

**Madison Area CLT Corporation**

**Independent Accountant's Review Report  
And  
Consolidated Financial Statements  
December 31, 2022**

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**Metwally CPA PLLC**

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**Independent Accountant's Review Report**

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

I have reviewed the accompanying financial statements of Madison Area CLT Corporation (a Wisconsin nonprofit Organization), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion. I am required to be independent of Madison Area CLT Corporation And to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my reviews.

**Accountant's Conclusion**

Based on my review, I'm not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

*Metwally CPA PLLC*

Metwally CPA PLLC

Bedford, Texas

December 15, 2023

**Madison Area CLT Corporation**  
**Consolidated Statement of Financial Position**  
**December 31, 2022**

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	<b>2022</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 252,855
Accounts receivable	1,899
Prepaid expenses	3,470
Property held for sale	486,509
<b>Total Current Assets</b>	<b>744,733</b>
<b>Non-Current Assets</b>	
Notes receivable	27,750
Land held in trust	2,369,297
<b>Total Non-Current Assets</b>	<b>2,397,047</b>
<b>Total Assets</b>	<b>\$ 3,141,780</b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 12,277
Notes payables	537,723
<b>Total Current Liabilities</b>	<b>550,000</b>
<b>Non-Current Liabilities</b>	
Deferred loans	2,596,919
<b>Total Non-Current Liabilities</b>	<b>2,596,919</b>
<b>Total Liabilities</b>	<b>3,146,919</b>
<b>Net Assets (Deficit)</b>	
Without donor restrictions	(55,152)
With donor restrictions	50,013
<b>Total Net Assets (Deficit)</b>	<b>(5,139)</b>
<b>Total Liabilities and Net Assets (Deficit)</b>	<b>\$ 3,141,780</b>

*The accompanying notes are an integral part of the financial statements.*

**Madison Area CLT Corporation**  
**Consolidated Statement of Activities**  
**Year Ended December 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022</b>
<b>Revenue and Other Support</b>			
Contributions	\$ 16,335	\$ -	\$ 16,335
Grants	41,763	50,013	91,776
Dane County - ARPA	141,946	-	141,946
City of Madison - Affordable Housing Fund	132,675	-	132,675
City of Madison - CDBG	87,677	-	87,677
Rental income	49,514	-	49,514
Miscellaneous income	4,705	-	4,705
Net assets released from donor restrictions	-	-	-
<b>Total Revenues and Other Supports</b>	<b>474,615</b>	<b>50,013</b>	<b>524,628</b>
<b>Functional Expenses</b>			
Housing and stewardship	313,936	-	313,936
<b>Supporting activities:</b>			
Management and general	33,723	-	33,723
Fundraising	5,192	-	5,192
<b>Total Functional Expenses</b>	<b>352,851</b>	<b>-</b>	<b>352,851</b>
<b>Change In Net Assets (Deficit)</b>	<b>121,764</b>	<b>50,013</b>	<b>171,777</b>
Net assets (deficit), beginning of year	(176,916)	-	(176,916)
<b>Net assets (Deficit), End of Year</b>	<b>\$ (55,152)</b>	<b>\$ 50,013</b>	<b>\$ (5,139)</b>

*The accompanying notes are an integral part of the financial statements.*

**Madison Area CLT Corporation**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2022**

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	<b>Housing and Stewardship</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2022</b>
Personnel	\$ 90,401	\$ 13,301	\$ 4,433	\$ 108,135
Office	7,296	1,878	62	9,236
Property holding and maintenance	172,816	-	-	172,816
Professional fees	8,271	10,398	398	19,067
Rent assistance grants	-	-	-	-
Insurance	790	4,175	-	4,965
Travel, meetings and events	3,978	-	157	4,135
Loss on sale properties	29,126	-	-	29,126
Miscellaneous expenses	-	3,971	-	3,971
Marketing	1,258	-	142	1,400
<b>Total Expenses</b>	<b>\$ 313,936</b>	<b>\$ 33,723</b>	<b>\$ 5,192</b>	<b>\$ 352,851</b>

*The accompanying notes are an integral part of the financial statements.*

**Madison Area CLT Corporation**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2022**

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	<b>2022</b>
<b>Operating Activities</b>	
Change in net assets	\$ 171,777
<b>Adjustments to reconcile change in net (deficit) to net cash provided by operating activities:</b>	
Loss on sale of property	24,631
<b>Change in operating activities</b>	
Change in account receivable	7,491
Change in promise to give	12,248
Change in prepaid expenses	(990)
Change in account payable	(22,739)
Change in accrued expenses	(5,552)
Change in refundable advance	(29,446)
Change in notes receivable	5,000
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>162,419</b>
<b>Investing Activities</b>	
Purchase land held in trust	(184,023)
Purchase property held for sale	(81,869)
<b>Net Cash Provided by (Used In) Investing Activities</b>	<b>(265,892)</b>
<b>Financing Activities</b>	
Proceeds from notes payables	160,577
Proceeds from loans	100,603
<b>Net Cash Flows Provided By (Used In) Financing Activities</b>	<b>261,180</b>
<b>Net Change In Cash And Cash Equivalent During The Year</b>	<b>157,707</b>
Cash and cash equivalent - beginning of the year	95,148
<b>Cash And Cash Equivalent - End of The Year</b>	<b>\$ 252,855</b>
<b>Supplemental Cash Flow Disclosures - non-cash items:</b>	
Interest paid	\$ 11,978

