

A RESERVE STUDY FOR

**ABC
HOMEOWNER'S ASSOCIATION, INC.
ANYTOWN, USA
File # 22920-01234**

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FOR PERIOD: JANUARY 1, 2010 – DECEMBER 31, 2010

PREPARED BY

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November 1, 2009

ABC Homeowner's Association, Inc.
Attn: Board of Directors
1234 Main Street
Anytown, USA 12345

Dear Board of Directors:

On October 4, 2009, we made an on-site visit of ABC Homeowner's Association, Inc. common area reserve items. The intent of this report is to show cash reserves necessary for the future repair or replacement of expendable components incorporated into the subject property. The purpose of this report is to aid ABC Homeowner's Association, Inc. in making a determination for cash reserves that are needed to repair or replace short-lived building and/or site components.

The report identifies each component selected, it's estimated useful life, adjusted life, scheduled replacement date, and current and future cost to replace. The useful and remaining lives of the building components in this study, as well as the current replacement costs, have been selected from industry standards and cost estimating services. This report is classified as a full reserve study under the guidelines of the National Reserve Study Standards of the Community Associations Institute, and conforms to the Community Associations Institute Professional Reserve Specialist Code of Ethics. The reserve specialist/GAB Robins have no relationships with the association that would result in actual or perceived conflicts of interest.

This report is our opinion and is based upon observed condition and state of repair. Items may not last as long as projected or may exceed their estimated lives. Influences such as weather, catastrophe, improper maintenance, physical abuse, or abnormal use can affect these lives and/or replacement costs. When such occurrences happen, another inspection should be made and a new revised study prepared. While we have attempted to create a useful tool for the association to plan their needs, the actual reserves set aside are solely at the association's discretion. The findings of this study are not for use in performing an audit, quality/forensic analyses, or background checks of historical records.

In conducting the study, the reserve specialist made a physical on-site visit of the property. Appropriate measurements and counts were taken to determine quantities (plans were also

used to aid in the determination of quantities). Current financial data and property histories provided by you were utilized in the completion of this report; data was also gleaned from a prior reserve analysis. This data was not audited, and was assumed to be completed and correct. The reserve specialist estimated the repair or replacement cost taking into account contingencies inherent to this type of work. The report was prepared utilizing the information gathered in the field and the costs estimated by the reserve specialist.

Respectfully submitted,
GAB Robins North America, Inc.

Stephen F. Brubaker, RS, CCI
Reserve Specialist, Community Associations Institute

PROJECT OVERVIEW

The subject of this reserve study is the common areas within ABC Homeowner's Association, Inc., a 379 unit residential development located in Anytown, USA. The common areas were constructed in 2002, and include a clubhouse, swimming pool, tennis courts, asphalt paved roadways and parking areas, concrete sidewalks and curbing, entry and street signage, privacy wall, street/site lighting, landscaping and irrigation systems, and drainage and retention systems. The common areas also reportedly include privacy walls between the duplex units identified as the Capri units. As of the date of our latest physical inspection, the common areas were observed to be in good overall condition, with no significant items of deferred maintenance noted.

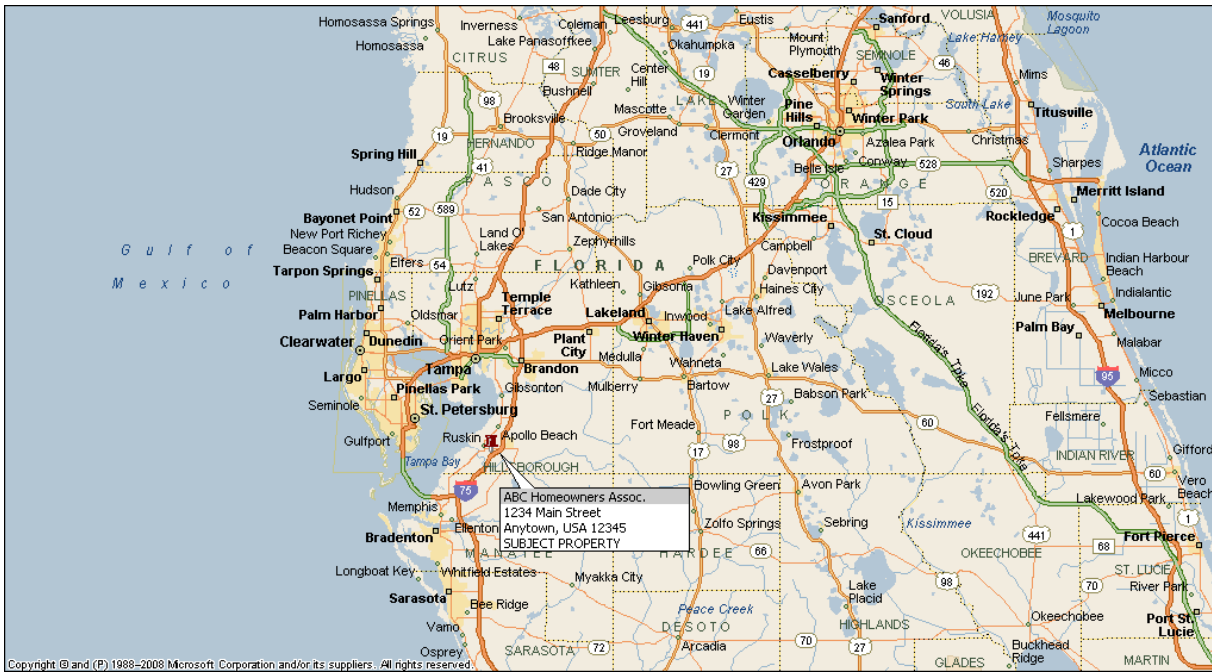
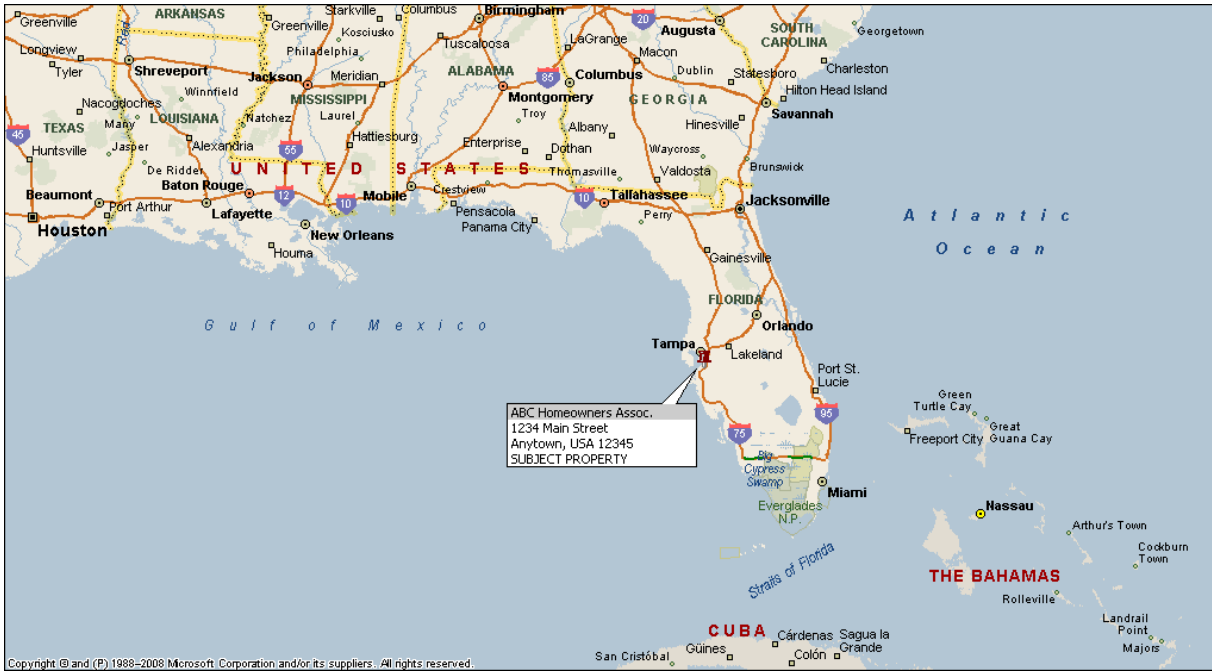
The clubhouse, pictured above, is a +/- 8,100 square foot, single story building of concrete block/stucco construction, with painted stucco exteriors and pitched tile roofing. The clubhouse supports an entry porte cochere, two multipurpose rooms (one with catering/residential grade kitchen), fitness center, post office, manager's office, men's and women's restrooms, covered verandas, and typical storage and mechanical rooms. The interior finishes are representative of a good quality property, with upgraded carpet and ceramic tile flooring, painted gypsum board interior walls with decorative millwork and finish carpentry, 2' X 2' drop acoustical tile ceilings (14' in primary multipurpose room), good quality built ins (doors/frames, storefront glass, cabinetry, countertops, vanities, etc., and plumbing and electrical fixtures), and inventories of good quality furniture/furnishings and commercial grade fitness equipment. Air conditioning is via split HVAC systems, with interior air handlers and exterior ground mounted condensers.

The adjacent pool is of standard concrete/gunite construction, and is supported by brick paver decking, perimeter fencing and gates, and inventories of equipment and deck furniture. The tennis courts are asphalt paved, with perimeter fencing and gates, lighting, shade canopies, and furniture.

This report is designed to provide reasonable, appropriate budgetary cost and useful life data based on market standards for the subject's property type. Reserves are only calculated for the replacement of short-lived building or site components. This includes components that require replacement prior to the overall estimated end life of the buildings or structures.

The following pages present a location map, photographic gallery of the common areas, and synopsis of the included reserve components.

PROPERTY LOCATION MAP



FINAL REPORT WILL INCLUDE FULL PHOTO GALLERY

PROJECT OVERVIEW – Continued;

Clubhouse Interiors

This reserve category was included so that the association can consider both short and longer lived cosmetic upgrades to the clubhouse interiors. In order to maximize property values, these expenses should be expected on a periodic basis. As is the case with any cosmetic upgrade, costs and useful lives may vary slightly from property to property due to individual association tastes and preferences.

Carpeting, Clubhouse – In better quality properties like the subject, carpet replacement is typically completed on a 7-12 year life cycle. Utilizing a placed in service date of 2002 and a 10 year life cycle suggests this expense in 2012 in the clubhouse. The current costs, which include removal and disposal of the existing carpeting and replacement with like quality, are summarized as follows:

<u>Floor Area</u>	<u>Size +/-*</u>	<u>Unit Cost</u>	<u>Total Cost</u>
Admin. Office	20.6 square yards	\$29.90/sq.yd.	\$ 616
Fitness Center	175 square yards	\$46.50/sq.yd.	\$ 8,138
Multipurpose 1	175 square yards	\$46.50/sq.yd.	\$ 8,138
Multipurpose 2	93 square yards	\$46.50/sq.yd.	\$ 4,325

Replacement of the tile flooring in the restrooms and kitchen areas will be analyzed separately.

