


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

202.659.9483



May 12, 2016

Subject: Annual Meeting – Treasurer’s Report

I. Summary: Owners Equity / Reserve Funds:

A. Cash and Reserves, as of March 31, 2016:

- Net Cash On Hand: **\$2,366,931.62**
- Operating Cash: **\$112,162.15**
- Unrestricted Capital Reserves: \$905,844.39
- Dedicated Capital Reserves (HVAC System Replacement): \$ 1,372,320.40
- Total Reserves: **\$2,278,164.79, which is \$266,153.34 greater than on the same date last year.**

B. Year-to-date operations, as of March 31, 2016

- Total Income: \$329,674, which is under budget by \$3,608
- Total Operating Expenses: \$199,242, which is under budget by \$12,184
- Capital expenditures: \$13,684

C. Monthly Reserve Fund Contributions:

2016 monthly reserve contributions of \$ 29,516.66 into respective reserve accounts as follows:

- General Reserves for 2016 = \$ 15,083.33 per month
- Restricted HVAC Reserves for 2016 = \$14,433.33 per month
- Simmons Management confirms transfer of funds monthly via email once they are posted

D. Reserve Accounts:

1. At the end of 2015 our Reserve Fund was **\$ 2,175,613**

a. March 2016 Reserve Total:	\$2,278,164.79
April thru Dec. 2016 monthly contributions @ \$29,516.66/Month	\$ 265,649.94
2016 Interest	<u>\$ 29,341 (See Note "a")</u>
Total Projected Reserves December, 2016	\$ 2,573,155.73
Projected Capital Expenses - 2016:	<u>(\$ 141,393.00 (See Note "b"))</u>
End of 2016 Projected Reserves:	\$ 2,431,762.73

b. Projected Capital Expenses - 2016: \$ 141,393

• Electrical System Inspection & Parts Replacement:	\$ 37,493
• Roof Bathrooms Renovation:	\$ 30,000
• Asphalt Pavement, Crack Repair, Patch and Seal	\$ 9,700
• Reserve Study Update:	\$ 4,200
• <u>Contingency Capital Expenses:</u>	<u>\$ 60,000</u>
Total Projected 2016 Capital Expenses:	\$141,393

NOTES:

- a) 2016 interest is projected \$37,800 for entire year minus \$8,459 already posted (included in March statement).
- b) Projected capital expenses figure is arrived at by including:
 - Electrical System Inspections and Parts Replacement
 - Roof Bathrooms Renovation
 - Asphalt Pavement, Crack Repair, Patch and Seal
 - Reserve Study Update
 - Using entire \$60,000 contingency reserve allocation.

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

a. 2016

- None to date

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

Each year, since 2012, our budget has included \$ 60,000 for “unplanned” expenditures.

- **Projected 2016 Transfers: \$ 141,393.00**
- **Total 2015 Transfers \$ 110,797.38**
- **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 19th & K 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 2016. Final report not yet received.
- Next due in 2021

Reserves Summary re Major Projects:

- a. The following items were identified in the 2016 Reserve Study as being in line for replacement for the three-year period 2016-2018.
- b. Estimated costs for each at time of replacement are listed.
- c. Items already replaced per the 2016 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
Rest Room Renovation Penthouse (#2 of 2)	\$ 20,640
Exhaust Fans, Kitchen, Bath, Elevator Mechanical Room	\$ 21,714
Life Safety System, Control Panel & Emergency Devices	\$ 53,458
Awning, Canvas	\$ 17,641
Reserve Study Update with Site Visit	\$ 4,450
Elevator, Traction, Controls & Equipment	\$ 592,312
<u>Contingency Expenses-(3 year total)</u>	<u>\$ 138,066</u>
TOTAL	\$ 875,440

- These are taken exactly as presented in the 2016 Reserve Study (or in the case of items to be undertaken in 2016 the 2011 Reserve Study).

