

**A RESERVE STUDY FOR**

**ABC  
GOLF & COUNTRY CLUB, 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 18, 2009

ABC Golf & Country Club, Inc.  
Attn: Board of Directors  
1234 Main Street  
Anytown, USA 12345

Dear Board of Directors;

On February 3, 2009, we completed an on-site inspection of ABC Golf & Country Club, Inc.'s 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 Golf & Country Club, 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 associations to plan their needs, the actual reserves set aside are solely at the association's discretion. In the event an updated report were provided by GAB Robins in the future, such a report's accuracy would depend upon the validity of this original reserve study. The client would be responsible for ensuring the accuracy and reliability of the component quantities included within this original report. 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 inspection of the common areas. Appropriate counts and measurements were taken, based on field measurements and construction/site blueprints. Current financial data and property histories were provided by you, the association Controller, the Golf Course Superintendent and the Executive Chef; this information 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, costs estimated by the reserve specialist. Definitions of Terms appear in the addendum.

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 Golf & Country Club, Inc., An 850 unit/member country club property located in Anytown, USA, Florida. Originally constructed in 1997/1998, the common areas include a guardhouse with security access systems and automatic barrier gates, asphalt and brick paver roads/paving, concrete curbing and sidewalks, signage, lighting, landscaping and irrigation systems, single story, +/- 27,000 square foot clubhouse with swimming pool, spa and single story pool cabana, four tennis courts and pavilion, 18 hole golf course, golf course/site maintenance buildings and storage yard, irrigation system pump house, four satellite pools and poolhouses, second entry/exit with automatic gates/access systems, perimeter fencing, and drainage and retention systems.

The guardhouse, clubhouse, tennis pavilion, snack bar, pump house, and satellite poolhouses feature painted stucco and stone exteriors and pitched tile roof covers (the clubhouse also includes flat membrane/bitumen roofing). The clubhouse supports an entry porte cochere, entry lobby with fireplace, administrative offices, bar/lounge, dining room, commercial grade kitchen, hallways, restrooms, golf pro shop, card room, fitness center with men's and women's locker rooms, breezeways, cart storage area with roll up gates/doors, loading dock, and typical mechanical and storage rooms. The interior finishes are representative of a good quality country club property, with upgraded carpet, stone/tile, wood and epoxy flooring, painted/wallcovering and tile/stone interior walls, painted gypsum board and drop acoustical tile ceilings, extensive millwork/finish carpentry, good quality built ins (doors/frames, cabinetry and countertops, lockers, plumbing and electrical fixtures, lounge/dining room divider, etc.) and inventories of good quality furniture/furnishings, pro shop commercial fixtures, exercise equipment. The kitchen includes an inventory of commercial grade equipment. Air conditioning is via roof mounted HVAC condensers and package units and interior air handlers, as well as multiple exhaust fans. The building is supported by fire alarm systems and wet fire sprinkler systems.

The golf course includes an aqua driving range and putting green, concrete cart paths and granite tee markers, multiple heavy wood frame/piling bridges, and multiple lengths of wood retaining walls. Two of the satellite pool houses service as course comfort stations. The swimming pools and spa are of standard concrete/gunite construction, and feature concrete decking with acrylic/epoxy decking systems, metal perimeter fencing and gates, and inventories of typical equipment and deck furniture. The tennis courts are synthetic clay/HarTru, and fenced and lighted.

The maintenance buildings are pre-engineered metal buildings, supporting finished administrative office and open storage areas. There is a small concrete block/stucco chemical storage building as well.

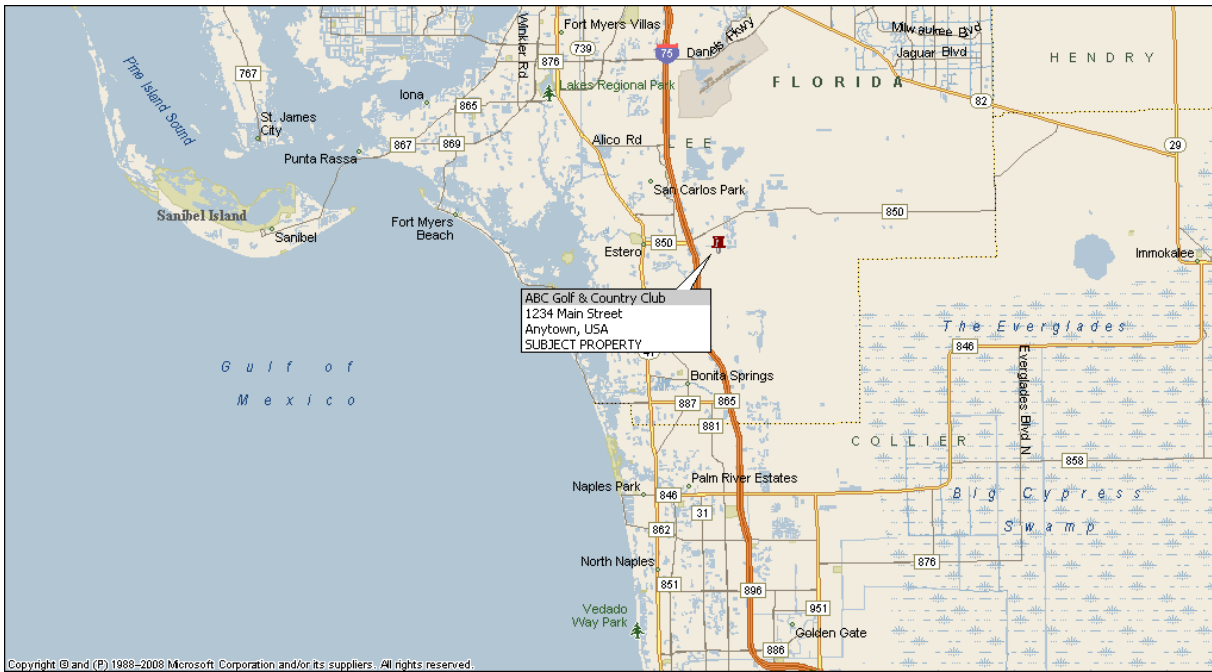
A major clubhouse expansion/renovation project was completed in 2006/2007, and the golf course was restored/renovated in summer/fall 2006. As of the date of our latest physical inspection, the common areas were observed to be in good to very good overall condition for a

property of the subject's age and location, and appear to have been well maintained. No items of significant deferred maintenance were noted.

