

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Audited Financial Statements
Year Ended July 31, 2024

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Balance Sheet - Assets	4
Balance Sheet – Liabilities and Fund Balance	5
Statement of Revenues, Expenses and Changes in Fund Balance	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 13
Other Supplementary Information	
Schedule of Revenue and Expenses - Comparison with Budget	14 - 15
Required Supplementary Information	
Future Major Repairs and Replacements (unaudited)	16



Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Regency House Condominium Association ("Association"), which comprise the balance sheet as of July 31, 2024, and the related statement of revenues, expenses and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of July 31, 2024, and the results of its operations and 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements.

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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 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 financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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.

Report on Summarized Comparative Information

We have previously audited Regency House Condominium Association's July 31, 2023 financial statements, and our report dated November 6, 2023 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, 2023, 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 14-15, 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 26, 2024
Milwaukee, Wisconsin

REGENCY HOUSE CONDOMINIUM ASSOCIATION

Milwaukee, Wisconsin

Balance Sheet - Assets

July 31, 2024

(With Summarized Comparative Financial Information as of July 31, 2023)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2024 Total</u>	<u>Restated 2023 Total</u>
Current Assets:				
Cash and cash equivalents	\$ 121,349	\$ 1,276,404	\$ 1,397,753	\$ 1,337,146
Trade receivables, net of allowance for credit losses of \$0 for 2023 and 2024	5,016	---	5,016	8,285
Current portion of special assessment receivable	---	18,071	18,071	19,156
Prepaid expenses	36,807	26,850	63,657	36,807
Due from other funds	45,355	---	45,355	213,871
Total current assets	<u>208,527</u>	<u>1,321,325</u>	<u>1,529,852</u>	<u>1,615,265</u>
Capital Assets:				
Garage equipment	---	11,176	11,176	11,176
Office furniture and fixtures	---	145,275	145,275	145,275
Equipment	---	145,204	145,204	144,288
Accumulated depreciation	---	(142,374)	(142,374)	(102,893)
Net capital assets	<u>---</u>	<u>159,281</u>	<u>159,281</u>	<u>197,846</u>
Other Assets:				
Non-current special assessments receivable	---	45,176	45,176	64,716
Total Assets	<u>\$ 208,527</u>	<u>\$ 1,525,782</u>	<u>\$ 1,734,309</u>	<u>\$ 1,877,827</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 Fund Balance

July 31, 2024

(With Summarized Comparative Financial Information as of July 31, 2023)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2024 Total</u>	<u>Restated 2023 Total</u>
Current Liabilities:				
Accounts payable	\$ 56,619	\$ 373,137	\$ 429,756	\$ 270,184
Accrued vacation and payroll withholdings	32,007	---	32,007	40,399
Due to other funds	---	45,355	45,355	213,871
Current portion of long-term debt	---	20,429	20,429	19,679
Prepaid charges	37,485	---	37,485	36,876
Members' deposits	28,325	---	28,325	28,325
Deferred revenue - special assessment	---	24,004	24,004	20,881
Total current liabilities	<u>154,436</u>	<u>462,925</u>	<u>617,361</u>	<u>630,215</u>
Other Liabilities:				
Long-term debt	---	48,725	48,725	69,143
Total liabilities	<u>154,436</u>	<u>511,650</u>	<u>666,086</u>	<u>699,358</u>
Fund Balance:				
Undesignated	54,091	---	54,091	54,091
Designated:				
Property and equipment	---	159,281	159,281	197,846
Reserve for future replacement of major systems	---	854,851	854,851	926,532
Total fund balance	<u>54,091</u>	<u>1,014,132</u>	<u>1,068,223</u>	<u>1,178,469</u>
Total Liabilities and Fund Balance	<u>\$ 208,527</u>	<u>\$ 1,525,782</u>	<u>\$ 1,734,309</u>	<u>\$ 1,877,827</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 Fund Balance
Year Ended July 31, 2024
(With Summarized Comparative Financial Information as of July 31, 2023)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>2024 Total</u>	<u>Restated 2023 Total</u>
Revenues:				
Association dues/assessments	\$ 1,832,372	\$ 5,975	\$ 1,838,347	2,021,582
Garage fees	198,750	---	198,750	192,851
Laundry income	8,371	---	8,371	6,993
Resident parking	37,655	---	37,655	35,280
Guest parking	4,015	---	4,015	3,380
Investment income	---	23,584	23,584	10,474
Miscellaneous revenue	30,235	---	30,235	42,777
Total revenues	2,111,398	29,559	2,140,957	2,313,337
Expenses:				
Operating	1,268,978	---	1,268,978	1,198,803
Administrative	102,747	150	102,897	116,960
Maintenance and repairs	281,917	---	281,917	359,220
Depreciation expense	---	39,481	39,481	20,718
Insurance deductible	---	---	---	41,488
Capital expenses	---	554,925	554,925	593,151
Interest expense	---	3,005	3,005	3,720
Total expenses	1,653,642	597,561	2,251,203	2,334,060
Excess (deficit) of revenues over (under) expenses	457,756	(568,002)	(110,246)	(20,723)
Special Items:				
Insurance proceeds for water damages	---	---	---	18,853
Transfers:				
Reserve transfer	(457,756)	457,756	---	---
Change in Fund Balance	---	(110,246)	(110,246)	(1,870)
Fund Balance - beginning of year	54,091	1,124,378	1,178,469	1,180,339
Fund Balance - end of year	\$ 54,091	\$ 1,014,132	\$ 1,068,223	\$ 1,178,469