HVAC convector replacement:

- Initial thoughts were to commence HVAC Convector Replacements in 2019
- Some "DIRE" Convector Units are scheduled to be replaced between June and November, 2016. There are currently 3 of these such dire situations.
- A recent Air Flow study was conducted building wide. We are in the process of analyzing said results, which will inform our decision regarding future Convector Replacements

B. Capital Expenditures – 2016:

1. Miscellaneous Note:

- Labeling/Recording of Capital Expenses for 2016.
- 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 below

2016 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>
60050	Roof Bathroom & Business Office Renovation	Major Remodeling
60051	Electrical System Inspection & Parts Replace	Major Electrical Repair/Replacement
60058	Asphalt Pavement, Crack Repair, Patch & Seal	Asphalt & Concrete Exp.
60065	Contingency Reserve 2016 Budget	Capital Improvements
60070	Reserve Study Update	Other Expenses

2. PLANNED CAPITAL EXPENDITURES- 2016:

- 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	\$11,584.27 See II.D.3. Below
2.b) Electrical System Inspections & Part Replacement	\$ 37,493	\$ 0.00
2.c) Reserve Study	\$ 4,200	\$ 2,100.00
2.d) Roof Bathroom & Business Office Renovation	\$ 30,000	\$ 0.00
2.e) Asphalt Pavement: Crack Repair	\$ 9,700	\$ 0.00
TOTALS	\$ 160,311	\$ 13,684.27

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 2016: \$ Total Pending
- Actual Unplanned Expenditures Spent in 2015: \$ 60,946.17 PAID
- 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 for 2016:

	<u>APPROVED</u>	<u>PAID YTD</u>
3.b.1) Pro Pools. Snow Removal. Blizzard	\$ 4,805.00	\$ 4,805.00
3.b.2) SETEC. Front Door Intercom	\$ 1,174.52	\$ 1,174.52
3.b.3) WL Gary. Bradford White Water Heaters	\$ 3,658.94	\$ 3,658.94
3.b.4) WL Gary. Fulton Boilers	\$ 1,945.81	\$ 1,945.81
3.b.5) Air Flow Study	<u>\$ 7,600.00</u>	<u>\$ 0.00</u>
YTD Total:	\$19,184.27	\$11,584.27

4. CAPITAL EXPENDITURES CARRIED OVER FROM PREVIOUS BUDGET

“Carry Over” for 2016 from 2015 Budget...The following capital projects were started in 2014:

	<u>APPROVED</u>	<u>PAID YTD</u>
4.a) Gas Leak/ Stove Repair Note: Date of Work was December 2014	Pending Review	\$ 0.00
YTD Totals: \$	<u>0.00</u>	<u>\$ 0.00</u>

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 2015 operating expenses were \$ 40,038 over budget.
- NOTES:
 - ✓ The audit does not actually make a comparison between operating expenses and budget

- ✓ Our 2015 Operating Expenses were over budget by 1.73% which was calculated by comparing our audit total of \$963,768 expenses in comparison with our budget figure of \$947,357 for operating expenses.
- ✓ The \$947,357 figure does not appear anywhere in the audit.

V. Auditors Report Excerpts:

Financial Analysis:

As of December 31, 2015, the Association had a surplus of \$93,166 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 \$2,175,613 are funded by cash and interest-bearing deposits as of December 31, 2015.

