

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



Level 3 Reserve Analysis
Reserve Study without Property Observation
Report Period – 01/01/13 – 12/31/13

Final
Version

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



Date of Property Observation - Not Applicable
Project Manager - G. Michael Kelsen, RS, PRA
Main Contact - Mr. Terry Sullivan, Board of Directors

Report was prepared on - Thursday, December 27, 2012

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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 15% - 40% 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 typically in the **Asset Inventory Section** of the original Reserve Analysis. It should be noted there is not an **Asset Inventory Section** in this report due to the Level of Service requested by the client. 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 2 (pages 1 – 12) 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 –

A Property Observation was not conducted for this report per the contract agreement.

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, 2013 -	\$62,778
Ideal Reserve Balance as of January 1, 2013 -	\$106,483
Percent Funded as of January 1, 2013 -	59%
Recommended Reserve Allocation (per month) -	\$1,579
Minimum Reserve Allocation (per month) -	\$1,335
Recommended Special Assessment -	\$0

This report is an update to an existing Reserve Study Report that was prepared two years ago for the 2012 fiscal period. A property site observation was not conducted per the request of the association. While we commend the Board of Directors in making a decision to update the previous Reserve Study, we recommend having a trained professional inspect the property at least every 3 – 4 years to verify conditions, useful life, and remaining life of components. Therefore, we recommend an updated Reserve Study with site observation in the near future. It is possible that some philosophical changes have occurred since the last Reserve Study and some components will be added to the list in future Reserve Study updates. To update the figures in the report, we obtained information by contacting 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 12 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. The only Reserve project completed recently was painting the interior surfaces and metal fire escape. 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 \$62,778 versus the ideal Reserve Balance of \$106,483, we find the association Reserve fund to be in an average financial position at this point in time (approximately 59% funded of ideal). It appears the association established a Reserve contribution from the results of the last report, but not quite to what we were recommending. However, it was reported the association is trying to catch up to where they should be by establishing a Reserve contribution of \$1,579 per month (representing an increase of almost \$134.88 on average per unit, or broken down to \$.067 per square foot) for 2013. This amount should be followed by nominal annual increases of 2.25 - 4.55% 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 \$1,335 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 \$30.00 on average per unit per month, or \$.016 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.

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, 2013
Monthly Dues from 2010 budget	\$4,317.00
Monthly Reserve Allocation from 2011 Budget	\$500.00
Projected Starting Reserve Balance (as of 1/1/2011)	\$62,778
Ideal Starting Reserve Balance (as of 1/1/2011)	\$106,483

Economic Factors

Current Inflation Rate	4.50%
Reported After-Tax Interest Rate	1.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	59%
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Recommendations for 2010 Fiscal Year