Exercise Equipment Replacement – The clubhouse’s fitness room features inventories of better quality cardiovascular (treadmills, 3, elliptical trainers, 2, recumbent bike) and strength training (weight stations, 8) equipment, as well as typical miscellaneous exercise equipment. In the case of cardiovascular equipment, replacement can be expected on a 6-8 year life cycle due to its greater amount of usage. Strength training equipment can last 10-12 years. These life cycles recognize that as needed inventory replacements will be necessary from time to time. For the purposes of this analysis, we have included separate line items for the cardio and strength training equipment, at costs representative of the current quality.

Furniture/Furnishings, Clubhouse – While miscellaneous replacements will be necessary from time to time, the association should expect to incur costs associated with inventory replacement of the furniture/furnishings (tables, chairs, sofas, window treatments, artwork, silk plants, lamps/light fixtures, kitchen appliances, etc.) on a 12-15 year life cycle, while replacement of administrative office furnishings can often last up to 20 years under normal operating conditions. We have therefore forecast inventory replacement of the furniture/furnishings in the multipurpose rooms in 2016 and the office furnishings in 2022. The current costs are based on our experience with furnishings upgrades on an average \$/square foot of building area.

HVAC Units, Clubhouse – Each of the air handlers and condenser units have been included in our analysis, based on the observation that these units do not typically require replacement in

PROJECT OVERVIEW – Continued;

total. In the property's location outside an oceanfront environment, a useful life of 15-16 years can realistically be expected for the condensers, while the air handlers should last 20-25 years with routine maintenance. The cost for each unit is based on its size in tons (4 and 5 tons are the sizes) and our experience with residential/commercial grade split units on an average \$/ton basis.

Kitchen Renovation, Clubhouse – To insure a modern cosmetic appeal, the association should expect to incur costs associated with major renovation of the kitchen and restroom interiors on an approximate 25 year life cycle. The kitchen renovation includes, but is not necessarily limited to, cabinetry and countertops replacement, tile flooring, plumbing and electrical fixtures, etc. This expense has been forecast in 2026, at a cost representative of the size of the clubhouse kitchen.

Restrooms Renovation, Clubhouse – Major interior renovation of the clubhouse interior and pool restrooms, including tile flooring and wall finishes, dividers, vanities/countertops, mirrors, lighting and plumbing fixtures, etc., should be expected on a similar life cycle as kitchen renovation. This expense has been forecast in 2026, at a cost representative of the size of the clubhouse restrooms. This cost also includes the tile flooring in the small hallway area adjacent to the restrooms.

Wall Finishes, Clubhouse – Like furniture/furnishings replacement, interior painting and wall/door finish upgrade can be expected on a 12-15 year life cycle. This life cycle assumes routine in house repairs and touch ups over the life of the paint/wall finishes. Since it is likely that this upgrade will be completed in full for all of the clubhouse interiors, we have included a single line item. This expense has been forecast in 2016. The current cost is based on an approximate wall area of 5,640 square feet and a unit cost of \$0.98/sq.ft., a total of 9 interior doors/frames at a per door/frame cost of \$45.60, and a 15% contingency for painting/refinishing of the trim. This calculates to a total cost of \$6,828, which we have rounded to \$6,830.

Irrigation Systems

Irrigation Pumps/Equipment – A determination of the design quality, efficiency, and current condition of the in ground irrigation lines is beyond the scope of this analysis. In our experience, as needed repairs to irrigation lines, sprinkler heads, etc. are funded through an association's annual operating budget, given the unpredictability of cost and life. Typically, repairs costs are not excessive. Therefore, we have excluded the in ground irrigation systems from this analysis. However, the association should expect to incur costs associated with replacement of the irrigation system pumps, controllers, and other equipment on a fairly regular basis. The common areas include seven pump stations, each with 2 5 HP pumps. A line item has been included for each of these pumps stations. While as needed repairs will be necessary on an ongoing basis, data taken from similar properties reflects a typical life in the 11-12 year range. These expenses have been scheduled in 2014.

PROJECT OVERVIEW – Continued;

Painting & Waterproofing

Paint Exteriors, XXX Walls - The market suggests that a properly installed and maintained exterior painting job should have a useful life of six to seven years under normal operating conditions. Of note is the observation that some properties require repainting on a 4-5 year life cycle during the first repainting cycle. Since there were no reported plans to paint in the near future, exterior painting costs have been scheduled for 2010.

According to the property manager, the association is responsible for repainting of the dividing walls between the XXX duplex units, each of which measures roughly 30 feet in length and 6 feet in height. There are a total of 74 lengths of XXX walls, suggesting a total square footage on the order of 26,640 square feet. Under normal operating conditions, total replacement of concrete privacy/divider walls should not be necessary under normal operating conditions. Therefore, reserving for total replacement is not considered prudent or practical. The current cost includes typical minor repairs to the exterior stucco/concrete finishes and repainting, and is reflective of a unit cost of \$0.81/square foot. The total cost is therefore \$21,578.

Paint Exteriors, Clubhouse – This expense has also been forecast in fiscal year 2010, based on similar criteria. The current cost, which includes surface preparation, typical minor repairs to the exterior concrete/stucco systems, as needed window caulking, and repainting of all exterior concrete, stucco and metal surfaces, is based on our experience with clubhouse painting costs in similar properties.

Paint Exteriors, Privacy Wall – This reserve is designed to provide monies for periodic repainting of the +/- 5,200 linear foot privacy/perimeter wall along the property’s eastern and northeastern property boundaries, which should be necessary on a similar life cycle as the XXX walls and clubhouse exteriors, 6-7 years. The current cost includes surface preparation and typical minor repairs to the exterior concrete/stucco finishes.

Pavement

Asphalt Overlay - A properly designed, installed and maintained asphalt roadway or parking area should require an asphalt overlay on an 18-20 year basis. No professional pavement assessments were provided that would suggest that physical conditions exist that would limit the useful life of the asphalt paving. Based the 2002 installation date, these expense should be expected at or near 2022. The paved areas are based on a site/irrigation plan provided by the association, which was assumed to be complete and correct. The paved areas have been rounded to the nearest 5 square yards. The current costs, which include minor structural repairs to the underlying road subbase and curbing/drainage, installation of a 1” – 1.25” asphalt overlay, restriping and curb stops replacement, are summarized as follows:

<u>Paved Area</u>	<u>Size +/-</u>	<u>Unit Cost</u>	<u>Total Cost</u>
Clubhouse	2,690 sq.yds.	\$7.66/sq.yd.	\$ 20,605
AA Avenue	1,655 sq.yds.	\$7.28/sq.yd.	\$ 12,048

PROJECT OVERVIEW – Continued;

BB Avenue	8,570 sq.yds.	\$7.28/sq.yd.	\$ 62,390
CC Avenue	1,350 sq.yds.	\$7.28/sq.yd.	\$ 9,828
DD Avenue	2,195 sq.yds.	\$7.28/sq.yd.	\$ 15,980
EE Avenue	7,100 sq.yds.	\$7.28/sq.yd.	\$ 51,688
FF Avenue	1,190 sq.yds.	\$7.28/sq.yd.	\$ 8,663
GG Avenue	980 sq.yds.	\$7.28/sq.yd.	\$ 7,134
HH Avenue	1,575 sq.yds.	\$7.28/sq.yd.	\$ 11,466
II Avenue	1,425 sq.yds.	\$7.28/sq.yd.	\$ 10,374
JJ Avenue	7,460 sq.yds.	\$7.28/sq.yd.	\$ 54,309
KK Avenue	1,415 sq.yds.	\$7.28/sq.yd.	\$ 10,301
LL Avenue	5,740 sq.yds.	\$7.28/sq.yd.	\$ 41,787
MM Avenue	8,640 sq.yds.	\$7.28/sq.yd.	\$ 62,899

Asphalt Sealcoat, Clubhouse - Sealcoating the subject's clubhouse parking and drives serves as not only a cosmetic upgrade, but also helps insure that there is no water intrusion into the underlying road/base structures. Without periodic sealcoating, the road subbase can be compromised, which can cause premature deterioration, potholes, and the need for more frequent (and costly) asphalt overlays. Based on an approximate surface area of 2,690 square yards and industry standards that suggest a cost in the \$1.03 - \$1.15 per square yard, the current cost estimate is roughly \$3,000. This expense has been scheduled as of fiscal year 2011, and at a market supported recurring 4 year useful life cycle.

The association may wish to consider periodic sealcoating/rejuvenation of the asphalt paved roadways as well. We have encountered several properties of similar design that had not previously sealcoated their interior roadways, but due to premature asphalt deterioration, decided to complete this upgrade to maximize the useful life of their asphalt paving. The total cost for sealcoating the interior roadways is estimated at +/- \$70,000. This upgrade is typically completed on a 3-5 year life cycle.

Concrete Sidewalks/Paving – Under normal operating conditions, total replacement of the common area concrete paving (sidewalks, curbing, etc.) should not be necessary at any one given time. Therefore, reserving for total replacement is not considered prudent or practical. Given the uncertainty of costs and useful lives, some associations choose to fund as needed repairs/replacements to their concrete paving through their annual operating budgets rather than via reserves. For the purposes of this analysis, we have included a line item by which monies will be available for larger expenses on a 10 year life cycle, to begin 20 years into the life of this paving. The current cost is based on the +/- 7 miles of sidewalks and our experience with sidewalk/concrete costs. This fund is a projection only; actual costs and time frames may vary from our estimates.

Pool

Pool Deck Fencing & Gates – Assuming routine maintenance, total replacement of the metal fencing and gates at the pool perimeter should not be necessary for up to 25 years. For the

PROJECT OVERVIEW – Continued;

purposes of this analysis, this expense has been forecast in 2026. The current cost, which includes removal and disposal of the existing fencing and gates and replacement with similar property, is based on the approximate linear footage of 250 feet and a unit cost of \$42.45 per linear foot. This suggests a total current replacement cost of \$10,613.

Pool Deck Furniture Replacement – While minor inventory replacements will be necessary from time to time, most properties complete major pool and spa deck furniture replacement on a maximum 10-12 year life cycle. This expense has been forecast in 2012 accordingly. The current cost is based on the quality of the existing inventory (chaise lounges, 16, tables, 3, chairs, 20, occasional/end tables, 10), retail pricing guides, and our experience with pool furniture replacement on both an average \$/piece and lump sum basis in similar resort quality pools.

