

FY 2024 Draft Audit Approval Resolution Worksheet

Date: November 20, 2024

Suggested Motion:

“I move to approve the Draft Audit for the year ended May 31, 2024, as submitted by Goldklang Croup CPAs P.C.”

2nd:

Summary: The Draft Audit is attached.

Vote:

	In Favor	Opposed	Abstained	Absent
Scott Buchanan				
Dave Bush				
Caitlin Counihan				
Jeff Lisanick				
Amanda Mullan				
Scott Mulrooney				
Mike Rothenberg				
Jim Wicker				



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

Managers

Andrew T. Plaughter, CPA
Michele S. Lizama, CPA
Jennifer L. Murray, CPA

Independent Auditor's Report

To the Board of Directors of
Parkfairfax Condominium Unit Owners Association

Opinion

We have audited the accompanying financial statements of Parkfairfax Condominium Unit Owners Association, which comprise the balance sheets as of May 31, 2024 and 2023, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkfairfax Condominium Unit Owners Association as of May 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Parkfairfax Condominium Unit Owners Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter Regarding Revenue Recognition

As discussed in Note 7, the Association has not adopted the new revenue recognition standard as of May 31, 2024 and 2023. The implementation of this standard would not have had a material effect on the financial statements as of May 31, 2024 and 2023. Our opinion on the financial statements is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

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presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Parkfairfax Condominium Unit Owners Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Parkfairfax Condominium Unit Owners Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 19-21 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

Draft

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
BALANCE SHEETS
MAY 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 4,428,862	\$ 3,729,963
Interest-Bearing Deposits	2,885,000	3,585,000
Assessments Receivable - Net	248,530	94,600
Accounts Receivable - Laundry	-	3,296
Accounts Receivable - Other	468,332	8,500
Accrued Interest	30,099	39,085
Income Taxes Receivable	1,909	1,909
Prepaid Expenses	272,012	247,797
Property and Equipment - Net	<u>156,317</u>	<u>149,511</u>
Total Assets	<u>\$ 8,491,061</u>	<u>\$ 7,859,661</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable and Accrued Expenses	\$ 504,842	\$ 649,340
Accrued Payroll and Related Costs	142,697	134,486
Deposits - Security	3,230	3,230
Income Taxes Payable	222,852	77,140
Deferred Insurance Proceeds	1,713	663
Prepaid Assessments	262,066	228,989
Deferred Cable Commission	180,345	200,200
Deferred Laundry Allowance	-	1,732
Total Liabilities	<u>\$ 1,317,745</u>	<u>\$ 1,295,780</u>
Restricted Purpose Reserve - Awards	\$ 1,833	\$ 1,833
Capital Improvement Reserve	81,784	123,631
Replacement Reserves	5,516,428	5,097,329
Property Fund	156,317	149,511
Unappropriated Members' Equity	<u>1,416,954</u>	<u>1,191,577</u>
Total Members' Equity	<u>\$ 7,173,316</u>	<u>\$ 6,563,881</u>
Total Liabilities and Members' Equity	<u>\$ 8,491,061</u>	<u>\$ 7,859,661</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
<u>INCOME:</u>		
Assessments	\$ 10,688,516	\$ 9,765,888
Interest	117,116	100,078
Gain on Sale of Units	740,396	268,201
Unit Service Program - Repairs	17,209	24,759
Late and Legal Charges	25,178	34,473
Laundry Commission	9,784	25,385
Cable Commission	19,855	53,200
Resale Certificates	32,405	30,896
Advertising	9,470	12,483
Rental	115,495	119,734
Storage Rental	45,184	26,810
Other	45,910	19,582
Total Income	\$ 11,866,518	\$ 10,481,489

EXPENSES:

Payroll and Related:

Payroll - Salaries	\$ 2,074,207	\$ 1,865,197
Payroll Taxes and Benefits	404,420	543,006
Total Payroll and Related	\$ 2,478,627	\$ 2,408,203

Administrative:

Audit and Tax Preparation	\$ 18,220	\$ 16,070
Advertising/Employment	-	15,159
Engineering	-	400
Legal	27,373	36,165
Collections	10,988	15,852
Management	86,998	82,658
Office Supplies	16,025	15,401
Office/Machine Equipment	24,700	34,783
Office Systems Services	38,299	78,173
Professional Fees	-	1,120
Telephone	48,524	39,635
Other	56,716	59,561

