



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

202.659.9483



May 15, 2014

Subject: Annual Meeting – Treasurer’s Report

I. Summary: Owners Equity / Reserve Funds:

A. Cash and Reserves, as of March 31, 2014:

- Net Cash On Hand: **\$1,881,771.11**
- Operating Cash: **\$112,332.56**
- Unrestricted Capital Reserves: \$ 801,817.96
- Dedicated Capital Reserves (HVAC System Replacement): \$ 991,485.91
- Total Reserves: **\$1,793,303.87, which is \$92,667.44 greater than on the same date last year.**

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

- Total Income: \$326,696, which is under budget by \$7,272
- Total Operating Expenses: \$219,284, which is under budget by \$10,969
- Capital expenditures: \$5,144

C. Monthly Reserve Fund Contributions:

2014 monthly reserve contributions of \$ 27,549.99 into respective reserve accounts as follows:

- General Reserves for 2014 = \$ 14,083.33 per month
- Restricted HVAC Reserves for 2014 = \$13,466.66 per month
- Simmons Management confirms transfer of funds monthly via email once they are posted

D. Reserve Accounts:

1. At the end of 2014 our Reserve Fund will be **approximately \$1,966,337.**

a. March 2014 Reserve Total:	\$ 1,793,303.87
April thru Dec. 2014 monthly contributions @ \$27,549.99/Month	\$ 247,950
2014 Interest	<u>\$ 21,707 (See Note "a")</u>
Total Projected Reserves December, 2013	\$ 2,062,961
Projected Capital Expenses - 2014:	<u>(\$ 96,624) (See Note "b")</u>
End of 2014 Projected Reserves:	\$ 1,966,337

b. Projected Capital Expenses - 2014: \$ 96,624 (See Note "b")

- Streetscape Landscape Upgrades: \$ 16,624
(Includes Landscape & Irrigation)
- Boiler Repairs: \$ 20,000
- Contingency Capital Expenses \$ 60,000

Total Projected 2014 Capital Expenses \$ 96,624

NOTES:

- a) 2014 interest is projected \$30,220 for entire year minus \$8,513 already posted (included in March statement).
- b) Projected capital expenses figure is arrived at by including:
 - Streetscape landscape upgrades plus underground irrigation system
 - Boiler Repairs
 - Using entire \$60,000 contingency reserve allocation.

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

a. **2014**

- None to date

b. **2013 Reserves Transfers:**

- **\$260,936.19**
- **This figure includes "Unplanned" Capital Expenditures: \$63,017.19**
- **Each year, since 2012, our budget has included \$ 60,000 for "unplanned" expenditures.**

c. Past Reserves Transfers: Reserves Transfers from General Reserves to RBC Operating Account by Morgan Stanley Smith Barney:

- **Projected 2014 Transfers: \$ 96,624.00**
- **Total 2013 Transfers: \$260,936.19**
- **Total 2012 Transfers: \$176,852.78**
- **Total 2011 Transfers: \$ 54,821.87**

II. Management of Reserve Accounts:

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.

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 2013-2016.
- 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
Reserve Study Update	\$ 4,200
Boiler (Ancillary) Replacement	\$ 17,459
Asphalt Pavement Crack Repair, Patch and Seal Coat	\$ 9,700
<u>Contingency Expenses</u>	<u>\$ 32,149</u>
TOTAL	\$ 555,820

- 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. PLANNED CAPITAL EXPENDITURES- 2013:

	<u>APPROVED</u>	<u>PAID YTD</u>
a) Façade Repairs	\$ 172,850.00	\$167,233.00
b) Façade Engineering Services Seal Engineering (Estimate)	<u>\$ 10,000.00</u>	<u>\$ 9,300.00</u>
TOTAL Approved Façade Capital Expenditures To Date:	\$ 182,850.004	\$176,533.00