*The accompanying notes are an integral part of the financial statements.*

**Madison Area CLT Corporation**  
**December 31, 2022**  
**Notes To Consolidated Financial Statements**

**1. NATURE OF ACTIVITIES AND NOT-FOR-PROFIT STATUS**

Madison Area CLT Corporation (The "Organization") is a Wisconsin not-for-profit entity that was established in 1991, the Organization is a community land trust that 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 housing development project. Troy Gardens Conservancy Parcel, LLC holds 26 acres of land that is leased to Rooted WI, Inc. The Organization's primary sources of revenues are contributions, grants and land leases.

**2. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiaries, Troy Gardens Residential Parcel, LLC and Troy Gardens Conservancy Parcel, LLC. No intra-entity transactions occurred during the year 2022.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of financial statements.

**A. Basis of Accounting and Presentation**

The Organization's financial statements have been prepared using accrual basis accounting in accordance with generally accepted accounting principles (US GAAP), which requires the reporting of financial information regarding its activities and financial position according to separate classes of net assets based on the existence or absence of donor restrictions.

Net assets without donor restrictions - resources management and the governing Board has sole discretion to expend for any purpose towards its mission.

Net assets with donor restrictions - subject to donor-imposed stipulations that restrict the use of resources to specific purposes or future periods.

**B. Cash and Cash Equivalents**

Cash and Cash Equivalents consist of cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes.

**C. Accounts Receivable**

Accounts receivable consist of land leases from homeowners. Accounts receivable are reported at the amount management expects to collect from outstanding balances of renters. As of December 31, 2022, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.



#### **D. 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. At December 31, 2022, all promises to give are receivable in less than one year.

#### **E. 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.

#### **F. Property Held for Sale**

Property held for sale is recorded at the lower of cost or estimated net realizable value and offered for sale. All architectural costs, construction costs, and other development and improvements costs made in preparation for the sale of the property are capitalized. Acquisitions are generally financed by short-term debt from financial institutions and the City of Madison and deferred loan debt from the City of Madison. Property held for sale consists of homes expected to be sold within one year of acquisition. At December 31, 2022, the Organization held two properties that were sold in 2023.

#### **G. Land Held in Trust**

Purchases of land are recorded at cost, or at the assessed value determined by the City Assessor at the time of acquisition or donation. Such donations are reported as support without restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the assets are placed in service, and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

#### **H. Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

#### **I. Grants**

The Organization receives grants from government agencies and others that are conditioned upon the Organization incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by the Organization, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without grantor restrictions.

## **J. Rental Income**

The Organization's rental revenue consists of land leases to homeowners. The Organization recognizes revenue from land lease contracts ratably over the applicable contract period.

## **K. Income Tax Status**

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

## **L. Significant 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.

## **M. Expense Allocation**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, office, professional fees and miscellaneous expense, which are allocated on the basis of estimates of time and effort.

Housing and Stewardship, the Organization provides ongoing stewardship of homes and the land underneath them that are kept permanently affordable under the terms of the lease with the land trust. The Organization also stewards the land under market-rate homes as well as conservation and agricultural land.

As a Residential Land Trust the Organization works with not-for-profit and for-profit housing developers on new construction and/or rehabilitation of housing in Dane County. The affordability subsidy that often accompanies affordable home ownership development is preserved by the community land trust model where the Organization will own title to the land underlying the house and the homeowner will mortgage title to the physical housing structure. The Organization receives government grants which are used to subsidize the cost of homeownership by decreasing the homebuyer's purchase price (acquisition subsidies).

The Organization leases the land back to the homeowner for \$40 to \$75 per month. When the homeowner sells the house, the homeowner receives the invested equity plus a percentage of any increase in property value. The increase in value rolls back into the affordability of the house allowing it to be sold to an income qualified low- to moderate-income household approved by The Organization.

Stewardship services include post-purchase support and education of low-income homeowners, services related to resale of homes in the land trust, enforcement of ground leases, development of policies to support homeowners in the program and maintenance of homes, and distribution of funds to The Organization homeowners from the City of Madison and Dane County. Other activities include homebuyer education and outreach, developing partnership opportunities with housing developers, housing rehabilitation, and general community outreach on the Community Land Trust model.

Management and general—Activities that relate to the overall direction of The Organization and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of The Organization, and perform other administrative functions.

Fundraising—Activities related to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to the Organization.