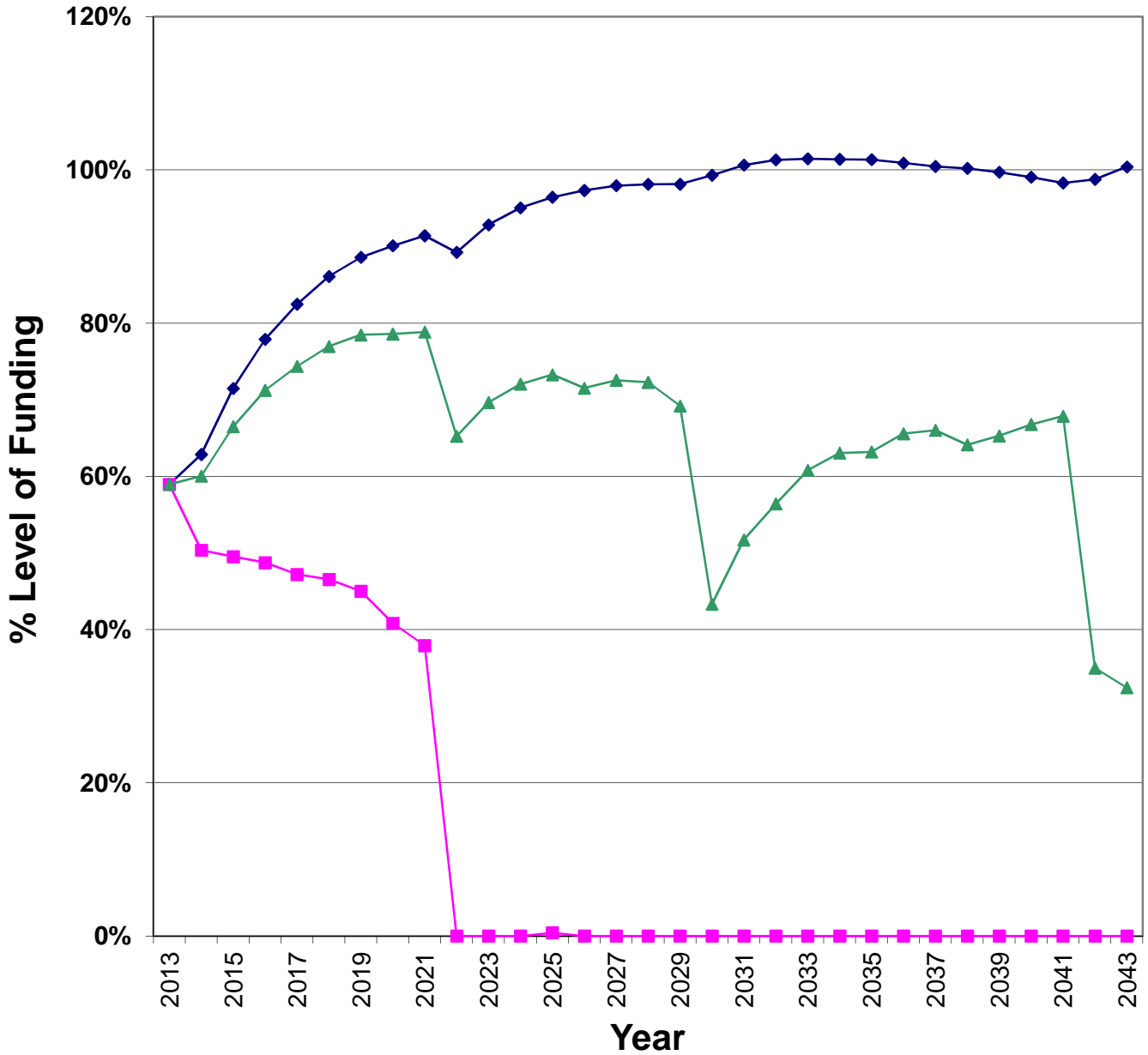
Monthly Reserve Allocation	\$1,579
Per Square Foot	\$0.099
Average Per Unit	\$197.38
Minimum Monthly Reserve Allocation	\$1,335
Per Square Foot	\$0.083
Average Per Unit	\$166.88
Primary Annual Increases	2.25%
# of Years	16
Secondary Annual Increases	4.55%
# of Years	14
Special Assessment	\$0
Per Square Foot	\$0
Average Per Unit	\$0.00

Changes From Prior Year (2010 to 2011)

Increase/Decrease to Reserve Allocation	\$1,079
as Percentage	216%
Per Square Foot	\$0.067
Average Per Unit	\$134.88

Percent Funded Graph For Daniels Loft COA

Percent Funded



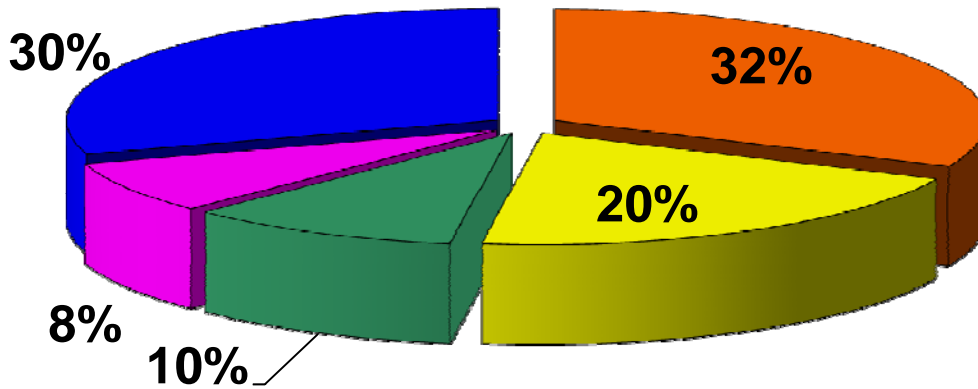
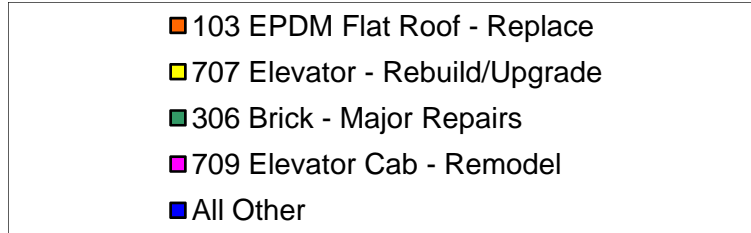
Component Inventory for Daniels Loft Condominium OA

