

## Approval of the FY 2021 Draft Audit Resolution Worksheet

Date: November 17, 2021

### **Suggested Motion:**

“I move to approve the Draft Audit for the year ended May 31, 2021 as submitted by Goldklang Croup CPAs P.C.”

2<sup>nd</sup>:

**Summary:** The revised Draft Audit is attached.

### **Vote:**

	In Favor	Opposed	Abstained	Absent
Scott Buchanan				
James Konkel				
Dave Bush				
Jeff Lisanick				
Robin Woods				
Peggy Clancy				
Claire Eberwein				
Peter Ferrell				
Hector Mares				

# Goldklang Group<sup>®</sup> CPAs PC

## Principals

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA  
Jeremy W. Powell, CPA  
Renee L. Watson, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

## Associate Principals

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

## Manager

Andrew T. Plaughter, CPA

September 29, 2021

Board of Directors  
Parkfairfax Condominium Unit Owners Association

Dear Board Members:

Enclosed, please find the draft audit for Parkfairfax Condominium Unit Owners Association for the years ended May 31, 2021 and 2020.

- Please sign and date the enclosed representation letter. The letter should be signed by either the President or Treasurer of the Association and the management agent representative. **This letter needs to be returned to our office before the audit can be finalized.**
- Please send the Association's most recent financial statements (which should include the balance sheet and income statement) to our office with the signed representation letter. We are requesting this information to comply with auditing standards.
- **Please return the signed representation letter and most recent financial statements to our office within 60 days from the date of this letter.** This information can be mailed, faxed or emailed to our office. Our email address is [RLs@GGroupCPAs.com](mailto:RLs@GGroupCPAs.com).

If we do not receive the above information within 60 days from the date of this letter, we may need to perform additional audit procedures to satisfy ourselves that no material events have occurred from the date that we completed our audit fieldwork through the date that we receive the signed representation letter. These additional procedures would include examining the bank statements, minutes, financial statements, general ledger and would also include inquiries of management and the board of directors. **We will bill the Association for these additional audit procedures at our hourly rates.**

Please do not hesitate to contact us if there are any questions regarding the draft audit.

Sincerely,

***Goldklang Group CPAs, P.C.***

GOLDKLANG GROUP CPAs, P.C.

Exclusively serving Homeowners, Condominiums and Cooperative Associations in MD, DC and VA since 1974.

phone 703 391 9003    fax 703 391 9004    [www.GGroupCPAs.com](http://www.GGroupCPAs.com)

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**INFORMATION INCLUDED WITH THE AUDIT**

**COVER LETTER** - The audit report is issued in draft for the Association to review. The cover letter explains what information must be returned to our office before the audit report (and other letters) can be finalized.

**INDEPENDENT AUDITOR'S REPORT** - This is our report on the Association's financial statements. Once finalized, the Association may distribute this document, along with the audited financial statements, notes to financial statements and any supplementary information in its entirety to members, potential members, etc.

**MANAGEMENT LETTER** - The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER AU-C §260** - Under the Clarified Statements of Auditing Standards AU-C §260 we are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C §265** - Under the Clarified Statements of Auditing Standards AU-C §265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. Use of this letter is restricted to the board of directors and management. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

**ADJUSTED TRIAL BALANCE AND ADJUSTING JOURNAL ENTRIES** - These are the proposed audit adjustments for the period under audit.

**REPRESENTATION LETTER (Separate Attachment)** - The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed by the President or Treasurer of the Association and the management agent representative. The letter needs to be returned to our office before the audit can be finalized.

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**Independent Auditor's Report**

To the Board of Directors of  
Parkfairfax Condominium Unit Owners Association

**Report on the Financial Statements**

We have audited the accompanying financial statements of Parkfairfax Condominium Unit Owners Association, which comprise the balance sheets as of May 31, 2021 and 2020, and the related statements of income, 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.

**Auditor's 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 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 auditor's 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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkfairfax Condominium Unit Owners Association as of May 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter Regarding Revenue Recognition**

As discussed in Note 7, the Association rescinded the ASC 606 Revenue Recognition policy adopted for the 2019 financial statements. The Association has taken the position that ASC 606 does not apply to the Association, and the historically established industry practice for recognizing revenues from regular assessments remains as Generally Accepted Accounting Principles (GAAP). The implementation of this standard would not have had a material effect on the financial statements as of May 31, 2021 and 2020. Our opinion on the financial statements is not modified with respect to this matter.