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, 2024

(With Summarized Comparative Financial Information as of July 31, 2023)

	Operating Fund	Reserve Fund	2024 Total	Restated 2023 Total
Cash Flows from Operating Activities:				
Change in fund balance	\$ ---	\$ (110,246)	\$ (110,246)	\$ (1,870)
Adjustments to reconcile change in fund balance to net cash provided (used) by operating activities:				
Depreciation	---	39,481	39,481	20,718
Interfund transfers	(259,226)	259,226	---	---
Change in operating assets/liabilities:				
Trade receivables	3,269	---	3,269	(992)
Special assessments receivable	---	20,625	20,625	21,677
Prepaid expenses	---	(26,850)	(26,850)	(36,807)
Accounts payable	25,754	133,818	159,572	(780,508)
Accrued wages and benefits	(8,392)	---	(8,392)	6,825
Prepaid charges	609	---	609	32,239
Members' deposits	---	---	---	(75)
Deferred revenue - special assessment	---	3,123	3,123	20,881
Net cash provided (used) by operating activities	(237,986)	319,177	81,191	(717,912)
Cash Flow from Investing Activities:				
Purchase of capital assets	---	(916)	(916)	(106,256)
Net cash used by investing activities	---	(916)	(916)	(106,256)
Cash Flow from Financing Activities:				
Payments on long-term debt	---	(19,668)	(19,668)	(18,953)
Net cash used by financing activities	---	(19,668)	(19,668)	(18,953)
Net increase (decrease) in cash and cash equivalents	(237,986)	298,593	60,607	(843,121)
Cash and cash equivalents - beginning of year	359,335	977,811	1,337,146	2,180,267
Cash and cash equivalents - end of year	\$ 121,349	\$ 1,276,404	\$ 1,397,753	\$ 1,337,146
Supplemental information:				
Interest paid	\$ ---	\$ 3,005	\$ 3,005	\$ 3,720

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, 2024

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 designated for major repairs and replacements. This fund includes general reserve fund resources.

C. Cash and Cash Equivalents

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.

D. Capital Assets

Real property, common areas and related improvements to such property are not recorded in the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. Common property and equipment with a cost greater than \$3,500 acquired by the Association are stated at cost and are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation. 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, 2024 was \$39,481.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Notes to Financial Statements (Continued)
July 31, 2024

2. Significant Accounting Policies (Continued)

E. Revenue Recognition

Most of the revenue in the operating fund is from dues and assessments received from condominium owners. The Association recognizes revenue over time with garage fees and resident parking. Revenue is recognized at a point in time by providing laundry services and guest parking. Miscellaneous revenue and insurance proceeds are also satisfied at a point in time.

Association dues 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. Special assessments are recognized as expenses are incurred.

In the following table, revenue is disaggregated by timing of satisfaction or performance obligations for the year ended July 31, 2024:

Satisfied over time:

Association dues/assessments (operating fund)	\$ 1,832,372
Garage fees	198,750
Resident parking	37,655
Total satisfied over time	\$ <u>2,068,777</u>

Satisfied at a point in time:

Association dues/assessments (reserve fund)	\$ 5,975
Laundry	8,371
Guest parking	4,015
Miscellaneous revenue	30,235
Total satisfied at a point in time	\$ <u>48,596</u>

F. Trade Receivables

Trade receivables are recorded at contract value.