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	103	EPDM Flat Roof - Replace	20	8	\$62,250	\$70,550
	120	Gutters/Downspouts - Replace	N/A		\$0	\$0
Painted Surfaces	203	Garage Walls/Surfaces - Repaint	15	0	\$4,000	\$4,500
	212	Metal Surfaces - Repaint	5	3	\$500	\$650
	216	Interior Surfaces - Repaint	12	11	\$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	0	\$7,000	\$8,000
Drive Materials	403	Concrete - Repair/Replace	N/A		\$0	\$0
Property Access	501	Common Doors - Replace	27	15	\$5,200	\$6,400
	502	Garage Doors - Replace	18	6	\$3,200	\$4,000
	507	Garage Door Openers - Replace	12	0	\$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	6	\$4,500	\$5,000
	707	Elevator - Rebuild/Upgrade	28	16	\$55,000	\$65,000
	709	Elevator Cab - Remodel	17	12	\$12,000	\$15,000
Prop. Identification	803	Mailboxes - Replace	N/A		\$0	\$0
Security	901	Fire Protection System - Replace	20	8	\$3,000	\$3,500
	905	Intercom - Replace	15	3	\$1,300	\$1,700
Interiors	1413	Restrooms/Hallway - Remodel	20	8	\$4,000	\$4,500
Flooring	1501	Carpeting - Replace	18	6	\$1,925	\$2,200
	1504	Slate Tile - Replace	27	15	\$5,625	\$6,300
	1505	Hardwood - Refinish	5	0	\$1,850	\$2,100
Light Fixtures	1601	Interior Hallway - Replace	25	13	\$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	8	\$66,400	\$3,320	31.7422%
203	Garage Walls/Surfaces - Repaint	15	0	\$4,250	\$283	2.7089%
212	Metal Surfaces - Repaint	5	3	\$575	\$115	1.0995%
216	Interior Surfaces - Repaint	12	11	\$4,475	\$373	3.5654%
217	Restrooms and Hallway - Repaint	5	0	\$675	\$135	1.2907%
306	Brick - Major Repairs	7	0	\$7,500	\$1,071	10.2438%
501	Common Doors - Replace	27	15	\$5,800	\$215	2.0538%
502	Garage Doors - Replace	18	6	\$3,600	\$200	1.9122%
507	Garage Door Openers - Replace	12	0	\$2,700	\$225	2.1512%
706	Cabinet Unit Heaters Replace	18	6	\$4,750	\$264	2.5230%
707	Elevator - Rebuild/Upgrade	28	16	\$60,000	\$2,143	20.4876%
709	Elevator Cab - Remodel	17	12	\$13,500	\$794	7.5925%
901	Fire Protection System - Replace	20	8	\$3,250	\$163	1.5536%
905	Intercom - Replace	15	3	\$1,500	\$100	0.9561%
1413	Restrooms/Hallway - Remodel	20	8	\$4,250	\$213	2.0317%
1501	Carpeting - Replace	18	6	\$2,063	\$115	1.0955%
1504	Slate Tile - Replace	27	15	\$5,963	\$221	2.1114%
1505	Hardwood - Refinish	5	0	\$1,975	\$395	3.7766%
1601	Interior Hallway - Replace	25	13	\$2,888	\$116	1.1043%

