Madison Area CLT Corporation

Independent Auditor's Report
And
Consolidated Financial Statements
December 31, 2023

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Independent Auditor's Report

To the Board of Directors
Madison Area CLT Corporation

Opinion

We have audited the accompanying consolidated financial statements of Madison Area CLT Corporation (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position Madison Area CLT Corporation as December 31, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Madison Area CLT Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about Madison Area CLT Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Madison Area CLT Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, which raise substantial doubt about Madison Area CLT Corporation's ability to continue as a going concern for a reasonable period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Revenue and Expenses by Funding Source and Program and the Schedule of Real Property Assets are presented for the purpose of 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 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 November 11, 2024 on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Metwally CPA PLLC

Metwally CPA PLLC
Bedford, Texas
November 11, 2024

Madison Area CLT Corporation
Consolidated Statement of Financial Position
December 31, 2023

		2023
ASSETS		
Current Assets		
Cash and cash equivalents	$	381,140
Accounts receivable		6,625
Grants receivable		87,029
Other assets		7,179
Total Current Assets		**481,973**
Non-Current Assets		
Notes receivable		27,750
Operating lease right-of-use assets		10,069
Land held in trust		2,369,297
Total Non-Current Assets		**2,407,116**
Total Assets	**$**	**2,889,089**
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	33,439
Operating lease liabilities, current portion		7,281
Total Current Liabilities		**40,720**
Non-Current Liabilities		
Operating Lease liabilities, net of current portion		3,095
Deferred loans		2,596,919
Total Non-Current Liabilities		**2,600,014**
Total Liabilities		**2,640,734**
Net Assets		
With donor restrictions		145,294
Without donor restrictions		103,061
Total Net Assets		**248,355**
Total Liabilities and Net Assets	**$**	**2,889,089**

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

Madison Area CLT Corporation

Consolidated Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2023
Revenue and Other Support			
Government contracts and grants	$ -	$ 691,004	$ 691,004
Contributions	150,746	144,586	295,332
Rental income	50,817	-	50,817
Other income	154,680	-	154,680
Gain on sale of property	80,577	-	80,577
Net assets released from donor restrictions	740,309	(740,309)	-
Total Revenue and Other Support	**1,177,129**	**95,281**	**1,272,410**
Functional Expenses			
Program - Housing and stewardship	935,812	-	935,812
Supporting activities:			
Management and general	74,124	-	74,124
Fundraising	8,979	-	8,979
Total Functional Expenses	**1,018,916**	**-**	**1,018,916**
Change in Net Assets	**158,213**	**95,281**	**253,494**
Net assets (deficit), beginning of year	(55,152)	50,013	(5,139)
Net Assets, End of Year	**$ 103,061**	**$ 145,294**	**$ 248,355**

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

Madison Area CLT Corporation

Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

	Housing and Stewardship	Management and General	Fundraising	2023
Property holding and maintenance	$ 752,688	$ -	$ -	$ 752,688
Personnel	149,176	21,949	7,315	178,440
Legal and professional	14,010	17,613	674	32,297
Consulting expenses	-	19,601	-	19,601
Insurance	1,435	7,577	-	9,012
Advertising and marketing	7,978	-	901	8,879
Office rent	5,580	1,436	47	7,063
Office expense	4,946	1,273	42	6,261
Staff development	-	2,212	-	2,212
Miscellaneous expenses	-	1,752	-	1,752
Interest - lease	-	711	-	711
Total	**$ 935,812**	**$ 74,124**	**$ 8,979**	**$ 1,018,916**

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

Madison Area CLT Corporation

Consolidated Statement of Cash Flows

Year Ended December 31, 2023

		2023
Operating Activities		
Change in net assets	$	253,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loan forgiveness		(53,823)
Gain on sale of property		(80,577)
Change in assets and liabilities		
Accounts receivable		(4,726)
Grants receivable		(87,029)
Other assets		(2,120)
Accounts payable		21,162
Net Cash Provided by (Used in) Operating Activities		**46,381**
Investing Activities		
Sale of property held for sale		565,804
Net Cash Flows Provided by (Used in) Investing Activities		**565,804**
Financing Activities		
Payment of notes payable		(483,900)
Net Cash Flows Provided by (Used in) Financing Activities		**(483,900)**
Net Change in Cash and Cash Equivalent During The Year		**128,285**
Cash and cash equivalent - beginning of the year		252,855
Cash and Cash Equivalent - End of The Year	**$**	**381,140**
Supplemental Cash Flow Disclosure - non-cash items:		
Interest paid	$	12,406

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

Madison Area CLT Corporation
Notes to Consolidated Financial Statements
December 31, 2023

1. OPERATION 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. PRINCIPLE 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 2023.

