

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

JOHNSON, BREMER & IGNACIO, CPAs, P.C.

3959 Pender Drive, Suite 112

Fairfax, Virginia 22030

# JOHNSON, BREMER & IGNACIO, CPAs, P.C.

Formerly Ahlberg & Company, P.C.

3959 Pender Drive, Suite 112  
Fairfax, VA 22030  
703/934-6650 • FAX 703/934-6654

Mary E. Johnson, CPA  
David G. Bremer, CPA  
Jose S. Ignacio, CPA

email: [cpa@jbicpa.com](mailto:cpa@jbicpa.com)  
website: [www.jbicpa.com](http://www.jbicpa.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Unit Owners Association of Fairlington Villages

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Unit Owners Association of Fairlington Villages, which comprise the balance sheet as of September 30, 2020, and the related statement of revenue and expenses, members' equity and cash flows for the year 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 audit. We conducted our audit 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unit Owners Association of Fairlington Villages as of September 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Changes in Accounting Principle***

As discussed in Note 11 to the financial statements, Unit Owners Association of Fairlington Villages changed its method of accounting for revenue recognition in FY 2020 as required by the provisions of FASB Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

As discussed in Note 12 to the financial statements, Unit Owners Association of Fairlington Villages changed its method of accounting for financial instruments in FY 2020 as required by the provisions of FASB Accounting Standards Update (ASU) 2016-01, *Financial Instruments*. Our opinion is not modified with respect to that matter.

***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 expenses 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. 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.

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

Accounting principles generally accepted in the United States of America require that the supplementary information on future 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

JOHNSON, BREMER & IGNACIO, CPAs, P.C.

March 10, 2021

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
BALANCE SHEET  
SEPTEMBER 30, 2020

ASSETS

Cash - operations	\$ 1,452,473
Cash - money market	959,081
Cash - savings	<u>203,248</u>
Total cash	2,614,802
Certificates of deposit (note 1)	3,365,000
Investments (notes 2 and 3)	839,465
Assessments receivable, net (note 4)	34,811
Other receivables	39,538
Prepaid expenses	217,988
Prepaid income taxes	22,116
Maintenance building	135,522
Motor vehicle	41,260
Furniture and equipment	44,560
Less accumulated depreciation	<u>(216,933)</u>
 TOTAL ASSETS	 <u>\$ 7,138,129</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES:

Accounts payable	\$ 372,309
Accrued payroll expense (note 5)	66,755
Prepaid assessments	202,253
Unclaimed property	2,867
Security deposits	3,051
Deferred cable income (note 6)	<u>886</u>
Total liabilities	<u>648,121</u>

MEMBERS' EQUITY:

Repair and replacement fund (note 7)	5,735,722
Unappropriated members' equity	<u>754,286</u>
Total members' equity	<u>6,490,008</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u>\$ 7,138,129</u>
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See accompanying notes and independent auditor's report

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020

REVENUE:

Gross assessments	\$ 7,848,492
Less repair and replacement fund assessments	(3,207,194)
Operating assessments	4,641,298
Fairlington Court Homeowners Association	11,220
Disclosure packages	21,805
Parking decals and ID cards	350
Rental revenue	11,035
Late fees	17,350
Miscellaneous	591
Cable income	3,548
Interest	106,867
Less interest transferred to repair and replacement fund, net of taxes	(56,681)
Unrealized gain on investments	13,038
Total operating revenue	<u>4,770,421</u>

EXPENSES:

Administrative	707,251
Payroll	956,580
Utilities	997,457
Contracted services	1,001,768
Repair and maintenance	537,394
Professional services	339,266
Income taxes	21,552
Depreciation	5,582
Total expenses	<u>4,566,850</u>

EXCESS OF REVENUE OVER EXPENSES \$ 203,571

See accompanying notes and independent auditor's report

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
STATEMENT OF MEMBERS' EQUITY  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020

