

MADISON AREA CLT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net deficit 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 9-10 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 7, 2017

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

| | 2016 | 2015 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 57,632 | \$ 34,343 |
| Accounts receivable | 4,433 | 15,476 |
| Prepaid expenses | 1,803 | 1,734 |
| Notes receivable | 42,071 | 42,071 |
| Land trust | 2,185,274 | 2,127,896 |
| Total assets | \$ 2,291,213 | \$ 2,221,520 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 20,795 | \$ 12,829 |
| Deferred revenue | 495 | 2,305 |
| Deferred loans | 2,439,616 | 2,391,476 |
| Total liabilities | 2,460,906 | 2,406,610 |
| NET DEFICIT | | |
| Unrestricted net deficit | (169,693) | (185,090) |
| Total liabilities and net deficit | \$ 2,291,213 | \$ 2,221,520 |

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------------|----------------------------|
| UNRESTRICTED NET DEFICIT | | |
| REVENUES, GAINS, AND OTHER SUPPORT | | |
| Sales of property | \$ 149,000 | \$ 291,950 |
| Rental income | 48,828 | 52,473 |
| Contributions | 33,611 | 26,906 |
| Developer fees | 8,495 | 16,200 |
| Miscellaneous income | 93 | 295 |
| | <u>240,027</u> | <u>387,824</u> |
| Total revenues, gains, and other support | | |
| EXPENSES | | |
| Cost of properties and selling expenses | 137,552 | 291,081 |
| Professional fees | 77,018 | 79,367 |
| Interest | - | 3,004 |
| Marketing | - | 96 |
| Miscellaneous expenses | 3,035 | 2,309 |
| Office | 1,541 | 2,161 |
| Travel, meetings, and events | 1,692 | - |
| Property holding and maintenance | - | 1,444 |
| Taxes and insurance | 3,792 | 3,879 |
| | <u>224,630</u> | <u>383,341</u> |
| Total expenses | | |
| Change in net deficit | 15,397 | 4,483 |
| Net deficit - beginning of year | <u>(185,090)</u> | <u>(189,573)</u> |
| Net deficit - end of year | <u><u>\$ (169,693)</u></u> | <u><u>\$ (185,090)</u></u> |

See accompanying notes.

MADISON AREA CLT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

| | 2016 | 2015 |
|--|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net deficit | \$ 15,397 | \$ 4,483 |
| Adjustments to reconcile change in net deficit to net cash flows from operating activities | | |
| Changes in assets and liabilities | | |
| Accounts receivable | 11,043 | (13,852) |
| Prepaid expenses | (69) | 183 |
| Accounts payable and accrued expenses | 7,966 | 2,052 |
| Deferred revenue | (1,810) | 850 |
| Net cash flows from operating activities | 32,527 | (6,284) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property held for resale | (12,570) | (16,805) |
| Proceeds (payments) from sale of property held for resale | (7,948) | 2,542 |
| Net cash flows from investing activities | (20,518) | (14,263) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from notes payable | 11,280 | 17,065 |
| Repayment of notes payable | - | (692) |
| Net cash flows from financing activities | 11,280 | 16,373 |
| Net change in cash | 23,289 | (4,174) |
| Cash - beginning of year | 34,343 | 38,517 |
| Cash - end of year | <u>\$ 57,632</u> | <u>\$ 34,343</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Cash paid for interest | \$ - | \$ 3,004 |
| Noncash investing and financing transactions | | |
| Acquisitions of property held for resale and land trust | | |
| Notes payable | \$ 145,500 | \$ 193,600 |
| Deferred loans | 48,140 | 91,800 |
| Cost of property held for resale | (182,360) | (268,335) |
| Cash received from acquisitions | <u>\$ 11,280</u> | <u>\$ 17,065</u> |
| Sale of property held for resale | | |
| Cost of property held for resale | \$ 137,552 | \$ 284,801 |
| Cost of land trust | - | 6,100 |
| Payment on note payable | (145,500) | (288,359) |
| Cash received (paid) from sales | <u>\$ (7,948)</u> | <u>\$ 2,542</u> |

See accompanying notes.

