

# Delta Sigma Phi

Capital Reserve Study  
2024



# Delta Sigma Phi

Prepared For:

Delta Sigma Phi Fraternity, Alpha Gamma Chapter  
165 4th St. NW Atlanta  
Georgia 30313  
September 7, 2023

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## INTRODUCTION

On May 25, 2023 Rex Rouis of AssociationAnalysis, LLC conducted an on-site visit of the Delta Sigma Phi fraternity house in Atlanta GA. Representational areas of all Common Elements and Limited Common Elements were observed. The purpose of the visit was to view the common areas for an analysis of capital reserve items.

## IMPROVEMENTS

Delta Sigma Phi Fraternity (Property) is currently a facility for a fraternity, housed in one four-story building, located on the Georgia Institute of Technology campus. The Property was originally built in 2018. The Property has limited paved parking, common lobby and public areas, individual sleeping rooms, kitchen facilities, and an outdoor patio and courtyard area.

## STUDY METHODOLOGY

**LEVEL OF SERVICE:** This Study has been conducted as a Full ('1st time') Reserve Study (Study) and was prepared under the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. A Reserve Study is made up of two parts. The first part is the Physical Analysis, and includes an on-site observation, where each of the Property's pertinent components are evaluated to determine their useful lives, their remaining lives, and their replacement costs. These determinations are based on our observation of the component at the time of the inspection, our professional experience, industry standards, local sources, and estimating services such as RS Means and the Marshall & Swift Valuation Service. The second part is the Financial Analysis, where the Physical Analysis information is inserted into three commonly used Funding Methods to calculate the corresponding reserve funding levels.

**FUNDING METHODS:** The three methods are the **Component Method**, the **Cash Flow Method**, and the **Current Funding**. Each method uses the exact same expenditure information, the only difference being the way in which each calculates the necessary funding contributions. The Component Method is a total of all the Fully Funded values for each component. The Cash Flow Method calculates the funding level necessary to maintain a specific reserve balance. Finally, the Current Funding inserts the Association's current funding plan into a calculation similar to the Cash Flow Method to determine a comparative future funding level. This funding level is then compared to Full Funding, and the result is expressed as a percentage. One of the three funding methods will be selected, and a recommended Funding Plan will be presented.

While it is our goal that the Association would use this Study as an essential tool in planning their future property needs, there may be issues and/or requirements known only to the Association that could influence reserve decisions. Many associations tend to adopt the Cash Flow Method over the Component Method due to its lower annual contributions. However, only the Board of Directors of the Association, in consultation with their appropriate management, legal, and accounting professionals, can ultimately decide their own specific Funding Plan.

Further information on funding methods and all terms and definitions can be found in the attached **Appendix**, found at the end of this report.

## Board Summary

Property inspection Date	May 25, 2023
Report Date	September 7, 2023
First full year of contributions and expenditures - Reserve Analysis Start Year	2024
Substantial Completion Date - Property Construction Date	2018
Total Association Units	1
Years 2025, 2026, & 2027 - Short Term Inflation Rate	4.00%
Years 2028 and Beyond - Long Term Inflation Rate	3.50%
Earned on Reserve Balance After Taxes - Assumed Interest Rate	1.50%
Number of Years in Reserve Study - Funding Horizon	30

## Recommended Funding Plan

Our findings are based on our on-site Physical Analysis, our estimates of the life expectancies, and replacement costs for all components. The Recommended Funding Level utilizes the Cash Flow Method, and is designed to maintain a 3% Minimum Threshold balance. There will be a reported Starting 2023 Reserve Balance of \$168,000.

**Current Funding** - The facility currently does not have a budgeted yearly contribution level.

**Recommended Funding** - Begin 2024 with a Reserve Contribution of \$75,000 and provide a Step Increase of 5% per year to year until the end of the 30-year term in 2053. No assessments are shown or required.

## Comparison Of Recommended Funding To Current Funding

	RECOMMENDED FUNDING	CURRENT FUNDING
Starting Reserve Balance	\$168,000	\$168,000
Starting Annual Reserve Contribution	\$75,000	\$0
See Note 1 - Starting Annual Reserve Contribution - Ave. Per Unit	\$75,000	\$0
Starting Annual Reserve Contribution - Ave. Per Unit, Per Month	\$6,250	\$0
See Note 2 - Total of All Special Assessments / Loans	None	NA
Special Assessment / Loan Years	None	NA
See Note 2 - Total of All Special Assessments / Loans - Ave. Per Unit	None	NA
See Note 3 - Minimum Threshold Balance Level	\$32,838	\$32,838

