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**THE LAUREN, A CONDOMINIUM**  
**1301 TWENTIETH STREET, N.W.**  
**WASHINGTON, D.C. 20036**

**202.659.9483**  
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**May 8, 2013**

**Subject: Annual Meeting – Treasurer’s Report**

**I. Summary: Owners Equity / Reserve Funds:**

**A. Cash and Reserves, as of March 31, 2013:**

- Net Cash On Hand: **\$1,812,117.73**
- Operating Cash: **\$120,338.62**
- Unrestricted Capital Reserves: \$ 880,904.75
- Dedicated Capital Reserves (HVAC System Replacement): \$ 819,721.68
- Total Reserves: **\$1,700,626.43, which is \$163,933.18 greater than on the same date last year.**

**B. Year-to-date operations, as of March 31, 2013**

- Total Income: \$315,698, which is over budget by \$551
- Total Operating Expenses: \$216,750, which is under budget by \$8,450
- Capital expenditures: \$12,882

**C. Monthly Reserve Fund Contributions:**

2013 monthly reserve contributions of \$ 27,041.66 into respective reserve accounts as follows:

- General Reserves for 2013 = \$ 14,083.33 per month
- Restricted HVAC Reserves for 2013 = \$12,958.33 per month
- Simmons Management confirms transfer of funds monthly via email once they are posted

**II. Management of Reserve Accounts:**

**A. Morgan Stanley / Smith Barney Investment Firm:**

- Designated by Board of Directors to invest all Reserves as of January 2008.
- Ted Hart, located at Connecticut and L Street, NW, is our Investment Advisor.
- Every month, Morgan Stanley / Smith Barney conducts an electronic transfer of Reserves from The Lauren's Operating Account directly into our respective "General" and "HVAC" Reserve accounts. Simmons Management tracks and confirms said transfers.
- All CD's purchased prior to the Morgan Stanley account have been sent to them for investment. There are no other Money Market Investments outside this investment account. The last and final CD purchased prior to our moving to Morgan Stanley matured in 2010.

**B. Reserve Accounts:**

1. At the end of 2013 our Reserve Fund will be **approximately \$1,692,576.**

- March 2013 Reserve Total: \$ 1,700,626
- April thru Dec. 2012 monthly contributions @ \$27,042/Month \$ 243,375
- 2013 Interest \$ 20,096 (See Note "a")
  
- Total Projected Reserves December, 2013 **\$ 1,964,097**
  
- Projected Capital Expenses - 2013: (\$ 271,521) (See Note "b")
  
- Projected Reserve Balance Less Capital Expenses through December 2013: **\$ 1,692,576**

NOTES:

- a) 2013 interest is projected 29,000 for entire year minus \$8,904 already posted (included in March (statement)).
- b) Projected capital expenses figure is arrived at by including:
  - ✓ façade maintenance (Culbertson plus estimate of Seal Engineering costs)
  - ✓ Cooling Tower
  - ✓ Using entire \$60,000 contingency reserve allocation.  
Since contingency includes Schindler elevator upgrades (\$27,768) it seems reasonable that we will spend entire 60K).

**2. Reserves Transfers from General Reserves to RBC Operating Account by Morgan Stanley / Smith Barney:**

**a. 2013**

- None to date
- Objective: To arrive at zero balance between expenses and transfers at year end.

**b. 2012 Reserves Transfers:**

- **\$176,852.78**
- **This figure includes "Unplanned" Capital Expenditures: \$51,451.93**
- **Each year, since 2012, our budget has included \$ 60,000 for "unplanned" expenditures.**

**III. Capital Improvements / Capital Expenditures:**

**A. Five Year Reserve Study:**

- Reserve Studies are recommended to be done every 5 years.
- Our most Reserve Study was completed in 2011.

**Reserves Summary re Major Projects:**

- a. The following items were identified in the 2011 (Final Report September 2011) Reserve Study as being in line for replacement for the three-year period 2012-2015.
- b. Estimated costs for each at time of replacement are listed.
- c. Items already replaced per the 2011 Report are not included.

