



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

202.659.9483



May 14, 2015

Subject: Annual Meeting – Treasurer’s Report

I. Summary: Owners Equity / Reserve Funds:

A. Cash and Reserves, as of March 31, 2015:

- Net Cash On Hand: **\$2,107,587.51**
- Operating Cash: **\$116,550.38**
- Unrestricted Capital Reserves: \$ 841,075.49
- Dedicated Capital Reserves (HVAC System Replacement): \$ 1,170,935.96
- Total Reserves: **\$2,012,011.45, which is \$218,707.58 greater than on the same date last year.**

B. Year-to-date operations, as of March 31, 2015

- Total Income: \$326,912, which is under budget by \$4,450
- Total Operating Expenses: \$235,407, which is over budget by \$1,300
- Capital expenditures: \$22,648

C. Monthly Reserve Fund Contributions:

2015 monthly reserve contributions of \$ 28,516.66 into respective reserve accounts as follows:

- General Reserves for 2015 = \$ 14,575.00 per month
- Restricted HVAC Reserves for 2015 = \$13,941.66 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 \$ 2,136,016.45**

a. March 2015 Reserve Total:	\$2,012,011.45
April thru Dec. 2015 monthly contributions @ \$28,516.66/Month	\$ 256,650
2015 Interest	<u>\$ 27,766 (See Note "a")</u>
Total Projected Reserves December, 2015	\$ 2,296,327.45
Projected Capital Expenses - 2015:	<u>(\$ 160,311.00 (See Note "b"))</u>
End of 2015 Projected Reserves:	\$ 2,136,016.45

b. Projected Capital Expenses - 2015: \$ 160,311

• Electrical System Inspection & Parts Replacement:	\$ 37,493
• Pumps, HVAC Phased Replacement:	\$ 11,642
• Roof Bathrooms Renovation:	\$ 30,000
• Roof Furniture:	\$ 11,796
• Electrical Anomalies-Units Repair/Restoration:	\$ 7,000
• Pool Cover:	\$ 2,380
• <u>Contingency Capital Expenses:</u>	<u>\$ 60,000</u>
Total Projected 2015 Capital Expenses:	\$160,311

NOTES:

- a) 2015 interest is projected \$35,900 for entire year minus \$8,134 already posted (included in March statement).
- b) Projected capital expenses figure is arrived at by including:
- Electrical System Inspections and Parts Replacement
 - Pumps, HVAC Phased Replacement
 - Roof Bathrooms Renovation
 - Roof Furniture
 - Electrical Anomalies-Units Repair/Restoration
 - Pool Cover
 - Using entire \$60,000 contingency reserve allocation.

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

a. 2015

- None to date

b. 2014 Reserves Transfers:

- **\$142,727.74**
- **This figure includes “Unplanned” Capital Expenditures: \$112,378.48**
- **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 2015 Transfers: \$ 160,311.00**
- **Total 2014 Transfers: \$ 142,727.74**
- **Total 2013 Transfers: \$ 260,939.19**
- **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.**
- **Next due in 2016**

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 2015-2017.
- 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:

Boiler (Ancillary) Replacement	\$ 17,459
Asphalt Pavement Crack Repair, Patch and Seal Coat	\$ 9,700
Sealants, Windows & Doors, Phased Replacement	\$ 22,864
Windows & Doors, Common Areas, Partial Replacement	\$ 11,155
Exhaust Fans, Kitchens, Laundry, Bathrooms, Garage	\$ 23,233
<u>Contingency Expenses</u>	<u>\$ 35,645</u>
TOTAL	\$ 120,056

- These are taken exactly as presented in the 2011 Reserve Study.
- The HVAC convector replacement is scheduled to commence in 2019

B. Capital Expenditures – 2015:

1. Miscellaneous Note:

- Labeling/Recording of Capital Expenses for 2015.
- All capital expenses will be attributed to the appropriate general ledger account number that matches both the description of the expense and the financial manager’s accounting system.
- Legend is found immediately below.

