

RESERVE STUDY UPDATE

THE GAYLE
516 East Thomas Street
Seattle, Washington
Number of Units: 14

September 22, 2014



Prepared By
David Bach & Associates, LLC
12835 Bel-Red Road, Suite 327
Bellevue, Washington 98005
Phone: (425) 679-6651 Email: dbach@bachassociates.com



TABLE OF CONTENTS

Executive Summary

1

Introduction
Level of Study Performed
Date of Study
General Description of Property
Reserve Study Goal
Summary of Financial Assumptions
Reserve Component List
Methodology

2

Annual Expenditures
Expenditures Graph
Current Funding Plan
Fully Funded Contribution Rate
Baseline Funding Plan
Recommended Contribution Rate

3

Ideal vs. Cash Flow Balances
Starting Balance Funds Distribution
AICPA Report

4

Component Inventory Worksheet
Disclosures
Reserve Study Terms

5

EXECUTIVE SUMMARY

The Gayle Condominium Association
516 East Thomas Street
Seattle, Washington

Number of Buildings:	1
Number of Residential Units:	14
Date of Incorporation:	May 21, 2010
Date of Construction:	1912
Condominium Conversion:	1978
Estimated 2015 Starting Reserve	\$62,954.00
Balance:	
Current Monthly Reserve Contribution:	\$892.00

CURRENT 2014 CONTRIBUTION

<u>\$63.71</u>	Average Monthly per Unit (based on 14 Units)
<u>\$764.57</u>	Average Annual per Unit (based on 14 Units)
<u>\$892.00</u>	Association Monthly
<u>\$10,704.00</u>	Association Annual

Based on funding requirements for the future repair and/or replacement of common area components, the FULLY FUNDED, or "IDEAL BALANCE," of the Reserve Fund for the beginning of year 2015 is \$141,760.

The ACTUAL 2015 STARTING BALANCE is estimated to be \$62,954.00, which is 44% of the IDEAL.

Common area hallway and stairway carpeting, and some piping repair work are anticipated in 2015 at an estimated cost of \$9,214.00 and funded through reserves.

Effective January 1, 2012, RCW 64.34.380 requires a Reserve Study include the following funding plans:

FULLY FUNDED CONTRIBUTION RATE – with a 1.5% annual contribution increase

A contribution rate for a fully funded plan to achieve 100% fully funded reserves by the end of the thirty year study period.

\$111.61	Average Monthly per Unit
\$1,339.29	Average Annually per Unit
\$1,562.50	Association Monthly
\$18,750.00	Association Annual

BASELINE FUNDING PLAN

A baseline funding plan to maintain the reserve balance above zero throughout the thirty year study plan without special assessments.

\$114.54	Average Monthly per Unit
\$1,374.50	Average Annually per Unit
\$1,603.58	Association Monthly
\$19,243.00	Association Annual

RECOMMENDED CONTRIBUTION RATE

A contribution rate recommended by a reserve study professional.

\$119.05	Average Monthly per Unit
\$1,428.57	Average Annually per Unit
\$1,666.67	Association Monthly
\$20,000.00	Association Annual

RECOMMENDATION:

Initiate a \$20,000 annual contribution. ASSUMING the study's thirty year expenditures materialize as projected, the recommended contribution will provide for a fair and stable contribution, insure that adequate funds are available as needed, and reduce the risk of supplementing regular scheduled repairs and replacements of common elements through special assessments.

INTRODUCTION

LEVEL OF STUDY PERFORMED

DATE OF STUDY

GENERAL DESCRIPTION OF PROPERTY

RESERVE STUDY GOAL

SUMMARY OF FINANCIAL ASSUMPTIONS

METHODOLOGY

Introduction

The Community Associations Institute (CAI), a non-profit organization created in 1973 to educate and represent the nation's growing number of community associations, condominium associations, homeowner associations, and cooperatives, defines a reserve study as a combination of:

- 1) Physical Analysis – Information about the physical status and the repair/replacement cost of the major common area components the association is obligation to maintain; and
- 2) Financial Analysis – Evaluation and analysis of the association's reserve balance, income, and expenses.

Per RCW 64.34.380, all condominium associations in Washington State are required to have reserve studies prepared and establish reserve accounts. Specifically, RCW 64.34.380:

- 1) Encourages associations to establish a reserve account with a financial institution to fund major maintenance, repair, and replacement of common elements, including limited common elements that will require major maintenance, repair, or replacement within thirty years. If the association establishes a reserve account, the account must be in the name of the association. The board of directors is responsible for administering the reserve account.
- 2) Provides that unless doing so would impose an unreasonable hardship, an association with significant assets shall prepare and update a reserve study, in accordance with the association's governing documents and RCW 64.34.224(1). The initial reserve study must be based upon a visual site inspection conducted by a reserve study professional.
- 3) Provides that unless doing so would impose an unreasonable hardship, the association shall update the reserve study annually. At least every three years, an updated reserve study must be based upon a visual site inspection conducted by a reserve study professional.

There are three levels of Reserve Studies available:

LEVEL I: Full Reserve Study Analysis and Plan

A Reserve Study in which the following five tasks are performed:

- Component Inventory
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level II: Reserve Study Update with Visual Site Inspection

A Reserve Study update in which the following five tasks are performed:

- Component Inventory (verification only, no quantification)
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level III: Reserve Study Update with No Visual Site Inspection

A Reserve Study update with no visual site inspection in which the following three tasks are performed:

- Life and Valuation Estimates
- Funding Status
- Funding Plan

Level of Reserve Study Performed

This **LEVEL III: Reserve Study Update with No Visual Site Inspection** was conducted at the request of the Gayle Condominium Association's Board of Directors and performed per Washington State requirements outlined under RCW 64.34.382.

Date of Study

September 22, 2014

General Description of Property

The following description is general in nature. A detailed description of the property is not included as a part of this report. The Gayle is a small common interest development that was originally built as an apartment building in 1912 and converted to a condominium in 1978. The property is located at 516 East Thomas Street, Seattle, Washington. A single, four-story building houses a total of fourteen individual residences. Exterior finishes include brick cladding, wood framed windows, and torch down asphalt composition roof.

Reserve Study Goal

The Association's Board of Directors has a fiduciary responsibility to maintain the community in a good state of repair and to protect the Association from financial hardship. A long-range plan should be initiated to provide adequate funding for maintenance repairs and/or replacements of common area components. This reserve analysis will help the Association:

- Comply with Washington State requirements.
- Ensure adequate funds are available for future major repair and replacements.
- Maintain the community in a good state of repair.
- Reduce special assessments or borrowing.
- Protect property value and enhance your ability to obtain loans or sell.
- Comply with the American Institute of Certified Public Accountants (AICPA) disclosure requirements for reserves.

Summary of Financial Assumptions

Assumptions were made based on the following information used to develop the parameters for the Reserve Study calculations:

<i>Date Study Begins</i>	DATE OF INSPECTION
<i>Number of Analysis Years to be Covered in the Study</i>	30 Years
<i>Number of Units</i>	14
<i>Estimated Year 2015 Starting Reserve Balance</i>	\$62,954.00
<i>Average Current Rate of Investment on Reserve Funds</i>	0.50%
<i>Tax Rate applied to Interest or Dividends earned on the Invested Funds</i>	30%
<i>Current and Projected Inflation Rate for Construction Costs*</i>	3%
<i>Contribution increase the Association can reasonably adopt</i>	

**According to the U.S. Dept. of Labor, Bureau of Labor and Statistics, the average rate of inflation calculated from the Consumer Price Index for the twenty year period 1991 to 2011 was 2.76%. In preparing reserve funding plans we use an inflation rate of 3% to calculate inflation adjusted expenditures.*

Reserve Component List

The following worksheet has a list of all components that have been included in this study, including the following per RCW 64.34.382(2)(a):

- Roofing
- Painting
- Paving
- Decks
- Siding
- Plumbing
- Windows
- Any other reserve component that would cost more than 1% of the annual budget for major maintenance, repair, or replacement.