Significant Components Graph For Daniels Loft COA



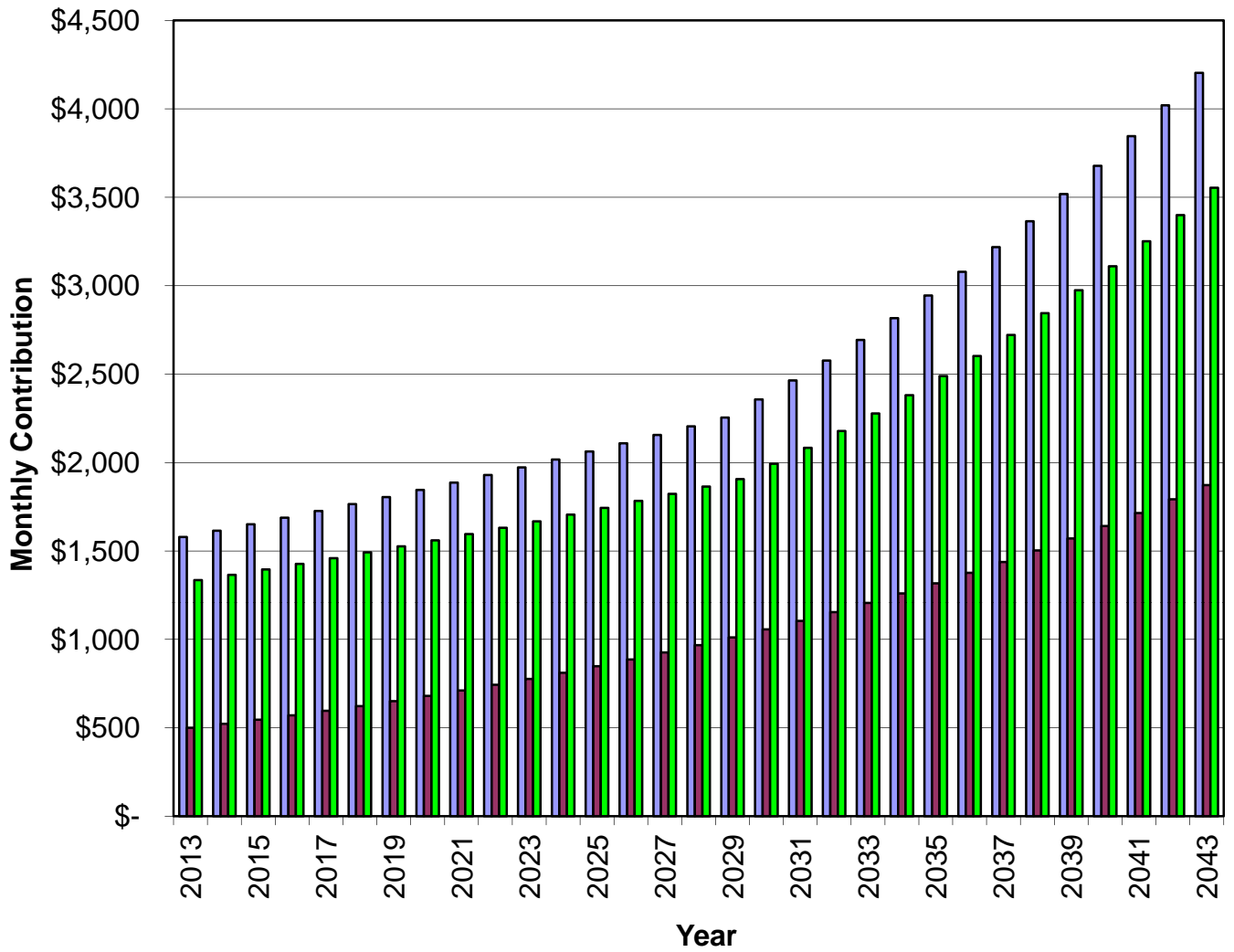
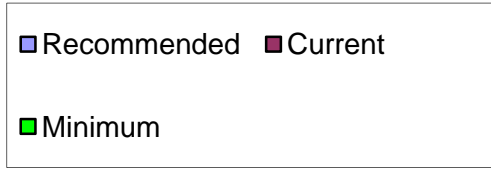
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
103	EPDM Flat Roof - Replace	20	8	\$66,400	\$3,320	32%
707	Elevator - Rebuild/Upgrade	28	16	\$60,000	\$2,143	20%
306	Brick - Major Repairs	7	0	\$7,500	\$1,071	10%
709	Elevator Cab - Remodel	17	12	\$13,500	\$794	8%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$3,131	30%

