

**Daniels Loft COA**  
**104 – 108 Tejon Street**  
**Colorado Springs, CO 80903**



**Level 1 Reserve Analysis**

**Report Period – 01/01/11 – 12/31/11**

**Client Reference Number - 8366**  
**Property Type – Lofts**  
**Number of Units – 8**  
**Fiscal Year End – December 31**

**Second  
Draft**

**Date of Property Observation - January 18, 2011**  
**Project Manager - G. Michael Kelsen, R.S.**  
**Main Contact Person - Ms. Wylene Carol, Board of Directors**

**Report was prepared on - Tuesday, March 29, 2011**

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## Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 20% - 45% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the **Asset Inventory Section** (Section 2) of this Reserve Analysis. The **Financial Analysis Section** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 (pages 1 – 13) of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

## **General Information and Answers to Frequently Asked Questions –**

### **Why is it important to perform a Reserve Study?**

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

### **Now that we have “it”, what do we do with “it”?**

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the “main ingredients” (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The Reserve allocation makes up a significant portion of the total monthly dues and this report should help you determine the correct amount of money to go into the Reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending normal maintenance and replacement projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

### **How often do we update or review “it”?**

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Analysis should be reviewed *each year before* the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

### **Is it the law to have a Reserve Study conducted?**

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study is completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think \$50,000 is a lot of money and they are in good shape. What they don't know is the roof will need to be replaced within 5 years, and the cost of the roof is going to exceed \$75,000. So while \$50,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

### **What makes an asset a “Reserve” item versus an “Operating” item?**

A “Reserve” asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An “operating” expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

### **The GREY area of “maintenance” items that are often seen in a Reserve Study –**

One of the most popular questions revolves around major “maintenance” items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a “capital” item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a Reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a Reserve component.

### **The Property Observation –**

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

### **The Reserve Fund Analysis –**

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

**0% - 30% Funded** – Is considered to be a “weak” financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

**31% - 69% Funded** – The majority of associations are considered to be in this “fair” financial position. While this doesn’t represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

**70% - 99% Funded** – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

**100% Funded** – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

## Summary of Daniels Loft COA -

Association ID # - 08366

Projected Starting Balance as of January 1, 2011 -	<b>\$32,500</b>
Ideal Reserve Balance as of January 1, 2011 -	<b>\$83,710</b>
Percent Funded as of January 1, 2011 -	<b>39%</b>
Recommended Reserve Allocation (per month) -	<b>\$1,235</b>
Minimum Reserve Allocation (per month) -	<b>\$1,040</b>
Recommended Special Assessments -	<b>\$0</b>

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on January 18, 2011. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative (Community Manager). To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This property contains 8 units (6 residential and 2 commercial) within a historic building that was originally constructed over 100 years ago. The property was converted to the current condominium loft style building about 10 years ago in 2001. Each unit varies in size of square footage (averages 2000 GSF per unit) for a total area of 16,000 square feet of commercial and residential space. The maintenance responsibilities of the association include the garage, building exterior surfaces, interior hallways, and an elevator. There have not been any Reserve projects completed recently, other than replacing the flooring in the elevator cab. Please refer to page 11 of the Financial Analysis section for a list of when other components are scheduled to be addressed.

In comparing the projected balance of \$32,500 versus the ideal Reserve Balance of \$83,710, we find the association Reserve fund to be in a less than average financial position at this point in time (approximately 39% funded of ideal). However, in reviewing the budget, it does not appear the association has established a regular Reserve contribution in the past. As a result, we recommend establishing a Reserve contribution of \$1,235 per month (representing an increase of almost \$155.00 on average per unit, or broken down to \$.077 per square foot), followed by nominal annual increases of 3.75% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see we have also provided a "minimum Reserve contribution" of \$1,040 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where additional Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the "threshold" theory of Reserve funding where the "percent funded" status is not allowed to dip below 30% funded at any point during the thirty-year period. This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately \$25.00 on average per unit per month, or \$.012 per square foot in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 103 EPDM Flat Roof - Replace

**Observations:**

Unable to access the upper roof at time of inspection due to access and safety measures. The middle and upper roofs are assumed to be similar to the upper roof as far as conditions and type of material. Middle and lower roofs were in good condition with no lifted or loose seems. Some of the roofs were covered in ice and snow, so we were unable to check these areas. No other unusual conditions observed or reported during inspection. There were no reports of leaks or problems. This type of material has a life expectancy of 18 - 22 years with proper maintenance and limited exposure to foot traffic.

**Location:** Roof of building**Quantity:** Approx. 83 squares**Life Expectancy:** 20 **Remaining Life:** 10**Best Cost:** \$62,250

\$750/square; Estimate to replace

**Worst Cost:** \$70,550

\$850/square; Higher estimate for more labor

**Source of Information:** Research with contractor**General Notes:**

upper roof - 34 squares  
middle roof - 7 squares  
lower roof - 42 squares

Comp #: 120 Gutters/Downspouts - Replace

**Observations:**

The raingutter along the top of the garage entrance/exit is rusted and corroded through and water is leaking through the pinholes. The downspout is also slightly damaged. Due to the small area of gutters and downspouts, we recommend treating repairs on an as needed basis with general operating funds. Therefore, separate Reserve funding is not required for this component at this time.

**Location:** West side of roofs**Quantity:** Approx. 100 LF**Life Expectancy:** N/A **Remaining Life:****Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

Comp #: 203 Garage Walls/Surfaces - Repaint

**Observations:**

Surfaces are not currently painted, so Reserve funding is not required at this time. If association decides to paint these surfaces, expect to spend between \$4000 - \$4500 for the work and repaint every 10 - 15 years.

**Location:** Garage**Quantity:** Approx 4150 GSF**Life Expectancy:** N/A *Remaining Life:***Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

Comp #: 212 Metal Surfaces - Repaint

**Observations:**

Paint was faded and dull in appearance, as well as showing a few signs of rust. We originally recommended painting these railings on an as needed basis as an operating expense to protect the materials from further rusting and deterioration. However, it was requested by the current Board of Directors to add Reserve funding for periodic painting of these surfaces. Therefore, we have established painting every 5 years to these surfaces at this time.

**Location:** Fire escapes on west side of bldg**Quantity:** (2) Stairways**Life Expectancy:** 5 **Remaining Life:** 0**Best Cost:** \$750

Estimate to repaint these surfaces every 4 - 5 year

**Worst Cost:** \$850

Higher estimate for more prep work

**Source of Information:** Cost database**General Notes:**

From 3rd level to 2nd level - 5'x31', 70 LF handrails  
From 2nd level to 1st level - 4'x30', 65 LF handrails

Comp #: 216 Interior Surfaces - Repaint

**Observations:**

Surfaces are generally in good to fair condition with no major signs of wear or marks. Depending on the level of use and abuse, expect to repaint these surfaces every 10 - 15 years. The remaining life is based on the observed conditions and age of the surfaces. In between painting cycles, we recommend touching up areas on an as needed basis with general operating funds.

**Location:** Interior hallways**Quantity:** Approx. 5100 GSF**Life Expectancy:** 15 **Remaining Life:** 5**Best Cost:** \$4,100

\$.80/GSF; Estimate to repaint

**Worst Cost:** \$4,850

\$.95/GSF; Higher estimate

**Source of Information:** Cost Database**General Notes:**

3rd floor - 1850 GSF  
stairs from 2nd to 3rd floor - 150 GSF  
2nd floor - 1750 GSF  
stairs from 2nd to 3rd floor & 1st floor - 1050 GSF  
garage elevator lobby - 300 GSF

Comp #: 217 Restrooms and Hallway - Repaint

**Observations:**

The paint was nicked and marked up and in need of a fresh coat of paint. It was originally recommended that touch up painting was to occur as needed with general operating. However, it was requested that Reserve funding be included for periodic painting. Due to the observed conditions, we recommend establishing funding to repaint these surfaces every 5 years.