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

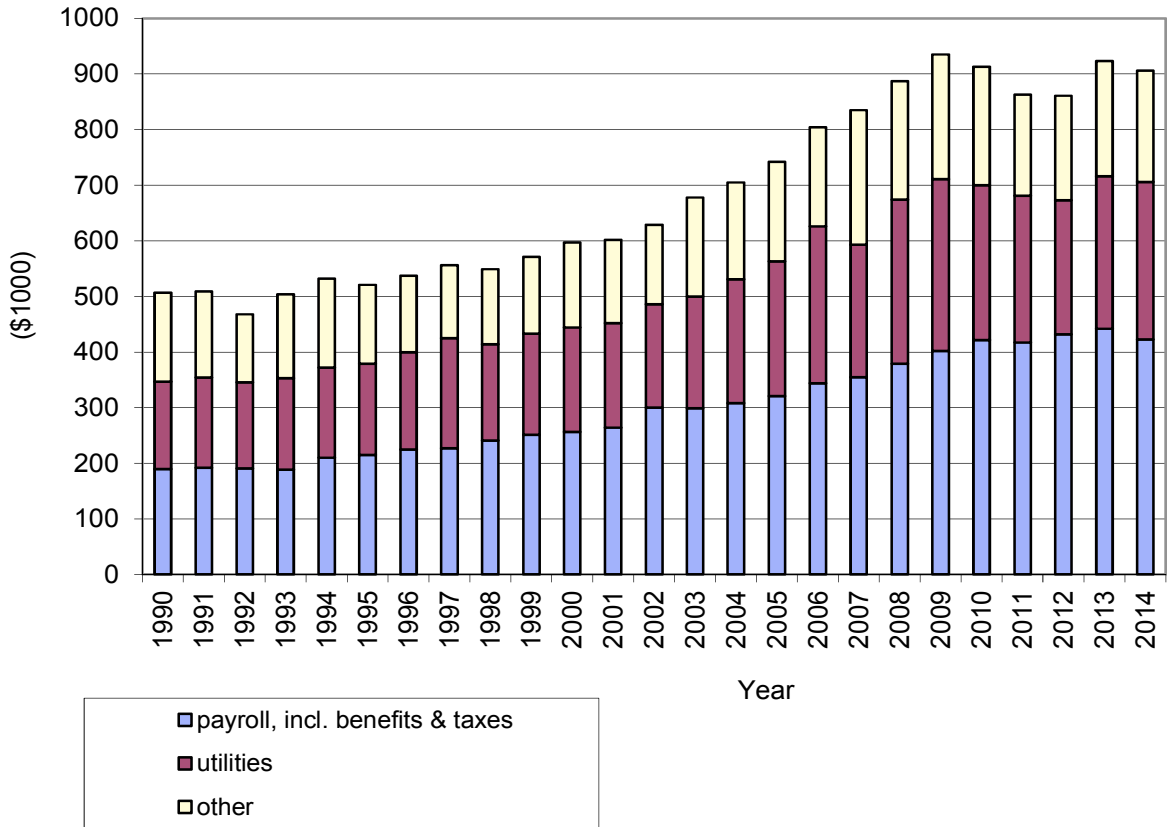
B. Numbers Stable:

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.