Worksheet

September 22, 2014

Sorted Alphabetically
THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Item Cost	Total Year Built	Useful Life	Year Life	One Time?
Balcony/Landing/Railing Allowance	75	0	1 Allowance	11,255.000	100	11,255	2010	15	0	2025 11 no
Boiler	80	0	1 Allowance	37,131.000	100	37,131	1978	40	5	2023 9 no
Boiler Room Venting	80	0	1 Allowance	2,652.250	100	2,652	2013	23	0	2036 22 YES
Electrical Service & Wiring Allowance	80	0	1 Allowance	33,765.000	100	33,765	1918	99	1	2018 4 no
Fire Escape - Inspection & Repair	75	0	1 Allowance	4,243.000	100	4,243	2013	5	0	2018 4 no
Fire Extinguisher Cabinets	70	0	1 Allowance	900.400	100	900	1998	30	0	2028 14 no
Flooring - Hallway Carpet	70	0	100 Square Yard	47.260	100	4,726	2003	12	0	2015 1 no
Flooring - Stair Carpet	70	0	35 Square Yard	48.380	100	1,693	2003	12	0	2015 1 no
Lighting - Emergency Backup & Exit	50	0	1 Allowance	1,350.000	100	1,350	2000	30	0	2030 16 no
Lighting - Exterior Fixtures	50	0	1 Allowance	562.750	100	563	1998	22	0	2020 6 no
Lighting - Interior Common Fixtures	50	0	1 Allowance	1,520.000	100	1,520	2000	25	0	2025 11 no
Mailboxes - Apartment Style, Wall Units	100	0	1 Allowance	844.120	100	844	1998	30	0	2028 14 no
Paint - Exterior Entryway & Stairway	30	0	1 Allowance	2,588.660	100	2,589	2009	7	0	2016 2 no
Paint - Exterior, Concrete Wall	30	0	1 Allowance	1,800.000	100	1,800	2004	12	0	2016 2 no
Paint - Interior Common Areas	30	0	1 Allowance	10,130.000	100	10,130	2009	7	0	2016 2 no
Plumbing - Hot Water Tank	80	0	1 Allowance	7,654.000	100	7,654	2012	16	0	2028 14 no
Plumbing - Piping Retrofit Allowance	80	0	1 Allowance	2,795.000	100	2,795	2007	4	4	2015 1 no
Roofing Replacement	20	0	1 Allowance	17,332.820	100	17,333	2008	18	0	2026 12 no
Security - Intercom System Remote Station	70	0	1 Allowance	1,350.000	100	1,350	1997	16	5	2018 4 no
Skylights	100	0	1 Allowance	506.480	100	506	2000	18	0	2018 4 no
Tuck Point & Refurbish Brick Wall	75	0	1 Allowance	56,275.000	100	56,275	1998	20	5	2023 9 no

Total 21 items

There are two main methods used in the preparation of a reserve study, Cash Flow Method and Component Method.

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 Method: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components.

David Bach & Associates utilizes the Cash Flow Method in the preparation of our Reserve Studies. This method examines and projects the reserving needs (i.e., contributions and expenditures) over many years, combining funds from all components, in order to establish a stable annual contribution. This type of method allows an Association to customize its funding plan and usually generates a lower starting contribution.

Steps for Preparing Reserve Study Funding Plan

This Reserve Study was prepared with the assistance of a Reserve Study Professional and can be broken down into three main steps.

1. Component Analysis

All components the Association has an obligation to maintain were identified and inventoried. Per RCW 64.34.382(2)(a), this list includes the following: roofing, painting, paving, decks, siding, plumbing, windows, and any other reserve component that would cost more than 1% of the annual budget for major maintenance, repair, or replacement.

An onsite visit was scheduled to visually inspect all common area components. The Reserve Analysts inspection was limited to components that are normally visible without destructive or intrusive means of inspection or testing, or concealed mechanical, electrical, structural, or other components.

The Useful Life, Remaining Useful Life, and Current Replacement Cost of each component appropriate for reserve funding were established using information entered into a Commercial Cost & Useful Life Database. The data is based upon industry standards, manufacturer's specifications, and/or the actual repair and replacement costs to similar residential and commercial properties. Costs of repairing or replacing components can vary

greatly depending on current labor costs, material costs, and the conditions of the component. Wherever possible, actual quotes from local contractors were used as a comparison.

2. Financial Analysis

The following financial information was provided by the Association and was not audited:

- The Association's current Reserve Balance.
- Current rate of investment on Reserve Fund.
- Special Assessments already implemented or planned.
- Tax rate applied to interest or dividends earned on the invested Reserve Funds.
- Interest and Inflation assumptions.
- Current Reserve Account Contribution Rate.
- Date of Fiscal Year End (FYE).

According to the U.S. Dept. of Labor, Bureau of Labor and Statistics, the average rate of inflation calculated from the Consumer Price Index for the twenty year period 1991 to 2011 was 2.76%. In preparing Reserve Funding Plans we use an inflation rate of 3% to calculate inflation adjusted expenditures.

3. Reserve Study

The information obtained during the Component Analysis and Financial Analysis is entered into a Reserve Study Funding Plan computer program. The program calculates the necessary monthly and annual reserve contribution, projected annual expenditures for repair and replacement of identified components, percent funded, and reserve account balances for the analysis period.

Per RCW 64.34.382(i) the following Reserve Study Funding Plans were created:

- A recommended reserve account contribution rate.
- A contribution rate for a full funding plan to achieve 100% fully funded reserves by the end of the 30 year study period.
- A baseline funding plan to maintain the reserve balance above 0 throughout the 30 year study period without special assessments.
- A David Bach & Associates recommended reserve account contribution rate.

The computer program provides a projected reserve account balance for 30 years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned special assessments.

All applicable spreadsheets, expenditure graph, and funding charts were developed. In addition, Supplementary Information on Future Major Repairs and Replacement (AICPA) accountant's summary report was prepared.

ANNUAL EXPENDITURES

EXPENDITURES GRAPH

CURRENT FUNDING PLAN

FULLY FUNDING CONTRIBUTION RATE

BASELINE FUNDING PLAN

RECOMMENDED CONTRIBUTION RATE

Annual Expenditures

September 22, 2014

THE GAYLE

Year	Amount	Item Description
2015	4,726	Flooring - Hallway Carpet
	1,693	Flooring - Stair Carpet
	2,795	Plumbing - Piping Retrofit Allowance
	<u>9,214</u>	
2016	1,854	Paint - Exterior, Concrete Wall
	2,666	Paint - Exterior Entryway & Stairway
	10,434	Paint - Interior Common Areas
	<u>14,954</u>	
2018	1,475	Security - Intercom System Remote Station
	553	Skylights
	36,896	Electrical Service & Wiring Allowance
	4,636	Fire Escape - Inspection & Repair
	<u>43,561</u>	
2019	3,146	Plumbing - Piping Retrofit Allowance
	<u>3,146</u>	
2020	652	Lighting - Exterior Fixtures
	<u>652</u>	
2023	47,036	Boiler
	3,279	Paint - Exterior Entryway & Stairway
	12,832	Paint - Interior Common Areas
	3,541	Plumbing - Piping Retrofit Allowance
	71,287	Tuck Point & Refurbish Brick Wall
	5,375	Fire Escape - Inspection & Repair
	<u>143,351</u>	
2025	15,126	Balcony/Landing/Railing Allowance

