

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended July 31, 2020

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Independent Auditors' Report

To the Board of Directors and Members
Regency House Condominium Association
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Regency House Condominium Association, which comprise the balance sheet as of July 31, 2020, and the related statements of revenues, expenses, and changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements. These financial statements are the responsibility of the Association's management.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Regency House Condominium Association as of July 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

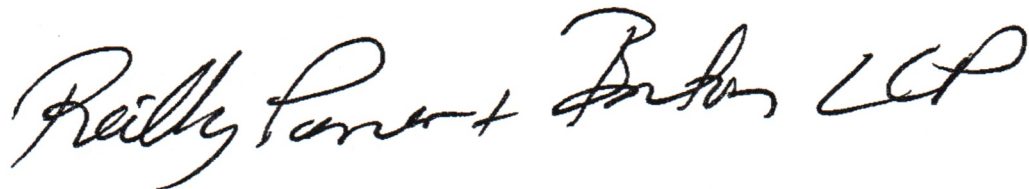
We have previously audited Regency House Condominium Association's July 31, 2019 financial statements, and our report dated December 6, 2019 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information contained on pages 13-14, which is the responsibility of the Association's management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property on page 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



October 6, 2020
Milwaukee, Wisconsin

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Balance Sheet - Assets

July 31, 2020

(With Summarized Comparative Financial Information as of July 31, 2019)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Current Assets:				
Cash and cash equivalents	\$ 804,756	\$ 1,010,837	\$ 1,815,593	\$ 1,768,316
Accounts receivable	6,139	---	6,139	5,207
Special assessment receivable	---	267	267	18,601
Prepaid expenses	25,290	---	25,290	27,804
Deposit on property improvements	42,272	---	42,272	14,546
Due from other funds	---	313,408	313,408	236,227
Total current assets	<u>878,457</u>	<u>1,324,512</u>	<u>2,202,969</u>	<u>2,070,701</u>
Capital Assets:				
Land	---	190,943	190,943	190,943
Land improvements	---	3,950	3,950	3,950
Parking lot	---	101,928	101,928	101,928
Building improvements	---	2,769,636	2,769,636	2,614,190
Garage improvements	---	945,191	945,191	933,748
Office furniture and fixtures	---	15,109	15,109	15,109
Equipment	---	372,332	372,332	340,695
Accumulated depreciation	---	(2,661,832)	(2,661,832)	(2,527,905)
Net capital assets	<u>---</u>	<u>1,737,257</u>	<u>1,737,257</u>	<u>1,672,658</u>
Total Assets	<u>\$ 878,457</u>	<u>\$ 3,061,769</u>	<u>\$ 3,940,226</u>	<u>\$ 3,743,359</u>

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

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Balance Sheet - Liabilities and Members' Equity

July 31, 2020

(With Summarized Comparative Financial Information as of July 31, 2019)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Current Liabilities:				
Accounts payable	\$ 63,969	\$ ---	\$ 63,969	\$ 87,303
Insurance claims payable for water damage	378,215	---	378,215	374,960
Accrued wages and benefits	42,664	---	42,664	21,903
Due to other funds	313,408	---	313,408	236,227
Prepaid charges	---	---	---	13,965
Members' deposits	26,110	---	26,110	25,525
Total current liabilities	<u>824,366</u>	<u>---</u>	<u>824,366</u>	<u>759,883</u>
Members' Equity:				
Unrestricted	54,091	---	54,091	54,091
Restricted				
Property and Equipment	---	1,737,257	1,737,257	1,672,658
Construction fund	---	1,324,512	1,324,512	1,256,727
Reserve for future replacement of major systems	---	3,061,769	3,115,860	2,983,476
Total members' equity	<u>54,091</u>	<u>3,061,769</u>	<u>3,115,860</u>	<u>2,983,476</u>
Total Liabilities and Members' Equity	<u>\$ 878,457</u>	<u>\$ 3,061,769</u>	<u>\$ 3,940,226</u>	<u>\$ 3,743,359</u>