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

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. The Organization's cash balance consists of deposit accounts held at an FDIC-insured bank.

C. Accounts Receivable

Accounts receivable consist of land leases from homeowners and services to other not-for-profit organizations. Accounts receivable are reported at the amount management expects to collect from outstanding balances. As of December 31, 2023, 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, 2023, 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, 2023, the Organization didn’t hold any properties for sale. During the year ended December 31, 2023, the Organization sold two properties.

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. Leases

Effective January 1, 2022, the organization adopted, with modified retrospective application, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, “Leases (Topic 842)” (ASC 842). The amended guidance requires lessees, at the commencement date, to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to record a right-of-use (“ROU”) asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. In July 2018, the FASB issued ASU 2018-11, Leases, Targeted Improvements, which gave entities the option of applying the new standard at the adoption date, rather than retrospectively to the earliest period presented in the financial statements. The organization elected the package of practical expedients permitted under the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization also elected the practical expedient to not recognize a lease liability and ROU asset for short-term leases less than 12 months.

The organization chose the option to apply the new standard at the adoption date, and therefore we are not required to restate the financial statements for prior periods, nor is the organization required to provide the disclosures required by the new standard for prior periods. Upon adoption, the Organization recognized an approximate $14,216 ROU asset, and an approximate $14,216 lease liability. The adoption of the new standard did not impact on the Organization’s cash flows or have a material impact on its results of operations. The Organization has expanded their financial statements disclosures to comply with the requirements of the new standard.

I. Income Tax

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

J. Revenue Recognition

During 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606). This standard requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in US GAAP. The standard also requires expanded disclosures related to the nature, amount, and timing of revenue and cash flows from contracts with customers. The Organization adopted the new standard effective for the year ended December 31, 2021, using the modified retrospective method. Based on the Organization's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the consolidated financial statements.
The Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance for exchange transactions. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

<u>Grants</u>
The Organization has contracts and grants from federal and state agencies that are contingent upon meeting donor requirements which include carrying out certain activities and/or incurring qualified expenditures stipulated by the contracts and 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.

<u>Contributions and Donations</u>
Contributions and Donations 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.

<u>Rental Income</u>
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 and when earned at a point of time.

<u>Other Income</u>
The Organization's other revenue consists of easement compensations and other income. The Organization recognizes other revenue from easement compensation based on applicable contract and when earned at a point of time.

<u>Gain on sale of property</u>
The Organization recognizes gain on sale of property at the time of sale.

K. Valuation of In-Kind Donations

Entities receiving contributions are to recognize them at the estimated fair value of the assets received. The estimated fair value of donations is based on the average wholesale value per item of donated product type as determined by an independent Organization or market value.

L. Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates based on assumptions that affect specific reported amounts and disclosures. Actual results could differ from those estimates.

M. Functional Expenses

The consolidated 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 Community 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’s 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 and education regarding 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. Advertising

Advertising costs are charged to operations in the year incurred.

O. Concentrations of Credit Risk

Financial instruments that represent concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, might exceed federally insured limits of $250,000. 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.

P. Financial Statement Presentation

As required by the FASB Accounting Standards Codification™, the Organization classifies its net assets based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified and reported as follows:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for activities and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that is not restricted by donor-imposed stipulations. Contributions are considered without restriction unless specifically restricted by the donor. In addition, net assets without donor restrictions may include funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

Net Assets with Donor Restrictions - includes funds with donor-imposed restrictions which permit the Organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, and contracts, and may include investment income earned on restricted funds. These may also include resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently but permits the Organization to expend part or all the income derived from the donated assets. The entity doesn't have any restricted net assets.

Q. 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, 2023 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 implemented the new guidance as of January 01, 2022, see note 9.

4. LIQUIDITY AND AVAILABILITY

The following financial assets are available over the subsequent fiscal year reduced by amounts not available for general expenditure as of December 31:
Financial assets:

		2023
Cash	$	381,140
Accounts and grants receivable		93,654
Total financial assets		**474,794**
Less amounts unavailable for general use:		
Net assets subject to donor restrictions		(130,294)
for general expenditure over the next 12 months	**$**	**344,500**

Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. On December 31, 2023, the Organization's cash balances exceeded the FDIC insurance limits as follows:

		2023
Accounts		
Checking	$	131,140
Total Uninsured		131,140
Insured Balances		250,000
Total Cash and Cash Equivalents	**$**	**381,140**