Annual Expenditures

September 22, 2014

THE GAYLE

Year	Amount	Item Description
	2,043	Lighting - Interior Common Fixtures
	<u>17,169</u>	
2026	23,993	Roofing Replacement
	<u>23,993</u>	
2027	6,738	Flooring - Hallway Carpet
	2,414	Flooring - Stair Carpet
	3,985	Plumbing - Piping Retrofit Allowance
	<u>13,137</u>	
2028	1,322	Fire Extinguisher Cabinets
	1,240	Mailboxes - Apartment Style, Wall Units
	2,643	Paint - Exterior, Concrete Wall
	11,240	Plumbing - Hot Water Tank
	6,231	Fire Escape - Inspection & Repair
	<u>22,676</u>	
2030	2,103	Lighting - Emergency Backup & Exit
	4,033	Paint - Exterior Entryway & Stairway
	15,782	Paint - Interior Common Areas
	<u>21,919</u>	
2031	4,485	Plumbing - Piping Retrofit Allowance
	<u>4,485</u>	
2033	7,223	Fire Escape - Inspection & Repair
	<u>7,223</u>	
2034	2,367	Security - Intercom System Remote Station
	<u>2,367</u>	

Annual Expenditures

September 22, 2014

THE GAYLE

Year	Amount	Item Description
2035	5,048	Plumbing - Piping Retrofit Allowance
	<u>5,048</u>	
2036	942	Skylights
	4,934	Boiler Room Venting
	<u>5,876</u>	
2037	4,960	Paint - Exterior Entryway & Stairway
	19,410	Paint - Interior Common Areas
	<u>24,370</u>	
2038	8,374	Fire Escape - Inspection & Repair
	<u>8,374</u>	
2039	9,607	Flooring - Hallway Carpet
	3,442	Flooring - Stair Carpet
	5,682	Plumbing - Piping Retrofit Allowance
	<u>18,731</u>	
2040	23,565	Balcony/Landing/Railing Allowance
	3,769	Paint - Exterior, Concrete Wall
	<u>27,334</u>	
2042	1,250	Lighting - Exterior Fixtures
	<u>1,250</u>	
2043	6,395	Plumbing - Piping Retrofit Allowance
	128,753	Tuck Point & Refurbish Brick Wall
	9,708	Fire Escape - Inspection & Repair
	<u>144,856</u>	
2044	6,100	Paint - Exterior Entryway & Stairway

Annual Expenditures

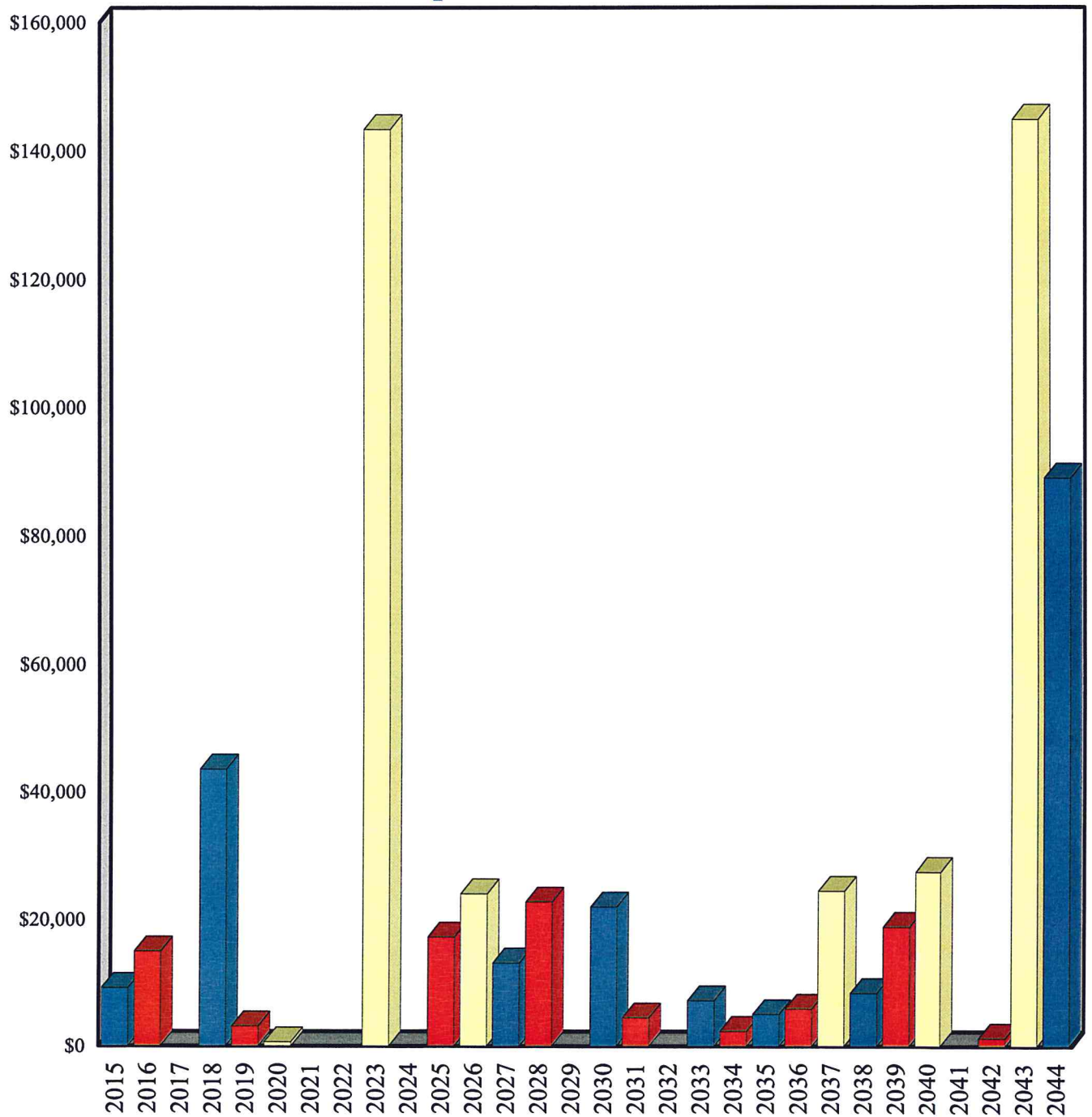
September 22, 2014

THE GAYLE

Year	Amount	Item Description
	23,872	Paint - Interior Common Areas
	18,037	Plumbing - Hot Water Tank
	40,846	Roofing Replacement
	<u>88,855</u>	

Total: 652,543

Expenditures



Expenditures

Current Funding Plan

Funding Plan Summary (Cash Flow)