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

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Statement of Revenues, Expenses and Changes In Members' Equity
Year Ended July 31, 2020
(With Summarized Comparative Financial Information as of July 31, 2019)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenues:				
Association dues/maintenance assessments	\$ 1,146,362	\$ 308,242	\$ 1,454,604	1,372,828
Garage rent	198,346	---	198,346	193,503
Laundry income	10,380	---	10,380	7,279
Resident parking	34,428	---	34,428	35,368
Guest parking	7,207	---	7,207	6,180
Investment income	2,445	9,279	11,724	16,132
Miscellaneous revenue	22,710	---	22,710	17,111
Total revenues	<u>1,421,878</u>	<u>317,521</u>	<u>1,739,399</u>	<u>1,648,401</u>
Expenses:				
Operating	1,137,966	---	1,137,966	1,015,201
Administrative	92,208	---	92,208	103,973
Maintenance and repairs	191,704	51,209	242,913	283,618
Depreciation expense	---	133,928	133,928	128,468
Insurance deductible	---	---	---	10,000
Total expenses	<u>1,421,878</u>	<u>185,137</u>	<u>1,607,015</u>	<u>1,541,260</u>
Excess (deficit) of revenues over (under) expenses	---	132,384	132,384	107,141
Special Items:				
Insurance proceeds for water damages	---	---	---	975,849
Member claims for water damages	---	---	---	(975,849)
Total special items	---	---	---	---
Change in Members' Equity	---	132,384	132,384	107,141
Members' Equity - beginning of year	<u>54,091</u>	<u>2,929,385</u>	<u>2,983,476</u>	<u>2,876,335</u>
Members' Equity - end of year	<u>\$ 54,091</u>	<u>\$ 3,061,769</u>	<u>\$ 3,115,860</u>	<u>\$ 2,983,476</u>

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

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Statement of Cash Flows
Year Ended July 31, 2020
(With Summarized Comparative Financial Information as of July 31, 2019)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Cash Flows from Operating Activities:				
Change in members' equity	\$ —	\$ 132,384	\$ 132,384	\$ 107,141
Adjustments to reconcile change in members' equity to net cash provided by operating activities:				
Depreciation	—	133,928	133,928	128,468
Interfund transfers	77,181	(77,181)	—	—
Change in operating assets/liabilities:				
Accounts receivable	(932)	—	(932)	(560)
Special assessments receivable	—	18,334	18,334	37,967
Prepaid expenses	2,514	—	2,514	(4,216)
Deposit on property improvements	(27,726)	—	(27,726)	(14,546)
Accounts payable	(23,334)	—	(23,334)	32,774
Accrued wages and benefits	20,761	—	20,761	3,087
Insurance claims payable	3,255	—	3,255	374,960
Prepaid charges	(13,965)	—	(13,965)	13,965
Members' deposits	585	—	585	4,930
Net cash provided by operating activities	<u>38,339</u>	<u>207,465</u>	<u>245,804</u>	<u>683,970</u>
Cash Flow from Investing Activities:				
Purchase of property and equipment	—	(198,527)	(198,527)	(26,135)
Cash Flow from Financing Activities:				
Payments on notes payable	—	—	—	(69,374)
Net increase in cash and cash equivalents	<u>38,339</u>	<u>8,938</u>	<u>47,277</u>	<u>588,461</u>
Cash and cash equivalents - beginning of year	<u>766,417</u>	<u>1,001,899</u>	<u>1,768,316</u>	<u>1,179,855</u>
Cash and cash equivalents - end of year	<u>\$ 804,756</u>	<u>\$ 1,010,837</u>	<u>\$ 1,815,593</u>	<u>\$ 1,768,316</u>
Supplemental information:				
Interest paid	\$ —	\$ —	\$ —	\$ 352

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

Regency House Condominium Association
Milwaukee, Wisconsin

Notes to Financial Statements
July 31, 2020

1. General

The Regency House Condominium Association ("Association") was incorporated in 1974 in the state of Wisconsin. The Association is responsible for operating and maintaining the common property of Regency House Condominium. Regency House Condominium Association consists of 200 residential units occupying a 27-story high rise at 929 North Astor Street in Milwaukee, Wisconsin.

The purpose of the Association is to execute, on behalf of all unit owners, the rights, powers, and obligations vested in the Association pursuant to the Declaration of Condominium, including electing the Board of Directors, managing and maintaining all of the common areas and other structural elements, collecting the fees and assessments and enforcing lien rights, and general operating and management of the condominium property.

The individual condominium owners each have an undivided interest in the general common areas commensurate with their interest. Regency House Condominium Association has no property transferred to it.