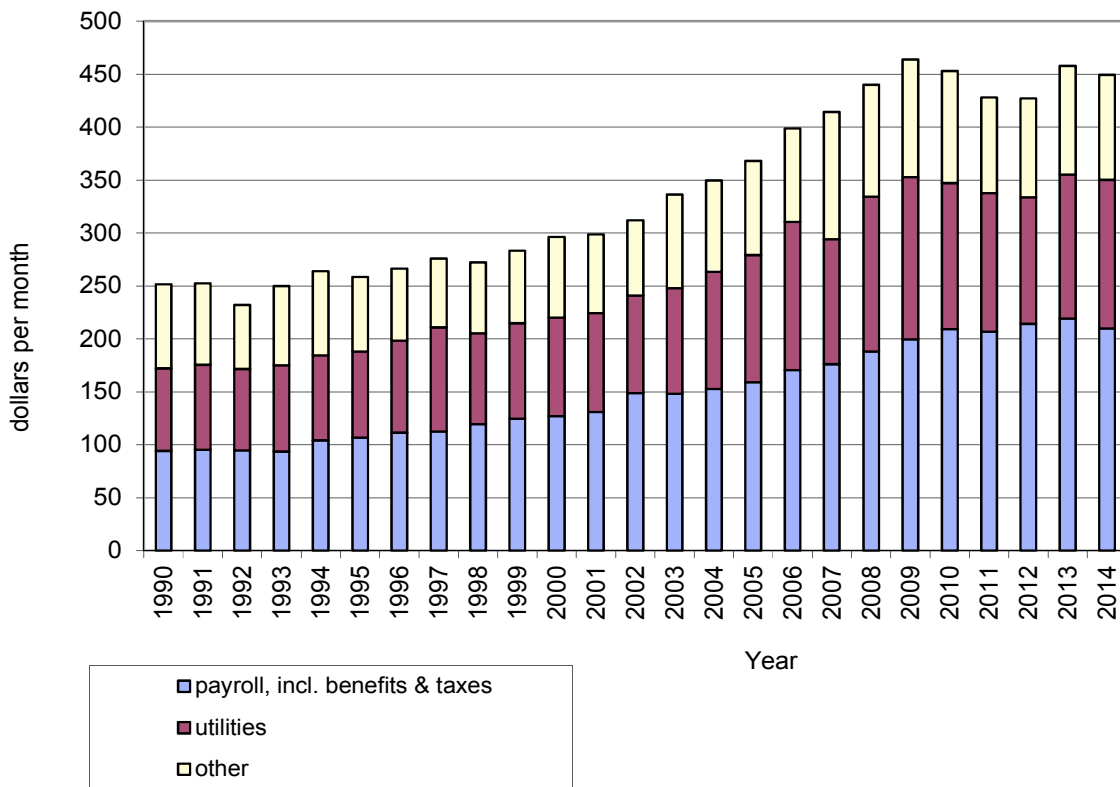
Condo Fee Increases

<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