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
2013	\$106,483	\$62,778	59%	\$18,948	\$0	\$962	\$17,100
2014	\$104,335	\$65,588	63%	\$19,374	\$0	\$1,137	\$0
2015	\$120,452	\$86,099	71%	\$19,810	\$0	\$1,450	\$0
2016	\$137,808	\$107,360	78%	\$20,256	\$0	\$1,757	\$2,368
2017	\$154,008	\$127,004	82%	\$20,712	\$0	\$2,075	\$0
2018	\$173,973	\$149,791	86%	\$21,178	\$0	\$2,397	\$3,302
2019	\$191,971	\$170,063	89%	\$21,654	\$0	\$2,630	\$13,560
2020	\$200,674	\$180,788	90%	\$22,141	\$0	\$2,821	\$10,206
2021	\$213,912	\$195,543	91%	\$22,640	\$0	\$2,325	\$105,911
2022	\$128,405	\$114,597	89%	\$23,149	\$0	\$1,906	\$0
2023	\$150,426	\$139,651	93%	\$23,670	\$0	\$2,257	\$4,115
2024	\$169,868	\$161,463	95%	\$24,202	\$0	\$2,567	\$7,262
2025	\$187,661	\$180,969	96%	\$24,747	\$0	\$2,713	\$27,473
2026	\$185,932	\$180,956	97%	\$25,304	\$0	\$2,878	\$6,136
2027	\$207,257	\$203,001	98%	\$25,873	\$0	\$3,157	\$13,890
2028	\$222,310	\$218,141	98%	\$26,455	\$0	\$3,222	\$36,117
2029	\$215,724	\$211,701	98%	\$27,051	\$0	\$2,485	\$121,342
2030	\$120,734	\$119,895	99%	\$28,281	\$0	\$2,024	\$0
2031	\$149,266	\$150,201	101%	\$29,568	\$0	\$2,457	\$4,583
2032	\$175,333	\$177,644	101%	\$30,914	\$0	\$2,917	\$0
2033	\$208,447	\$211,474	101%	\$32,320	\$0	\$3,390	\$6,391
2034	\$237,509	\$240,793	101%	\$33,791	\$0	\$3,749	\$18,902
2035	\$255,990	\$259,431	101%	\$35,328	\$0	\$4,185	\$0
2036	\$296,296	\$298,944	101%	\$36,936	\$0	\$4,689	\$13,898
2037	\$325,186	\$326,670	100%	\$38,616	\$0	\$4,941	\$37,712
2038	\$331,845	\$332,515	100%	\$40,373	\$0	\$5,267	\$7,964
2039	\$371,305	\$370,191	100%	\$42,210	\$0	\$5,910	\$0
2040	\$422,341	\$418,311	99%	\$44,131	\$0	\$6,651	\$0
2041	\$477,218	\$469,093	98%	\$46,139	\$0	\$5,310	\$281,150
2042	\$242,378	\$239,392	99%	\$48,238	\$0	\$3,615	\$48,384