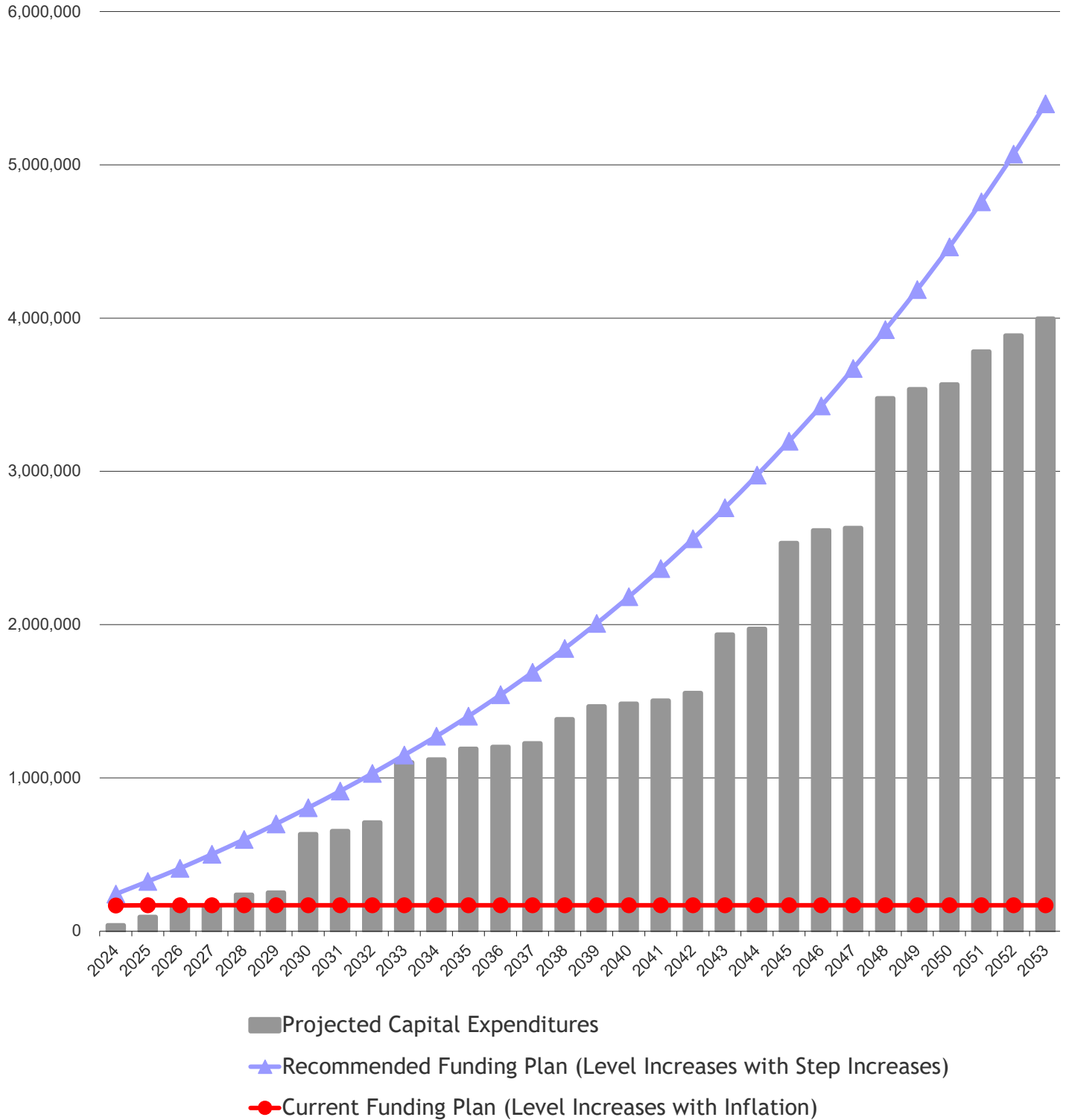
## Recommended Ten Year Funding Schedule

	ANNUAL CONTRIBUTION	PERCENT CHANGE
Year One - Start Year 2024	\$75,000	
2025	\$78,750	5.00%
2026	\$82,688	5.00%
2027	\$86,822	5.00%
2028	\$91,163	5.00%
2029	\$95,721	5.00%
2030	\$100,507	5.00%
2031	\$105,533	5.00%
2032	\$110,809	5.00%
2033	\$116,350	5.00%

**Notes:**

1. Average for all unit - See association documents for actual proration
2. Values are in uninflated current dollars
3. 3% of all Start Year Replacement Costs, adjusted for inflation

# Comparison Of Recommended Funding To Current Funding



## Recommended Funding Plan

Years 1 through 15

COMPONENT REPLACEMENT COSTS		2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>ROOFING SYSTEMS</b>																
Replace TPO Roof	10,692															17,559
Replace Asphalt Shingle Roof	33,305															
<b>STRUCTURES &amp; EXTERIOR ITEMS</b>																
Pressure Washing Building Exterior	2,000				2,250				2,582				2,962			
Repair Missing Gable Fascia	2,500		2,600													
<b>EXTERIOR PAINTING &amp; SEALANT</b>																
Paint Ext. Railings & Stairs	8,000				8,999								11,850			
Paint All Ext. Paintable Surfaces	10,000						12,050									
Tuckpoint Brick & Stone	8,000										11,062					
<b>COMMON INTERIORS &amp; EQUIP.</b>																
1st Floor Paint & Minor Repairs	15,000							18,707							23,801	
2nd & 3rd Floor Paint & Minor Repair	30,000	31,200								40,080			8,147			
Ongoing 1st Floor Furniture	5,500	5,720						6,859								
Ongoing Upper Floor Furniture	8,500		9,194						10,972							
Ongoing Mattress Replacement	4,200	4,368						5,238					6,221	13,031		
Ongoing Room Furniture	33,600															55,180
House Parent Suite Buildout	8,500	8,840			39,118											
Ongoing Exterior Weather Stripping	2,500						3,012					3,578				
Ongoing Door Hardware	3,500															5,748
Hard Pipe Dryer Vent Lines	800	800														
Allowance For Kitchen Phase II	50,000			54,080												
<b>FIRE PROTECTION &amp; SECURITY</b>																
Upgrade Fire Alarm Panel	25,000															
Upgrade Fire Alarm Devices	8,000										11,062					
<b>HVAC SYSTEMS</b>																
Replace One of Two VRF Systems	250,000										345,686					
Replace One of Two VRF Systems	250,000							311,789								
Purchase 3 Spare Interior VRF Units	4,500	4,500														
Relocate Stairwell Units	30,000	30,000														
Replace 4 Ton HVAC Unit	10,000											14,311				
Replace 2 Ton HVAC Unit	6,000												8,296			
Replace 3 Ton HVAC Unit	7,500													11,109		
Replace 7.5 Ton HVAC Unit	20,000													29,625		
Replace 10 Ton Hallway HVAC Unit	25,000															41,057
Replace Interior VRF Units	15,000							18,707								
<b>PLUMBING SYSTEMS</b>																
General Plumbing Allowance	7,000					8,150										
Replace Tankless Waterheater	12,000									16,032						11,496
Replace Water Cooler Dispenser	6,000					6,985										9,854
<b>ELECTRICAL SYSTEMS</b>																
General Electric Allowance	5,000								6,454							
<b>ELEVATORS</b>																
Modernize Hydraulic Elevators	150,000															
Significant Elevator Maintenance	15,000							18,707								
<b>SWIMMING POOL &amp; HARDSCAPE</b>																
<b>PAVEMENT &amp; PARKING</b>																
Replenish Gravel In Parking Lot	2,000	2,080									2,765					
<b>SITE &amp; LANDSCAPING</b>																
Ongoing Landscape & Irrigation	10,000				11,642						13,827					16,423
<b>MISC EXPENDITURES</b>																
<b>ANNUAL CAPITAL EXPENDITURES</b>		37,800	54,808	63,274	11,249	69,970	15,062	380,009	20,008	56,111	392,700	17,889	69,914	13,031	23,801	157,316
<b>ANNUAL SURPLUS / (DEFICIT)</b>		205,200	23,942	19,414	75,573	21,192	80,659	(279,502)	85,525	54,698	(276,350)	104,278	58,361	121,658	117,623	(8,821)
<b>YEAR END BALANCE (DEFICIT)</b>		207,999	235,241	258,329	338,344	364,770	451,506	176,680	265,497	324,587	51,034	156,859	218,011	343,852	467,514	465,640
<b>TOTAL ANNUAL UNIT CONTRIBUTION</b>		75,000	78,750	82,688	86,822	91,163	95,721	100,507	105,533	110,809	116,350	122,167	128,275	134,689	141,424	148,495
<b>AVERAGE PER UNIT CONTRIBUTION</b>		75,000	78,750	82,688	86,822	91,163	95,721	100,507	105,533	110,809	116,350	122,167	128,275	134,689	141,424	148,495
<b>% CONTRIBUTION STEP INCREASE</b>			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<b>SPECIAL ASSESSMENT (or LOAN INCOME)</b>																
<b>AVERAGE PER UNIT ASSESSMENT</b>																