Pool Deck Pavers Repair/Replacement – This fund is designed to provide monies for major restoration and eventual replacement of the brick paver decking at the pool. This upgrade is typically included in reserve budgets on a 20-25 year life cycle; utilizing a 24 year life cycle indicates this expense in 2026. The current cost estimate includes removal and disposal of the existing pavers and installation with like quality, and is reflective of a unit cost of \$5.89/square foot and the total area of +/- 3,700 square feet.

Pool Interior Resurfacing & Tile – With proper installation, chemical balancing, and routine maintenance, interior resurfacing/restoration can be expected on a 10-15 year life cycle. Better quality properties like the subject tend towards the lower end of that range. For the purposes of this analysis, we forecast this expense in fiscal year 2014. The current cost, which includes typical minor structural repairs to the pool tank/structure, resurfacing with an aggregate material, and tile upgrades/replacements, is based on known costs for pool interior renovation on both a \$/square foot of surface area and lump sum basis. The association's pool is free form, with an approximate surface area of 1,760 square feet.

Roofing

Roof Replacement, Clubhouse – The clubhouse features pitched tile roofing; this type of roofing should enjoy a useful life of up to 30 years under normal operating conditions. Since no professional roofing studies were provided that would indicate physical conditions exist that would limit the useful life of this roofing, this expense has been forecast in 2032. The current cost, which includes expenses associated with tear off and disposal of the existing roofing, typical incidental repairs to the underlying roof structures, flashing, fascia, soffits, etc., is based on market standards that suggest a unit cost in the low to high \$700 per square from range (one square = 100 square feet). The roof has a total area of +/- 95.1 squares. For the purposes of this analysis, a current cost estimate of \$71,800 has been utilized.

Signage

Signage Allowances– We have also included reserves for major restoration of the main entry signage (lettering/finishes, trim, lighting, etc.), as well as replacement of the inventory of

PROJECT OVERVIEW – Continued;

street and direction signs. The costs for each are based on known costs for signage upgrades in better quality properties like the subject. While a main entry sign expense can be expected on a 12-15 year life cycle, the street/direction signs may last 25-30 years under normal operating conditions.

Tennis Courts

Tennis Court Canopies/Furnishings – On an approximate 7-8 year life cycle, the association should expect to incur costs associated with replacement of the two shade canopy awnings. This expense has been forecast in 2010, to be completed in conjunction with resurfacing of the tennis courts. The current cost is based on the size of these canopies, and includes an allowance for replacement of the inventory of exterior tables and chairs supporting the tennis courts.

Tennis Court Fencing & Gates Replacement – Barring any unforeseen storm damage, the 10' coated chain link fencing at the tennis courts can expect a life cycle in the 25 year range. This expense has been scheduled in 2027 accordingly. The current cost, which includes removal and disposal of the existing fencing and gates and replacement with like quality, is based on known costs for tennis court fencing on an average \$/linear foot and \$/court basis.

Tennis Court Lighting Replacement – Replacement of the 12 light poles and 16 shoebox light fixtures at the tennis courts should be necessary on a life cycle similar to the fencing and gates. At an estimated \$1,700 per pole, the current cost equates to \$20,400.

Tennis Court Resurfacing – Tennis court resurfacing in better quality properties like the subject can be expected on a 6-8 year life cycle, to insure proper protection of the underlying court structures and a high cosmetic appeal. Therefore, the association should expect to incur costs associated with this upgrade no later than 2010. The market indicates a per court cost in the mid \$2,000 to low \$3,000 range, often depending on the scope of repairs necessary to the underlying court structures.

FUNDING ANALYSIS

RESERVE STUDY ANALYSIS

There are two generally accepted means of estimating reserves; the Component Funding Method and the Cash Flow Method. The **Component Funding Analysis** calculates the annual contribution amount for each individual line item component by dividing the component's unfunded balance by its remaining useful life. A component's unfunded balance is its replacement cost less the reserve balance in the component at the beginning of the analysis period. The annual contribution rate for each individual line item component is then summed to calculate the total annual contribution rate for this analysis.

The **Cash Flow Analysis** is a method of calculating reserve contributions where contributions to the reserve funds are designed to offset the variable annual expenditures from the reserve fund. This analysis calculates the future replacement cost for reserve components when they are due for replacement, and recognizes increases in construction costs, as well as interest income attributable to reserve accounts. Funds from the beginning balances are pooled together and a yearly contribution rate is calculated to arrive at a positive cash flow and reserve account balance to adequately fund the future projected expenditures throughout the period of the analysis.

EXECUTIVE SUMMARY

PROPERTY DATA

Property Name:	ABC Homeowners Association	Report Run Date:	10/31/09
Property Location:	Anytown, USA	Budget Year Begins:	01/01/10
Property Type:	Homeowner's Association	Budget Year Ends:	12/31/10
Total Units:	379		

PROJECTED COMPONENT CATEGORIES AND PARAMETERS

Component Categories in Reserve Analysis:

1. Clubhouse Interiors
2. Irrigation Systems
3. Painting & Waterproofing
4. Pavement
5. Pool
6. Roof Replacement
7. Signage
8. Tennis Courts

Total current cost of all reserve components in reserve analysis:	\$ 1,003,574
Estimated beginning reserve fund balance for reserve analysis:	\$ 125,336
Total number of components scheduled for replacement in the 2010 budget year:	6
Total cost of components scheduled for replacement in the 2010 budget year:	\$ 115,526

ANALYSIS RESULTS – COMPONENT FUNDING ANALYSIS

Current annual reserve funding contributions amount (2009 Budget):	\$ 58,656
Recommended annual reserve funding contributions amount:	\$ 170,159
Increase (decrease) between current and recommended annual contributions amounts:	\$ 111,503
Increase (decrease) between current and recommended annual contribution amounts:	190%

ANALYSIS RESULTS – CASH FLOW ANALYSIS

Current annual reserve funding contributions amount (2009 Budget):	\$ 58,656
Recommended annual reserve funding contributions amount:	\$ 87,895
Increase (decrease) between current and recommended annual contributions amounts:	29,239
Increase (decrease) between current and recommended annual contribution amounts:	\$ 49.8%

RESERVE BUDGET COMPARISON

The previous page provides a comparison of ABC Homeowner's Association, Inc.'s approved fiscal year 2009 reserve contribution level and our estimates for full reserve funding for fiscal year 2010. The funding requirements estimated for fiscal year 2010 via both the Component Funding Analysis and Cash Flow analysis methodologies are higher than the association's approved fiscal year 2009 contribution level. Based on our calculations, continuing to fund the reserves as included in this study at the approved fiscal year 2009 contribution level will necessitate future special assessment(s) and/or loan(s) to offset the planned reserve expenditures.

Based on our Component Funding Analysis model, the reserves as analyzed in this report suggest that in order to fully fund in 2010, the contribution should be \$170,159. In this analysis, we allocated the January 1, 2010 reserve fund balance by category to each reserve component within the specific category on a pro rata basis of the current repair/replacement cost of all the reserve components within that category. For example, Exercise Equipment, Cardiovascular's current repair/replacement cost estimate represents +/- 11.6% of the total current repair/replacement cost of the reserve components within the Clubhouse Interiors reserve category. Therefore, 11.6% of the January 1, 2010 reserve fund balance of \$49,413 for the Clubhouse Interiors reserves, or \$5,752 was allocated to Exercise Equipment, Cardiovascular. The funding contribution could be decreased if the association chose to allocate greater funds to those reserve expenditures with shorter remaining useful lives. It should be noted that the association may only be able to re-allocate/use reserve funds for purposes other than which they were authorized for by getting approval in advance by a vote of the majority of the voting interests or board of directors.

Based on the Cash Flow Analysis method, the association can fully fund reserves at \$87,895 in fiscal year 2010. The association could then begin a stable 3% annual increase in reserve funding over the remainder of the 23 year study period. This funding plan would provide adequate funds to offset planned reserve expenditures and maintain a minimum annual reserve fund balance of roughly \$100,000 (in fiscal year 2032). The \$100,000 threshold was included based on the observation that most properties would rather not approach a \$0 reserve fund balance at any one given time. If the association chose to fund reserves at a level annual contribution over the study period, the fully funded contribution level in 2010 would be \$104,025. This level of funding could remain stable over the remainder of the 23 year study period. These calculations are also included in this report, for the association's review and consideration.

The Cash Flow Analysis utilizes a pooling effect with reserve funds by pooling all funds together and distributing these funds to individual components as their replacement comes due. Funds that are pooled together in the cash flow analysis include the beginning balance, contributions to the reserve funds and interest earned on reserve funds. These pooled funds are matched against reserve expenditures throughout the period of the analysis by using our reserve analysis software program to ensure that the available funds are always greater than expenditures.

COMPONENT FUNDING ANALYSIS

ABC HOMEOWNER'S ASSOCIATION, INC.
COMPONENT FUNDING ANALYSIS - SUMMARY
CURRENT COST BASIS

FOR PERIOD 1/1/10 THRU 12/31/10

CATEGORY/COMPONENT	USEFUL LIFE	REMAINING LIFE	12/31/09 BALANCE	ESTIMATED REPLACEMENT COST	UNFUNDED BALANCE	2010 CONTRIBUTION
CLUBHOUSE INTERIORS	7--24	1--16	\$49,413	\$221,651	\$172,238	\$51,477
IRRIGATION SYSTEMS	12	4	\$5,889	\$48,720	\$42,831	\$10,708
PAINTING & WATERPROOFING	7	1	\$38,239	\$72,278	\$34,039	\$34,039
PAVEMENT	4--20	1--12	\$16,015	\$449,058	\$433,043	\$38,726
POOL	10--24	2--16	\$5,137	\$60,816	\$55,679	\$10,053
ROOF REPLACEMENT	30	22	\$1,044	\$71,801	\$70,757	\$3,216
SIGNAGE	14--25	6--17	\$1,843	\$25,840	\$23,997	\$1,752
TENNIS COURTS	7--25	1--7	\$2,547	\$53,410	\$50,863	\$20,188
UNALLOCATED INTEREST			\$5,209			
TOTAL			\$125,336	\$1,003,574	\$883,447	\$170,159

Annual Contribution \$170,159
Monthly Contribution \$14,180
Monthly per Unit Contribution \$37.41
(# of Units) 379