Reserve Contributions For Daniels Loft COA

Reserve Contributions



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	\$94,427	\$39,840	\$37,306	\$501.21
203	Garage Walls/Surfaces - Repaint	\$4,250	\$8,225	\$4,250	\$4,250	\$42.77
212	Metal Surfaces - Repaint	\$575	\$656	\$230	\$230	\$17.36
216	Interior Surfaces - Repaint	\$4,475	\$7,262	\$373	\$0	\$56.30
217	Restrooms and Hallway - Repaint	\$675	\$841	\$675	\$675	\$20.38
306	Brick - Major Repairs	\$7,500	\$10,206	\$7,500	\$7,500	\$161.75
501	Common Doors - Replace	\$5,800	\$11,225	\$2,578	\$0	\$32.43
502	Garage Doors - Replace	\$3,600	\$4,688	\$2,400	\$2,400	\$30.19
507	Garage Door Openers - Replace	\$2,700	\$4,579	\$2,700	\$2,700	\$33.97
706	Cabinet Unit Heaters Replace	\$4,750	\$6,186	\$3,167	\$3,167	\$39.84
707	Elevator - Rebuild/Upgrade	\$60,000	\$121,342	\$25,714	\$0	\$323.50
709	Elevator Cab - Remodel	\$13,500	\$22,894	\$3,971	\$0	\$119.89
901	Fire Protection System - Replace	\$3,250	\$4,622	\$1,950	\$0	\$24.53
905	Intercom - Replace	\$1,500	\$1,712	\$1,200	\$1,200	\$15.10
1413	Restrooms/Hallway - Remodel	\$4,250	\$6,044	\$2,550	\$0	\$32.08
1501	Carpeting - Replace	\$2,063	\$2,686	\$1,375	\$1,375	\$17.30
1504	Slate Tile - Replace	\$5,963	\$11,539	\$2,650	\$0	\$33.34
1505	Hardwood - Refinish	\$1,975	\$2,461	\$1,975	\$1,975	\$59.63
1601	Interior Hallway - Replace	\$2,888	\$5,117	\$1,386	\$0	\$17.44

Yearly Cash Flow For Daniels Loft COA

Year	2013	2014	2015	2016	2017
Starting Balance	\$62,778	\$65,588	\$86,099	\$107,360	\$127,004
<i>Reserve Income</i>	\$18,948	\$19,374	\$19,810	\$20,256	\$20,712
<i>Interest Earnings</i>	\$962	\$1,137	\$1,450	\$1,757	\$2,075
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$82,688	\$86,099	\$107,360	\$129,372	\$149,791
Reserve Expenditures	\$17,100	\$0	\$0	\$2,368	\$0
Ending Balance	\$65,588	\$86,099	\$107,360	\$127,004	\$149,791

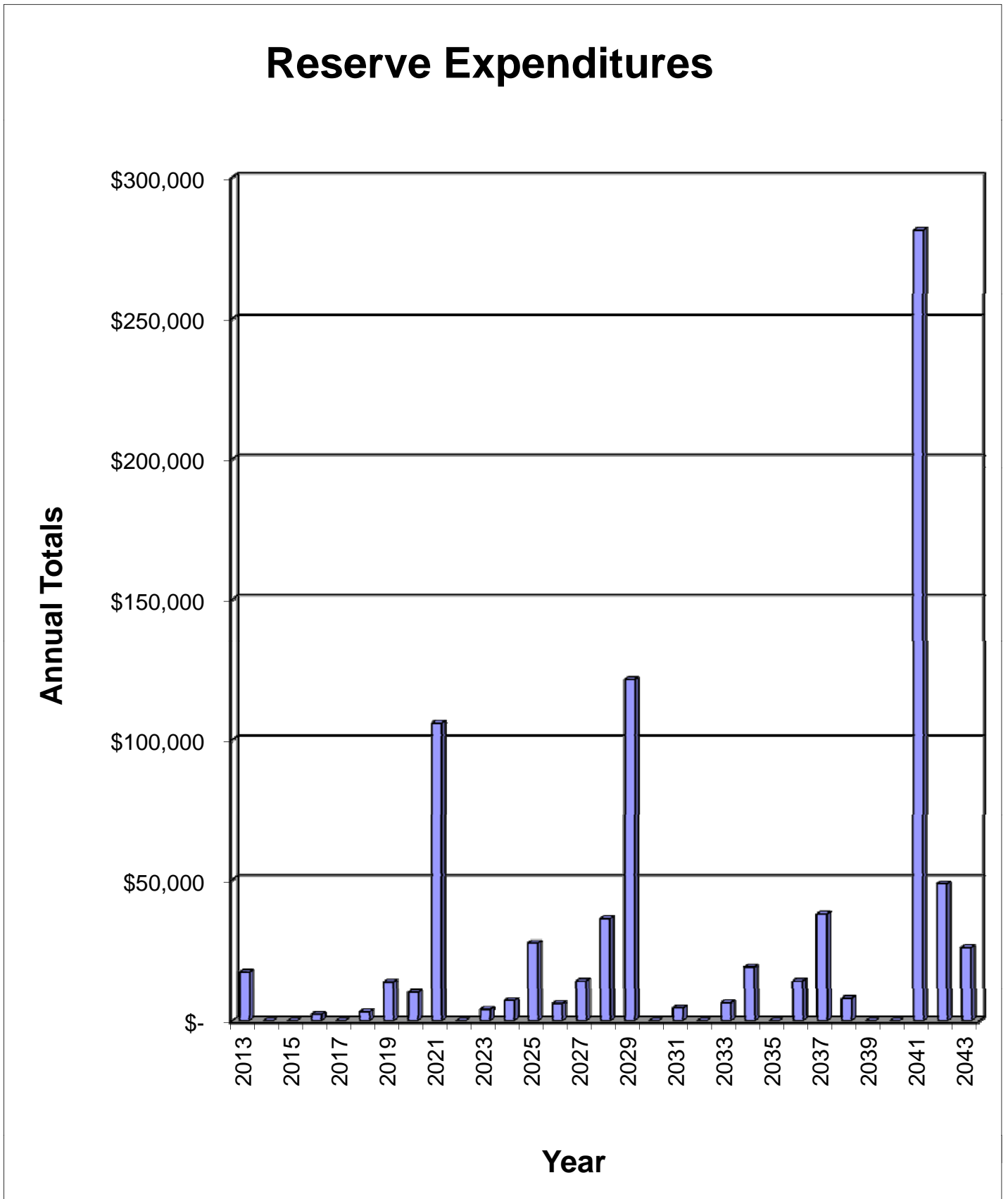
Year	2018	2019	2020	2021	2022
Starting Balance	\$149,791	\$170,063	\$180,788	\$195,543	\$114,597
<i>Reserve Income</i>	\$21,178	\$21,654	\$22,141	\$22,640	\$23,149
<i>Interest Earnings</i>	\$2,397	\$2,630	\$2,821	\$2,325	\$1,906
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$173,366	\$194,347	\$205,750	\$220,507	\$139,651
Reserve Expenditures	\$3,302	\$13,560	\$10,206	\$105,911	\$0
Ending Balance	\$170,063	\$180,788	\$195,543	\$114,597	\$139,651