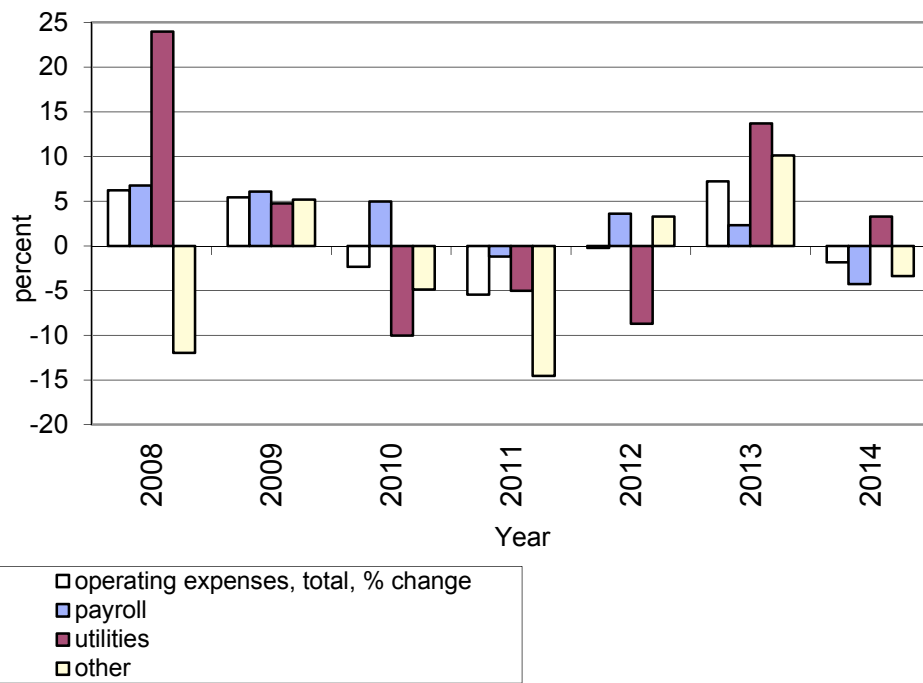
Annual Operating Expenses