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. This report is designed to provide reasonable, appropriate budgetary cost and useful life data based on market standards for the subject's property type. We are unaware of any private requirements regarding reserves.

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 HERE**

## **FUNDING ANALYSIS**

## **RESERVE STUDY FUNDING ANALYSIS**

There are two generally accepted means of estimating reserves; the Component Funding Analysis and the Cash Flow Analysis methodologies. The **Component Funding Analysis** (or Straight Line Method) 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** (or Pooling Method) 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

<b>Property Name:</b>	ABC Golf & Country Club	<b>Report Run Date:</b>	11/18/09
<b>Property Location:</b>	Anytown, USA	<b>Budget Year Begins:</b>	01/01/10
<b>Property Type:</b>	Country Club	<b>Budget Year Ends:</b>	12/31/10

### PROJECTED COMPONENT CATEGORIES AND PARAMETERS

Component Categories in Reserve Analysis:

- |                                       |                              |
|---------------------------------------|------------------------------|
| 1. Clubhouse Equipment, Miscellaneous | 9. Kitchen Equipment         |
| 2. Clubhouse Furnishings & Finishes   | 10. Maintenance Buildings    |
| 3. Exercise Equipment                 | 11. Painting/Waterproofing   |
| 4. Golf Course                        | 12. Pavement/Roads           |
| 5. Golf Course Equipment              | 13. Pool & Tennis Facilities |
| 6. Grounds/Site Improvements          | 14. Roofing                  |
| 7. Guardhouse/Security                |                              |
| 8. HVAC Equipment                     |                              |

Total current cost of all reserve components in reserve analysis:	\$ 7,888,660
Estimated beginning reserve fund balance for reserve analysis:	\$ 1,203,026
Total number of components scheduled for replacement in the 2010 budget year:	61
Total cost of components scheduled for replacement in the 2010 budget year:	\$ 511,297

### ANALYSIS RESULTS – COMPONENT FUNDING ANALYSIS

Current annual reserve funding contributions amount (2009 Budget):	\$ 595,000
Recommended annual reserve funding contributions amount:	\$ 1,671,392
Increase between current and recommended annual contributions amounts:	\$ 1,076,392
Increase between current and recommended annual contribution amounts:	181%

### ANALYSIS RESULTS – CASH FLOW ANALYSIS

Current annual reserve funding contributions amount (2009 Budget):	\$ 595,000
Recommended annual reserve funding contributions amount:	\$ 720,800
Increase between current and recommended annual contributions amounts:	\$ 125,800
Increase between current and recommended annual contribution amounts:	21.1%

## **RESERVE BUDGET COMPARISON**

The previous page provides a comparison between ABC Golf & Country Club, Inc.'s approved fiscal year 2009 reserve contribution level and the results from our reserve study analysis for fiscal year 2010. The funding requirement estimated for fiscal year 2010 using the Component Funding Analysis methodology is significantly higher, while the funding requirement estimated for fiscal year 2010 using the Cash Flow Analysis methodology is moderately higher than the association's approved fiscal year 2009 reserve contribution level. The primary reason for the higher contribution requirements is the comparably higher total current repair/replacement cost of the included reserve components. The reserve components included in our analysis have a total current repair/replacement cost that is roughly 90% higher than the current repair/replacement cost total of the reserve components included in the association's fiscal year 2009 reserve budget. Based on our analyses, continuing to fund the reserves as included in our study at the approved fiscal year 2010 contribution level will necessitate future special assessment(s) and/or loan(s) to offset planned reserve expenditures.

The Component Funding Analysis is a straight-line accounting procedure that was previously mandated by the State of Florida for condominium associations, and continues to be a suitable means of estimating full reserve funding for many property types. Based on our Component Funding Analysis, the reserves as analyzed in this report suggest that in order to fully fund in fiscal year 2010, the contribution should be \$1,671,392. In this analysis, we allocated the January 1, 2010 reserve fund balance to each included reserve component, based on that component's pro rata share of the total current repair/replacement cost of all the included reserve components. The funding levels could be decreased if the association chose to allocate greater funds to those reserve expenditures with shorter remaining useful lives.

Based on the Cash Flow Analysis method, the association can fully fund reserves at \$720,800 in fiscal year 2010. Beginning in fiscal year 2011, the association could increase reserve funding by a stable annual rate of 3% over the remainder of the 32 year study period. This funding plan would provide adequate funds to offset planned reserve expenditures, while maintaining a minimum annual reserve fund balance of +/- \$100,000 (in fiscal year 2027). 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 \$1,045,200. This level of funding could remain stable over the remainder of the 32 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**

**CASH FLOW ANALYSIS,**  
**3% ANNUAL INCREASE**

**CASH FLOW ANALYSIS,**  
**LEVEL ANNUAL CONTRIBUTIONS**

## **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; except 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.