

RESERVE STUDY UPDATE

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

October 10, 2015



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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 Balance: | \$60,086.00 |
| Current Monthly Reserve Contribution: | \$846.00 |

CURRENT BUDGETED 2015 CONTRIBUTION

| | |
|--------------------|--|
| <u>\$60.43</u> | Average Monthly per Unit (based on 14 Units) |
| <u>\$725.14</u> | Average Annual per Unit (based on 14 Units) |
| <u>\$846.00</u> | Association Monthly |
| <u>\$10,152.00</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 2016 is \$153,319.

The ACTUAL 2016 STARTING BALANCE is estimated to be \$60,086.00, which is 39% of the IDEAL.

There were no reserve expenditures in 2015.

No special assessments are currently in place or anticipated for 2016.

Reserve expenditures totaling \$7,399 are currently scheduled for 2016 including:

- Paint – exterior concrete wall
- Paint – exterior entryway and stairway
- Plumbing – piping retrofit allowance

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

FULLY FUNDED CONTRIBUTION RATE

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

| | |
|-------------|---------------------------|
| \$141.37 | Average Monthly per Unit |
| \$1,696.43 | Average Annually per Unit |
| \$1,979.17 | Association Monthly |
| \$23,750.00 | 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.

| | |
|-------------|---------------------------|
| \$113.64 | Average Monthly per Unit |
| \$1,363.71 | Average Annually per Unit |
| \$1,363.71 | Association Monthly |
| \$19,092.00 | Association Annual |

RECOMMENDED CONTRIBUTION RATE

A contribution rate recommended by a reserve study professional.

| | |
|-------------|---------------------------|
| \$125.00 | Average Monthly per Unit |
| \$1,500.00 | Average Annually per Unit |
| \$1,750.00 | Association Monthly |
| \$21,000.00 | Association Annual |

RECOMMENDATION:

Initiate a \$21,000 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

October 10, 2015

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> | \$60,086.00 |
| <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 – All Urban Consumers (CPI-U) for the twenty year period 1995 to 2014 was 2.29%. 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.

The Association has opted to exclude the following components from the study:

| ITEM NAME | BASIS FOR EXCLUSION |
|-----------|---------------------|
| n/a | n/a |
| n/a | n/a |

Worksheet

October 10, 2015

Sorted Alphabetically
THE GAYLE

| Item Description | Sub-Group | Number Of Items | Item Type | Item Cost | % | Item Cost | Year Built | Useful Life | Year Life | One |
|---|-----------|-----------------|-----------------|------------|-----|-----------|------------|-------------|-----------|-------------|
| Balcony/Landing/Railing Allowance | 75 | 0 | 1 Allowance | 11,592.650 | 100 | 11,593 | 2010 | 15 | 0 | 2025 10 no |
| Boiler | 80 | 0 | 1 Allowance | 38,244.930 | 100 | 38,245 | 1978 | 40 | 5 | 2023 8 no |
| Boiler Room Venting | 80 | 0 | 1 Allowance | 2,731.820 | 100 | 2,732 | 2013 | 23 | 0 | 2036 21 YES |
| Electrical Service & Wiring Allowance | 80 | 0 | 1 Allowance | 34,777.950 | 100 | 34,778 | 1918 | 99 | 1 | 2018 3 no |
| Fire Escape - Inspection & Repair | 75 | 0 | 1 Allowance | 4,370.290 | 100 | 4,370 | 2013 | 5 | 0 | 2018 3 no |
| Fire Extinguisher Cabinets | 70 | 0 | 1 Allowance | 927.410 | 100 | 927 | 1998 | 30 | 0 | 2028 13 no |
| Flooring - Hallway Carpet | 70 | 0 | 100 Square Yard | 48.680 | 100 | 4,868 | 2003 | 14 | 0 | 2017 2 no |
| Flooring - Stair Carpet | 70 | 0 | 35 Square Yard | 49.830 | 100 | 1,744 | 2003 | 14 | 0 | 2017 2 no |
| Lighting - Emergency Backup & Exit | 50 | 0 | 1 Allowance | 1,390.500 | 100 | 1,391 | 2000 | 30 | 0 | 2030 15 no |
| Lighting - Exterior Fixtures | 50 | 0 | 1 Allowance | 579.630 | 100 | 580 | 1998 | 22 | 0 | 2020 5 no |
| Lighting - Interior Common Fixtures | 50 | 0 | 1 Allowance | 1,565.600 | 100 | 1,566 | 2000 | 25 | 0 | 2025 10 no |
| Mailboxes - Apartment Style, Wall Units | 100 | 0 | 1 Allowance | 869.440 | 100 | 869 | 1998 | 30 | 0 | 2028 13 no |
| Paint - Exterior Entryway & Stairway | 30 | 0 | 1 Allowance | 2,666.320 | 100 | 2,666 | 2009 | 7 | 0 | 2016 1 no |
| Paint - Exterior, Concrete Wall | 30 | 0 | 1 Allowance | 1,854.000 | 100 | 1,854 | 2004 | 12 | 0 | 2016 1 no |
| Paint - Interior Common Areas | 30 | 0 | 1 Allowance | 10,433.900 | 100 | 10,434 | 2009 | 8 | 0 | 2017 2 no |
| Plumbing - Hot Water Tank | 80 | 0 | 1 Allowance | 7,883.620 | 100 | 7,884 | 2012 | 16 | 0 | 2028 13 no |
| Plumbing - Piping Retrofit Allowance | 80 | 0 | 1 Allowance | 2,878.850 | 100 | 2,879 | 2008 | 4 | 4 | 2016 1 no |
| Roofing Replacement | 20 | 0 | 1 Allowance | 17,852.800 | 100 | 17,853 | 2008 | 18 | 0 | 2026 11 no |
| Security - Intercom System Remote Station | 70 | 0 | 1 Allowance | 1,390.500 | 100 | 1,391 | 1997 | 16 | 5 | 2018 3 no |
| Skylights | 100 | 0 | 1 Allowance | 521.670 | 100 | 522 | 2000 | 18 | 0 | 2018 3 no |
| Tuck Point & Refurbish Brick Wall | 75 | 0 | 1 Allowance | 57,963.250 | 100 | 57,963 | 1998 | 20 | 5 | 2023 8 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 – All Urban Consumers (CPI-U) for the twenty year period 1995 to 2014 was 2.29%. 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