## **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements 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, which 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Actual Income and Expenses Compared to Budgeted Income and Expenses on pages 17-19 is presented for purposes 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. Except for that portion marked "Unaudited", on which we expressed no opinion, 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Reston, Virginia

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
BALANCE SHEETS  
MAY 31, 2021 AND 2020

	<u>2021</u>	<u>(Restated)</u> <u>2020</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,554,831	\$ 1,473,317
Interest-Bearing Deposits	3,065,000	3,365,000
Assessments Receivable - Net	49,660	70,624
Accounts Receivable - Laundry	5,000	5,000
Accrued Interest	9,513	12,131
Prepaid Expenses	231,709	166,249
Deferred Taxes	13,986	18,522
Property and Equipment - Net	<u>187,012</u>	<u>143,337</u>
Total Assets	<u>\$ 6,116,711</u>	<u>\$ 5,254,180</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable and Accrued Expenses	\$ 392,355	\$ 373,514
Accrued Payroll and Related Costs	181,798	228,919
Deposits - Security	7,829	7,829
Income Taxes Payable	105,124	41,440
Deferred Insurance Proceeds	140,601	-
Prepaid Assessments	115,619	124,678
Deferred Cable Commission	51,800	68,600
Deferred Laundry Allowance	<u>9,732</u>	<u>13,732</u>
Total Liabilities	<u>\$ 1,004,858</u>	<u>\$ 858,712</u>
Restricted Purpose Reserve - Awards	\$ 1,833	\$ 1,833
Replacement Reserves	3,238,207	3,007,703
Property Fund	187,012	143,337
Unappropriated Members' Equity	<u>1,684,801</u>	<u>1,242,595</u>
Total Members' Equity	<u>\$ 5,111,853</u>	<u>\$ 4,395,468</u>
Total Liabilities and Members' Equity	<u>\$ 6,116,711</u>	<u>\$ 5,254,180</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>INCOME:</u>		
Assessments	\$ 9,075,039	\$ 9,052,222
Interest	68,544	84,867
Easements	183,249	-
Unit Service Program - Repairs	16,887	30,180
Late and Legal Charges	33,120	44,508
Laundry Commission	28,705	34,607
Cable Commission	16,800	16,800
Resale Certificates	73,402	45,225
Advertising	15,150	15,407
Rental	144,077	156,328
Storage Rental	42,823	23,693
Gain on Sale of Unit	-	58,015
Bad Debt Recovery	9,488	-
Other	52,791	40,909
Total Income	<u>\$ 9,760,075</u>	<u>\$ 9,602,761</u>

EXPENSES:

Payroll and Related:		
Payroll - Management	\$ 253,440	\$ 249,008
Payroll - Administrative	406,769	367,839
Payroll - Maintenance	1,098,641	1,248,911
Payroll Taxes	133,772	144,792
Retirement and Group Insurance	346,144	494,358
Payroll Processing	7,420	6,356
Workers Compensation Insurance	112,049	69,916
Total Payroll and Related	<u>\$ 2,358,235</u>	<u>\$ 2,581,180</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020  
(CONTINUED)

Administrative:

Audit and Tax Preparation	\$ 15,758	\$ 15,500
Advertising/Employment	13,953	9,475
Engineering	6,213	12,525
Legal	47,132	78,159
Collections	6,026	2,719
Management	75,833	75,843
Office Supplies	11,140	30,188
Office/Machine Equipment	54,783	39,203
Office Systems Services	42,734	52,048
Telephone	38,994	40,394
Other	38,619	28,976
Board/Annual Meeting	15,598	10,691
Communications/Newsletter	37,093	27,998
Committees and Activities	4,832	4,783
Dues/Subscriptions	310	-
Association Owned Units	92,279	96,557
Postage	5,706	19,610
Printing	26,119	10,643
Total Administrative	<u>\$ 533,122</u>	<u>\$ 555,312</u>

Utilities:

Electricity	\$ 100,543	\$ 102,442
Gas	239,718	236,310
Water and Sewer	1,178,246	1,232,093
Total Utilities	<u>\$ 1,518,507</u>	<u>\$ 1,570,845</u>

Repairs:

General	\$ 128,193	\$ 128,026
Maintenance Supplies	70,372	35,279
Building Repairs and Insurance Losses	10,000	6,779

See Accompanying Notes to Financial Statements



PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020  
(CONTINUED)

Repairs: (Continued)

Painting	233,457	257,113
Plumbing	46,811	45,260
Swimming Pool	23,345	18,410
Total Repairs	<u>\$ 512,178</u>	<u>\$ 490,867</u>

Services and Supplies:

Exterminating	\$ 46,696	\$ 49,006
Pool Contracts	11,460	108,443
Trash Removal Contract	386,770	356,666
Uniforms	33,084	33,788
Unit Service Program Supplies	9,765	5,090
Landscaping Contract	280,968	268,387
Landscaping Other	376,139	279,232
Snow Removal Contract	2,242	-
Vehicles	58,021	59,649
Cleaning	29,028	26,250
Exercise Facility	324	324
Total Services and Supplies	<u>\$ 1,234,497</u>	<u>\$ 1,186,835</u>

Other:

Taxes - Income	\$ 77,641	\$ 37,875
Taxes - Real Estate/Personal Property	41,404	30,870
Insurance - Building Liability	345,065	354,078
Permits/Licenses	1,344	2,231
Deferred Taxes	4,536	4,536
Bad Debt	-	57,959
Total Other	<u>\$ 469,990</u>	<u>\$ 487,549</u>

Total Expenses	<u>\$ 6,626,529</u>	<u>\$ 6,872,588</u>
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Net Income before Contribution

to Reserves	\$ 3,133,546	\$ 2,730,173
Contribution to Reserves	<u>(2,691,340)</u>	<u>(2,689,360)</u>
Net Income	<u>\$ 442,206</u>	<u>\$ 40,813</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	Restricted Purpose Reserve - Awards	Replacement Reserves	Property Fund	Unappropriated Members' Equity	Total Members' Equity
Balance as of May 31, 2019	\$ 1,833	\$ 3,254,811	\$ 375,567	\$ 991,058	\$ 4,623,269
Additions:					
Contribution to Reserves		2,689,360			2,689,360
Net Income				40,813	40,813
Inter-Equity Transfer - Sale of Unit			(210,724)	210,724	
Deductions:					
Depreciation			(21,506)		(21,506)
Building Improvements		(1,586,791)			(1,586,791)
Common Area Refurbishment		(10,481)			(10,481)
Concrete		(161,139)			(161,139)
Façade		(56,725)			(56,725)
Landscape Improvements		(256,903)			(256,903)
Lighting		(51,591)			(51,591)
Mechanical Equipment		(506,238)			(506,238)
Pumps		(845)			(845)
Reserve Study		(4,175)			(4,175)
Roof Improvements		(266,172)			(266,172)
Unit Appliances		(7,670)			(7,670)
Water Heaters		(27,738)			(27,738)
Balance as of May 31, 2020 (As Restated)	\$ 1,833	\$ 3,007,703	\$ 143,337	\$ 1,242,595	\$ 4,395,468
Additions:					
Contribution to Reserves		2,691,340			2,691,340
Net Income				442,206	442,206
Deductions:					
Depreciation			(13,595)		(13,595)
Building Improvements		(1,196,926)			(1,196,926)
Common Area Refurbishment		(17,450)			(17,450)
Concrete		(137,640)			(137,640)
Façade		(110,380)			(110,380)
Landscape Improvements		(208,000)			(208,000)
Lighting		(12,234)			(12,234)
Mechanical Equipment		(409,625)			(409,625)
Pool		(3,048)			(3,048)
Pumps		(2,209)			(2,209)
Roof Improvements		(286,294)			(286,294)
Tennis Courts		(13,500)			(13,500)
Unit Appliances		(6,260)			(6,260)
Vehicles		(57,270)	57,270		-
Balance as of May 31, 2021	\$ 1,833	\$ 3,238,207	\$ 187,012	\$ 1,684,801	\$ 5,111,853

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 442,206	\$ 40,813
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	(9,488)	57,959
Deferred Tax Expense (Benefit)	4,536	4,536
Deferred Cable Commission	(16,800)	(16,800)
Deferred Laundry Allowance	(4,000)	(4,000)
(Gain) Loss on Sale of Property	-	(58,015)
Decrease (Increase) in:		
Assessments Receivable	30,452	(64,292)
Accounts Receivable - Laundry	-	2,000
Accrued Interest	2,618	3,185
Prepaid Expenses	(65,460)	46,206
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	18,628	101,366
Accrued Payroll and Related Costs	(47,121)	56,490
Income Taxes Payable	63,684	29,329
Deferred Insurance Proceeds	140,601	-
Prepaid Assessments	(9,059)	(126,775)
Net Cash Flows from Operating Activities	<u>\$ 550,797</u>	<u>\$ 72,002</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 2,691,340	\$ 2,689,360
Disbursed for Reserve Expenditures	(2,403,353)	(3,069,930)
Received from Interest-Bearing Deposits	1,535,000	1,580,000
Disbursed for Interest-Bearing Deposits	(1,235,000)	(595,000)
Received from Sale of Property	-	268,739
Disbursed for Purchase of Fixed Assets	(57,270)	-
Net Cash Flows from Investing Activities	<u>\$ 530,717</u>	<u>\$ 873,169</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MAY 31, 2021 AND 2020  
(CONTINUED)

	<u>2021</u>	<u>2020</u>
Net Change in Cash and Cash Equivalents	\$ 1,081,514	\$ 945,171
Cash and Cash Equivalents at Beginning of Year	<u>1,473,317</u>	<u>528,146</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,554,831</u>	<u>\$ 1,473,317</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid for Income Taxes	<u>\$ 12,823</u>	<u>\$ 8,871</u>
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Draft 2

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an Association organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the condominium. The Association is located in Alexandria, Virginia, and consists of 1,684 units. The Association's Board of Directors administers the condominium operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements, because those properties are owned by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, the exterior structures, mechanical equipment, and recreational facilities.