2. Significant Accounting Policies

A. Basis of Presentation

The accounts of the Association are maintained, and the accompanying financial statements have been prepared using the accrual basis of accounting.

B. Fund Accounting

The Association's governing documents present certain guidelines for governing its financial activities. To ensure recognition of restrictions and limitations on the use of financial resources, the Association maintains its accounts using fund accounting. Fund accounting requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. The financial statements are reported in two self-balancing funds. The two funds are as follows:

Operating Fund

This fund is used to account for financial resources used in the general operations of the Association.

Reserve Fund

This fund is used to account for financial resources that are restricted or designated for major repairs and replacements. This fund includes general reserve fund resources.

C. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all petty cash, savings, checking, money market and certificates of deposit to be cash and cash equivalents.

Regency House Condominium Association
Milwaukee, Wisconsin

Notes to Financial Statements
July 31, 2020
(Continued)

2. Significant Accounting Policies (continued)

D. Property and Equipment

In accordance with prevalent industry practice, the original commonly-owned real and personal property acquired by the unit owners from the developer is not recognized in the Association's financial statements because the property is owned by individual Association members. Common property and equipment are stated at cost and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. Major improvements to existing property and equipment are capitalized. Expenditures for maintenance and repairs which do not extend the life of the applicable asset are charged to expense. Depreciation expense for the year ended July 31, 2020 was \$133,928.

E. Revenue Recognition

Most of the revenue in the operating fund is from assessments received from condominium owners. The Association recognizes revenue over time by providing garage rental and resident parking. Revenue is recognized at a point in time by providing laundry services and guest parking.

Association dues/maintenance assessments revenue in the reserve fund is based on transfers of funds from the operating fund. The revenue is recognized at the time of the transfer as the performance obligation is to save funds for future repairs and replacements.

In the following table, assessment revenue is disaggregated by timing of satisfaction or performance obligations for the year ended July 31, 2020:

Satisfied over time:	
Association dues/maintenance assessments (operating fund)	\$ 1,146,362
Garage rent	198,346
Resident parking	34,428
Total satisfied over time	\$ 1,379,136
 Satisfied at a point in time:	
Association dues/maintenance assessments (reserve fund)	\$ 308,242
Laundry	10,380
Guest parking	7,207
Investment income	11,724
Miscellaneous revenue	22,710
Total satisfied at a point in time	\$ 360,263

F. Accounts Receivable

Accounts receivable are stated as the amount the Association expects to collect from outstanding balances that are due from unit owners for normal assessments as well as other charges. The Association has determined that realization losses on the remaining balances outstanding at year-end will be immaterial.

G. Use of Estimates

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

Regency House Condominium Association
Milwaukee, Wisconsin

Notes to Financial Statements
July 31, 2020
(Continued)

2. Significant Accounting Policies (continued)

H. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended July 31, 2019, from which the summarized information was derived.

I. Subsequent Events

Management of the Association has evaluated all subsequent events through October 6, 2020, for possible inclusion as a disclosure in the notes to the financial statements. The Association has identified no subsequent events that require disclosure in the notes to the financial statements.

J. Adoption of New Accounting Standard

In May 2014, the FASB issued guidance Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company adopted ASC 606 with a date of the initial application of August 1, 2019, using the full-retrospective method.

As part of the adoption of ASC 606, the Association elected to use the following transition practical expedients: (1) revenue from contracts which begin and end in the same fiscal year has not been restated; (2) hindsight was used when determining the transaction price for contracts that include variable consideration, rather than estimating variable consideration amounts in the comparative reporting period; (3) the amount of transaction price allocated to unsatisfied performance obligations and when those amounts are expected to be recognized, for the reporting periods prior to the date of initial application of the guidance, have not been disclosed; and (4) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate.

The majority of the Association's revenue is recognized over time and is satisfied within one year. In addition, the Association's contracts do not contain variable consideration or contract modifications. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of ASC 606 did not have an impact on the Company's financial position, results of operations, or cash flows. Based on the Association's evaluation of its agreements with condo owners, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Regency House Condominium Association
Milwaukee, Wisconsin

Notes to Financial Statements
July 31, 2020
(Continued)

3. Maintenance Assessment Revenue

By resolution of the Association, excess revenues over expenses from the operating fund are refunded to Association members at the end of each fiscal year. Concurrent with this resolution, the Board of Directors is authorized to propose a reserve assessment which is equal to the amount of the refund previously approved. This reserve assessment is reported as maintenance assessments in the Reserve Fund. The reserve assessment is based on a vote of the members for the year ended July 31, 2020.