October 10, 2015

THE GAYLE

| Year | Amount | Item Description |
|-------------|-----------------------|---|
| 2016 | 1,854 | Paint - Exterior, Concrete Wall |
| | 2,666 | Paint - Exterior Entryway & Stairway |
| | 2,879 | Plumbing - Piping Retrofit Allowance |
| | <u>7,399</u> | |
| 2017 | 5,014 | Flooring - Hallway Carpet |
| | 1,796 | Flooring - Stair Carpet |
| | 10,747 | Paint - Interior Common Areas |
| | <u>17,557</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> | |
| 2020 | 652 | Lighting - Exterior Fixtures |
| | 3,240 | Plumbing - Piping Retrofit Allowance |
| | <u>3,893</u> | |
| 2023 | 47,036 | Boiler |
| | 3,279 | Paint - Exterior Entryway & Stairway |
| | 71,287 | Tuck Point & Refurbish Brick Wall |
| | 5,375 | Fire Escape - Inspection & Repair |
| | <u>126,978</u> | |
| 2024 | 3,647 | Plumbing - Piping Retrofit Allowance |
| | <u>3,647</u> | |
| 2025 | 15,126 | Balcony/Landing/Railing Allowance |
| | 2,043 | Lighting - Interior Common Fixtures |

Annual Expenditures

October 10, 2015

THE GAYLE

| Year | Amount | Item Description |
|------|---------------|---|
| | 13,614 | Paint - Interior Common Areas |
| | <u>30,782</u> | |
| 2026 | 23,993 | Roofing Replacement |
| | <u>23,993</u> | |
| 2028 | 1,322 | Fire Extinguisher Cabinets |
| | 1,240 | Mailboxes - Apartment Style, Wall Units |
| | 2,643 | Paint - Exterior, Concrete Wall |
| | 4,105 | Plumbing - Piping Retrofit Allowance |
| | 11,240 | Plumbing - Hot Water Tank |
| | 6,231 | Fire Escape - Inspection & Repair |
| | <u>26,781</u> | |
| 2030 | 2,103 | Lighting - Emergency Backup & Exit |
| | 4,033 | Paint - Exterior Entryway & Stairway |
| | <u>6,136</u> | |
| 2031 | 7,584 | Flooring - Hallway Carpet |
| | 2,717 | Flooring - Stair Carpet |
| | <u>10,301</u> | |
| 2032 | 4,620 | Plumbing - Piping Retrofit Allowance |
| | <u>4,620</u> | |
| 2033 | 17,246 | Paint - Interior Common Areas |
| | 7,223 | Fire Escape - Inspection & Repair |
| | <u>24,469</u> | |
| 2034 | 2,367 | Security - Intercom System Remote Station |
| | <u>2,367</u> | |

Annual Expenditures

October 10, 2015

THE GAYLE

| Year | Amount | Item Description |
|-------------|-----------------------|--------------------------------------|
| 2036 | 5,200 | Plumbing - Piping Retrofit Allowance |
| | 942 | Skylights |
| | 4,934 | Boiler Room Venting |
| | <u>11,076</u> | |
| 2037 | 4,960 | Paint - Exterior Entryway & Stairway |
| | <u>4,960</u> | |
| 2038 | 8,374 | Fire Escape - Inspection & Repair |
| | <u>8,374</u> | |
| 2040 | 23,565 | Balcony/Landing/Railing Allowance |
| | 3,769 | Paint - Exterior, Concrete Wall |
| | 5,852 | Plumbing - Piping Retrofit Allowance |
| | <u>33,186</u> | |
| 2041 | 21,846 | Paint - Interior Common Areas |
| | <u>21,846</u> | |
| 2042 | 1,250 | Lighting - Exterior Fixtures |
| | <u>1,250</u> | |
| 2043 | 128,753 | Tuck Point & Refurbish Brick Wall |
| | 9,708 | Fire Escape - Inspection & Repair |
| | <u>138,461</u> | |
| 2044 | 6,100 | Paint - Exterior Entryway & Stairway |
| | 6,587 | Plumbing - Piping Retrofit Allowance |
| | 18,037 | Plumbing - Hot Water Tank |
| | 40,846 | Roofing Replacement |
| | <u>71,570</u> | |

Annual Expenditures

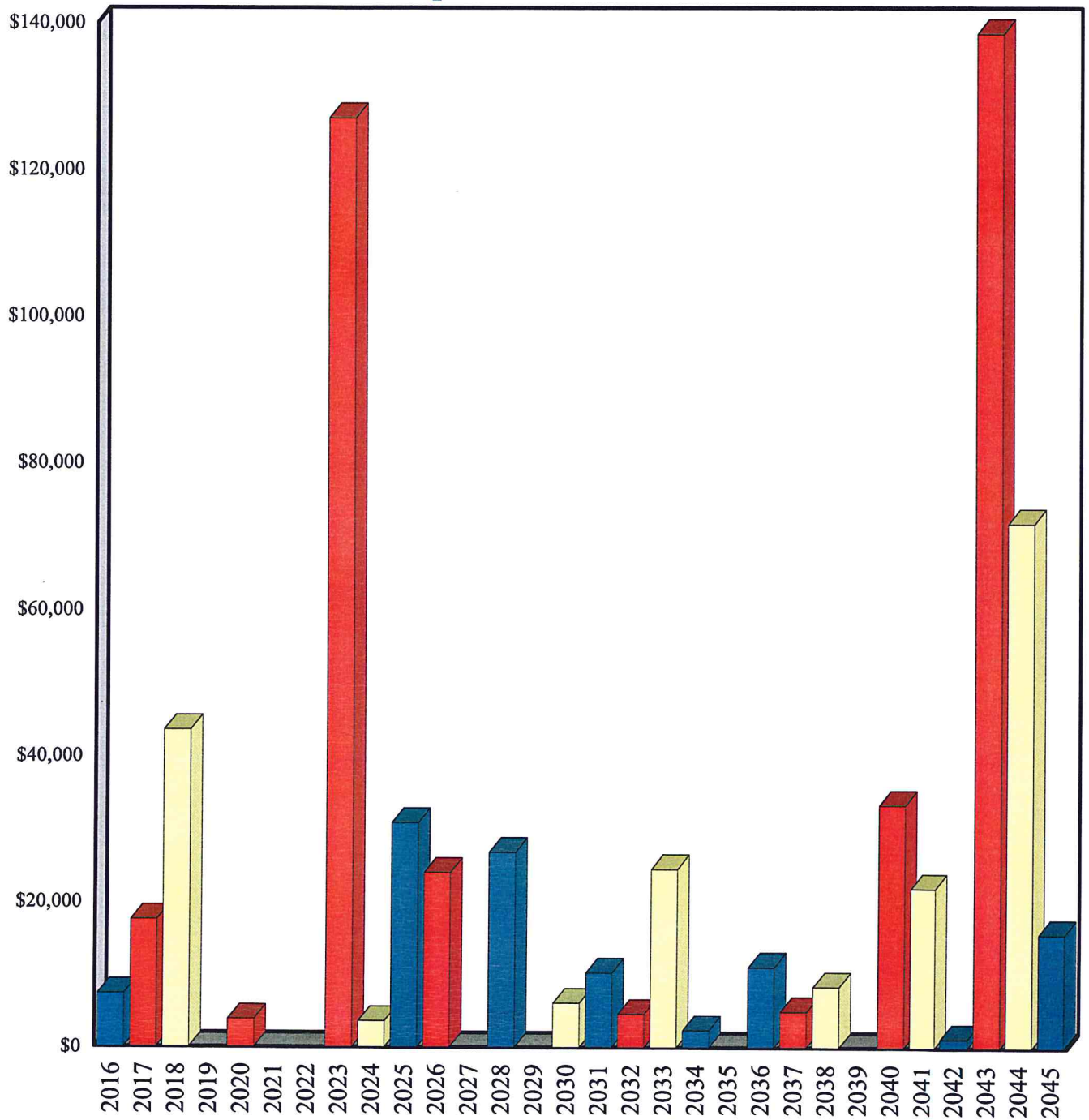
October 10, 2015

THE GAYLE

| Year | Amount | Item Description |
|-------------|----------------------|---------------------------|
| 2045 | 11,472 | Flooring - Hallway Carpet |
| | 4,110 | Flooring - Stair Carpet |
| | <u>15,582</u> | |

