

Goldklang & Group

CPAs, P.C.

Principals

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Anne M. Sheehan, CPA
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1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Managers

Jamie L. Brodnax, CPA
Allison A. Day, CPA
Jeremy W. Powell, CPA
Renee L. Watson, CPA

Independent Auditor's Report

Board of Directors
The Lauren, A Condominium
Washington, D.C.

We have audited the accompanying Balance Sheets of The Lauren, A Condominium as of December 31, 2010 and 2009, and the related Statements of Income, Members' Equity and Cash Flows for the years then ended. These financial statements are the responsibility of the Association. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Association, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lauren, A Condominium as of December 31, 2010 and 2009, 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 11 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.

April 22, 2011

Goldklang Group CPAs, P.C.

THE LAUREN, A CONDOMINIUM
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 135,949	\$ 214,595
Interest-Bearing Deposits	1,060,000	821,024
Investments	25,278	25,000
Assessments Receivable	4,054	10,136
Income Taxes Receivable	16,542	7,958
Prepaid Expenses	25,992	34,105
Fixed Assets - Net	8,006	8,006
Total Assets	\$ 1,275,821	\$ 1,120,824

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable - Trade	\$ 54,477	\$ 47,785
Accounts Payable - Other	14,230	14,230
Prepaid Assessments	29,290	33,050
Total Liabilities	\$ 97,997	\$ 95,065
Replacement Reserves	\$ 1,155,187	\$ 979,235
Unappropriated Members' Equity	22,637	46,524
Total Members' Equity	\$ 1,177,824	\$ 1,025,759
Total Liabilities and Members' Equity	\$ 1,275,821	\$ 1,120,824

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>INCOME:</u>		
Assessments	\$ 1,093,608	\$ 1,045,800
Parking	9,600	11,745
Rent	20,100	19,575
Interest	24,169	25,485
Laundry	29,215	31,797
Move In Fees	7,973	6,027
Other	<u>7,773</u>	<u>8,210</u>
Total Income	<u>\$ 1,192,438</u>	<u>\$ 1,148,639</u>
 <u>EXPENSES:</u>		
Payroll and Related Benefits	\$ 421,595	\$ 402,130
Management	25,686	23,601
Legal, Audit and Tax Preparation	21,334	11,358
Insurance	31,759	33,382
Administrative	15,185	11,129
Utilities	277,535	309,219
Grounds Maintenance	5,882	6,100
Elevator	21,095	19,545
HVAC	12,717	16,841
Pool	4,240	5,611
Trash Removal	14,346	13,722
Laundry Equipment	4,562	6,364
Repairs and Maintenance	51,699	59,039
Association Owned Unit	8,408	7,745
Income Taxes	<u>3,416</u>	<u>9,381</u>
Total Expenses	<u>\$ 919,459</u>	<u>\$ 935,167</u>
Net Income before Contribution to Reserves	\$ 272,979	\$ 213,472
Contribution to Reserves	<u>(296,866)</u>	<u>(232,285)</u>
Net Income (Loss)	<u>\$ (23,887)</u>	<u>\$ (18,813)</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2008	\$ 1,234,631	\$ 65,337	\$ 1,299,968
Addition:			
Contribution to Reserves	232,285		232,285
Deductions:			
HVAC	(209,663)		(209,663)
Lobby	(220,535)		(220,535)
Fence	(3,432)		(3,432)
Drains	(1,250)		(1,250)
Camera	(737)		(737)
Antenna	(2,975)		(2,975)
Water Heater	(49,089)		(49,089)
Net Loss		(18,813)	(18,813)
Balance as of December 31, 2009	\$ 979,235	\$ 46,524	\$ 1,025,759
Addition:			
Contribution to Reserves	296,866		296,866
Deductions:			
Renovations	(68,211)		(68,211)
Valves	(8,532)		(8,532)
HVAC and Plumbing	(13,154)		(13,154)
Façade	(31,017)		(31,017)
Net Loss		(23,887)	(23,887)
Balance as of December 31, 2010	<u>\$ 1,155,187</u>	<u>\$ 22,637</u>	<u>\$ 1,177,824</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (23,887)	\$ (18,813)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Decrease (Increase) in:		
Assessments Receivable	6,082	(925)
Due from Prior Management	-	64,735
Income Taxes Receivable	(8,584)	(5,565)
Prepaid Expenses	8,113	926
Increase (Decrease) in:		
Accounts Payable - Trade	6,692	16,621
Prepaid Assessments	<u>(3,760)</u>	<u>6,627</u>
Net Cash Flows from Operating Activities	<u>\$ (15,344)</u>	<u>\$ 63,606</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 271,629	\$ 206,800
Received from Interest (Reserves)	25,237	25,485
Disbursed for Reserve Expenditures	(120,914)	(487,681)
Received from Interest-Bearing Deposits	406,024	1,272,137
Disbursed for Interest-Bearing Deposits/Investments	<u>(645,278)</u>	<u>(978,000)</u>
Net Cash Flows from Investing Activities	<u>\$ (63,302)</u>	<u>\$ 38,741</u>
Net Change in Cash and Cash Equivalents	\$ (78,646)	\$ 102,347
Cash and Cash Equivalents at Beginning of Year	<u>214,595</u>	<u>112,248</u>
Cash and Cash Equivalents at End of Year	<u>\$ 135,949</u>	<u>\$ 214,595</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 12,000</u>	<u>\$ 16,868</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 - NATURE OF OPERATIONS:

The Condominium was organized under the laws of the District of Columbia in 1980 for the purposes of maintaining and preserving the common property of the condominium. The Association is located in Washington, D.C. and consists of 168 units. The Association's Board of Directors administers the condominium operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting, in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common, and not by the Association. Common property includes, but is not limited to, the exterior structures, mechanical equipment and recreational facilities.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. 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 an original maturity date of three months or less to be cash equivalents.

F) Depreciation - Fixed assets are carried at cost. Depreciation was computed on a straight-line basis over the estimated useful lives of the assets. The assets were fully depreciated in 2007.

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

G) Reclassification - Certain amounts have been reclassified in the accompanying 2009 financial statements to conform to the 2010 presentation.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds held are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. during 2007. The table included in the supplementary information on Future Major Repairs and Replacement is based on this study.

The study recommends a contribution of \$149,000 from assessments and \$32,154 from interest for 2010. During 2010, the Association budgeted to contribute \$271,629 to the replacement reserves, \$102,629 of the balance is budgeted for HVAC repairs. In addition, the Association elected to contribute interest income of \$25,237.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2010 and 2009, the Association had designated \$1,155,187 and \$979,235, respectively, for replacement reserves. These designated reserves were funded by cash, interest-bearing deposits and investments.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2010 and 2009, the income taxes were calculated using the corporate method.

LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

The Association implemented Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 740-10, formerly FIN 48, Accounting for Uncertainty in Income Taxes. The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2010 and 2009, the Association incurred penalties and interest of \$0 and \$868, respectively, related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the District of Columbia.

NOTE 5 - CASH, INTEREST-BEARING DEPOSITS AND INVESTMENTS:

As of December 31, 2010, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest-Bearing Deposits</u>	<u>Investments</u>	<u>Total</u>
RBC	Checking	\$ 37,670	\$ -	\$ -	\$ 37,670
Morgan Stanley Smith Barney	Money Fund	46,069			46,069
Capitol One	Money Market	3,756			3,756
Morgan Stanley Smith Barney	Money Fund	48,454			48,454
Citi Bank	Certificates of Deposit (3)		100,000		100,000
Midfirst Bank	Certificate of Deposit		50,000		50,000
National Bank	Certificate of Deposit		50,000		50,000
Compass Bank	Certificate of Deposit		50,000		50,000
American Express	Certificates of Deposit (5)		230,000		230,000
BMW Bank	Certificate of Deposit (4)		180,000		180,000
First Bank	Certificate of Deposit (3)		135,000		135,000
Barclays	Certificate of Deposit		50,000		50,000
Citi Bank	Certificate of Deposit (2)		80,000		80,000
Cap Mark	Certificate of Deposit		50,000		50,000
GE Money	Certificate of Deposit (2)		85,000		85,000
HSBC Bank	Corporate Bond			25,278	25,278
	Totals	<u>\$ 135,949</u>	<u>\$ 1,060,000</u>	<u>\$ 25,278</u>	<u>\$ 1,221,227</u>

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)

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

The Association has funds maintained in two Morgan Stanley Smith Barney money funds. Although the value per share of these accounts has not changed since they were opened and their goal is to maintain a share value of \$1, these accounts are subject to market fluctuation risk. Therefore, the market fluctuation risk as of December 31, 2010 and 2009 was \$94,523 and \$174,748, respectively.