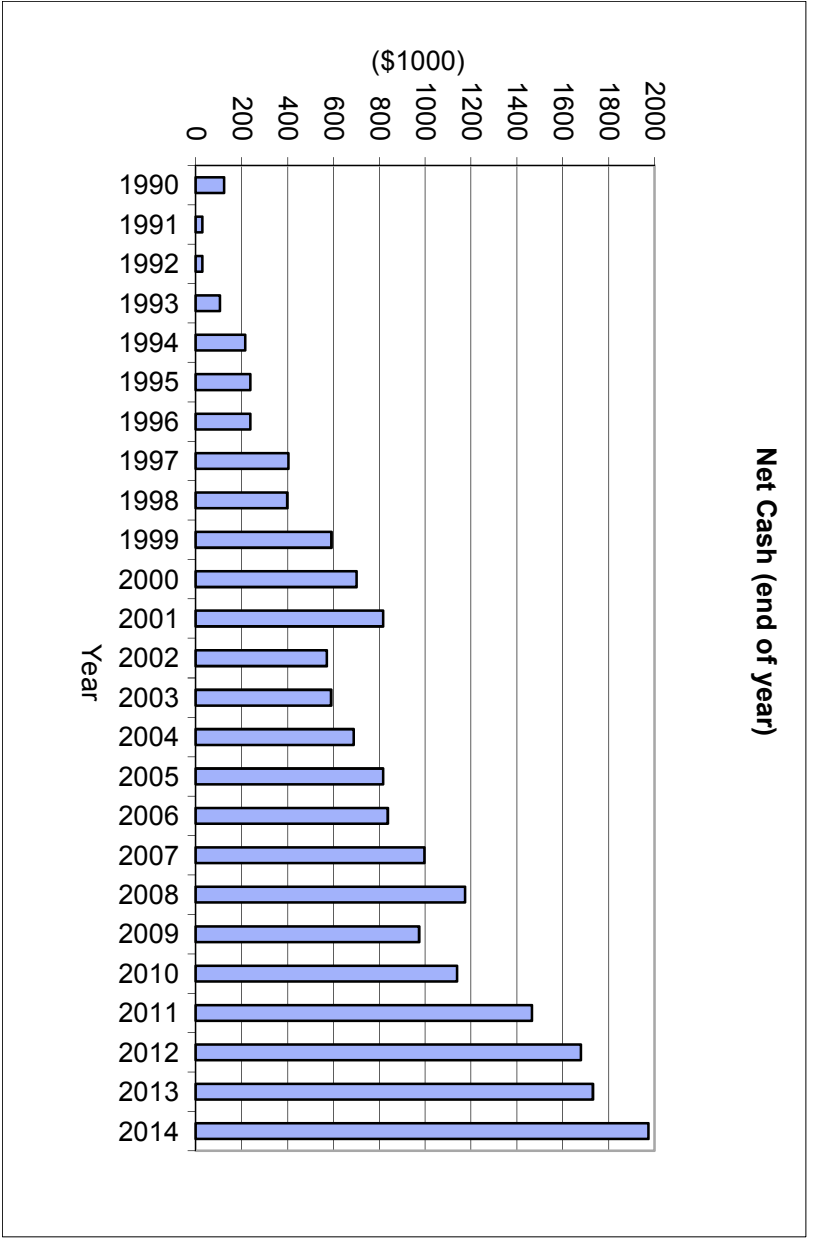
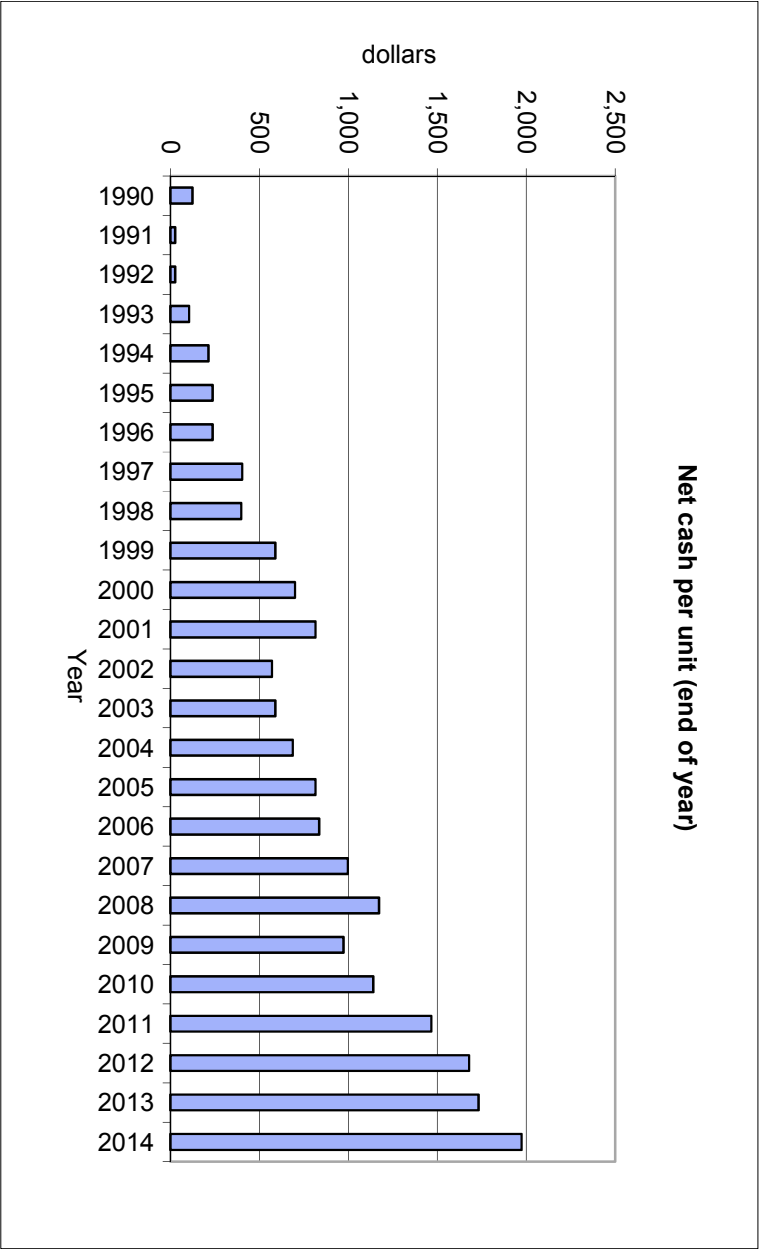