Total: **638,790**

Expenditures



Expenditures

Starting Balance Funds Distribution (Cash Flow)

October 10, 2015

Sorted by Group

THE GAYLE

| <u>Item Description</u> | <u>Useful Life</u> | <u>Life Left</u> | <u>Year Replace</u> | <u>Total Item Cost</u> | <u>Ideal Balance</u> | <u>Actual Balance</u> | <u>2016 Contribution</u> |
|---|--------------------|------------------|---------------------|------------------------|----------------------|-----------------------|--------------------------|
| <u>20 - Roofs</u> | | | | | | | |
| Roofing Replacement | 18 | 11 | 2026 | 17,853 | 7,935 | 0 | 787 |
| SubTotal | 1 items | | | 17,853 | 7,935 | 0 | 787 |
| <u>30 - Painting</u> | | | | | | | |
| Paint - Exterior, Concrete Wall | 12 | 1 | 2016 | 1,854 | 1,854 | 1,854 | 68 |
| Paint - Exterior Entryway & Stairway | 7 | 1 | 2016 | 2,666 | 2,666 | 2,666 | 168 |
| Paint - Interior Common Areas | 8 | 2 | 2017 | 10,434 | 9,130 | 9,130 | 575 |
| SubTotal | 3 items | | | 14,954 | 13,650 | 13,650 | 811 |
| <u>50 - Lights</u> | | | | | | | |
| Lighting - Exterior Fixtures | 22 | 5 | 2020 | 580 | 474 | 0 | 64 |
| Lighting - Interior Common Fixtures | 25 | 10 | 2025 | 1,566 | 1,002 | 0 | 77 |
| Lighting - Emergency Backup & Exit | 30 | 15 | 2030 | 1,391 | 742 | 0 | 44 |
| SubTotal | 3 items | | | 3,536 | 2,218 | 0 | 184 |
| <u>70 - Buildings - Interior</u> | | | | | | | |
| Fire Extinguisher Cabinets | 30 | 13 | 2028 | 927 | 556 | 0 | 34 |
| Flooring - Hallway Carpet | 14 | 2 | 2017 | 4,868 | 4,520 | 4,520 | 153 |
| Flooring - Stair Carpet | 14 | 2 | 2017 | 1,744 | 1,619 | 1,619 | 55 |
| Security - Intercom System Remote Station | 16 | 3 | 2018 | 1,391 | 1,258 | 1,258 | 29 |
| SubTotal | 4 items | | | 8,930 | 7,954 | 7,398 | 271 |
| <u>75 - Buildings - Exterior</u> | | | | | | | |
| Balcony/Landing/Railing Allowance | 15 | 10 | 2025 | 11,593 | 4,637 | 0 | 568 |
| Tuck Point & Refurbish Brick Wall | 20 | 8 | 2023 | 57,963 | 41,734 | 0 | 3,650 |
| Fire Escape - Inspection & Repair | 5 | 3 | 2018 | 4,370 | 2,622 | 1,613 | 608 |
| SubTotal | 3 items | | | 73,926 | 48,993 | 1,613 | 4,825 |
| <u>80 - Equipment</u> | | | | | | | |
| Boiler | 40 | 8 | 2023 | 38,245 | 32,296 | 0 | 2,408 |
| Plumbing - Piping Retrofit Allowance | 4 | 1 | 2016 | 2,879 | 2,879 | 2,879 | 317 |
| Plumbing - Hot Water Tank | 16 | 13 | 2028 | 7,884 | 1,971 | 0 | 290 |
| Electrical Service & Wiring Allowance | 99 | 3 | 2018 | 34,778 | 34,082 | 34,082 | 153 |
| Boiler Room Venting | 23 | 21 | 2036 | 2,732 | 356 | 0 | 60 |
| SubTotal | 5 items | | | 86,517 | 71,584 | 36,961 | 3,229 |

Current Funding Plan / \$10,152 Annual Contribution

Funding Plan Summary (Cash Flow)