**Location:** Between commercial units and resident**Quantity:** Approx. 850 GSF**Life Expectancy:** 5 **Remaining Life:** 0**Best Cost:** \$600

Allowance to repaint

**Worst Cost:** \$750

Higher allowance for some prep work

**Source of Information:** Cost Database**General Notes:**

(2) restrooms, 7x6 with toilet and sink

VCT flooring - 200 GSF

(5) 3x7 doors

(1) Elkay drinking fountain

(1) Rheem, 8 gallon water heater

(2) Ceiling lights

(1) exit sign

100 GSF ceiling tile

Comp #: 305 Miscellaneous Siding - Replace



*Observations:*

No unusual conditions observed during inspection. The overall area is too small for separate Reserve designation. Include repairs with brick siding, or treat on an as needed basis with general operating funds.

*Location:* Siding accents on building

*Quantity:* Approx. 680 GSF

*Life Expectancy:* N/A *Remaining Life:*

*Best Cost:* \$0

*Worst Cost:* \$0

*Source of Information:*

*General Notes:*

stucco - 450 GSF  
corrugated metal - 230 GSF

Comp #: 306 Brick - Major Repairs

**Observations:**

This brick work is very old, original to the date of construction of the building back in the late 1800's. Over the years, there have been numerous repairs and sections of the walls that have been replaced. Due to the age of the building, we recommend establishing a Reserve allowance for periodic repairs to the brick work every 7 years. The remaining life is based on overall observed conditions during property inspection.

**Location:** Siding of building**Quantity:** Approx. 6850 GSF**Life Expectancy:** 7 **Remaining Life:** 2**Best Cost:** \$6,500

Allowance for major repairs every 7 years

**Worst Cost:** \$7,500

Higher estimate for more repairs

**Source of Information:** Cost Database**General Notes:**

exterior surfaces -  
brick - 3750 GSF  
cinder block - 250 GSF

garage -  
brick - 1100 GSF

interior -  
brick - 1750 GSF

Comp #: 403 Concrete - Repair/Replace

**Observations:**

It was observed there was a few hairline cracks noted at time of inspection. These surfaces are not exposed to elements (freeze/thaw and ice) that will cause these surfaces to worsen. Continue to monitor and repair on an as needed basis with general operating funds. At this time, separate Reserve funding is not required for this component.

**Location:** Garage**Quantity:** Approx. 2700 GSF**Life Expectancy:** N/A **Remaining Life:****Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

Comp #: 501 Common Doors - Replace

**Observations:**

Under normal conditions, these doors should have a very long life expectancy with proper maintenance. Most of these doors are located inside and not exposed to elements. We originally recommended treating replacement on an as needed basis with general operating funds. However, per the clients request, we have added Reserve funding for eventual replacement of the doors. On average, these last 20 - 30 years before replacement is necessary, depending on the level of use and care.

**Location:** Common areas**Quantity:** (8) Assorted doors**Life Expectancy:** 27 **Remaining Life:** 17**Best Cost:** \$5,200

\$650/door; Estimate to replace

**Worst Cost:** \$6,400

\$800/door; Higher estimate for better quality door

**Source of Information:** Cost database**General Notes:**

**Exterior Doors -**  
front entrance - (1) 3x7 glass door  
rear fire escapes - (2) 3x7 steel doors

**Interior Doors -**  
3rd floor - (1) common door, (3) Unit doors  
2nd floor - (1) common door, (3) Unit doors  
garage elevator lobby - (3) 3x7 steel doors

Comp #: 502 Garage Doors - Replace

**Observations:**

Doors were functional and in good operating condition at time of property inspection. According to a local contractor, insulated doors of this quality typically lasts 15 - 20 years under normal conditions. The remaining life is based on the age of the building since renovation as it is assumed these were installed at that time.

**Location:** Entrance/exit to garage**Quantity:** (1) 6'9"x16'7", (1) 8'x6'9"**Life Expectancy:** 18 **Remaining Life:** 8**Best Cost:** \$3,200

\$1600/Door; Estimate to replace

**Worst Cost:** \$4,000

\$2000/Door; Estimate for better quality

**Source of Information:** Cost Database**General Notes:**A large, empty rectangular box with a thin black border, intended for general notes or additional information.

Comp #: 507 Garage Door Openers - Replace

**Observations:**

Both operators were functional with no unusual noises coming from the units at time of inspection. According to a local contractor, these units typically last 10 - 15 years depending on the frequency of use and quality of the unit. However, this recommendation is for a residential setting, as opposed to a commercial setting. While we understand there are only 8 units that use this garage, the potential is there for many uses during the day that exceeds a residential setting. Therefore, we recommend replacing with a more durable unit when replacement is required.

**Location:** Entrances/exits to garage**Quantity:** (2) Overhead openers**Life Expectancy:** 12 **Remaining Life:** 2**Best Cost:** \$2,400

\$1200/opener; Estimate to replace and install

**Worst Cost:** \$3,000

Higher estimate for upgraded unit

**Source of Information:** Cost Database**General Notes:**Python 2 openers  
model #OCG800ML

Comp #: 606 Unit Decks/Balconies - Replace

**Observations:**

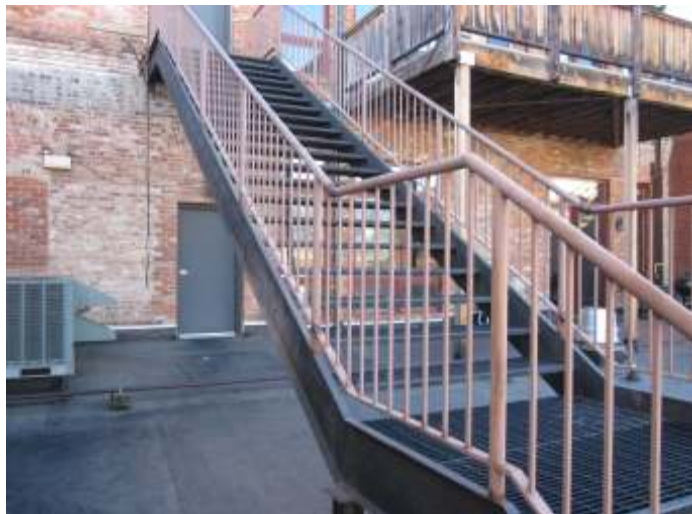
Per section 12.1B of the association declarations, the unit owner shall be responsible to maintain the Limited Common elements, which shall include the deck, balcony, patio, and porch and the railings. Therefore, separate Reserve funding is not included for this component.

**Location:** Unit balconies**Quantity:** (6) Assorted decks**Life Expectancy:** N/A **Remaining Life:****Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

west side balconies/deck - (1) 10x25, (1) 15x25

east side - (4) 9x5 steel balconies

Comp #: 610 Steel Stairs - Replace

**Observations:**

Stairways were stable and in good condition at time of property observation. The railings are showing a few signs of rust, but no major corrosion or structural issues were noted. We recommend painting the railing as an operating expense to protect the materials from further rusting and deterioration. In normal conditions, these stairways should have an indefinite life expectancy and complete replacement is not likely. Therefore, at this time, separate Reserve funding is not required for this component.

