



Principals

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Independent Auditor's Report

To the Board of Directors of
The Lauren, A Condominium

Report on the Financial Statements

We have audited the accompanying financial statements of The Lauren, A Condominium, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lauren, A Condominium as of December 31, 2014 and 2013, 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.

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 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.

Goldklang Group CPAs, P.C.

Reston, Virginia
April 21, 2015

THE LAUREN, A CONDOMINIUM
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 170,378	\$ 191,659
Interest-Bearing Deposits	1,879,000	1,619,000
Assessments Receivable	6,203	13,248
Income Taxes Receivable	5,820	17,776
Prepaid Expenses	41,712	37,332
Fixed Assets - Net	8,006	8,006
Total Assets	\$ 2,111,119	\$ 1,887,021

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 58,288	\$ 61,968
Prepaid Rental Income	-	5,880
Prepaid Assessments	22,651	29,060
Total Liabilities	\$ 80,939	\$ 96,908
Replacement Reserves	\$ 1,912,706	\$ 1,696,369
Unappropriated Members' Equity	117,474	93,744
Total Members' Equity	\$ 2,030,180	\$ 1,790,113
Total Liabilities and Members' Equity	\$ 2,111,119	\$ 1,887,021

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>INCOME:</u>		
Assessments	\$ 1,201,512	\$ 1,167,720
Parking	10,575	10,825
Rent	19,530	12,295
Interest	28,982	28,835
Laundry	17,371	17,805
Move In Fees	5,775	7,550
Other	5,253	4,345
Total Income	<u>\$ 1,288,998</u>	<u>\$ 1,249,375</u>
 <u>EXPENSES:</u>		
Payroll and Related Benefits	\$ 422,911	\$ 441,601
Management	27,472	27,066
Legal, Audit and Tax Preparation	16,564	21,722
Insurance	52,242	51,562
Administrative	12,095	20,492
Utilities	282,867	274,262
Grounds Maintenance	10,041	3,733
Elevator	11,876	23,253
HVAC	12,345	8,259
Pool	4,519	4,773
Trash Removal	16,688	15,748
Repairs and Maintenance	16,757	13,437
Association Owned Unit	9,335	9,748
Property Taxes	2,907	2,994
Bad Debt	-	958
Income Taxes	7,584	3,103
Total Expenses	<u>\$ 906,203</u>	<u>\$ 922,711</u>
Net Income before Contribution to Reserves	\$ 382,795	\$ 326,664
Contribution to Reserves	<u>(359,065)</u>	<u>(352,480)</u>
Net Income (Loss)	<u>\$ 23,730</u>	<u>\$ (25,816)</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2012	\$ 1,600,962	\$ 119,560	\$ 1,720,522
Addition:			
Contribution to Reserves	352,480		352,480
Deductions:			
Cooling Tower	(21,386)		(21,386)
Façade Repairs/Replacement	(172,669)		(172,669)
Renovations/Leak Repairs/HVAC	(20,157)		(20,157)
Landscaping	(12,201)		(12,201)
Elevator	(30,660)		(30,660)
Net Loss		(25,816)	(25,816)
Balance as of December 31, 2013	\$ 1,696,369	\$ 93,744	\$ 1,790,113
Additions:			
Contribution to Reserves	359,065		359,065
Net Income		23,730	23,730
Deductions:			
Plumbing	(15,358)		(15,358)
HVAC	(7,343)		(7,343)
Landscaping	(27,519)		(27,519)
Boiler	(50,508)		(50,508)
Gas Line Repairs	(42,000)		(42,000)
Balance as of December 31, 2014	<u>\$ 1,912,706</u>	<u>\$ 117,474</u>	<u>\$ 2,030,180</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ 23,730	\$ (25,816)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense	-	958
Decrease (Increase) in:		
Assessments Receivable	7,045	(8,857)
Income Taxes Receivable	11,956	(2,847)
Prepaid Expenses	(4,380)	(8,773)
Increase (Decrease) in:		
Accounts Payable	(3,680)	7,018
Prepaid Rental Income	(5,880)	5,880
Prepaid Assessments	(6,409)	6,358
Net Cash Flows from Operating Activities	<u>\$ 22,382</u>	<u>\$ (26,079)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 330,600	\$ 324,500
Received from Interest (Reserves)	28,465	27,980
Disbursed for Reserve Expenditures	(142,728)	(257,073)
Received from Interest-Bearing Deposits	290,000	450,000
Disbursed for Interest-Bearing Deposits	(550,000)	(570,000)
Net Cash Flows from Investing Activities	<u>\$ (43,663)</u>	<u>\$ (24,593)</u>
Net Change in Cash and Cash Equivalents	\$ (21,281)	\$ (50,672)
Cash and Cash Equivalents at Beginning of Year	<u>191,659</u>	<u>242,331</u>
Cash and Cash Equivalents at End of Year	<u>\$ 170,378</u>	<u>\$ 191,659</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 7,800</u>	<u>\$ 7,183</u>

See Accompanying Notes to Financial Statements

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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 assess late and interest charges and 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, 2014 AND 2013
(CONTINUED)

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 2011. The table included in the supplementary information on Future Major Repairs and Replacement is based on this study.

The study recommends a contribution of \$169,000 from assessments and \$12,416 from interest for 2014. During 2014, the Association budgeted to contribute \$330,600 to replacement reserves. Of this amount \$162,000 is for HVAC repairs. In addition, the Association elected to contribute interest income of \$28,465.

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, 2014 and 2013, the Association had designated \$1,912,706 and \$1,696,369, respectively, for replacement reserves. As of December 31, 2014, these designated reserves were funded by cash and interest-bearing deposits.

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 2014 and 2013, the income taxes were calculated using the corporate method.

LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2014 and 2013, the Association did incur penalties and interest related to income taxes of \$0 and \$23, respectively. 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 AND INTEREST-BEARING DEPOSITS:

As of December 31, 2014, 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>Total</u>
Union Bank	Checking	\$ 123,528	\$ -	\$ 123,528
Union Bank	Money Market	4,077		4,077
Morgan Stanley	Money Market	16,848		16,848
Morgan Stanley	Money Market	25,925		25,925
Morgan Stanley (Various Institutions)	Certificates of Deposit (42)		<u>1,879,000</u>	<u>1,879,000</u>
	Totals	<u>\$ 170,378</u>	<u>\$ 1,879,000</u>	<u>\$ 2,049,378</u>

NOTE 6 - FIXED ASSETS - NET:

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

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

THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(CONTINUED)

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 21, 2015, the date the financial statements were available to be issued.

THE LAUREN, A CONDOMINIUM
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2014
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. during 2011 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. 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>2011 Estimated Remaining Useful Life (Years)</u>	<u>2011 Estimated Replacement Cost</u>
Exterior Elements	0-9	\$ 1,298,125
Interior Elements	0-17	646,200
Building Services Elements	0-25	2,208,400
Property Site Elements	0-15	217,555
Pool Elements	14	115,000
Garage Elements	7-19	114,775
Annual Contingency	1	300,000
Reserve Study Elements	2	4,200