The Association estimates expected credit losses on trade receivables based on historical credit loss experience, current economic conditions, and reasonable and supportable forecasts that affect the collectability of the trade receivables. The Association has determined that no allowance for credit loss on trade receivables is necessary for the year ending July 31, 2024, based on management's review of outstanding receivables, historical collection information, and existing economic conditions.

The credit risk profile of trade receivables is categorized based on credit quality indicators. The Association uses this information to determine appropriate allowances for expected credit losses. The determination of expected credit losses involves significant judgments and estimates. Changes in economic conditions or customer payment behavior may impact the allowance for credit losses.

The Association writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. No receivables were written off for the year ending July 31, 2024.

The Organization had trade receivable balances as follows:

	<u>August 1, 2023</u>		<u>July 31, 2024</u>
Trade Receivables	\$ <u>8,285</u>	\$	<u>5,016</u>

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Notes to Financial Statements (Continued)
July 31, 2024

2. Significant Accounting Policies (Continued)

G. Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets) and advances and deposits (contract liabilities) on the Balance Sheet. Contract assets include special assessments that have not yet been received. Contract liabilities include special assessment funds not yet expended. The balances of contract assets and contract liabilities at the beginning and end of the year are as follows:

	Restated August 1, 2023	July 31, 2024
Contract Asset:		
Special assessment receivable	\$ 83,872	\$ ---
Contract Liability:		
Deferred revenue – special assessment	\$ 20,881	\$ 24,004

H. 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.

I. 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, 2023, from which the summarized information was derived.

J. Subsequent Events

Management of the Association has evaluated all subsequent events through October 26, 2024, 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, other than the subsequent event in Note 10.

K. Recently Adopted Accounting Guidance – Allowance for Credit Losses

In June 2016, the FASB issued guidance FASB ASC 326, *Financial Instruments – Credit Losses* (FASB ASC 326) which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model, that is referred to as the current expected credit loss ("CECL") methodology. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. The Organization has implemented the standard using the modified retrospective approach and has elected the practical expedient to not adjust the comparative periods presented in the financial statements. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Association adopted the standard effective August 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in only new or enhanced disclosures.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Notes to Financial Statements (Continued)
July 31, 2024

3. 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. In February 2021, the members of the Association approved an improvement project that includes upgrades and replacement to the common hallways and other common elements. The project is being funded with a \$990,000 special assessment.

The special assessments were due in full by May 1, 2021, or owners were able to finance the entire amount or a portion of the special assessment over a 5-year or 10-year period through the Association. The Association is charging interest at a rate of 3.75%. As of July 31, 2024, the financed portion of the special assessment that was outstanding was \$63,247. The following is a maturity schedule of the special assessment amounts financed for the years ended July 31:

2025	\$	18,071
2026		14,677
2027		5,873
2028		6,097
2029		6,329
2030-2031		<u>12,200</u>
Total	\$	<u>63,247</u>

In July 2022, the Association approved a special assessment totaling \$228,237 for safety and security. Members were given the option to pay a monthly sum or were given a 5% discount if it was paid in one lump sum. The following table details the activity for the safety and security special assessment:

Amount of special assessment proceeds received	\$	216,854
Amount expended for the project		<u>(192,850)</u>
Deferred revenue – special assessment	\$	<u>24,004</u>

4. Long-Term Debt

During the year ended July 31, 2022, the Association financed their special assessment receivable with two notes payable. Improvement loan #1 had an original balance of \$68,388 with a maturity date of January 14, 2027. As of July 31, 2024, improvement loan #1 has an outstanding balance of \$19,227. Improvement loan #2 had an original balance of \$63,730 with a maturity date of January 14, 2032. As of July 31, 2024, improvement loan #2 has an outstanding balance of \$49,927. Both loans accrue interest at 3.75% and are collateralized by the assets of the Association. Total interest expense was \$3,005 for the year ended. Combined future minimum payments for the two notes payable for years ended July 31 are as follows:

2025	\$	20,429
2026		10,784
2027		6,338
2028		6,580
2029		6,831
2030 - 2032		<u>18,192</u>
Total	\$	<u>69,154</u>

5. 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 assessments in the Reserve Fund. The reserve assessment is based on a vote of the members for the year ended July 31, 2024.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Notes to Financial Statements (Continued)
July 31, 2024

6. 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.