	<u>Repair and Replacement Fund</u>	<u>Unrealized Gain on Investments</u>	<u>Unappro- priated Members' Equity</u>
Balance at September 30, 2019	\$ 3,844,701	\$ 6,518	\$ 544,197
Change in accounting principal (note 12)		<u>(6,518)</u>	<u>6,518</u>
Adjusted balance at September 30, 2019	3,844,701	-	550,715
Additions:			
Repair and replacement fund assessments	3,207,194		
Interest transferred to repair and replacement fund, net of taxes	56,681		
Excess of revenue over expenses			203,571
Deduction:			
Repair and replacement fund expenditures	<u>(1,372,854)</u>		
Balance at September 30, 2020	<u>\$ 5,735,722</u>	<u>\$ -</u>	<u>\$ 754,286</u>

See accompanying notes and independent auditor's report

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020

Cash flows from operating activities:

Excess of revenue over expenses	\$ 203,571
Adjustments needed to reconcile excess of revenue over expenses to net cash provided by operating activities:	
Repair and replacement fund assessments	3,207,194
Repair and replacement fund expenditures	(1,372,854)
Interest transferred to repair and replacement fund, net of taxes	56,681
Depreciation	5,582
(Decrease) in investment discount, net	(1,624)
Decrease in accounts receivable	2,837
(Increase) in prepaid expenses	(94,543)
(Decrease) in accounts payable	(338,029)
Increase in prepaid assessments	23,066
(Decrease) in security deposits	(3,157)
(Decrease) in deferred cable income	(3,548)
Net cash provided by operating activities	<u>1,685,176</u>
Cash flows from investing activities:	
Purchase certificates of deposit	(1,747,780)
Redemption of certificates of deposit	1,847,780
Purchase of investments	<u>(513,201)</u>
Net cash (used for) investing activities	<u>(413,201)</u>
Net increase in cash	1,271,975
Cash at beginning of year	<u>1,342,827</u>
Cash at end of year	<u>\$ 2,614,802</u>
Interest expense paid in cash during year	<u>\$ -</u>
Income taxes paid in cash during year	<u>\$ 48,636</u>

See accompanying notes and independent auditor's report

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

ORGANIZATION:

Unit Owners Association of Fairlington Villages is organized under the laws of the Commonwealth of Virginia. It is located in Arlington County and consists of 1,703 units. The Association administers the Association operations.

DATE OF MANAGEMENT REVIEW:

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through March 10, 2021, the date the financial statements were available to be issued.

SIGNIFICANT ACCOUNTING POLICIES:

Method of Presentation - The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investments - Investments consist of a mutual fund in which fair value approximates cost and accumulated interest. Investments in marketable securities with readily determinable fair values are reported at their fair values on the balance sheet. Realized gains and losses are reflected on the statement of revenue and expenses. Unrealized gains and losses are reflected on the statement of revenue and expenses.

Property and Equipment - Fixed assets are carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives ranging from three to twenty years.

Repair and Replacement Fund - The Association's governing documents provide that the Board of Directors establish a repair and replacement fund to be expended only for the purpose of repair and replacement of common elements and equipment of the Association. The amount to be contributed is to be determined annually by the Board of Directors but shall not be less than 5% of the assessments. Accumulated funds are held in certificates of deposit, treasury securities and money market accounts.

The Board of Directors commissioned a study in 2019 of the repair and replacement fund. The study was done by an engineering firm. The table included in the unaudited supplementary information on future major repairs and replacements is based on this data. Actual future expenditures may vary from these estimates and the variations may be material. Therefore, amounts accumulated in the repair and replacement fund 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 may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

(Continued)



UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

SIGNIFICANT ACCOUNTING POLICIES:

Income Taxes - In the year ended September 30, 2020, the Association filed its corporate income tax returns recognizing the applicability of Code Section 277 which provides for the segregation of its operations according to membership and non-membership activities without the right of offset. Revenue Ruling 70-604 allows an excess of membership revenue over related expenses, if any, to be considered excess assessments and, by the resolution of the Board of Directors, may be refunded to the owners, or applied against the following year assessments.