Year	2023	2024	2025	2026	2027
Starting Balance	\$139,651	\$161,463	\$180,969	\$180,956	\$203,001
<i>Reserve Income</i>	\$23,670	\$24,202	\$24,747	\$25,304	\$25,873
<i>Interest Earnings</i>	\$2,257	\$2,567	\$2,713	\$2,878	\$3,157
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$165,578	\$188,232	\$208,429	\$209,138	\$232,031
Reserve Expenditures	\$4,115	\$7,262	\$27,473	\$6,136	\$13,890
Ending Balance	\$161,463	\$180,969	\$180,956	\$203,001	\$218,141

Year	2028	2029	2030	2031	2032
Starting Balance	\$218,141	\$211,701	\$119,895	\$150,201	\$177,644
<i>Reserve Income</i>	\$26,455	\$27,051	\$28,281	\$29,568	\$30,914
<i>Interest Earnings</i>	\$3,222	\$2,485	\$2,024	\$2,457	\$2,917
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$247,819	\$241,237	\$150,201	\$182,226	\$211,474
Reserve Expenditures	\$36,117	\$121,342	\$0	\$4,583	\$0
Ending Balance	\$211,701	\$119,895	\$150,201	\$177,644	\$211,474

Year	2033	2034	2035	2036	2037
Starting Balance	\$211,474	\$240,793	\$259,431	\$298,944	\$326,670
<i>Reserve Income</i>	\$32,320	\$33,791	\$35,328	\$36,936	\$38,616
<i>Interest Earnings</i>	\$3,390	\$3,749	\$4,185	\$4,689	\$4,941
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$247,184	\$278,333	\$298,944	\$340,569	\$370,227
Reserve Expenditures	\$6,391	\$18,902	\$0	\$13,898	\$37,712
Ending Balance	\$240,793	\$259,431	\$298,944	\$326,670	\$332,515

Year	2038	2039	2040	2041	2042
Starting Balance	\$332,515	\$370,191	\$418,311	\$469,093	\$239,392
<i>Reserve Income</i>	\$40,373	\$42,210	\$44,131	\$46,139	\$48,238
<i>Interest Earnings</i>	\$5,267	\$5,910	\$6,651	\$5,310	\$3,615
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$378,155	\$418,311	\$469,093	\$520,542	\$291,245
Reserve Expenditures	\$7,964	\$0	\$0	\$281,150	\$48,384
Ending Balance	\$370,191	\$418,311	\$469,093	\$239,392	\$242,860