October 10, 2015

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 |
|----------------|----------------|--------------------------|------------------------------|-----------------------|------------------|---------------------|-----------------|---------------|---------------------------------|-------------------------|
| 2016 | 39% | 153,319 | 153,319 | 0.00% | 60,086 | 10,152 | 289 | 0 | (7,399) | (7,399) |
| 2017 | 39% | 156,008 | 160,689 | 0.00% | 63,128 | 10,152 | 253 | 0 | (17,557) | (17,046) |
| 2018 | 35% | 149,051 | 158,128 | 0.00% | 55,976 | 10,152 | 87 | 0 | (43,561) | (41,060) |
| 2019 | 18% | 118,103 | 129,054 | 0.00% | 22,654 | 10,152 | 139 | 0 | 0 | 0 |
| 2020 | 23% | 128,216 | 144,308 | 0.00% | 32,945 | 10,152 | 171 | 0 | (3,893) | (3,458) |
| 2021 | 25% | 134,870 | 156,351 | 0.00% | 39,375 | 10,152 | 222 | 0 | 0 | 0 |
| 2022 | 29% | 144,983 | 173,117 | 0.00% | 49,749 | 10,152 | 274 | 0 | 0 | 0 |
| 2023 | 32% | 155,095 | 190,748 | 0.00% | 60,175 | 10,152 | -309 | 0 | (126,978) | (103,245) |
| 2024 | -72% | 62,649 | 79,362 | 0.00% | -56,960 | 10,152 | -278 | 0 | (3,647) | (2,879) |
| 2025 | -55% | 70,569 | 92,076 | 0.00% | -50,732 | 10,152 | -382 | 0 | (30,782) | (23,592) |
| 2026 | -92% | 57,775 | 77,645 | 0.00% | -71,745 | 10,152 | -453 | 0 | (23,993) | (17,853) |
| 2027 | -123% | 50,721 | 70,210 | 0.00% | -86,039 | 10,152 | -405 | 0 | 0 | 0 |
| 2028 | -87% | 61,519 | 87,712 | 0.00% | -76,291 | 10,152 | -490 | 0 | (26,781) | (18,784) |
| 2029 | -119% | 53,534 | 78,617 | 0.00% | -93,410 | 10,152 | -442 | 0 | 0 | 0 |
| 2030 | -86% | 64,333 | 97,309 | 0.00% | -83,700 | 10,152 | -424 | 0 | (6,136) | (4,057) |
| 2031 | -72% | 71,075 | 110,732 | 0.00% | -80,108 | 10,152 | -427 | 0 | (10,301) | (6,612) |
| 2032 | -67% | 75,261 | 120,772 | 0.00% | -80,684 | 10,152 | -401 | 0 | (4,620) | (2,879) |
| 2033 | -55% | 83,181 | 137,485 | 0.00% | -75,553 | 10,152 | -475 | 0 | (24,469) | (14,804) |
| 2034 | -67% | 79,175 | 134,791 | 0.00% | -90,345 | 10,152 | -438 | 0 | (2,367) | (1,391) |
| 2035 | -53% | 88,583 | 155,331 | 0.00% | -82,998 | 10,152 | -390 | 0 | 0 | 0 |
| 2036 | -41% | 99,382 | 179,495 | 0.00% | -73,236 | 10,152 | -396 | 0 | (11,076) | (6,132) |
| 2037 | -39% | 103,929 | 193,339 | 0.00% | -74,556 | 10,152 | -372 | 0 | (4,960) | (2,666) |
| 2038 | -33% | 111,943 | 214,494 | 0.00% | -69,736 | 10,152 | -365 | 0 | (8,374) | (4,370) |
| 2039 | -29% | 118,252 | 233,381 | 0.00% | -68,323 | 10,152 | -316 | 0 | 0 | 0 |
| 2040 | -22% | 128,932 | 262,092 | 0.00% | -58,487 | 10,152 | -433 | 0 | (33,186) | (16,326) |
| 2041 | -32% | 123,286 | 258,134 | 0.00% | -81,955 | 10,152 | -494 | 0 | (21,846) | (10,434) |
| 2042 | -35% | 123,532 | 266,408 | 0.00% | -94,143 | 10,152 | -452 | 0 | (1,250) | (580) |
| 2043 | -29% | 133,632 | 296,836 | 0.00% | -85,692 | 10,152 | -1,095 | 0 | (138,461) | (62,334) |
| 2044 | -115% | 81,979 | 187,561 | 0.00% | -215,096 | 10,152 | -1,408 | 0 | (71,570) | (31,282) |
| 2045 | -192% | 61,377 | 144,638 | 0.00% | -277,922 | 10,152 | -1,442 | 0 | (15,582) | (6,612) |
| Total | | | | | | 304,560 | -10,651 | 0 | (638,790) | (405,794) |
| Average | | | | | | -54,788 | 10,152 | -355 | 0 | (21,293) |
| Maximum | | | 296,836 | | 63,128 | | 289 | 0 | (138,461) | (103,245) |
| Minimum | | | 70,210 | | -277,922 | | -1,442 | 0 | 0 | 0 |

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2016 Contributions

60.43 Monthly Per Unit

725.14 Annually Per Unit

846.00 Association Monthly

Fully Funded at End of 30 Year Term

Funding Plan Summary (Cash Flow)

October 10, 2015

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 |
|----------------|----------------|--------------------------|------------------------------|-----------------------|------------------|---------------------|-----------------|---------------|---------------------------------|-------------------------|
| 2016 | 39% | 153,319 | 153,319 | 0.00% | 60,086 | 23,750 | 323 | 0 | (7,399) | (7,399) |
| 2017 | 48% | 156,008 | 160,689 | 0.00% | 76,760 | 23,750 | 355 | 0 | (17,557) | (17,046) |
| 2018 | 53% | 149,051 | 158,128 | 0.00% | 83,308 | 23,750 | 258 | 0 | (43,561) | (41,060) |
| 2019 | 49% | 118,103 | 129,054 | 0.00% | 63,755 | 23,750 | 378 | 0 | 0 | 0 |
| 2020 | 61% | 128,216 | 144,308 | 0.00% | 87,883 | 23,750 | 479 | 0 | (3,893) | (3,458) |
| 2021 | 69% | 134,870 | 156,351 | 0.00% | 108,220 | 23,750 | 600 | 0 | 0 | 0 |
| 2022 | 77% | 144,983 | 173,117 | 0.00% | 132,570 | 23,750 | 722 | 0 | 0 | 0 |
| 2023 | 82% | 155,095 | 190,748 | 0.00% | 157,042 | 23,750 | 210 | 0 | (126,978) | (103,245) |
| 2024 | 68% | 62,649 | 79,362 | 0.00% | 54,024 | 23,750 | 311 | 0 | (3,647) | (2,879) |
| 2025 | 81% | 70,569 | 92,076 | 0.00% | 74,438 | 23,750 | 278 | 0 | (30,782) | (23,592) |
| 2026 | 87% | 57,775 | 77,645 | 0.00% | 67,684 | 23,750 | 278 | 0 | (23,993) | (17,853) |
| 2027 | 96% | 50,721 | 70,210 | 0.00% | 67,719 | 23,750 | 398 | 0 | 0 | 0 |
| 2028 | 105% | 61,519 | 87,712 | 0.00% | 91,867 | 23,750 | 385 | 0 | (26,781) | (18,784) |
| 2029 | 113% | 53,534 | 78,617 | 0.00% | 89,221 | 23,750 | 505 | 0 | 0 | 0 |
| 2030 | 117% | 64,333 | 97,309 | 0.00% | 113,476 | 23,750 | 596 | 0 | (6,136) | (4,057) |
| 2031 | 119% | 71,075 | 110,732 | 0.00% | 131,686 | 23,750 | 666 | 0 | (10,301) | (6,612) |
| 2032 | 121% | 75,261 | 120,772 | 0.00% | 145,801 | 23,750 | 765 | 0 | (4,620) | (2,879) |
| 2033 | 121% | 83,181 | 137,485 | 0.00% | 165,696 | 23,750 | 766 | 0 | (24,469) | (14,804) |
| 2034 | 123% | 79,175 | 134,791 | 0.00% | 165,743 | 23,750 | 876 | 0 | (2,367) | (1,391) |
| 2035 | 121% | 88,583 | 155,331 | 0.00% | 188,002 | 23,750 | 999 | 0 | 0 | 0 |
| 2036 | 119% | 99,382 | 179,495 | 0.00% | 212,751 | 23,750 | 1,068 | 0 | (11,076) | (6,132) |
| 2037 | 117% | 103,929 | 193,339 | 0.00% | 226,493 | 23,750 | 1,167 | 0 | (4,960) | (2,666) |
| 2038 | 115% | 111,943 | 214,494 | 0.00% | 246,450 | 23,750 | 1,250 | 0 | (8,374) | (4,370) |
| 2039 | 113% | 118,252 | 233,381 | 0.00% | 263,076 | 23,750 | 1,375 | 0 | 0 | 0 |
| 2040 | 110% | 128,932 | 262,092 | 0.00% | 288,201 | 23,750 | 1,334 | 0 | (33,186) | (16,326) |
| 2041 | 109% | 123,286 | 258,134 | 0.00% | 280,099 | 23,750 | 1,351 | 0 | (21,846) | (10,434) |
| 2042 | 106% | 123,532 | 266,408 | 0.00% | 283,353 | 23,750 | 1,470 | 0 | (1,250) | (580) |
| 2043 | 104% | 133,632 | 296,836 | 0.00% | 307,323 | 23,750 | 904 | 0 | (138,461) | (62,334) |
| 2044 | 103% | 81,979 | 187,561 | 0.00% | 193,516 | 23,750 | 669 | 0 | (71,570) | (31,282) |
| 2045 | 101% | 61,377 | 144,638 | 0.00% | 146,365 | 23,750 | 713 | 0 | (15,582) | (6,612) |
| Total | | | | | | 712,500 | 21,450 | 0 | (638,790) | (405,794) |
| Average | | | | | 152,420 | 23,750 | 715 | 0 | (21,293) | (13,526) |
| Maximum | | | 296,836 | | 307,323 | | 1,470 | 0 | (138,461) | (103,245) |
| Minimum | | | 70,210 | | 54,024 | | 210 | 0 | 0 | 0 |