2015 Capital Expenses		
General Ledger Account Listing		
Coordination/Reconciling of		
Simmons Management Description in Chart of Accounts with Lauren Budget Narrative		
<u>GL Account Number</u>	<u>Lauren Budget Narrative Wording</u>	<u>Simmons Description</u>
60022	Pool Cover	Pool Refurbished
60023	Roof Furniture	Pool Furniture
60026	Pumps, HVAC Phased Replacement	Pumps- Repair/Replacement
60050	Roof Bathroom & Business Office Renovation	Major Remodeling
60051	Electrical System Inspection & Parts Replace	Major Electrical Repair/Replacement
60065	Contingency Reserve 2015 Budget	Capital Improvements
60070	Electrical Anomalies-Units Repair/Restoration	Other Expenses

2. PLANNED CAPITAL EXPENDITURES- 2015:

- We have a number of such projects to which dollar amounts have been assigned.
- They were listed on budget that was sent to owners as follows:

	<u>APPROVED</u>	<u>PAID YTD</u>
2.a) Contingency Reserve	\$ 60,000	See II.D.3 Below
2.b) Electrical System Inspections & Part Replacement	\$ 37,493	\$ 0.00
2.c) Pumps, HVAC Phased Replacement	\$ 11,642	\$ 1,350.00
2.d) Roof Bathroom & Business Office Renovation	\$ 30,000	\$ 0.00
2.e) Roof Furniture	\$ 11,796	\$ 4,987.76
2.f) Electrical Anomolies – Units Repair / Restoration	\$ 7,000	\$ 0.00
2.g) Pool Cover	<u>\$ 2,380</u>	<u>\$ 2,380.00</u>
TOTALS	\$ 160,311	\$ 8,717.76

3. UNPLANNED CAPITAL EXPENDITURES:

Our yearly budget (Line item 60065) for “unplanned” capital improvements is listed in the amount of \$60,000 per year for each calendar year:

3.a) History of Unplanned Expenditures

- Unplanned Expenditures for 2015: \$ Total Pending
- Actual Unplanned Expenditures Spent in 2014: \$ 112, 378.48 PAID
- Actual Unplanned Expenditures Spent in 2013: \$ 76,289.00 PAID

3.b) Following are expenditures earmarked to be drawn as “unplanned” expenses or 2015:

	<u>APPROVED</u>	<u>PAID YTD</u>
3.b.1) Professional Services-Seal Eng.	<u>\$ 650.00</u>	<u>\$ 650.00</u>
YTD Total:	\$ 650.00	\$ 650.00

4. CAPITAL EXPENDITURES CARRIED OVER FROM PREVIOUS BUDGET

“Carry Over” for 2015 from 2014 Budget...The following capital projects were started in 2014:

	<u>APPROVED</u>	<u>PAID YTD</u>
4.a) SETEC-Front Desk DVR	\$ 5,829.80	\$ 5,829.80
4.b) United Energy-Display Modules	\$ 848.18	\$ 848.18
4.c) Boiler	\$ 9,602.00	\$ 6,602.00
4.d) Gas Leak/ Stove Repair	<u>Pending Review</u>	_____
YTD Totals:	\$ 16,279.98	\$ 13,279.98

IV. 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 2014 operating expenses were \$ 43,247 under budget.
- NOTES:
 - ✓ The audit does not actually make a comparison between operating expenses and budget
 - ✓ Our 2014 Operating Expenses were under budget by 4.12% which was calculated by comparing our audit total of \$906,203 expenses in comparison with our budget figure of \$945,098 for operating expenses.
 - ✓ The \$945,098 figure does not appear anywhere in the audit.

V. Auditors Report Excerpts:

Financial Analysis:

As of December 31, 2014, the Association had a surplus of \$117,474 in unappropriated members' equity (excess operating funds).

- This represents less than 10% 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 \$1,912,706 are funded by cash and interest-bearing deposits as of December 31, 2014.