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

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, temporarily restricted net assets, and permanently restricted net assets.

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.

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.

Income Tax Status

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

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 7, 2017, the date which the consolidated financial statements were available to be issued.

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 for 2016 and 2015 was \$48,828 and \$46,233. Future minimum rentals are \$48,828 per year indefinitely.

NOTE 3—RELATED PARTY TRANSACTIONS

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 2016 and 2015, the value of services received from CWD totaled \$73,409 and \$71,882. MACLT had payables to CWD at December 31, 2016 and 2015 of \$20,795 and \$10,924. In addition, MACLT received a \$11,850 contribution from CWD during 2016.

NOTE 4—FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for 2016 and 2015 are as follows:

| | <u>2016</u> | <u>2015</u> |
|------------------------|-------------------|-------------------|
| Program services | | |
| Property management | \$ 24,247 | \$ 26,619 |
| Project development | 176,134 | 333,975 |
| Management and general | 20,360 | 18,735 |
| Fundraising | <u>3,889</u> | <u>4,012</u> |
| Total expenses | <u>\$ 224,630</u> | <u>\$ 383,341</u> |

MADISON AREA CLT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

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. Deferred loans at December 31, 2016 and 2015 had the following balances:

| | 2016 | 2015 |
|----------------------------|--------------|--------------|
| 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 | 45,900 |
| 3509 Eliot Ln | 45,900 | 45,900 |
| 709 Acewood | 48,140 | - |
| | \$ 2,439,616 | \$ 2,391,476 |
| Deferred loans | | |

MADISON AREA CLT CORPORATION
SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE
Year ended December 31, 2016

| | City of Madison CDBG | Other | Total |
|---|-------------------------|------------------|------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Sales of property | \$ - | \$ 149,000 | \$ 149,000 |
| Rental income | - | 48,828 | 48,828 |
| Contributions | - | 33,611 | 33,611 |
| Developer fees | 8,495 | - | 8,495 |
| Miscellaneous income | - | 93 | 93 |
| | <hr/> | <hr/> | <hr/> |
| Total revenue, gains, and other support | 8,495 | 231,532 | 240,027 |
| EXPENSES | | | |
| Cost of properties and selling expenses | - | 137,552 | 137,552 |
| Professional fees | 8,495 | 68,523 | 77,018 |
| Miscellaneous expenses | - | 3,035 | 3,035 |
| Office | - | 1,541 | 1,541 |
| Travel, meetings, and events | - | 1,692 | 1,692 |
| Taxes and insurance | - | 3,792 | 3,792 |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 8,495 | 216,135 | 224,630 |
| | <hr/> | <hr/> | <hr/> |
| Excess revenue | \$ - | \$ 15,397 | \$ 15,397 |

MADISON AREA CLT CORPORATION
SCHEDULE OF CDBG OFFICE FUNDS EXPENDED BY PROGRAM
Year ended December 31, 2016

| | |
|---|---------------|
| CDBG OFFICE FUNDS | |
| CDBG acquisition funds | \$ 48,140 |
| FUNDS EXPENDED | |
| Property acquisition and construction costs | <u>48,140</u> |
| Excess | <u>\$ -</u> |

MADISON AREA CLT CORPORATION
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2016

| | |
|--|---------------|
| 1. Was a Single Audit required? | No |
| What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit? | N/A |
| 2. Type of auditor's report issued? | Unmodified |
| 3. Internal control over financial reporting: | |
| Were material weakness(s) identified? | No |
| Were reportable condition(s) identified not considered to be material weaknesses? | None reported |
| Was noncompliance material to the financial statements noted? | No |
| 4. Internal control over major programs: | |
| Were material weakness(s) identified? | N/A |
| Were reportable condition(s) identified not considered to be material weaknesses? | 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



Mike Hablewitz, CPA
June 7, 2017