4. Reserve for Future Replacement of Major Systems

The Association's by-laws require that a reserve fund be maintained for contingencies. The Board of Directors has maintained such a fund and has accumulated funds for future major repairs and replacements.

Reserve Advisors, Inc. conducted a study as of September 6, 2017 to estimate the remaining useful lives and future replacement costs of the components of common property.

The Association's Board of Directors, in funding for major repairs and replacements, gives consideration to the study's estimates of future replacement costs and considers amounts previously accumulated in the reserve fund when establishing current funding levels. Accordingly, a funding requirement has been included in the budget. To date, the Association's funding level for future major repairs and replacements has been less than determined in the reserve study.

Funds are being accumulated in the major repair and replacement fund after taking into account, but not necessarily fully funding for, estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material.

5. Income Taxes

The Association received a determination letter from the State of Wisconsin indicating that it is not subject to state income or franchise taxes.

For federal income tax purposes, the Association can elect to be taxed as a corporation or a homeowner's association each year. For the year ended July 31, 2019, the Association filed as a corporation and intends to do so for the year ended July 31, 2020. When the Association files as a corporation, it is required to pay taxes if maintenance assessments allocated to the operating fund exceed expenses. Maintenance assessments have not exceeded operating expenses in fiscal 2020 for financial reporting purposes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association, and has concluded that as of July 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management has determined that it is no longer subject to income tax examinations for years prior to 2016.

Regency House Condominium Association
Milwaukee, Wisconsin

Notes to Financial Statements
July 31, 2020
(Continued)

6. Concentrations of Credit Risk

The Association maintains its cash balances at a number of financial institutions, which, at times, may exceed federally insured limits. The Association has not experienced any losses with these accounts. Management has determined that the Association is not exposed to any significant credit risk on cash.

Deposits in each local and area bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for interest bearing and noninterest bearing accounts.

7. Special Assessments

The Association is required by law to repair common elements of the condominium. The Board identifies certain capital projects which must be undertaken to maintain the quality of the condominium building. The window units were identified as a significant area in need of replacement. The window project cost is estimated to be \$5,000,000.

The project was funded as follows:

Accumulated Reserve Funds	\$ 2,400,000
Special Assessment	<u>2,600,000</u>
Total	\$ <u>5,000,000</u>

The special assessments were due in full by July 31, 2015. Owners were able to finance the entire amount or a portion of the special assessment over a 5-year period through the Association. The Association is charging interest at a rate of 4.25%. As of July 31, 2020, the financed portion of the special assessment that was outstanding was \$267. The balance due at July 31, 2020 will be collected during the year ending July 31, 2021.

8. Worldwide Pandemic

On March 11, 2020, the World Health Organization declared the spread of Coronavirus ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the Association is taking appropriate actions to mitigate any potential negative impact.

OTHER SUPPLEMENTARY INFORMATION

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Schedule of Revenue and Expense - Comparison with Budget
Year Ended July 31, 2020