VI. Graphs

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

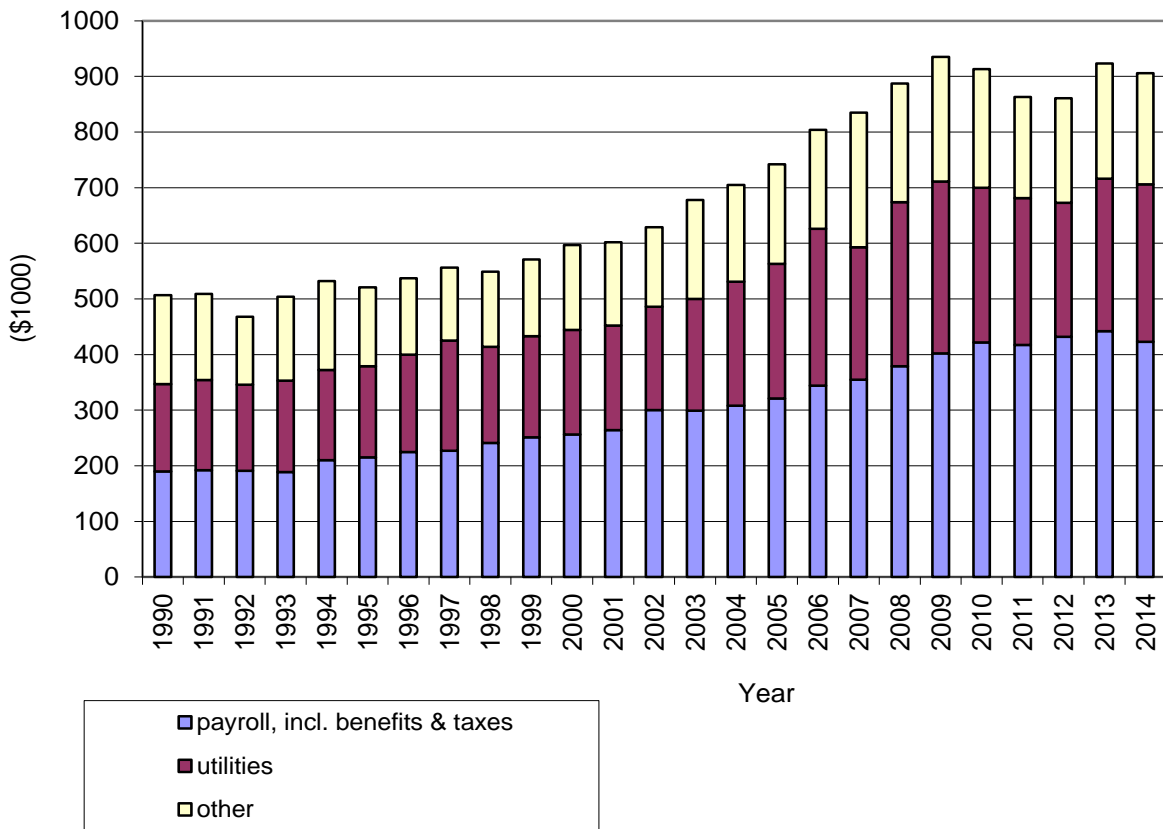
1. Condo Fee Increases Over Past Several Years.
2. Annual Operating Expenses
3. Percent Change From Previous Year
4. Net Cash (End of Year)
5. Expenditures From Replacement Fund