The Association implemented FASB ASC 820-10 (formerly SFAS No. 157, Fair Value Measurements). ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820-10 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 - Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

It is the intent of the Association to hold the debt securities until maturity. Therefore, the corporate bonds are recorded at cost or amortized cost. As of December 31, 2010, the market value of the debt securities approximated cost or amortized cost. This bond is not FDIC or SIPC insured, nor backed by the United States Government.

<u>2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bond	\$ -	\$ 25,278	\$ -	\$ 25,278
<u>2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Bond	\$ -	\$ 25,000	\$ -	\$ 25,000

NOTE 6 - FIXED ASSETS - NET:

The owned condominium unit was capitalized at cost and was being depreciated over an estimated useful life of thirty years using the straight-line method.

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(CONTINUED)

NOTE 6 - FIXED ASSETS - NET: (CONTINUED)

Condominium Unit	\$ 47,482
Land	8,006
Less: Accumulated Depreciation	<u>(47,482)</u>
Fixed Assets - Net	<u>\$ 8,006</u>

NOTE 7 - DUE FROM PRIOR MANAGEMENT:

During 2005, unsupported cash adjustments were recorded in the Association's accounting records totaling \$4,490. During 2006, homeowner assessment receipts of \$60,245 were not deposited in the Association's accounts. Both of these issues occurred while managed by Koger Management Group, Inc. These amounts had been recorded as Due From Prior Management of \$64,735. During 2009, the Association collected from the Association insurance agent amounts due minus a \$10,000 deductible.

The Association's former managing agent, Koger Management Group, Inc. DBA Tri-State Management filed for Chapter 11 Bankruptcy (Reorganization) on July 26, 2007 and was subsequently sold at auction in 2008.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 22, 2011, the date the financial statements were available to be issued.

THE LAUREN, A CONDOMINIUM
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2010
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. during 2007 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs take into account the effects of inflation between the date of the study and the date the components will require repair or replacement. The study does not present the estimated remaining useful lives in a format that can be summarized. Therefore, the estimated remaining useful lives of the common property components are not presented below.

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>2007</u> <u>Estimated</u> <u>Replacement</u> <u>Cost</u>
Exterior Elements	\$ 721,975
Interior Elements	625,180
Building Services Elements	2,093,200
Property Site Elements	211,600
Pool Elements	115,000
Garage Elements	102,560
Reserve Study Elements	4,200

Representation Letter

This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.

The Lauren, A Condominium

Date 29 APRIL 11

GOLDKLANG GROUP CPAs, P.C.
1801 Robert Fulton Drive, Suite 200
Reston, Virginia 20191

Dear Auditors:

We are providing this letter in connection with your audits of the financial statements of **The Lauren, A Condominium** as of **December 31, 2010 and 2009**, and for the years then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, and results of operations and cash flows, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all -
 - A) Financial records and related data.
 - B) Minutes of meetings of the Board of Directors.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in accounting records underlying the financial statements.
5. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the Association involving:
 - A) management,
 - B) employees who have significant roles in internal control, or
 - C) others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, owners, regulators, or others.
9. The Association has no undisclosed plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements -
 - A) Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangement, and guarantees.
 - B) Guarantees, whether written or oral, under which the Association is contingently liable.
11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Association vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of sources of labor, services, suppliers or lenders. We further understand that severe impact means a significantly financially disruptive effect on the normal functioning of the Association.
12. Except for legal issues disclosed to you, there are no other -
 - A) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - B) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - C) Pending or threatened litigation, claims or unasserted claims that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5, and we have not consulted a lawyer concerning litigation or claims.
13. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, except as made known to you and disclosed in the notes to the financial statements.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We are responsible for the required supplementary information. The required supplementary information is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the required supplementary information. The Association had a study conducted in 2007. Amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. We have reviewed the transactions affecting replacement reserves (including inter-equity transfers). We are in agreement with them and they are properly authorized and approved.

16. We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against membership and non-membership income conforms to IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation. If the Association has excess membership income in the current year the Association, for tax purposes, has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.
17. Based on the advice of an insurance professional, insurance coverage is considered adequate for any anticipated property damage losses or liability claims.
18. Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated realizable value.
19. If we intend to print a portion of your report (not in its entirety), we will notify you in advance, and you will have the opportunity to review such printed material before its issuance.
20. We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on March 1, 2011 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

The Lauren, A Condominium
 December 31, 2010 and 2009

Management Representative:

Matt J. [Signature] - AGENT FOR THE ASSOCIATION
 Signature: _____ Printed Name: LAWRENCE J. RACOMAN

4/26/11 date

Lawrence J. Racoman
 LAWRENCE J. RACOMAN
 The Simmons Mgmt & Cr. Co.