7. 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, 2023, the Association filed as a homeowner's association and intends to do so for the year ended July 31, 2024. When the Association files as a homeowner's association, the Association is not taxed on dues, fees or assessments from unit owners. However, the Association is taxed on nonexempt function income, which includes interest income, less a portion of allocated Association expenses.

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, 2024, 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 2020.

8. 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.

9. Special Item - Insurance Claim

During the year ended July 31, 2022 the building sustained losses due to water damage to members' units. The Association received proceeds from the insurance carrier in the year ended July 31, 2023 in the amount of \$18,853.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Notes to Financial Statements (Continued)
July 31, 2024

10. Commitments

The Association signed the following contracts during the year ended July 31, 2024, for work to be completed during the year ended July 31, 2025:

<u>Contract purpose</u>	<u>Original contract amount</u>	<u>Remaining contract amount at 7/31/2024</u>
Replace leaky doors	\$ 175,000	\$ 74,509
Masonry and waterproofing	330,000	40,000
New room for storage lockers	32,500	32,500
Façade and balcony repairs	25,550	12,775

In addition, on September 27, 2024, the Association signed a contract for \$49,110 to replace the steam water heater.

11. Restatement of Prior Year Financial Statements

The July 31, 2023 financial statements have been restated to correct an error in the recording of special assessment revenue and the corresponding deferred revenue. The Association previously did not account for \$113,394 in special assessment expenses that it had incurred in prior years. The restatement had the following effect on the July 31, 2023 financial statements:

	<u>Deferred revenue – special assessment</u>	<u>Association dues/assessments</u>	<u>Reserve for future replacement of major systems</u>
7/31/2023, as previously reported	\$ 134,275	\$ 1,908,188	\$ 813,138
Error correction	(113,394)	113,394	113,394
7/31/2023, as restated	<u>\$ 20,881</u>	<u>\$ 2,021,582</u>	<u>\$ 926,532</u>

OTHER SUPPLEMENTARY INFORMATION

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Schedule of Revenue and Expense - Comparison with Budget
Year Ended July 31, 2024

	<u>Actual</u>				<u>Over (Under)</u>
	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>	<u>Budget</u>	<u>Budget</u>
Revenue:					
Association dues/assessments	\$ 1,832,372	\$ 5,975	\$ 1,838,347	\$ 1,833,000	\$ 5,347
Garage rent	198,750	---	198,750	195,000	3,750
Laundry income	8,371	---	8,371	6,500	1,871
Resident parking	37,655	---	37,655	37,000	655
Guest parking	4,015	---	4,015	8,500	(4,485)
Investment income	---	23,584	23,584	9,000	14,584
Miscellaneous revenue	30,235	---	30,235	48,600	(18,365)
Reserve transfer	---	457,756	457,756	---	457,756
Total revenue	2,111,398	487,315	2,598,713	2,137,600	461,113
Operating expense:					
Wages	628,452	---	628,452	503,800	124,652
Payroll taxes	50,600	---	50,600	43,200	7,400
401(k)	10,303	---	10,303	10,500	(197)
Health insurance	68,772	---	68,772	80,000	(11,228)
Steam	132,513	---	132,513	140,000	(7,487)
Water and sewer	73,829	---	73,829	65,000	8,829
Electric	139,108	---	139,108	120,000	19,108
Telephone	3,891	---	3,891	8,000	(4,109)
Insurance	156,328	---	156,328	160,000	(3,672)
Uniforms	1,126	---	1,126	2,600	(1,474)
Employee benefits	2,026	---	2,026	6,500	(4,474)
Office contractors	2,030	---	2,030	---	2,030
Total operating expense	1,268,978	---	1,268,978	1,139,600	129,378
Administrative expense:					
Legal fees	1,904	---	1,904	10,000	(8,096)
Accounting services	40,755	---	40,755	30,000	10,755
Office supplies	1,596	---	1,596	7,320	(5,724)
Photocopier maintenance and usage	2,726	---	2,726	---	2,726
Professional dues and consultants	2,070	---	2,070	---	2,070
Bank charges	327	150	477	2,000	(1,523)
Sales tax	17,086	---	17,086	12,000	5,086
Fees, permits and inspections	3,837	---	3,837	12,500	(8,663)
Employment related expenses	4,067	---	4,067	5,000	(933)
Postage and mailing supplies	6,339	---	6,339	---	6,339
Computer and internet services	12,425	---	12,425	14,000	(1,575)
Miscellaneous administrative expense	1,753	---	1,753	---	1,753
Travel	7,862	---	7,862	2,500	5,362
Total administrative expense	102,747	150	102,897	95,320	7,577