## Recommended Funding Plan

Years 16 through 30

COMPONENT REPLACEMENT COSTS		2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>ROOFING SYSTEMS</b>																
Replace TPO Roof	10,692															
Replace Asphalt Shingle Roof	33,305										77,154					
<b>STRUCTURES &amp; EXTERIOR ITEMS</b>																
Pressure Washing Building Exterior	2,000	3,399				3,901				4,476					6,204	5,137
Repair Missing Gable Fascia	2,500															
<b>EXTERIOR PAINTING &amp; SEALANT</b>																
Paint Ext. Railings & Stairs	8,000															
Paint All Ext. Paintable Surfaces	10,000	16,997				15,604						23,977				20,547
Tuckpoint Brick & Stone	8,000										18,533					
<b>COMMON INTERIORS &amp; EQUIP.</b>																
1st Floor Paint & Minor Repairs	15,000						30,281									
2nd & 3rd Floor Paint & Minor Repair	30,000	50,992							64,877							82,541
Ongoing 1st Floor Furniture	5,500		9,676					11,492					13,649			
Ongoing Upper Floor Furniture	8,500			15,477												
Ongoing Mattress Replacement	4,200		7,389					8,776	18,382				10,423			21,832
Ongoing Room Furniture	33,600															
House Parent Suite Buildout	8,500							17,760								
Ongoing Exterior Weather Stripping	2,500	4,249					5,047									
Ongoing Door Hardware	3,500											5,994				
Hard Pipe Dryer Vent Lines	800						1,615				8,108					
Allowance For Kitchen Phase II	50,000														128,422	
<b>FIRE PROTECTION &amp; SECURITY</b>																
Upgrade Fire Alarm Panel	25,000					48,762										
Upgrade Fire Alarm Devices	8,000										18,533					
<b>HVAC SYSTEMS</b>																
Replace One of Two VRF Systems	250,000															
Replace One of Two VRF Systems	250,000							522,356								
Purchase 3 Spare Interior VRF Units	4,500															
Relocate Stairwell Units	30,000															
Replace 4 Ton HVAC Unit	10,000															
Replace 2 Ton HVAC Unit	6,000											23,977				
Replace 3 Ton HVAC Unit	7,500										13,899					
Replace 7.5 Ton HVAC Unit	20,000															19,937
Replace 10 Ton Hallway HVAC Unit	25,000															53,167
Replace Interior VRF Units	15,000															
<b>PLUMBING SYSTEMS</b>																
General Plumbing Allowance	7,000															
Replace Tankless Waterheater	12,000				22,614											
Replace Water Cooler Dispenser	6,000										16,216					31,900
<b>ELECTRICAL SYSTEMS</b>																
General Electric Allowance	5,000	8,499								11,191						
<b>ELEVATORS</b>																
Modernize Hydraulic Elevators	150,000					292,575										
Significant Elevator Maintenance	15,000				28,268											
<b>SWIMMING POOL &amp; HARDSCAPE</b>																
<b>PAVEMENT &amp; PARKING</b>																
Replenish Gravel In Parking Lot	2,000			3,642								4,795				
<b>SITE &amp; LANDSCAPING</b>																
Ongoing Landscape & Irrigation	10,000					19,505					23,166					27,514
<b>MISC EXPENDITURES</b>																
<b>ANNUAL CAPITAL EXPENDITURES</b>		84,137	17,065	19,119	50,883	380,347	36,943	560,383	83,258	15,668	846,490	58,743	30,275	214,464	105,004	110,055
<b>ANNUAL SURPLUS / (DEFICIT)</b>		71,782	146,651	152,783	129,614	(190,826)	162,054	(351,436)	136,136	214,697	(604,608)	195,234	236,400	65,545	189,006	198,655
<b>YEAR END BALANCE (DEFICIT)</b>		544,945	700,870	865,312	1,008,877	831,753	1,007,499	668,540	815,725	1,044,268	450,789	654,249	902,236	981,806	1,186,957	1,404,906
<b>TOTAL ANNUAL UNIT CONTRIBUTION</b>		155,920	163,716	171,901	180,496	189,521	198,997	208,947	219,395	230,364	241,882	253,977	266,675	280,009	294,010	308,710
<b>AVERAGE PER UNIT CONTRIBUTION</b>		155,920	163,716	171,901	180,496	189,521	198,997	208,947	219,395	230,364	241,882	253,977	266,675	280,009	294,010	308,710
<b>% CONTRIBUTION STEP INCREASE</b>		5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
<b>SPECIAL ASSESSMENT (or LOAN INCOME)</b>																
<b>AVERAGE PER UNIT ASSESSMENT</b>																

# Component Inventory and Detail

## ROOFING SYSTEMS

Component	Component Replacement Cost		
<b>Replace TPO Roof</b>	Total	<b>\$10,692</b>	<b>Estimated Cost at Current Prices:</b>
Replace the low slope TPO roof at the very top of the building. Assume periodic inspections to prolong life.	Per Yr	\$713	20 Years Estimated Useful Life
			5 Years Estimated Current Age
			15 Years Estimated Remaining Life
<b>Replace Asphalt Shingle Roof</b>	Total	<b>\$33,305</b>	<b>Estimated Cost at Current Prices:</b>
Replace the asphalt shingle 14/12 slope roof with a similar shingle roof system. Assume periodic inspections to prolong life.	Per Yr	\$1,332	30 Years Estimated Useful Life
			5 Years Estimated Current Age
			25 Years Estimated Remaining Life
		<b>\$43,997</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$2,045</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