2. 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>
a) Annual Boiler Preventative Maintenance	\$1,430.36	\$1,430.36
b) Boiler Regulator (Estimate)	\$ 600.00	\$0.00
c) Seal Engineering. Poolhouse Window First Round Repairs & Engineering Services	\$1,145.00	\$1,145.00
d) Seal Engineering. Poolhouse Window Second Round Engineering Services	\$ 903.00	\$ 903.00
e) James R. Walls. Poolhouse Window Second Round Repairs	\$1,305.00	\$1,305.00
f) Room Doctors- Design Services	\$ 713.00	\$ 713.00
g) Replacement Dishwasher-Unit 212	\$ 444.13	\$ 444.13
h) Elevator Repairs:		
• Weigh & Balance Cabs	\$ 6,573.00	\$ 6,967.39
• ADA Telephones	\$ 10,846.00	\$11,496.76
• Door Restrictors	\$ 8,770.00	\$ 9,296.20
NB: Tax added to original price		
i) Nichols Contracting. Front Office Window Plus Sunderland Place Door Closer/Hinge	\$ 4,290.91	\$ 4,290.91
j) McLean Controls. Cooling Tower Fan Controls	\$ 1,230.00	\$ 1,230.00
k) SETEC. CCTV Cameras	\$ 1,381.82	\$ 1,381.82
l) Lerch-Bates- Elevator Study	\$ 2,900.00	\$ 2,900.00
<u>m)</u> Unit 212 Renovation	\$ 5,000.00	\$ 1,594.26
<u>n)</u> Virginia Pump. Rebuild 2 HVAC Pumps	\$ 3,385.25	\$ 3,385.25
o) McQuay Service. Punch tubes in chiller.	\$ 1,470.49	\$ 1,470.49

p) Precise Chemical. Floor scrubber/buffer	\$ 864.06	\$ 864.06
q) Star Nursery - Design	\$ 1,362.10	\$ 1,362.10
r) Star Nursery - Irrigation	\$ 6,136.34	\$ 3,068.18
s) Star Nursery - Plantings	<u>\$ 15,538.54</u>	<u>\$ 7,769.28</u>
TOTAL Approved "Unplanned" Capital Expenditures (2013):	\$ 76,289.00	\$ 63,017.19

3. CAPITAL EXPENDITURES CARRIED OVER FROM 2012 BUDGET

	<u>APPROVED</u>	<u>PAID YTD</u>
• Cooling Tower- Planned	\$19,068.00	\$19,068.00
• Overage: \$2,318	<u>\$ 2,318.00</u>	<u>\$ 2,318.00</u>
TOTAL Approved Carried Over Capital Expenditures (2013):	\$ 21,386.00	\$21,386.00

C. Capital Expenditures: 2014

1. PLANNED CAPITAL EXPENDITURES- 2014:

- 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>
a) Streetscape Updates	\$ 7,800.00	\$0.00
b) Irrigation	<u>\$ 3,100.00</u>	<u>\$0.00</u>
Totals:	\$ 10,900.00	\$0.00

2. UNPLANNED CAPITAL EXPENDITURES: Our yearly budget (Line item 60065) for "unplanned" capital improvements is listed in the amount of \$60,000 for calendar year 2014.

	<u>APPROVED</u>	<u>PAID YTD</u>
a) Boiler Regulator (Estimate)	\$ 600.00	\$ 0.00
b) Chiller Chemical Cleaning	<u>\$ 5,143.68</u>	<u>\$ 5,143.68</u>
TOTALS:	\$ 5,743.68	\$ 5,143.68

3. CAPITAL EXPENDITURES CARRIED OVER FROM 2013 BUDGET

APPROVED

PAID YTD

NONE

IV. 2011 Tax Refund - \$9,986.00:

- Replacement check in the amount of \$9,986 from the IRS dated 11/26/13 was received.
- In as much as expected refund of \$9,986 is a component of 2014 budget, check was not forwarded to Simmons until January 2014 so as to assure it will be reflected in 2014 (not 2013) figures.
- Simmons received and posted the refund check to the general ledger on January 27, 2014.