ABC HOMEOWNER'S ASSOCIATION, INC.
COMPONENT FUNDING ANALYSIS - DETAIL
CURRENT COST BASIS

FOR PERIOD 1/1/10 THRU 12/31/10

CATEGORY/COMPONENT	USEFUL LIFE	REMAINING LIFE	12/31/09 BALANCE	ESTIMATED REPLACEMENT COST	UNFUNDED BALANCE	2010 CONTRIBUTION
CLUBHOUSE INTERIORS						
Exercise Equipment, Cardiovascular	8	1	\$5,752	\$25,800	\$20,048	\$20,048
Exercise Equipment, Strength	10	2	\$5,493	\$24,640	\$19,147	\$9,573
Flooring, Carpet - Admin. Office	10	2	\$137	\$616	\$479	\$239
Flooring, Carpet - Fitness Center	10	2	\$1,814	\$8,138	\$6,324	\$3,162
Flooring, Carpet - Multipurpose Room 1	10	2	\$1,814	\$8,138	\$6,324	\$3,162
Flooring, Carpet - Multipurpose Room 2	10	2	\$964	\$4,325	\$3,361	\$1,680
Furnishings, Admin. Office	20	12	\$869	\$3,900	\$3,031	\$253
Furnishings, Multipurpose Room 1	14	6	\$9,162	\$41,100	\$31,938	\$5,323
Furnishings, Multipurpose Room 2	14	6	\$3,210	\$14,400	\$11,190	\$1,865
HVAC Air Handler, Fitness 1	22	14	\$540	\$2,424	\$1,884	\$135
HVAC Air Handler, Fitness 2	22	14	\$540	\$2,424	\$1,884	\$135
HVAC Air Handler, Multipurpose 1	22	14	\$675	\$3,030	\$2,355	\$168
HVAC Air Handler, Multipurpose 1/Office	22	14	\$675	\$3,030	\$2,355	\$168
HVAC Air Handler, Multipurpose 2/Kitchen	22	14	\$540	\$2,424	\$1,884	\$135
HVAC Air Handler, Multipurpose 2/RRs	22	14	\$540	\$2,424	\$1,884	\$135
HVAC Condenser, Fitness 1	15	7	\$609	\$2,732	\$2,123	\$303
HVAC Condenser, Fitness 2	15	7	\$609	\$2,732	\$2,123	\$303
HVAC Condenser, Multipurpose 1	15	7	\$761	\$3,415	\$2,654	\$379
HVAC Condenser, Multipurpose 1/Office	15	7	\$761	\$3,415	\$2,654	\$379
HVAC Condenser, Multipurpose 2/Kitchen	15	7	\$609	\$2,732	\$2,123	\$303
HVAC Condenser, Multipurpose 2/RRs	15	7	\$609	\$2,732	\$2,123	\$303

CATEGORY/COMPONENT	USEFUL LIFE	REMAINING LIFE	12/31/09 BALANCE	ESTIMATED REPLACEMENT COST	UNFUNDED BALANCE	2010 CONTRIBUTION
Kitchen Renovation, Clubhouse	24	16	\$4,213	\$18,900	\$14,687	\$918
Restrooms Renovation, Clubhouse	24	16	\$6,989	\$31,350	\$24,361	\$1,523
Wall Finishes, Clubhouse	14	6	\$1,523	\$6,830	\$5,307	\$885
TOTAL CLUBHOUSE INTERIORS			\$49,413	\$221,651	\$172,238	\$51,477
IRRIGATION SYSTEMS						
Irrigation Pump/Equipment #1	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #2	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #3	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #4	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #5	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #6	12	4	\$841	\$6,960	\$6,119	\$1,530
Irrigation Pump/Equipment #7	12	4	\$841	\$6,960	\$6,119	\$1,530
TOTAL IRRIGATION SYSTEMS			\$5,889	\$48,720	\$42,831	\$10,708
PAINTING & WATERPROOFING						
Paint Exteriors, Clubhouse	7	1	\$5,365	\$10,140	\$4,775	\$4,775
Paint Exteriors, Privacy Wall	7	1	\$21,458	\$40,560	\$19,102	\$19,102
Paint Exteriors, XXX Walls	7	1	\$11,416	\$21,578	\$10,162	\$10,162
TOTAL PAINTING & WATERPROOFING			\$38,239	\$72,278	\$34,039	\$34,039
PAVEMENT						
Asphalt Overlay, AA Avenue	20	12	\$430	\$12,048	\$11,618	\$968
Asphalt Overlay, BB Avenue	20	12	\$2,225	\$62,390	\$60,165	\$5,014

CATEGORY/COMPONENT	USEFUL LIFE	REMAINING LIFE	12/31/09 BALANCE	ESTIMATED REPLACEMENT COST	UNFUNDED BALANCE	2010 CONTRIBUTION
Asphalt Overlay, CC Avenue	20	12	\$351	\$9,828	\$9,477	\$790
Asphalt Overlay, Clubhouse	20	12	\$735	\$20,605	\$19,870	\$1,656
Asphalt Overlay, DD Avenue	20	12	\$570	\$15,980	\$15,410	\$1,284
Asphalt Overlay, EE Avenue	20	12	\$1,843	\$51,688	\$49,845	\$4,154
Asphalt Overlay, FF Avenue	20	12	\$309	\$8,663	\$8,354	\$696
Asphalt Overlay, GG Avenue	20	12	\$254	\$7,134	\$6,880	\$573
Asphalt Overlay, HH Avenue	20	12	\$409	\$11,466	\$11,057	\$921
Asphalt Overlay, II Avenue	20	12	\$370	\$10,374	\$10,004	\$834
Asphalt Overlay, JJ Avenue	20	12	\$1,937	\$54,309	\$52,372	\$4,364
Asphalt Overlay, KK Avenue	20	12	\$367	\$10,301	\$9,934	\$828
Asphalt Overlay, LL Avenue	20	12	\$1,490	\$41,787	\$40,297	\$3,358
Asphalt Overlay, MM Avenue	20	12	\$2,243	\$62,899	\$60,656	\$5,055
Asphalt Sealcoat, Clubhouse	4	1	\$106	\$2,986	\$2,880	\$2,880
Concrete Paving/Sidewalks Repair	10	12	\$2,375	\$66,600	\$64,225	\$5,352
TOTAL PAVEMENT			\$16,015	\$449,058	\$433,043	\$38,726
POOL						
Pool Deck Fencing & Gates Replacement	24	16	\$896	\$10,613	\$9,717	\$607
Pool Deck Furniture Replacement	10	2	\$626	\$7,410	\$6,784	\$3,392
Pool Deck Pavers Repair/Replace	24	16	\$1,841	\$21,793	\$19,952	\$1,247
Pool Interior Resurfacing & Tile	12	4	\$1,774	\$21,000	\$19,226	\$4,807
TOTAL POOL			\$5,137	\$60,816	\$55,679	\$10,053

CATEGORY/COMPONENT	USEFUL LIFE	REMAINING LIFE	12/31/09 BALANCE	ESTIMATED REPLACEMENT COST	UNFUNDED BALANCE	2010 CONTRIBUTION
ROOF REPLACEMENT						
Roof Replacement, Clubhouse	30	22	\$1,044	\$71,801	\$70,757	\$3,216
TOTAL ROOFING REPLACEMENT			\$1,044	\$71,801	\$70,757	\$3,216
SIGNAGE						
Signage, Entry Marquee	14	6	\$243	\$3,400	\$3,158	\$526
Signage, Street/Directional (66)	25	17	\$1,601	\$22,440	\$20,840	\$1,226
TOTAL SIGNAGE			\$1,843	\$25,840	\$23,997	\$1,752
TENNIS COURTS						
Tennis Court Canopies/Furnishings	7	1	\$173	\$3,630	\$3,457	\$3,457
Tennis Court Fencing & Gates Replace	25	7	\$819	\$17,180	\$16,361	\$2,337
Tennis Court Lighting Replacement	25	7	\$973	\$20,400	\$19,427	\$2,775
Tennis Court Resurfacing	7	1	\$582	\$12,200	\$11,618	\$11,618
TOTAL TENNIS COURTS			\$2,547	\$53,410	\$50,863	\$20,188
UNALLOCATED INTEREST			\$5,209			
TOTAL			\$125,336	\$1,003,574	\$883,447	\$170,159
				Annual Contribution	\$170,159	
				Monthly Contribution	\$14,180	
				Monthly per Unit Contribution	\$37.41	
				(# of Units)	379	

CASH FLOW ANALYSIS,
3% ANNUAL INCREASES

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ABC Homeowners Association

ANALYSIS DEFINITION REPORT

Cash Flow Analysis - 3% Annual Increases

Project Information

Project: ABC Homeowners Association
Address: 1234 Main Street
City: Anytime
State: FL
Zip: 12345-0000

Project Date: 6/01/2002
Analysis Date: 1/01/2010
Number of Phases: 1
Number of Units: 379
Number of Models: 1

Analysis Parameters

Rate of Inflation: (CCI)
Rate of Return on Investment: 2.15%
Beginning Funds: \$125,336.00
Loan/Special Assessment: No

Deferred Expenditures: No
Contingency: 0%
Contingency Time: None

Annual Contribution Factors

		2020:	3%	2030:	3%
2011:	3%	2021:	3%	2031:	3%
2012:	3%	2022:	3%	2032:	3%
2013:	3%	2023:	3%		
2014:	3%	2024:	3%		
2015:	3%	2025:	3%		
2016:	3%	2026:	3%		
2017:	3%	2027:	3%		
2018:	3%	2028:	3%		
2019:	3%	2029:	3%		

Additional Analysis Information

The Cash Flow Analysis (or Pooling Method) calculates the minimum annual contributions necessary to fund reserves under the above stated parameters. The analysis date is January 1, 2010 and the reporting period utilized is 23 years to include all reserve components. Based on our analysis of annual economic conditions, we estimate that construction costs for individual components will increase 3% per year and the rate of return on funds invested will remain at approximately 2.15% (assuming safe investment in CDs, money market accounts, etc.) over the study period. The beginning funds balance as of January 1, 2010 is projected at \$125,336, based on information provided by the property representative. No loan, special assessments or deferred expenditures were included in this analysis. The above 3% annual contribution factors are designed to help offset future construction cost increases and/or inflationary factors.