## STRUCTURES & EXTERIOR ITEMS

Component	Component Replacement Cost		
<b>Pressure Washing Building Exterior</b>	Total	<b>\$2,000</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance to pressure wash the building exterior every 4 years. To include, full building, front stairs, deck area, and retaining walls.	Per Yr	\$500	4 Years Estimated Useful Life
			0 Years Estimated Current Age
			4 Years Estimated Remaining Life
<b>Repair Missing Gable Fascia</b>	Total	<b>\$2,500</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to install the missing fascia section on the main front gable.	Per Yr	\$1,250	25 Years Estimated Useful Life
			23 Years Estimated Current Age
			2 Years Estimated Remaining Life
		<b>\$4,500</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$1,750</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

## EXTERIOR PAINTING & SEALANT

Component	Component Replacement Cost		
<b>Paint Ext. Railings &amp; Stairs</b>	Total	<b>\$8,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to paint all exterior metal railings and stair components.	Per Yr	\$2,000	8 Years Estimated Useful Life
			4 Years Estimated Current Age
			4 Years Estimated Remaining Life
<b>Paint All Ext. Paintable Surfaces</b>	Total	<b>\$10,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to paint all exterior paintable surfaces not covered in the painting of the metal railings and stairs.	Per Yr	\$1,667	10 Years Estimated Useful Life
			4 Years Estimated Current Age
			6 Years Estimated Remaining Life
<b>Tuckpoint Brick &amp; Stone</b>	Total	<b>\$8,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to tuckpoint the brick and stone areas.	Per Yr	\$800	15 Years Estimated Useful Life
			5 Years Estimated Current Age
			10 Years Estimated Remaining Life
		<b>\$26,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$4,467</b>	<b>Total Estimated Cost at Current Prices Per Year</b>



# Component Inventory and Detail

## COMMON INTERIORS & EQUIP.

Component	Component Replacement Cost		
<b>1st Floor Paint &amp; Minor Repairs</b>	Total	<b>\$15,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to repaint all surfaces and make minor wall and drywall ceiling repairs. Does not include stairwells.	Per Yr	\$2,143	7 Years Estimated Useful Life
			0 Years Estimated Current Age
			7 Years Estimated Remaining Life
<b>2nd &amp; 3rd Floor Paint &amp; Minor Repairs</b>	Total	<b>\$30,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to repaint all surfaces and make minor wall and drywall ceiling repairs. Does not include stairwells.	Per Yr	\$15,000	7 Years Estimated Useful Life
			5 Years Estimated Current Age
			2 Years Estimated Remaining Life
<b>Ongoing 1st Floor Furniture</b>	Total	<b>\$5,500</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance to replace all first floor common area furniture and furnishings.	Per Yr	\$2,750	5 Years Estimated Useful Life
			3 Years Estimated Current Age
			2 Years Estimated Remaining Life
<b>Ongoing Upper Floor Furniture</b>	Total	<b>\$8,500</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance to replace all upper floor common furniture and furnishings in social and study areas.	Per Yr	\$2,833	5 Years Estimated Useful Life
			2 Years Estimated Current Age
			3 Years Estimated Remaining Life
<b>Ongoing Mattress Replacement</b>	Total	<b>\$4,200</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance to replace all mattresses. 42 mattresses at \$100 ea.	Per Yr	\$2,100	5 Years Estimated Useful Life
			3 Years Estimated Current Age
			2 Years Estimated Remaining Life
<b>Ongoing Room Furniture</b>	Total	<b>\$33,600</b>	<b>Estimated Cost at Current Prices:</b>
Allowance for the ongoing replacement of individual room furniture. 42 sets at \$800 ea.	Per Yr	\$6,720	10 Years Estimated Useful Life
			5 Years Estimated Current Age
			5 Years Estimated Remaining Life
<b>House Parent Suite Buildout</b>	Total	<b>\$8,500</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to finish out the House Parent suite.	Per Yr	\$4,250	20 Years Estimated Useful Life
			18 Years Estimated Current Age
			2 Years Estimated Remaining Life
<b>Ongoing Exterior Weather Stripping</b>	Total	<b>\$2,500</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance to replace exterior door weather stripping.	Per Yr	\$2,500	5 Years Estimated Useful Life
			4 Years Estimated Current Age
			1 Years Estimated Remaining Life
<b>Ongoing Door Hardware</b>	Total	<b>\$3,500</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing allowance for the repair and replacement of door and window hardware.	Per Yr	\$700	10 Years Estimated Useful Life
			5 Years Estimated Current Age
			5 Years Estimated Remaining Life
<b>Hard Pipe Dryer Vent Lines</b>	Total	<b>\$800</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to provide hard pipe vent exhaust for both dryers instead of inefficient current flexible pipe.	Per Yr	\$800	20 Years Estimated Useful Life
			19 Years Estimated Current Age
			1 Years Estimated Remaining Life

## Component Inventory and Detail

Allowance For Kitchen Phase II Allowance to transform current kitchen area into a full working commercial working kitchen.	Total	\$50,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$16,667	25 Years	Estimated Useful Life
			22 Years	Estimated Current Age
			3 Years	Estimated Remaining Life
<hr/>				
		\$162,100	<b>Total Estimated Cost at Current Prices</b>	
		\$56,463	<b>Total Estimated Cost at Current Prices Per Year</b>	

### FIRE PROTECTION & SECURITY

Component	Component Replacement Cost			
<b>Upgrade Fire Alarm Panel</b> Upgrade the fire alarm panel. It is original and in good working order.	Total	\$25,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$1,250	25 Years	Estimated Useful Life
			5 Years	Estimated Current Age
			20 Years	Estimated Remaining Life
<hr/>				
<b>Upgrade Fire Alarm Devices</b> Allowance to replace fire control devices - if needed.	Total	\$8,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$800	15 Years	Estimated Useful Life
			5 Years	Estimated Current Age
			10 Years	Estimated Remaining Life
<hr/>				
		\$33,000	<b>Total Estimated Cost at Current Prices</b>	
		\$2,050	<b>Total Estimated Cost at Current Prices Per Year</b>	

