

Reserve Analysis Report

Villas at Valley Country Club

14130 E Caley Ave
Aurora, CO

Level I Study with Site Inspection

Fiscal Year End Date: 12/31/2016



Phone: 858-764-1895

Fax: 800-436-3816

brian@mccafferyreserveconsulting.com

www.mccafferyreserveconsulting.com

Sections of This Report

Section

1 Preface

Written description of a reserve study and the figures in the report

Includes glossary, preparer qualifications, and calculation description

2-7 Executive Summary

Summarizes key findings of the report. Includes development description and lists the projected balance and percent funded. Summarizes the funding plans

Includes category breakdown pie chart

2-8 Percent Funded

Describes percent funded calculation and funding levels

Includes current percent funded chart and 30 year percent funded projection chart

2-9 30 Year Projections

Includes 30 year projection charts for annual expenses and reserve balance projections for each of the 3 funding plans

2-10 Category Significance

Includes category percentage column charts for fully funded balance and annual depreciation

2-11 Theoretical 30 Year Funding Plan

Lists details of each of the 3 funding plans (current, recommended, and threshold) over the next 30 years

Charts of the figures in this table are located in the 30 year projections

2-12 Future Percent Funded

Includes table and chart of percent funded for various levels of funding over the next 15 years

3 Component Summary & Component Significance

Lists all components included in the study in table form

Shows Depreciation and Fully Funded Balance Significance including quick glance graph

These figures are the basis for all other calculations in the study

4 Annual Expenses by Component

Lists all projected expenses for each component over the next 30 years in table form

5 Component Details

Lists details of each individual component

Includes notes and pictures of selected components if site inspection was conducted

Preface

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. These common areas differ for every development. They can include streets, roofs, recreational facilities and many other items.

A reserve study estimates the costs of common area repairs and replacements over a 30 year period. Each component is given a useful life, remaining life, and estimated cost. A reserve study then calculates the funds necessary to cover these expenses by creating funding plans.

The Big Picture - What are the significant figures to look at in the report?

- **The Component List** – What are our reserve components and when will they need maintenance

Every reserve study must start with a list of the components. The component summary contains the list of all the components, their useful and remaining lives, and their estimated costs. These numbers are the building blocks for most of the figures in the study.

- **Percent Funded** - What is our current financial standing

Probably the most important number in a reserve study is percent funded. It's almost like a credit score for an association. It tells them the current strength of their reserve fund.

Over 70% = Well Funded Between 30-70% = Fairly Funded Below 30% = Poorly Funded

The lower your percent funded the higher the risk of a special assessment. A low percent funded also increases the likelihood of deferred maintenance which can cause declining property values.

- **Funding Plans** - How much do we need to save for the future

The next important part of the study is the theoretical 30 year funding plans. The study contains 3 funding plans. It projects what the percent funded will be over the next 30 years if the CID follows each of these plans.

Current Funding Plan – This plan is based on what the association is currently contributing to its reserve fund. This information is supplied by the board or management

Recommend Funding Plan – This is McCaffery's recommendation, if a CID follows the recommended plan they should end up well funded and near the 100% funded level.

5% Threshold Funding Plan - The threshold funding plan is a 30 year cash flow plan that calculates the minimum amount a CID should contribute so their reserve balance won't fall below 5% funded and cause the need for a special assessment. The percent funded will at some point fall into poorly funded levels but will never drop below 5%. If a CID has a funding plan that is below this threshold plan they should also plan on a future special assessment and/or a deferred maintenance. (Following this plan does carry higher risk of a special assessment if a component fails early or costs more than expected)

Why Should a Reserve Study be performed?

Certain states, such as California, require that reserve studies be completed and updated annually and that the board of directors inform owners of the reserve status with their annual budget. In addition, the board of directors of a common interest development (CID) has a legal and fiduciary duty to maintain the community in a good state of repair. Property Values are directly affected by the level of maintenance and upkeep of the common area components. Reserve studies create a maintenance plan, which keeps a development in good condition, therefore increasing property appreciation and value. The amount of funds in the reserve account also greatly affects property values. Reserve studies inform CID's how much they should have in their reserve account, which eliminates costly special assessments. Over time each member of a CID should contribute their fair share to the reserve account so when expenses arise the required funds are available. Reserve Studies help board members fulfill their fiduciary duty and also help avoid litigation against CID board members.

Where do Component Repair/Replacement Cost Estimates Come From?

The most accurate cost source is actual bids from contractors or to look at contracts from when the repair/replacement was last performed. In most cases bids or contracts are not available so unit costs for similar work done in the same local area are used. In addition, it is helpful to talk to local vendors who have knowledge of the work and can help with a cost estimate. A third source is to use construction cost estimators such as RS Means. Many times the entire quantity of a component will not need to be replaced or repaired all at once. An example of this is concrete sidewalks. All sidewalks should never have to be replaced, but some sections may experience cracking. In this case an allowance can be created for their partial replacement.

The cost source number for each component is provided in the component summary and details. An explanation of each follows:

1. **Local Historical Cost** – Cost based on bids for similar work done in same area.
2. **McCaffery Estimate** – Estimate or Allowance made by McCaffery Staff Member.
3. **Board/Manager Direction** – Cost estimate provided by board member or property manager.
4. **Bid/Contract** – Bid came from actual bid or contract.
5. **Cost Manual** – Cost came from estimating manual.
6. **Previous Study** – Cost came from previous reserve study.

Glossary of Terms:

Contingency – An allowance for miscellaneous components, unpredictable expenses and/or costs that were higher than expected. (5% of total current cost unless directed otherwise)

Current Budgeted Reserve Assessment – Amount currently being deposited into reserve account. Provided by Property Manager or Board Member.

Depreciation This Year – Amount that should be saved for component during current year. Provided for each component and summed for all components. If the association is 100% funded this is the amount they should contribute to the reserve fund annually. $= (\text{Total Current Cost} / \text{Normal Useful Life})$

Depreciation Percent – A components percentage of the total depreciation of all components. $= (\text{Component Depreciation} / \text{Total Depreciation of all components})$

Fully Funded Balance – The total depreciation over the life of the component. In other words, the amount that should have been saved during the life of the component. Provided for each component and summed for all components $= ((\text{Useful Life} - \text{Remaining Life}) * \text{Depreciation This Year})$

Full Funded Balance Percent – A component's percentage of the total fully funded balance of all components. $= (\text{Component FFB} / \text{Total FFB of all Components})$

Monthly Contribution – The amount that should be allocated to each component using the recommended funding plan. $= ((\text{Component Depreciation} / \text{Total Depreciation}) * \text{Recommended Monthly Funding})$

Life Remaining Percent – The percentage of life that a component has remaining $= (\text{Remaining Live} / \text{Useful Life})$

Normal Useful Life – Typical useable life for a component.