The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended September 30, 2020, no interest or penalties were paid or accrued.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of September 30, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when funds are assessed in accordance with the governing documents. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association's policy is to retain legal counsel to pursue collections from owners that are delinquent in paying their assessments. Any excess assessments at year-end are retained by the Association for use in the succeeding year. At September 30, 2020, the Association had delinquent assessments of \$34,811, net of allowance. It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments net of allowance for doubtful accounts.

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UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

SIGNIFICANT ACCOUNTING POLICIES:

Assessments: (Continued)

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable net of allowance for doubtful accounts as of the beginning and end of the year are \$38,407 and \$34,811, respectively.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Flows - For purposes of the statement of cash flows, all checking and money market accounts for operating purposes are considered to be cash. Highly liquid debt securities held as true investments or for repair and replacement fund purposes are considered investments.

Vendor Payments - The Association uses AvidPay-Strongroom to process most vendor payments. AvidPay-Strongroom is the provider of bill payment services for Associa, the parent company of Legum and Norman. As part of the bill paying process, funds for most individual vendor invoices are electronically transferred from the Association bank account and deposited to an AvidPay bank account held in the name of Old North State Trust, LLC with KeyBank. The vendor invoices are then subsequently paid from the Old North Trust, LLC bank account held at KeyBank on behalf of the Association. Although disbursements recorded by the Association are shown as payments directly to vendors on the general ledger, the payments are actually electronic transfers to an AvidPay bank account held in the name of Old North State Trust, LLC with KeyBank as described above. As a result of this process, the check numbers shown on the general ledger are not the same as the check numbers on the checks received by the vendors.

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UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

NOTE 1 - CERTIFICATES OF DEPOSIT:

The account is comprised of certificates of deposit with balances as follows, as of year-end:

<u>Account Type</u>	<u>Year of Maturity</u>	<u>Amount</u>
CDs	2020	\$ 250,000
CDs	2021	500,000
CDs	2022	715,000
CDs	2023	800,000
CDs	2024	200,000
CD	2025	600,000
CD	2028	200,000
CD	2029	100,000
		<u>\$3,365,000</u>

NOTE 2 - INVESTMENTS:

The accounts are comprised of investments with balances as follows, as of year-end:

<u>Account Type</u>	<u>Year of Maturity</u>	<u>Amount</u>
U.S. Treasury	2021	\$ 200,000
U.S. Treasury	2024	410,000
U.S. Treasury	2025	240,000
Investment discount		(30,091)
Unrealized gain on investments		19,556
		<u>\$ 839,465</u>

NOTE 3 - FAIR VALUE MEASUREMENTS:

Current accounting standards establish a 3-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The levels of the hierarchy are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities traded in active markets;

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs;

(Continued)

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS: (Continued)

Level 3 - Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

The Association determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, The Association uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The Association has evaluated the various types of investment funds in its investment portfolio to determine an appropriate fair value hierarchy level based on trading activity and the observability of market inputs. Level 1 investments include those traded on an active exchange, such as the New York Stock Exchange.

The following table presents the balances of assets measured at fair value on a recurring basis as of September 30, 2020 by level within the fair value hierarchy:

<u>Account Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury	\$ 839,465	\$ -	\$ -	\$ 839,465
Total investments	<u>\$ 839,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,465</u>

NOTE 4 - ASSESSMENTS RECEIVABLE, NET:

The Association established an allowance for doubtful accounts to more reasonably estimate the value of assessments receivable, at year-end.

Assessments receivable	\$ 98,568
Less allowance for doubtful accounts	<u>(63,757)</u>
Assessments receivable, net	<u>\$ 34,811</u>

NOTE 5 - ACCRUED PAYROLL EXPENSE:

The composition of accrued payroll expense is shown in the following computation, at year-end:

Accrued vacation and sick leave payable	\$ 42,891
Accrued pension payable	<u>23,864</u>
Total accrued payroll expense	<u>\$ 66,755</u>

(Continued)

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

NOTE 6 - DEFERRED CABLE INCOME:

In 2009, the Association entered into a 12-year agreement with Comcast Cablevision of DC, LLC (Comcast). This agreement allows Comcast to install, maintain and operate broadband communication within the Association. The Association received \$42,575 in 2009 for the entire 12-year period.

