \$2,258 and \$8,124 for 2012 and 2011.

NOTE 4 – DONATED SERVICES

MACLT did not receive any donated services in 2012. MACLT received donated legal services with an estimated fair value of \$12,000 in 2011. Management estimates that 50% of these services were for management and general purposes and 50% were for fundraising purposes.

NOTE 5 – 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, 2012 and 2011

NOTE 5 – DEFERRED LOANS (continued)

Deferred loans at December 31, 2012 and 2011 had the following balances:

	<u>2012</u>	<u>2011</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
Anniversary Court	476,076	476,076
Troy Gardens - Conservancy	153,430	153,430
Baldwin Street	39,424	39,424
817 Troy Drive	35,000	35,000
825 Troy Drive	35,000	35,000
833 Troy Drive	35,000	35,000
Emerald Street	35,000	35,000
Lake Point	35,000	35,000
Sequoia Trail	24,332	24,332
Buckeye Road	15,520	15,520
Beld Street	14,763	14,763
Gannon Avenue	22,950	22,950
E. Dayton	45,900	45,900
5307 Hoboken Rd.	24,097	-
5311 Hoboken Rd.	24,097	-
	<u>\$ 2,280,759</u>	<u>\$ 2,284,247</u>
Deferred loans	<u>\$ 2,280,759</u>	<u>\$ 2,284,247</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Forest demonstration project	\$ 614	\$ 1,228
Promises to give with payments due in future periods	-	43,200
Temporarily restricted net assets	<u>\$ 614</u>	<u>\$ 44,428</u>

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 7 – FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Program services		
Property management	\$ 24,468	\$ 27,024
Project development	434,593	208,928
Management and general	25,374	35,252
Fundraising	<u>3,750</u>	<u>13,413</u>
 Total expenses	 <u>\$ 488,185</u>	 <u>\$ 284,617</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 2012 and 2011, the total value of services received from CWD totaled \$66,093 and \$33,862. MACLT had payables of \$0 and \$6,951 to CWD at December 31, 2012 and 2011.

MADISON AREA CLT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development Pass-Through Programs from City of Madison Community Development Division			
Community Development Block Grants/ Entitlement Grants	14.218	26bh006	\$ 256,927
Community Development Block Grants/ Entitlement Grants	14.218	NSP 09.15	22,950
Community Development Block Grants/ Entitlement Grants	14.218	B-2009-MC-55-0005	<u>45,900</u>
Total 14.218			325,777
Home Investment Partnerships Program	14.239	CDBG-91-01	1,158,438
Home Investment Partnerships Program	14.239	2012	<u>48,194</u>
Total 14.239			1,206,632
Community Development Block Grants/ Brownfields Economic Development Initiative	14.246	b01-sp-wi-0771	<u>748,350</u>
Total expenditures of federal awards			<u><u>\$ 2,280,759</u></u>

See accompanying notes to schedule of expenditures of federal awards.

MADISON AREA CLT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Madison Area CLT Corporation under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Madison Area CLT Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Madison Area CLT Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – LOANS OUTSTANDING

The federal expenditures reported on the schedule include the balances of loans from previous years for which the Department of Housing and Urban Development imposes continuing compliance requirements. At December 31, 2012, the balance of these loans outstanding total \$2,280,759.

MADISON AREA CLT CORPORATION
SCHEDULE OF CDBG OFFICE FUNDS EXPENDED BY PROGRAM
Year Ended December 31, 2012

CDBG OFFICE FUNDS	
CDBG Acquisition Funds	\$ -
FUNDS EXPENDED	
Property acquisition and construction costs	<u>-</u>
Excess	<u><u>\$ -</u></u>

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSES BY PROGRAM AND BY FUNDING SOURCE
Year Ended December 31, 2012

	City of Madison CDBG	Other	Total
REVENUE AND OTHER SUPPORT			
Sales of property	\$ -	\$ 373,602	\$ 373,602
Contributions	-	16,277	16,277
Grants	-	11,000	11,000
Rental income	-	47,539	47,539
Interest income	-	7	7
Miscellaneous income	-	743	743
Total unrestricted revenue and other support	-	449,168	449,168
EXPENSES			
Professional fees	-	79,925	79,925
Cost of properties sold	-	391,891	391,891
Interest	-	4,900	4,900
Marketing	-	951	951
Miscellaneous expense	-	2,815	2,815
Office	-	2,297	2,297
Travel, meetings and events	-	545	545
Property holding and maintenance	-	1,068	1,068
Taxes and insurance	-	3,793	3,793
Total expenses	-	488,185	488,185
Excess revenue (expenses)	\$ -	\$ (39,017)	\$ (39,017)

MADISON AREA CLT CORPORATION
SCHEDULE OF REAL PROPERTY AND RELATED DEBT
December 31, 2012

	CDBG Deferred Mortgages	Other Notes	Interest Rate/ Maturity Date	Payments
Troy Gardens Housing Land	\$ 748,350	x \$ -	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
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
Gannon Avenue	22,950	-	N/A	N/A
E. Dayton	45,900	-	N/A	N/A
5307 Hoboken Road	24,097	-	N/A	N/A
5311 Hoboken Road	24,097	-	N/A	N/A
1921 Beld	-	85,708	6% February 2013	Interest only
	<u>\$ 2,280,759</u>	<u>\$ 85,708</u>		



Wegner CPAs

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the consolidated financial statements of Madison Area CLT Corporation, which comprise the consolidated statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Madison Area CLT Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Madison Area CLT Corporation's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison Area CLT Corporation's consolidated financial statements are free from 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*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 20, 2013



Wegner CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Major Federal Program

We have audited Madison Area CLT Corporation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Madison Area CLT Corporation's major federal program for the year ended December 31, 2012. Madison Area CLT Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Madison Area CLT Corporation's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Madison Area CLT Corporation's compliance.

Opinion on Major Federal Program

In our opinion, Madison Area CLT Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Madison Area CLT Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison Area CLT Corporation's internal control over compliance with the types of requirements that could have a direct and material

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effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 20, 2013

MADISON AREA CLT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program

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
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

- | | |
|--|-------------|
| 1. Was a Single Audit required? | Yes |
| What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit? | \$300,000 |
| 2. Type of auditor's report issued? | Unqualified |
| 3. Internal control over financial reporting: | |
| Were material weakness(s) identified? | No |
| Were reportable condition(s) identified not considered to be material weaknesses? | No |
| Was noncompliance material to the financial statements noted? | No |
| 4. Internal control over major programs: | |
| Were material weakness(s) identified? | No |
| Were reportable condition(s) identified not considered to be material weaknesses? | No |
| 5. Was the indirect cost allocation plan reasonable and acceptable per OMB A-122? | Yes |
| 6. Were the actual costs reasonable and allocated appropriately per OMB A-122? | Yes |
| 7. Were the costs allocated to the CD Office contracts based on costs incurred, and are they supported by records and documents? | Yes |
| 8. Were any audit findings disclosed that are required to be reported in accordance with Circular A-133, section .510(a)? | No |
| 9. Does the audit include an identification of all federal revenue sources and dollar amounts by program? | Yes |
| 10. Does the audit list any financial statement findings? | No |
| 11. Does the audit list any federal and state award findings and questioned costs? | No |
| 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 CD Division grants/contracts? | No |
| 14. Does the audit include the schedule of revenue and expenses by program and revenue source? | Yes |
| 15. Does the audit include the schedule of CD Division funds expended by program? | Yes |
| 16. Does the audit include the 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? | No |

Signature of Partner in Charge
Name of Partner in Charge
Date of report



Bruce Mayer, CPA
June 20, 2013