

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**

December 31, 2015 and 2014

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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 financial statements of Madison Area CLT Corporation, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Madison Area CLT Corporation as of December 31, 2015 and 2014, 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.

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 11-12 is presented for purposes of

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additional analysis and is 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 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.

*Wegner CPAs, LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
June 8, 2016

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 34,343	\$ 38,517
Accounts receivable	15,476	1,624
Prepaid expenses	1,734	1,917
Property held for resale	-	97,662
Notes receivable	42,071	42,071
Land trust	2,127,896	2,035,995
<b>Total assets</b>	<b>\$ 2,221,520</b>	<b>\$ 2,217,786</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 12,829	\$ 10,777
Deferred revenue	2,305	1,455
Notes payable	-	95,451
Deferred loans	2,391,476	2,299,676
Total liabilities	2,406,610	2,407,359
<b>NET DEFICIT</b>		
Unrestricted net deficit	(185,090)	(189,573)
<b>Total liabilities and net deficit</b>	<b>\$ 2,221,520</b>	<b>\$ 2,217,786</b>

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2015 and 2014

	2015	2014
<b>UNRESTRICTED NET DEFICIT</b>		
REVENUES, GAINS, AND OTHER SUPPORT		
Sales of property	\$ 291,950	\$ 132,100
Developer fees	16,200	8,070
Contributions	26,906	41,812
Rental income	52,473	55,692
Miscellaneous income	295	462
	387,824	238,136
<b>EXPENSES</b>		
Cost of properties and selling expenses	291,081	139,891
Professional fees	79,367	73,706
Interest	3,004	4,106
Marketing	96	56
Miscellaneous expense	2,309	2,250
Office	2,161	2,126
Travel, meetings and events	-	1,071
Property holding and maintenance	1,444	1,029
Taxes and insurance	3,879	3,823
	383,341	228,058
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	-	5,000
Change in unrestricted net deficit	4,483	15,078
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Net assets released from restrictions	-	(5,000)
<b>Change in net deficit</b>	4,483	10,078
Net deficit - beginning of year	(189,573)	(199,651)
<b>Net deficit - end of year</b>	\$ (185,090)	\$ (189,573)

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net deficit	\$ 4,483	\$ 10,078
Adjustments to reconcile change in net deficit to net cash flows from operating activities		
Change in assets and liabilities		
Unconditional promises to give	-	5,000
Accounts receivable	(13,852)	(1,409)
Prepaid expenses	183	(26)
Accounts payable and accrued expenses	2,052	(8,016)
Deferred revenue	850	1,455
Net cash flows from operating activities	<u>(6,284)</u>	<u>7,082</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from notes receivable	-	6,150
Purchases of property held for resale	(16,805)	(23,836)
Proceeds from sales of property held for resale	2,542	4,075
Net cash flows from investing activities	<u>(14,263)</u>	<u>(13,611)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	17,065	49,200
Repayment of notes payable	(692)	(20,994)
Net cash flows from financing activities	<u>16,373</u>	<u>28,206</u>
<b>Change in cash</b>	<u>(4,174)</u>	<u>21,677</u>
Cash - beginning of year	<u>38,517</u>	<u>16,840</u>
<b>Cash - end of year</b>	<u>\$ 34,343</u>	<u>\$ 38,517</u>

See accompanying notes.

**MADISON AREA CLT CORPORATION**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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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 reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by MACLT in perpetuity.

**Income Tax Status**

MACLT is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Date of Management's Review**

Management has evaluated subsequent events through June 8, 2016, the date which the consolidated financial statements were available to be issued.

**Estimates**

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**MADISON AREA CLT CORPORATION**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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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.

**Promises to Give**

Unconditional promises to give are recognized as revenues 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.

**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.

**Contributions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

NOTE 2—DESCRIPTION OF LEASING ARRANGEMENTS

MACLT leases its land held in land trust to various individuals to further its mission of providing low cost housing. Ground lease income was \$46,233 and \$45,492 in 2015 and 2014. Future minimum rentals are \$48,180 per year indefinitely.

NOTE 3—RELATED PARTIES

MACLT has an affiliation agreement with Common Wealth Development, Inc. (CWD) to provide MACLT with management and staffing services. These organizations also have common board members. During 2015 and 2014, the total value of services received from CWD totaled \$71,882 and \$67,756. MACLT had payables to CWD at December 31, 2015 and 2014 of \$10,924 and \$7,792.

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE4—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, 2015 and 2014 had the following balances:

	2015	2014
Troy Gardens Housing Land	\$ 748,350	\$ 748,350
5 Camino del Sol	51,682	51,682
6 Camino del Sol	51,682	51,682
9 Camino del Sol	51,682	51,682
10 Camino del Sol	51,682	51,682
13 Camino del Sol	51,682	51,682
14 Camino del Sol	51,682	51,682
18 Camino del Sol	51,682	51,682
22 Camino del Sol	51,682	51,682
26 Camino del Sol	51,682	51,682
803 Troy Drive	51,682	51,682
Anniversary Court	476,076	476,076
Troy Gardens - Conservancy	153,429	153,429
Baldwin Street	39,424	39,424
817 Troy Drive	35,000	35,000
825 Troy Drive	35,000	35,000
833 Troy Drive	38,300	38,300
Emerald Street	35,000	35,000
Lake Point	35,000	35,000
Sequoia Trail	24,333	24,333
Gannon Avenue	22,950	22,950
E. Dayton	45,900	45,900
5307 Hoboken Rd.	24,097	24,097
5311 Hoboken Rd.	24,097	24,097
4261 Beverly Rd.	45,900	45,900
714 N. Fair Oaks	45,900	-
3509 Eliot Ln	45,900	-
	\$ 2,391,476	\$ 2,299,676
Deferred loans		