NOTE 7 - REPAIR AND REPLACEMENT FUND STATUS:

The cash, certificates of deposit and investments available for the fund, after providing for liabilities, at year-end, are:

Cash	\$2,614,802
Certificates of deposit	3,365,000
Investments	<u>839,465</u>
Total cash, certificates of deposit and investments	6,819,267
Less liabilities	<u>(648,121)</u>
Cash, certificates of deposit and investments available for repair and replacement fund	6,171,146
Less repair and replacement fund	<u>(5,735,722)</u>
Excess	<u>\$ 435,424</u>

This analysis is a measurement of liquidity and not an indication of the adequacy of the fund for its intended purposes. The repair and replacement fund is fully supported by cash, certificates of deposit and investments as of September 30, 2020.

NOTE 8 - RETIREMENT PLAN:

In FY 2009, all employees became corporate employees of the management company, Legum & Norman, Inc.; and they became eligible for their 401(k) plan after three months employment. Effective January 2012, all employees reverted back to become direct employees of the Association and eligible to contribute to a Simplified Employee Plan (SEP) in accordance with the employee manual. Each year, the Board of Directors determines the amount of the employer's voluntary contribution to the employees' pension plan. The retirement plan contribution expense for the year ended September 30, 2020 is \$19,741.

(Continued)

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

NOTE 9 - GRANT REVENUE:

In 2019, the Association applied for and received a grant from Arlington County, Virginia as part of the Stormwater Wise Landscapes Program. The Association agreed to accept the monetary donation from the County of \$3,000 to build a rain garden. The Association was eligible for reimbursement of 50% of the total expenses, up to \$3,000, for the installation of the rain garden in September 2018. The Association is required to maintain the rain garden according to the maintenance schedule for five years. The Association's total grant expenses were \$6,710.

In 2016, the Association applied for and received a grant from Arlington County, Virginia as part of the Stormwater Wise Landscapes Program. The Association agreed to accept the monetary donation from the County of \$3,000 to build a rain garden. The Association was eligible for reimbursement of 50% of the total expenses, up to \$3,000, for the installation of the rain garden before October 31, 2016. The Association is required to maintain the rain garden according to the maintenance schedule for five years through 2021. The Association's total grant expenses were \$6,710.

NOTE 10 - RELATED PARTY TRANSACTIONS:

The Association used Associa OnCall - AMT for miscellaneous repairs and maintenance work. In 2020, the Association paid \$4,471, to Associa OnCall - AMT.

NOTE 11 - 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, and requires the recognition of revenue when promised goods or services are transferred to owners in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services.

The adoption of the new revenue recognition guidance resulted in no change to members' equity.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2020 financial statements. There was no effect to any item included in the 2020 financial statements.

(Continued)

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020  
(Continued)

NOTE 12 - FASB ACCOUNTING STANDARDS UPDATE (ASU) 2016-01:

The FASB issued ASC 2016-01 Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities. The ASU requires unrealized gains and losses to be recognized on the statement of revenue and expenses, instead of on the balance sheet.

The adoption of the standards update resulted in the following change to members' equity as of September 30, 2019:

	<u>Repair and Replacement Fund</u>	<u>Unrealized Gain on Investments</u>	<u>Members' Equity</u>
Balance as previously reported at September 30, 2019	\$ 3,844,701	\$ 6,518	\$ 544,197
Adjustment	<u>-</u>	<u>(6,518)</u>	<u>6,518</u>
Adjusted balance at September 30, 2019	<u>\$ 3,844,701</u>	<u>\$ -</u>	<u>\$ 550,715</u>

NOTE 13 - COVID-19 PANDEMIC:

The COVID-19 pandemic developed rapidly in 2020, with a significant amount of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19.

We established safety and health measures for onsite staff by social distancing, implementing enhanced cleaning procedures, wearing masks, and teleworking by our administrative staff. The management office was open for prescheduled appointments one person at a time.

