

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018

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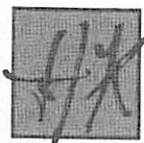
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HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

Independent Auditors' Report

To the Board of Directors
Cherokee Garden Condominium Homes, Inc.
Madison, Wisconsin

Report On The Financial Statements

We have audited the accompanying financial statements of Cherokee Garden Condominium Homes, Inc., which comprise the balance sheets as of June 30, 2018 and 2017 and the related statements of revenues and expenses, changes in members' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 on the previous page present fairly, in all material respects, the financial position of Cherokee Garden Condominium Homes, Inc. as of June 30, 2018 and 2017 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Dubuque, Iowa
November 9, 2018

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

BALANCE SHEETS

	June 30,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 481,522	\$ 553,335
Restricted cash and cash equivalents	759,368	586,437
Accounts receivable	23,327	11,121
Property and equipment	1,055,897	932,065
Other assets	12,950	9,314
	\$ 2,333,064	\$ 2,092,272
Liabilities And Members' Equity		
Liabilities		
Accounts payable	\$ 120,228	\$ 112,074
Accrued expenses	56,629	61,170
Total Liabilities	176,857	173,244
Members' Equity		
Undesignated	1,396,839	1,332,591
Designated	759,368	586,437
Total Members' Equity	2,156,207	1,919,028
	\$ 2,333,064	\$ 2,092,272

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN MEMBERS' EQUITY

	For The Years Ended June 30,	
	2018	2017
Revenue		
Member assessments	\$ 1,931,836	\$ 1,904,042
Contracted services	71,976	73,804
Other income	16,227	7,777
	<u>2,020,039</u>	<u>1,985,623</u>
Operating Expenses	<u>1,782,860</u>	<u>1,761,405</u>
Excess Of Revenue Over Expenses	237,179	224,218
Members' Equity – Beginning Of Year	<u>1,919,028</u>	<u>1,694,810</u>
Members' Equity – End Of Year	<u>\$ 2,156,207</u>	<u>\$ 1,919,028</u>

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Change in members' equity	\$ 237,179	\$ 224,218
Adjustments to reconcile changes in members' equity to net cash provided by operating activities:		
Depreciation and amortization	92,863	95,597
Changes in assets and liabilities:		
Accounts receivable	(12,206)	(5,298)
Other assets	(3,636)	2,468
Accounts payable	8,154	10,064
Accrued expenses	(4,541)	15,588
Net Cash Provided By Operating Activities	317,813	342,637
Cash Flows From Investing Activities		
Change in restricted cash and equivalents	(172,931)	(34,053)
Purchases of property and equipment	(216,695)	(217,262)
Net Cash Used In Investing Activities	(389,626)	(251,315)
Change In Cash And Cash Equivalents	(71,813)	91,322
Cash And Cash Equivalents – Beginning Of Year	553,335	462,013
Cash And Cash Equivalents – End Of Year	\$ 481,522	\$ 553,335

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature Of Company And Significant Accounting Policies

Cherokee Garden Condominium Homes, Inc. (the "Association") is an association of 570 condominium unit owners. The Association was formed under Chapter 703 of the State of Wisconsin statutes (condominium ownership act). The Association collects assessments from its members for the purpose of operating, maintaining, improving, reconstructing and administering the condominiums and related common property. The condominiums and common property are located in Madison, Wisconsin.

Under condominium ownership, each unit owner possesses title to their unit and is entitled to exclusive use of it. In addition, each unit owner has an undivided interest (a percentage) as set forth in the master declaration statement in the common elements of the condominium. The financial statements do not include the cost of the individual units and the common elements of the condominium. Real estate taxes and mortgages applicable to the individual units are independently billed to and paid by each unit owner. These financial statements do not reflect such expenditures.

A summary of the Association's significant accounting policies follows:

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of reporting cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less at acquisition and certificates of deposit as cash and cash equivalents in the accompanying balance sheets. The Association places its cash with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limits.

Restricted Cash And Cash Equivalents

The Association has classified as restricted certain cash and cash equivalents that are not available for use in its operations.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

Notes To Financial Statements (Continued)

Accounts Receivable

Maintenance fees receivable are shown net of an allowance for doubtful accounts of \$10,611 and \$6,620 for the years ended June 30, 2018 and 2017, respectively. The receivables are due from members of the Association and are deemed collectible. The Association's policy is to retain legal counsel and place liens on the properties of members of the Association whose fees are past due. The maintenance fees receivable balance is reviewed at year-end for any uncollectible balances. When balances are deemed uncollectible, an allowance for doubtful accounts is recorded.

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Major expenditures for improvements and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation or amortization are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated or amortized using the straight-line method over the assets' estimated useful lives.

Unearned Revenue

The Association has recognized a liability to members of the Association for maintenance fees paid in advance. At June 30, 2018 and 2017, unearned revenue of \$19,742 and \$26,529, respectively, was included in accrued expenses.

Members' Equity

The Association's equity is classified as follows:

Undesignated: Assets, revenues, expenses, gains and losses that are not designated by the board.