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2016 Contributions

141.37 Monthly Per Unit

1,696.43 Annually Per Unit

1,979.17 Association Monthly

Baseline Funding Plan

Funding Plan Summary (Cash Flow)

October 10, 2015

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 | |
| 2016 | 39% | 153,319 | 153,319 | 0.00% | 60,086 | 19,092 | 311 | 0 | (7,399) | (7,399) | |
| 2017 | 45% | 156,008 | 160,689 | 0.00% | 72,090 | 19,092 | 320 | 0 | (17,557) | (17,046) | |
| 2018 | 47% | 149,051 | 158,128 | 0.00% | 73,945 | 19,092 | 200 | 0 | (43,561) | (41,060) | |
| 2019 | 38% | 118,103 | 129,054 | 0.00% | 49,676 | 19,092 | 296 | 0 | 0 | 0 | |
| 2020 | 48% | 128,216 | 144,308 | 0.00% | 69,064 | 19,092 | 374 | 0 | (3,893) | (3,458) | |
| 2021 | 54% | 134,870 | 156,351 | 0.00% | 84,637 | 19,092 | 471 | 0 | 0 | 0 | |
| 2022 | 60% | 144,983 | 173,117 | 0.00% | 104,200 | 19,092 | 569 | 0 | 0 | 0 | |
| 2023 | 65% | 155,095 | 190,748 | 0.00% | 123,861 | 19,092 | 32 | 0 | (126,978) | (103,245) | |
| 2024 | 20% | 62,649 | 79,362 | 0.00% | 16,007 | 19,092 | 110 | 0 | (3,647) | (2,879) | |
| 2025 | 34% | 70,569 | 92,076 | 0.00% | 31,561 | 19,092 | 52 | 0 | (30,782) | (23,592) | |
| 2026 | 26% | 57,775 | 77,645 | 0.00% | 19,922 | 19,092 | 27 | 0 | (23,993) | (17,853) | |
| 2027 | 21% | 50,721 | 70,210 | 0.00% | 15,049 | 19,092 | 123 | 0 | 0 | 0 | |
| 2028 | 39% | 61,519 | 87,712 | 0.00% | 34,264 | 19,092 | 85 | 0 | (26,781) | (18,784) | |
| 2029 | 34% | 53,534 | 78,617 | 0.00% | 26,660 | 19,092 | 181 | 0 | 0 | 0 | |
| 2030 | 47% | 64,333 | 97,309 | 0.00% | 45,933 | 19,092 | 247 | 0 | (6,136) | (4,057) | |
| 2031 | 53% | 71,075 | 110,732 | 0.00% | 59,136 | 19,092 | 292 | 0 | (10,301) | (6,612) | |
| 2032 | 56% | 75,261 | 120,772 | 0.00% | 68,218 | 19,092 | 366 | 0 | (4,620) | (2,879) | |
| 2033 | 60% | 83,181 | 137,485 | 0.00% | 83,056 | 19,092 | 341 | 0 | (24,469) | (14,804) | |
| 2034 | 58% | 79,175 | 134,791 | 0.00% | 78,020 | 19,092 | 426 | 0 | (2,367) | (1,391) | |
| 2035 | 61% | 88,583 | 155,331 | 0.00% | 95,171 | 19,092 | 524 | 0 | 0 | 0 | |
| 2036 | 64% | 99,382 | 179,495 | 0.00% | 114,786 | 19,092 | 566 | 0 | (11,076) | (6,132) | |
| 2037 | 64% | 103,929 | 193,339 | 0.00% | 123,369 | 19,092 | 640 | 0 | (4,960) | (2,666) | |
| 2038 | 64% | 111,943 | 214,494 | 0.00% | 138,141 | 19,092 | 697 | 0 | (8,374) | (4,370) | |
| 2039 | 64% | 118,252 | 233,381 | 0.00% | 149,555 | 19,092 | 796 | 0 | 0 | 0 | |
| 2040 | 65% | 128,932 | 262,092 | 0.00% | 169,443 | 19,092 | 729 | 0 | (33,186) | (16,326) | |
| 2041 | 60% | 123,286 | 258,134 | 0.00% | 156,077 | 19,092 | 719 | 0 | (21,846) | (10,434) | |
| 2042 | 58% | 123,532 | 266,408 | 0.00% | 154,042 | 19,092 | 812 | 0 | (1,250) | (580) | |
| 2043 | 58% | 133,632 | 296,836 | 0.00% | 172,696 | 19,092 | 219 | 0 | (138,461) | (62,334) | |
| 2044 | 29% | 81,979 | 187,561 | 0.00% | 53,546 | 19,092 | -42 | 0 | (71,570) | (31,282) | |
| 2045 | 1% | 61,377 | 144,638 | 0.00% | 1,025 | 19,092 | -25 | 0 | (15,582) | (6,612) | |
| Total | | | | | | 572,760 | 10,454 | 0 | (638,790) | (405,794) | |
| Average | | | | | | 81,441 | 19,092 | 348 | 0 | (21,293) | (13,526) |
| Maximum | | | 296,836 | | 172,696 | | 812 | 0 | (138,461) | (103,245) | |
| Minimum | | | 70,210 | | 1,025 | | -42 | 0 | 0 | 0 | |

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2016 Contributions

113.64 Monthly Per Unit

1,363.71 Annually Per Unit

1,591.00 Association Monthly

Recommended Funding Plan

Funding Plan Summary (Cash Flow)