D) Depreciation - The Association owns furniture, equipment, vehicles, and condominium units that are carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets and is reflected in the property fund.

E) Estimates - The preparation of financial statements, in conformity, with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

F) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid interest-bearing deposits and investments with an original maturity date of three months or less to be cash equivalents.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020  
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G) Reclassification - Certain amounts have been reclassified in the accompanying fiscal year 2020 financial statements to conform to the fiscal year 2021 presentation.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by DMA Reserves, Inc. during 2020. Information from this study is included in the Supplementary Information of Future Major Repairs and Replacements.

The study recommends a contribution to reserves of \$2,971,496 for fiscal year 2021. For fiscal year 2021, the Association budgeted to contribute \$2,691,340 to reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of May 31, 2021 and 2020, the Association had designated \$3,238,207 and \$3,007,703, respectively, for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For fiscal years 2021 and 2020, the income taxes were calculated using the corporate method.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020  
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of May 31, 2021, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
BankUnited	\$1,416,380	\$ -
Union Bank	46,398	
Petty Cash	500	
Wells Fargo		
(Various Institutions)	1,091,553	3,065,000
Totals	<u>\$2,554,831</u>	<u>\$ 3,065,000</u>

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. Amounts in excess of the insured limits were \$2,402,753 and \$876,988 as of May 31, 2021 and 2020, respectively.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2021</u>	<u>2020</u>
Assessments Receivable	\$ 177,778	\$ 208,981
Less: Allowance for Doubtful Assessments	(128,118)	(138,357)
Assessments Receivable - Net	<u>\$ 49,660</u>	<u>\$ 70,624</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020  
(CONTINUED)

NOTE 7 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION:

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, which addressed industry-specific revenue standards for Common Interest Realty Associations (CIRAs). The core principle of ASC 606 is that an entity should recognize revenue to depict the transfer of 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 and services. Under the new revenue standard which is effective beginning in financial statements for the year ended December 31, 2019, FASB has established that an entity shall account for a contract with a customer that is within the scope of Topic 606 only when all of the five specified criteria are met.

The Association rescinded the ASC 606 Revenue Recognition policy adopted for the 2019 financial statements. The Association has taken the position that ASC 606 does not apply to the Association, and the historically established industry practice for recognizing revenues from regular assessments remains as Generally Accepted Accounting Principles (GAAP).

NOTE 8 - PROPERTY AND EQUIPMENT - NET:

Property and equipment are carried at cost. Depreciation is computed over the estimated useful lives of 5 to 30 years using the straight-line method. Current year depreciation was \$13,595.

	<u>2021</u>	<u>2020</u>
Association Owned Units	\$ 602,000	\$ 602,000
Vehicles	531,761	515,816
Less: Accumulated Depreciation	<u>(946,749)</u>	<u>(974,479)</u>
Total Property and Equipment - Net	<u>\$ 187,012</u>	<u>\$ 143,337</u>



PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020  
(CONTINUED)

NOTE 8 - PROPERTY AND EQUIPMENT - NET: (CONTINUED)

The Association owns seventeen condominium units. Thirteen of these units were deeded to the Association by the declarant and are recognized on the Association's financial statements at the fair market value at the time they were contributed to the Association. Four additional units were purchased by the Association and are recognized at their acquisition price. The declarant contributed twenty percent of the purchase price of four of these units to the Association. The remaining eighty percent was financed through mortgage notes secured by the condominium units. The mortgages have since been paid off. During fiscal year 2012, the Association purchased 3278 Martha Custis Drive. This unit was sold during fiscal year 2020 for \$285,000. The Association incurred \$16,261 in selling expenses and \$62,547 in depreciation. The Association recognized a net gain of \$58,015 on the sale. The Association uses these seventeen units as emergency maintenance personnel housing, rental units, exercise rooms and administrative offices.