Percent Funded – The percentage of the fully funded balance that the CID has in reserve fund. $(\text{Projected Balance} / \text{Fully Funded Balance})$

Projected Balance – Projected balance at fiscal year end with current funding plan. Calculated using current reserve balance, remaining contributions to reserves before year-end, and planned expenses before year-end. Supplied by board or management.

Recommended Reserve Contribution – Recommended amount that the CID should allocate into reserves to offset future expenses.

Remaining Life – Expected remaining useable life of component. (0 year remaining life means the component will be serviced in the upcoming fiscal year)

Replacement Year – Year that component is projected to be replaced or repaired.

Total Cost – Total cost to replace or repair component in today’s dollars. $=(\text{Quantity} \times \text{Unit Cost})$

Total Future Cost - Current cost adjusted to future cost taking into account inflation and replacement year. $=(\text{Current Cost} * (1 + \text{inflation rate})^{(\text{Replacement Year} - \text{Present Year})})$

Threshold Reserve Contribution – Reserve contribution that should be allocated into reserves to keep reserve balance above a minimum amount during the next 30 years. (Minimum amount is 5% funded unless otherwise noted)

Under Funded – Amount association is short of fully funded balance; also known as a deficit. $=(\text{Fully Funded Balance} - \text{Projected Balance})$

Unit Cost – Cost per Unit.

Unit of Measure – Unit used to measure component. (Explanations shown below)

SF – Square Feet

SY – Square Yard

LF – Linear Feet

Each – Per Single Unit

Lump Sum - Total cost for component

Allowance – Allowance for component repair or replacement

Contract – Cost obtained from actual contract or bid

Useful Life – Time in years component is expected to last.

What Procedures were used for calculation and establishment of reserves?

In this study the fully funded reserve balance for a component at a given time was computed using the component method. Using the component method the fully funded reserve balance equals the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component.

For example if the cost of a boiler is \$10,000, the useful life is 10 years and the remaining life is 3 years. The recommended reserve balance would be:

$$\$10,000 \times ((10-3)/10) = \$7,000.$$

Preparer Qualifications

Brian McCaffery, President and founder of McCaffery Reserve Consulting, earned his Bachelor of Science Degree in Architectural Engineering from the University of Colorado in Boulder. His degree program included coursework in Building Exterior, Lighting, Electrical Systems, Heating Ventilating and Air Conditioning, Concrete and Steel Design, Civil Engineering, Structural Engineering, and Estimating. He has worked in the Building Construction/Architectural Engineering industry for 11 years and has been performing reserve studies for the past 9 years. During his professional career, Brian has worked for multiple companies that perform reserve studies. He has performed over 3,000 reserve studies throughout the state of California and the United States. Brian is a certified Reserve Specialist, designated by the Community Associations Institute (CAI). The Reserve Specialist designation is awarded to experienced, qualified reserve specialists, who through years of specialized experience, can help ensure that your community association prepares its reserve budget as accurately as possible. Brian also has a permit to perform reserve studies in the state of Nevada (Reserve study permit #9).

McCaffery understands that most homeowners, board members, and property managers can have a difficult time understanding all the numbers in a reserve study. That is why we make it a priority to make our report easy for anyone to understand. The layout of this report is set up with graphs, explanations and figures to make it easy to follow. If you read though the full report you should have a good understanding of the numbers and calculations. We strive to make sure our studies are second to none in the industry. The important figures are summarized in the executive summary and the supporting graphs and figures give a full explanation of how the findings were derived. Further descriptions are provided in the descriptions section.

For more useful information on reserve studies please visit:

www.mccafferyreserveconsulting.com

For a quick video that highlights the main sections please see:

<http://www.mccafferyreserveconsulting.com/sample-reserve-study>

Or scan QR code below with a smart phone



One Page Description of how we come up with the Numbers in this Report

The numbers in this report start with the components listed in the component summary.

1. Every component is given a useful life, remaining life, and an estimated cost

We will use a boiler as an example. This boiler is expected to last 10 years and has been in use for 7 years. The estimated cost is \$10,000.

Component	Useful Life	Remaining Life	Cost
Boiler	10	3	\$10,000

2. The fully funded balance is calculated

Fully Funded Balance = (Useful life-Remaining Life)/Useful Life * Cost

$$(10-3)/10 * \$10,000 = \$7,000$$

The fully funded balance is then summed for all components and this is the total fully funded balance for the development.

3. Fully Funded Balance is then compared to the actual projected year-end balance that the development has saved for reserves

This is called the percent funded. For our example let's say the development had \$5,000 saved for their boiler. Their percent funded would be:

$$\text{Percent Funded} = \text{Projected Year End Reserve Balance}/\text{Fully Funded Balance}$$
$$\$5,000/\$7,000 = 71\%$$

4. Next expenses are projected for each component for the next 30 years using the useful and remaining lives

This information is shown in the annual expenses by component section. Inflation is included in these figures.

5. Using the projected expenses for the next 30 years the funding plans are created

Funding plans are created so that the development has enough money to offset their projected expenses for the next 30 years.

We try to create funding plans that have a uniform contribution over a 30 year period with a slight increase over time for inflation.

Executive Summary

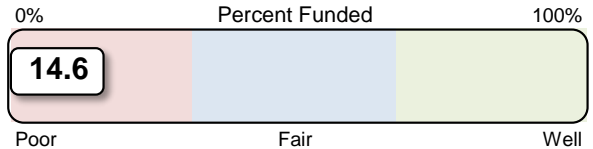
Villas at Valley Country Club

This is a Homeowners Association with 32 Condominium Units.

The common area components include: asphalt, walls, and building exterior.

A Full Study with an on-site inspection was performed on July 27th, 2016

Number of Units 32
 Year Built
 Fiscal Year End December 31, 2016

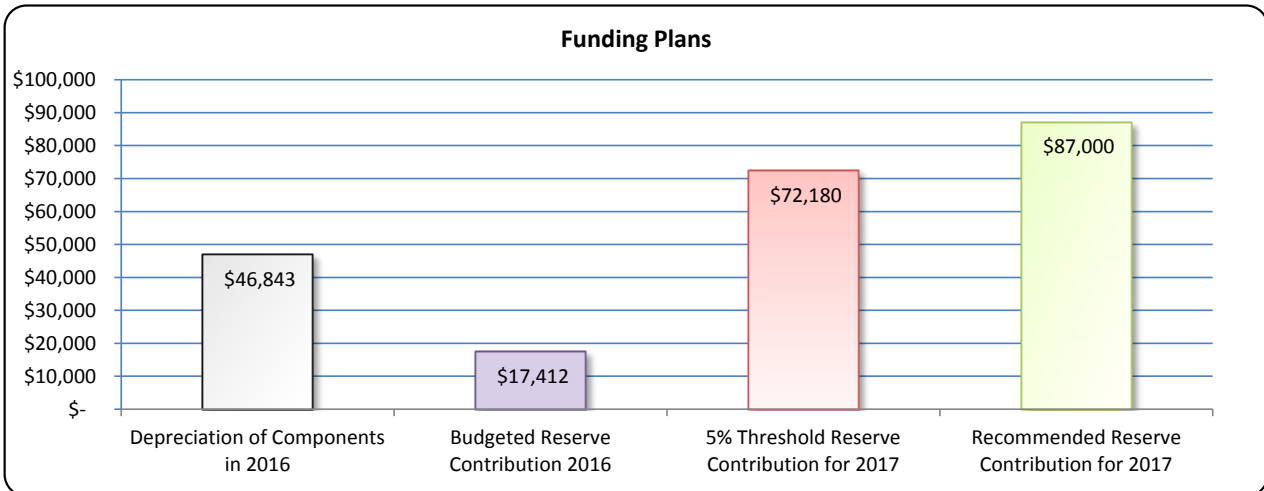


Reserve Fund Balance December 31, 2016

Fully Funded Reserve Balance	\$ 676,130
Projected Balance	\$ 98,605
Under Funded (Deficiency in Reserve Funding)	\$ 577,525
Deficiency in Reserve Funding Per Unit	\$ 18,047.66
Percent Funded	14.6%