### HVAC SYSTEMS

Component	Component Replacement Cost			
<b>Replace One of Two VRF Systems</b> Allowance to replace one of two complete VRF systems. Includes approx. 15 interior units and one exterior condenser unit	Total	\$250,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$25,000	15 Years	Estimated Useful Life
			5 Years	Estimated Current Age
			10 Years	Estimated Remaining Life
<hr/>				
<b>Replace One of Two VRF Systems</b> Allowance to replace one of two complete VRF systems. Includes approx. 15 interior units and one exterior condenser unit	Total	\$250,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$35,714	15 Years	Estimated Useful Life
			8 Years	Estimated Current Age
			7 Years	Estimated Remaining Life
<hr/>				
<b>Purchase 3 Spare Interior VRF Units</b> Allowance to purchase three spare mini-split interior units - two wall mounted units and one ceiling unit. These 3 units are rare and are not compatible with current systems.	Total	\$4,500	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$4,500	30 Years	Estimated Useful Life
			29 Years	Estimated Current Age
			1 Years	Estimated Remaining Life
<hr/>				
<b>Relocate Stairwell Units</b> Relocate ceiling mounted stairwell units to an accessible location. Currently they are located in the center of the stairwell and not accessible for maintenance. Includes drywall cost.	Total	\$30,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$30,000	30 Years	Estimated Useful Life
			29 Years	Estimated Current Age
			1 Years	Estimated Remaining Life
<hr/>				
<b>Replace 4 Ton HVAC Unit</b> Allowance to replace one 4 ton HVAC unit.	Total	\$10,000	<b>Estimated Cost at Current Prices:</b>	
	Per Yr	\$909	15 Years	Estimated Useful Life
			4 Years	Estimated Current Age
			11 Years	Estimated Remaining Life

## Component Inventory and Detail

<b>Replace 2 Ton HVAC Unit</b> Allowance to replace one 2 ton HVAC unit.	Total Per Yr	<b>\$6,000</b> \$600	<b>Estimated Cost at Current Prices:</b> 15 Years Estimated Useful Life 5 Years Estimated Current Age 10 Years Estimated Remaining Life
<b>Replace 3 Ton HVAC Unit</b> Allowance to replace one 3 ton HVAC unit.	Total Per Yr	<b>\$7,500</b> \$625	<b>Estimated Cost at Current Prices:</b> 17 Years Estimated Useful Life 5 Years Estimated Current Age 12 Years Estimated Remaining Life
<b>Replace 7.5 Ton HVAC Unit</b> Allowance to replace one 7.5 ton HVAC unit.	Total Per Yr	<b>\$20,000</b> \$1,667	<b>Estimated Cost at Current Prices:</b> 17 Years Estimated Useful Life 5 Years Estimated Current Age 12 Years Estimated Remaining Life
<b>Replace 10 Ton Hallway HVAC Unit</b> Allowance to replace one 4 ton hallway fresh air HVAC unit.	Total Per Yr	<b>\$25,000</b> \$1,667	<b>Estimated Cost at Current Prices:</b> 20 Years Estimated Useful Life 5 Years Estimated Current Age 15 Years Estimated Remaining Life
<b>Replace Interior VRF Units</b> Allowance to the three mini-split interior units - two wall mounted units and one ceiling unit. This assumes purchasing the spare units, noted above.	Total Per Yr	<b>\$15,000</b> \$2,143	<b>Estimated Cost at Current Prices:</b> 30 Years Estimated Useful Life 23 Years Estimated Current Age 7 Years Estimated Remaining Life
		<b>\$618,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$102,825</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

## PLUMBING SYSTEMS

Component	Component Replacement Cost		
<b>General Plumbing Allowance</b> Ongoing general allowance for all common plumbing components.	Total Per Yr	<b>\$7,000</b> \$1,400	<b>Estimated Cost at Current Prices:</b> 10 Years Estimated Useful Life 5 Years Estimated Current Age 5 Years Estimated Remaining Life
<b>Replace Tankless Waterheater</b> Allowance to replace the current tankless waterheater installed in 2022.	Total Per Yr	<b>\$12,000</b> \$1,333	<b>Estimated Cost at Current Prices:</b> 10 Years Estimated Useful Life 1 Years Estimated Current Age 9 Years Estimated Remaining Life
<b>Replace Water Cooler Dispenser</b> Allowance to replace both water cooler dispensers. Unit cost alone at \$1,300.	Total Per Yr	<b>\$6,000</b> \$1,200	<b>Estimated Cost at Current Prices:</b> 10 Years Estimated Useful Life 5 Years Estimated Current Age 5 Years Estimated Remaining Life
		<b>\$25,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$3,933</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

## Component Inventory and Detail

### ELECTRICAL SYSTEMS

Component	Component Replacement Cost		
<b>General Electric Allowance</b>	Total	<b>\$5,000</b>	<b>Estimated Cost at Current Prices:</b>
Ongoing general allowance for all common electrical systems	Per Yr	\$625	8 Years Estimated Useful Life
			0 Years Estimated Current Age
			8 Years Estimated Remaining Life
		<b>\$5,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$625</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

### ELEVATORS

Component	Component Replacement Cost		
<b>Modernize Hydraulic Elevators</b>	Total	<b>\$150,000</b>	<b>Estimated Cost at Current Prices:</b>
Modernize hydraulic elevators. Converting to a Gen@ traction system would add a cost of \$65K each.	Per Yr	\$7,500	25 Years Estimated Useful Life
			5 Years Estimated Current Age
			20 Years Estimated Remaining Life
		<b>\$15,000</b>	<b>Estimated Cost at Current Prices:</b>
<b>Significant Elevator Maintenance</b>	Total	<b>\$2,143</b>	12 Years Estimated Useful Life
Allowance to replace or repair significant elevator items prior to modernization.	Per Yr		5 Years Estimated Current Age
			7 Years Estimated Remaining Life
		<b>\$165,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$9,643</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

### SWIMMING POOL & HARDSCAPE

Component	Component Replacement Cost		
		<b>\$0</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$0</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

### PAVEMENT & PARKING

Component	Component Replacement Cost		
<b>Replenish Gravel In Parking Lot</b>	Total	<b>\$2,000</b>	<b>Estimated Cost at Current Prices:</b>
Allowance to periodically replenish the gravel in the adjacent parking lot.	Per Yr	\$1,000	8 Years Estimated Useful Life
			6 Years Estimated Current Age
			2 Years Estimated Remaining Life
		<b>\$2,000</b>	<b>Total Estimated Cost at Current Prices</b>
		<b>\$1,000</b>	<b>Total Estimated Cost at Current Prices Per Year</b>

