

**Principals**

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**Independent Auditor's Report**

To the Board of Directors of  
Council of Co-Owners of Fairlington Glen

**Opinion**

We have audited the accompanying financial statements of Council of Co-Owners of Fairlington Glen, which comprise the balance sheets as of December 31, 2025 and 2024, 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 Council of Co-Owners of Fairlington Glen as of December 31, 2025 and 2024, 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 Council of Co-Owners of Fairlington Glen 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.

**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 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 Council of Co-Owners of

Fairlington Glen'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 Council of Co-Owners of Fairlington Glen'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 Council of Co-Owners of Fairlington Glen'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 14 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 Budget vs. Actual Comparison on pages 15 to 17 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.

*Goldklang Group CPAs, P.C.*

Reston, Virginia  
July 14, 2026

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
BALANCE SHEETS  
DECEMBER 31, 2025 AND 2024

|                                           | <u>2025</u>         | <u>2024</u>         |
|-------------------------------------------|---------------------|---------------------|
| <u>ASSETS</u>                             |                     |                     |
| Cash and Cash Equivalents                 | \$ 1,444,496        | \$ 634,823          |
| Interest-Bearing Deposits                 | 2,677,348           | 3,475,335           |
| Investments - Debt Securities             | 1,949,277           | 1,232,813           |
| Assessments Receivable                    | \$ 14,933           | \$ 18,381           |
| Less: Allowance for Credit Losses         | (1,501)             | (1,501)             |
| Assessments Receivable - Net              | <u>\$ 13,432</u>    | <u>\$ 16,880</u>    |
| Accounts Receivable - Other               | \$ 10,254           | \$ 26,580           |
| Income Taxes Receivable                   | 7,092               | 3,063               |
| Accrued Interest Receivable               | 20,140              | 17,164              |
| Prepaid Expenses                          | 85,221              | 86,790              |
| Deferred Tax                              | <u>8,078</u>        | <u>9,504</u>        |
| Total Assets                              | <u>\$ 6,215,338</u> | <u>\$ 5,502,952</u> |
| <u>LIABILITIES AND MEMBERS' EQUITY</u>    |                     |                     |
| Accounts Payable                          | \$ 86,795           | \$ 35,737           |
| Deferred Insurance Proceeds               | 156,245             | -                   |
| Deferred Cable Fees                       | 29,920              | 35,200              |
| Income Taxes Payable                      | -                   | 4,290               |
| Prepaid Assessments                       | <u>79,432</u>       | <u>49,702</u>       |
| Total Liabilities                         | <u>\$ 352,392</u>   | <u>\$ 124,929</u>   |
| Contingency Reserve                       | <u>\$ 266,325</u>   | <u>\$ 256,325</u>   |
| Replacement Reserves                      | \$ 5,039,740        | \$ 4,676,272        |
| Replacement Reserves Unallocated Interest | <u>484,581</u>      | <u>381,808</u>      |
| Total Replacement Reserves                | <u>\$ 5,524,321</u> | <u>\$ 5,058,080</u> |
| Prior Year Unappropriated Members' Equity | \$ 63,618           | \$ 111,838          |
| Current Year Net Income (Loss)            | <u>8,682</u>        | <u>(48,220)</u>     |
| Total Unappropriated Members' Equity      | <u>\$ 72,300</u>    | <u>\$ 63,618</u>    |
| Total Members' Equity                     | <u>\$ 5,862,946</u> | <u>\$ 5,378,023</u> |
| Total Liabilities and Members' Equity     | <u>\$ 6,215,338</u> | <u>\$ 5,502,952</u> |