Funding Plans

	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2016	\$ 46,843	\$ 3,904	\$ 121.99
Budgeted Reserve Contribution 2016	\$ 17,412	\$ 1,451	\$ 45.34
5% Threshold Reserve Contribution for 2017	\$ 72,180	\$ 6,015	\$ 187.97
Recommended Reserve Contribution for 2017	\$ 87,000	\$ 7,250	\$ 226.56



Percent Funded

Percent Funded is probably the most important number in a reserve study

Your current percent funded is:

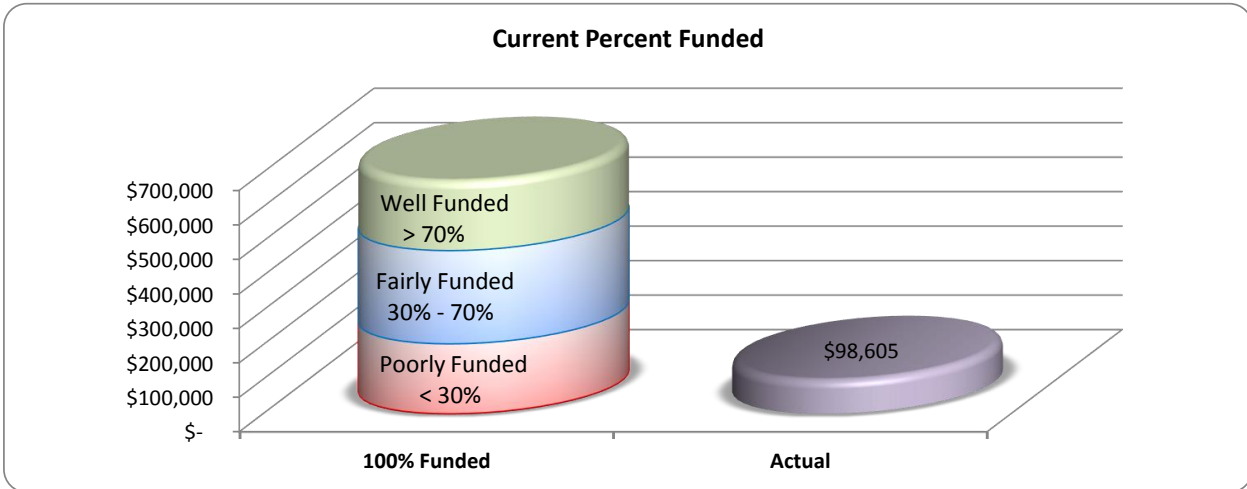
Year End Balance	\$	98,605	=	15%
Fully Funded Balance	\$	676,130		

Above 70% = Well Funded

Between 30% and 70% = Fairly Funded

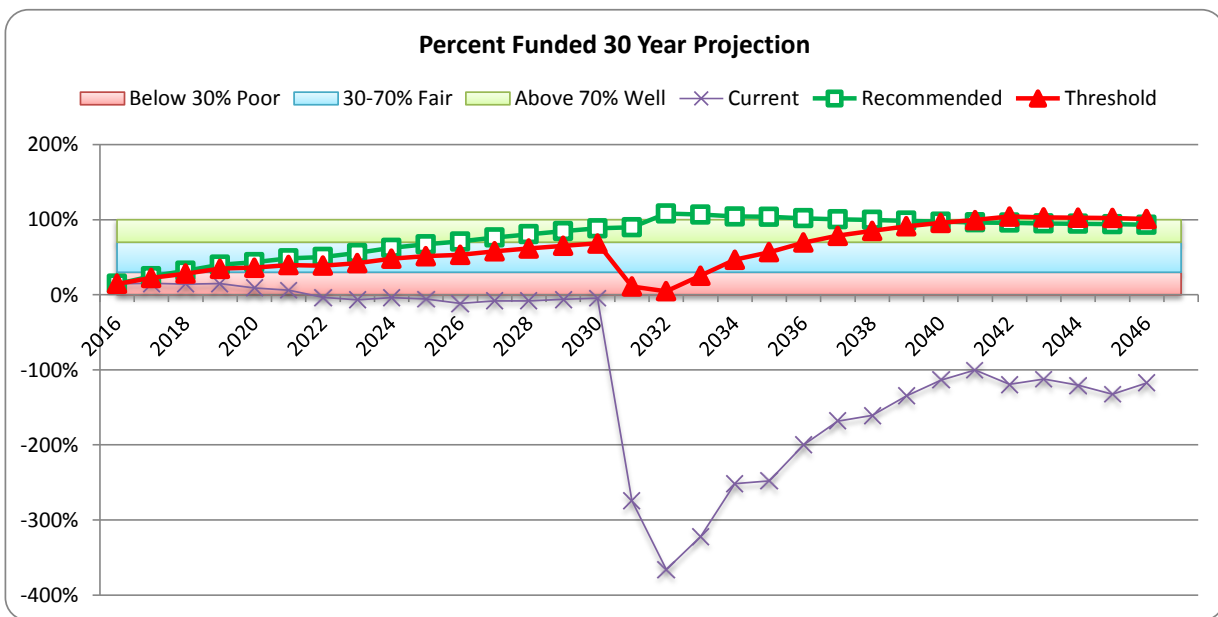
Below 30% = Poorly Funded

The higher your percent funded, the lower the risk of special assessments and deferred maintenance.