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(CONTINUED)

Administrative (Continued)

Board/Annual Meeting	7,895	8,088
Communications/Newsletter	8,191	9,803
Committees and Activities	13,956	7,253
Dues/Subscriptions	4,412	1,057
Association Owned Units	98,265	95,157
Postage	24,199	9,663
Printing	20,891	27,301
Total Administrative	\$ 505,652	\$ 553,299

Utilities:

Electricity	\$ 105,157	\$ 108,959
Gas	226,394	230,311
Water and Sewer	1,469,871	1,570,551
Total Utilities	\$ 1,801,422	\$ 1,909,821

Repairs:

General	\$ 80,086	\$ 100,909
Maintenance Supplies	49,747	35,015
Painting	369,550	267,064
Plumbing	51,658	18,765
Swimming Pool	25,683	22,313
Total Repairs	\$ 576,724	\$ 444,066

Services and Supplies:

Exterminating	\$ 38,795	\$ 34,090
Pool Contracts	152,470	172,510
Trash Removal Contract	420,849	404,189
Uniforms	41,345	33,013
Unit Service Program Supplies	12,689	20,901
Landscaping Contract	286,527	304,468
Landscaping Other	198,363	196,292
Snow Removal Contract	813	-
Vehicles	78,711	60,210
Cleaning	19,647	16,442
Exercise Facility	1,948	2,064
Total Services and Supplies	\$ 1,252,157	\$ 1,244,179

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(CONTINUED)

Other:

Taxes - Income	\$ 260,852	\$ 112,733
Taxes - Real Estate/Personal Property	48,690	34,907
Insurance - Building Liability	504,672	402,110
Permits/Licenses	2,904	2,259
Deferred Taxes	-	9,450
Credit Loss - Receivables	13,384	4,007
Total Other	<u>\$ 830,502</u>	<u>\$ 565,466</u>

Total Expenses	<u>\$ 7,445,084</u>	<u>\$ 7,125,034</u>
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Net Income before Contribution to Reserves	\$ 4,421,434	\$ 3,356,455
Contribution to Reserves	<u>(4,196,057)</u>	<u>(3,214,308)</u>
Net Income	<u>\$ 225,377</u>	<u>\$ 142,147</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	Restricted Purpose Reserve - Awards	Capital Improvement Reserve	Replacement Reserves	Property Fund	Unappropriated Members' Equity	Total Members' Equity
Balance as of May 31, 2022	\$ 1,833	\$ -	\$ 4,239,640	\$ 167,217	\$ 1,287,911	\$ 5,696,601
Additions:						
Contribution to Reserves			3,214,308			3,214,308
Net Income					142,147	142,147
Inter-Equity Transfer		238,481			(238,481)	
Deductions:						
Depreciation				(17,706)		(17,706)
Community Room		(114,850)				(114,850)
Building Improvements			(737,385)			(737,385)
Pool Furniture			(3,582)			(3,582)
Common Area Refurbishment			(10,130)			(10,130)
Concrete			(189,443)			(189,443)
Façade			(316,076)			(316,076)
Landscape Improvements			(46,763)			(46,763)
Lighting			(18,810)			(18,810)
Mechanical Equipment			(511,491)			(511,491)
Pool			(7,951)			(7,951)
Pumps			(129,125)			(129,125)
Roof Improvements			(361,062)			(361,062)
Electrical			(7,000)			(7,000)
Unit Appliances			(17,801)			(17,801)
Balance as of May 31, 2023	\$ 1,833	\$ 123,631	\$ 5,097,329	\$ 149,311	\$ 1,191,577	\$ 6,563,881
Additions:						
Contribution to Reserves			4,196,057			4,196,057
Net Income					225,377	225,377
Deductions:						
Depreciation				(12,083)		(12,083)
Community Room		(41,847)				(41,847)
Asphalt			(57,420)			(57,420)
Building Envelope			(1,538,345)			(1,538,345)
Building Improvements			(16,520)			(16,520)
Carpets and Floors			(7,450)			(7,450)
Common Area Refurbishment			(3,500)			(3,500)
Computer Equipment			(29,668)			(29,668)
Concrete			(220,860)			(220,860)
Electrical			(48,073)			(48,073)
Equipment Repairs			(31,340)			(31,340)
Façade			(488,182)			(488,182)
HVAC			(143,538)			(143,538)
Landscaping			(110,650)			(110,650)
Lighting			(24,139)			(24,139)
Mechanical Equipment			(537,110)			(537,110)
Other			(7,123)			(7,123)
Playgrounds			(14,424)			(14,424)
Pool			(237,636)			(237,636)
Roofs			(198,964)			(198,964)
Structures			(11,620)			(11,620)
Tennis Courts			(30,000)			(30,000)
Tools and Equipment			(1,507)			(1,507)
Vehicle			(18,889)	18,889		(1,507)
Balance as of May 31, 2024	<u>\$ 1,833</u>	<u>\$ 81,784</u>	<u>\$ 5,516,428</u>	<u>\$ 156,317</u>	<u>\$ 1,416,954</u>	<u>\$ 7,173,316</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023

