



February 18, 2019

Natalie Edrman
Allied Drive Redevelopment, LLC
c/o CDA of the City of Madison
Madison Municipal Building, Room 161
215 Martin Luther King Jr Blvd
Madison, WI 53703

Helen Bradbury
Stone House Development, Inc.
1010 E. Washington Ave., Suite 101
Madison, WI 53703

This letter includes a summary of our comments and suggestions with respect to financial, administrative and other matters that came to our attention during the course of our audit engagement. These matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of improving accounting controls and other financial practices and procedures. This letter also includes a brief summary of our responsibilities regarding considerations of fraud and internal control in the performance of our audit engagement. In addition, this letter summarizes certain matters required to be communicated to you under professional standards in your oversight responsibilities for the company's financial reporting process.

Recommendations and suggestions

Cash in Excess of FDIC Limits

During the course of our audit, we noted that the cash balances held at Johnson Bank in the project's name exceeded the current FDIC limit of \$250,000. We recommend that you frequently monitor the bank's rating to assess its condition and consider ensuring that the company's deposits in financial institutions are under the FDIC limit at all times.

New Accounting Standards

We would like to draw your attention to three of the more impactful new accounting standards that may affect your organization in the next few years. We encourage you to become familiar with these new standards and to consult with SVA on any questions you have regarding their impact or implementation.

Presentation of restricted cash in the statement of cash flows

In November 2016, the FASB issued a new accounting standard update with respect to the classification and presentation of the changes in restricted cash in the statement of cash flows which will be effective for fiscal years beginning after December 15, 2018. The new standard requires that amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning of the period and end of period amounts shown on the statement of cash flows; clarifies that transfers between cash and cash equivalents and amounts described as restricted cash are not reported as cash flow activities in the statement of cash flows; and requires certain disclosures. This new standard does not define restricted cash.

Lease Accounting

In 2016, the FASB issued a new accounting standard titled "*Leases*" which will be effective for fiscal years beginning after December 15, 2019. This new standard will impact entities that hold equipment and real estate leases, particularly those classified as operating leases under current standards. As a result, entities that have operating leases with a term greater than one year will need to record lease-related assets and liabilities on the statement of financial position. Under current standards, operating leases are only reflected as rent expense in the income statement and in disclosures to the financial statements.

Required communications

Professional standards require that we provide you with certain information related to our audit. This required communication is attached to this letter as Exhibit A.

Consideration of internal control and fraud

Fraud Considerations

As described in our engagement letter, we planned and performed our audit to obtain reasonable assurance about whether the financial statements were free of material misstatements, whether from errors, fraudulent reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the company or to acts by management or employees acting on behalf of the company. An audit is not designed to provide absolute assurance, and because we do not perform a detailed testing of all transactions, there is a risk that material misstatements may exist and not be detected by us. An audit is also not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

Internal Control Considerations

As described in our engagement letter, our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or identify deficiencies in internal control, that is, significant deficiencies in the design or operation of internal control. However, we would communicate to you internal control matters that are required to be communicated under professional standards. Our findings are presented in the internal control communication attached to this letter as Exhibit B.

Conclusion

We would like to thank you and your employees for the assistance provided to us in the performance of our engagement. We hope we have provided you with valuable information during the course of our engagement. We have already discussed many of these recommendations and suggestions with various company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any other additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the information and use of management, the members, and others within the company, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Lynn C. Heslinga, CPA
Senior Manager
SVA Certified Public Accountants, S.C.
P: 608-826-2384
heslingal@sva.com

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Exhibit A: Required Communications

We have audited the financial statements of Allied Drive Redevelopment, LLC for the year ended December 31, 2018, and have issued our report thereon dated February 18, 2019. 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 November 6, 2018. 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 Allied Drive Redevelopment, LLC are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the company 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 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 are 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 statements was:

Management's estimate of the useful lives of depreciable assets and the related depreciation methods, as described in Note A, are based on historical factors and industry practice. We evaluated the key factors and assumptions used to develop the estimated useful lives and related depreciation methods in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the Land Use Restriction Agreement in the notes to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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 misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated February 18, 2019. Copies of these letters are included as Exhibit C.

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 company'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 company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles; and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Exhibit B: Internal Control Communication

In planning and performing our audit of the financial statements of Allied Drive Redevelopment, LLC as of and for the year ended December 31, 2018 in accordance with auditing standards generally accepted in the United States of America, we considered the company's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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 company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the company's internal control to be material weaknesses:

Segregation of Duties

The basic premise of segregation of duties over the financial records is that no one person should have access to both the physical assets and the related accounting records or to all phases of a transaction.

There is a lack of segregation of duties over cash receipts. The Accounting Assistant opens the mail and collects the tenant receipts at the office. The Accounting Assistant enters and posts the receipts into the accounting software and prepares the deposit slips. These duties need to be segregated.

There is also a lack of segregation of duties over cash disbursements. The Controller has full access to the accounting software and is able to prepare, print and sign checks with either the President's signature stamp or the Vice President's signature stamp. These two signature stamps are kept in non-secured locations. The above mentioned signature stamps should be kept in a secured location in order to prevent unauthorized use.