**Location:** Fire escape west side of bldg**Quantity:** (2) Stairways**Life Expectancy:** N/A **Remaining Life:****Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

From 3rd level to 2nd level - 5'x31', 70 LF handrails  
From 2nd level to 1st level - 4'x30', 65 LF handrails

Comp #: 706 Cabinet Unit Heaters Replace



*Observations:*

No unusual conditions observed or reported at time of report preparation. In our experience, we have seen the need to replace these types of units every 15 - 20 years, depending on the level of use and maintenance. The remaining life is based on the age of the units.

*Location:* First floor building entrance

*Quantity:* (2) Heater units

*Life Expectancy:* 18 *Remaining Life:* 8

*Best Cost:* \$4,000

\$2000/heater; Estimate to replace

*Worst Cost:* \$4,500

Higher estimate for more labor

*Source of Information:* Cost Database

*General Notes:*

Comp #: 707 Elevator - Rebuild/Upgrade

**Observations:**

The elevator was operating smoothly with no problems noted. The inspection and maintenance records on site did not report any unusual problems. Elevator should be inspected annually by a professional to ensure proper operation and detect any safety concerns. The equipment that will eventually fail and need to be replaced include the control system (brain of the unit), door operator and tracks, and the pump unit. Eventually, parts of the system become obsolete and replacement will be necessary. Due to average use facility, Reserve to replace this equipment every 25 years.

**Location:** Center of building**Quantity:** (1) Otis, 4 stops**Life Expectancy:** 28 **Remaining Life:** 18**Best Cost:** \$50,000

\$50000/elevator; Estimate to rebuild

**Worst Cost:** \$60,000

\$60000/elevator; Higher estimate

**Source of Information:** Research with contractor**General Notes:**

4500 LB or 28 persons capacity

installed 12/12/01

40 hp motor

contract #438880

Reported elevator needs door restrictors

Comp #: 709 Elevator Cab - Remodel

**Observations:**

It was reported that new tile was installed in 2009. The walls are original back to the date of the conversion, but are still in good condition. Moving pads should be used to protect the sides when moving large pieces of furniture and equipment. Depending on the decorative tastes of the association and trend development, the average remodeling cycle ranges from 15 - 20 years. Cost could vary depending on extent of décor chosen at time of remodel.

**Location:** Center of building**Quantity:** (1) 5.5'x7.5' cab**Life Expectancy:** 17 **Remaining Life:** 14**Best Cost:** \$12,000

\$12000/cab; Estimate for a basic remodel

**Worst Cost:** \$15,000

Higher estimate for upgraded décor

**Source of Information:** Research with contractor**General Notes:**A large empty rectangular box with a thin black border, intended for general notes.

Comp #: 803 Mailboxes - Replace

**Observations:**

No unusual conditions observed at time of inspection. These are installed inside and protected from the elements. According to the manufacturer, these boxes will have a life expectancy of 20 - 30 years due to location and quality. Due to the long life expectancy and low replacement cost (less than \$500), we recommend replacing on an as needed basis with general operating funds. Therefore, at this time, separate Reserve funding is not required for this component.

**Location:** First floor building entrance**Quantity:** (6) Wall mounted units**Life Expectancy:** N/A **Remaining Life:****Best Cost:** \$0**Worst Cost:** \$0**Source of Information:****General Notes:**

Comp #: 901 Fire Protection System - Replace

**Observations:**

System was not tested during inspection. There were no reports of system malfunctioning recently. System is relatively new and no problems should exist. System should be tested at least once a year by a professional. Advances in technology will require the panel to be replaced every 18 - 20 years. Once the wiring is installed, it should not have to be replaced in the future.

**Location:** First floor building entrance**Quantity:** (1) Simplex 4010 panel**Life Expectancy:** 20 **Remaining Life:** 10**Best Cost:** \$2,500

\$2500/Panel; Estimate to replace

**Worst Cost:** \$3,000

Higher estimate for additional parts

**Source of Information:** Cost Database**General Notes:**

Comp #: 905 Intercom - Replace



Picture Unavailable

**Observations:**

Intercom was functional at time of property observation. In our experience, we have seen the need to replace these units every 12 - 15 years. The remaining life is based on the age of the system as it is expected this was installed at the time of the conversion.

**Location:** Building entrance**Quantity:** (1) 6 station buzzer style**Life Expectancy:** 15 **Remaining Life:** 5**Best Cost:** \$1,200

Estimate to replace

**Worst Cost:** \$1,500

Higher estimate for upgrade

**Source of Information:** Cost Database**General Notes:**

Comp #: 1413 Restrooms/Hallway - Remodel

**Observations:**

The paint was nicked and marked up and in need of a fresh coat of paint. The rest of the area was in good to fair condition. Most associations perform a general remodel of restroom areas every 15 - 20 years to maintain appearance and keep up with current decorative trends. The final decision is up to the community members in deciding when to spend the money to perform this project since it is considered cosmetic.

**Location:** Between commercial units and resident

**Quantity:** Approx. 200 GSF

**Life Expectancy:** 20 **Remaining Life:** 10

**Best Cost:** \$3,750

Allowance for basic remodel

**Worst Cost:** \$4,500

Higher allowance

**Source of Information:** Cost Database

**General Notes:**

(2) restrooms, 7x6 with toilet and sink  
 paint - 850 GSF  
 VCT flooring - 200 GSF  
 (5) 3x7 doors  
 (1) Elkay drinking fountain  
 (1) Rheem, 8 gallon water heater  
 (2) Ceiling lights  
 (1) exit sign  
 100 GSF ceiling tile

Comp #: 1501 Carpeting - Replace



*Observations:*

Carpet is in fair condition. Some evidence of wear noted but no rips or curling seams observed at the time of inspection. Due to a low use property, expect to replace this component every 15 - 20 years assuming normal use and wear. Remaining life based on current age and condition.

*Location:*            **Stairs between levels**

*Quantity:*           **Approx. 55 GSY**

*Life Expectancy:*   **18**   *Remaining Life:*   **8**

*Best Cost:*           **\$1,650**

\$30/GSY; Estimate for average quality

*Worst Cost:*         **\$1,900**

\$34/GSY; Higher estimate for better quality

*Source of Information:*   Cost Database

*General Notes:*

3rd to 2nd levels - 30 GSY  
2nd to 1st levels - 25 GSY

Comp #: 1504 Slate Tile - Replace



Picture Unavailable

*Observations:*

Flooring is in good condition with no signs of grout problems or cracked tiles. Due to a low traffic area and the type of material, an extended replacement cycle of 25 - 30 years can be expected from this material. The remaining life is based on the assumed age of the flooring (installed at time of property renovations) and the observed conditions.

*Location:* 1st floor building entrance, garage

*Quantity:* Approx. 225 GSF

*Life Expectancy:* 27 *Remaining Life:* 17

*Best Cost:* \$5,625

\$25/GSF; Estimate to replace

*Worst Cost:* \$6,300

\$28/GSF; Higher estimate

*Source of Information:* Cost Database

*General Notes:*

1st floor entrance - 125 GSF  
garage elevator lobby - 100 GSF

Comp #: 1505 Hardwood - Refinish



**Observations:**

It was reported the 3rd floor was recently patched and fixed and a few areas were refinished. A few warped or uneven boards were noted on the third floor at time of inspection. Every 4 - 5 years, it is recommended that a "screen and coat" application is performed. If a screen and coat application is not performed on a regular basis, expect a full refinish every 12 - 15 years, depending on level of foot traffic.

