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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.

March 21,2014

Board of Directors
The Lauren, A Condominium

Dear Board Members:

We have audited the financial statements of The Lauren, A Condominium for the year ended December 31, 2013. During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. As a result, we make the following comments and recommendations.

<u>Financial Analysis</u>

As of December 31, 2013, the Association had a surplus of $93,744 in unappropriated members' equity (excess operating funds). This represents less than 8% 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.

During 2013, the Association incurred a material loss of $25,816, this was a result of budget overages in the areas of legal and utility expenses. In addition, the Association included transfers from savings to operating as income, in the amount of $22,500. Transfers from savings to operating is not income and should not be budgeted as such. Budgeting transfers as income creates a unearned amount of anticipated income and results in a budget shortfall.

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

The designated replacement reserves of $1,696,369 were funded by cash and interest-bearing deposits as of December 31, 2013.

Security Deposit

As of December 31, 2013, the Association has an outstanding security deposit of $1,600 for a tenant that moved out of the rented unit in 2011. We commend the Association for pursuing this matter and refunding the deposit in 2014.

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)

The FDIC insurance limit is $250,000 per financial institution. 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 2013, we recommend the Association file using the corporate method.

In addition, as of December 31, 2013, the Association had an outstanding tax refund for 2011 of $9,986 due from the Internal Revenue Service. Subsequent to year-end this outstanding balance was collected. We commend the Association for aggressively pursuing and collecting this balance.

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.

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