The Controller prepares all bank reconciliations. Currently, no one reviews the reconciliations after the Controller has prepared them. There should be a person designated to review the bank reconciliations after being prepared by the Controller or another person should prepare the bank reconciliations and the Controller can review them.

This communication is intended solely for the information and use of management, the members, and others within the company, and is not intended to be, and should not be, used by anyone other than these specified parties.

Exhibit C

Signed Management Representation Letters

SVA Certified Public Accountants, S.C.
P.O. Box 44966
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Allied Drive Redevelopment, LLC which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 6, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. The measurement process used in determining accounting estimates is appropriate and consistent.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
10. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit or similar arrangements have been properly disclosed.
12. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets, and intangibles have been properly disclosed.
13. All liabilities which are subordinated to any other actual or possible liabilities of Allied Drive Redevelopment, LLC have been properly disclosed.
14. All leases and material amounts of rental obligations under long-term leases have been properly disclosed.
15. Allied Drive Redevelopment, LLC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
16. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

Information Provided

17. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Among other things, relevant information may include minutes of the meetings of the members, or summaries of actions of recent meetings for which minutes have not yet been prepared as well as communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 - b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 18. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 19. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 20. We have no knowledge of any fraud or suspected fraud that affects Allied Drive Redevelopment, LLC and involves:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
- 21. We have no knowledge of any allegations of fraud or suspected fraud affecting Allied Drive Redevelopment, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.
- 22. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 23. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 24. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 25. Except as made known to you and disclosed in the notes to the financial statements, the entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26. Allied Drive Redevelopment, LLC does not have any Variable Interest Entities as of December 31, 2018 and 2017 that will require disclosure or consolidation as a result of adopting the provisions of U.S. GAAP.
- 27. We acknowledge our responsibility for presenting the supplementary information required by the investor member in accordance with U.S. GAAP, and we believe the supplementary information required by the investor member, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information required by the investor member have not changed from those used in the prior period, and we have disclosed to you any

significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

28. In regard to your services to prepare the financial statements and related notes as well as tax return preparation and depreciation schedule maintenance services performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
29. We have managed this entity in compliance with:
 - a. Section 42 requirements.
 - b. Land Use Restriction Agreement.
 - c. Mortgage and other long-term debt arrangements.
30. We are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.
31. As managing member of Allied Drive Redevelopment, LLC, I hereby certify that for the period from January 1, 2018 through the date of this letter except as disclosed to you, there have been no:
 - a. Amendments to the operating agreement.
 - b. Sales or purchases of membership interests.
 - c. Acquisitions of other properties.
 - d. Changes in managing member.
 - e. New employment and other contracts with the members.
 - f. Company guarantees of the obligations of others.
 - g. The pledging of Allied Drive Redevelopment, LLC's assets and/or revenue as collateral for the obligations of others.

- h. Authorization for the members to borrow funds for Allied Drive Redevelopment, LLC, to enter into restrictive covenants on behalf of Allied Drive Redevelopment, LLC, and to pledge Allied Drive Redevelopment, LLC's assets and/or revenue as collateral for the loans.
- i. Distributions to the members.
- j. Amendments to or new management contracts.
- k. Refinancing of long-term debt.
- l. Matters that would have a significant effect on the financial statements for the years ended December 31, 2018 and 2017.

The above representations related to your audits are made to you as of 2/18/ 2019, the date of your audit report.

Sincerely,

Allied Drive Redevelopment, LLC



Natalie Erdman, Executive Director
Community Development Authority of the City of Madison, Managing Member

R-AFPRE (GAAP)

SVA Certified Public Accountants, S.C.
P.O. Box 44966
Madison, WI 53744-4966

Dear Sir or Madam:

This representation letter is provided in connection with your audits of the financial statements of Allied Drive Redevelopment, LLC which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

Financial Statements

1. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. The measurement process used in determining accounting estimates is appropriate and consistent.
5. As management agent, all related party relationships and transactions of which we are aware have been *appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.*
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

7. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
9. Receivables recorded in the financial statements represent valid claims against tenants and other parties for rent or other charges arising on or before the balance sheet dates.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. Among other things, relevant information may include communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects Allied Drive Redevelopment, LLC and involves:
 - a. Management
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting Allied Drive Redevelopment, LLC's financial statements communicated by employees, former employees, analysts, regulators, or others.

15. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
18. We acknowledge our responsibility for presenting the supplementary information required by the investor member in accordance with U.S. GAAP, and we believe the supplementary information required by the investor member, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information required by investor member have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
19. In regard to your services to prepare the financial statements and related notes as well as depreciation schedule maintenance services performed by you, we have:
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
20. We have managed this entity in compliance with:
 - a. Section 42 requirements.
 - b. Land Use Restriction Agreement.
 - c. Mortgage and other long-term debt arrangements.
21. As management agent, we are responsible for compliance with Internal Revenue Code (IRC) Section 42 requirements. We acknowledge that we have not requested that you perform audit procedures or give an opinion on our tenant files or compliance with IRC Section 42 rules and regulations.

SVA Certified Public Accountants, S.C.
Page 4

The above representations related to your audits are made to you as of 11/1 2019, the date of your audit report.

Sincerely,

Stone House Development, Inc., Management Agent for
Allied Drive Redevelopment, LLC


Helen Bradbury
President of Management Agent
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