October 10, 2015

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 | |
| 2016 | 39% | 153,319 | 153,319 | 0.00% | 60,086 | 21,000 | 316 | 0 | (7,399) | (7,399) | |
| 2017 | 46% | 156,008 | 160,689 | 0.00% | 74,003 | 21,000 | 335 | 0 | (17,557) | (17,046) | |
| 2018 | 49% | 149,051 | 158,128 | 0.00% | 77,780 | 21,000 | 224 | 0 | (43,561) | (41,060) | |
| 2019 | 43% | 118,103 | 129,054 | 0.00% | 55,443 | 21,000 | 330 | 0 | 0 | 0 | |
| 2020 | 53% | 128,216 | 144,308 | 0.00% | 76,772 | 21,000 | 417 | 0 | (3,893) | (3,458) | |
| 2021 | 60% | 134,870 | 156,351 | 0.00% | 94,297 | 21,000 | 524 | 0 | 0 | 0 | |
| 2022 | 67% | 144,983 | 173,117 | 0.00% | 115,821 | 21,000 | 632 | 0 | 0 | 0 | |
| 2023 | 72% | 155,095 | 190,748 | 0.00% | 137,452 | 21,000 | 105 | 0 | (126,978) | (103,245) | |
| 2024 | 40% | 62,649 | 79,362 | 0.00% | 31,579 | 21,000 | 192 | 0 | (3,647) | (2,879) | |
| 2025 | 53% | 70,569 | 92,076 | 0.00% | 49,125 | 21,000 | 144 | 0 | (30,782) | (23,592) | |
| 2026 | 51% | 57,775 | 77,645 | 0.00% | 39,486 | 21,000 | 130 | 0 | (23,993) | (17,853) | |
| 2027 | 52% | 50,721 | 70,210 | 0.00% | 36,624 | 21,000 | 236 | 0 | 0 | 0 | |
| 2028 | 66% | 61,519 | 87,712 | 0.00% | 57,859 | 21,000 | 208 | 0 | (26,781) | (18,784) | |
| 2029 | 67% | 53,534 | 78,617 | 0.00% | 52,286 | 21,000 | 314 | 0 | 0 | 0 | |
| 2030 | 76% | 64,333 | 97,309 | 0.00% | 73,600 | 21,000 | 390 | 0 | (6,136) | (4,057) | |
| 2031 | 80% | 71,075 | 110,732 | 0.00% | 88,854 | 21,000 | 445 | 0 | (10,301) | (6,612) | |
| 2032 | 83% | 75,261 | 120,772 | 0.00% | 99,998 | 21,000 | 529 | 0 | (4,620) | (2,879) | |
| 2033 | 85% | 83,181 | 137,485 | 0.00% | 116,907 | 21,000 | 515 | 0 | (24,469) | (14,804) | |
| 2034 | 85% | 79,175 | 134,791 | 0.00% | 113,953 | 21,000 | 610 | 0 | (2,367) | (1,391) | |
| 2035 | 86% | 88,583 | 155,331 | 0.00% | 133,196 | 21,000 | 718 | 0 | 0 | 0 | |
| 2036 | 86% | 99,382 | 179,495 | 0.00% | 154,915 | 21,000 | 772 | 0 | (11,076) | (6,132) | |
| 2037 | 86% | 103,929 | 193,339 | 0.00% | 165,611 | 21,000 | 856 | 0 | (4,960) | (2,666) | |
| 2038 | 85% | 111,943 | 214,494 | 0.00% | 182,506 | 21,000 | 923 | 0 | (8,374) | (4,370) | |
| 2039 | 84% | 118,252 | 233,381 | 0.00% | 196,055 | 21,000 | 1,033 | 0 | 0 | 0 | |
| 2040 | 83% | 128,932 | 262,092 | 0.00% | 218,088 | 21,000 | 977 | 0 | (33,186) | (16,326) | |
| 2041 | 80% | 123,286 | 258,134 | 0.00% | 206,879 | 21,000 | 978 | 0 | (21,846) | (10,434) | |
| 2042 | 78% | 123,532 | 266,408 | 0.00% | 207,010 | 21,000 | 1,081 | 0 | (1,250) | (580) | |
| 2043 | 77% | 133,632 | 296,836 | 0.00% | 227,841 | 21,000 | 499 | 0 | (138,461) | (62,334) | |
| 2044 | 59% | 81,979 | 187,561 | 0.00% | 110,880 | 21,000 | 249 | 0 | (71,570) | (31,282) | |
| 2045 | 42% | 61,377 | 144,638 | 0.00% | 60,559 | 21,000 | 277 | 0 | (15,582) | (6,612) | |
| Total | | | | | | 630,000 | 14,958 | 0 | (638,790) | (405,794) | |
| Average | | | | | | 110,516 | 21,000 | 499 | 0 | (21,293) | (13,526) |
| Maximum | | | 296,836 | | 227,841 | | 1,081 | 0 | (138,461) | (103,245) | |
| Minimum | | | 70,210 | | 31,579 | | 105 | 0 | 0 | 0 | |

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2016 Contributions

125.00 Monthly Per Unit

1,500.00 Annually Per Unit

1,750.00 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:

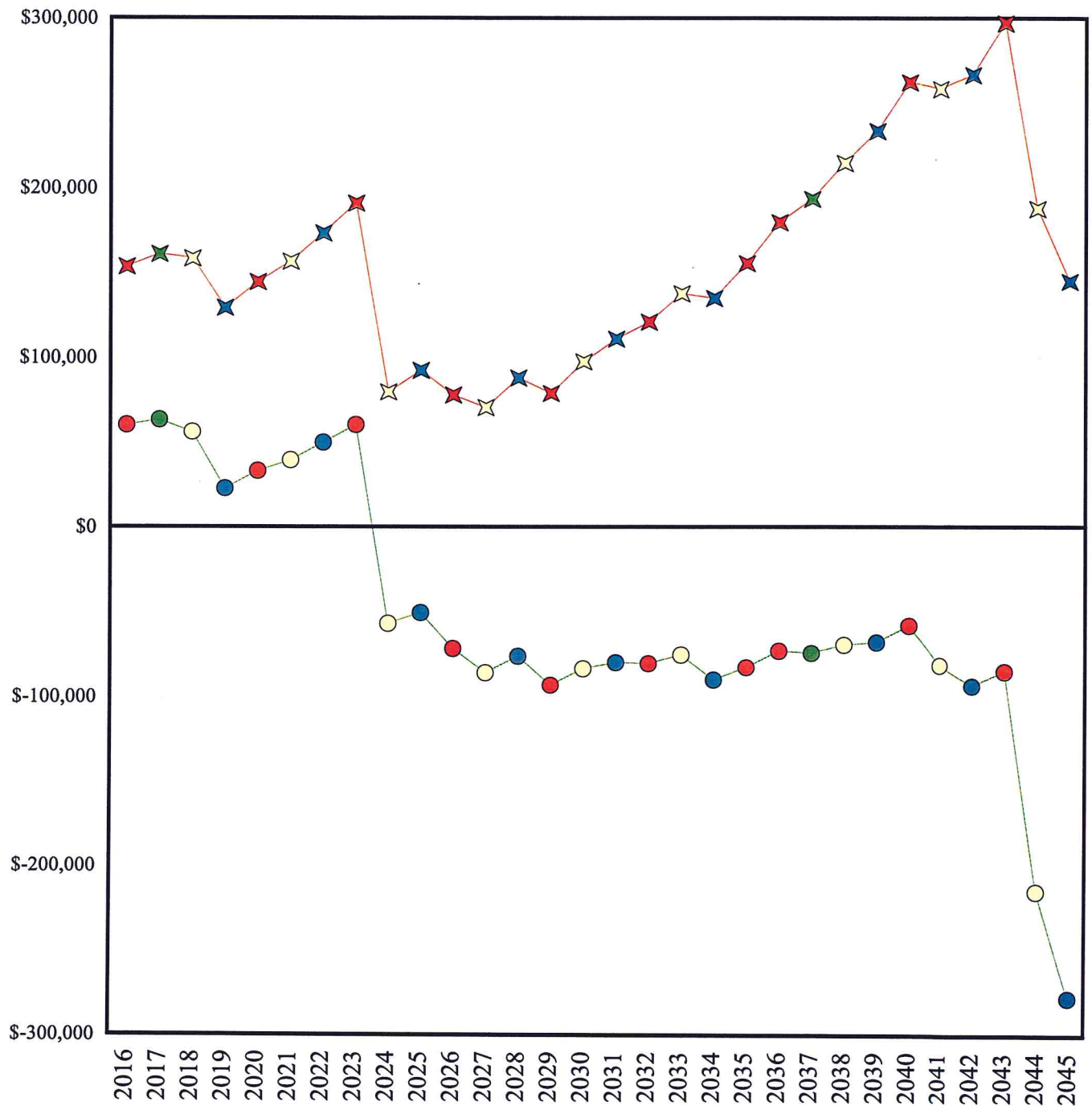
$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