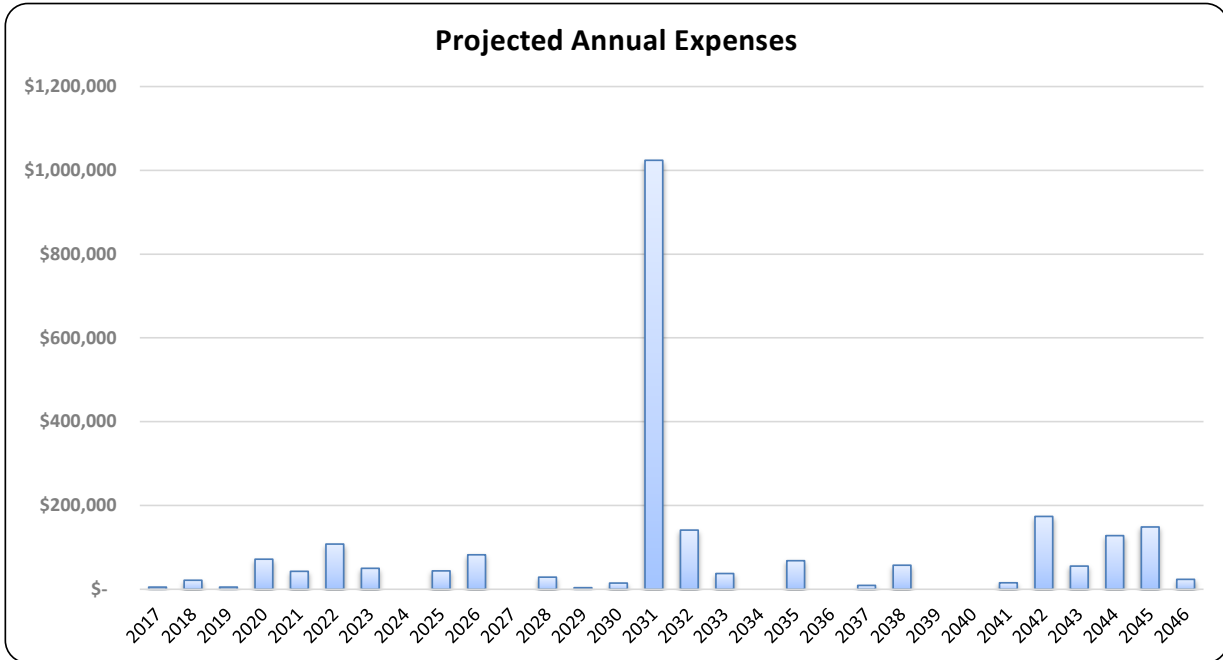
If you follow one of the 3 funding plans in this reserve study this is what your percent funded may look like over the next 30 years. Anytime the Current line drops below 0% a special assessment is likely.

	Annually	Monthly	Per Unit Monthly
Current Reserve Contribution 2016	\$ 17,412	\$ 1,451	\$ 45.34
5% Threshold Reserve Contribution for 2017	\$ 72,180	\$ 6,015	\$ 187.97
Recommended Reserve Contribution for 2017	\$ 87,000	\$ 7,250	\$ 226.56

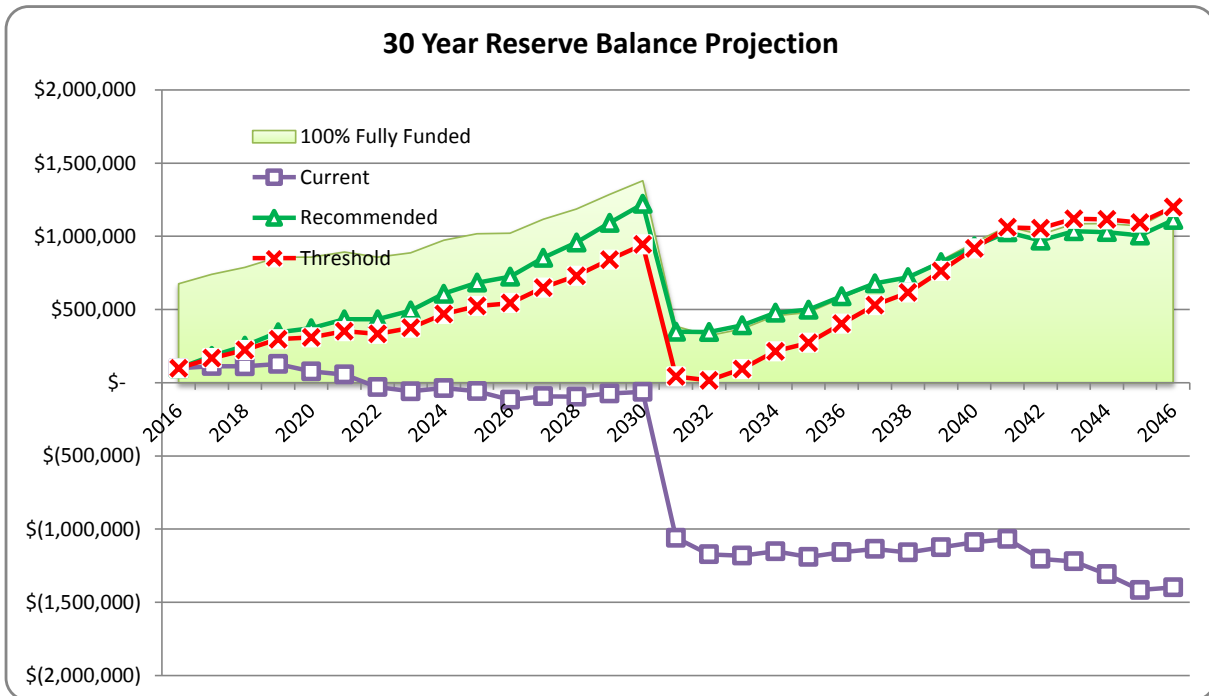


30 Year Projections

Reserve expenses will vary from year to year. A reserve study predicts these expenses and offsets them by creating a uniform funding plan that increases slightly over time to keep up with inflation.