Village I	
1401 Martha Custis Drive	\$ 29,000
1403 Martha Custis Drive	30,000
1405 Martha Custis Drive	44,000
1407 Martha Custis Drive	45,000
1409 Martha Custis Drive	30,000
1411 Martha Custis Drive	29,000
Village II	
3544 Martha Custis Drive	27,000
3546 Martha Custis Drive	26,000
3552 Martha Custis Drive	26,000
3554 Martha Custis Drive	27,000
Village III	
3356 Gunston Road	30,000
3358 Gunston Road	33,000
3360 Gunston Road	52,000
3362 Gunston Road	50,000
3364 Gunston Road	33,000
Village IV	
3344 Valley Drive	45,500
3354 Valley Drive	45,500
	<u>\$ 602,000</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020  
(CONTINUED)

NOTE 9 - PROPERTY FUND:

The Association has established a property fund to track activity related to the capitalization and depreciation of property and equipment. As of May 31, 2021 and 2020, the balance in the property fund was \$187,012 and \$143,337, respectively.

NOTE 10 - PRIOR PERIOD ADJUSTMENT:

As mentioned in Note 8, the Association sold a unit during fiscal year 2020. The equity accounts did not properly reflect this sale. The correction had the following effect on the fiscal year 2020 financial statements.

	As Originally Stated	Adjustment	As Restated
Property Fund	\$ 354,061	\$(210,724)	\$ 143,337
Unappropriated Members' Equity	1,031,871	210,724	1,242,595

NOTE 11 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [date will be inserted upon finalization], the date the financial statements were available to be issued.

Subsequent to year-end, the Association incurred replacement reserve expenditures of approximately \$366,000.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
MAY 31, 2021  
(UNAUDITED)

The Association had a replacement reserve study conducted by DMA Reserves, Inc. in 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	2020 Estimated Remaining Useful Life (Years)	2020 Estimated Replacement Cost
Roof Replacement	2-29	\$ 27,802,054
Common Area Windows	10-23	178,024
Asbestos Abatement-Crawlspaces	1-3	519,419
Rhino Guards	1-3	246,735
Laundry Room Doors	7-10	151,201
Cupola Replacement	6-29	49,029
Electric Meter Bases	5-24	1,213,351
Domestic Water Pipe Replacement	1-5	1,337,166
Sanitary Sewer Lateral Lines	0-89	56,042,841
Water Heater Replacement	3-20	911,952
Heater Room Doors	3	485,602
Yearly Allowances - all buildings	0-4	88,515,089
Pool A, B & C	0-39	4,363,813
Recreation Areas	5-20	67,966
Tennis & Basketball Courts	1-23	1,140,119
Volleyball Courts	3-5	31,470
Tot Lots	0-18	959,160
Fitness Center	1-35	335,992
Social Room	1-35	248,732
Roads & Flatwork	1-23	2,356,050
Maintenance Yard/Buildings	3-50	503,337
Signage	3-10	77,041
Fencing	3-33	272,419
Stair/Site/Wall Railings	3-23	134,922
Retaining Walls	3	867,630
Vehicles	0-15	1,046,064
Administrative Offices	3-35	437,575

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2021

	<u>Actual</u>	<u>"Unaudited" Budget</u>	<u>Variance</u>
<u>INCOME:</u>			
Assessments	\$ 9,075,039	\$ 9,076,414	\$ (1,375)
Interest	68,544	70,000	(1,456)
Easements	183,249	-	(183,249)
Unit Service Program - Repairs	16,887	40,000	(23,113)
Late and Legal Charges	33,120	20,000	13,120
Laundry Commission	28,705	40,000	(11,295)
Cable Commission	16,800	16,800	-
Resale Certificates	73,402	48,000	25,402
Advertising	15,150	28,000	(12,850)
Rental	144,077	140,316	3,761
Storage Rental	42,823	50,000	(7,177)
Bad Debt Recovery	9,488	-	9,488
Other	52,791	21,000	31,791
Total Income	<u>\$ 9,760,075</u>	<u>\$ 9,550,530</u>	<u>\$ 209,545</u>

EXPENSES:

Payroll and Related:

Payroll - Management	\$ 253,440	\$ 323,128	\$ (69,688)
Payroll - Administrative	406,769	271,374	135,395
Payroll - Maintenance	1,098,641	1,125,608	(26,967)
Payroll - Bonuses	-	1,000	(1,000)
Payroll Taxes	133,772	177,686	(43,914)
Retirement and Group Insurance	346,144	510,245	(164,101)
Payroll Processing	7,420	-	7,420
Workers Compensation Insurance	112,049	82,585	29,464
Total Payroll and Related	<u>\$ 2,358,235</u>	<u>\$ 2,491,626</u>	<u>\$ (133,391)</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2021  
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Administrative:			
Audit and Tax Preparation	\$ 15,758	\$ 15,500	\$ 258
Advertising/Employment	13,953	8,400	5,553
Engineering	6,213	10,000	(3,787)
Legal	47,132	50,000	(2,868)
Collections	6,026	15,000	(8,974)
Management	75,833	75,833	-
Office Supplies	11,140	15,500	(4,360)
Office/Machine Equipment	54,783	45,200	9,583
Office Systems Services	42,734	40,000	2,734
Telephone	38,994	36,000	2,994
Other	38,619	30,300	8,319
Board/Annual Meeting	15,598	14,000	1,598
Communications/Newsletter	37,093	32,000	5,093
Committees and Activities	4,832	11,700	(6,868)
Dues/Subscriptions	310	300	10
Association Owned Units	92,279	91,888	391
Postage	5,706	10,000	(4,294)
Printing	26,119	11,200	14,919
Total Administrative	<u>\$ 533,122</u>	<u>\$ 512,821</u>	<u>\$ 20,301</u>
Utilities:			
Electricity	\$ 100,543	\$ 100,000	\$ 543
Gas	239,718	220,000	19,718
Water and Sewer	1,178,246	1,289,555	(111,309)
Total Utilities	<u>\$ 1,518,507</u>	<u>\$ 1,609,555</u>	<u>\$ (91,048)</u>
Repairs:			
General	\$ 128,193	\$ 205,500	\$ (77,307)
Maintenance Supplies	70,372	35,000	35,372
Building Repairs and Insurance Losses	10,000	50,000	(40,000)

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION  
SCHEDULE OF ACTUAL INCOME AND EXPENSES  
COMPARED TO BUDGETED INCOME AND EXPENSES  
FOR THE YEAR ENDED MAY 31, 2021  
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Painting	233,457	259,000	(25,543)
Plumbing	46,811	30,000	16,811
Swimming Pool	23,345	15,000	8,345
Total Repairs	<u>\$ 512,178</u>	<u>\$ 594,500</u>	<u>\$ (82,322)</u>
Services and Supplies:			
Exterminating	\$ 46,696	\$ 83,000	\$ (36,304)
Pool Contracts	11,460	113,400	(101,940)
Trash Removal Contract	386,770	352,975	33,795
Uniforms	33,084	20,000	13,084
Unit Service Program Supplies	9,765	10,000	(235)
Landscaping Contract	280,968	283,009	(2,041)
Landscaping Other	376,139	300,000	76,139
Snow Removal Contract	2,242	20,000	(17,758)
Vehicles	58,021	47,000	11,021
Cleaning	29,028	20,000	9,028
Exercise Facility	324	3,000	(2,676)
Total Services and Supplies	<u>\$ 1,234,497</u>	<u>\$ 1,252,384</u>	<u>\$ (17,887)</u>
Other:			
Taxes - Income	\$ 77,641	\$ 15,000	\$ 62,641
Taxes - Real Estate	41,404	24,020	17,384
Insurance - Building Liability	345,065	354,784	(9,719)
Permits/Licenses	1,344	3,000	(1,656)
Deferred Taxes	4,536	-	4,536
Bad Debt	-	1,500	(1,500)
Total Other	<u>\$ 469,990</u>	<u>\$ 398,304</u>	<u>\$ 71,686</u>
Total Expenses	<u>\$ 6,626,529</u>	<u>\$ 6,859,190</u>	<u>\$ (232,661)</u>
Net Income before Contribution to Reserves	\$ 3,133,546	\$ 2,691,340	\$ 442,206
Contribution to Reserves	<u>(2,691,340)</u>	<u>(2,691,340)</u>	<u>-</u>
Net Income	<u>\$ 442,206</u>	<u>\$ -</u>	<u>\$ 442,206</u>

**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA  
Jeremy W. Powell, CPA  
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**Associate Principals**

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

**Manager**

Andrew T. Plaugher, CPA

***Management Letter***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

September 29, 2021

Board of Directors and Management  
Parkfairfax Condominium Unit Owners Association

Dear Board Members and Management:

In planning and performing our audit of the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2021 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

**Association Specific Comments****Financial Analysis**

Associations budget their income evenly over a twelve-month period. When assessments become delinquent, cash flow problems develop and the Association may have problems paying its monthly expenses. Assessments receivable at a level of 3% or less of annual assessments indicates good collection procedures and has a positive impact on cash flow, whereas a balance of more than 3% of annual assessments suggests the Association may have future cash flow problems. As of May 31, 2021, the Association's assessments receivable balance of \$177,778 (before deducting the allowance for doubtful assessments of \$128,118) was equal to 2% of annual assessments. We recommend the Association continue to aggressively pursue all delinquent accounts.