**Location:** Common area hallways

**Quantity:** Approx. 1050 GSF

**Life Expectancy:** 5 **Remaining Life:** 1

**Best Cost:** \$1,850

\$1.75/GSF; Estimate to screen and coat

**Worst Cost:** \$2,100

\$2.00/GSF; Higher estimate for minor repairs

**Source of Information:** Cost Database

**General Notes:**

3rd floor - 450 GSF (fir wood)  
2nd floor - 600 GSF (oak wood)

Comp #: 1601 Interior Hallway - Replace

**Observations:**

All interior lights were functional and in good condition at time of inspection. The decorative lights match the décor of the buildings and the environment. Typically, associations prefer to upgrade and modernize lighting every 15 - 25 years, depending on changes in trends. Suggest replacing all fixtures at same time to get best cost estimate and match décor throughout all buildings. The cost estimate reflects the cost to replace the decorative lights only.

**Location:** Hallways**Quantity:** (21) Wall lights**Life Expectancy:** 25 **Remaining Life:** 15**Best Cost:** \$2,625

\$125/light; Estimate to replace and install new

**Worst Cost:** \$3,150

\$150/fixture; Higher estimate

**Source of Information:** Cost Database**General Notes:**

3rd floor - 7 lights  
3rd to 2nd floor stairs - 2 lights  
2nd floor - 9 lights  
2nd to 1st floor & 1st floor - 3 lights

Comp #: 1602 Exterior Wall Mount - Replace



*Observations:*

Lights are older, but no reported problems. We were unable to inspect operating conditions due to inspection taking place during daylight hours. Due to the minimal cost to replace these lights individually, reserve funding is not appropriate. Repair and replace as necessary as an operating expense.

*Location:* Attached to exterior walls of bldg

*Quantity:* (6) Assorted lights

*Life Expectancy:* N/A *Remaining Life:*

*Best Cost:* \$0

*Worst Cost:* \$0

*Source of Information:*

*General Notes:*

Comp #: 1610 Florescent Tube Lights - Replace



*Observations:*

Florescent tube lights are not considered decorative and can be replaced individually as an operating expense without effecting the aesthetics of the building. Therefore, we suggest Reserve funding is not included for this component at this time.

*Location:* **Garage**

*Quantity:* **(13) Lights**

*Life Expectancy:* **N/A** *Remaining Life:*

*Best Cost:* **\$0**

*Worst Cost:* **\$0**

*Source of Information:*

*General Notes:*

Comp #: 1611 Exit Signs/Emergency Lights - Replace



*Observations:*

Emergency lights were not tested during property observation as this is beyond our typical scope of work. Exit signs were functional with no problems noted. Due to small replacement cost, we recommend replacing these on an as needed basis with general operating funds.

*Location:* Interior hallways, garage

*Quantity:* (12) signs, (8) emergency lights

*Life Expectancy:* N/A *Remaining Life:*

*Best Cost:* \$0

*Worst Cost:* \$0

*Source of Information:*

*General Notes:*

3rd floor - (4) signs, (3) emergency lights  
2nd floor - (4) signs, (4) emergency lights  
2nd to 1st floor stairs - (1) sign, (1) emergency light  
garage - (1) sign  
basement - (2) signs

## Funding Summary For Daniels Loft COA

### Beginning Assumptions

Financial Information Source	Research With Client
# Of Units	8
Total Square Footage	16000
Fiscal Year End	December 31, 2011
Monthly Dues from 2010 budget	\$2,779.00
Monthly Reserve Allocation from 2011 Budget	\$0.00
Projected Starting Reserve Balance (as of 1/1/2011)	\$32,500
Ideal Starting Reserve Balance (as of 1/1/2011)	\$83,710

### Economic Factors

Current Inflation Rate	4.50%
Reported After-Tax Interest Rate	2.50%

### Current Reserve Status

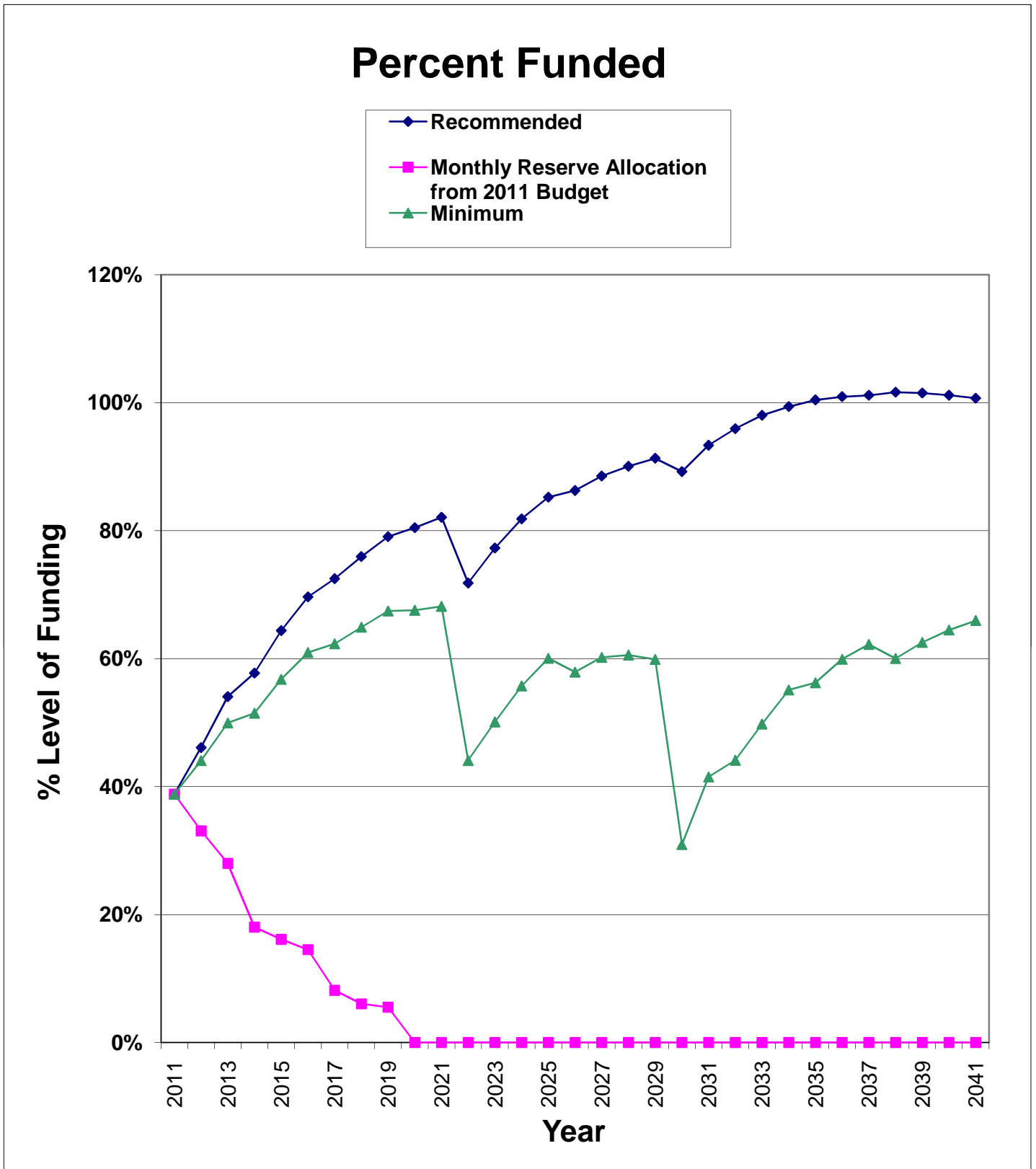
Current Balance as a % of Ideal Balance	39%
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### Recommendations for 2010 Fiscal Year