# Component Inventory and Detail

## SITE & LANDSCAPING

Component	Component Replacement Cost			
<b>Ongoing Landscape &amp; Irrigation</b>	Total	<b>\$10,000</b>	<b>Estimated Cost at Current Prices:</b>	
Ongoing allowance for major maintenance of landscape and irrigation	Per Yr	\$2,000	5 Years	Estimated Useful Life
			0 Years	Estimated Current Age
			5 Years	Estimated Remaining Life
		<b>\$10,000</b>	<b>Total Estimated Cost at Current Prices</b>	
		<b>\$2,000</b>	<b>Total Estimated Cost at Current Prices Per Year</b>	

End of Component Inventory

## Component Funding Method Breakdown

COMPONENT	ESTIMATED USEFUL LIFE (Years)	ESTIMATED REMAINING USEFUL LIFE (Years)	CURRENT COMPONENT REPLACEMENT COST	FUTURE COMPONENT REPLACEMENT COST (With Inflation Shown At First Occurrence)	FIRST OCCUR. YEAR	AMOUNT TO BE FUNDED ANNUALLY (To First)	AMOUNT TO BE FUNDED MONTHLY
<b>ROOFING SYSTEMS</b>							
Replace TPO Roof	20	15	\$10,692	\$17,307	2038	\$1,154	\$96
Replace Asphalt Shingle Roof	30	25	\$33,305	\$76,047	2048	\$3,042	\$253
<b>STRUCTURES &amp; EXTERIOR ITEMS</b>							
Pressure Washing Building Exterior	4	4	\$2,000	\$2,217	2027	\$554	\$46
Repair Missing Gable Fascia	25	2	\$2,500	\$2,588	2025	\$1,294	\$108
<b>EXTERIOR PAINTING &amp; SEALANT</b>							
Paint Ext. Railings & Stairs	8	4	\$8,000	\$8,870	2027	\$2,217	\$185
Paint All Ext. Paintable Surfaces	10	6	\$10,000	\$11,877	2029	\$1,979	\$165
Tuckpoint Brick & Stone	15	10	\$8,000	\$10,903	2033	\$1,090	\$91
<b>COMMON INTERIORS &amp; EQUIP.</b>							
1st Floor Paint & Minor Repairs	7	7	\$15,000	\$18,439	2030	\$2,634	\$220
2nd & 3rd Floor Paint & Minor Rep	7	2	\$30,000	\$31,050	2025	\$15,525	\$1,294
Ongoing 1st Floor Furniture	5	2	\$5,500	\$5,693	2025	\$2,846	\$237
Ongoing Upper Floor Furniture	5	3	\$8,500	\$9,105	2026	\$3,035	\$253
Ongoing Mattress Replacement	5	2	\$4,200	\$4,347	2025	\$2,174	\$181
Ongoing Room Furniture	10	5	\$33,600	\$38,557	2028	\$7,711	\$643
House Parent Suite Buildout	20	2	\$8,500	\$8,798	2025	\$4,399	\$367
Ongoing Exterior Weather Strippir	5	1	\$2,500	\$2,500	2024	\$2,500	\$208
Ongoing Door Hardware	10	5	\$3,500	\$4,016	2028	\$803	\$67
Hard Pipe Dryer Vent Lines	20	1	\$800	\$800	2024	\$800	\$67
Allowance For Kitchen Phase II	25	3	\$50,000	\$53,561	2026	\$17,854	\$1,488
<b>FIRE PROTECTION &amp; SECURITY</b>							
Upgrade Fire Alarm Panel	25	20	\$25,000	\$48,063	2043	\$2,403	\$200
Upgrade Fire Alarm Devices	15	10	\$8,000	\$10,903	2033	\$1,090	\$91
<b>HVAC SYSTEMS</b>							
Replace One of Two VRF System:	15	10	\$250,000	\$340,724	2033	\$34,072	\$2,839
Replace One of Two VRF System:	15	7	\$250,000	\$307,314	2030	\$43,902	\$3,659
Purchase 3 Spare Interior VRF Un	30	1	\$4,500	\$4,500	2024	\$4,500	\$375
Relocate Stairwell Units	30	1	\$30,000	\$30,000	2024	\$30,000	\$2,500
Replace 4 Ton HVAC Unit	15	11	\$10,000	\$14,106	2034	\$1,282	\$107
Replace 2 Ton HVAC Unit	15	10	\$6,000	\$8,177	2033	\$818	\$68
Replace 3 Ton HVAC Unit	17	12	\$7,500	\$10,950	2035	\$912	\$76
Replace 7.5 Ton HVAC Unit	17	12	\$20,000	\$29,199	2035	\$2,433	\$203
Replace 10 Ton Hallway HVAC Ur	20	15	\$25,000	\$40,467	2038	\$2,698	\$225
Replace Interior VRF Units	30	7	\$15,000	\$18,439	2030	\$2,634	\$220
<b>PLUMBING SYSTEMS</b>							
General Plumbing Allowance	10	5	\$7,000	\$8,033	2028	\$1,607	\$134
Replace Tankless Waterheater	10	9	\$12,000	\$15,802	2032	\$1,756	\$146
Replace Water Cooler Dispencer	10	5	\$6,000	\$6,885	2028	\$1,377	\$115
<b>ELECTRICAL SYSTEMS</b>							
General Electric Allowance	8	8	\$5,000	\$6,361	2031	\$795	\$66
<b>ELEVATORS</b>							
Modernize Hydraulic Elevators	25	20	\$150,000	\$288,375	2043	\$14,419	\$1,202
Significant Elevator Maintenance	12	7	\$15,000	\$18,439	2030	\$2,634	\$220

**SWIMMING POOL & HARDSCAPE**


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**PAVEMENT & PARKING**

Replenish Gravel In Parking Lot	8	2	\$2,000	\$2,070	2025	\$1,035	\$86
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**SITE & LANDSCAPING**

Ongoing Landscape & Irrigation	5	5	\$10,000	\$11,475	2028	\$2,295	\$191
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<b>TOTAL</b>			<b>\$1,094,597</b>	<b>\$1,526,957</b>		<b>\$224,275</b>	
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## FUNDING METHODS

The three commonly used calculation methods to calculate the Reserve Funding Plan are the **Component Method**, the **Cash Flow Method**, and the **Current Funding Method**. Each method uses the exact same expenditure information, the only difference being the way in which each calculates the necessary contributions. The Component Method sets the Component Replacement Cost value for each separate component. The Cash Flow Method calculates the funding level necessary to maintain a specific reserve balance. Finally, the Current Funding Method analyzes the current funding level.