See Accompanying Notes to Financial Statements

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

|                                               | <u>2025</u>            | <u>2024</u>               |
|-----------------------------------------------|------------------------|---------------------------|
| <u>INCOME:</u>                                |                        |                           |
| Assessments                                   | \$ 2,063,580           | \$ 1,912,788              |
| Interest                                      | 130,177                | 107,899                   |
| Cable Marketing Fees                          | 5,280                  | 5,280                     |
| Late Fees                                     | 2,475                  | 3,025                     |
| Miscellaneous                                 | 260                    | 375                       |
| Total Income                                  | <u>\$ 2,201,772</u>    | <u>\$ 2,029,367</u>       |
| <u>EXPENSES:</u>                              |                        |                           |
| Administrative                                | \$ 105,165             | \$ 113,639                |
| Insurance                                     | 233,296                | 220,920                   |
| Payroll and Related                           | 283,457                | 266,712                   |
| Utilities                                     | 234,758                | 228,438                   |
| Pool Complex                                  | 75,099                 | 76,489                    |
| Landscaping                                   | 134,428                | 133,908                   |
| Repairs and Maintenance                       | 339,195                | 131,062                   |
| Service Contracts                             | 147,842                | 111,682                   |
| Credit Loss - Receivable (Unpaid Assessments) | -                      | 1,501                     |
| Income Taxes                                  | 30,115                 | 26,716                    |
| Total Expenses                                | <u>\$ 1,583,355</u>    | <u>\$ 1,311,067</u>       |
| Net Income before Contribution<br>to Reserves | \$ 618,417             | \$ 718,300                |
| Contribution to Reserves                      | <u>(609,735)</u>       | <u>(766,520)</u>          |
| Net Income (Loss)                             | <u><u>\$ 8,682</u></u> | <u><u>\$ (48,220)</u></u> |

See Accompanying Notes to Financial Statements

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

|                                        | <u>Contingency<br/>Reserve</u> | <u>Replacement<br/>Reserves</u> | <u>Unappropriated<br/>Members'<br/>Equity</u> | <u>Total<br/>Members'<br/>Equity</u> |
|----------------------------------------|--------------------------------|---------------------------------|-----------------------------------------------|--------------------------------------|
| Balance as of December 31, 2023        | \$ 189,126                     | \$ 4,389,799                    | \$ 165,037                                    | \$ 4,743,962                         |
| Additions:                             |                                |                                 |                                               |                                      |
| Contribution to Reserves               | 14,000                         | 747,240                         |                                               | 761,240                              |
| Contribution from Cable Marketing Fees |                                | 5,280                           |                                               | 5,280                                |
| Inter-Equity Transfer                  | 53,199                         |                                 | (53,199)                                      |                                      |
| Deductions:                            |                                |                                 |                                               |                                      |
| Drainage                               |                                | (7,822)                         |                                               | (7,822)                              |
| Electrical                             |                                | (13,019)                        |                                               | (13,019)                             |
| Engineering Pavement                   |                                | (10,381)                        |                                               | (10,381)                             |
| Engineering Reserve Assessment         |                                | (4,605)                         |                                               | (4,605)                              |
| Pool                                   |                                | (33,500)                        |                                               | (33,500)                             |
| Trailer Rental                         |                                | (47)                            |                                               | (47)                                 |
| Trapezoid                              |                                | (428)                           |                                               | (428)                                |
| Trash Can                              |                                | (12,004)                        |                                               | (12,004)                             |
| Reserve Study                          |                                | (2,433)                         |                                               | (2,433)                              |
| Net Loss                               |                                |                                 | (48,220)                                      | (48,220)                             |
| Balance as of December 31, 2024        | \$ 256,325                     | \$ 5,058,080                    | \$ 63,618                                     | \$ 5,378,023                         |
| Additions:                             |                                |                                 |                                               |                                      |
| Contribution to Reserves               | 10,000                         | 594,455                         |                                               | 604,455                              |
| Contribution from Cable Marketing Fees |                                | 5,280                           |                                               | 5,280                                |
| Net Income                             |                                |                                 | 8,682                                         | 8,682                                |
| Deductions:                            |                                |                                 |                                               |                                      |
| Drainage                               |                                | (3,036)                         |                                               | (3,036)                              |
| Electrical                             |                                | (8,145)                         |                                               | (8,145)                              |
| Engineering Pavement                   |                                | (10,036)                        |                                               | (10,036)                             |
| Office Equipment                       |                                | (3,942)                         |                                               | (3,942)                              |
| Parking Lot                            |                                | (108,335)                       |                                               | (108,335)                            |
| Balance as of December 31, 2025        | <u>\$ 266,325</u>              | <u>\$ 5,524,321</u>             | <u>\$ 72,300</u>                              | <u>\$ 5,862,946</u>                  |