Monthly Reserve Allocation	\$1,235
Per Square Foot	\$0.077
Average Per Unit	\$154.38
Minimum Monthly Reserve Allocation	\$1,040
Per Square Foot	\$0.065
Average Per Unit	\$130.00
Nominal Annual Increases	3.75%
# of Years	30
Special Assessment	\$0
Per Square Foot	\$0
Average Per Unit	\$0.00

### Changes From Prior Year (2010 to 2011)

Increase/Decrease to Reserve Allocation	\$1,235
as Percentage	0%
Per Square Foot	\$0.077
Average Per Unit	\$154.38



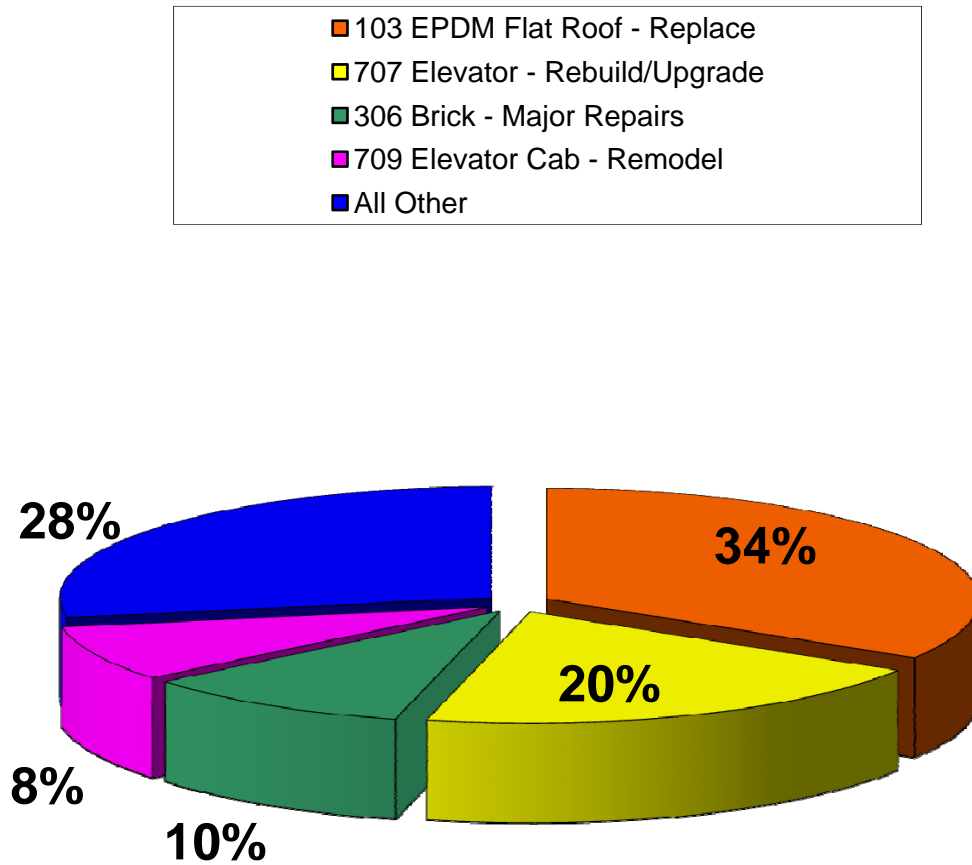
## Component Inventory for Daniels Loft Condominium OA

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	103	EPDM Flat Roof - Replace	20	10	\$62,250	\$70,550
	120	Gutters/Downspouts - Replace	N/A		\$0	\$0
Painted Surfaces	203	Garage Walls/Surfaces - Repaint	N/A		\$0	\$0
	212	Metal Surfaces - Repaint	5	0	\$750	\$850
	216	Interior Surfaces - Repaint	15	5	\$4,100	\$4,850
	217	Restrooms and Hallway - Repaint	5	0	\$600	\$750
Siding Materials	305	Miscellaneous Siding - Replace	N/A		\$0	\$0
	306	Brick - Major Repairs	7	2	\$6,500	\$7,500
Drive Materials	403	Concrete - Repair/Replace	N/A		\$0	\$0
Property Access	501	Common Doors - Replace	27	17	\$5,200	\$6,400
	502	Garage Doors - Replace	18	8	\$3,200	\$4,000
	507	Garage Door Openers - Replace	12	2	\$2,400	\$3,000
Decking	606	Unit Decks/Balconies - Replace	N/A		\$0	\$0
	610	Steel Stairs - Replace	N/A		\$0	\$0
Mechanical Equip.	706	Cabinet Unit Heaters - Replace	18	8	\$4,000	\$4,500
	707	Elevator - Rebuild/Upgrade	28	18	\$50,000	\$60,000
	709	Elevator Cab - Remodel	17	14	\$12,000	\$15,000
Prop. Identification	803	Mailboxes - Replace	N/A		\$0	\$0
Security	901	Fire Protection System - Replace	20	10	\$2,500	\$3,000
	905	Intercom - Replace	15	5	\$1,200	\$1,500
Interiors	1413	Restrooms/Hallway - Remodel	20	10	\$3,750	\$4,500
Flooring	1501	Carpeting - Replace	18	8	\$1,650	\$1,900
	1504	Slate Tile - Replace	27	17	\$5,625	\$6,300
	1505	Hardwood - Refinish	5	1	\$1,850	\$2,100
Light Fixtures	1601	Interior Hallway - Replace	25	15	\$2,625	\$3,150
	1602	Exterior Wall Mount - Replace	N/A		\$0	\$0
	1610	Florescent Tube Lights - Replace	N/A		\$0	\$0
	1611	Exit Signs/Emergency Lights - Replace	N/A		\$0	\$0

## Significant Components For Daniels Loft COA

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL)	
					As \$	As %
103	EPDM Flat Roof - Replace	20	10	\$66,400	\$3,320	33.8383%
212	Metal Surfaces - Repaint	5	0	\$800	\$160	1.6308%
216	Interior Surfaces - Repaint	15	5	\$4,475	\$298	3.0407%
217	Restrooms and Hallway - Repaint	5	0	\$675	\$135	1.3760%
306	Brick - Major Repairs	7	2	\$7,000	\$1,000	10.1923%
501	Common Doors - Replace	27	17	\$5,800	\$215	2.1895%
502	Garage Doors - Replace	18	8	\$3,600	\$200	2.0385%
507	Garage Door Openers - Replace	12	2	\$2,700	\$225	2.2933%
706	Cabinet Unit Heaters Replace	18	8	\$4,250	\$236	2.4065%
707	Elevator - Rebuild/Upgrade	28	18	\$55,000	\$1,964	20.0205%
709	Elevator Cab - Remodel	17	14	\$13,500	\$794	8.0939%
901	Fire Protection System - Replace	20	10	\$2,750	\$138	1.4014%
905	Intercom - Replace	15	5	\$1,350	\$90	0.9173%
1413	Restrooms/Hallway - Remodel	20	10	\$4,125	\$206	2.1022%
1501	Carpeting - Replace	18	8	\$1,775	\$99	1.0051%
1504	Slate Tile - Replace	27	17	\$5,963	\$221	2.2508%
1505	Hardwood - Refinish	5	1	\$1,975	\$395	4.0259%
1601	Interior Hallway - Replace	25	15	\$2,888	\$116	1.1772%