V. 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 2013 operating expenses were \$ 5,406 under budget.
- NOTES:
 - ✓ The audit does not actually make a comparison between operating expenses and budget
 - ✓ Our 2013 Operating Expenses were under budget by .75 %, which was calculated by comparing our audit total of \$922,711 expenses in comparison with our budget figure of \$929,581 for operating expenses.
 - ✓ The \$929,581 figure does not appear anywhere in the audit.

VI. Auditors Report Excerpts:

Financial Analysis:

As of December 31, 2013, the Association had a surplus of \$93,744 in unappropriated members' equity (excess operating funds).

- This represents less than 8% of annual assessments.
- We generally recommend the Association accumulate 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 \$1,696,369 are funded by cash and interest-bearing deposits as of December 31,2013.

VII. 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

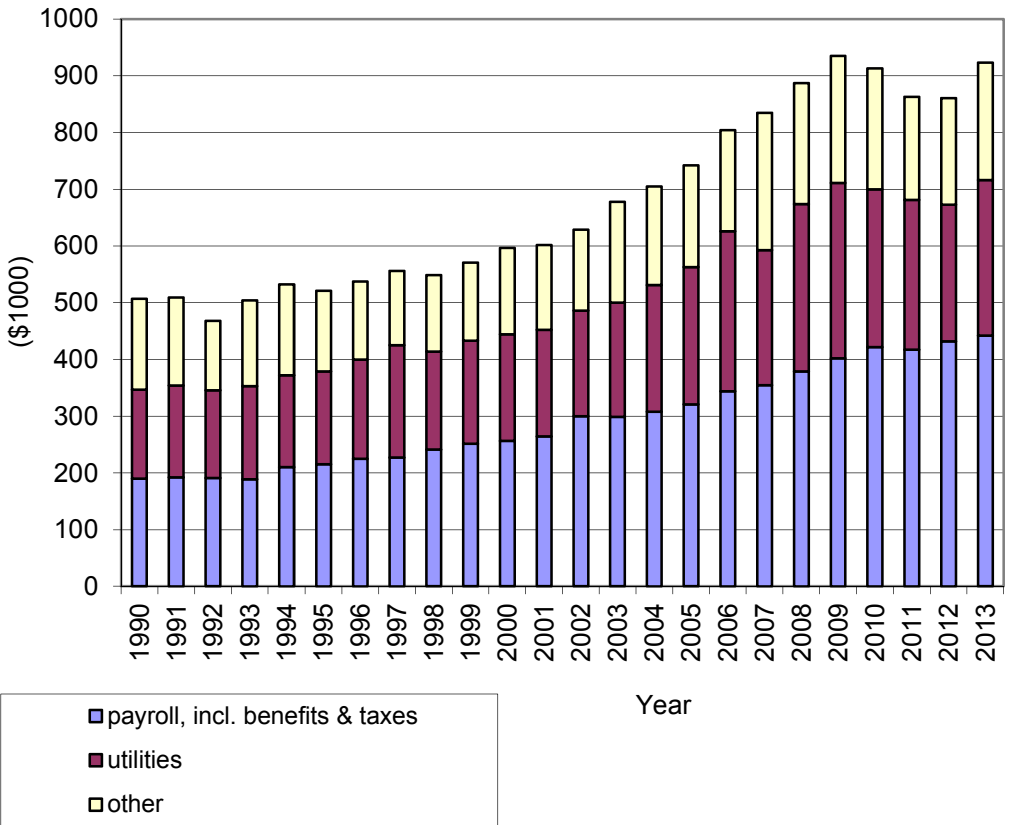
All the numbers look pretty stable:

- Although operating expenses were up in 2013 after 3 years of declines, mainly because of utilities
- Increases in administrative and legal expenses were higher than usual.
- Expenditures from the replacement fund were the third highest in Lauren history (after 2009 and 2002).