Please note the timeline for replacement /repair will not necessarily coincide with that projected in the Reserve Study:

Chiller Repairs	\$ 32,137
Cooling Tower Repairs	\$ 27,852
Electrical System Inspections/Partial Replacements	\$ 37,493
Elevators, Traction, Modernization	\$ 332,080
Life Safety System (Control Panel & Emergency Devices	\$ 40,707
Pumps, HVAC, Phased Replacements	\$ 11,642
Security System, Phased Replacements	\$ 10,311
Contingency Expenses	\$ 32,149
Reserve Study Update	<u>\$ 4,200</u>
TOTAL	\$ 528,571

- These are taken exactly as presented in the 2011 Reserve Study.
- The first phase of the HVAC convector replacement is scheduled to commence in 2017

**B. Capital Expenditures: 2013**

**1. Miscellaneous Note:**

Labeling/Recording of General Ledger Account numbers for 2013 will be given a ledger account number and description before we spend any money.

**2. PLANNED CAPITAL EXPENDITURES- 2013:**

- We have a number of capital projects to which dollar amounts have been assigned.
- However, none have formally been approved and none were listed on budget that was sent to owners.

	<u>APPROVED</u>	<u>PAID YTD</u>
<b>2.a) Façade Repairs</b>	<b>\$ 172,850.00</b>	<b>\$0.00</b>

**3. UNPLANNED CAPITAL EXPENDITURES: Our yearly budget (Line item 60065) for “unplanned” capital improvements is listed in the amount of \$60,000 for calendar year 2013.**

	<u>APPROVED</u>	<u>PAID YTD</u>
<b>3.a) Annual Boiler Preventive Maintenance</b>	<b>\$1,430.36</b>	<b>\$1,430.36</b>
<b>3.b) Boiler Regulator (Estimate)</b>	<b>\$ 600.00</b>	<b>\$ 0.00</b>
<b>3.c) Seal Engineering. Poolhouse Window First Round Repairs &amp; Engineering Services</b>	<b>\$1,145.00</b>	<b>\$1,145.00</b>
<b>3.d) Room Doctors- Design Services</b>	<b>\$ 281.25</b>	<b>\$ 281.35</b>
<b>3.e) Replacement Dishwasher-Unit 212</b>	<b>\$ 444.13</b>	<b>\$ 444.13</b>
<b>3.f) Elevator Repairs:</b>		
• Weigh & Balance Cabs	<b>\$ 6,573.00</b>	<b>\$ 0.00</b>
• ADA Telephones	<b>\$ 10,846.00</b>	<b>\$ 0.00</b>
• Door Restrictors	<b><u>\$ 8,770.00</u></b>	<b><u>\$ 0.00</u></b>
<b>TOTAL Approved Unplanned Capital Expenditures to Date:</b>	<b>\$ 30,089.74</b>	<b>\$ 3,300.84</b>

**4. CAPITAL EXPENDITURES CARRIED OVER FROM 2012 BUDGET**

	<u>APPROVED</u>	<u>PAID YTD</u>
<b>4.a) Cooling Tower (\$19,068 planned) (\$2,232 approved overage)</b>	<b>Yes Yes</b>	<b>\$ 9,581.00</b>

**5. Budget Versus Actual Expenditures**

- Over the past 5 – 10 years our budget estimates have fallen within 2% to 6%—plus or minus— actual expenditures.

- Our 2012 operating expenses were \$ 54,041 under budget.
- NOTES:
  - ✓ The audit does not actually make a comparison between operating expenses and budget
  - ✓ Our 2012 Operating Expenses were under budget by 6.27 %, which was calculated by comparing our audit total of \$861,443 expenses in comparison with our budget figure of \$915,484 for operating expenses.
  - ✓ The \$915,484 figure does not appear anywhere in the audit.

## 6. Auditors Report Excerpt:

### Financial Analysis:

As of December 31, 2012, the Association had a surplus of \$119,560 in unappropriated members' equity (excess operating funds).

- This represents less than 10% of annual assessments.
- We commend the Association for accumulating excess operating funds to a level of 10% to 20% of annual assessments. This procedure will ensure that potential operating deficits will not consume funds designated for replacement reserves.
- We commend the Association for maintaining an assessment receivable balance of less than 1 % of annual assessments.
- The designated replacement reserves of \$1,600,962 are funded by cash and interest-bearing deposits as of December 31,2012.

## 7. Graphs

The following graphs, courtesy of owner Joe Morris, show:

- Condo Fee Increases Over Past Several Years.
- Annual Operating Expenses
- Percent Change From Previous Year
- Net Cash (End of Year)
- Expenditures From Replacement Fund

### Condo Fee Increases over past several years.

% Increase  
From Prior Year

2013  
2012

1.50

1.20