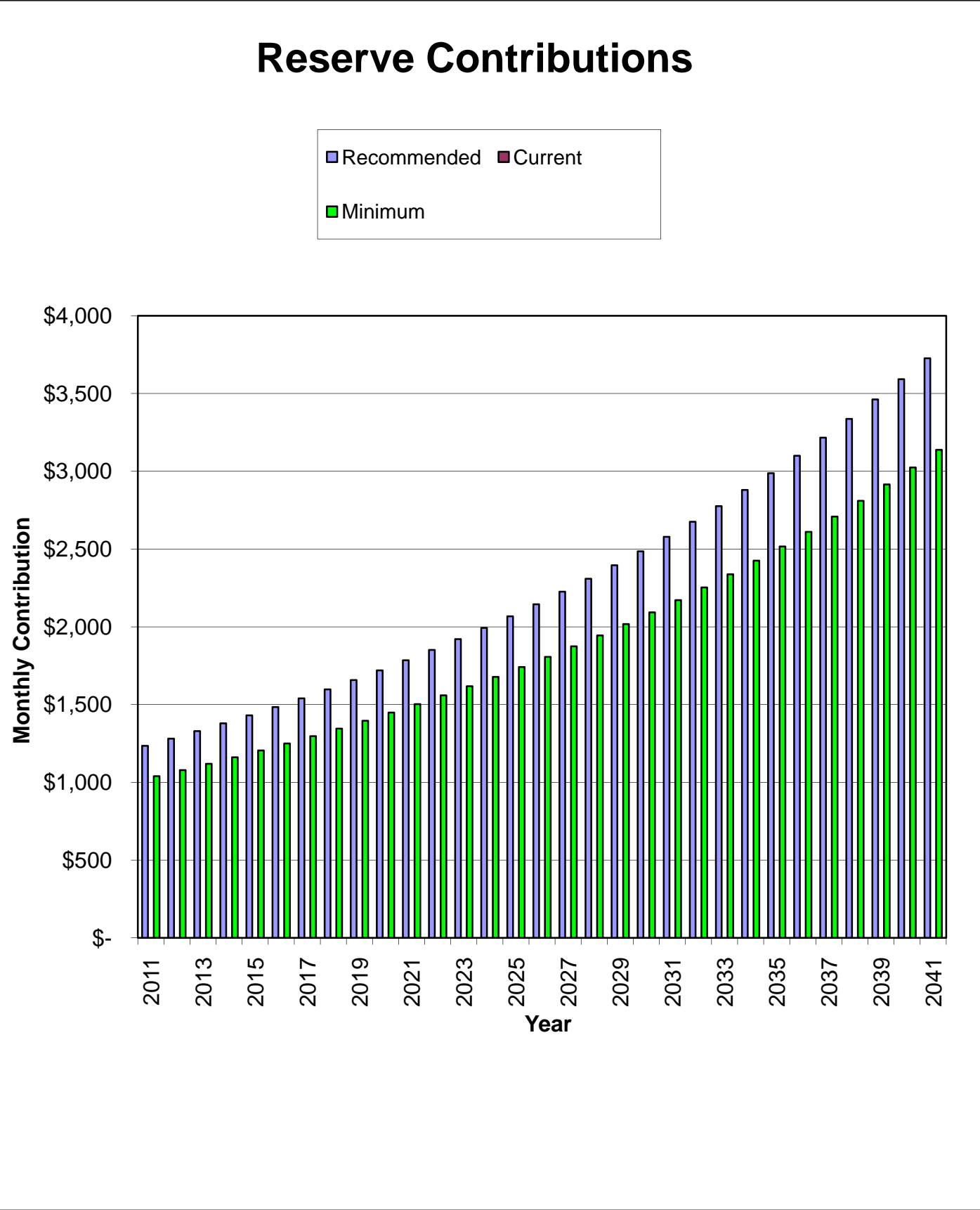
## Significant Components Graph For Daniels Loft COA



Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
103	EPDM Flat Roof - Replace	20	10	\$66,400	\$3,320	34%
707	Elevator - Rebuild/Upgrade	28	18	\$55,000	\$1,964	20%
306	Brick - Major Repairs	7	2	\$7,000	\$1,000	10%
709	Elevator Cab - Remodel	17	14	\$13,500	\$794	8%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$2,733	28%

## Yearly Summary For Daniels Loft COA

Year	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2011	\$83,710	\$32,500	39%	\$12,350	\$0	\$991	\$1,475
2012	\$96,188	\$44,366	46%	\$15,376	\$0	\$1,290	\$2,064
2013	\$109,074	\$58,968	54%	\$15,952	\$0	\$1,559	\$10,593
2014	\$114,110	\$65,886	58%	\$16,551	\$0	\$1,875	\$0
2015	\$130,945	\$84,312	64%	\$17,171	\$0	\$2,349	\$0
2016	\$149,064	\$103,833	70%	\$17,815	\$0	\$2,736	\$9,097
2017	\$159,042	\$115,287	72%	\$18,483	\$0	\$3,117	\$2,572
2018	\$176,863	\$134,315	76%	\$19,176	\$0	\$3,639	\$0
2019	\$198,775	\$157,130	79%	\$19,895	\$0	\$4,052	\$13,688
2020	\$207,997	\$167,390	80%	\$20,641	\$0	\$4,362	\$10,403
2021	\$221,723	\$181,991	82%	\$21,416	\$0	\$3,405	\$116,084
2022	\$126,314	\$90,727	72%	\$22,219	\$0	\$2,535	\$3,205
2023	\$145,288	\$112,276	77%	\$23,052	\$0	\$3,131	\$0
2024	\$169,214	\$138,458	82%	\$23,916	\$0	\$3,804	\$0
2025	\$194,998	\$166,178	85%	\$24,813	\$0	\$4,137	\$30,002
2026	\$191,409	\$165,127	86%	\$25,744	\$0	\$4,395	\$8,443
2027	\$211,042	\$186,822	89%	\$26,709	\$0	\$4,833	\$18,151
2028	\$222,307	\$200,213	90%	\$27,711	\$0	\$5,099	\$24,859
2029	\$228,002	\$208,164	91%	\$28,750	\$0	\$4,092	\$121,466
2030	\$133,973	\$119,540	89%	\$29,828	\$0	\$3,400	\$0
2031	\$163,663	\$152,768	93%	\$30,946	\$0	\$4,032	\$17,606
2032	\$177,358	\$170,141	96%	\$32,107	\$0	\$4,646	\$4,977
2033	\$205,977	\$201,916	98%	\$33,311	\$0	\$5,527	\$0
2034	\$242,248	\$240,754	99%	\$34,560	\$0	\$6,282	\$19,265
2035	\$261,235	\$262,330	100%	\$35,856	\$0	\$7,087	\$0
2036	\$302,478	\$305,274	101%	\$37,201	\$0	\$8,134	\$4,433
2037	\$342,271	\$346,176	101%	\$38,596	\$0	\$8,674	\$44,912
2038	\$342,942	\$348,534	102%	\$40,043	\$0	\$9,320	\$0
2039	\$392,024	\$397,897	101%	\$41,545	\$0	\$10,588	\$0
2040	\$444,829	\$450,029	101%	\$43,103	\$0	\$11,926	\$0