September 22, 2014

THE GAYLE

		Unadjusted	Inflation	Contrib	Inflation						
Percent		Ideal	Adjusted	Increase	Starting	Annual	Interest	Tax	Adjusted	Unadjusted	
Year	Funded	Balance	Ideal Bal	Rate	Balance	Contribution	Income	Liability	Expenditures	Expenditures	
2015	44%	141,760	141,760	0.00%	62,954	10,704	295	0	(9,214)	(9,214)	
2016	44%	142,597	146,875	0.00%	64,739	10,704	276	0	(14,954)	(14,519)	
2017	41%	138,131	146,543	0.00%	60,765	10,704	331	0	0	0	
2018	44%	148,183	161,923	0.00%	71,799	10,704	168	0	(43,561)	(39,864)	
2019	29%	118,394	133,253	0.00%	39,110	10,704	207	0	(3,146)	(2,795)	
2020	32%	125,674	145,691	0.00%	46,875	10,704	258	0	(652)	(563)	
2021	35%	135,187	161,420	0.00%	57,184	10,704	313	0	0	0	
2022	38%	145,262	178,654	0.00%	68,201	10,704	368	0	0	0	
2023	40%	155,338	196,777	0.00%	79,273	10,704	-294	0	(143,351)	(113,163)	
2024	-78%	52,916	69,044	0.00%	-53,668	10,704	-242	0	0	0	
2025	-51%	63,658	85,550	0.00%	-43,205	10,704	-275	0	(17,169)	(12,775)	
2026	-59%	61,624	85,302	0.00%	-49,945	10,704	-343	0	(23,993)	(17,333)	
2027	-81%	55,032	78,463	0.00%	-63,577	10,704	-357	0	(13,137)	(9,214)	
2028	-80%	56,559	83,059	0.00%	-66,367	10,704	-418	0	(22,676)	(15,442)	
2029	-100%	51,859	78,442	0.00%	-78,758	10,704	-367	0	0	0	
2030	-70%	62,601	97,530	0.00%	-68,421	10,704	-425	0	(21,919)	(14,069)	
2031	-84%	59,273	95,116	0.00%	-80,060	10,704	-396	0	(4,485)	(2,795)	
2032	-67%	67,220	111,104	0.00%	-74,237	10,704	-344	0	0	0	
2033	-48%	77,961	132,723	0.00%	-63,878	10,704	-329	0	(7,223)	(4,243)	
2034	-41%	84,459	148,100	0.00%	-60,726	10,704	-289	0	(2,367)	(1,350)	
2035	-31%	93,851	169,505	0.00%	-52,678	10,704	-262	0	(5,048)	(2,795)	
2036	-25%	101,797	189,372	0.00%	-47,284	10,704	-239	0	(5,876)	(3,159)	
2037	-20%	109,264	209,361	0.00%	-42,695	10,704	-309	0	(24,370)	(12,719)	
2038	-27%	107,172	211,512	0.00%	-56,670	10,704	-298	0	(8,374)	(4,243)	
2039	-24%	113,555	230,833	0.00%	-54,638	10,704	-340	0	(18,731)	(9,214)	
2040	-26%	114,966	240,714	0.00%	-63,005	10,704	-425	0	(27,334)	(13,055)	
2041	-33%	112,537	242,697	0.00%	-80,060	10,704	-374	0	0	0	
2042	-25%	123,163	273,581	0.00%	-69,730	10,704	-328	0	(1,250)	(563)	
2043	-20%	133,227	304,813	0.00%	-60,604	10,704	-1,001	0	(144,856)	(63,313)	
2044	-103%	80,540	189,797	0.00%	-195,756	10,704	-1,396	0	(88,855)	(37,705)	
Total						321,120	-6,835	0	(652,543)	(404,104)	
Average						-29,169	10,704	-228	0	(21,751)	(13,470)
Maximum			304,813		79,273		368	0	(144,856)	(113,163)	
Minimum			69,044		-195,756		-1,396	0	0	0	

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2015 Contributions

63.71 Monthly Per Unit

764.57 Annually Per Unit

892.00 Association Monthly

Fully Funded at End of 30 Year Term

Funding Plan Summary (Cash Flow)

September 22, 2014

THE GAYLE

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2015	44%	141,760	141,760	1.50%	62,954	18,750	316	0	(9,214)	(9,214)
2016	50%	142,597	146,875	1.50%	72,805	19,031	337	0	(14,954)	(14,519)
2017	53%	138,131	146,543	1.50%	77,219	19,317	434	0	0	0
2018	60%	148,183	161,923	1.50%	96,970	19,606	316	0	(43,561)	(39,864)
2019	55%	118,394	133,253	1.50%	73,332	19,901	401	0	(3,146)	(2,795)
2020	62%	125,674	145,691	1.50%	90,487	20,199	500	0	(652)	(563)
2021	68%	135,187	161,420	1.50%	110,534	20,502	604	0	0	0
2022	74%	145,262	178,654	1.50%	131,640	20,810	710	0	0	0
2023	78%	155,338	196,777	1.50%	153,159	21,122	102	0	(143,351)	(113,163)
2024	45%	52,916	69,044	1.50%	31,032	21,439	209	0	0	0
2025	62%	63,658	85,550	1.50%	52,679	21,760	232	0	(17,169)	(12,775)
2026	67%	61,624	85,302	1.50%	57,503	22,087	223	0	(23,993)	(17,333)
2027	71%	55,032	78,463	1.50%	55,819	22,418	269	0	(13,137)	(9,214)
2028	79%	56,559	83,059	1.50%	65,369	22,754	270	0	(22,676)	(15,442)
2029	84%	51,859	78,442	1.50%	65,717	23,095	386	0	0	0
2030	91%	62,601	97,530	1.50%	89,199	23,442	395	0	(21,919)	(14,069)
2031	96%	59,273	95,116	1.50%	91,117	23,793	493	0	(4,485)	(2,795)
2032	100%	67,220	111,104	1.50%	110,918	24,150	615	0	0	0
2033	102%	77,961	132,723	1.50%	135,684	24,513	704	0	(7,223)	(4,243)
2034	104%	84,459	148,100	1.50%	153,677	24,880	819	0	(2,367)	(1,350)
2035	104%	93,851	169,505	1.50%	177,008	25,254	923	0	(5,048)	(2,795)
2036	105%	101,797	189,372	1.50%	198,137	25,632	1,025	0	(5,876)	(3,159)
2037	105%	109,264	209,361	1.50%	218,918	26,017	1,038	0	(24,370)	(12,719)
2038	105%	107,172	211,512	1.50%	221,603	26,407	1,132	0	(8,374)	(4,243)
2039	104%	113,555	230,833	1.50%	240,768	26,803	1,177	0	(18,731)	(9,214)
2040	104%	114,966	240,714	1.50%	250,018	27,205	1,181	0	(27,334)	(13,055)
2041	103%	112,537	242,697	1.50%	251,070	27,613	1,324	0	0	0
2042	102%	123,163	273,581	1.50%	280,008	28,028	1,464	0	(1,250)	(563)
2043	101%	133,227	304,813	1.50%	308,249	28,448	888	0	(144,856)	(63,313)
2044	102%	80,540	189,797	1.50%	192,729	28,875	592	0	(88,855)	(37,705)
Total						703,850	19,079	0	(652,543)	(404,104)
Average					137,211	23,462	636	0	(21,751)	(13,470)
Maximum			304,813		308,249		1,464	0	(144,856)	(113,163)
Minimum			69,044		31,032		102	0	0	0

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2015 Contributions

111.61 Monthly Per Unit

1,339.29 Annually Per Unit

1,562.50 Association Monthly

Baseline Funding Plan

Funding Plan Summary (Cash Flow)