ABC Homeowners Association
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Cash Flow Analysis - 3% Annual Increases

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2010	125,336.00	87,895.00	19.33	2,295.56	115,526.00	100,000.56
2011	100,000.56	90,531.85	19.91	3,193.69	3,134.00	190,592.10
2012	190,592.10	93,247.81	20.50	4,502.38	57,889.00	230,453.29
2013	230,453.29	96,045.24	21.12	6,130.91	0.00	332,629.44
2014	332,629.44	98,926.60	21.75	7,359.99	81,170.00	357,746.03
2015	357,746.03	101,894.40	22.40	8,918.57	3,598.00	464,961.00
2016	464,961.00	104,951.23	23.08	10,294.36	81,975.00	498,231.59
2017	498,231.59	108,099.77	23.77	10,621.96	116,217.00	500,736.32
2018	500,736.32	111,342.76	24.48	11,478.64	55,617.00	567,940.72
2019	567,940.72	114,683.04	25.22	13,626.67	4,129.00	692,121.43
2020	692,121.43	118,123.53	25.97	16,415.95	0.00	826,660.91
2021	826,660.91	121,667.24	26.75	19,379.31	0.00	967,707.46
2022	967,707.46	125,317.26	27.55	12,755.44	771,494.00	334,286.16
2023	334,286.16	129,076.78	28.38	8,713.43	4,738.00	467,338.37
2024	467,338.37	132,949.08	29.23	9,884.76	144,575.00	465,597.21
2025	465,597.21	136,937.55	30.11	11,717.05	0.00	614,251.81
2026	614,251.81	141,045.68	31.01	10,689.25	341,299.00	424,687.74
2027	424,687.74	145,277.05	31.94	9,479.56	114,721.00	464,723.35
2028	464,723.35	149,635.36	32.90	11,846.96	0.00	626,205.67
2029	626,205.67	154,124.42	33.89	15,406.54	0.00	795,736.63
2030	795,736.63	158,748.15	34.91	17,468.44	132,738.00	839,215.22

ABC Homeowners Association
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Cash Flow Analysis - 3% Annual Increases

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2031	839,215.22	163,510.59	35.95	18,158.62	157,311.00	863,573.43
2032	863,573.43	168,415.91	37.03	15,015.46	453,042.00	593,962.80
Totals:		2,852,446.30		255,353.50	2,639,173.00	

PROJECTED EXPENDITURES

Cash Flow Analysis - 3% Annual Increases

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asphalt Sealcoat, Clubhouse		3,134				3,598				4,129
Exercise Equipment, Cardio	26,166								34,468	
Exercise Equipment, Strength			26,779							
Flooring, Carpet - Admin. Office			669							
Flooring, Carpet - Fitness Center			8,844							
Flooring, Carpet - Multipurpose 1			8,844							
Flooring, Carpet - Multipurpose 2			4,700							
Furnishings, Multipurpose Room 1							51,258			
Furnishings, Multipurpose Room 2							17,959			
HVAC Condenser, Fitness 1								3,526		
HVAC Condenser, Fitness 2								3,526		
HVAC Condenser, MR 1								4,408		
HVAC Condenser, MR 1 & Office								4,408		
HVAC Condenser, MR 2 & Kitchen								3,526		
HVAC Condenser, MR 2 & RRs								3,526		
Irrigation Pump/Equipment #1					8,103					
Irrigation Pump/Equipment #2					8,103					
Irrigation Pump/Equipment #3					8,103					
Irrigation Pump/Equipment #4					8,103					
Irrigation Pump/Equipment #5					8,103					
Irrigation Pump/Equipment #6					8,103					
Irrigation Pump/Equipment #7					8,103					
Paint Exteriors, Clubhouse	10,284							13,089		
Paint Exteriors, Privacy Wall	41,136							52,355		
Paint Exteriors, XXX Walls	21,885							27,853		
Pool Deck Furniture Replacement			8,053							
Pool Interior Resurfacing & Tile					24,449					
Signage, Entry Marquee							4,240			
Tennis Court Canopies/Furnishings	3,682								4,850	

PROJECTED EXPENDITURES

Cash Flow Analysis - 3% Annual Increases

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tennis Court Resurfacing	12,373								16,299	
Wall Finishes, Clubhouse							8,518			
Totals	115,526	3,134	57,889		81,170	3,598	81,975	116,217	55,617	4,129

PROJECTED EXPENDITURES

Cash Flow Analysis - 3% Annual Increases

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asphalt Overlay, AA Avenue			18,471							
Asphalt Overlay, BB Avenue			95,647							
Asphalt Overlay, CC Avenue			15,067							
Asphalt Overlay, Clubhouse			31,589							
Asphalt Overlay, DD Avenue			24,498							
Asphalt Overlay, EE Avenue			79,241							
Asphalt Overlay, FF Avenue			13,281							
Asphalt Overlay, GG Avenue			10,937							
Asphalt Overlay, HH Avenue			17,578							
Asphalt Overlay, II Avenue			15,904							
Asphalt Overlay, JJ Avenue			83,259							
Asphalt Overlay, KK Avenue			15,792							
Asphalt Overlay, LL Avenue			64,062							
Asphalt Overlay, MM Avenue			96,428							
Asphalt Sealcoat, Clubhouse				4,738				5,437		
Concrete Paving/Sidewalks Repair			102,102							
Exercise Equipment, Cardio							45,388			
Exercise Equipment, Strength			37,775							
Flooring, Carpet - Admin. Office			944							
Flooring, Carpet - Fitness Center			12,475							
Flooring, Carpet - Multipurpose 1			12,475							
Flooring, Carpet - Multipurpose 2			6,630							
Furnishings, Admin. Office			5,979							
HVAC Air Handler, Fitness 1					3,981					
HVAC Air Handler, Fitness 2					3,981					
HVAC Air Handler, MR 1					4,976					
HVAC Air Handler, MR 1 & Office					4,976					
HVAC Air Handler, MR 2 & Kitchen					3,981					
HVAC Air Handler, MR 2 & RRs					3,981					

PROJECTED EXPENDITURES

Cash Flow Analysis - 3% Annual Increases

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Irrigation Pump/Equipment #1							12,244			
Irrigation Pump/Equipment #2							12,244			
Irrigation Pump/Equipment #3							12,244			
Irrigation Pump/Equipment #4							12,244			
Irrigation Pump/Equipment #5							12,244			
Irrigation Pump/Equipment #6							12,244			
Irrigation Pump/Equipment #7							12,244			
Kitchen Renovation, Clubhouse							33,249			
Paint Exteriors, Clubhouse					16,652					
Paint Exteriors, Privacy Wall					66,610					
Paint Exteriors, XXX Walls					35,437					
Pool Deck Fencing & Gates Replace							18,670			
Pool Deck Furniture Replacement			11,360							
Pool Deck Pavers Repair/Replace							38,339			
Pool Interior Resurfacing & Tile							36,944			
Restrooms Renovation, Clubhouse							55,152			
Signage, Street/Directional (66)								40,859		
Tennis Court Canopies/Furnishings							6,386			
Tennis Court Fencing & Gates								31,281		
Tennis Court Lighting Replacement								37,144		
Tennis Court Resurfacing							21,463			
Totals			771,494	4,738	144,575		341,299	114,721		

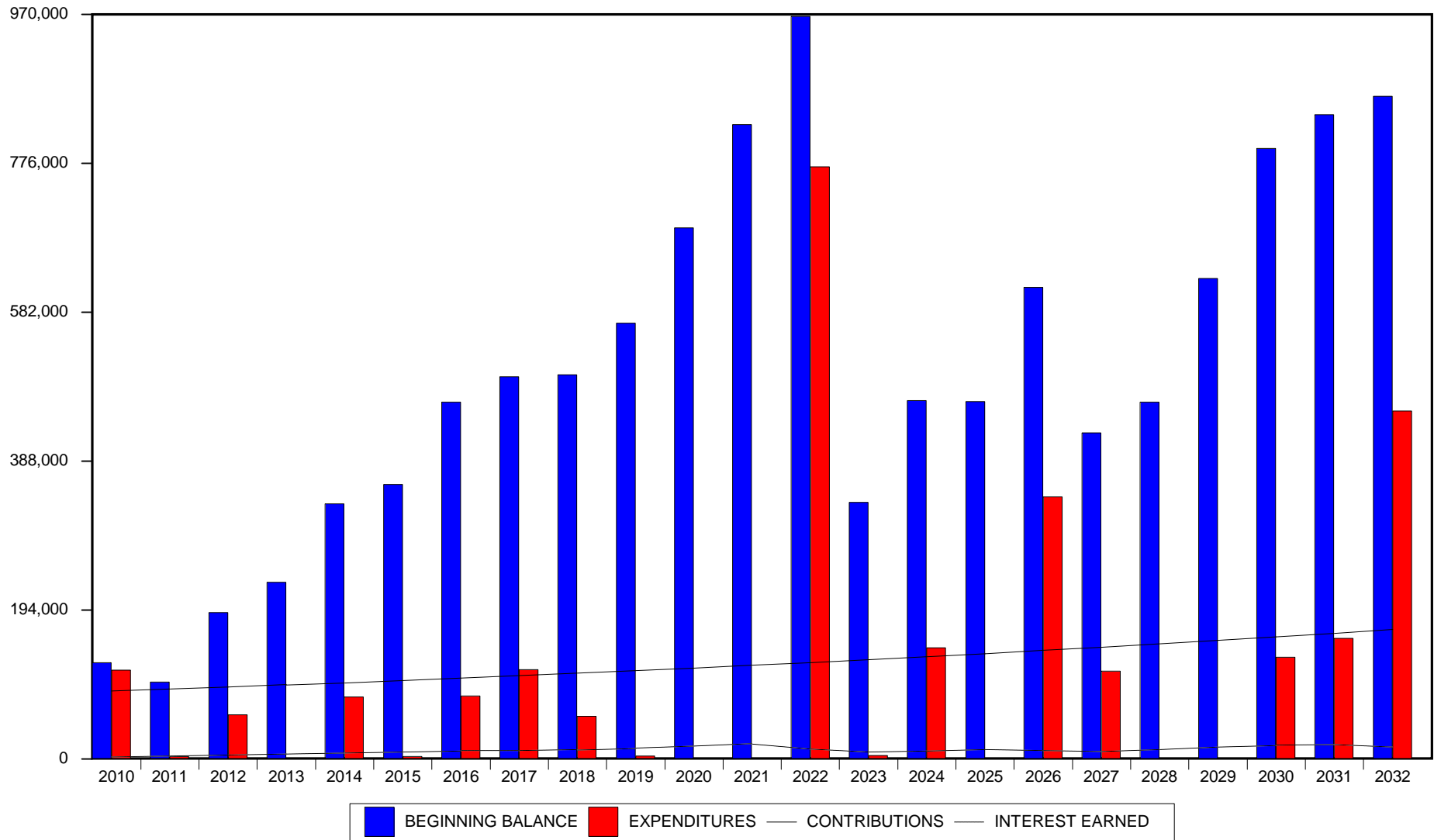
PROJECTED EXPENDITURES

Cash Flow Analysis - 3% Annual Increases

	2030	2031	2032
Asphalt Sealcoat, Clubhouse		6,241	
Concrete Paving/Sidewalks Repair			144,074
Exercise Equipment, Strength			53,303
Flooring, Carpet - Admin. Office			1,332
Flooring, Carpet - Fitness Center			17,604
Flooring, Carpet - Multipurpose 1			17,604
Flooring, Carpet - Multipurpose 2			9,355
Furnishings, Multipurpose Room 1	82,999		
Furnishings, Multipurpose Room 2	29,080		
HVAC Condenser, Fitness 1			5,910
HVAC Condenser, Fitness 2			5,910
HVAC Condenser, MR 1			7,388
HVAC Condenser, MR 1 & Office			7,388
HVAC Condenser, MR 2 & Kitchen			5,910
HVAC Condenser, MR 2 & RRs			5,910
Paint Exteriors, Clubhouse		21,194	
Paint Exteriors, Privacy Wall		84,775	
Paint Exteriors, XXX Walls		45,101	
Pool Deck Furniture Replacement			16,030
Roof Replacement, Clubhouse			155,324
Signage, Entry Marquee	6,866		
Wall Finishes, Clubhouse	13,793		
Totals	132,738	157,311	453,042