	<u>Actual</u>				<u>Over (Under) Budget</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Budget</u>	
Revenue:					
Association dues/maintenance assessments	\$ 1,146,362	\$ 308,242	\$ 1,454,604	\$ 1,455,079	\$ (475)
Garage rent	198,346	—	198,346	190,200	8,146
Laundry income	10,380	—	10,380	8,400	1,980
Resident parking	34,428	—	34,428	36,720	(2,292)
Guest parking	7,207	—	7,207	7,800	(593)
Investment income	2,445	9,279	11,724	6,300	5,424
Miscellaneous revenue	22,710	—	22,710	22,069	641
Total revenue	1,421,878	317,521	1,739,399	1,726,568	12,831
Operating expense:					
Wages	534,193	—	534,193	543,545	(9,352)
Payroll taxes	42,099	—	42,099	43,321	(1,222)
401(k)	7,987	—	7,987	10,627	(2,640)
Health insurance	50,275	—	50,275	68,020	(17,745)
Steam	120,928	—	120,928	112,818	8,110
Water and sewer	54,261	—	54,261	56,035	(1,774)
Electric	125,266	—	125,266	139,061	(13,795)
Telephone	6,426	—	6,426	6,000	426
Insurance	105,789	—	105,789	113,480	(7,691)
Uniforms	2,189	—	2,189	2,100	89
Employee benefits	3,534	—	3,534	4,170	(636)
Office contractors	85,019	—	85,019	—	85,019
Total operating expense	1,137,966	—	1,137,966	1,099,177	38,789
Administrative expense:					
Legal fees	7,468	—	7,468	7,200	268
Accounting services	37,105	—	37,105	41,000	(3,895)
Office supplies	2,541	—	2,541	3,600	(1,059)
Paper, printing and publishing	—	—	—	960	(960)
Photocopier maintenance and usage	2,979	—	2,979	1,440	1,539
Professional dues and consultants	9,073	—	9,073	960	8,113
Membership functions	1,812	—	1,812	2,400	(588)
Other membership expenses	265	—	265	1,500	(1,235)
Bank charges	2,676	—	2,676	1,400	1,276
Sales tax	13,405	—	13,405	13,540	(135)
Fees, permits and inspections	1,572	—	1,572	2,000	(428)
Employment related expenses	1,129	—	1,129	1,620	(491)
Postage and mailing supplies	408	—	408	400	8
Computer and internet services	11,636	—	11,636	6,000	5,636
Contributions	124	—	124	—	124
Travel	15	—	15	—	15
Total administrative expense	92,208	—	92,208	84,020	8,188

See Independent Auditors' Report.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Schedule of Revenues and Expenses - Comparison with Budget
Year Ended July 31, 2020
(Continued)

	<u>Actual</u>				<u>Over (under)</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Budget</u>	<u>budget</u>
Maintenance and Repair Expense:					
Electrical repairs, maintenance and supplies	\$ 3,069	\$ ---	\$ 3,069	\$ 2,400	\$ 669
Light bulbs	3,041	---	3,041	2,700	341
Elevator maintenance and interior	24,757	---	24,757	25,780	(1,023)
Asbestos	---	---	---	480	(480)
Equipment repairs and maintenance	11,350	---	11,350	10,800	550
Filter replacements	1,981	---	1,981	4,200	(2,219)
HVAC repairs and maintenance	23,065	---	23,065	25,200	(2,135)
Preventative maintenance contract	14,680	---	14,680	12,900	1,780
Exterminating	2,263	---	2,263	1,580	683
Fire monitor, repairs and inspections	4,524	---	4,524	9,520	(4,996)
Flowers and holiday decorations	1,648	---	1,648	2,160	(512)
Garage repairs and maintenance	4,071	---	4,071	3,300	771
Garage claims and damages	6,582	---	6,582	10,800	(4,218)
Furniture and accessories	1,817	---	1,817	1,500	317
Landscaping service	27,278	---	27,278	24,900	2,378
Plumbing	4,890	---	4,890	12,000	(7,110)
Pool maintenance and inspection	8,123	---	8,123	5,040	3,083
Window cleaning	5,880	---	5,880	5,880	---
Snow removal	2,295	---	2,295	2,520	(225)
Cleaning supplies and carpet cleaning	15,427	---	15,427	14,249	1,178
Paint supplies	371	---	371	1,200	(829)
Refuse removal	7,502	---	7,502	9,000	(1,498)
Security equipment	9,540	---	9,540	1,500	8,040
Hardware and supplies	5,816	---	5,816	9,000	(3,184)
Hardware for resale to owners	1,413	---	1,413	2,700	(1,287)
Miscellaneous administrative expense	321	---	321	1,200	(879)
Total maintenance and repair expenses	191,704	---	191,704	202,509	(10,805)
Other Operating Expense:					
Depreciation expense	---	133,928	133,928	---	133,928
Total other operating expense	---	133,928	133,928	---	133,928
Total Budgeted Expense	1,421,878	133,928	1,555,806	1,385,706	170,100
Revenue over (under) budgeted expense	\$ ---	\$ 183,593	\$ 183,593	\$ 340,862	\$ (157,269)
Total Expense:					
Total budgeted expense (above)	\$ 1,421,878	\$ 133,928	\$ 1,555,806		
Project Maintenance Expense:					
Window system replacement project	---	30,514	30,514		
Other repairs	---	5,060	5,060		
Professional fees	---	15,635	15,635		
Total project maintenance expenses	---	51,209	51,209		
Total Expense	\$ 1,421,878	\$ 185,137	\$ 1,607,015		