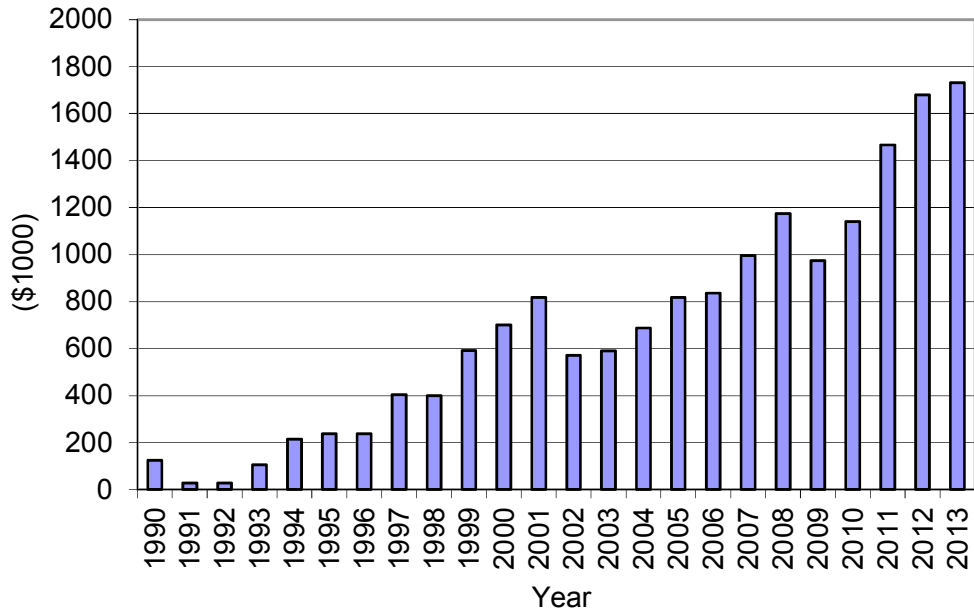
Condo Fee Increases over past several years.

	% Increase From Prior Year
2013	1.50
2012	1.20
2011	3.98
2010	4.62
2009	5.86
2008	3.50
2007	5.90
2006	8.81
2005	4.00
2004	4.50
2003	1.80
2002	2.00
2001	2.00
2000	1.00
1999	0.00
1998	3.00
1997	3.67
1996	5.79
1995	4.96
1994	7.27
1993	9.77
1992	6.50
1991	4.92
1990	2.10