Projected Reserve Expenditures For Daniels Loft COA

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2013	203	Garage Walls/Surfaces - Repaint	\$4,250	
	217	Restrooms and Hallway - Repaint	\$675	
	306	Brick - Major Repairs	\$7,500	
	507	Garage Door Openers - Replace	\$2,700	
	1505	Hardwood - Refinish	\$1,975	\$17,100
2014		No Expenditures Projected		\$0
2015		No Expenditures Projected		\$0
2016	212	Metal Surfaces - Repaint	\$656	
	905	Intercom - Replace	\$1,712	\$2,368
2017		No Expenditures Projected		\$0
2018	217	Restrooms and Hallway - Repaint	\$841	
	1505	Hardwood - Refinish	\$2,461	\$3,302
2019	502	Garage Doors - Replace	\$4,688	
	706	Cabinet Unit Heaters Replace	\$6,186	
	1501	Carpeting - Replace	\$2,686	\$13,560
2020	306	Brick - Major Repairs	\$10,206	\$10,206
2021	103	EPDM Flat Roof - Replace	\$94,427	
	212	Metal Surfaces - Repaint	\$818	
	901	Fire Protection System - Replace	\$4,622	
	1413	Restrooms/Hallway - Remodel	\$6,044	\$105,911
2022		No Expenditures Projected		\$0
2023	217	Restrooms and Hallway - Repaint	\$1,048	
	1505	Hardwood - Refinish	\$3,067	\$4,115
2024	216	Interior Surfaces - Repaint	\$7,262	\$7,262
2025	507	Garage Door Openers - Replace	\$4,579	
	709	Elevator Cab - Remodel	\$22,894	\$27,473
2026	212	Metal Surfaces - Repaint	\$1,019	
	1601	Interior Hallway - Replace	\$5,117	\$6,136
2027	306	Brick - Major Repairs	\$13,890	\$13,890
2028	203	Garage Walls/Surfaces - Repaint	\$8,225	
	217	Restrooms and Hallway - Repaint	\$1,306	
	501	Common Doors - Replace	\$11,225	
	1504	Slate Tile - Replace	\$11,539	
	1505	Hardwood - Refinish	\$3,822	\$36,117
2029	707	Elevator - Rebuild/Upgrade	\$121,342	\$121,342
2030		No Expenditures Projected		\$0
2031	212	Metal Surfaces - Repaint	\$1,270	
	905	Intercom - Replace	\$3,313	\$4,583
2032		No Expenditures Projected		\$0
2033	217	Restrooms and Hallway - Repaint	\$1,628	
	1505	Hardwood - Refinish	\$4,763	\$6,391
2034	306	Brick - Major Repairs	\$18,902	\$18,902
2035		No Expenditures Projected		\$0
2036	212	Metal Surfaces - Repaint	\$1,582	
	216	Interior Surfaces - Repaint	\$12,316	\$13,898
2037	502	Garage Doors - Replace	\$10,354	
	507	Garage Door Openers - Replace	\$7,765	
	706	Cabinet Unit Heaters Replace	\$13,661	
	1501	Carpeting - Replace	\$5,932	\$37,712
2038	217	Restrooms and Hallway - Repaint	\$2,029	
	1505	Hardwood - Refinish	\$5,936	\$7,964
2039		No Expenditures Projected		\$0
2040		No Expenditures Projected		\$0

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
	103	EPDM Flat Roof - Replace	\$227,732	
	212	Metal Surfaces - Repaint	\$1,972	
	306	Brick - Major Repairs	\$25,723	
	901	Fire Protection System - Replace	\$11,147	
	1413	Restrooms/Hallway - Remodel	\$14,576	\$281,150
2042	709	Elevator Cab - Remodel	\$48,384	\$48,384
2043	203	Garage Walls/Surfaces - Repaint	\$15,918	
	217	Restrooms and Hallway - Repaint	\$2,528	
	1505	Hardwood - Refinish	\$7,397	\$25,843

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.