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

October 10, 2015

THE GAYLE

| <u>Item Description</u> | <u>Useful Life</u> | <u>Life Left</u> | <u>Year Replace</u> | <u>Total Item Cost</u> | <u>Ideal Balance</u> | <u>Actual Balance</u> | <u>2016 Contribution</u> |
|-------------------------|--------------------|------------------|---------------------|------------------------|----------------------|-----------------------|--------------------------|
|-------------------------|--------------------|------------------|---------------------|------------------------|----------------------|-----------------------|--------------------------|

100 - Grounds

| | | | | | | | |
|---|----|----|---------|-------|-----|-----|----|
| Mailboxes - Apartment Style, Wall Units | 30 | 13 | 2028 | 869 | 522 | 0 | 32 |
| Skylights | 18 | 3 | 2018 | 522 | 464 | 464 | 13 |
| SubTotal | | | 2 items | 1,391 | 985 | 464 | 45 |

| | | | | | | | |
|--------------|--|--|----------|---------|---------|--------|--------|
| Total | | | 21 items | 207,107 | 153,319 | 60,086 | 10,152 |
|--------------|--|--|----------|---------|---------|--------|--------|

0.50% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

Ideally Funded - 39%

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

AICPA Report

October 10, 2015

THE GAYLE

| <u>Components</u> | Remaining Estimated Useful <u>Lives (Years)</u> | Current Estimated Replacement <u>Costs</u> | FY16 Funding <u>Requirement</u> | Components of Fund Balance <u>End of FY15</u> |
|----------------------|--|---|---------------------------------------|--|
| Roofs | 10 to 10 | 17,853 | 787 | 0 |
| Painting | 0 to 1 | 14,954 | 811 | 13,650 |
| Lights | 4 to 14 | 3,536 | 184 | 0 |
| Buildings - Interior | 1 to 12 | 8,930 | 271 | 7,398 |
| Buildings - Exterior | 2 to 9 | 73,926 | 4,825 | 1,613 |
| Equipment | 0 to 20 | 86,517 | 3,229 | 36,961 |
| Grounds | 2 to 12 | 1,391 | 45 | 464 |
| Total | <i>21 items</i> | 207,107 | 10,152 | 60,086 |

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

AICPA Report

October 10, 2015

THE GAYLE

| <u>Components</u> | <u>Remaining Estimated Useful Lives (Years)</u> | <u>Current Estimated Replacement Costs</u> | <u>FY16 Funding Requirement</u> | <u>Components of Fund Balance End of FY15</u> |
|---|---|--|---|---|
| <u>20 - Roofs</u> | | | | |
| Roofing Replacement | 10 | 17,853 | 787 | 0 |
| SubTotal <i>1 items</i> | 10 to 10 | 17,853 | 787 | 0 |
| <u>30 - Painting</u> | | | | |
| Paint - Exterior Entryway & Stairway | 0 | 2,666 | 168 | 2,666 |
| Paint - Exterior, Concrete Wall | 0 | 1,854 | 68 | 1,854 |
| Paint - Interior Common Areas | 1 | 10,434 | 575 | 9,130 |
| SubTotal <i>3 items</i> | 0 to 1 | 14,954 | 811 | 13,650 |
| <u>50 - Lights</u> | | | | |
| Lighting - Emergency Backup & Exit | 14 | 1,391 | 44 | 0 |
| Lighting - Exterior Fixtures | 4 | 580 | 64 | 0 |
| Lighting - Interior Common Fixtures | 9 | 1,566 | 77 | 0 |
| SubTotal <i>3 items</i> | 4 to 14 | 3,536 | 184 | 0 |
| <u>70 - Buildings - Interior</u> | | | | |
| Fire Extinguisher Cabinets | 12 | 927 | 34 | 0 |
| Flooring - Hallway Carpet | 1 | 4,868 | 153 | 4,520 |
| Flooring - Stair Carpet | 1 | 1,744 | 55 | 1,619 |
| Security - Intercom System Remote Station | 2 | 1,391 | 29 | 1,258 |
| SubTotal <i>4 items</i> | 1 to 12 | 8,930 | 271 | 7,398 |
| <u>75 - Buildings - Exterior</u> | | | | |
| Balcony/Landing/Railing Allowance | 9 | 11,593 | 568 | 0 |
| Fire Escape - Inspection & Repair | 2 | 4,370 | 608 | 1,613 |
| Tuck Point & Refurbish Brick Wall | 7 | 57,963 | 3,650 | 0 |
| SubTotal <i>3 items</i> | 2 to 9 | 73,926 | 4,825 | 1,613 |
| <u>80 - Equipment</u> | | | | |
| Boiler | 7 | 38,245 | 2,408 | 0 |
| Boiler Room Venting | 20 | 2,732 | 60 | 0 |
| Electrical Service & Wiring Allowance | 2 | 34,778 | 153 | 34,082 |