B. Numbers Stable:

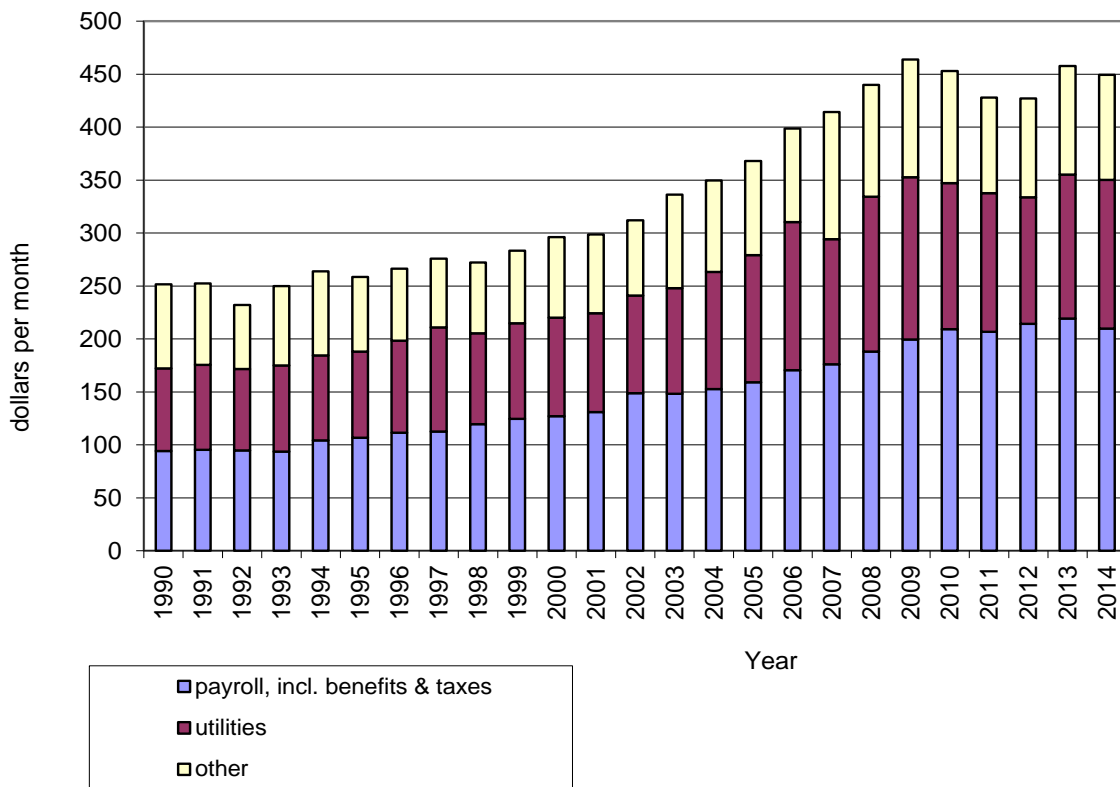
1. Operating expenses were down \$16,508 in 2014 after a utility lead spike in 2013.
2. Payroll and Related Benefits:
 - Legal, Audit & Tax Preparation, Elevator Service Contract & Maintenance, and Administrative saw the largest decreases from 2013
 - Utilities, Grounds Maintenance, HVAC, and Taxes saw the largest increases from 2013
3. Expenditures from the replacement fund were the 7th highest in the 25 years of Lauren history this has been tracked.

Condo Fee Increases	
<u>YEAR</u>	<u>% Increase From Prior Year</u>
2015	1.00
2014	2.87
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