#### N. Recent Accounting Guidance

The Organization has adopted ASU No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard for the year ended December 31, 2022 did not result in a change to the accounting for the Organization's revenue. Management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

FASB ASU No. 2016-02 – Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Organization has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Organization doesn't have any long-term leases.

#### O. Concentrations of credit risk

The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits of \$250,000. There was an amount of \$6,211 uninsured cash as of December 31, 2022. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

#### 4. LIQUIDITY AND AVAILABILITY

At December 31, 2022 the Organization has the following financial assets available within one year of the date of the consolidated statement of financial position to meet cash needs for general expenditures consisting of cash:

Financial assets:

	<u>2022</u>
Cash	\$ 252,855
Accounts receivable	1,899
<b>Total financial assets</b>	<b>254,754</b>
Less amounts unavailable for general use:	
Net assets subject to donor restrictions	(50,013)
<b>Financial assets available to cover cash needs</b>	<b>\$ 204,741</b>
<b>for general expenditure over the next 12 months</b>	<b>204,741</b>

As part of The Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## 5. DESCRIPTION OF LEASING ARRANGEMENTS

The Organization leases its land held in trust to various individuals and organizations to further its mission of providing low cost housing and access to open space for low-income individuals. Ground lease income for 2022 was \$49,514. Future minimum rentals are \$49,514 per year indefinitely.

The Organization leases office space under a one year lease agreement ended in December 2022. Annual rent is \$7,000. For the year ending December 31, 2022, rent expense was \$7,000.

## 6. ACCOUNTS RECEIVABLE

Accounts receivable consist of land leases from homeowners as of December 31, 2022 as follows:

	<u>2022</u>
Accounts Receivable	\$ 1,899

## 7. NOTES RECEIVABLE

Notes receivable consist of non-interest-bearing notes due from individuals as of December 31, 2022 as follows:

	<u>2022</u>
Notes Receivable	\$ 27,750

## 8. DEFERRED LOANS

The Organization received deferred loans from the City of Madison's Community Development Division. Housing land loans were issued as subsidies by the City of Madison to purchase and construct or rehabilitate homes, to sell the improvements to eligible homebuyers at or below 80% of the County Median Income, while The Organization retains ownership of the land as land held in trust. Repayment is unlikely under the current arrangement of ground leases between The Organization and the homeowner, and Land Use Restriction Agreements held by the City of Madison.

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, 2022 had the following balances:

	<u>2022</u>
Troy Gardens Housing Land	\$ 748,350
Troy Gardens Conservancy	153,429
Other housing land loans	1,695,140
<b>Total deferred loans</b>	<b><u>\$ 2,596,919</u></b>

## 9. NOTES PAYABLE

Notes payable at December 31, 2022 consisted of the following:

	<u>2022</u>
4%, Prime rate plus 1%, note payable in monthly interest payments, the principal is due in two years or upon sale of the financed property; secured by the held for sale property	\$ 200,000
Interest free, forgivable note payable from the City of Madison; secured by the held for sale property	53,823
4%, Prime rate plus 1%, note payable in monthly interest payments, the principal is due in two years or upon sale of the financed property; secured by the held for sale property	192,000
4%, Prime rate plus 1%, note payable in monthly interest payments, the principal is due in two years or upon sale of the financed property; secured by the held for sale property	91,900
<b>Total notes payable</b>	<u><u>\$ 537,723</u></u>

The forgivable note payable principal from the City of Madison is forgiven upon the sale of the acquired property to an income-qualified homebuyer or over fifteen years.

In February 2022, The Organization received an interest free, note forgivable payable of \$46,780 from the City of Madison for improvements on a held for sale property and a deferred loan of \$46,780 for the same acquisition. In October 2022, The Organization received two 2-year, interest-only, Prime rate plus 1%, notes payable of \$192,000 and \$200,000 for the acquisition two separate additional held for sale properties.

## 10. PROPERTY HELD FOR SALE

Property held for sale consists of homes expected to be sold within one year of acquisition. At December 31, 2022 the Organization has properties held for sale for the amount of \$486,509.

## 11. LAND HELD IN TRUST

Purchases of land are recorded at cost, or at the assessed value determined by the City Assessor at the time of acquisition or donation. The Organization retains ownership of the land as land held in trust, as of December 31, 2022 the Organization has land held in trust in the amount of \$2,369,297.

## 12. DESIGNATION AND RESTRICTIONS OF NET ASSETS (DEFICIT)

As of December 31, 2022, net assets (deficit) consisted of the following balances:

	<u>2022</u>
Net assets (deficit) without donor restrictions	\$ (55,152)
Net assets (deficit) with donor restrictions	50,013
<b>Total Net Assets (Deficit)</b>	<b><u>\$ (5,139)</u></b>

## 13. ADVERTISING EXPENSES

Advertising and marketing for the year ended December 31, 2022 was \$1,400.

## 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2023, which is the date the financial statements were available to be issued. The Organization did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.