ABC Homeowners Association CASHFLOW PROJECTIONS GRAPH

Cash Flow Analysis - 3% Annual Increases



ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - 3% Annual Increases

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Clubhouse Interiors</u>							
Exercise Equipment, Cardio	6/01/2002	08/00	00/00	06/10	Y	25,800	26,166
Exercise Equipment, Strength	6/01/2002	10/00	00/00	06/12	Y	24,640	26,779
Flooring, Carpet - Admin. Office	6/01/2002	10/00	00/00	06/12	Y	616	669
Flooring, Carpet - Fitness Center	6/01/2002	10/00	00/00	06/12	Y	8,138	8,845
Flooring, Carpet - Multipurpose 1	6/01/2002	10/00	00/00	06/12	Y	8,138	8,845
Flooring, Carpet - Multipurpose 2	6/01/2002	10/00	00/00	06/12	Y	4,325	4,700
Furnishings, Admin. Office	6/01/2002	20/00	00/00	06/22	Y	3,900	5,979
Furnishings, Multipurpose Room 1	6/01/2002	14/00	00/00	06/16	Y	41,100	51,258
Furnishings, Multipurpose Room 2	6/01/2002	14/00	00/00	06/16	Y	14,400	17,959
HVAC Air Handler, Fitness 1	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, Fitness 2	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, MR 1	6/01/2002	22/00	00/00	06/24	Y	3,030	4,976
HVAC Air Handler, MR 1 & Office	6/01/2002	22/00	00/00	06/24	Y	3,030	4,976
HVAC Air Handler, MR 2 & Kitchen	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, MR 2 & RRs	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Condenser, Fitness 1	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, Fitness 2	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, MR 1	6/01/2002	15/00	00/00	06/17	Y	3,415	4,408
HVAC Condenser, MR 1 & Office	6/01/2002	15/00	00/00	06/17	Y	3,415	4,408
HVAC Condenser, MR 2 & Kitchen	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, MR 2 & RRs	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - 3% Annual Increases

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Kitchen Renovation, Clubhouse	6/01/2002	24/00	00/00	06/26	Y	18,900	33,249
Restrooms Renovation, Clubhouse	6/01/2002	24/00	00/00	06/26	Y	31,350	55,152
Wall Finishes, Clubhouse	6/01/2002	14/00	00/00	06/16	Y	6,830	8,518
Sub Total:						221,651	296,915
<u>Irrigation Systems</u>							
Irrigation Pump/Equipment #1	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #2	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #3	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #4	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #5	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #6	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #7	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Sub Total:						48,720	56,721
<u>Painting & Waterproofing</u>							
Paint Exteriors, Clubhouse	6/01/2002	07/00	+01/00	06/10	Y	10,140	10,284
Paint Exteriors, Privacy Wall	6/01/2002	07/00	+01/00	06/10	Y	40,560	41,136
Paint Exteriors, XXX Walls	6/01/2002	07/00	+01/00	06/10	Y	21,578	21,885
Sub Total:						72,278	73,305
<u>Pavement</u>							
Asphalt Overlay, AA Avenue	6/01/2002	20/00	00/00	06/22	Y	12,048	18,470
Asphalt Overlay, BB Avenue	6/01/2002	20/00	00/00	06/22	Y	62,390	95,648

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - 3% Annual Increases

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Asphalt Overlay, CC Avenue	6/01/2002	20/00	00/00	06/22	Y	9,828	15,067
Asphalt Overlay, Clubhouse	6/01/2002	20/00	00/00	06/22	Y	20,605	31,589
Asphalt Overlay, DD Avenue	6/01/2002	20/00	00/00	06/22	Y	15,980	24,498
Asphalt Overlay, EE Avenue	6/01/2002	20/00	00/00	06/22	Y	51,688	79,241
Asphalt Overlay, FF Avenue	6/01/2002	20/00	00/00	06/22	Y	8,663	13,281
Asphalt Overlay, GG Avenue	6/01/2002	20/00	00/00	06/22	Y	7,134	10,937
Asphalt Overlay, HH Avenue	6/01/2002	20/00	00/00	06/22	Y	11,466	17,578
Asphalt Overlay, II Avenue	6/01/2002	20/00	00/00	06/22	Y	10,374	15,904
Asphalt Overlay, JJ Avenue	6/01/2002	20/00	00/00	06/22	Y	54,309	83,259
Asphalt Overlay, KK Avenue	6/01/2002	20/00	00/00	06/22	Y	10,301	15,792
Asphalt Overlay, LL Avenue	6/01/2002	20/00	00/00	06/22	Y	41,787	64,062
Asphalt Overlay, MM Avenue	6/01/2002	20/00	00/00	06/22	Y	62,899	96,428
Asphalt Sealcoat, Clubhouse	6/01/2007	04/00	00/00	06/11	Y	2,986	3,134
Concrete Paving/Sidewalks Repair	6/01/2002	10/00	+10/00	06/22	Y	66,600	102,102
Sub Total:						449,058	686,990
<u>Pool</u>							
Pool Deck Fencing & Gates Replace	6/01/2002	24/00	00/00	06/26	Y	10,613	18,671
Pool Deck Furniture Replacement	6/01/2002	10/00	00/00	06/12	Y	7,410	8,053
Pool Deck Pavers Repair/Replace	6/01/2002	24/00	00/00	06/26	Y	21,793	38,339
Pool Interior Resurfacing & Tile	6/01/2002	12/00	00/00	06/14	Y	21,000	24,449
Sub Total:						60,816	89,512

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - 3% Annual Increases

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Roof Replacement</u>							
Roof Replacement, Clubhouse	6/01/2002	30/00	00/00	06/32	Y	71,801	155,325
Sub Total:						71,801	155,325
<u>Signage</u>							
Signage, Entry Marquee	6/01/2002	14/00	00/00	06/16	Y	3,400	4,240
Signage, Street/Directional (66)	6/01/2002	25/00	00/00	06/27	Y	22,440	40,859
Sub Total:						25,840	45,099
<u>Tennis Courts</u>							
Tennis Court Canopies/Furnishings	6/01/2002	08/00	00/00	06/10	Y	3,630	3,682
Tennis Court Fencing & Gates	6/01/2002	25/00	00/00	06/27	Y	17,180	31,281
Tennis Court Lighting Replacement	6/01/2002	25/00	00/00	06/27	Y	20,400	37,144
Tennis Court Resurfacing	6/01/2002	08/00	00/00	06/10	Y	12,200	12,373
Sub Total:						53,410	84,480
Grand Total:						1,003,574	1,488,347

CASH FLOW ANALYSIS,
LEVEL ANNUAL CONTRIBUTIONS

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ABC Homeowners Association

ANALYSIS DEFINITION REPORT

Cash Flow Analysis - Level Annual Contributions

Project Information

Project: ABC Homeowners Association
Address: 1234 Main Street
City: Anytime
State: FL
Zip: 12345-0000

Project Date: 6/01/2002
Analysis Date: 1/01/2010
Number of Phases: 1
Number of Units: 379
Number of Models: 1

Analysis Parameters

Rate of Inflation: (CCI)
Rate of Return on Investment: 2.15%
Beginning Funds: \$125,336.00
Loan/Special Assessment: No

Deferred Expenditures: No
Contingency: 0%
Contingency Time: None

Annual Contribution Factors

		2020:	0%	2030:	0%
2011:	0%	2021:	0%	2031:	0%
2012:	0%	2022:	0%	2032:	0%
2013:	0%	2023:	0%		
2014:	0%	2024:	0%		
2015:	0%	2025:	0%		
2016:	0%	2026:	0%		
2017:	0%	2027:	0%		
2018:	0%	2028:	0%		
2019:	0%	2029:	0%		

Additional Analysis Information

The Cash Flow Analysis (or Pooling Method) calculates the minimum annual contributions necessary to fund reserves under the above stated parameters. The analysis date is January 1, 2010 and the reporting period utilized is 23 years to include all reserve components. Based on our analysis of annual economic conditions, we estimate that construction costs for individual components will increase 3% per year and the rate of return on funds invested will remain at approximately 2.15% (assuming safe investment in CDs, money market accounts, etc.) over the study period. The beginning funds balance as of January 1, 2010 is projected at \$125,336, based on information provided by the property representative. No loan, special assessments or deferred expenditures were included in this analysis. The above 0% annual contribution factors are reflective of level annual contributions over the study period.

ABC Homeowners Association
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Cash Flow Analysis - Level Annual Contributions

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2010	125,336.00	104,025.00	22.87	2,484.65	115,526.00	116,319.65
2011	116,319.65	104,025.00	22.87	3,706.28	3,134.00	220,916.93
2012	220,916.93	104,025.00	22.87	5,287.29	57,889.00	272,340.22
2013	272,340.22	104,025.00	22.87	7,134.15	0.00	383,499.37
2014	383,499.37	104,025.00	22.87	8,524.53	81,170.00	414,878.90
2015	414,878.90	104,025.00	22.87	10,184.33	3,598.00	525,490.23
2016	525,490.23	104,025.00	22.87	11,598.01	81,975.00	559,138.24
2017	559,138.24	104,025.00	22.87	11,896.93	116,217.00	558,843.17
2018	558,843.17	104,025.00	22.87	12,654.79	55,617.00	619,905.96
2019	619,905.96	104,025.00	22.87	14,630.24	4,129.00	734,432.20
2020	734,432.20	104,025.00	22.87	17,169.50	0.00	855,626.70
2021	855,626.70	104,025.00	22.87	19,801.52	0.00	979,453.22
2022	979,453.22	104,025.00	22.87	12,760.87	771,494.00	324,745.09
2023	324,745.09	104,025.00	22.87	8,212.50	4,738.00	432,244.59
2024	432,244.59	104,025.00	22.87	8,783.50	144,575.00	400,478.09
2025	400,478.09	104,025.00	22.87	9,916.97	0.00	514,420.06
2026	514,420.06	104,025.00	22.87	8,087.10	341,299.00	285,233.16
2027	285,233.16	104,025.00	22.87	5,967.33	114,721.00	280,504.49
2028	280,504.49	104,025.00	22.87	7,311.45	0.00	391,840.94
2029	391,840.94	104,025.00	22.87	9,729.37	0.00	505,595.31
2030	505,595.31	104,025.00	22.87	10,525.76	132,738.00	487,408.07