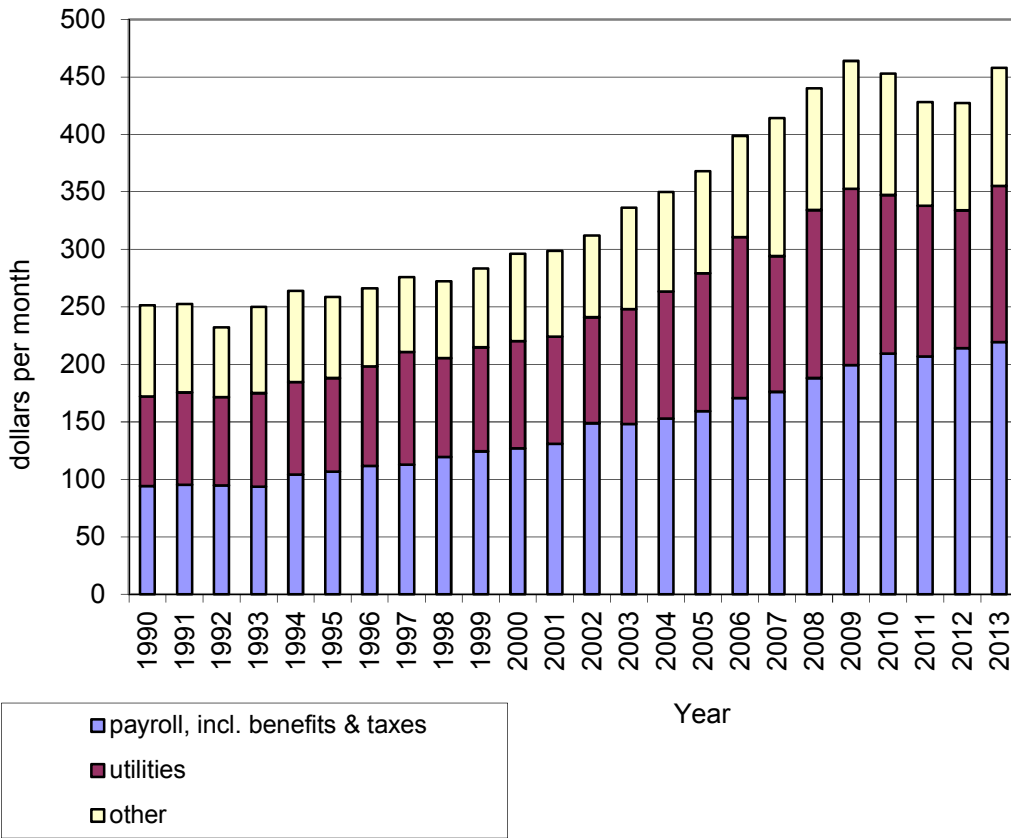
Annual Operating Expenses



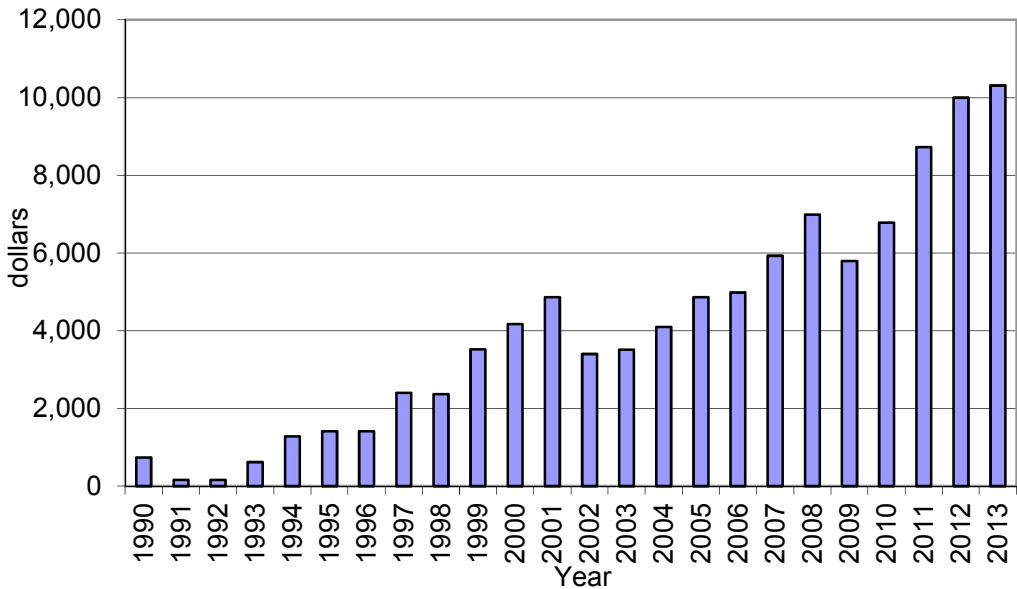
Net Cash (end of year)