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As of May 31, 2021, the Association had a surplus of \$1,684,801 in unappropriated members' equity (excess operating funds). This represents 19% of annual assessments. We commend the Association on maintaining excess operating funds at a level of 10% to 20% of annual assessments. This procedure will decrease the chance that potential operating deficits will consume funds designated for replacement reserves.

The designated replacement reserves of \$3,238,207 as of May 31, 2021 were funded by cash and interest-bearing deposits.

#### Income Taxes

For fiscal year 2021, we recommend the Association file using the corporate method.

#### Union Bank Account

The Association's Union Bank account held by prior management was still open through July 2021. There was activity in this account throughout fiscal year 2021 that was not recorded by the management company in the general ledger. We proposed an adjustment to record the activity and tie the year-end balance. We recommend that all bank activity be recorded each month to present a more accurate financial position of the Association.

#### Deferred Insurance Proceeds

The Association received reimbursement from its insurance company in fiscal year 2021 for damage repairs. To date, approximately \$140,601 of the reimbursement has not been spent on repairs and remains as a liability. We recommend the Association maintain a reconciliation of this insurance claim, keeping track of all amounts received and paid out for repairs. Once the claim is complete, we recommend reclassifying any balance to the income statement.

#### Owner Balances Subsidiary Ledger Difference

During a review of the year-end owner balances, we noticed an immaterial difference between the general ledger balance and the subsidiary ledger balance. We recommend the Association reconcile any differences each month in order to accurately detail the amount on the Association's financial statements. Any differences should be researched and properly recorded.

#### Write-Off Old Assessments Receivable

We recommend the Association either pursue collection of or write off the prior owner balances as uncollectible. As of May 31, 2021, prior owner balances, totaling \$45,815, remain on the Association's financial statements.

#### Prior Owner's Prepaid Balance Carried Forward

As of May 31, 2021, there were prior owner prepaid balances of \$22,830. We recommend the Association investigate this balance and refund the amounts. If the owners cannot be located, we recommend the Association discuss with its attorney whether the funds should be turned over to the State as unclaimed property.



### Credit Cards

During fiscal year 2021, the Association incurred late or finance charges on the Union Bank credit card monthly statements. We continue to recommend that the Association make every effort to ensure that these extra costs are avoided. We also recommend the Association maintain the following internal controls regarding the use of the credit card:

- Purchases using the credit card should be limited to situations where payment cannot be made by check. Using the credit card bypasses the Association's established internal control procedures.
- Original receipts should be submitted with the statements.
- The original statements should be mailed to the management company's office and a copy should be sent to the property manager to reconcile.
- The credit card should be kept in a secure location and used only by authorized individuals.
- The Association should periodically review the credit limit and should keep the credit limit at a minimum amount.

### Petty Cash

It is our understanding that the petty cash of \$500 that is maintained on site is not regularly being used. If the petty cash account is not needed, we recommend the Association deposit the balance into the operating bank account. If the petty cash is being used, we recommend the Association prepare a petty cash reconciliation monthly.

### Severance Agreement

The Association entered into a severance agreement with a prior employee. The agreement stated that the employee will be paid a severance payment, less deductions and withholdings. It does not appear that any deductions or withholdings were taken. The Association should be withholding and paying payroll taxes on these types of payments. In the future, we recommend all amounts paid by the Association be included on the Association's payroll returns and have payroll taxes withheld.

### Industry Standard Comments

The comments below are industry standard recommendations that we believe provide important guidance to all associations, especially since the volunteers serving on the Association's Board of Directors change periodically. The comments listed below do not imply that the Association is not in compliance with these industry standard recommendations, but rather serve as reminders.

### Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

### Investment Policy

The Association should have a conservative investment policy, which is structured around three elements, in order of importance 1) safety, 2) liquidity and 3) yield. Because safety and liquidity are of prime importance to any association, we recommend investments be limited to instruments of the federal government, which are backed by its full faith and credit, and money market accounts and certificates of deposit at insured institutions.

Periodically, the Association should monitor its accounts for FDIC and SIPC coverage. The FDIC insurance limit is \$250,000 per financial institution. Cash and securities held at a SIPC member brokerage firm are insured by the SIPC for up to \$500,000, which includes \$250,000 limit for cash. The Association should also periodically check the ratings for all financial institutions used by the Association.

### Monitoring Activities

The Board of Directors is an integral part of the Association's internal controls. Each month the individual board members should be performing monitoring activities. When performed routinely, these monitoring activities strengthen the Association's internal controls and are essential to ensuring the financial security of the Association's resources.