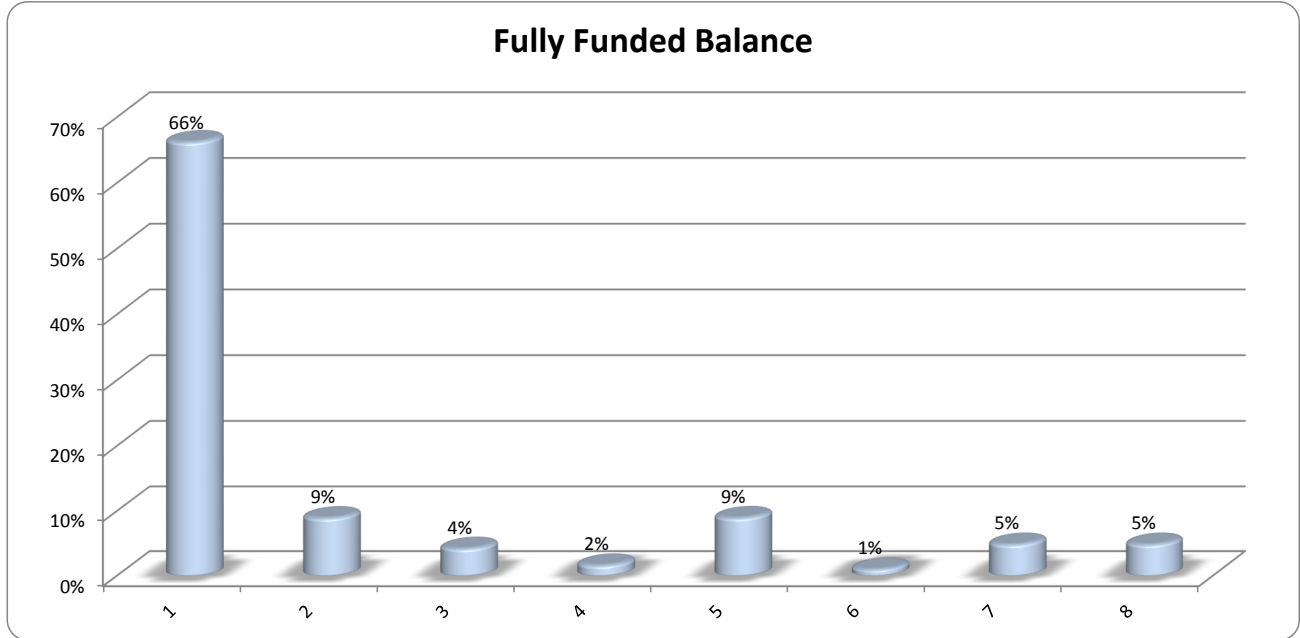
The black 100% funded line shows the ideal balance over the next 30 years. It increases over time due to inflation and depreciation of your components. The 100% funded line will drop after years with large expenses. The recommend funding plan will keep you well funded. The threshold plan will approach \$0 dollars, following this plan has a higher risk of special assessments or deferred maintenance.



Category Significance

This chart breaks down the total fully funded balance for each category

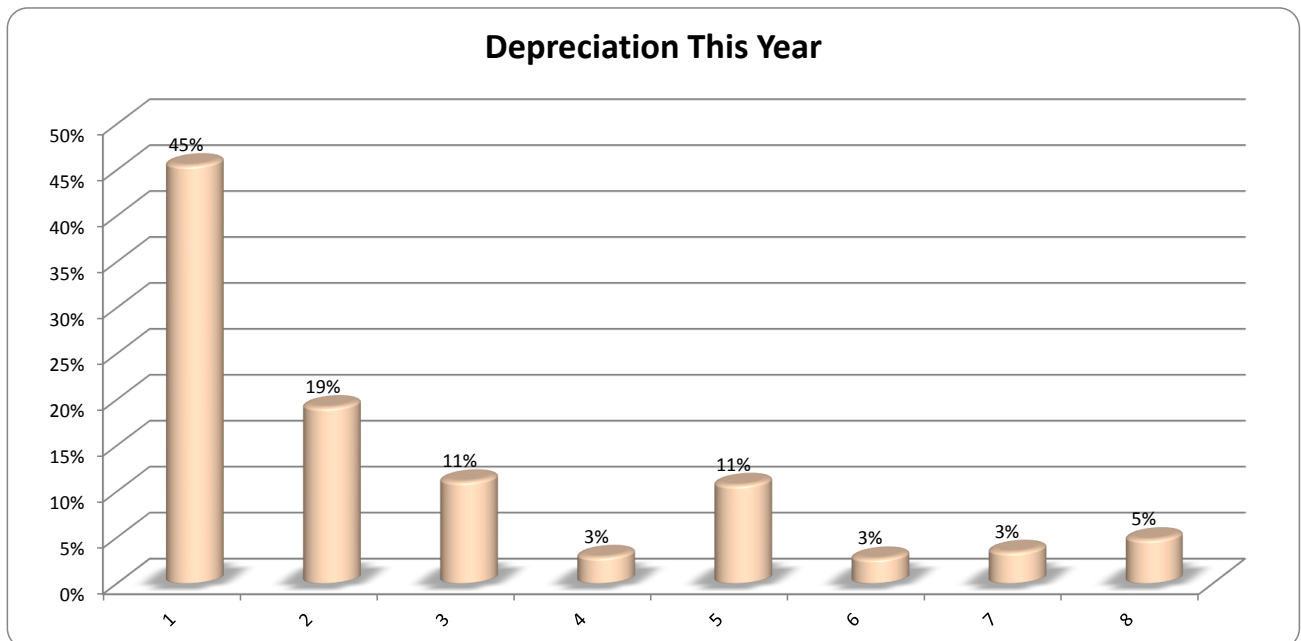
Roofing	Fully Funded Balance	\$ 447,300	=	66%
Total	Fully Funded Balance	\$ 676,130		



This chart breaks down the total annual depreciation for each category

Roofing	Annual Depreciation	\$ 21,300	=	45%
Total	Annual Depreciation	\$ 46,843		

This chart may differ from the chart above because it does not account for remaining life



Theoretical 30 Year Funding Plans

Villas at Valley Country Club

Above 70% = Well Funded (Low Risk of Special Assessment)

Between 30% and 70% = Fairly Funded

Below 30% = Poorly Funded (Higher Risk of Special Assessment)

Before Tax Interest Rate	1.5%
Annual Inflation Rate	3.0%
Annual Funding Increase	3.0%

Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			5% Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2016	\$ -	\$ 676,130	\$ 17,412	\$ 98,605	15%	\$ -	\$ 98,605	15%	\$ -	\$ 98,605	15%
2017	\$ 5,050	\$ 739,201	\$ 17,934	\$ 112,968	15%	\$ 87,000	\$ 182,034	25%	\$ 72,180	\$ 167,214	23%
2018	\$ 21,424	\$ 787,903	\$ 18,472	\$ 111,711	14%	\$ 89,610	\$ 252,951	32%	\$ 74,345	\$ 222,644	28%
2019	\$ 5,092	\$ 857,219	\$ 19,027	\$ 127,321	15%	\$ 92,298	\$ 343,951	40%	\$ 76,576	\$ 297,467	35%
2020	\$ 71,683	\$ 858,133	\$ 19,597	\$ 77,146	9%	\$ 95,067	\$ 372,494	43%	\$ 78,873	\$ 309,119	36%
2021	\$ 42,713	\$ 891,987	\$ 20,185	\$ 55,775	6%	\$ 97,919	\$ 433,288	49%	\$ 81,239	\$ 352,282	39%
2022	\$ 107,812	\$ 858,080	\$ 20,791	\$ (30,410)	-4%	\$ 100,857	\$ 432,832	50%	\$ 83,676	\$ 333,430	39%
2023	\$ 49,911	\$ 887,455	\$ 21,415	\$ (58,907)	-7%	\$ 103,883	\$ 493,295	56%	\$ 86,187	\$ 374,707	42%
2024	\$ -	\$ 973,418	\$ 22,057	\$ (36,850)	-4%	\$ 106,999	\$ 607,694	62%	\$ 88,772	\$ 469,100	48%
2025	\$ 43,767	\$ 1,016,406	\$ 22,719	\$ (57,898)	-6%	\$ 110,209	\$ 683,251	67%	\$ 91,435	\$ 523,805	52%
2026	\$ 82,201	\$ 1,020,951	\$ 23,400	\$ (116,699)	-11%	\$ 113,515	\$ 724,815	71%	\$ 94,179	\$ 543,640	53%
2027	\$ -	\$ 1,116,422	\$ 24,102	\$ (92,596)	-8%	\$ 116,921	\$ 852,608	76%	\$ 97,004	\$ 648,798	58%
2028	\$ 28,792	\$ 1,185,563	\$ 24,825	\$ (96,563)	-8%	\$ 120,428	\$ 957,033	81%	\$ 99,914	\$ 729,652	62%
2029	\$ 3,636	\$ 1,285,989	\$ 25,570	\$ (74,629)	-6%	\$ 124,041	\$ 1,091,794	85%	\$ 102,911	\$ 839,873	65%
2030	\$ 14,685	\$ 1,379,540	\$ 26,337	\$ (62,977)	-5%	\$ 127,762	\$ 1,221,248	89%	\$ 105,999	\$ 943,784	68%
2031	\$1,024,023	\$ 386,426	\$ 27,127	\$ (1,059,873)	-274%	\$ 131,595	\$ 347,139	90%	\$ 109,179	\$ 43,096	11%
2032	\$ 141,152	\$ 320,532	\$ 27,941	\$ (1,173,083)	-366%	\$ 135,543	\$ 346,737	108%	\$ 112,454	\$ 15,045	5%
2033	\$ 37,470	\$ 367,049	\$ 28,779	\$ (1,181,774)	-322%	\$ 77,425	\$ 391,893	107%	\$ 115,828	\$ 93,628	26%
2034	\$ -	\$ 457,808	\$ 29,643	\$ (1,152,131)	-252%	\$ 79,747	\$ 477,519	104%	\$ 119,303	\$ 214,335	47%
2035	\$ 68,097	\$ 480,034	\$ 30,532	\$ (1,189,696)	-248%	\$ 82,140	\$ 498,724	104%	\$ 122,882	\$ 272,335	57%
2036	\$ -	\$ 579,039	\$ 31,448	\$ (1,158,248)	-200%	\$ 84,604	\$ 590,808	102%	\$ 126,568	\$ 402,988	70%
2037	\$ 9,121	\$ 673,688	\$ 32,391	\$ (1,134,978)	-168%	\$ 87,142	\$ 677,692	101%	\$ 130,365	\$ 530,277	79%
2038	\$ 57,297	\$ 721,688	\$ 33,363	\$ (1,158,912)	-161%	\$ 89,756	\$ 720,316	100%	\$ 134,276	\$ 615,210	85%
2039	\$ -	\$ 835,788	\$ 34,364	\$ (1,124,548)	-135%	\$ 92,449	\$ 823,570	99%	\$ 138,304	\$ 762,743	91%
2040	\$ -	\$ 956,084	\$ 35,395	\$ (1,089,152)	-114%	\$ 95,222	\$ 931,146	97%	\$ 142,453	\$ 916,637	96%
2041	\$ 15,348	\$ 1,066,247	\$ 36,457	\$ (1,068,043)	-100%	\$ 98,079	\$ 1,027,845	96%	\$ 146,727	\$ 1,061,766	100%
2042	\$ 173,784	\$ 1,011,309	\$ 37,551	\$ (1,204,276)	-119%	\$ 101,021	\$ 970,500	96%	\$ 151,129	\$ 1,055,038	104%
2043	\$ 55,209	\$ 1,085,992	\$ 38,677	\$ (1,220,808)	-112%	\$ 104,052	\$ 1,033,901	95%	\$ 104,052	\$ 1,119,707	103%
2044	\$ 127,946	\$ 1,087,372	\$ 39,837	\$ (1,308,917)	-120%	\$ 107,174	\$ 1,028,637	95%	\$ 107,174	\$ 1,115,730	103%
2045	\$ 148,601	\$ 1,069,670	\$ 41,033	\$ (1,416,485)	-132%	\$ 110,389	\$ 1,005,855	94%	\$ 110,389	\$ 1,094,254	102%
2046	\$ 23,566	\$ 1,189,975	\$ 42,263	\$ (1,397,787)	-117%	\$ 113,701	\$ 1,111,077	93%	\$ 113,701	\$ 1,200,803	101%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Future Percent Funded

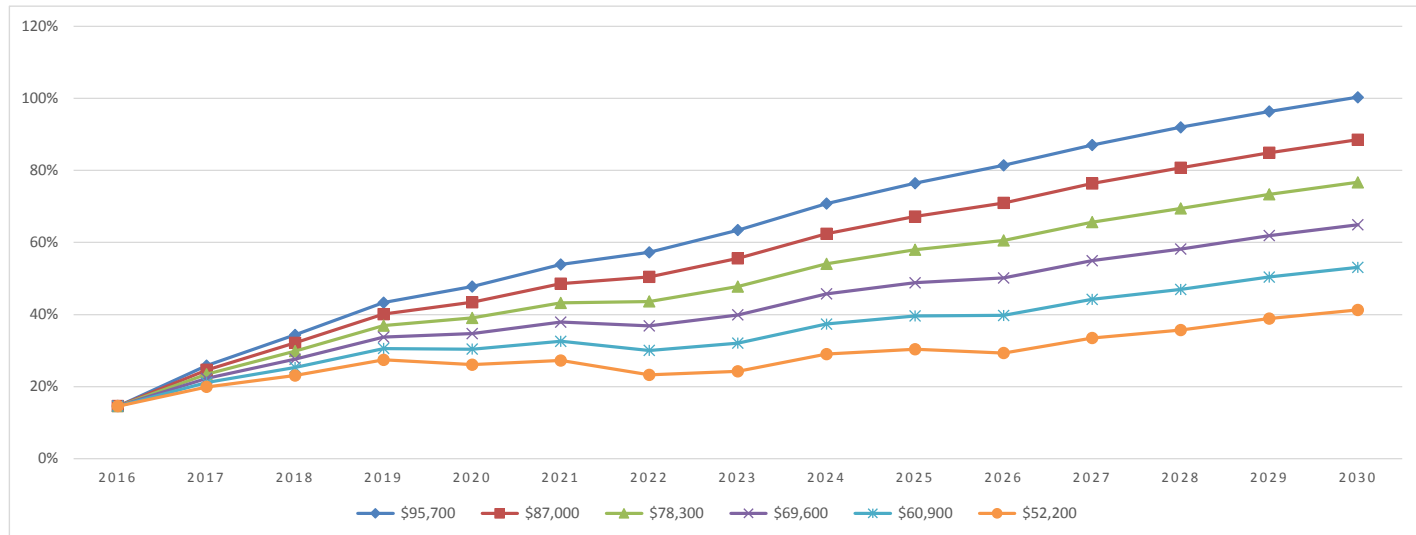
This table and chart shows where your percent funded will be over the next 15 years starting with different levels of funding. Keep in mind all figures assume a 3% annual increase in funding to keep up with inflation.