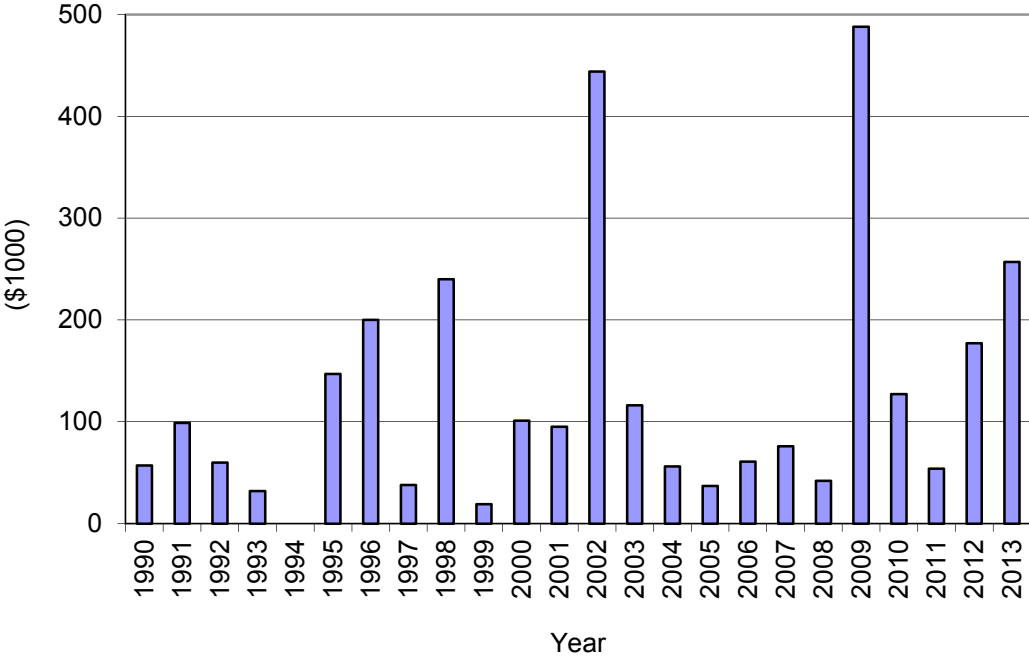
Average monthly operating expenses per unit



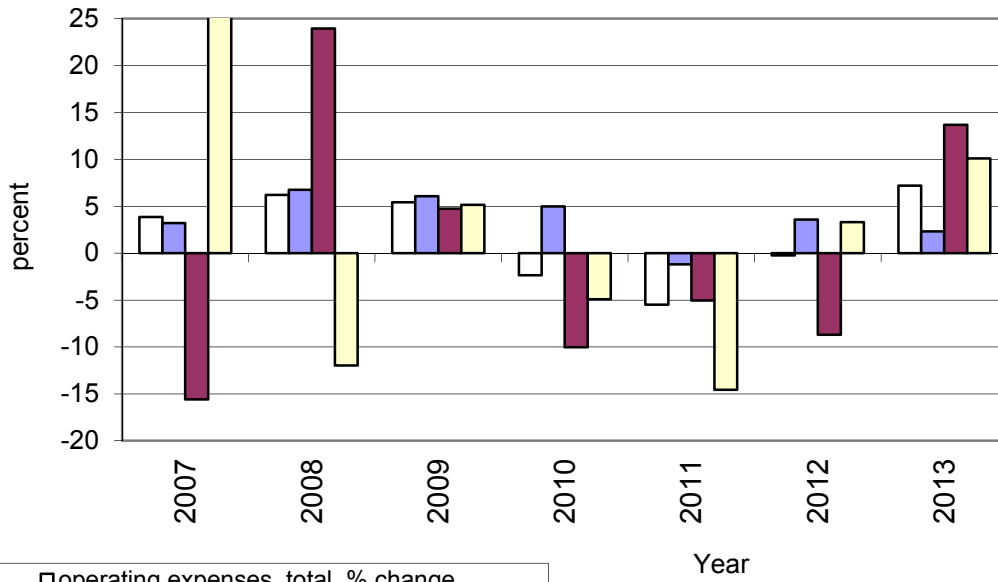
Net cash per unit (end of year)



Expenditures from Replacement Fund



Percent Change from Previous Year, 2007-2013



- operating expenses, total, % change
- payroll
- utilities
- other