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE 5—NOTES PAYABLE**

MACLT's obligation under notes payable consists of the following:

	<u>2015</u>	<u>2014</u>
4.95% interest only mortgage secured by real estate that matures in February 2016.	\$ -	\$ 82,803
.32% loan to Common Wealth Development, Inc. secured by real estate that matures in October 2015	<u>-</u>	<u>12,648</u>
Notes payable	<u>\$ -</u>	<u>\$ 95,451</u>

MACLT paid off both mortgages during 2015 when it sold the Beld Street property.

**NOTE 6—FUNCTIONAL CLASSIFICATION OF EXPENSES**

Expenses by function for 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Program services		
Property management	\$ 26,619	\$ 24,427
Project development	333,975	182,229
Management and general	18,735	17,554
Fundraising	<u>4,012</u>	<u>3,848</u>
Total expenses	<u>\$ 383,341</u>	<u>\$ 228,058</u>

**MADISON AREA CLT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE 7—SUPPLEMENTAL CASH FLOW DISCLOSURES**

Supplemental cash flow disclosures for years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Cash paid for interest	\$ 3,004	\$ 4,106
Noncash investing and financing transactions		
Acquisitions of property held for resale and land trust		
Notes payable	193,600	153,050
Deferred loans	91,800	-
Cost of property held for resale	<u>\$ (268,335)</u>	<u>\$ (176,886)</u>
Cash received (paid) from acquisitions	<u>\$ 17,065</u>	<u>\$ (23,836)</u>
Sale of property held for resale		
Cost of property held for resale	\$ 284,801	\$ 139,891
Cost of land trust	6,100	-
Payment on note payable	<u>(288,359)</u>	<u>(135,816)</u>
Cash received from sales	<u>\$ 2,542</u>	<u>\$ 4,075</u>

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE**  
Year ended December 31, 2015

	City of Madison CDBG	Other	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Sales of property	\$ -	\$ 291,950	\$ 291,950
Developer fees	16,200	-	16,200
Contributions	-	26,906	26,906
Rental income	-	52,473	52,473
Miscellaneous income	-	295	295
	<hr/>	<hr/>	<hr/>
Total revenue, gains, and other support	16,200	371,624	387,824
<b>EXPENSES</b>			
Cost of properties sold	-	291,081	291,081
Professional fees	16,200	63,167	79,367
Interest	-	3,004	3,004
Marketing	-	96	96
Miscellaneous expense	-	2,309	2,309
Office	-	2,161	2,161
Property holding and maintenance	-	1,444	1,444
Taxes and insurance	-	3,879	3,879
	<hr/>	<hr/>	<hr/>
Total expenses	16,200	367,141	383,341
Excess revenue (expenses)	<u>\$ -</u>	<u>\$ 4,483</u>	<u>\$ 4,483</u>

**MADISON AREA CLT CORPORATION**  
**SCHEDULE OF CDBG OFFICE FUNDS EXPENDED BY PROGRAM**  
Year Ended December 31, 2015

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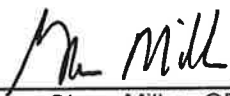
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CDBG OFFICE FUNDS	
CDBG acquisition funds	\$ 91,800
FUNDS EXPENDED	
Property acquisition and construction costs	<u>91,800</u>
Excess	<u><u>\$ -</u></u>

**MADISON AREA CLT CORPORATION**  
**CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended December 31, 2015

- |  |                           |
|--|---------------------------|
| 1. Was a Single Audit required?<br>What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit?  | No<br>N/A                 |
| 2. Type of auditor's report issued?  | Unmodified                |
| 3. Internal control over financial reporting:<br>Were material weakness(s) identified?<br>Were reportable condition(s) identified not considered to be material weaknesses?<br>Was noncompliance material to the financial statements noted? | No<br>None reported<br>No |
| 4. Internal control over major programs:<br>Were material weakness(s) identified?<br>Were reportable condition(s) identified not considered to be material weaknesses?   | N/A<br>N/A                |
| 5. Was the indirect cost allocation plan reasonable and acceptable per OMB A-122, or the Uniform Guidance?   | N/A                       |
| 6. Were the actual costs reasonable and allocated appropriately per OMB A-122, or the Uniform Guidance?  | 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 2 CFR 200.516(a)?   | N/A                       |
| 9. Does the audit include an identification of all federal revenue sources and dollar amounts by program?  | N/A                       |
| 10. Does the audit list any financial statement findings?  | No                        |
| 11. Does the audit list any federal and state award findings and questioned costs?   | N/A                       |
| 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?   | N/A                       |
| 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


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Glenn Miller, CPA  
June 8, 2015