Above 70% = Well Funded
(Low Risk of Special Assessment)

Between 30% and 70% = Fairly Funded

Below 30% = Poorly Funded
(Higher Risk of Special Assessment)

Funding Plan	Reserve Contribution 2017	Percent Funded														
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
110% Recommended	\$ 95,700	15%	26%	34%	43%	48%	54%	57%	63%	71%	76%	81%	87%	92%	96%	100%
Recommended	\$ 87,000	15%	25%	32%	40%	43%	49%	50%	56%	62%	67%	71%	76%	81%	85%	89%
90% Recommended	\$ 78,300	15%	23%	30%	37%	39%	43%	44%	48%	54%	58%	61%	66%	69%	73%	77%
80% Recommended	\$ 69,600	15%	22%	28%	34%	35%	38%	37%	40%	46%	49%	50%	55%	58%	62%	65%
70% Recommended	\$ 60,900	15%	21%	25%	31%	30%	33%	30%	32%	37%	40%	40%	44%	47%	50%	53%
60% Recommended	\$ 52,200	15%	20%	23%	27%	26%	27%	23%	24%	29%	30%	29%	34%	36%	39%	41%



Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Component Summary
Villas at Valley Country Club

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
Roofing							
Tile Underlayment & Repairs	112000	SF	35	14	\$ 6.00	\$ 672,000	1
Gutters & Downspouts	9000	LF	30	9	\$ 7.00	\$ 63,000	1
						\$ 735,000	
Painting							
Stucco Paint & Repair	32	Each	12	3	\$ 1,800	\$ 57,600	1
Wood Trim	32	Each	5	1	\$ 650	\$ 20,800	1
						\$ 78,400	
Asphalt							
Slurry Seal & Repair	15000	SF	4	0	\$ 0.17	\$ 2,550	1
Overlay & Replace	15000	SF	25	6	\$ 1.40	\$ 21,000	1
Pavers Repair/Reset	16000	SF	10	8	\$ 2	\$ 32,000	1
Concrete Repairs	1	Allowance	10	4	\$ 5,000	\$ 5,000	1
						\$ 60,550	
Fencing/Rails							
Stucco Wall Repairs	1	Allowance	10	5	\$ 8,000	\$ 8,000	1
Retaining Wall Repairs	1	Allowance	15	3	\$ 8,000	\$ 8,000	1
						\$ 16,000	
Landscaping							
Irrigation System Upgrade	1	Allowance	20	5	\$ 75,000	\$ 75,000	1
Landscape Replacements	1	Allowance	8	5	\$ 10,000	\$ 10,000	1
Tree Trimming							3
							Included in Operating Budget
						\$ 85,000	
Lighting							
Repairs & Replacements	1	Allowance	20	15	\$ 25,000	\$ 25,000	1
						\$ 25,000	
Miscellaneous							
Mailboxes	32	Each	24	2	\$ 150	\$ 4,800	1
Garage Doors	32	Each	24	4	\$ 950	\$ 30,400	1
Balconies							Individual Owner Responsibility
Entry Monument	1	Allowance	20	0	\$ 2,500	\$ 2,500	1
						\$ 37,700	
Contingency							
5%							1

TOTALS**\$ 1,037,650**

Notes: Any other items not listed are included in operating budget.

Component Significance

Category Component	Fully Funded Balance			Depreciation This Year			Monthly Contribution
	\$ Amount	%	Quick Glance Graph	\$ Amount	%	Quick Glance Graph	
Roofing							
Tile Underlayment & Repairs	\$ 403,200	59.63%		\$ 19,200	40.99%		\$2,971.62
Gutters & Downspouts	\$ 44,100	6.52%		\$ 2,100	4.48%		\$ 325.02
	\$ 447,300	66.16%		\$ 21,300	45.47%		\$3,296.64
Painting							
Stucco Paint & Repair	\$ 43,200	6.39%		\$ 4,800	10.25%		\$ 742.91
Wood Trim	\$ 16,640	2.46%		\$ 4,160	8.88%		\$ 643.85
	\$ 59,840	8.85%		\$ 8,960	19.13%		\$1,386.76
Asphalt							
Slurry Seal & Repair	\$ 2,550	0.38%		\$ 638	1.36%		\$ 98.67
Overlay & Replace	\$ 15,960	2.36%		\$ 840	1.79%		\$ 130.01
Pavers Repair/Reset	\$ 6,400	0.95%		\$ 3,200	6.83%		\$ 495.27
Concrete Repairs	\$ 3,000	0.44%		\$ 500	1.07%		\$ 77.39
	\$ 27,910	4.13%		\$ 5,178	11.05%		\$ 801.33
Fencing/Rails							
Stucco Wall Repairs	\$ 4,000	0.59%		\$ 800	1.71%		\$ 123.82
Retaining Wall Repairs	\$ 6,400	0.95%		\$ 533	1.14%		\$ 82.55
	\$ 10,400	1.54%		\$ 1,333	2.85%		\$ 206.36
Landscaping							
Irrigation System Upgrade	\$ 56,250	8.32%		\$ 3,750	8.01%		\$ 580.39
Landscape Replacements	\$ 3,750	0.55%		\$ 1,250	2.67%		\$ 193.46
Tree Trimming		0.00%					
	\$ 60,000	8.87%		\$ 5,000	10.67%		\$ 773.86
Lighting							
Repairs & Replacements	\$ 6,250	0.92%		\$ 1,250	2.67%		\$ 193.46
	\$ 6,250	0.92%		\$ 1,250	2.67%		\$ 193.46
Miscellaneous							
Mailboxes	\$ 4,400	0.65%		\$ 200	0.43%		\$ 30.95
Garage Doors	\$ 25,333	3.75%		\$ 1,267	2.70%		\$ 196.04
Balconies							
Entry Monument	\$ 2,500	0.37%		\$ 125	0.27%		\$ 19.35
	\$ 32,233	4.77%		\$ 1,592	3.40%		\$ 246.35
Contingency							
5%	\$ 32,197	4.76%		\$ 2,231	4.76%		\$ 345.24
	\$ 676,130	100.00%	100%	\$ 46,843	100%	100%	\$ 7,250