**COMPONENT METHOD:** Component Method determines reserve funding by dividing the inflated Component Replacement Cost by the useful life for each component, then summing all Component Replacement Costs for an annual total over the full analysis period. Funds for each component are considered separate (non-pooled) accounts, each funding 100% of the component's expenditure when it is due. The Component Method calculation is similar to that of the Full Funding Method, except that the first year is not calculated to offset the full "used up" portion of the Component Replacement Cost. The Component Method yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

**CASH FLOW METHOD:** A method of developing a Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. This analysis calculates the future Component Replacement Cost for reserve components when they are due, and recognizes increases in construction costs, as well as interest income on reserve balances. Previous balances and new contributions for all components are pooled, and a yearly contribution rate calculated to provide positive cash flow and a reserve balance above a minimum Threshold Funding amount. Different contribution combinations (Unit Contributions, Step Increases, and/or Special Assessments) are tested until a funding plan is achieved, one that adequately funds the expenditures throughout the analysis period (Funding Horizon

Unlike the Component Method, the Cash Flow Method does not require separate 100% funding of each component to meet projected expenditures. This results in a contribution rate that is normally less than that determined by the Component Method. Although the Cash Flow Method may fund reserves at less than 100% Percent Funding during all or portions of the analysis period, a positive cash flow is achieved that ensures that each component will have sufficient funds available when it is due. The Cash Flow Method yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

**CURRENT FUNDING METHOD:** The Current Funding Method takes the Association's current funding values and inserts them into a Cash Flow Method calculation to determine if the resulting reserve balance stays above the minimum Threshold Funding amount. The Current Funding yearly balance is compared to the Fully Funded Balance, and the result is expressed as a percentage.

**FUNDING PLAN:** One of the three funding methods will be selected, and a recommended Funding Plan will be presented. This recommendation is based on limited information, for there may be issues and/or requirements known only to the Association that could influence reserve decisions. Only the Board of Directors of the Association, in consultation with their appropriate management, legal, and accounting professionals, can ultimately decide their own specific Funding Plan.



## TERMS AND DEFINITIONS

**BEGINNING BALANCE:** The current balance in the reserve budget at the beginning of the Funding Horizon Start Year. The Beginning Balance is the same for all Funding Methods and combined with the particular Funding Method Start Year Contribution gives the total Start Year balance.

**COMPONENT:** See “Reserve Component”

**COMPONENT REPLACEMENT COST:** The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition during a particular year. The Current Component Replacement Cost would be the cost to replace, repair, or restore the component at the current cost at the time of the Start Year. The Component Replacement Cost is sometimes referred to as Replacement Cost or Component Cost. For estimating purposes, a Replacement Cost must assume an underlying repair and/or replacement methodology. Any recommendations, stated or assumed, are given for the sole purpose of communicating estimated budget values, and are not meant as actual remedy recommendations. All final property remedies and/or repairs are the responsibility of the Association.

The actual life expectancy and replacement costs of various components, particularly those with a longer life expectancy, may vary based on long-term performance variables. Some components may lend themselves to on-going repair and/or partial replacement, rather than full replacement at the end of their expected life cycle. When combined with input from qualified professionals, this type of approach can reduce capital outlay spikes and possibly reduce further component degradation.

**EXCLUDED COMPONENTS:** We have excluded components that are too small to be considered a capital expense, and that are typically included in an operational budget. Items such as these usually have an estimated cost of less than \$5,000 on small properties and approximately \$10,000 on larger properties. This minimum cost amount does not pertain to Immediate Cost items, which include life safety issues, code issues, or a condition, if left undone, that could cause significant future property damage. We have also excluded components, which are deemed to have an extremely long useful life, one that may equal or exceed the useful life of the property itself, if properly maintained. Excluded components typically include the building structure, the exterior wall system, electrical system wiring, and plumbing system piping.

**COMPONENT LIFE EXPECTANCY AND REPLACEMENT COSTS:** The actual life expectancy and replacement costs of various components, particularly those with a longer life expectancy, may vary based on long-term performance variables. Some components may lend themselves to on-going repair and/or partial replacement, rather than full replacement at the end of their expected life cycle. When combined with input from qualified professionals, this type of approach can reduce capital outlay spikes and possibly reduce further component degradation.

**COMPONENT INVENTORY:** The task of selecting and quantifying the Reserve Components. This task can be accomplished through on-site visual observations, the review of Association design and organizational documents, a review of established Association precedents, and a discussion with the appropriate representative(s) of the Association or Cooperative.

**CONDITION ASSESSMENT:** The task of evaluating the current condition of the component based on observed or reported characteristics.

**CONTRIBUTIONS:** The monetary additions to the Reserve Balance from the unit owners. Contributions can be annual or single.

**CURRENT COMPONENT REPLACEMENT COST:** See “Component Replacement Cost”

**DEFICIT:** An actual (or projected) Reserve Balance less than the specified Threshold Funding Amount. Any value above the Threshold Funding Amount would be considered a Surplus.

**EFFECTIVE AGE:** The ‘adjusted’ difference between Useful Life and Remaining Useful Life. Effective Age is not always equivalent to chronological age since some components age irregularly. Many times, the actual chronological age is ‘adjusted’ for issues such as maintenance, initial quality, and environment. It is used primarily in computations.

**EXPENDITURES:** The outlay expense for each component or the aggregate expense for all Component Replacement Costs.

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

**FULL FUNDING METHOD:** The funding method calculation needed to create the Fully Funded Balance.

**FULLY FUNDED:** 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

**FULLY FUNDED BALANCE (FFB):** Total Accrued Depreciation. 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 Component Replacement Cost. This number is calculated for each component, and then is summed together for an Association total. Two formulae can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

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

or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate}) ^ \text{Remaining Life}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate}) ^ \text{Remaining Life}]$$

**FUNDING GOALS:** Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Funding Plan based on keeping the Reserve cash balance above zero.

Full Funding: Setting a Funding Plan based on attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Funding Plan based on only setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding: Establishing a Funding Plan based on keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than “Fully Funding.”

**FUNDING HORIZON:** The duration in years represented in the Funding Plan. The Funding Horizon in this study is 30-years, using calculations based on a 60-year period.