Except for the tennis courts and the tot-lot, the recreational facilities were closed. The tot-lot was initially closed but was reopened in accordance with Arlington County's schedule for opening its parks and outdoor recreation areas. The pools were readied but not opened to the public during the year.

Provisions were made to allow owners to request deferral of assessments under certain circumstances. No owners requested that the Assessment Hardship payment plan be implemented during the year.

We incurred additional COVID-19 related expenses, including the costs of: additional cleaning for our multi-unit apartment buildings, management office, and the community center; personal protective equipment; and staff hazard pay. Because the pools were not opened, we received a rebate from our pool contractor.

Due to COVID-19, we did not execute a number of originally scheduled FY20 reserve projects, resulting in an increase in our reserve accounts' balance.

Due to COVID-19, we did not receive any income from rental of the community center for seven months.

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020

Administrative:

Miscellaneous office expenses	\$ 20,381
Bad debt	25,199
Minutes	3,500
Office equipment	30,143
Office supplies	7,521
Parking decal stickers	1,071
Activities	4,611
Printing and copying	11,323
Postage	19,624
Newsletter	30,355
Insurance	450,861
Miscellaneous administrative	135
Non-insurance loss	102,527
Total administrative	<u>707,251</u>

Payroll:

Payroll administration	27,007
Administrative staff	150,527
Maintenance payroll	384,036
Management staff	227,072
Payroll accrued vacation	1,308
Group health insurance	75,486
Payroll taxes	56,520
Unemployment taxes	1,378
Retirement fund expense	19,741
Workers' compensation	13,505
Total payroll	<u>956,580</u>

Utilities:

Telephone	15,013
Water and sewer	915,032
Electricity	67,412
Total utilities	<u>997,457</u>

(Continued)



UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED

SEPTEMBER 30, 2020

(Continued)

Contracted services:

Trash removal	\$ 318,762
Landscape maintenance	411,384
Uniforms	6,263
Janitorial services	125,390
Pest control	8,939
Pool management	77,328
Patrol service	53,702
Total contracted services	<u>1,001,768</u>

Repair and maintenance:

Grounds non-contract	57,417
Grounds improvement	70,490
Contractor planting	9,851
Trees	128,592
Building repairs	37,541
Community center	2,780
Fire safety equipment	3,372
Carpet cleaning	13,870
General supplies	18,092
Gutters and downspouts	3,199
Lighting	16,742
Maintenance supplies	3,775
Plumbing repairs	57,160
Pools	42,603
Roofs	49,767
Snow removal supplies	281
Tennis courts	805
Vehicle expenses	18,822
Painting - miscellaneous	2,235
Total repair and maintenance	<u>537,394</u>

(Continued)

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2020  
(Continued)

Professional services:	
Audit/Tax return preparation	\$ 14,850
Planning and engineering	3,450
Legal services	10,560
Management fees	<u>310,406</u>
Total professional services	<u>339,266</u>
Income taxes	<u>21,552</u>
Depreciation	<u>5,582</u>
TOTAL EXPENSES	<u>\$ 4,566,850</u>

UNIT OWNERS ASSOCIATION OF FAIRLINGTON VILLAGES  
SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
SEPTEMBER 30, 2020  
 (Unaudited)

The Board of Directors commissioned a study of its repair and replacement fund in 2019 to evaluate its estimate of the useful lives and replacement costs of the components of the fund. The following table is based on the study and presents significant information about the components of the fund.

<u>Components</u>	<u>Estimated Useful Lives (Yrs)</u>	<u>Estimated Future Replacement Costs</u>
Pavements	0-20	\$ 967,810
Concrete site elements	1-2	37,500
Tennis courts and swimming pools	0-30	2,276,020
Other site features	1-40	1,275,525
Building exteriors and interiors	0-75	20,762,500
Building systems	0-50	<u>1,010,250</u>
Total		<u>\$26,329,605</u>
Repair and replacement fund balance at September 30, 2020		<u>\$ 5,735,722</u>