See Independent Auditors' Report.

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Schedule of Revenues and Expenses - Comparison with Budget
Year Ended July 31, 2024
(Continued)

	<u>Actual</u>				<u>Over (Under)</u>
	<u>Operating</u>	<u>Reserve</u>	<u>Total</u>	<u>Budget</u>	<u>Budget</u>
	<u>Fund</u>	<u>Fund</u>			
Maintenance and Repair Expense:					
Electrical repairs, maintenance and supplies	\$ 2,571	\$ ---	\$ 2,571	\$ 3,500	\$ (929)
Light bulbs	622	---	622	3,500	(2,878)
Elevator maintenance and interior	29,395	---	29,395	28,000	1,395
Equipment repairs and maintenance	5,144	---	5,144	7,500	(2,356)
Filter replacements	3,492	---	3,492	5,000	(1,508)
HVAC repairs and maintenance	48,538	---	48,538	40,000	8,538
Preventative maintenance contract	20,234	---	20,234	15,000	5,234
Exterminating	818	---	818	1,750	(932)
Fire monitor, repairs and inspections	5,710	---	5,710	5,000	710
Flowers and holiday decorations	---	---	---	1,000	(1,000)
Garage repairs and maintenance	9,108	---	9,108	5,000	4,108
Garage claims and damages	3,583	---	3,583	5,000	(1,417)
Furniture and accessories	3,763	---	3,763	10,000	(6,237)
Landscaping service	27,315	---	27,315	38,000	(10,685)
Plumbing	15,962	---	15,962	4,000	11,962
Pool maintenance and inspection	11,909	---	11,909	20,000	(8,091)
Window cleaning	7,178	---	7,178	12,000	(4,822)
Snow removal	1,150	---	1,150	2,500	(1,350)
Cleaning supplies and carpet cleaning	37,734	---	37,734	35,500	2,234
Paint supplies	669	---	669	100	569
Refuse removal	15,931	---	15,931	12,000	3,931
Security equipment	12,211	---	12,211	5,000	7,211
Hardware and supplies	1,724	---	1,724	5,000	(3,276)
Hardware for resale to owners	3,227	---	3,227	2,500	727
Miscellaneous	9,562	---	9,562	---	9,562
Exterior building, roof and grounds repair	4,367	---	4,367	2,000	2,367
Total maintenance and repair expenses	281,917	---	281,917	268,850	13,067
Other Operating Expense:					
Depreciation expense	---	39,481	39,481	---	39,481
Interest expense	---	3,005	3,005	---	3,005
Total other operating expense	---	42,486	42,486	---	42,486
Total Budgeted Expense	1,653,642	42,636	1,696,278	1,503,770	192,508
Revenue over (under) budgeted expense	\$ 457,756	\$ 444,679	\$ 902,435	\$ 633,830	\$ 268,605
Total Expense:					
Total budgeted expense (above)	\$ 1,653,642	\$ 42,636	\$ 1,696,278		
Capital Expense:					
Miscellaneous projects	---	175,627	175,627		
Façade repair	---	296,388	296,388		
Plumbing	---	82,910	82,910		
Total capital expenses	---	554,925	554,925		
Reserve Transfer:					
Reserve transfer	457,756	---	457,756		
Total Expense	\$ 2,111,398	\$ 597,561	\$ 2,708,959		

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

REGENCY HOUSE CONDOMINIUM ASSOCIATION
Milwaukee, Wisconsin

Future Major Repairs and Replacements (Unaudited)
Year Ended July 31, 2024

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.

Components	Estimated Remaining Useful Lives (until repair/replacement)	Estimated Future Repair or Replacement Costs
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.