**FUNDING PLAN:** An Association’s 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

**IMMEDIATE COSTS:** A cost requiring implementation within a short timeframe (prior to a future budgeting cycle). Immediate items usually meet one or more of the following conditions: (1) items that have fully exceeded their useful lives, and if left undone, could cause future damage, (2) code or life safety issues, (3) unsafe conditions, (4) developer warranty items, or (5) construction defects. Immediate Costs are not included in any Funding Method calculations.

**INTEREST, INFLATION AND TAXES:** This Study utilizes an after-tax interest rate for the reserve balance on deposit. The Study also applies a specific inflation rate to all projected expenditures.

**LIFE AND VALUATION ESTIMATES:** The task of estimating Useful Life, Remaining Useful Life, and Repair or Component Replacement Costs for the Reserve Components.

**PERCENT FUNDED:** The ratio of yearly balances of a specific Funding Plan to the Fully Funded 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.

**RESERVE ANALYSIS START YEAR:** The first full year of contributions and expenditures, and the start of the Funding Horizon.

**REMAINING USEFUL LIFE (RUL):** The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Component replacements anticipated to occur in the initial year are considered to have a “zero” Remaining Useful Life. Items may not last as long as projected or may exceed their estimated lives. Influences such as weather, catastrophe, improper maintenance, physical abuse, or abnormal use can affect these lives and/or Component Replacement Costs. When such occurrences happen, another inspection should be made and a new revised study prepared. Also known as Remaining Life (RL).

**RESERVE BALANCE:** Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those components which the Association is obligated to maintain. Also known as Reserves, Reserve Accounts, and Cash Reserves.

**RESERVE COMPONENT:** The individual line items in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Reserve Components typically are: 1) common elements with Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes. Also known as Component.

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**RESERVE STUDY:** A budget planning tool which 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.

**RESERVE STUDY UPDATES:** The Cash Flow Method allows for a smaller ongoing reserve balance than the Component Method and has less ability to respond to unforeseen cost/income fluctuations, or unanticipated replacement cost escalations. The Cash Flow Method values should be reviewed annually against actual current contributions and expenditures and should be fully updated every three to five years with an Update, With-

Site-Visit/On-Site Review. With this update, the components are re-evaluated, and new replacement costs, useful lives, and remaining lives are estimated. A financial analysis similar to this study is then conducted.

**SPECIAL ASSESSMENT:** A Contribution levied on the members of an Association in addition to the regular annual Contributions. Special Assessments are often regulated by governing documents or local statutes. The year that the Assessment occurs is called the Assessment Year.

**STEP INCREASE:** The percent increase, from one year to the next, of the Unit Contribution (Annual and monthly). Allowing contributions to rise at a rate independent of inflation, serves to offset the impact of inflation, and allows flexibility for contributions to increase with the age of a property, and thus may lower the initial contribution rate.

**SURPLUS:** An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See “Deficit.”

**THRESHOLD FUNDING AMOUNT:** The minimum allowable reserve balance (starting at year two and adjusted for inflation), expressed as a percentage of the total accumulated reserve expenditures (years one through 30 only). This value is used in the Cash Flow Funding Method.

**UNIT CONTRIBUTION:** The total, annual, or monthly contribution by a Unit owner to the collective reserve balance.

**USEFUL LIFE (UL):** Total Useful Life or Depreciable Life. The estimated time, in years, that a Reserve Component can be expected to serve its intended function if properly constructed in its present application or installation.

## CREDENTIALS

Rex Rouis is a principal in the firm of AssociationAnalysis, LLC. Rex has over thirty years of experience in the practice of architecture, assisting developers with all phases of the real estate development process, fourteen years of which supporting institutional property ownership. He has been involved in all aspects of the real estate process, including equity acquisition, debt placement, transaction due diligence, project development, property management, and capital budget review, on properties and portfolios ranging from \$5 million to \$500 million. Rex was a member of the American Institute of Architects (AIA) for many years, and has served in various capacities, including Chapter President. Mr. Rouis resides in Atlanta, Georgia.

Mr. Rouis has provided reserve analysis, consulting, and due-diligence services on residential and commercial properties, totaling over 50,000 condominium and homeowner association units.

## LIMITATIONS

This Full Reserve Study, is prepared to adhere to the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. The following warranty is in lieu of all other warranties, either expressed or implied. While AssociationAnalysis, LLC has made every reasonable effort to properly evaluate the Property conditions within the contracted scope of services, it should be recognized that this investigation is limited in several important respects including, but not limited to the following issues.

Our findings and conclusions are based on an observation of the visible and apparent condition of the structure and its components on the date of the inspection. An observation of this nature will not reveal every concern that exists, or could ever exist, but only those items observed as of that date. Some of our conclusions were based on information provided by others including representatives of the Client, the Association, the Property manager, on-site employees, contractors servicing the Property, and local municipal officials. For the purposes of this report, we have assumed this information to be complete and correct unless otherwise noted. AssociationAnalysis, LLC assumes no liability for incorrect information provided by others. Information regarding financial, physical, quantity or historical issues is assumed to be correct and accurate, and no attempt was made to audit the information or to verify compliance with condominium covenants.

The observations include only those areas that were readily accessible without opening or dismantling any secured components or areas. The scope did not include invasive investigation, component sampling, laboratory analysis, or engineering evaluations of the structural system, mechanical systems, electrical systems, or other systems. The observation did not include the review or confirmation of design assumptions, nor does it include the determination of compliance to any code, governmental or local. The observation did not include the testing for the presence or absence of radon, safety glass, lead paint, termites, or any hazardous substance, including but not limited to toxins, carcinogens, noise, contaminants in soil, water, and air, and does not offer an opinion on the manufacture's specifications for any component or system.

Our cost estimates represent a preliminary opinion only and are neither a quote nor a warranty or representation as to the actual costs that may be incurred. These estimates are based on typical cost data that may not fully characterize the scope of the underlying Property conditions, and are further limited by maintenance practices, cost fluctuations, future changes in technology, and future regulatory actions. These estimates do not address the cost impact of the possible presence of asbestos-containing materials (ACM) on renovation or demolition activities. AssociationAnalysis, LLC shall not be liable to the Client, Association, Association member, or any other party for any costs or expenses that may be incurred in the excess of these estimates, for any losses that may be incurred as a result of these estimates being different from the actual costs, nor for any damages whatsoever in connection with these estimates.



Rex Rouis  
Principal - AssociationAnalysis, LLC

**END OF APPENDIX**

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