See Accompanying Notes to Financial Statements

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

|                                                                                             | <u>2025</u>         | <u>2024</u>         |
|---------------------------------------------------------------------------------------------|---------------------|---------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>                                                |                     |                     |
| Net Income (Loss)                                                                           | \$ 8,682            | \$ (48,220)         |
| Adjustments to Reconcile Net Income (Loss)<br>to Net Cash Provided by Operating Activities: |                     |                     |
| Credit Loss - Receivable                                                                    | -                   | 1,501               |
| Deferred Tax Expense                                                                        | 1,426               | 1,426               |
| Decrease (Increase) in:                                                                     |                     |                     |
| Assessments Receivable                                                                      | 3,448               | (1,970)             |
| Accounts Receivable - Other                                                                 | 16,326              | (14,380)            |
| Income Taxes Receivable                                                                     | (4,029)             | 1,563               |
| Accrued Interest Receivable                                                                 | (2,976)             | 2,472               |
| Prepaid Expenses                                                                            | 1,569               | (16,716)            |
| Increase (Decrease) in:                                                                     |                     |                     |
| Accounts Payable                                                                            | 51,058              | (3,166)             |
| Deferred Insurance Proceeds                                                                 | 156,245             | -                   |
| Income Taxes Payable                                                                        | (4,290)             | 3,568               |
| Prepaid Assessments                                                                         | 29,730              | (5,852)             |
| Net Cash Flows from Operating Activities                                                    | <u>\$ 257,189</u>   | <u>\$ (79,774)</u>  |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>                                                |                     |                     |
| Received from Assessments (Reserves)                                                        | \$ 491,682          | \$ 662,000          |
| Received from Assessments (Contingency)                                                     | 10,000              | 14,000              |
| Received from Interest (Reserves)                                                           | 102,773             | 85,240              |
| Current Year Paid for Reserve Expenditures                                                  | \$ (133,728)        | \$ (84,239)         |
| Less: Prior Year Reserve Expenditures Payable                                               | 234                 | (268,614)           |
| Add: Current Year Reserve Expenditures Payable                                              | -                   | 234                 |
| Disbursed for Reserve Expenditures                                                          | <u>\$ (133,494)</u> | <u>\$ (352,619)</u> |

See Accompanying Notes to Financial Statements

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024  
(CONTINUED)

|                                                     | <u>2025</u>                | <u>2024</u>              |
|-----------------------------------------------------|----------------------------|--------------------------|
| Received from Interest-Bearing Deposits/Investments | \$ 1,550,000               | \$ 768,000               |
| Disbursed for Interest-Bearing Deposits/Investments | <u>(1,468,477)</u>         | <u>(1,284,481)</u>       |
| Net Cash Flows from Investing Activities            | <u>\$ 552,484</u>          | <u>\$ (107,860)</u>      |
| Net Change in Cash and Cash Equivalents             | \$ 809,673                 | \$ (187,634)             |
| Cash and Cash Equivalents at Beginning of Year      | <u>634,823</u>             | <u>822,457</u>           |
| Cash and Cash Equivalents at End of Year            | <u><u>\$ 1,444,496</u></u> | <u><u>\$ 634,823</u></u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

|                            |                         |                         |
|----------------------------|-------------------------|-------------------------|
| Cash Paid For Income Taxes | <u><u>\$ 40,475</u></u> | <u><u>\$ 22,444</u></u> |
|----------------------------|-------------------------|-------------------------|



COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024

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 Association. The Association is located in Arlington, Virginia and consists of 352 units. The Board of Directors administers the operations of the Condominium.

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 annual 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 assessments are satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control.

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 the property is owed by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, exterior structures, recreational facilities, and other site improvements.

D) 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.

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

F) Reclassification - Certain amounts have been reclassified in the accompanying 2024 financial statements to conform to the 2025 presentation.

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024  
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G) Investments - The Association's debt securities have been classified and accounted for either as available-for-sale or held-to-maturity. Debt securities are classified as held-to-maturity when the Association has the positive intent and the ability to hold the securities to maturity. Debt securities not classified as held-to-maturity are classified as available-for-sale. The cost of securities sold is based upon the specific identification method. The Association reviews its debt securities annually to determine if any security has experienced decline in fair value due to credit loss. If a determination is made that the decline is due to credit loss, the Association records an allowance for credit losses to write down the investment to its market value and records the related write-down as an investment loss in its Statement of Income.

