THE LAUREN, A CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 is computed on a straight-line basis over the estimated useful lives of the assets. Items capitalized are depreciated through the statement of income.

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 an engineer in 2003 and utilizes the component method of funding for replacement reserves. The table included in the Supplementary Information of Future Major Repairs and Replacements is based on this study.

The Association is funding for future major repairs and replacements over the remaining useful lives of the components based on the study's estimates of the replacement costs and considering amounts previously accumulated in the replacement reserves. Accordingly, the funding recommendation of $148,500 from assessments and $26,000 of interest has been included in the 2006 financial statements.

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, 2006, the Association had designated $878,264 for replacement reserves. 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 2006, the income tax was calculated using the corporate method.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2006, the Association maintained its funds in the following manner:

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

Institution	Type Account	Cash and Cash Equivalents	Interest-Bearing Deposits	Total
BB&T	Checking	$ 28,709	$ -	$ 28,709
RBC Centura	Checking	23,751		23,751
BB&T	Money Market	67,484		67,484
Chevy Chase	Money Market	43,004		43,004
Principal	Certificate of Deposit		71,236	71,236
Capital One	Certificates of Deposit (2)		127,158	127,158
New South Federal Savings	Certificate of Deposit		62,138	62,138
Key	Certificate of Deposit		70,733	70,733
M&T	Certificate of Deposit		66,704	66,704
Independence	Certificate of Deposit		95,268	95,268
PNC National	Certificate of Deposit		75,976	75,976
Eagle	Certificate of Deposit		91,403	91,403
United	Certificate of Deposit		93,692	93,692
	Totals	$ 162,948	$ 754,308	$ 917,256

Account balances at banks are insured by the FDIC for up to $100,000 per financial institution. Amounts in excess of insured limits were approximately $27,158 as of December 31, 2006.

NOTE 6 - FIXED ASSETS-NET:

The Condominium Unit is being depreciated over an estimated useful life of thirty years using the straight-line method. The depreciation expense for 2006 was $1,583.

Condominium Unit	$ 47,482
Land	8,006
Less: Accumulated Depreciation	(47,277)
Fixed Assets - Net	$ 8,211

NOTE 7 - DUE FROM KOGER MANAGEMENT GROUP, INC.:

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. These amounts have been recorded as Due From Koger Management Group, Inc. of $64,735.

NOTE 8 - SUBSEQUENT EVENTS:

Subsequent to year end, the Association changed financial management agents. Effective, January 1, 2007, Simmons Management became the new financial management agent.

Subsequent to year end, the Association's former managing agent, Koger Management Group, Inc. DBA Tri-State Management filed for Chapter 11 Bankruptcy (Reorganization) on July 26, 2007.