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

AICPA Report

October 10, 2015

THE GAYLE

| <u>Components</u> | <u>Remaining Estimated Useful Lives (Years)</u> | <u>Current Estimated Replacement Costs</u> | <u>FY16 Funding Requirement</u> | <u>Components of Fund Balance End of FY15</u> |
|---|---|--|---|---|
| Plumbing - Hot Water Tank | 12 | 7,884 | 290 | 0 |
| Plumbing - Piping Retrofit Allowance | 0 | 2,879 | 317 | 2,879 |
| <hr/> | | | | |
| SubTotal <i>5 items</i> | 0 to 20 | 86,517 | 3,229 | 36,961 |
| <u>100 - Grounds</u> | | | | |
| Mailboxes - Apartment Style, Wall Units | 12 | 869 | 32 | 0 |
| Skylights | 2 | 522 | 13 | 464 |
| <hr/> | | | | |
| SubTotal <i>2 items</i> | 2 to 12 | 1,391 | 45 | 464 |
| <hr/> | | | | |
| Total <i>21 items</i> | | 207,107 | 10,152 | 60,086 |

COMPONENT INVENTORY WORKSHEET

DISCLOSURES

RESERVE STUDY TERMS

Worksheet

October 10, 2015

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 Replace</u> | <u>One Life Left Time?</u> |
|-------------------------|------------------|------------------------|------------------|------------------|----------|------------------------|-------------------|------------------------|---------------------|----------------------------|
|-------------------------|------------------|------------------------|------------------|------------------|----------|------------------------|-------------------|------------------------|---------------------|----------------------------|

20 - Roofs

| | | | | | | | | | | |
|---------------------|----|---|-------------|------------|-----|--------|------|----|---|------------|
| Roofing Replacement | 20 | 0 | 1 Allowance | 17,852.800 | 100 | 17,853 | 2008 | 18 | 0 | 2026 11 no |
|---------------------|----|---|-------------|------------|-----|--------|------|----|---|------------|

Comments: Roofing Replacement

Useful Life Range 10 - 20 years

Budget to replace the roofing on an eighteen year cycle.

Sub-Total

1 items

30 - Painting

| | | | | | | | | | | |
|---------------------------------|----|---|-------------|-----------|-----|-------|------|----|---|-----------|
| Paint - Exterior, Concrete Wall | 30 | 0 | 1 Allowance | 1,854.000 | 100 | 1,854 | 2004 | 12 | 0 | 2016 1 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 | 2,666.320 | 100 | 2,666 | 2009 | 7 | 0 | 2016 1 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 | 10,433.900 | 100 | 10,434 | 2009 | 8 | 0 | 2017 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

October 10, 2015

Sorted by Group

THE GAYLE

Item Description

Sub-Total

3 items

Sub-Group Number
Of Items Item Type

Item Cost % Total Year Useful Life Year Life One
Item Cost Built Life Adj Replace Left Time?

50 - Lights

Lighting - Exterior Fixtures

50 0 1 Allowance 579.630 100 580 1998 22 0 2020 5 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 1,565.600 100 1,566 2000 25 0 2025 10 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 1,390.500 100 1,391 2000 30 0 2030 15 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 927.410 100 927 1998 30 0 2028 13 no

Comments: Fire Extinguisher Cabinets

*Useful Life Range 15 - 30+ years

Worksheet

October 10, 2015

Sorted by Group
THE GAYLE

| Item Description | Sub-Group | Number | Item Type | Item Cost | % | Total Year Useful Life | Year Life | One |
|--|-----------|--------|-----------------|------------|-----|------------------------|-----------|-----------|
| Allowance to replace fire extinguisher cabinets on a thirty year cycle. | | | | | | | | |
| Flooring - Hallway Carpet | 70 | 0 | 100 Square Yard | 48,680 | 100 | 4,868 2003 | 14 | 0 2017 2 |
| 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 | 49,830 | 100 | 1,744 2003 | 14 | 0 2017 2 |
| 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 | 1,390.500 | 100 | 1,391 1997 | 16 | 5 2018 3 |
| 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 | 11,592.650 | 100 | 11,593 2010 | 15 | 0 2025 10 |
| 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 | 57,963.250 | 100 | 57,963 1998 | 20 | 5 2023 8 |

Worksheet

October 10, 2015

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 Year Built</u> | <u>Useful Life</u> | <u>Year Life</u> | <u>One</u> |
|--|------------------|------------------------|------------------|------------------|----------|-------------------------|--------------------|------------------|------------|
| <u>Comments: Tuck Point & Refurbish Brick Wall</u> | | | | | | | | | |
| *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 | 4,370.290 | 100 | 4,370 2013 | 5 0 | 2018 3 | no |
| <u>Comments: Allowance for fire escape inspection and repair.</u> | | | | | | | | | |
| Sub-Total 3 items | | | | | | | | | |
| 80 - Equipment | | | | | | | | | |
| Boiler | 80 | 0 | 1 Allowance | 38,244.930 | 100 | 38,245 1978 | 40 5 | 2023 8 | no |
| <u>Comments: Boiler</u> | | | | | | | | | |
| *Useful Life Range* 25 - 40 years | | | | | | | | | |
| Budget to replace the boiler at forty-five years. | | | | | | | | | |
| Plumbing - Piping Retrofit Allowance | 80 | 0 | 1 Allowance | 2,878.850 | 100 | 2,879 2008 | 4 4 | 2016 1 | no |
| <u>Comments: Plumbing - Piping Retrofit Allowance</u> | | | | | | | | | |
| Allowance for plumbing/piping repairs and replacements as necessary, scheduled on a four year cycle. | | | | | | | | | |
| Plumbing - Hot Water Tank | 80 | 0 | 1 Allowance | 7,883.620 | 100 | 7,884 2012 | 16 0 | 2028 13 | no |
| <u>Comments: Plumbing - Hot Water Tank</u> | | | | | | | | | |
| *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 | 34,777.950 | 100 | 34,778 1918 | 99 1 | 2018 3 | no |
| <u>Comments: Electrical Service & Wiring Allowance</u> | | | | | | | | | |

Worksheet

October 10, 2015

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 Built</u> | <u>Year Useful Life Adj</u> | <u>Year Life Replace Left</u> | <u>One Time?</u> |
|--|-----------------------|------------------------|------------------|------------------|----------|------------------------|-----------------------------|-------------------------------|----------------------------|
| Allowance for electrical service and wiring upgrades. | | | | | | | | | |
| Boiler Room Venting | 80 | 0 | 1 Allowance | 2,731,820 | 100 | 2,732 | 2013 | 23 | 0 2036 21 YES |
| Comments: One Time Replacement - Allowance for boiler venting | | | | | | | | | |
| ----- | | | | | | | | | |
| Sub-Total | 5 items | | | | | | | | |
| ----- | | | | | | | | | |
| <u>100 - Grounds</u> | | | | | | | | | |
| Mailboxes - Apartment Style, Wall Units | 100 | 0 | 1 Allowance | 869,440 | 100 | 869 | 1998 | 30 | 0 2028 13 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 | 521,670 | 100 | 522 | 2000 | 18 | 0 2018 3 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. |

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| 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> <p><i>Ideal Balance = (Current Age/Useful Life) x Current Cost</i></p> <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. |

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| 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. |