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 Restoration Engineering, Inc. during 2019 and was updated during 2025. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the 2025 study.

The 2019 study does not have a cash flow schedule for the recommended contribution amount. The 2025 study recommends a reserve contribution of \$655,576 plus an interest contribution of \$84,589 for 2025. For 2025, the Association originally budgeted to contribute \$655,576 but amended to contribute \$491,682 to replacement reserves. Additionally, the Association elected to contribute interest income of \$102,773 and \$5,280 of cable marketing fees during 2025.

Funds are being accumulated in the replacement reserve based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary materially from the estimated future expenditures; therefore, amounts accumulated in the replacement reserve 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 a special assessment, or delay major repairs and replacements until funds are available.

As of December 31, 2025 and 2024, the balance in the replacement reserves account was \$5,524,321 and \$5,058,080, respectively. These designated reserves were funded by cash, interest-bearing deposits and investments.

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024  
(CONTINUED)

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 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 2025 and 2024, the Association's 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.

In accordance with accounting standards, a deferred tax asset has been recorded in the financial statements. Deferred assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. That is, the interest expense deductions currently exceed taxable income, and a deferred tax asset will be shown until this excess is applied to future years' taxable income.

During 2022, for tax purposes, the deferred cable income was recognized as taxable income. For financial statement purposes, the cable income was deferred over the term of the contract. As a result, as of December 31, 2025 and 2024, the Association had a deferred tax asset of \$8,078 and \$9,504, respectively related to the taxation of cable income.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2025, the Association maintained its funds in the following manner:

| <u>Institution</u>     | <u>Cash and<br/>Cash<br/>Equivalents</u> | <u>Interest-<br/>Bearing<br/>Deposits</u> |
|------------------------|------------------------------------------|-------------------------------------------|
| Petty Cash             | \$ 600                                   | \$ -                                      |
| First Citizen Bank     | 347,807                                  | 202,348                                   |
| Morgan Stanley         |                                          |                                           |
| (Various Institutions) | <u>1,096,089</u>                         | <u>2,475,000</u>                          |
| Totals                 | <u>\$ 1,444,496</u>                      | <u>\$ 2,677,348</u>                       |

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024  
(CONTINUED)

**NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS: (CONTINUED)**

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. Amounts in excess of the insured limits were \$1,298,398 and \$550,946 as of December 31, 2025 and 2024, respectively.

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 maintains funds in a brokerage account which are subject to SIPC limits.

**NOTE 6 - ASSESSMENTS RECEIVABLE - NET:**

The Association treats uncollectible assessments as credit losses. The methods, inputs, and assumptions used to evaluate the collectibility of assessment receivables include close monitoring of outstanding balances, members' historical payment patterns, aging of receivables, and susceptibility to factors outside the Association's control that may affect collectibility.

|                                   | <u>2025</u>             | <u>2024</u>             |
|-----------------------------------|-------------------------|-------------------------|
| Assessments Receivable            | \$ 14,933               | \$ 18,381               |
| Less: Allowance for Credit Losses | <u>(1,501)</u>          | <u>(1,501)</u>          |
| Assessments Receivable - Net      | <u><u>\$ 13,432</u></u> | <u><u>\$ 16,880</u></u> |

**NOTE 7 - INVESTMENTS - DEBT SECURITIES:**

Held-to-maturity debt securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. In accordance with ASC 820-10, the fair value of the debt securities was obtained using Level 1 Inputs. The amortized cost, gross unrealized gains and losses, and fair value of the held-to-maturity debt securities are summarized below:

|                                        | <u>Held-to-Maturity Debt Securities</u> |                              |                               |                            |
|----------------------------------------|-----------------------------------------|------------------------------|-------------------------------|----------------------------|
|                                        | Amortized                               | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value              |
| <u>December 31, 2025</u>               | <u>Cost</u>                             |                              |                               |                            |
| U.S. Treasury Obligations              | \$ 1,949,277                            | \$ 63,472                    | \$ -                          | \$ 2,012,749               |
| Total Held-to-Maturity Debt Securities | <u><u>\$ 1,949,277</u></u>              | <u><u>\$ 63,472</u></u>      | <u><u>\$ -</u></u>            | <u><u>\$ 2,012,749</u></u> |
|                                        | Amortized                               | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value              |
| <u>December 31, 2024</u>               | <u>Cost</u>                             |                              |                               |                            |
| U.S. Treasury Obligations              | \$ 1,232,813                            | \$ 6,629                     | \$ (1,367)                    | \$ 1,238,075               |
| Total Held-to-Maturity Debt Securities | <u><u>\$ 1,232,813</u></u>              | <u><u>\$ 6,629</u></u>       | <u><u>\$ (1,367)</u></u>      | <u><u>\$ 1,238,075</u></u> |