5. ACCOUNTS RECEIVABLE

Accounts receivable consist of land leases fees from homeowners and a one-time $4,998 fee for services rendered to another non-profit as of December as of December 31, 2023 as follows:

		2023
Accounts receivable	$	6,625
Total Accounts Receivable	**$**	**6,625**

6. GRANTS RECEIVABLE

Grants receivable as of December 31, 2023 were as follows:

		2023
Grants receivable - grants	$	79,586
Grants receivable – Government grant		7,443
Total Grants Receivable	**$**	**87,029**

7. NOTES RECEIVABLE

Notes receivable consist of non-interest-bearing notes due from individuals as of December 31, 2023 as follows:

		2023
Notes receivable	$	27,750

8. 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, 2023 the Organization has land held in trust in the amount of $2,369,297.

9. LEASES

Madison Area CLT Corporation leases approximately 2,955 square feet of space known as Suite No. 105 which is part of a larger apartment building community known as Pinney Lane Apartments (the "Building"). The lease term is 2 years from May, 2023 to May, 2025.

Right-of-use lease assets and lease liabilities are recognized as of the commencement date based on the present value of the remaining lease payments over the lease term reasonably certain to be exercised. The organization's leases do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense included within cost of sales and selling, general and administrative expense was as follows:

		2023
Operating lease expenses under ASC 842, Leases		
General and administrative	$	4,146

The leases recorded on the financial position consist of the following:

		2023
Assets		
ROU Assets	$	10,069
Liabilities		
Lease liabilities, current portion		7,281
Lease liabilities, net of current portion		3,095
	$	**10,376**

		2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	4,550
ROU assets obtained in exchange for lease liabilities in non-cash transactions:		
Operating lease assets obtained in exchange for operating lease liabilities		4,146
Remaining lease term		1.5

Discount rate (1)	5%

- The discount rate used for existing operating leases upon adoption of Topic 842 was established based on the risk-free rates treasury note 2 years term as of January 1, 2022, as the lease didn't provide an implicit rate, the Organization uses its risk-free rate.

Future lease obligations for lease that have commenced were as follows as of December 31, 2023:

FY 2024	$	7,800
Thereafter		3,250
Total lease payments		**11,050**
Less: Interest		(674)
Present value of lease liabilities	**$**	**10,376**

As of December 31, 2023, the term and discount rate for the Organization's lease were 5% (a year and 5 months).

10. 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, 2023 had the following balances:

		2023
Troy Gardens Housing Land	$	748,350
Troy Gardens Conservancy		153,429
Other housing land loans		1,695,140
Total Deferred Loans	**$**	**2,596,919**

11. 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 as of December 31, 2023 is $50,817. Future minimum rentals are $50,817 per year indefinitely.

12. RELATED PARTY TRANSACTIONS

As is typical of Community Land Trusts, MACLT has residents of homes on which it owns the land on its Board of Directors. Two homeowner board members paid ground lease rent of $900 each to the Organization in 2023, similar to other scattered-site MACLT homeowners, while a third was part of a co-housing condominium in which the condominium association paid the ground lease fee for the entire condominium. One income-qualified board member homeowner had MACLT-coordinated, CDBG-funded maintenance/repair work done on their home in 2023, on the same terms and conditions as other income-qualified MACLT homeowners. There were no other business relationships between these board members and the Organization in 2023.

13. REVENUES RECOGNITION IN ACCORDANCE WITH FASB ASC 606

Disaggregated revenues

The Organization’s revenues under FASB ASC 606 consist primarily of ground lease fees and easement compensation that are usually collected each month and after completion of contract; and therefore are generally collected as earned. The revenue is recognized once the funds are received.

The economic risks of the Organization's revenues are dependent on the strength of the economy in the United States. The fees are initiated by a contract which is considered a distinct performance obligation. The Organization’s sales are spread over numerous customers, reducing the risk of loss.

For the year ended December 31, 2023, the Organization total income from ground lease fees and easement compensation was $50,817 which was recognized at point of sale.

14. DESIGNATION AND RESTRICTIONS OF NET ASSETS

As of December 31, 2023, net assets consisted of the following balances:

	2023
Subject to the Passage of Time	50,000
Subject to Expenditure for Specified Purpose	95,294
Net assets with donor restrictions	$ 145,294
Net assets without donor restrictions	103,061
	$ 248,355

15. ADVERTISING

Advertising and promotion costs for the year ended December 31, 2023 were $8,879. These costs were expensed as incurred.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2024, 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.