## Component Funding Information For Daniels Loft COA

ID	Component Name	Ave Current Cost	Future Cost	Ideal Balance	Current Fund Balance	Monthly
103	EPDM Flat Roof - Replace	\$66,400	\$103,117	\$33,200	\$12,964	\$417.90
212	Metal Surfaces - Repaint	\$800	\$997	\$800	\$800	\$20.14
216	Interior Surfaces - Repaint	\$4,475	\$5,577	\$2,983	\$2,983	\$37.55
217	Restrooms and Hallway - Repaint	\$675	\$841	\$675	\$675	\$16.99
306	Brick - Major Repairs	\$7,000	\$7,644	\$5,000	\$5,000	\$125.87
501	Common Doors - Replace	\$5,800	\$12,258	\$2,148	\$0	\$27.04
502	Garage Doors - Replace	\$3,600	\$5,120	\$2,000	\$2,000	\$25.17
507	Garage Door Openers - Replace	\$2,700	\$2,948	\$2,250	\$2,250	\$28.32
706	Cabinet Unit Heaters Replace	\$4,250	\$6,044	\$2,361	\$2,361	\$29.72
707	Elevator - Rebuild/Upgrade	\$55,000	\$121,466	\$19,643	\$0	\$247.25
709	Elevator Cab - Remodel	\$13,500	\$25,001	\$2,382	\$0	\$99.96
901	Fire Protection System - Replace	\$2,750	\$4,271	\$1,375	\$0	\$17.31
905	Intercom - Replace	\$1,350	\$1,682	\$900	\$900	\$11.33
1413	Restrooms/Hallway - Remodel	\$4,125	\$6,406	\$2,063	\$0	\$25.96
1501	Carpeting - Replace	\$1,775	\$2,524	\$986	\$986	\$12.41
1504	Slate Tile - Replace	\$5,963	\$12,601	\$2,208	\$0	\$27.80
1505	Hardwood - Refinish	\$1,975	\$2,064	\$1,580	\$1,580	\$49.72
1601	Interior Hallway - Replace	\$2,888	\$5,588	\$1,155	\$0	\$14.54

## Yearly Cash Flow For Daniels Loft COA

Year	2011	2012	2013	2014	2015
<b>Starting Balance</b>	\$32,500	\$44,366	\$58,968	\$65,886	\$84,312
<i>Reserve Income</i>	\$12,350	\$15,376	\$15,952	\$16,551	\$17,171
<i>Interest Earnings</i>	\$991	\$1,290	\$1,559	\$1,875	\$2,349
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$45,841	\$61,032	\$76,479	\$84,312	\$103,833
<b>Reserve Expenditures</b>	\$1,475	\$2,064	\$10,593	\$0	\$0
<b>Ending Balance</b>	\$44,366	\$58,968	\$65,886	\$84,312	\$103,833

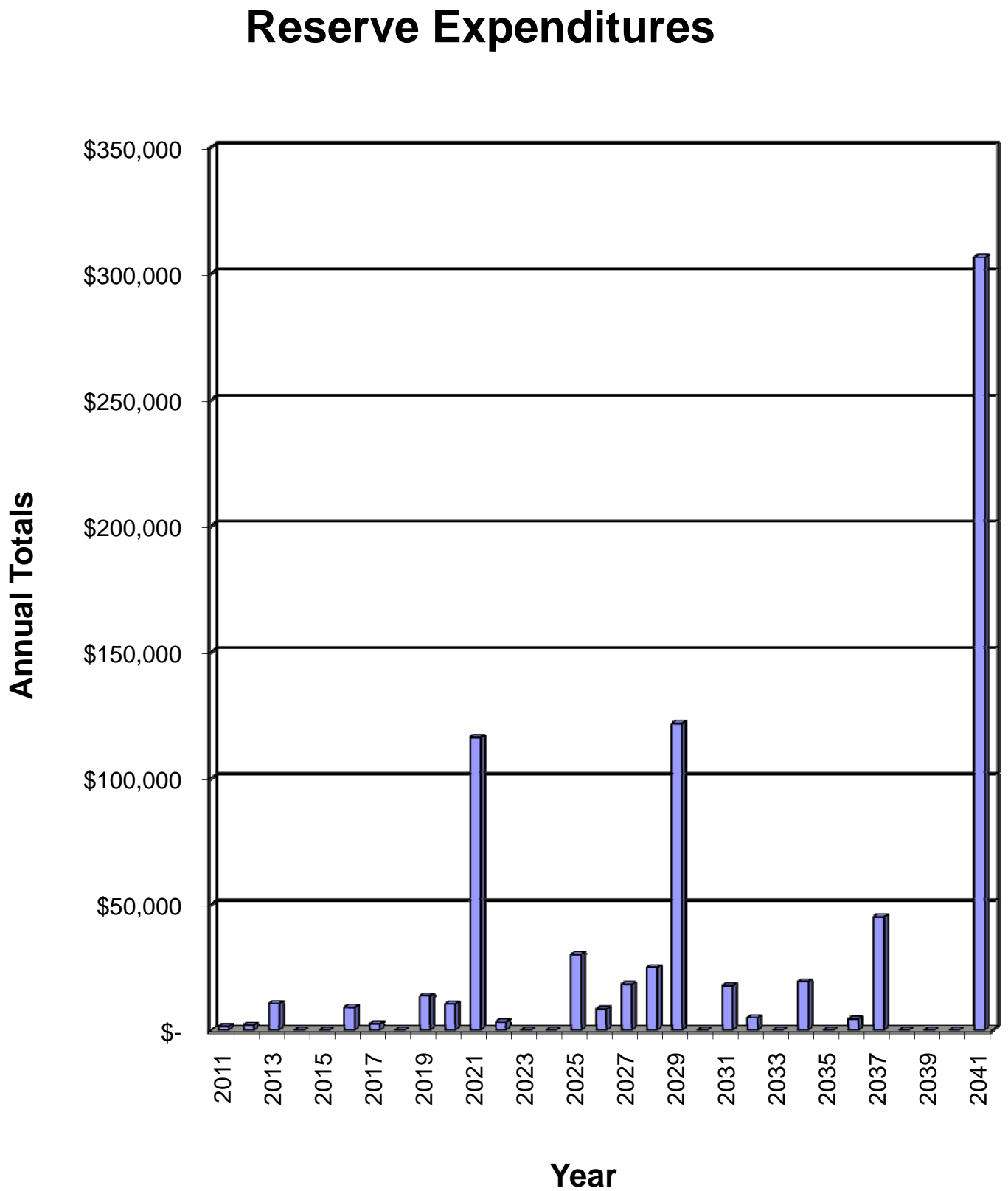
Year	2016	2017	2018	2019	2020
<b>Starting Balance</b>	\$103,833	\$115,287	\$134,315	\$157,130	\$167,390
<i>Reserve Income</i>	\$17,815	\$18,483	\$19,176	\$19,895	\$20,641
<i>Interest Earnings</i>	\$2,736	\$3,117	\$3,639	\$4,052	\$4,362
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$124,384	\$136,887	\$157,130	\$181,078	\$192,394
<b>Reserve Expenditures</b>	\$9,097	\$2,572	\$0	\$13,688	\$10,403
<b>Ending Balance</b>	\$115,287	\$134,315	\$157,130	\$167,390	\$181,991

Year	2021	2022	2023	2024	2025
<b>Starting Balance</b>	\$181,991	\$90,727	\$112,276	\$138,458	\$166,178
<i>Reserve Income</i>	\$21,416	\$22,219	\$23,052	\$23,916	\$24,813
<i>Interest Earnings</i>	\$3,405	\$2,535	\$3,131	\$3,804	\$4,137
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$206,812	\$115,481	\$138,458	\$166,178	\$195,128
<b>Reserve Expenditures</b>	\$116,084	\$3,205	\$0	\$0	\$30,002
<b>Ending Balance</b>	\$90,727	\$112,276	\$138,458	\$166,178	\$165,127