Average monthly operating expenses per unit

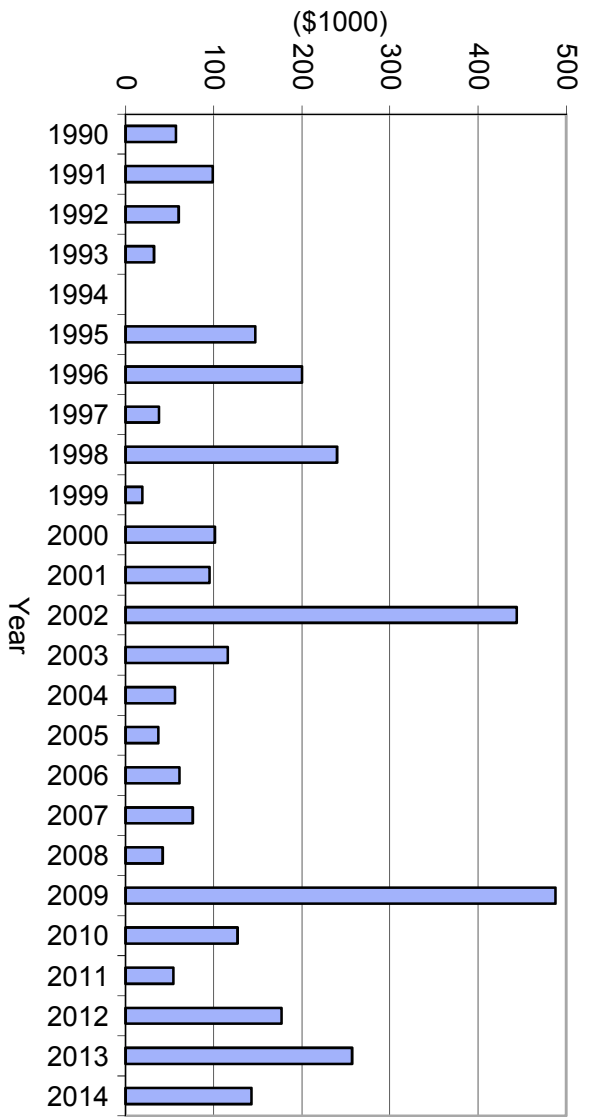


Percent Change from Previous Year, 2008-2014

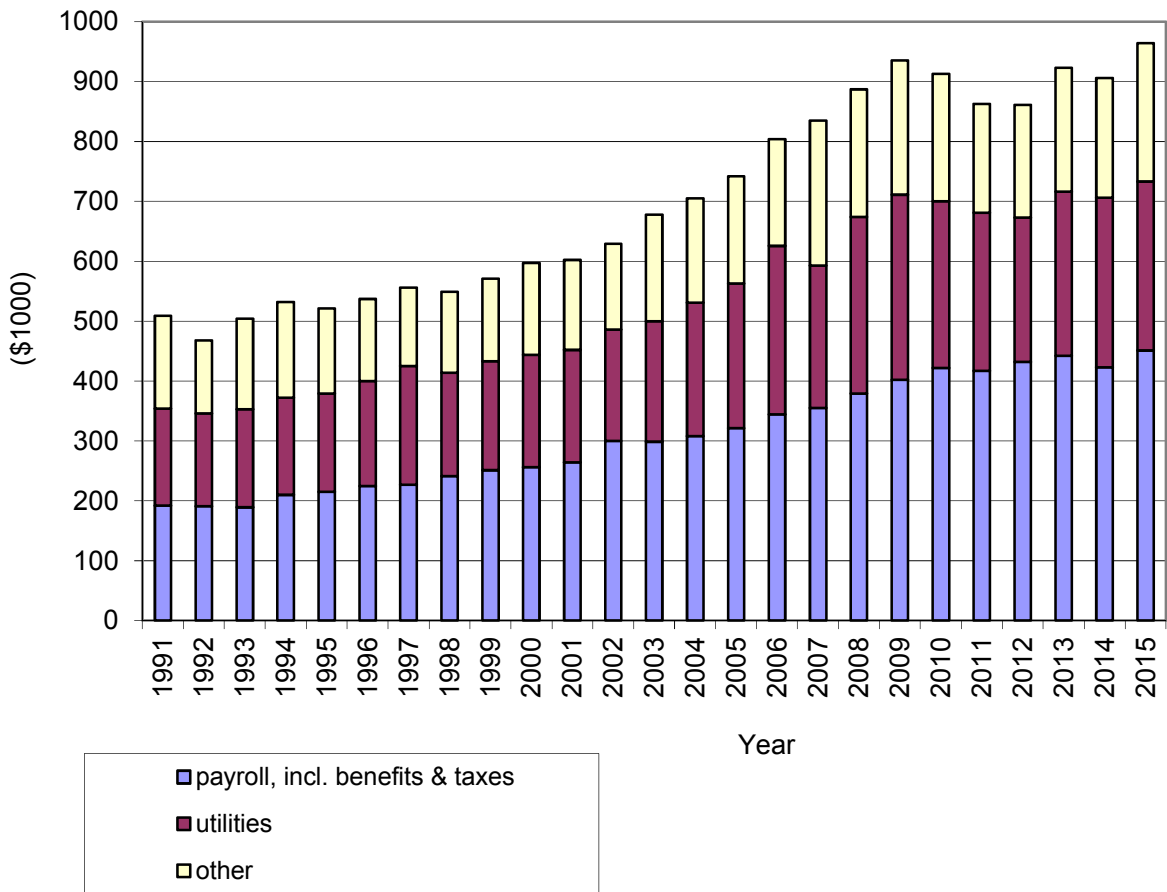




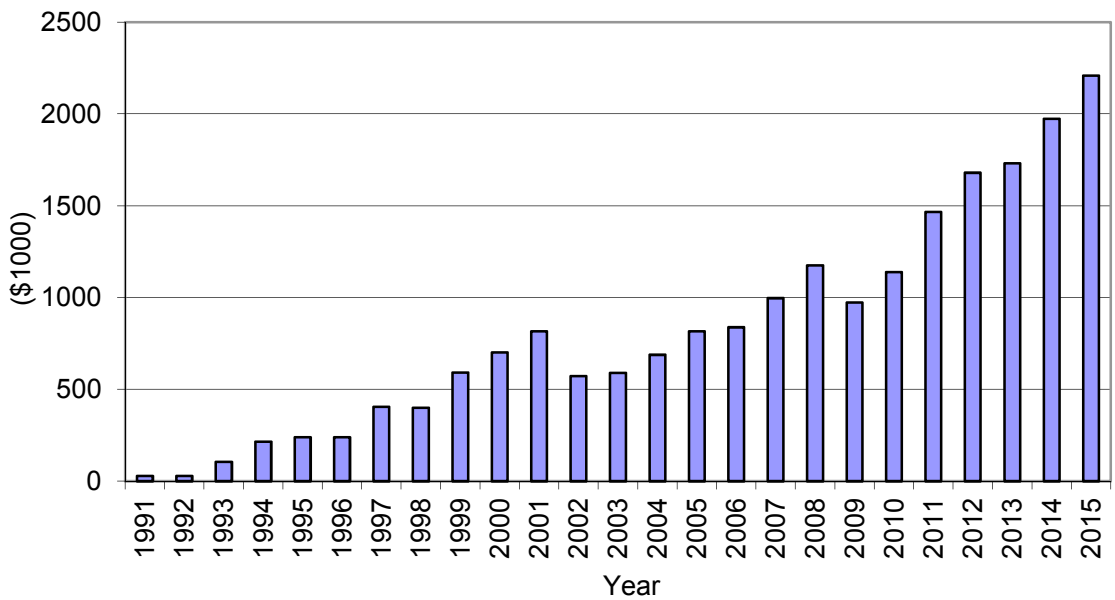