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Independent Auditor's Report On Compliance For Each Major State Program And On Internal Control Over Compliance

To the Board of Directors
Madison Area CLT Corporation

Report on Compliance for Each Major State Program
Opinion on Each Major Federal Program

We have audited Madison Area CLT Corporation (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement, 2 CFR 200 Subpart E *("Cost Principles")* and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on Madison Area CLT Corporation major state's program for the year ended December 31, 2023. Madison Area CLT Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Madison Area CLT Corporation complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Madison Area CLT Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state or federal program. Our audit does not provide a legal determination of Madison Area CLT Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Madison Area CLT Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Madison Area CLT Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance. Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Madison Area CLT Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Madison Area CLT Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Madison Area CLT Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Madison Area CLT Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Metwally CPA PLLC

Metwally CPA PLLC
Beford, Texas
November 11, 2024

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Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Consolidated Financial Statements Performed In Accordance With Government Auditing Standards

To the Board of Directors
Madison Area CLT Corporation

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, 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison Area CLT Corporation's internal control over financial reporting (internal control) as a basis for designing 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 the Madison Area CLT Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 preceding paragraph 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 weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

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.

Metwally CPA PLLC

Metwally CPA PLLC
Beford, Texas
November 11, 2024

Madison Area CLT Corporation
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Federal Catalog No.	Federal Grantor	Cash Received	Ending Balance	Total Revenues	Expenditures
	City of Madison - HUD				
14.218	CINH	$ 520,000	$ -	$ 520,000	$ 520,000
14.218	CDBG	$ 171,004	$ -	$ 171,004	$ 179,277

Madison Area CLT Corporation
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Madison Area CLT Corporation under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Guidelines. Because the Schedule presents only a selected portion of the operations of Madison Area CLT Corporation, it is not intended to and doesn't present the financial position, changes in net assets, or cash flows of Madison Area CLT Corporation.

Note B - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Madison Area CLT Corporation did not elect to include the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Madison Area CLT Corporation
Schedule of Revenue and Expenses By Funding Source and Program
Year Ended December 31, 2023

	Program Name:	City of Madison - HUD		
	Funding Source:	**CINH**	**CDBG**	**Total**
TOTAL REVENUE		$ 520,000	$ 171,004	$ 691,004
EXPENSES				
Direct Costs:				
	Maintenance and Repair	511,421	147,624	659,046
General Overhead Costs:				
	Office Expenses	-	5,201	5,201
	Professional Services	2,757	2,397	5,153
	Payroll Expenses	5,758	20,877	26,634
	Insurance	-	2,878	2,878
	General and administrative	65	300	365
TOTAL EXPENSES		$ 520,000	$ 179,277	$ 699,277
SURPLUS (DEFICIT)		-	(8,273)	(8,273)

Madison Area CLT Corporation
Schedule of Real Property Assets
Year Ended December 31, 2023

None.

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

Madison Area CLT Corporation
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I - Summary of Auditor's Result

Financial Statements	**Summary of Auditor's Results**
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?	$100,000
2. Type of auditor’s report issued?	Unmodified
3. Internal control over financial reporting:	
a. Were material weakness(es) identified?	No
b. Were reportable condition(s) identified not considered to be material weaknesses?	No
c. Was noncompliance material to the financial statements noted?	No
4. Internal control over major programs:	
a. Were material weakness(es) identified?	No
b. Were reportable condition(s) identified not considered to be material weaknesses?	No
5. Was the indirect cost allocation plan reasonable and acceptable per 2 CFR 200 Subpart E (“Cost Principles”)?	Yes
6. Were the actual costs reasonable and allocated appropriately per 2 CFR 200 Subpart E (“Cost Principles”)?	Yes
7. Were the costs allocated to the CDBG 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 Subpart F (“Audit Requirements”)?	No

CFDA Number	Name of Federal Program
14.218	United States Department of Housing and Urban Development (HUD) Award amount $520,000 for CINH and $171,004 for CDBG programs.

9. Does the audit include an identification of all federal revenue sources and dollar amounts by program? (Include State of WI pass-through funds.)	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 CDBG Office grants/contracts?	No
14.	Does the audit include the schedule of revenues and expenditures by program and revenue source?	Yes
15.	Does the audit include the schedule of CDBG Office 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

Section II – Consolidated Financial Statement Findings
Year Ended December 31, 2023

None.

Section III - Federal Awards Findings and Questioned Costs
Year Ended December 31, 2023

There are no current year federal award findings and questioned costs.

Section IV - Other Issues
Year Ended December 31, 2023

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?

   No

2. Does the audit report show audit issues (i.e. material non-compliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the United States Department of Housing and Urban Development (HUD)?

   No

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?

   No

Corrective Action Plans
Year Ended December 31, 2023

None.