	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 225,377	\$ 142,147
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Credit Loss -Receivables	13,384	4,007
Deferred Tax Expense (Benefit)	-	9,450
Deferred Cable Commission	(19,855)	(53,200)
Deferred Laundry Allowance	(1,732)	(4,000)
(Gain) Loss on Sale of Property	(740,396)	(268,201)
Decrease (Increase) in:		
Assessments Receivable	(167,314)	(33,399)
Insurance Claim Receivable	-	72,938
Accounts Receivable - Laundry	3,296	4,247
Accounts Receivable - Other	(459,832)	(8,500)
Accrued Interest	8,986	(36,335)
Income Taxes Receivable	-	2,896
Prepaid Expenses	(24,215)	(21,912)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	10,666	(12,893)
Accrued Payroll and Related Costs	8,211	(75,632)
Deposits - Security	-	(2,599)
Income Taxes Payable	145,712	(41,259)
Deferred Insurance Proceeds	1,050	(43,705)
Prepaid Assessments	33,077	26,532
Net Cash Flows from Operating Activities	<u>\$ (963,585)</u>	<u>\$ (339,418)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Received from Assessments (Reserves)	\$ 4,078,941	\$ 3,214,308
Received from Interest (Reserves)	117,116	-
Received from Cable Commission	-	218,400
Disbursed for Reserve Expenditures	(3,932,122)	(2,116,008)
Disbursed for Capital Improvement Expenditures	(41,847)	(97,393)
Received from Interest-Bearing Deposits	1,680,000	2,220,000

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2024 AND 2023
(CONTINUED)

	<u>2024</u>	<u>2023</u>
Disbursed for Interest-Bearing Deposits	(980,000)	(4,320,000)
Received from Sale of Property	<u>740,396</u>	<u>268,201</u>
Net Cash Flows from Investing Activities	<u>\$ 1,662,484</u>	<u>\$ (612,492)</u>
 Net Change in Cash and Cash Equivalents	 \$ 698,899	 \$ (951,910)
 Cash and Cash Equivalents at Beginning of Year	 <u>3,729,963</u>	 <u>4,681,873</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 4,428,862</u>	 <u>\$ 3,729,963</u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
 Cash Paid for Income Taxes	 <u>\$ 62,981</u>	 <u>\$ 151,096</u>

See Accompanying Notes to Financial Statements

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023

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 that affect certain reported amounts and disclosures. Accordingly, 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.

G) Reclassification - Certain amounts have been reclassified in the accompanying 2023 financial statements to conform to the 2024 presentation.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(CONTINUED)

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 \$4,322,784 for fiscal year 2024. For fiscal year 2024, the Association budgeted to contribute \$4,078,941 to reserves. In addition, the Association contributed interest income of \$117,116 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, 2024 and 2023, the Association had designated \$5,516,428 and \$5,097,329, 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 2024 and 2023, the income taxes were calculated using the corporate method.

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.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of May 31, 2024, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
BankUnited	\$2,921,092	\$ -
Petty Cash	595	
Wells Fargo (Various Institutions)	<u>1,507,175</u>	<u>2,885,000</u>
Totals	<u>\$4,428,862</u>	<u>\$ 2,885,000</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 \$4,016,265 and \$3,363,393 as of May 31, 2024 and 2023, respectively.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

On June 1, 2023, the Association adopted FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which affects current U.S. GAAP primarily as it relates to the methodology for estimating allowances for credit losses and the presentation and disclosure requirements.