September 22, 2014

THE GAYLE

		Unadjusted	Inflation	Contrib							
Percent		Ideal	Adjusted	Increase	Starting	Annual	Interest	Tax	Inflation		
Year	Funded	Balance	Ideal Bal	Rate	Balance	Contribution	Income	Liability	Adjusted Expenditures	Unadjusted Expenditures	
2015	44%	141,760	141,760	0.00%	62,954	19,243	317	0	(9,214)	(9,214)	
2016	50%	142,597	146,875	0.00%	73,300	19,243	340	0	(14,954)	(14,519)	
2017	53%	138,131	146,543	0.00%	77,928	19,243	438	0	0	0	
2018	60%	148,183	161,923	0.00%	97,609	19,243	318	0	(43,561)	(39,864)	
2019	55%	118,394	133,253	0.00%	73,609	19,243	400	0	(3,146)	(2,795)	
2020	62%	125,674	145,691	0.00%	90,107	19,243	495	0	(652)	(563)	
2021	68%	135,187	161,420	0.00%	109,193	19,243	594	0	0	0	
2022	72%	145,262	178,654	0.00%	129,030	19,243	693	0	0	0	
2023	76%	155,338	196,777	0.00%	148,966	19,243	76	0	(143,351)	(113,163)	
2024	36%	52,916	69,044	0.00%	24,934	19,243	173	0	0	0	
2025	52%	63,658	85,550	0.00%	44,350	19,243	184	0	(17,169)	(12,775)	
2026	55%	61,624	85,302	0.00%	46,609	19,243	161	0	(23,993)	(17,333)	
2027	54%	55,032	78,463	0.00%	42,020	19,243	193	0	(13,137)	(9,214)	
2028	58%	56,559	83,059	0.00%	48,318	19,243	176	0	(22,676)	(15,442)	
2029	57%	51,859	78,442	0.00%	45,061	19,243	273	0	0	0	
2030	66%	62,601	97,530	0.00%	64,578	19,243	261	0	(21,919)	(14,069)	
2031	65%	59,273	95,116	0.00%	62,163	19,243	336	0	(4,485)	(2,795)	
2032	70%	67,220	111,104	0.00%	77,258	19,243	434	0	0	0	
2033	73%	77,961	132,723	0.00%	96,935	19,243	497	0	(7,223)	(4,243)	
2034	74%	84,459	148,100	0.00%	109,451	19,243	584	0	(2,367)	(1,350)	
2035	75%	93,851	169,505	0.00%	126,911	19,243	657	0	(5,048)	(2,795)	
2036	75%	101,797	189,372	0.00%	141,763	19,243	728	0	(5,876)	(3,159)	
2037	74%	109,264	209,361	0.00%	155,857	19,243	706	0	(24,370)	(12,719)	
2038	72%	107,172	211,512	0.00%	151,436	19,243	763	0	(8,374)	(4,243)	
2039	71%	113,555	230,833	0.00%	163,068	19,243	770	0	(18,731)	(9,214)	
2040	68%	114,966	240,714	0.00%	164,350	19,243	733	0	(27,334)	(13,055)	
2041	65%	112,537	242,697	0.00%	156,992	19,243	833	0	0	0	
2042	65%	123,163	273,581	0.00%	177,068	19,243	927	0	(1,250)	(563)	
2043	64%	133,227	304,813	0.00%	195,988	19,243	304	0	(144,856)	(63,313)	
2044	37%	80,540	189,797	0.00%	70,680	19,243	-43	0	(88,855)	(37,705)	
Total						577,290	13,323	0	(652,543)	(404,104)	
Average						100,950	19,243	444	0	(21,751)	(13,470)
Maximum			304,813		195,988		927	0	(144,856)	(113,163)	
Minimum			69,044		24,934		-43	0	0	0	

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2015 Contributions

114.54 Monthly Per Unit

1,374.50 Annually Per Unit

1,603.58 Association Monthly

Recommended Funding Plan

Funding Plan Summary (Cash Flow)

September 22, 2014

THE GAYLE

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2015	44%	141,760	141,760	0.00%	62,954	20,000	319	0	(9,214)	(9,214)
2016	50%	142,597	146,875	0.00%	74,058	20,000	346	0	(14,954)	(14,519)
2017	54%	138,131	146,543	0.00%	79,450	20,000	447	0	0	0
2018	62%	148,183	161,923	0.00%	99,897	20,000	332	0	(43,561)	(39,864)
2019	58%	118,394	133,253	0.00%	76,668	20,000	418	0	(3,146)	(2,795)
2020	64%	125,674	145,691	0.00%	93,939	20,000	516	0	(652)	(563)
2021	71%	135,187	161,420	0.00%	113,803	20,000	619	0	0	0
2022	75%	145,262	178,654	0.00%	134,423	20,000	722	0	0	0
2023	79%	155,338	196,777	0.00%	155,145	20,000	109	0	(143,351)	(113,163)
2024	46%	52,916	69,044	0.00%	31,903	20,000	210	0	0	0
2025	61%	63,658	85,550	0.00%	52,112	20,000	225	0	(17,169)	(12,775)
2026	65%	61,624	85,302	0.00%	55,168	20,000	206	0	(23,993)	(17,333)
2027	65%	55,032	78,463	0.00%	51,381	20,000	241	0	(13,137)	(9,214)
2028	70%	56,559	83,059	0.00%	58,485	20,000	229	0	(22,676)	(15,442)
2029	71%	51,859	78,442	0.00%	56,038	20,000	330	0	0	0
2030	78%	62,601	97,530	0.00%	76,368	20,000	322	0	(21,919)	(14,069)
2031	79%	59,273	95,116	0.00%	74,772	20,000	401	0	(4,485)	(2,795)
2032	82%	67,220	111,104	0.00%	90,688	20,000	503	0	0	0
2033	84%	77,961	132,723	0.00%	111,192	20,000	570	0	(7,223)	(4,243)
2034	84%	84,459	148,100	0.00%	124,538	20,000	661	0	(2,367)	(1,350)
2035	84%	93,851	169,505	0.00%	142,832	20,000	739	0	(5,048)	(2,795)
2036	84%	101,797	189,372	0.00%	158,522	20,000	813	0	(5,876)	(3,159)
2037	83%	109,264	209,361	0.00%	173,460	20,000	795	0	(24,370)	(12,719)
2038	80%	107,172	211,512	0.00%	169,885	20,000	858	0	(8,374)	(4,243)
2039	79%	113,555	230,833	0.00%	182,368	20,000	868	0	(18,731)	(9,214)
2040	77%	114,966	240,714	0.00%	184,506	20,000	836	0	(27,334)	(13,055)
2041	73%	112,537	242,697	0.00%	178,007	20,000	940	0	0	0
2042	73%	123,163	273,581	0.00%	198,947	20,000	1,038	0	(1,250)	(563)
2043	72%	133,227	304,813	0.00%	218,736	20,000	419	0	(144,856)	(63,313)
2044	50%	80,540	189,797	0.00%	94,300	20,000	77	0	(88,855)	(37,705)
Total						600,000	15,110	0	(652,543)	(404,104)
Average					112,485	20,000	504	0	(21,751)	(13,470)
Maximum			304,813		218,736		1,038	0	(144,856)	(113,163)
Minimum			69,044		31,903		77	0	0	0

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2015 Contributions

119.05 Monthly Per Unit

1,428.57 Annually Per Unit

1,666.67 Association Monthly

IDEAL vs CASH FLOW BALANCES

STARTING BALANCE FUNDS DISTRIBUTION

AICPA REPORT

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is a benchmark against which the cash flow calculations can be compared. The formula for the ideal balance is:

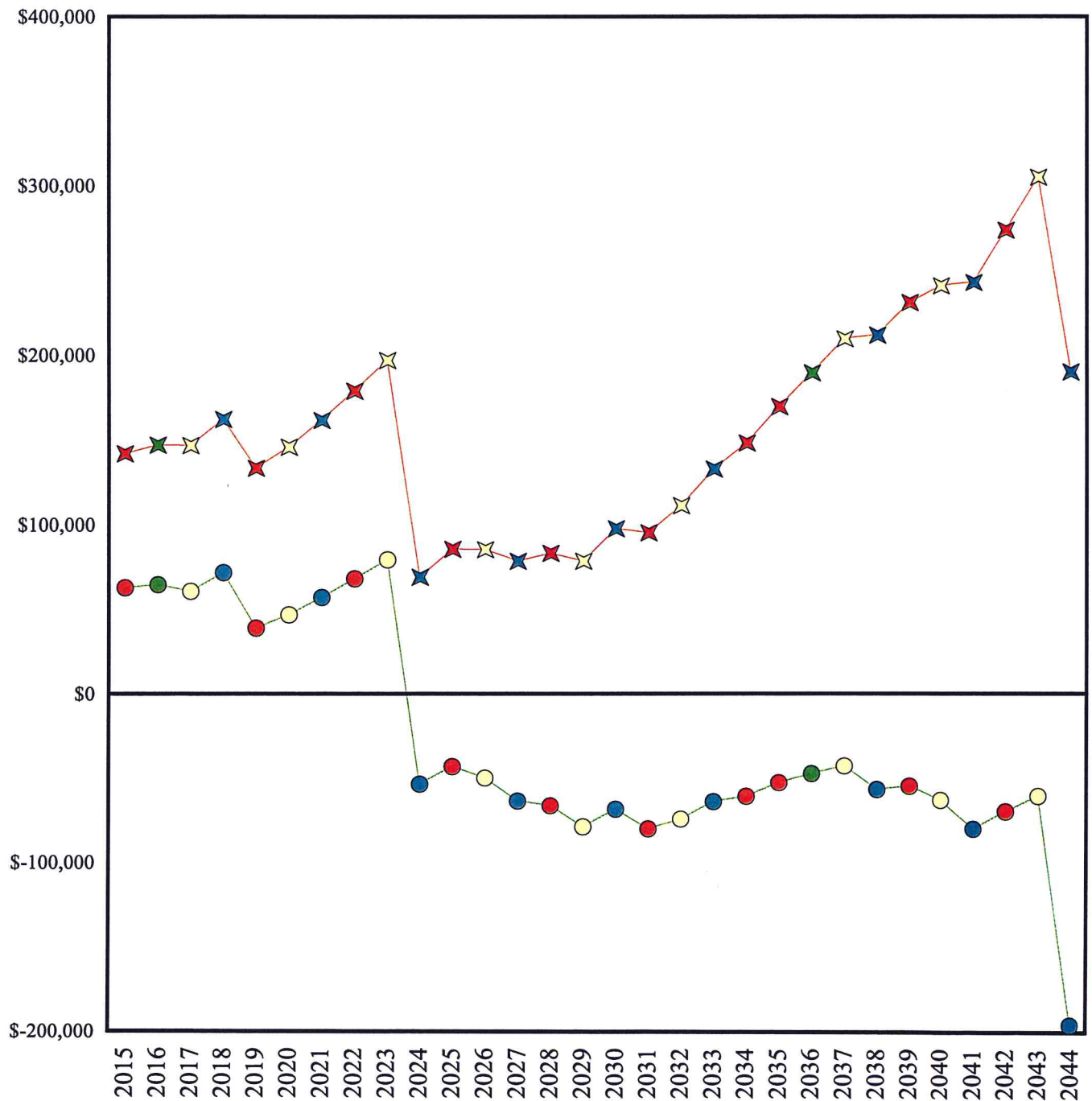
$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also incorporated into this formula.

The Ideal vs. Cash Flow Balances Graph on the next page shows the cash flow balance in relationship to the "Ideal" balance. The spread between the annual cash flow and the "Ideal" is consistent.

This information is also presented in spread sheet form on the Funding Plan Summary page.

Ideal vs. Cash Flow Balances



Ideal Balance



Cash Flow Balance

Starting Balance Funds Distribution (Cash Flow)

Sorted by Group

September 22, 2014

THE GAYLE

Item Description	Useful Life	Life Left	Year Replace	Total Item Cost	Ideal Balance	Actual Balance	2015 Contribution
<u>20 - Roofs</u>							
Roofing Replacement	18	12	2026	17,333	6,741	0	870
SubTotal	1 items			17,333	6,741	0	870
<u>30 - Painting</u>							
Paint - Exterior, Concrete Wall	12	2	2016	1,800	1,650	1,650	83
Paint - Exterior Entryway & Stairway	7	2	2016	2,589	2,219	2,219	204
Paint - Interior Common Areas	7	2	2016	10,130	8,683	8,683	799
SubTotal	3 items			14,519	12,552	12,552	1,086
<u>50 - Lights</u>							
Lighting - Exterior Fixtures	22	6	2020	563	435	435	14
Lighting - Interior Common Fixtures	25	11	2025	1,520	912	0	84
Lighting - Emergency Backup & Exit	30	16	2030	1,350	675	0	50
SubTotal	3 items			3,433	2,022	435	148
<u>70 - Buildings - Interior</u>							
Fire Extinguisher Cabinets	30	14	2028	900	510	0	38
Flooring - Hallway Carpet	12	1	2015	4,726	4,726	4,726	217
Flooring - Stair Carpet	12	1	2015	1,693	1,693	1,693	78
Security - Intercom System Remote Station	16	4	2018	1,350	1,157	1,157	36
SubTotal	4 items			8,670	8,087	7,576	369
<u>75 - Buildings - Exterior</u>							
Balcony/Landing/Railing Allowance	15	11	2025	11,255	3,752	0	622
Tuck Point & Refurbish Brick Wall	20	9	2023	56,275	38,267	0	3,885
Fire Escape - Inspection & Repair	5	4	2018	4,243	1,697	1,697	469
SubTotal	3 items			71,773	43,716	1,697	4,975
<u>80 - Equipment</u>							
Boiler	40	9	2023	37,131	30,530	4,725	2,237
Plumbing - Piping Retrofit Allowance	4	1	2015	2,795	2,795	2,795	386
Plumbing - Hot Water Tank	16	14	2028	7,654	1,435	0	325
Electrical Service & Wiring Allowance	99	4	2018	33,765	32,752	32,752	186
Boiler Room Venting	23	22	2036	2,652	231	0	70
SubTotal	5 items			83,997	67,743	40,272	3,204

Starting Balance Funds Distribution (Cash Flow)

Sorted by Group

September 22, 2014

THE GAYLE

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2015</u>
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>

100 - Grounds

Mailboxes - Apartment Style, Wall Units	30	14	2028	844	478	0	36
Skylights	18	4	2018	506	422	422	16

SubTotal		2 items		1,351	900	422	51
----------	--	---------	--	-------	-----	-----	----

Total		21 items		201,075	141,760	62,954	10,704
-------	--	----------	--	---------	---------	--------	--------

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

Ideally Funded - 44%

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

September 22, 2014

THE GAYLE

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY15 Funding Requirement</u>	<u>Components of Fund Balance End of FY14</u>
Roofs	11 to 11	17,333	870	0
Painting	1 to 1	14,519	1,086	12,552
Lights	5 to 15	3,433	148	435
Buildings - Interior	0 to 13	8,670	369	7,576
Buildings - Exterior	3 to 10	71,773	4,975	1,697
Equipment	0 to 21	83,997	3,204	40,272
Grounds	3 to 13	1,351	51	422
Total	<i>21 items</i>	201,075	10,704	62,954