Board Designated: Assets designated by the board for a specific project or investment; all revenues, expenses, gains and losses related to such designated net assets. The Association's governing documents require funds to be accumulated for future major repairs and replacements. Assessments are determined by the Board of Directors upon approval of the annual budget, which includes amounts needed to meet the normal operating costs of the Association and amounts to be set aside for estimated future major repairs and replacements. Designations for future repairs and replacements totaled \$759,368 and \$586,437 at June 30, 2018 and 2017, respectively, are not available for operating purposes without express consent from the board of directors.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

Notes To Financial Statements (Continued)

The Association's general manager completed a study for the long-range planning committee in June 2018 to estimate the remaining useful lives and replacement costs of common property components. The Association is partially funding for such future major repairs and replacements over the estimated useful lives of the components based on the study's estimate of current replacement costs, considering amounts previously accumulated. The timing and amount of actual expenditures may vary from the estimates and variations may be material. Therefore, amounts accumulated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Any of these steps, or a combination of these steps, may be required to meet the Association's future major repairs and replacements needs.

Revenue Recognition

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and maintenance of the common areas as determined annually by the board of directors. Any excess assessments at year-end are retained by the Association for use in future years.

Contracted Services

The Association has entered into a maintenance agreement with Cherokee Townhouse Condominium Homes, Inc. ("CTCHI"), an unrelated party, whereby the Association agrees to provide routine maintenance services and special services for CTCHI. Under the agreement, the Association will provide not less than 1,550 hours of routine maintenance services for the common areas of CTCHI.

Income Taxes

The Association is exempt from federal income tax on all income other than unrelated business income under Section 528 of the Internal Revenue Code and comparable state law. Therefore, no provision for income taxes has been included in the Association's financial statements.

Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending June 30, 2020. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

Notes To Financial Statements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of revenue and expenses. This standard will be effective for the fiscal year ending June 30, 2020. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

Management has evaluated subsequent events through November 9, 2018, the date the financial statements were available to be issued.

2. Property And Equipment

Property and equipment consists of:

	2018	2017
Land improvements	\$ 1,000,395	\$ 1,000,395
Buildings	557,186	411,889
Furnishings and equipment	646,403	575,005
	2,203,984	1,987,289
Less: Accumulated depreciation and amortization	1,148,087	1,055,224
	\$ 1,055,897	\$ 932,065

3. Lease Commitments

The Association leases storage space from an unrelated third-party expiring in May 2020, requiring monthly payments ranging from \$2,000 to \$2,250. Total rent paid for the years ended June 30, 2018 and 2017 was \$25,895 and \$24,840, respectively.

Future minimum lease payments for the years ended June 30 are as follows:

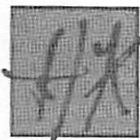
Year	Amount
2019	\$ 26,610
2020	24,750
	\$ 51,360

CHEROKEE GARDEN CONDOMINIUM HOMES, INC.

Notes To Financial Statements *(Continued)*

4. Retirement Plans

The Association offers its employees a discretionary savings investment match plan for employees ("SIMPLE") individual retirement account ("IRA") plan. The plan is available to all employees who have received at least \$5,000 in compensation, as defined by the plan, during any of the two prior years and are reasonably expected to receive at least \$5,000 in compensation during the current year. The Association has elected to match employee contributions up to 3% of compensation as defined by the plan. The Association contributed \$11,786 and \$10,861 to the plan for the years ended June 30, 2018 and 2017, respectively.



HONKAMP KRUEGER & CO, P.C.

CPAs & Business Consultants

Independent Auditors' Report On Supplementary Information

To the Board of Directors
Cherokee Garden Condominium Homes, Inc.
Madison, Wisconsin

We have audited the financial statements of Cherokee Garden Condominium Homes, Inc. as of and for the year ended June 30, 2018 and 2017 and our report thereon dated November 9, 2018, which contained an unmodified opinion on those financial statements, appears on pages one and two. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

HONKAMP KRUEGER & CO., P.C.

Honkamp Krueger & Co., P.C.

Dubuque, Iowa
November 9, 2018

CHEROKEE GARDEN CONDOMINIUM HOMES, INC

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

Component / Activity	Estimated Remaining Useful Lives (Years)	June 30, 2018	
		Estimated Total Major Repair And Replacement Costs	Expected 2019 Total Major Repair And Replacement Costs
Water heating systems	30	\$ 55,038	\$ —
Siding and brick tuckpointing	25 – 30	400,000	20,000
Insulation	30	109,811	—
Retaining walls	20	942,886	38,800
Boilers	30	235,877	53,577
Pools	30	99,400	—
Roads and sidewalks	20	289,395	21,000
Awnings	7 – 15	54,340	—
Pond pumps	6 – 15	37,360	1,500
Pond liner	30	227,000	—
Buildings – siding / decks / entrances	35	657,500	67,500
Doors	20	204,600	4,500
Water softeners	27	61,300	—
Gutters and downspouts	30	153,293	11,673
Maintenance equipment	7 – 10	446,800	35,800
Club house	28	11,950	—
Fire alarm upgrades	30	430,500	14,500
Porches and railings	30	238,002	40,002
		\$ 4,655,052	\$ 308,852