The main effect resulting from the adoption of the new standard is that previously reported allowance for doubtful assessments are now shown as allowance for credit losses. The adoption of the new guidance resulted in no changes to unappropriated members' equity as of June 1, 2023.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(CONTINUED)

NOTE 6 - ASSESSMENTS RECEIVABLE - NET: (CONTINUED)

	2024	2023
Assessments Receivable	\$ 413,190	\$ 245,876
Less: Allowance for Credit Losses	(164,660)	(151,276)
Assessments Receivable - Net	\$ 248,530	\$ 94,600
	2024	2023
Allowance for Credit Losses:		
Beginning Balance	\$ 151,276	\$ 147,269
Write-Offs	-	-
Recoveries	-	-
Provision	13,384	4,007
Ending Balance	\$ 164,660	\$ 151,276

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).

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(CONTINUED)

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 \$12,083.

	2024	2023
Association Owned Units	\$ 505,000	\$ 576,000
Vehicles	534,316	531,761
Less: Accumulated Depreciation	(882,999)	(958,250)
Total Property and Equipment - Net	\$ 156,317	\$ 149,511

The Association owned seventeen condominium units. Thirteen of these units were deeded to the Association by the declarant and were 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 were 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 years 2024 and 2023, a total of three units were sold for \$786,500 and \$285,000, respectively. After selling expenses, the Association recognized a net gain of \$740,396 and \$268,201 for fiscal years 2024 and 2023, respectively, on the sales. The Association uses the remaining fourteen 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
1409 Martha Custis Drive	30,000
1411 Martha Custis Drive	29,000
Village II	
3544 Martha Custis Drive	27,000
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
	\$ 505,000

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(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, 2024 and 2023, the balance in the property fund was \$156,317 and \$149,511, respectively.

NOTE 10 - CAPITAL IMPROVEMENT RESERVE:

The Association has established a capital improvement reserve. During fiscal year 2023, the Association elected to transfer \$292,000 from unappropriated members' equity to this reserve, representing budgeted contributions from 2020 through 2023. As of May 31, 2024, expenditures totaling \$210,216 for community room renovation have been incurred. As of May 31, 2024 and 2023, the balance in the capital improvement reserve was \$81,784 and \$123,631, respectively. This fund was funded by cash and interest-bearing deposits.

NOTE 11 - CABLE COMMISSION:

The Association signed an 11-year marketing agreement with a vendor that gives them the exclusive right to provide telephone, internet and voice services to the Association. As part of the agreement the Association received a marketing commission equal to \$130/unit for a total of \$218,400 in June 2022. Upon early termination of the agreement, the Association would refund to the company a portion of the compensation. Therefore, this fee has been deferred and will be recognized as portions of the fee become non-refundable to the vendor.

NOTE 12 - OPERATING LEASE:

The Association signed a lease effective December 1, 2023 for the lessee to rent the laundry rooms to provide laundry equipment and services to the owners. The lease is for a period of seven years and calls for monthly rent of 60% of gross revenues.

The Association recognized laundry income for fiscal years 2024 and 2023 as follows:

Underlying Asset:	2024	2023
Laundry Rooms	\$ 9,784	\$ 25,385

Since the monthly rent payments are variable, we have not disclosed a maturity analysis of the minimum annual discounted cash flows to be received.

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2024 AND 2023
(CONTINUED)

NOTE 13 - SUBSEQUENT EVENTS:

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

Subsequent to year-end, the Association incurred replacement reserve expenditures of approximately \$500,000.

Draft

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
MAY 31, 2024
(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>	<u>2020 Estimated Remaining Useful Life (Years)</u>	<u>2020 Estimated Replacement Cost</u>
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, 2024