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

September 22, 2014

THE GAYLE

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY15 Funding Requirement</u>	<u>Components of Fund Balance End of FY14</u>
<u>20 - Roofs</u>				
Roofing Replacement	11	17,333	870	0
SubTotal <i>1 items</i>	11 to 11	17,333	870	0
<u>30 - Painting</u>				
Paint - Exterior Entryway & Stairway	1	2,589	204	2,219
Paint - Exterior, Concrete Wall	1	1,800	83	1,650
Paint - Interior Common Areas	1	10,130	799	8,683
SubTotal <i>3 items</i>	1 to 1	14,519	1,086	12,552
<u>50 - Lights</u>				
Lighting - Emergency Backup & Exit	15	1,350	50	0
Lighting - Exterior Fixtures	5	563	14	435
Lighting - Interior Common Fixtures	10	1,520	84	0
SubTotal <i>3 items</i>	5 to 15	3,433	148	435
<u>70 - Buildings - Interior</u>				
Fire Extinguisher Cabinets	13	900	38	0
Flooring - Hallway Carpet	0	4,726	217	4,726
Flooring - Stair Carpet	0	1,693	78	1,693
Security - Intercom System Remote Station	3	1,350	36	1,157
SubTotal <i>4 items</i>	0 to 13	8,670	369	7,576
<u>75 - Buildings - Exterior</u>				
Balcony/Landing/Railing Allowance	10	11,255	622	0
Fire Escape - Inspection & Repair	3	4,243	469	1,697
Tuck Point & Refurbish Brick Wall	8	56,275	3,885	0
SubTotal <i>3 items</i>	3 to 10	71,773	4,975	1,697
<u>80 - Equipment</u>				
Boiler	8	37,131	2,237	4,725
Boiler Room Venting	21	2,652	70	0
Electrical Service & Wiring Allowance	3	33,765	186	32,752

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

September 22, 2014

THE GAYLE

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY15 Funding Requirement</u>	<u>Components of Fund Balance End of FY14</u>
Plumbing - Hot Water Tank	13	7,654	325	0
Plumbing - Piping Retrofit Allowance	0	2,795	386	2,795
<hr/>				
SubTotal <i>5 items</i>	0 to 21	83,997	3,204	40,272
 <u>100 - Grounds</u>				
Mailboxes - Apartment Style, Wall Units	13	844	36	0
Skylights	3	506	16	422
<hr/>				
SubTotal <i>2 items</i>	3 to 13	1,351	51	422
<hr/>				
Total <i>21 items</i>		201,075	10,704	62,954

COMPONENT INVENTORY WORKSHEET

DISCLOSURES

RESERVE STUDY TERMS

Worksheet

September 22, 2014

Sorted by Group
THE GAYLE

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Item Cost</u>	<u>Year Built</u>	<u>Useful Life Adj</u>	<u>Year Life Replace</u>	<u>One Life Left Time?</u>
<u>20 - Roofs</u>										
Roofing Replacement	20	0	1 Allowance	17,332.820	100	17,333	2008	18	0	2026 12 no
Comments: Roofing Replacement										
Useful Life Range 10 - 20 years										
Budget to replace the roofing on an eighteen year cycle.										

Sub-Total										
<i>1 items</i>										
<u>30 - Painting</u>										
Paint - Exterior, Concrete Wall	30	0	1 Allowance	1,800.000	100	1,800	2004	12	0	2016 2 no
Comments: Paint - Exterior, Concrete Wall										
Useful Life Range 5 - 12 years										
Budget to paint the exterior concrete foundation wall on a ten year cycle.										

Paint - Exterior Entryway & Stairway	30	0	1 Allowance	2,588.660	100	2,589	2009	7	0	2016 2 no
Comments: Paint - Exterior Entryway & Stairway										
Useful Life Range 5 - 12 years										
Budget to paint the exterior entryway and stairway on a seven year cycle.										

Paint - Interior Common Areas	30	0	1 Allowance	10,130.000	100	10,130	2009	7	0	2016 2 no
Comments: Paint - Interior Common Areas										
Useful Life Range 4 - 10 years										
Budget to paint the interior common areas on a seven year cycle.										

Worksheet

September 22, 2014

Sorted by Group
THE GAYLE

Item Description
Sub-Total 3 items

50 - Lights

Lighting - Exterior Fixtures 50 0 1 Allowance 562.750 100 22 0 2020 6 no

Comments: Lighting - Exterior Fixtures

Useful Life Range 15 - 25 years

Allowance to replace exterior lighting fixtures on a twenty-two year cycle.

Lighting - Interior Common Fixtures 50 0 1 Allowance 1,520.000 100 25 0 2025 11 no

Comments: Lighting - Interior Common Fixtures

Useful Life Range 15 - 30 years

Allowance to replace interior common area lighting fixtures on a twenty-five year cycle.

Lighting - Emergency Backup & Exit 50 0 1 Allowance 1,350.000 100 30 0 2030 16 no

Comments: Lighting - Emergency Backup & Exit

Useful Life Range 15 - 30+ years

Allowance to replace emergency backup lighting fixtures and exit signage on a thirty year cycle.

Sub-Total 3 items

70 - Buildings - Interior

Fire Extinguisher Cabinets 70 0 1 Allowance 900.400 100 30 0 2028 14 no

Comments: Fire Extinguisher Cabinets

*Useful Life Range 15 - 30+ years

Worksheet

September 22, 2014

Sorted by Group
THE GAYLE

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Item Cost</u>	<u>Year Built</u>	<u>Useful Life</u>	<u>Year Life</u>	<u>One</u>
Allowance to replace fire extinguisher cabinets on a thirty year cycle.										
Flooring - Hallway Carpet	70	0	100 Square Yard	47,260	100	4,726	2003	12	0	2015 1 no
Comments: Flooring - Hallway Carpet										
Useful Life Range 5 - 12 years										
Budget to replace the hallway carpeting on a twelve year cycle.										
Flooring - Stair Carpet	70	0	35 Square Yard	48,380	100	1,693	2003	12	0	2015 1 no
Comments: Flooring - Stair Carpet										
Useful Life Range 5 - 12 years										
Budget to replace the stair carpeting on a twelve year cycle.										
Security - Intercom System Remote Station	70	0	1 Allowance	1,350,000	100	1,350	1997	16	5	2018 4 no
Comments: Security - Intercom System Remote Station										
Useful Life Range 8 - 20 years										
Budget to replace the intercom system remote station on a sixteen year cycle.										
Sub-Total 4 items										
75 - Buildings - Exterior										
Balcony/Landing/Railing Allowance	75	0	1 Allowance	11,255,000	100	11,255	2010	15	0	2025 11 no
Comments: Balcony/Landing/Railing Allowance										
Allowance to repair/refurbish the balcony/landing and wood railings as necessary, scheduled on a fifteen year cycle.										
Tuck Point & Refurbish Brick Wall	75	0	1 Allowance	56,275,000	100	56,275	1998	20	5	2023 9 no

Worksheet

September 22, 2014

Sorted by Group

THE GAYLE

Item Description

Comments: Tuck Point & Refurbish Brick Wall

Sub-Group	Number	Item Type	Item Cost	%	Item Cost	Total Year Useful Life	Year Life	One
						Life Adj	Replace Left	Time?

Useful Life Range The typical range is 25+ years.

Budget to tuck point and refurbish the exterior brick walls on a thirty year cycle.

Fire Escape - Inspection & Repair	75	0	1 Allowance	4,243.000	100	4,243	2013	5	0	2018	4	no
-----------------------------------	----	---	-------------	-----------	-----	-------	------	---	---	------	---	----

Comments: Allowance for fire escape inspection and repair.

Sub-Total 3 items

80 - Equipment

Boiler

Comments: Boiler

80	0	1 Allowance	37,131.000	100	37,131	1978	40	5	2023	9	no
----	---	-------------	------------	-----	--------	------	----	---	------	---	----

Useful Life Range 25 - 40 years

Budget to replacethe boiler at forty-five years.

Plumbing - Piping Retrofit Allowance	80	0	1 Allowance	2,795.000	100	2,795	2007	4	4	2015	1	no
--------------------------------------	----	---	-------------	-----------	-----	-------	------	---	---	------	---	----

Comments: Plumbing - Piping Retrofit Allowance

Allowance for plumbing/piping repairs and replacements as necessary, scheduled on a four year cycle.