Year	2026	2027	2028	2029	2030
<b>Starting Balance</b>	\$165,127	\$186,822	\$200,213	\$208,164	\$119,540
<i>Reserve Income</i>	\$25,744	\$26,709	\$27,711	\$28,750	\$29,828
<i>Interest Earnings</i>	\$4,395	\$4,833	\$5,099	\$4,092	\$3,400
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$195,265	\$218,364	\$233,023	\$241,006	\$152,768
<b>Reserve Expenditures</b>	\$8,443	\$18,151	\$24,859	\$121,466	\$0
<b>Ending Balance</b>	\$186,822	\$200,213	\$208,164	\$119,540	\$152,768

Year	2031	2032	2033	2034	2035
<b>Starting Balance</b>	\$152,768	\$170,141	\$201,916	\$240,754	\$262,330
<i>Reserve Income</i>	\$30,946	\$32,107	\$33,311	\$34,560	\$35,856
<i>Interest Earnings</i>	\$4,032	\$4,646	\$5,527	\$6,282	\$7,087
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$187,746	\$206,893	\$240,754	\$281,596	\$305,274
<b>Reserve Expenditures</b>	\$17,606	\$4,977	\$0	\$19,265	\$0
<b>Ending Balance</b>	\$170,141	\$201,916	\$240,754	\$262,330	\$305,274

Year	2036	2037	2038	2039	2040
<b>Starting Balance</b>	\$305,274	\$346,176	\$348,534	\$397,897	\$450,029
<i>Reserve Income</i>	\$37,201	\$38,596	\$40,043	\$41,545	\$43,103
<i>Interest Earnings</i>	\$8,134	\$8,674	\$9,320	\$10,588	\$11,926
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$350,609	\$393,446	\$397,897	\$450,029	\$505,058
<b>Reserve Expenditures</b>	\$4,433	\$44,912	\$0	\$0	\$0
<b>Ending Balance</b>	\$346,176	\$348,534	\$397,897	\$450,029	\$505,058



## Projected Reserve Expenditures For Daniels Loft COA

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2011	212	Metal Surfaces - Repaint	\$800	
	217	Restrooms and Hallway - Repaint	\$675	\$1,475
2012	1505	Hardwood - Refinish	\$2,064	\$2,064
2013	306	Brick - Major Repairs	\$7,644	
	507	Garage Door Openers - Replace	\$2,948	\$10,593
2014		No Expenditures Projected		\$0
2015		No Expenditures Projected		\$0
2016	212	Metal Surfaces - Repaint	\$997	
	216	Interior Surfaces - Repaint	\$5,577	
	217	Restrooms and Hallway - Repaint	\$841	
	905	Intercom - Replace	\$1,682	\$9,097
2017	1505	Hardwood - Refinish	\$2,572	\$2,572
2018		No Expenditures Projected		\$0
2019	502	Garage Doors - Replace	\$5,120	
	706	Cabinet Unit Heaters Replace	\$6,044	
	1501	Carpeting - Replace	\$2,524	\$13,688
2020	306	Brick - Major Repairs	\$10,403	\$10,403
2021	103	EPDM Flat Roof - Replace	\$103,117	
	212	Metal Surfaces - Repaint	\$1,242	
	217	Restrooms and Hallway - Repaint	\$1,048	
	901	Fire Protection System - Replace	\$4,271	
	1413	Restrooms/Hallway - Remodel	\$6,406	\$116,084
2022	1505	Hardwood - Refinish	\$3,205	\$3,205
2023		No Expenditures Projected		\$0
2024		No Expenditures Projected		\$0
2025	507	Garage Door Openers - Replace	\$5,000	
	709	Elevator Cab - Remodel	\$25,001	\$30,002
2026	212	Metal Surfaces - Repaint	\$1,548	
	217	Restrooms and Hallway - Repaint	\$1,306	
	1601	Interior Hallway - Replace	\$5,588	\$8,443
2027	306	Brick - Major Repairs	\$14,157	
	1505	Hardwood - Refinish	\$3,994	\$18,151
2028	501	Common Doors - Replace	\$12,258	
	1504	Slate Tile - Replace	\$12,601	\$24,859
2029	707	Elevator - Rebuild/Upgrade	\$121,466	\$121,466
2030		No Expenditures Projected		\$0
2031	212	Metal Surfaces - Repaint	\$1,929	
	216	Interior Surfaces - Repaint	\$10,792	
	217	Restrooms and Hallway - Repaint	\$1,628	
	905	Intercom - Replace	\$3,256	\$17,606
2032	1505	Hardwood - Refinish	\$4,977	\$4,977
2033		No Expenditures Projected		\$0
2034	306	Brick - Major Repairs	\$19,265	\$19,265
2035		No Expenditures Projected		\$0
2036	212	Metal Surfaces - Repaint	\$2,404	
	217	Restrooms and Hallway - Repaint	\$2,029	\$4,433
2037	502	Garage Doors - Replace	\$11,306	
	507	Garage Door Openers - Replace	\$8,480	
	706	Cabinet Unit Heaters Replace	\$13,348	
	1501	Carpeting - Replace	\$5,575	
	1505	Hardwood - Refinish	\$6,203	\$44,912
2038		No Expenditures Projected		\$0
2039		No Expenditures Projected		\$0

<b>Year</b>	<b>Asset ID</b>	<b>Asset Name</b>	<b>Projected Cost</b>	<b>Total Per Annum</b>
		No Expenditures Projected		\$0
2041	103	EPDM Flat Roof - Replace	\$248,689	
	212	Metal Surfaces - Repaint	\$2,996	
	217	Restrooms and Hallway - Repaint	\$2,528	
	306	Brick - Major Repairs	\$26,217	
	901	Fire Protection System - Replace	\$10,300	
	1413	Restrooms/Hallway - Remodel	\$15,449	\$306,180

## **Glossary of Commonly used Words and Phrases** (provided by the National Reserve Study Standards of the Community Associations Institute)

**Asset or Component** – Individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association Responsibility, 2) with limited Useful Life expectancies, 3) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

**Cash Flow Method** – A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

**Component Inventory** – The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

**Deficit** – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

**Effective Age** – The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

**Financial Analysis** – The portion of the Reserve Study where current status of the Reserves (Measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

**Component Full Funding** – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

**Fully Fund Balance (aka – Ideal Balance)** – An indicator against which Actual (or projected) Reserve Balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, and then summed together for an association total.

$$\text{FFB} = \text{Replacement Cost} \times \text{Effective Age} / \text{Useful Life}$$

**Fund Status** – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

**Funding Goals** – Independent of methodology utilized, the following represent the basic categories of Funding Plan Goals.

- **Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than the “Component Fully Funding” method.

**Funding Plan** – An associations plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

**Funding Principles –**

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

**Life and Valuation Estimates** – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

**Percent Funded** – The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage.

**Physical Analysis** – The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

**Remaining Useful Life (RUL)** – Also referred to as “Remaining Life” (RL). The estimated time, in years, that a reserve component can be expected to *continue* to serve its intended function. Projects anticipated to occur in the initial year have “0” Remaining Useful Life.

**Replacement Cost** – The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

**Reserve Balance** – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

**Reserve Provider** – An individual that prepares Reserve Studies. Also known as **Aspen Reserve Specialties**.

**Reserve Study** – A budget-planning tool that identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

**Special Assessment** – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

**Surplus** – An actual (or projected) Reserve Balance that is greater than the Fully Funded Balance.

**Useful Life (UL)** – Also known as “Life Expectancy”, or “Depreciable Life”. The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.