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2025 AND 2024  
(CONTINUED)

NOTE 7 - INVESTMENTS - DEBT SECURITIES: (CONTINUED)

Accrued interest receivable on held to maturity securities totaled \$9,956 and \$4,409 as of December 31, 2025 and 2024, respectively. The accrued interest on investment securities is excluded from the amortized cost of the securities and is reported as a receivable in the balance sheet.

Contractual maturities of investments in debt securities as of December 31, 2025 and 2024 are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

|                                      | Cost as of<br>12/31/2025 | Cost as of<br>12/31/2024 |
|--------------------------------------|--------------------------|--------------------------|
| One Year or Less                     | \$ -                     | \$ 741,472               |
| One to Five Year                     | 1,949,277                | 491,341                  |
| Total Investments in Debt Securities | <u>\$ 1,949,277</u>      | <u>\$ 1,232,813</u>      |

NOTE 8 - CONTINGENCY RESERVE:

The Association established a contingency reserve for unexpected operating expenses. During 2025 and 2024, the Association budgeted to contribute \$10,000 and \$14,000, respectively, to this reserve. In addition, during 2024, the Association transferred \$53,199 from unappropriated members' equity to the contingency reserve. As of December 31, 2025 and 2024, the balance in the contingency reserve was \$266,325 and \$256,325, respectively. This reserve was funded by cash, interest-bearing deposits and investments.

NOTE 9 - DEFERRED CABLE FEES:

The Association signed a 10-year cable installation and service agreement with a term beginning September 1, 2021 and ending August 31, 2031. As part of the agreement the Association received \$52,800 as marketing support commission. The proceeds are being amortized over the life of the agreement and were recorded as deferred marketing support commission. For 2025 and 2024, \$5,280 was recognized each year as income to the Association. As of December 31, 2025 and 2024, \$29,920 and \$35,200, respectively, remained as deferred cable fees.

NOTE 10 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 14, 2026, the date the financial statements were available to be issued.

Subsequent to year-end, the Association incurred replacement reserve expenditures of approximately \$96,000.

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2025  
(UNAUDITED)

The Association conducted a replacement reserve study in 2025 by Restoration Engineering, Inc. to estimate the remaining lives and the replacement costs of the 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>2025<br/>Estimated<br/>Remaining<br/>Useful<br/>Life<br/>(Years)</u> | <u>2025<br/>Estimated<br/>Replacement<br/>Cost</u> |
|---------------------------------|-------------------------------------------------------------------------|----------------------------------------------------|
| Hardscape                       | 0-18                                                                    | \$ 1,579,839                                       |
| Utilities                       | 16-48                                                                   | 4,356,113                                          |
| Miscellaneous Site Features     | 2-50                                                                    | 1,023,685                                          |
| Recreational Facilities         | -2-31                                                                   | 912,977                                            |
| Building Exteriors              | -5-55                                                                   | 13,161,511                                         |
| Building Interiors and Services | 0-36                                                                    | 277,466                                            |

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
BUDGET VS. ACTUAL COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2025