Plumbing - Hot Water Tank	80	0	1 Allowance	7,654.000	100	7,654	2012	16	0	2028	14	no
---------------------------	----	---	-------------	-----------	-----	-------	------	----	---	------	----	----

Comments: Plumbing - Hot Water Tank

Useful Life Range 10 - 18 years

Budget to replace the common hot water tank on a sixteen year cycle.

Electrical Service & Wiring Allowance	80	0	1 Allowance	33,765.000	100	33,765	1918	99	1	2018	4	no
---------------------------------------	----	---	-------------	------------	-----	--------	------	----	---	------	---	----

Comments: Electrical Service & Wiring Allowance

Worksheet

September 22, 2014

Sorted by Group
THE GAYLE

<u>Item Description</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Item Cost</u>	<u>Year Built</u>	<u>Useful Life Adj</u>	<u>Year Replace</u>	<u>One Life Left</u>	<u>Time?</u>
Allowance for electrical service and wiring upgrades.											
Boiler Room Venting	80	0	1 Allowance	2,652.250	100	2,652	2013	23	0	2036	22 YES
Comments: One Time Replacement - Allowance for boiler venting											
Sub-Total	5 items										
100 - Grounds											
Mailboxes - Apartment Style, Wall Units	100	0	1 Allowance	844.120	100	844	1998	30	0	2028	14 no
Comments: Mailboxes - Apartment Style, Wall Units											
*Useful Life Range 14 - 30 years											
Budget to replace the mailboxes on a thirty year cycle.											
Skylights	100	0	1 Allowance	506.480	100	506	2000	18	0	2018	4 no
Comments: Skylights											
Useful Life Range 10 - 25 years											
Budget to replace the skylights on an eighteen year cycle.											
Sub-Total	2 items										
Total	21 items										

Disclosures

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component. RCW 64.34.382(3).

Every reasonable effort has been made to insure that the data obtained in this report is based on accurate information. The nature of this study requires assumptions be made about future events which may or may not occur as predicted. The study must be viewed in light of circumstances existing at the actual time of the study. In addition, the cost of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. This Reserve Study Funding Plan is a **budgeting tool to be used for general planning purposes only**. As the component nears the end of its useful life, estimates from qualified contractors should be obtained.

In conclusion, this study should be regarded as a guideline for developing sound business decisions to insure that adequate funds will be accumulated in anticipation of major repair and/or replacement projects. It is recommended that you review your reserve plan on an annual basis and make adjustments as necessary.

Conflict of Interest

No relationship exists between David Bach & Associates, LLC and the client which could result in a conflict of interest.

David Bach & Associates, LLC has earned the Community Association Institute's **Reserve Specialist Designation**, the only national credential for community association reserve study providers. The **RS** designation is awarded to experienced, qualified professionals who help condominium, co-operative, and homeowner associations plan for long-term repair and replacement of major components. The Reserve Specialist Designation Review Board recognizes David Bach's professionalism and dedication to the highest standard of reserve study preparation. **RS** designees must adhere to CAI's Professional Reserve Specialist Code of Ethics. David Bach is also an Honored Member in good standing with the Association of Professional Reserve Analysts.

ACCUMULATED RESERVE BALANCE	The anticipated Reserve Balance on the first day of the fiscal year for which the report has been prepared.
ALLOCATION (Net Monthly)	The sum of the monthly contribution and interest contribution figures.
ANNUAL CONTRIBUTION INCREASE	The percentage rate at which the association will increase its contribution to Reserves at the end of each year until the year in which the item is replaced.
BASELINE FUNDING PLAN	Establishing a Reserve Funding goal of maintaining a Reserve Account Balance above zero dollars throughout the thirty year study period described under RCW 64.34.380.
CASH FLOW	The collection and expenditure of money over time.
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.
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. Components typically are: (1) Association responsibility, (2) with limited Useful Life expectancies, (3) predictable Remaining Useful Life expectancies, (4) above a minimum threshold cost, and (5) as required by local codes.
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 representative(s) of the association or cooperative.
COMPONENT METHOD	A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components.
CONDITION ASSESSMENT	The task of evaluating the current condition of the component based on observed or reported characteristics.

CONTRIBUTION RATE	The amount contributed to the Reserve Account so that the association will have cash Reserves to pay major maintenance, repair, or replacement costs without the need of a special assessment.
CURRENT RESERVE FUNDS	The amount currently held in Reserve for repair and replacement of components, with funds being allocated to projects with the shortest remaining useful life first.
DEFICIT	A actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a surplus.
EFFECTIVE AGE	The difference between the estimated useful life and remaining useful life.
EXPECTED LIFE	The estimated time, in years, that a Reserve item can be expected to perform its intended function.
EXPENDITURES	Disbursement of Reserve Funds for repair or replacement of Reserve Study identified components.
FINANCIAL ANALYSIS	The portion of a 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 a Reserve Study.
FISCAL YEAR ENDING (FYE)	The budgetary year for which the report is prepared. For association with fiscal years ending December 31 st , the monthly contribution figures indicated are for the twelve-month period beginning 01/01/XX and ending 12/31/XX.
FULL FUNDING PLAN	Setting a Reserve Funding goal of achieving 100% fully funded reserves by the end of the thirty-year study period described under RCW 64.34.380, in which the reserve account balance equals the sum of the deteriorated portion of all reserve components.
FULLY FUNDED	100% funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE	The current value of the deteriorated portion, not the total replacement value, of all the reserve components. The Fully Funded Balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component's useful life. The sum total of all reserve components' Fully Funded Balance is the association's Fully Funded Balance.
FUND STATUS	The status of the Reserve Fund as compared to an established benchmark such as Percent Funding.
FUNDING PLAN	An association's plan to provide income to a Reserve Fund to offset anticipated expenditures from that fund.
IDEAL BALANCE	<p>The basis to any Reserve Funding Plan first starts with computing the Ideal Balance. The Ideal Balance is the benchmark against which the standard cash flow calculations can be compared. The formula for the Ideal Balance is:</p> $\text{Ideal Balance} = (\text{Current Age/Useful Life}) \times \text{Current Cost}$ <p>Inflation and interest are also calculated into the basic formula.</p>
INFLATION	Cost factors are adjusted for inflation at the rate defined in the Funding Plan Summary, compounded annually.
LIFE & VALUATION ESTIMATES	The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.
MONTHLY CONTRIBUTION	The assessment for Reserves required by the association each month.
PERCENT FUNDED	The ratio, as a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance 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.

REMAINING USEFUL LIFE	The estimated time, in years, before a Reserve component will require major maintenance, repair, or replacement to perform its intended function.
REPLACEMENT COST	The current cost of replacing, repairing, or restoring a Reserve component to its original functional condition.
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 major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves.
RESERVE COMPONENT	A common element whose cost of maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget.
RESERVE STUDY PROFESSIONAL	An independent person suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study in accordance with RCW 64.34.380 and 64.34.382.
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.
SIGNIFICANT ASSETS	The current total cost of major maintenance, repair, and replacement of the reserve components is 50% or more of the gross budget of the association, excluding reserve account funds.
SPECIAL ASSESSMENT	An assessment levied on the members of an association in addition to regular assessments.
STARTING BALANCE FUNDS DISTRIBUTION	A listing of how the starting balance is distributed to each reserve item. The first year's contribution for each item is listed.
STRAIGHT LINE CALCULATIONS & FUNDING MODEL	The most conservative method for Reserve Funding. It assures that the association will achieve and maintain an ideal level of reserves for the analysis period.

SURPLUS	An actual (or projected) Reserve Balance greater than the Fully Funded Balance.
TAXES LIABILITY	The estimated percentage of interest income which will be set-aside for taxes.
USEFUL LIFE	The estimated time, between years, that major maintenance, repair, or replacement is estimated to occur.