Expenditures from Replacement Fund



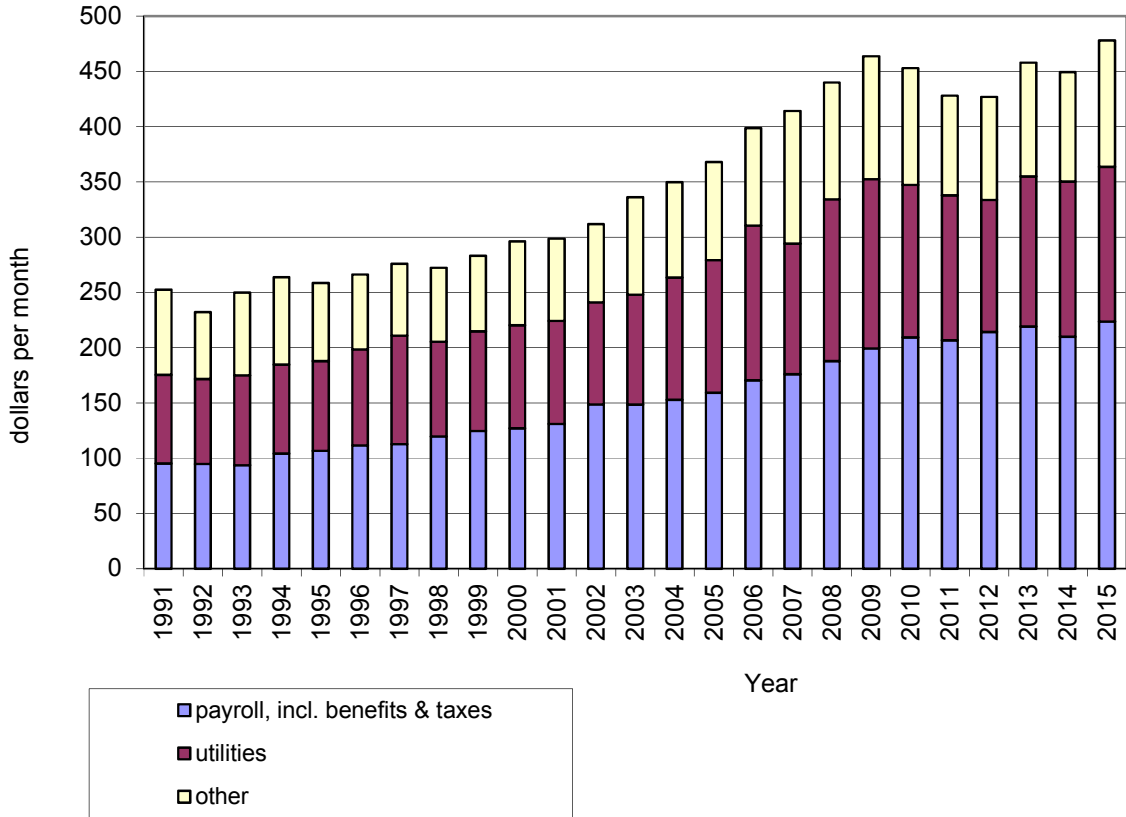
Annual Operating Expenses



Net Cash (end of year)



Average monthly operating expenses per unit



Net cash per unit (end of year)