|                      |                                       | <u>"Unaudited"</u><br><u>Fairlington</u><br><u>Glen Budget</u> | <u>Actual</u><br><u>(Post-Audit)</u> |
|----------------------|---------------------------------------|----------------------------------------------------------------|--------------------------------------|
| <u>INCOME:</u>       |                                       |                                                                |                                      |
| 40100                | Assessments                           | \$ 2,066,307                                                   | \$ 2,063,580                         |
| 40270                | Interest                              | 83,687                                                         | 130,177                              |
| 40398                | Recovery Income                       | 3,258                                                          | -                                    |
| 40290                | Credit Loss Recovery - Receivable     | 100                                                            | -                                    |
| 40172                | Late Fees                             | 1,412                                                          | 2,475                                |
| 40190                | Pool                                  | 200                                                            | -                                    |
| 40217                | NSF                                   | -                                                              | 260                                  |
| 40430                | Miscellaneous                         | 5,280                                                          | 5,280                                |
| 40010                | Additional Charges                    | 245                                                            | -                                    |
|                      | Total Income                          | <u>\$ 2,160,489</u>                                            | <u>\$ 2,201,772</u>                  |
| <u>EXPENSES:</u>     |                                       |                                                                |                                      |
| Administrative:      |                                       |                                                                |                                      |
| 51020                | Postage                               | \$ 100                                                         | \$ -                                 |
| 51030                | Office Expenses                       | 4,071                                                          | 4,646                                |
| 51031                | Copying                               | 1,232                                                          | 277                                  |
| 51050                | Training and Education                | 300                                                            | -                                    |
| 51500                | Miscellaneous Expenses                | 1,466                                                          | 348                                  |
| 51250                | Entertainment and Social              | 300                                                            | 167                                  |
| 51550                | Miscellaneous Administrative          | 5,228                                                          | 5,874                                |
|                      | Subtotal Miscellaneous Administrative | <u>\$ 12,697</u>                                               | <u>\$ 11,312</u>                     |
| 51110                | Audit, Taxes and Accounting           | \$ 10,200                                                      | \$ 10,490                            |
| 51090                | Legal                                 | 17,500                                                         | 12,709                               |
| 51092                | Legal Fee Reimbursement               | (1,936)                                                        | (12,416)                             |
| 51120                | Management                            | 68,615                                                         | 67,758                               |
| 51125                | Management Schedule B                 | 10,683                                                         | 12,571                               |
| 51160                | Telephone and Related                 | 3,973                                                          | 2,741                                |
|                      | Total Administrative                  | <u>\$ 121,732</u>                                              | <u>\$ 105,165</u>                    |
| 51750                | Insurance                             | <u>\$ 225,593</u>                                              | <u>\$ 233,296</u>                    |
| Payroll and Related: |                                       |                                                                |                                      |
| 52301                | Federal FICA Taxes                    | \$ 7,119                                                       | \$ 7,342                             |
| 52308                | Payroll Taxes Budget                  | 1,665                                                          | 1,717                                |
|                      | Subtotal Payroll Taxes                | <u>\$ 8,784</u>                                                | <u>\$ 9,059</u>                      |
| 52302                | Virginia Unemployment Taxes           | \$ 50                                                          | \$ 16                                |
| 52303                | Unemployment Taxes Budget             | 103                                                            | 84                                   |
|                      | Subtotal Unemployment Taxes           | <u>\$ 153</u>                                                  | <u>\$ 100</u>                        |

COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
BUDGET VS. ACTUAL COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(CONTINUED)