The Board of Directors should obtain and read the monthly financial statements as prepared and presented by management. At a minimum, the financial statements should include a balance sheet, income statement with budget to actual comparisons, a check register, a general ledger, and bank statements with reconciliations. Variances and unusual transactions should be discussed with management and resolved in a timely manner.

The Board of Directors should consider periodically reviewing randomly selected copies of paid invoices to ensure that the appropriate level of approval has occurred and that the approval is appropriately documented. The Board of Directors should also consider selecting invoices from vendors not recognized or not used on a regular basis.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

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**Manager**

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***Communication with Those Charged with Governance under AU-C §260***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

September 29, 2021

Board of Directors and Management  
Parkfairfax Condominium Unit Owners Association

Dear Board Members and Management:

We have audited the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2021 and for the year then ended and have issued our report thereon. 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 engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information required by the Financial Accounting Standards Board, as described by professional standards, is to apply certain limited procedures to the information about management's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. The Association rescinded the ASC 606 Revenue Recognition policy adopted for the fiscal year 2020 financial statements. 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 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 estimates affecting the financial statements were:

#### Allowance for Doubtful Assessments

The Association's estimate of the allowance for doubtful assessments was established by reviewing the receivables for collectability. We evaluated key factors and assumptions used to develop the allowance for doubtful assessments in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Accumulated Depreciation and Depreciation Expense

The Association's estimates of accumulated depreciation and depreciation expense were established using the straight line method of depreciation whereby the cost of an asset is amortized over its useful life. We evaluated key factors and assumptions used to develop the accumulated depreciation and depreciation expense 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 subsequent events.

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. The adjusting journal entries have been provided to the Association and will be posted to the Association's accounts, if appropriate. The journal entries are material, either individually or in the aggregate, to the financial statements.

#### *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 letter.

#### *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.

### **Emphasis of Matter Regarding Revenue Recognition**

As discussed in Note 7, the Association rescinded the ASC 606 Revenue Recognition policy adopted for the fiscal year 2020 financial statements. The Association has taken the position that ASC 606 does not apply to the Association. The implementation of this standard would not have had a material effect on the financial statements as of May 31, 2021. Our opinion on the financial statements is not modified with respect to this matter.

### ***Supplementary Information Accompanying the Audited 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, the method of preparing it has not changed from the prior period, 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.

### ***Required Supplementary Information***

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.



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Reston, VA 20191

**Associate Principals**

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

**Manager**

Andrew T. Plaugher, CPA

***Communication of Significant Deficiencies and/or Material Weaknesses under AU-C §265***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

September 29, 2021

Board of Directors and Management  
Parkfairfax Condominium Unit Owners Association

Dear Board of Directors and Management:

In planning and performing our audit of the financial statements of Parkfairfax Condominium Unit Owners Association as of May 31, 2021 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or other deficiencies 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 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. 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 Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Association's internal control to be material weaknesses or significant deficiencies:

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### ***Representation Letter***

*This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.*

#### **Parkfairfax Condominium Unit Owners Association**

GOLDKLANG GROUP CPAs, P.C.  
1801 Robert Fulton Drive, Suite 200  
Reston, Virginia 20191

Dear Auditors:

The representation letter is provided in connection with your audits of the financial statements of **Parkfairfax Condominium Unit Owners Association** which comprise the balance sheets as of **May 31, 2021 and 2020**, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (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**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements. In regard to the non-attest services outlined in our engagement letter to be performed by you, we have –
  - Assumed all management responsibilities.
  - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 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.



- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Association's accounts, if appropriate.
- 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 pending litigation, claims, or assessments.
- Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP and are complete and accurate.
- That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of equity balance or inter-equity borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible inter-equity loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

### **Information Provided**

- We have provided you with:
  - 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 (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- We have provided you with minutes of meetings of the Board of Directors.
- We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 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.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.

- 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.
- 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 pending litigation, claims, or assessments.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- Except as made known to you and disclosed in the notes to the financial statements, the Association 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. If applicable, we have reviewed our long lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
- Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- We have reviewed with our insurance agent the adequacy of our insurance coverage, including compliance with any statutory or documentary requirements.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. The Association had a study conducted in 2020. Amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.
- We acknowledge our responsibility for presenting the Schedule of Actual Income and Expenses Compared to Budgeted Income and Expenses in accordance with U.S. GAAP, and we believe the supplementary information above, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information above 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.
- We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against membership and non-membership income conforms to IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation. If the Association has excess membership income in the current year the Association, for tax purposes, has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.
- We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on September 14, 2021 and through the date of this letter. Examples of material events

include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

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**Parkfairfax Condominium Unit Owners Association**  
**May 31, 2021 and 2020**

Management Representative:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

President/Treasurer:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

Client ID# 1223