ABC Homeowners Association
CASHFLOW PERCENT FUNDED SUMMARY PROJECTIONS

Cash Flow Analysis - Level Annual Contributions

Year	Beginning Balance	Contribution	Average/ Unit/Mo	Interest Earned	Expenditures	Ending Balance
2031	487,408.07	104,025.00	22.87	9,820.88	157,311.00	443,942.95
2032	443,942.95	104,025.00	22.87	5,147.28	453,042.00	100,073.23
Totals:		2,392,575.00		221,335.23	2,639,173.00	

PROJECTED EXPENDITURES

Cash Flow Analysis - Level Annual Contributions

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Asphalt Sealcoat, Clubhouse		3,134				3,598				4,129
Exercise Equipment, Cardio	26,166								34,468	
Exercise Equipment, Strength			26,779							
Flooring, Carpet - Admin. Office			669							
Flooring, Carpet - Fitness Center			8,844							
Flooring, Carpet - Multipurpose 1			8,844							
Flooring, Carpet - Multipurpose 2			4,700							
Furnishings, Multipurpose Room 1							51,258			
Furnishings, Multipurpose Room 2							17,959			
HVAC Condenser, Fitness 1								3,526		
HVAC Condenser, Fitness 2								3,526		
HVAC Condenser, MR 1								4,408		
HVAC Condenser, MR 1 & Office								4,408		
HVAC Condenser, MR 2 & Kitchen								3,526		
HVAC Condenser, MR 2 & RRs								3,526		
Irrigation Pump/Equipment #1					8,103					
Irrigation Pump/Equipment #2					8,103					
Irrigation Pump/Equipment #3					8,103					
Irrigation Pump/Equipment #4					8,103					
Irrigation Pump/Equipment #5					8,103					
Irrigation Pump/Equipment #6					8,103					
Irrigation Pump/Equipment #7					8,103					
Paint Exteriors, Clubhouse	10,284							13,089		
Paint Exteriors, Privacy Wall	41,136							52,355		
Paint Exteriors, XXX Walls	21,885							27,853		
Pool Deck Furniture Replacement			8,053							
Pool Interior Resurfacing & Tile					24,449					
Signage, Entry Marquee							4,240			
Tennis Court Canopies/Furnishings	3,682								4,850	

PROJECTED EXPENDITURES

Cash Flow Analysis - Level Annual Contributions

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tennis Court Resurfacing	12,373								16,299	
Wall Finishes, Clubhouse							8,518			
Totals	115,526	3,134	57,889		81,170	3,598	81,975	116,217	55,617	4,129

PROJECTED EXPENDITURES

Cash Flow Analysis - Level Annual Contributions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Asphalt Overlay, AA Avenue			18,471							
Asphalt Overlay, BB Avenue			95,647							
Asphalt Overlay, CC Avenue			15,067							
Asphalt Overlay, Clubhouse			31,589							
Asphalt Overlay, DD Avenue			24,498							
Asphalt Overlay, EE Avenue			79,241							
Asphalt Overlay, FF Avenue			13,281							
Asphalt Overlay, GG Avenue			10,937							
Asphalt Overlay, HH Avenue			17,578							
Asphalt Overlay, II Avenue			15,904							
Asphalt Overlay, JJ Avenue			83,259							
Asphalt Overlay, KK Avenue			15,792							
Asphalt Overlay, LL Avenue			64,062							
Asphalt Overlay, MM Avenue			96,428							
Asphalt Sealcoat, Clubhouse				4,738				5,437		
Concrete Paving/Sidewalks Repair			102,102							
Exercise Equipment, Cardio							45,388			
Exercise Equipment, Strength			37,775							
Flooring, Carpet - Admin. Office			944							
Flooring, Carpet - Fitness Center			12,475							
Flooring, Carpet - Multipurpose 1			12,475							
Flooring, Carpet - Multipurpose 2			6,630							
Furnishings, Admin. Office			5,979							
HVAC Air Handler, Fitness 1					3,981					
HVAC Air Handler, Fitness 2					3,981					
HVAC Air Handler, MR 1					4,976					
HVAC Air Handler, MR 1 & Office					4,976					
HVAC Air Handler, MR 2 & Kitchen					3,981					
HVAC Air Handler, MR 2 & RRs					3,981					

PROJECTED EXPENDITURES

Cash Flow Analysis - Level Annual Contributions

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Irrigation Pump/Equipment #1							12,244			
Irrigation Pump/Equipment #2							12,244			
Irrigation Pump/Equipment #3							12,244			
Irrigation Pump/Equipment #4							12,244			
Irrigation Pump/Equipment #5							12,244			
Irrigation Pump/Equipment #6							12,244			
Irrigation Pump/Equipment #7							12,244			
Kitchen Renovation, Clubhouse							33,249			
Paint Exteriors, Clubhouse					16,652					
Paint Exteriors, Privacy Wall					66,610					
Paint Exteriors, XXX Walls					35,437					
Pool Deck Fencing & Gates Replace							18,670			
Pool Deck Furniture Replacement			11,360							
Pool Deck Pavers Repair/Replace							38,339			
Pool Interior Resurfacing & Tile							36,944			
Restrooms Renovation, Clubhouse							55,152			
Signage, Street/Directional (66)								40,859		
Tennis Court Canopies/Furnishings							6,386			
Tennis Court Fencing & Gates								31,281		
Tennis Court Lighting Replacement								37,144		
Tennis Court Resurfacing							21,463			
Totals			771,494	4,738	144,575		341,299	114,721		

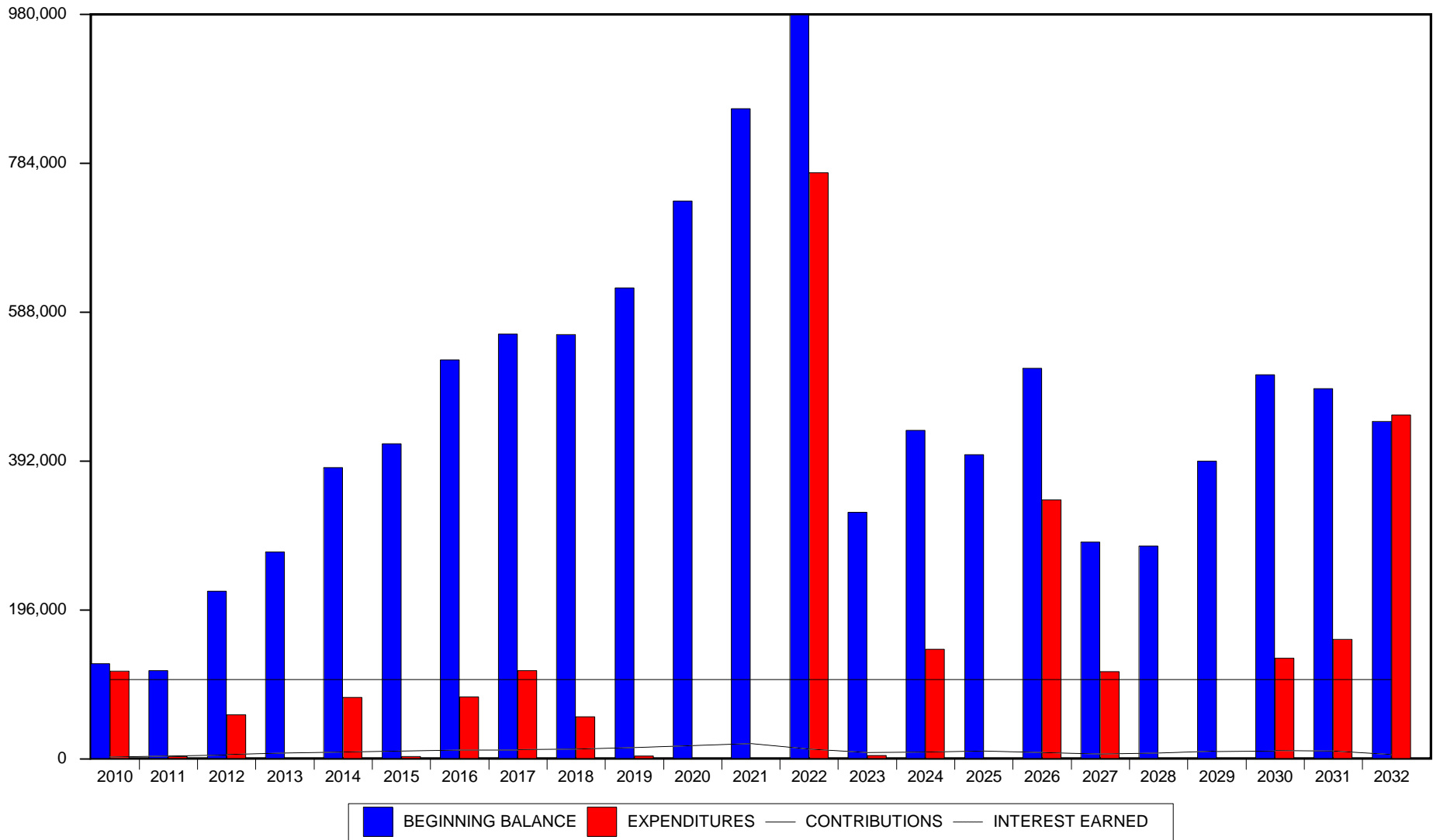
PROJECTED EXPENDITURES

Cash Flow Analysis - Level Annual Contributions

	2030	2031	2032
Asphalt Sealcoat, Clubhouse		6,241	
Concrete Paving/Sidewalks Repair			144,074
Exercise Equipment, Strength			53,303
Flooring, Carpet - Admin. Office			1,332
Flooring, Carpet - Fitness Center			17,604
Flooring, Carpet - Multipurpose 1			17,604
Flooring, Carpet - Multipurpose 2			9,355
Furnishings, Multipurpose Room 1	82,999		
Furnishings, Multipurpose Room 2	29,080		
HVAC Condenser, Fitness 1			5,910
HVAC Condenser, Fitness 2			5,910
HVAC Condenser, MR 1			7,388
HVAC Condenser, MR 1 & Office			7,388
HVAC Condenser, MR 2 & Kitchen			5,910
HVAC Condenser, MR 2 & RRs			5,910
Paint Exteriors, Clubhouse		21,194	
Paint Exteriors, Privacy Wall		84,775	
Paint Exteriors, XXX Walls		45,101	
Pool Deck Furniture Replacement			16,030
Roof Replacement, Clubhouse			155,324
Signage, Entry Marquee	6,866		
Wall Finishes, Clubhouse	13,793		
Totals	132,738	157,311	453,042