|       |                                                   | <u>"Unaudited"</u><br><u>Fairlington</u><br><u>Glen Budget</u> | <u>Actual</u><br><u>(Post-Audit)</u> |
|-------|---------------------------------------------------|----------------------------------------------------------------|--------------------------------------|
| 51770 | Group Insurance                                   | \$ 28,619                                                      | \$ 35,139                            |
| 51137 | Management On-Site                                | 108,354                                                        | 110,146                              |
| 52420 | Maintenance Payroll                               | 114,825                                                        | 118,405                              |
| 52431 | Temporary Help                                    | 5,200                                                          | -                                    |
| 65360 | Uniforms                                          | 450                                                            | -                                    |
| 52044 | Payroll Administrative                            | 10,542                                                         | 10,608                               |
|       | Total Payroll and Related                         | <u>\$ 276,927</u>                                              | <u>\$ 283,457</u>                    |
|       | Utilities:                                        |                                                                |                                      |
| 62000 | Electricity                                       | \$ 12,247                                                      | \$ 13,105                            |
| 62120 | Water and Sewer                                   | 215,189                                                        | 221,653                              |
|       | Total Utilities                                   | <u>\$ 227,436</u>                                              | <u>\$ 234,758</u>                    |
|       | Pool Complex:                                     |                                                                |                                      |
| 60000 | Pool Contract                                     | \$ 61,285                                                      | \$ 62,349                            |
| 60115 | Pool Repair and Maintenance                       | 12,981                                                         | 8,706                                |
| 60176 | Pool Furniture                                    | 3,500                                                          | 1,620                                |
| 51268 | Pool Committee                                    | 2,500                                                          | 2,424                                |
|       | Total Pool Complex                                | <u>\$ 80,266</u>                                               | <u>\$ 75,099</u>                     |
|       | Landscaping:                                      |                                                                |                                      |
| 58000 | Grounds Contract                                  | <u>\$ 109,086</u>                                              | <u>\$ 108,006</u>                    |
| 58172 | Tree Service                                      | \$ 3,000                                                       | \$ -                                 |
| 61572 | Special Projects/Improvement                      | 4,000                                                          | 6,145                                |
| 58050 | Landscape Non-Contract                            | 25,000                                                         | 17,896                               |
| 58070 | Landscape Replacement                             | 4,380                                                          | 2,381                                |
|       | Subtotal Tree Services and Landscape Improvements | <u>\$ 36,380</u>                                               | <u>\$ 26,422</u>                     |
|       | Total Landscaping                                 | <u>\$ 145,466</u>                                              | <u>\$ 134,428</u>                    |
|       | Repairs and Maintenance:                          |                                                                |                                      |
| 65200 | Property Repairs                                  | \$ 28,687                                                      | \$ 19,453                            |
| 65090 | Maintenance Supplies                              | 6,231                                                          | 3,036                                |
| 65284 | Carpentry                                         | 35,447                                                         | 41,068                               |
| 65310 | Exterior Painting                                 | 93,160                                                         | 192,915                              |
| 65460 | Roofing                                           | 36,891                                                         | 69,478                               |
| 65010 | Vehicle Expenses                                  | 610                                                            | 184                                  |
| 65247 | Playground Equipment                              | 3,858                                                          | 868                                  |
| 51106 | Professional Fees                                 | 14,482                                                         | 11,473                               |
| 65370 | Damage Claims                                     | 7,783                                                          | 720                                  |
|       | Total Repairs and Maintenance                     | <u>\$ 227,149</u>                                              | <u>\$ 339,195</u>                    |



COUNCIL OF CO-OWNERS OF FAIRLINGTON GLEN  
BUDGET VS. ACTUAL COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2025  
(CONTINUED)

|       |                                               | <u>"Unaudited"</u><br><u>Fairlington</u><br><u>Glen Budget</u> | <u>Actual</u><br><u>(Post-Audit)</u> |
|-------|-----------------------------------------------|----------------------------------------------------------------|--------------------------------------|
|       | Service Contracts:                            |                                                                |                                      |
| 65240 | Extermination                                 | \$ 4,066                                                       | \$ 5,077                             |
| 65250 | Trash Removal                                 | 85,993                                                         | 85,405                               |
| 58581 | Snow Removal                                  | 10,258                                                         | 57,360                               |
|       | Total Service Contracts                       | <u>\$ 100,317</u>                                              | <u>\$ 147,842</u>                    |
| 51401 | Credit Loss - Receivable (Unpaid Assessments) | \$ 200                                                         | \$ -                                 |
| 51401 | Unpaid Assessments                            | 1,969                                                          | -                                    |
|       | Total Credit Loss - Receivable                | <u>\$ 2,169</u>                                                | <u>\$ -</u>                          |
| 51140 | Income Taxes                                  | <u>\$ 17,574</u>                                               | <u>\$ 30,115</u>                     |
|       | Total Expenses                                | <u>\$ 1,424,629</u>                                            | <u>\$ 1,583,355</u>                  |
|       | Net Income before Contribution<br>to Reserves | \$ 735,860                                                     | \$ 618,417                           |
| 90000 | Replacement Reserves                          | \$ (655,576)                                                   | \$ (491,682)                         |
| 90005 | Replacement Reserves Interest                 | (66,113)                                                       | (102,773)                            |
| 90061 | Replacement Reserves Contingency              | (10,000)                                                       | (10,000)                             |
| 90062 | Cable Marketing Reserves                      | (4,171)                                                        | (5,280)                              |
|       | Total Reserve Contribution                    | <u>\$ (735,860)</u>                                            | <u>\$ (609,735)</u>                  |
|       | Net Income                                    | <u>\$ -</u>                                                    | <u>\$ 8,682</u>                      |