President/Treasurer:

J. M. Filice
 Signature: _____ Printed Name: John M. Filice
 Treasurer

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CPAs, P.C.

Principals

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Management Letter

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

April 21, 2011

Board of Directors
The Lauren, A Condominium
Washington, D.C.

Dear Board Members:

In connection with our examination of the financial statements of The Lauren, A Condominium for the year ended December 31, 2010, we make the following comments and recommendations.

Financial Analysis

As of December 31, 2010, the Association had a surplus of \$22,637 in unappropriated members' equity (excess operating funds). This represents less than 1% of annual assessments. We 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.

In addition, during 2010 the Association incurred a material loss of \$22,887. The current years' material loss is a result of budget overages in the areas of payroll and utility expenses. The financial soundness of the Association is dependent upon a realistic budget. We recommend the Association review its budgeting process to ensure that adequate funds are available.

We commend the Association for maintaining an assessment receivable balance of less than 1% of annual assessments.

Accounts Payable - Other

On September 30, 2005, an unsupported adjustment to accounts receivable - other of \$14,230 was recorded in the financial records. We were unable to obtain supporting documentation for this entry. We proposed an adjustment to reclassify the liability to accounts payable - other during 2005. This

amount was reported to the Association in the 2005 audit and was not resolved as of December 31, 2010. Due to the age of this amount, we recommend writing off the balance. This action should be formally documented in the Board minutes.

Health Insurance Income Tax Credit

For 2010, the IRS established a new health insurance income tax credit for small employers. The tax credit is calculated based on premiums paid, wages, hours worked and the number of employees. We have devoted additional time to research this matter and to gather information during the audit fieldwork. Based on the information provided to us, we have calculated a tax credit of approximately \$4,624 for 2010. The tax credit is reflected in the financial statements as a reduction in the income tax expense.

Prepaid Assessments

During our audit, we noticed that the homeowner of #1804 and #1901 had large prepaid balances of \$6,688 and \$4,213, respectively, as of December 31, 2010. After discussion with management, it is unclear if the homeowners are aware of these balances. We recommend the Association contact the homeowners of these units and determine if these credit balances should be refunded or applied to future assessments.

Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

Federal Deposit Insurance Corporation (FDIC)

On July 21, 2010, the FDIC insurance limit of \$250,000 per financial institution was extended permanently. At times throughout the year, the Association's account balances may exceed this limit. We recommend the Association monitor its accounts and immediately transfer funds in excess of the FDIC limit to other institutions or Treasury instruments so all Association funds will be insured. The Association should also periodically check the ratings for all financial institutions used by the Association.

Income Taxes

For 2010, we recommend the Association file using the corporate method.

In addition, as of December 31, 2010, the Association had an outstanding tax refund for 2009 of \$5,104 due from the Internal Revenue Service. We recommend management contact the Internal Revenue Service to collect these funds.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

Goldklang Group CPAs, P.C.

GOLDKLANG GROUP CPAs, P.C.

Goldklang & Group

CPAs, P.C.

Principals

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Managers

Jamie L. Brodnax, CPA
Allison A. Day, CPA
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Renee L. Watson, CPA

Communication with Those Charged with Governance under SAS No. 114

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

April 21, 2011

Board of Directors
The Lauren, A Condominium
Washington, D.C.

Dear Board Members:

We have audited the financial statements of The Lauren, A Condominium as of December 31, 2010 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and through discussions with management or the board of directors.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The Association is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no

transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by the Association and are based on the Association's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates for the year under audit.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures to the financial statements for the year under audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with the Association or management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association. The journal entries are material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management and Board of Directors Representations

We have requested certain representations from management and the board of directors that are included in the representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with the board of directors and management each year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Very truly yours,

Goldklang Group CPAs, P.C.

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Communication of Significant Deficiencies and/or Material Weaknesses under SAS No. 115

This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

April 21, 2011

Board of Directors
The Lauren, A Condominium
Washington, D.C.

Dear Board Members:

In planning and performing our audit of the financial statements of The Lauren, A Condominium as of December 31, 2010 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore can be no assurance that all such deficiencies have been identified. However, as discussed below, we noted certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Modified Cash Basis of Accounting Used

The Association's accounting records are maintained on a modified cash basis of accounting throughout the year. We proposed several material adjustments, including recording the approved 2009 audit adjustments, to present the financial statements on the accrual basis of accounting.

Very truly yours,

Goldklang Group CPAs, P.C.

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