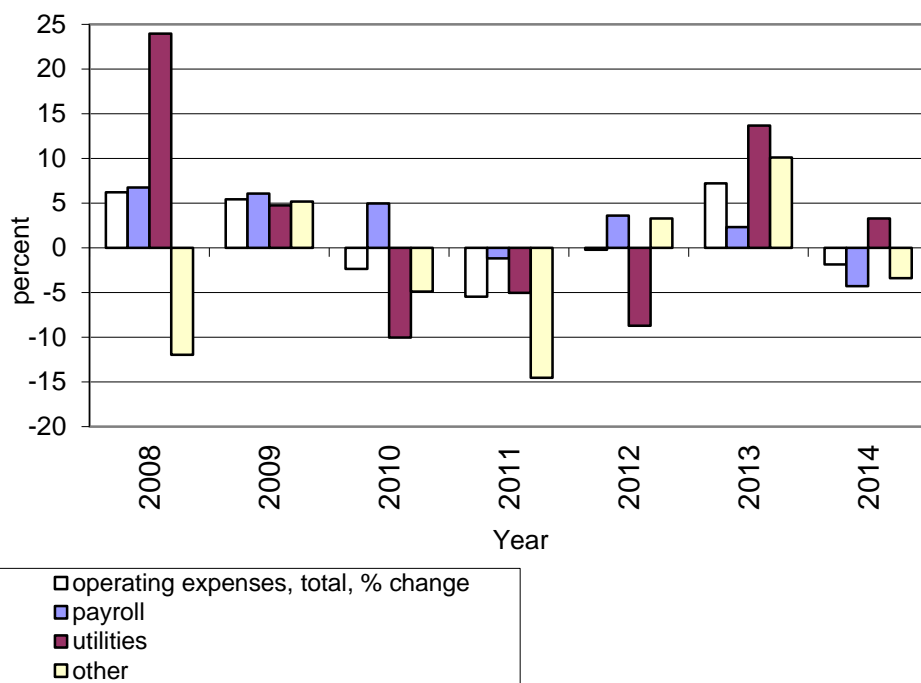
Annual Operating Expenses

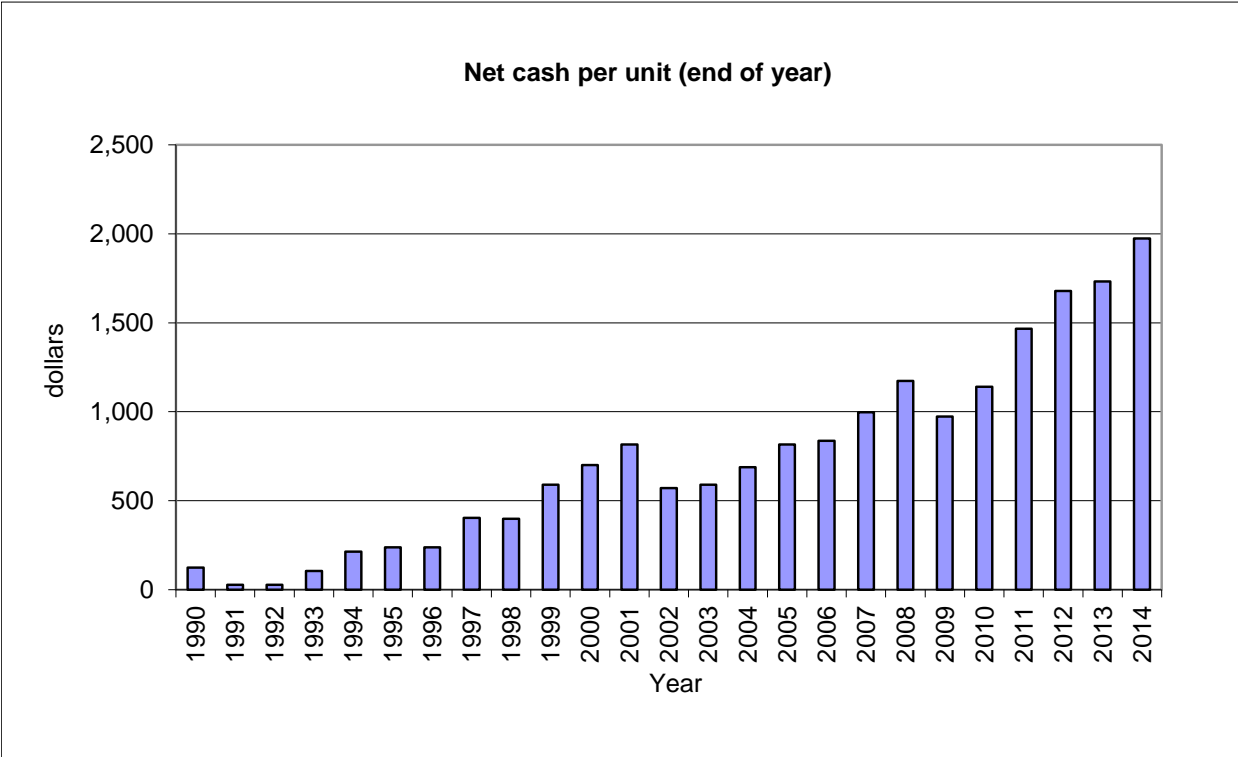
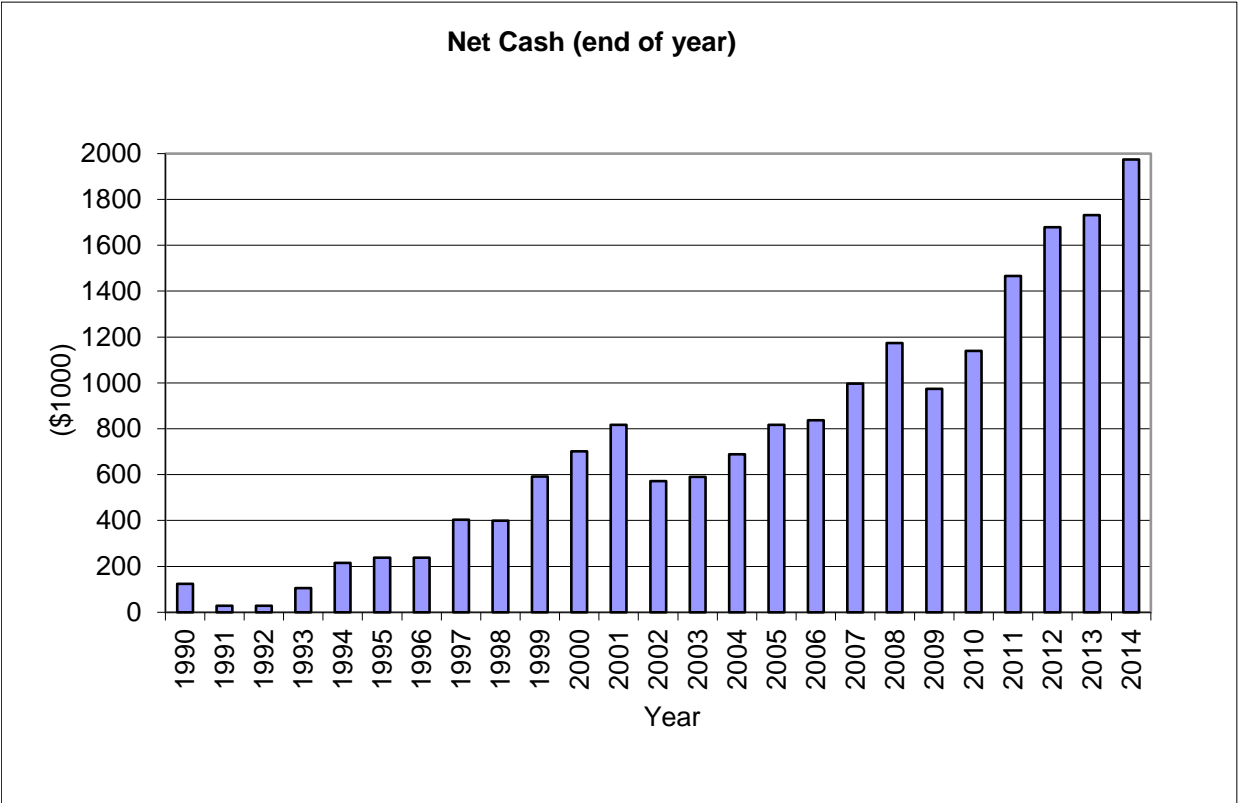


Average monthly operating expenses per unit



Percent Change from Previous Year, 2008-2014





Expenditures from Replacement Fund