ABC Homeowners Association CASHFLOW PROJECTIONS GRAPH

Cash Flow Analysis - Level Annual Contributions



ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - Level Annual Contributions

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Clubhouse Interiors</u>							
Exercise Equipment, Cardio	6/01/2002	08/00	00/00	06/10	Y	25,800	26,166
Exercise Equipment, Strength	6/01/2002	10/00	00/00	06/12	Y	24,640	26,779
Flooring, Carpet - Admin. Office	6/01/2002	10/00	00/00	06/12	Y	616	669
Flooring, Carpet - Fitness Center	6/01/2002	10/00	00/00	06/12	Y	8,138	8,845
Flooring, Carpet - Multipurpose 1	6/01/2002	10/00	00/00	06/12	Y	8,138	8,845
Flooring, Carpet - Multipurpose 2	6/01/2002	10/00	00/00	06/12	Y	4,325	4,700
Furnishings, Admin. Office	6/01/2002	20/00	00/00	06/22	Y	3,900	5,979
Furnishings, Multipurpose Room 1	6/01/2002	14/00	00/00	06/16	Y	41,100	51,258
Furnishings, Multipurpose Room 2	6/01/2002	14/00	00/00	06/16	Y	14,400	17,959
HVAC Air Handler, Fitness 1	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, Fitness 2	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, MR 1	6/01/2002	22/00	00/00	06/24	Y	3,030	4,976
HVAC Air Handler, MR 1 & Office	6/01/2002	22/00	00/00	06/24	Y	3,030	4,976
HVAC Air Handler, MR 2 & Kitchen	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Air Handler, MR 2 & RRs	6/01/2002	22/00	00/00	06/24	Y	2,424	3,981
HVAC Condenser, Fitness 1	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, Fitness 2	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, MR 1	6/01/2002	15/00	00/00	06/17	Y	3,415	4,408
HVAC Condenser, MR 1 & Office	6/01/2002	15/00	00/00	06/17	Y	3,415	4,408
HVAC Condenser, MR 2 & Kitchen	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526
HVAC Condenser, MR 2 & RRs	6/01/2002	15/00	00/00	06/17	Y	2,732	3,526

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - Level Annual Contributions

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Kitchen Renovation, Clubhouse	6/01/2002	24/00	00/00	06/26	Y	18,900	33,249
Restrooms Renovation, Clubhouse	6/01/2002	24/00	00/00	06/26	Y	31,350	55,152
Wall Finishes, Clubhouse	6/01/2002	14/00	00/00	06/16	Y	6,830	8,518
Sub Total:						221,651	296,915
<u>Irrigation Systems</u>							
Irrigation Pump/Equipment #1	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #2	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #3	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #4	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #5	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #6	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Irrigation Pump/Equipment #7	6/01/2002	12/00	00/00	06/14	Y	6,960	8,103
Sub Total:						48,720	56,721
<u>Painting & Waterproofing</u>							
Paint Exteriors, Clubhouse	6/01/2002	07/00	+01/00	06/10	Y	10,140	10,284
Paint Exteriors, Privacy Wall	6/01/2002	07/00	+01/00	06/10	Y	40,560	41,136
Paint Exteriors, XXX Walls	6/01/2002	07/00	+01/00	06/10	Y	21,578	21,885
Sub Total:						72,278	73,305
<u>Pavement</u>							
Asphalt Overlay, AA Avenue	6/01/2002	20/00	00/00	06/22	Y	12,048	18,470
Asphalt Overlay, BB Avenue	6/01/2002	20/00	00/00	06/22	Y	62,390	95,648

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - Level Annual Contributions

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
Asphalt Overlay, CC Avenue	6/01/2002	20/00	00/00	06/22	Y	9,828	15,067
Asphalt Overlay, Clubhouse	6/01/2002	20/00	00/00	06/22	Y	20,605	31,589
Asphalt Overlay, DD Avenue	6/01/2002	20/00	00/00	06/22	Y	15,980	24,498
Asphalt Overlay, EE Avenue	6/01/2002	20/00	00/00	06/22	Y	51,688	79,241
Asphalt Overlay, FF Avenue	6/01/2002	20/00	00/00	06/22	Y	8,663	13,281
Asphalt Overlay, GG Avenue	6/01/2002	20/00	00/00	06/22	Y	7,134	10,937
Asphalt Overlay, HH Avenue	6/01/2002	20/00	00/00	06/22	Y	11,466	17,578
Asphalt Overlay, II Avenue	6/01/2002	20/00	00/00	06/22	Y	10,374	15,904
Asphalt Overlay, JJ Avenue	6/01/2002	20/00	00/00	06/22	Y	54,309	83,259
Asphalt Overlay, KK Avenue	6/01/2002	20/00	00/00	06/22	Y	10,301	15,792
Asphalt Overlay, LL Avenue	6/01/2002	20/00	00/00	06/22	Y	41,787	64,062
Asphalt Overlay, MM Avenue	6/01/2002	20/00	00/00	06/22	Y	62,899	96,428
Asphalt Sealcoat, Clubhouse	6/01/2007	04/00	00/00	06/11	Y	2,986	3,134
Concrete Paving/Sidewalks Repair	6/01/2002	10/00	+10/00	06/22	Y	66,600	102,102
Sub Total:						449,058	686,990
<u>Pool</u>							
Pool Deck Fencing & Gates Replace	6/01/2002	24/00	00/00	06/26	Y	10,613	18,671
Pool Deck Furniture Replacement	6/01/2002	10/00	00/00	06/12	Y	7,410	8,053
Pool Deck Pavers Repair/Replace	6/01/2002	24/00	00/00	06/26	Y	21,793	38,339
Pool Interior Resurfacing & Tile	6/01/2002	12/00	00/00	06/14	Y	21,000	24,449
Sub Total:						60,816	89,512

ABC Homeowners Association
COMPONENT SUMMARY REPORT

Cash Flow Analysis - Level Annual Contributions

Description	Starting Date	Useful Life (yr/mo)	Adj. Life (yr/mo)	Sched. Rpl. (mo/yr)	Recur	Current Cost	Future Cost
<u>Roof Replacement</u>							
Roof Replacement, Clubhouse	6/01/2002	30/00	00/00	06/32	Y	71,801	155,325
Sub Total:						71,801	155,325
<u>Signage</u>							
Signage, Entry Marquee	6/01/2002	14/00	00/00	06/16	Y	3,400	4,240
Signage, Street/Directional (66)	6/01/2002	25/00	00/00	06/27	Y	22,440	40,859
Sub Total:						25,840	45,099
<u>Tennis Courts</u>							
Tennis Court Canopies/Furnishings	6/01/2002	08/00	00/00	06/10	Y	3,630	3,682
Tennis Court Fencing & Gates	6/01/2002	25/00	00/00	06/27	Y	17,180	31,281
Tennis Court Lighting Replacement	6/01/2002	25/00	00/00	06/27	Y	20,400	37,144
Tennis Court Resurfacing	6/01/2002	08/00	00/00	06/10	Y	12,200	12,373
Sub Total:						53,410	84,480
Grand Total:						1,003,574	1,488,347

ADDENDUM

TERMS AND DEFINITIONS

ACCRUED FUND BALANCE (AFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association tool. Two formulae can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.

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

or

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

CASH FLOW METHOD: A method of calculating 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. “Because we use the cash flow method, we compute individual line item contributions after the total contribution rate has been established.” See “Component Method”.

CAPITAL EXPENDITURES: A capital expenditure means any expenditure of funds for: (1) the purchase or replacement of an asset whose useful life is greater than one year, or (2) the addition to an asset that extends the useful life of the previously existing asset for a period greater than one year.

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, and 4) above a minimum threshold cost, and 5) as required by local codes. “We have 17 components in our reserve Study.”

COMPONENT ASSESSMENT AND VALUATION: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. This task is accomplished either with or without an on-site inspection, based on Level or Service selected by the client.

COMPONENT FULL FUNDING: When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task is accomplished through an on-site inspection, review of association design and organizational documents, and a review of established association precedents, and discussion with appropriate association representative(s).

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. “Since we calculate a Reserve contribution rate for each component and then sum them all together, we are using the component method to calculate our Reserve contributions.” See “Cash Flow Method”.

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

CURRENT REPLACEMENT COST: See “Replacement Cost”.

DEFERRED MAINTENANCE: Deferred maintenance means any maintenance or repair that: (1) will be performed less frequently than yearly, and (2) will result in maintaining the useful life of an asset.

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of 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.

FULLY FUNDED: When the budget is provided to the owners, it will show the amount of money that must be deposited that year for each reserve item to ensure that, when the time comes, sufficient funds will be available for deferred maintenance or a capital expenditure. (Definition published in “Budgets & Reserve Schedules Made Easy” training manual by the State of Florida Department of Business and Professional Regulations in January 1997).

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.

FUNDING PRINCIPLES:

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

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

- **Baseline Funding** – Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
- **Component Full Funding** – Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100%.
- **Statutory Funding** – Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves of component required by local statutes.
- **Threshold Funding** – Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than “Component Full Funding.”

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

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage. “With \$76,000 in Reserves, and since our 100% Funded Balance is \$100,000, our association is 76% Funded”.

Editor’s Note: since funds can typically be allocated from one component to another with ease, this parameter has no real meaning on an individual Component basis. The purpose of this parameter is to identify the relative strength or weakness of the entire Reserve fund as of a particular point in time. The value of this parameter is in providing a more stable measure of Reserve Fund strength, since cash in Reserves may mean very different things to different associations.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

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

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

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray to the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based on information provided and not audited

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.” The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis. “Our budget and finance committee is soliciting proposals to update our Reserve Study for the next year’s budget.”

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve duty of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; expect for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advanced notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by Governing Documents or local statutes. “Since we need a new roof and there wasn’t enough money in the Reserve fund, we had to pass a special assessment.”

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

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

ANNUAL UPDATE PROGRAM

GAB Robins is pleased to offer our clients a program to provide annual updates on their Reserve Studies for the next three years for a guaranteed fee.

The Update Program is valid only if there are no changes to the property, i.e. new construction, major upgrades, etc. Changes to the property within the three-year update program period would require a re-inspection of the property at a higher fee.

Benefits:

- Annual Reserve Study updates on the property provide a written validation of reserve study needs.
- Demonstrates due diligence and impartiality on the part of the property manager and board members by the involvement of a third party professional.
- The cost of your update reserve study is lower if enrolled in the update program.
- Provides peace of mind to clients knowing that their property is adequately funded year after year.

If you have not already chosen to accept the three-year annual update program, and would like to do so at this time, please contact our bid proposal specialist at (407) 805-0086 x 379, or (800) 248-3379 ext. 379 (FL only) or fax your request to (407) 805-9921. We will be pleased to provide you with a bid for the three year annual program.