	<u>Actual</u>	<u>"Unaudited" Budget</u>	<u>Variance</u>
<u>INCOME:</u>			
Assessments	\$ 10,688,516	\$ 10,687,671	\$ 845
Interest	117,116	116,000	1,116
Gain on Sale of Unit	740,396	710,000	(30,396)
Unit Service Program - Repairs	17,209	30,000	(12,791)
Late and Legal Charges	25,178	23,000	2,178
Laundry Commission	9,784	22,000	(12,216)
Cable Commission	19,855	16,800	3,055
Resale Certificates	32,405	49,000	(16,595)
Advertising	9,470	12,000	(2,530)
Rental	115,495	109,345	6,150
Storage Rental	45,184	57,403	(12,219)
Other	45,910	113,642	(67,732)
Total Income	<u>\$ 11,866,518</u>	<u>\$ 11,946,861</u>	<u>\$ (80,343)</u>
<u>EXPENSES:</u>			
Payroll and Related:			
Payroll - Management	\$ 2,074,207	\$ 2,192,381	\$ (118,174)
Payroll Taxes	404,420	462,867	(58,447)
Total Payroll and Related	<u>\$ 2,478,627</u>	<u>\$ 2,655,248</u>	<u>\$ (176,621)</u>
Administrative:			
Audit and Tax Preparation	\$ 18,220	\$ 17,200	\$ 1,020
Engineering	-	5,000	(5,000)
Legal	27,373	35,000	(7,627)
Collections	10,988	16,000	(5,012)
Management	86,998	89,138	(2,140)
Office Supplies	16,025	16,000	25
Office/Machine Equipment	24,700	52,866	(28,166)
Office Systems Services	38,299	44,323	(6,024)
Telephone	48,524	45,500	3,024
Other	56,716	38,488	18,228
Board/Annual Meeting	7,895	8,000	(105)

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2024
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited" Budget</u>	<u>Variance</u>
Communications/Newsletter	8,191	8,500	(309)
Committees and Activities	13,956	12,650	1,306
Dues/Subscriptions	4,412	600	3,812
Association Owned Units	98,265	102,797	(4,532)
Postage	24,199	18,500	5,699
Printing	20,891	9,000	11,891
Total Administrative	<u>\$ 505,652</u>	<u>\$ 519,562</u>	<u>\$ (13,910)</u>
Utilities:			
Electricity	\$ 105,157	\$ 115,509	\$ (10,352)
Gas	226,394	238,622	(12,228)
Water and Sewer	1,469,871	1,518,811	(48,940)
Total Utilities	<u>\$ 1,801,422</u>	<u>\$ 1,872,942</u>	<u>\$ (71,520)</u>
Repairs:			
General	\$ 80,086	\$ 118,046	\$ (37,960)
Maintenance Supplies	49,747	43,000	6,747
Painting	369,550	256,390	113,160
Plumbing	51,658	53,640	(1,982)
Swimming Pool	25,683	18,500	7,183
Total Repairs	<u>\$ 576,724</u>	<u>\$ 489,576</u>	<u>\$ 87,148</u>
Services and Supplies:			
Exterminating	\$ 38,795	\$ 55,000	\$ (16,205)
Pool Contracts	152,470	143,500	8,970
Trash Removal Contract	420,849	391,400	29,449
Uniforms	41,345	24,000	17,345
Unit Service Program Supplies	12,689	16,500	(3,811)
Landscaping Contract	286,527	289,487	(2,960)
Landscaping Other	198,363	450,000	(251,637)
Snow Removal Contract	813	-	813
Vehicles	78,711	48,000	30,711
Cleaning	19,647	22,500	(2,853)
Exercise Facility	1,948	3,000	(1,052)
Total Services and Supplies	<u>\$ 1,252,157</u>	<u>\$ 1,443,387</u>	<u>\$ (191,230)</u>

PARKFAIRFAX CONDOMINIUM UNIT OWNERS ASSOCIATION
SCHEDULE OF ACTUAL INCOME AND EXPENSES
COMPARED TO BUDGETED INCOME AND EXPENSES
FOR THE YEAR ENDED MAY 31, 2024
(CONTINUED)

	<u>Actual</u>	<u>"Unaudited"</u> <u>Budget</u>	<u>Variance</u>
Other:			
Taxes - Income	\$ 260,852	\$ 194,796	\$ 66,056
Taxes - Real Estate	48,690	36,703	11,987
Insurance - Building Liability	504,672	463,906	40,766
Permits/Licenses	2,904	4,300	(1,396)
Bad Debt	13,384	1,500	2,507
Total Other	<u>\$ 830,502</u>	<u>\$ 701,205</u>	<u>\$ 129,297</u>
Total Expenses	<u>\$ 7,445,084</u>	<u>\$ 7,681,920</u>	<u>\$ (236,836)</u>
Net Income before Contribution to Reserves	\$ 4,421,434	\$ 4,264,941	\$ 156,493
Contribution to Reserves	<u>(4,196,057)</u>	<u>(4,264,941)</u>	<u>68,884</u>
Net Income	<u>\$ 225,377</u>	<u>\$ -</u>	<u>\$ 225,377</u>