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Future Major Repairs and Replacements (Unaudited)
Year Ended July 31, 2020

Reserve Advisors, Inc. conducted a study as of September 6, 2017 to estimate the remaining useful lives and replacement costs of components of common property. The estimates were based on future estimated replacement and/or significant repair costs. In the table below, the "Estimated Remaining Useful Lives" column indicates the projected timeframe during which significant repairs or replacements may be necessary or prudent. Funding requirements consider an annual inflation rate of 1.6% and a 1.2% annual rate of return on invested reserves for future major repairs and replacements.

The following table is based on the September 6, 2017 reserve study and presents significant information about the components of common property, estimated for 30 years.

<u>Components</u>	<u>Estimated Remaining Useful Lives (until repair/replacement)</u>	<u>Estimated Future Repair or Replacement Costs</u>
Balconies	2 to 9	\$ 962,759
Façade	2 to 15	1,246,289
Roof	12	359,320
Windows/Doors	5 to 23	1,411,251
Interior (Floor, Paint, Lights, etc.)	2 to 20	2,099,546
Building Services (HVAC, Electrical, Security, etc.)	1 to 22	8,654,285
Property Site Elements (Concrete, Lights Landscape, Plaza Deck)	2 to 30	1,631,519
Pool Elements	1 to 16	566,375
Garage Elements	7 to 30	1,415,018

See Independent Auditors' Report.



To the Board of Directors and Members
Regency House Condominium Association
Milwaukee, Wisconsin

In planning and performing our audit of the financial statements of Regency House Condominium Association ("Association") as of and for the year ended July 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Regency House Condominium Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Association's internal control to be significant deficiencies:

- Preparation of the Association's financial statements and footnote disclosures in accordance with Generally Accepted Accounting Principles ("GAAP") requires a very high level of technical experience and expertise. The Association's staff does not have the necessary resources to properly apply GAAP in the preparation of these documents. Accordingly, the Association has decided to rely on the technical experience and expertise of its auditors and have requested us to prepare the financial statements and footnote disclosures in accordance with GAAP. This condition, although very common, represents a significant deficiency in internal controls, as defined by current auditing standards.

Reilly, Penner & Benton LLP

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- One or more audit adjustments were required to prevent the Organization's financial statements from being materially misstated. This is indicative that controls may be inadequate to ensure the proper recording of all of the Organization's financial transactions in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). This condition represents a significant deficiency in internal controls. We recommend that management review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process. This would reduce the likelihood of this comment in the future and also increase the accuracy of interim financial statements.

This letter does not affect our report dated October 6, 2020 on the financial statements of Regency House Condominium Association. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

We have audited the financial statements of Regency House Condominium Association for the year ended July 31, 2020, and have issued our report thereon dated October 6, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Regency House Condominium Association are described in Note 2 to the financial statements. A new accounting standard was adopted in the current year: Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* and ASU 2018-08. The application of existing policies was not changed during the year audited. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

- Management's estimated valuation of fixed assets is based on useful lives

We evaluated the key factors and assumptions used to develop the aforementioned estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Audit Findings (continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 6, 2020.

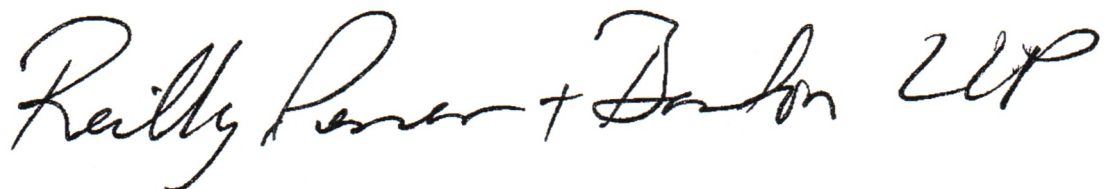
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Regency House Condominium Association and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Kelly Power + Jacob LLP". The signature is written in a cursive, flowing style.

October 6, 2020
Milwaukee, Wisconsin