Annual Expenses by Component

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Roofing											
Tile Underlayment & Repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Gutters & Downspouts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,201	
Painting											
Stucco Paint & Repair	\$ -	\$ -	\$ -	\$ 62,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Wood Trim	\$ -	\$ 21,424	\$ -	\$ -	\$ -	\$ -	\$ 24,836	\$ -	\$ -	\$ -	
Asphalt											
Slurry Seal & Repair	\$ 2,550	\$ -	\$ -	\$ -	\$ 2,870	\$ -	\$ -	\$ -	\$ 3,230	\$ -	
Overlay & Replace	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,075	\$ -	\$ -	\$ -	
Pavers Repair/Reset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,537	\$ -	
Concrete Repairs	\$ -	\$ -	\$ -	\$ -	\$ 5,628	\$ -	\$ -	\$ -	\$ -	\$ -	
Fencing/Rails											
Stucco Wall Repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,274	\$ -	\$ -	\$ -	\$ -	
Retaining Wall Repairs	\$ -	\$ -	\$ -	\$ 8,742	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Landscaping											
Irrigation System Upgrade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,946	\$ -	\$ -	\$ -	\$ -	
Landscape Replacements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,593	\$ -	\$ -	\$ -	\$ -	
Tree Trimming	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Lighting											
Repairs & Replacements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Miscellaneous											
Mailboxes	\$ -	\$ -	\$ 5,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Garage Doors	\$ -	\$ -	\$ -	\$ -	\$ 34,215	\$ -	\$ -	\$ -	\$ -	\$ -	
Balconies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Entry Monument	\$ 2,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Totals	\$ -	\$ 5,050	\$ 21,424	\$ 5,092	\$ 71,683	\$ 42,713	\$ 107,812	\$ 49,911	\$ -	\$ 43,767	\$ 82,201

Annual Expenses by Component


	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Roofing											
Tile Underlayment & Repair	\$ -	\$ -	\$ -	\$ -	\$ 1,016,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gutters & Downspouts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Painting											
Stucco Paint & Repair	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,739	\$ -	\$ -	\$ -	\$ -	\$ -
Wood Trim	\$ -	\$ 28,792	\$ -	\$ -	\$ -	\$ -	\$ 33,378	\$ -	\$ -	\$ -	\$ -
Asphalt											
Slurry Seal & Repair	\$ -	\$ -	\$ 3,636	\$ -	\$ -	\$ -	\$ 4,092	\$ -	\$ -	\$ -	\$ 4,606
Overlay & Replace	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pavers Repair/Reset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,478	\$ -	\$ -
Concrete Repairs	\$ -	\$ -	\$ -	\$ -	\$ 7,563	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fencing/Rails											
Stucco Wall Repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,464	\$ -	\$ -	\$ -	\$ -	\$ -
Retaining Wall Repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,619	\$ -	\$ -
Landscaping											
Irrigation System Upgrade	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Landscape Replacements	\$ -	\$ -	\$ -	\$ 14,685	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tree Trimming	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting											
Repairs & Replacements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,949	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous											
Mailboxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Garage Doors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balconies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Entry Monument	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,515
Totals	\$ -	\$ 28,792	\$ 3,636	\$ 14,685	\$ 1,024,023	\$ 141,152	\$ 37,470	\$ -	\$ 68,097	\$ -	\$ 9,121

Annual Expenses by Component

	2038	2039	2040	2041	2042	2043	2044	2045	2046
Roofing									
Tile Underlayment & Repair	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gutters & Downspouts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Painting									
Stucco Paint & Repair	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,946	\$ -	\$ -
Wood Trim	\$ 38,694	\$ -	\$ -	\$ -	\$ -	\$ 44,857	\$ -	\$ -	\$ -
Asphalt									
Slurry Seal & Repair	\$ -	\$ -	\$ -	\$ 5,184	\$ -	\$ -	\$ -	\$ 5,834	\$ -
Overlay & Replace	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pavers Repair/Reset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,214	\$ -
Concrete Repairs	\$ -	\$ -	\$ -	\$ 10,164	\$ -	\$ -	\$ -	\$ -	\$ -
Fencing/Rails									
Stucco Wall Repairs	\$ -	\$ -	\$ -	\$ -	\$ 16,750	\$ -	\$ -	\$ -	\$ -
Retaining Wall Repairs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Landscaping									
Irrigation System Upgrade	\$ -	\$ -	\$ -	\$ -	\$ 157,033	\$ -	\$ -	\$ -	\$ -
Landscape Replacements	\$ 18,603	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,566
Tree Trimming	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lighting									
Repairs & Replacements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous									
Mailboxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,352	\$ -	\$ -	\$ -
Garage Doors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,553	\$ -
Balconies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Entry Monument	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Totals	\$ 57,297	\$ -	\$ -	\$ 15,348	\$ 173,784	\$ 55,209	\$ 127,946	\$ 148,601	\$ 23,566

Component Details


Roofing

Approximate Component Quantity	-	112000
Unit of Measure	-	SF
Normal Useful Life (Years)	-	35
Estimated Remaining Useful Life (Years)	-	14
Estimated Replacement Year	-	2031
Cost Source	-	1
Depreciation Percent	-	40.99%
Life Remaining Percent	-	 40%

Tile Underlayment & Repairs

Estimated Current Unit Cost	\$	6.00
Estimated Total Current Cost	\$	672,000
Estimated Total Future Cost	\$	1,016,460
Fully Funded Balance	\$	403,200
Depreciation This Year	\$	19,200
Monthly Contribution	\$	2,971.62
Fully Funded Balance Percent		59.63%


Roofing

Approximate Component Quantity	-	9000
Unit of Measure	-	LF
Normal Useful Life (Years)	-	30
Estimated Remaining Useful Life (Years)	-	9
Estimated Replacement Year	-	2026
Cost Source	-	1
Depreciation Percent	-	4.48%
Life Remaining Percent	-	 30%

Gutters & Downspouts

Estimated Current Unit Cost	\$	7.00
Estimated Total Current Cost	\$	63,000
Estimated Total Future Cost	\$	82,201
Fully Funded Balance	\$	44,100
Depreciation This Year	\$	2,100
Monthly Contribution	\$	325.02
Fully Funded Balance Percent		6.52%

Painting


Approximate Component Quantity	-	32
Unit of Measure	-	Each
Normal Useful Life (Years)	-	12
Estimated Remaining Useful Life (Years)	-	3
Estimated Replacement Year	-	2020
Cost Source	-	1
Depreciation Percent	-	10.25%
Life Remaining Percent	-	 25%

Stucco Paint & Repair

Estimated Current Unit Cost	\$	1,800.00
Estimated Total Current Cost	\$	57,600
Estimated Total Future Cost	\$	62,941
Fully Funded Balance	\$	43,200
Depreciation This Year	\$	4,800
Monthly Contribution	\$	742.91
Fully Funded Balance Percent		6.39%



Painting

Approximate Component Quantity	-	32	
Unit of Measure	-	Each	
Normal Useful Life (Years)	-	5	
Estimated Remaining Useful Life (Years)	-	1	
Estimated Replacement Year	-	2018	
Cost Source	-	1	
Depreciation Percent	-	8.88%	
Life Remaining Percent	-	 20%	

Wood Trim

Estimated Current Unit Cost	\$	650.00
Estimated Total Current Cost	\$	20,800
Estimated Total Future Cost	\$	21,424
Fully Funded Balance	\$	16,640
Depreciation This Year	\$	4,160
Monthly Contribution	\$	643.85
Fully Funded Balance Percent		2.46%

Asphalt


Approximate Component Quantity	-	15000	
Unit of Measure	-	SF	
Normal Useful Life (Years)	-	4	
Estimated Remaining Useful Life (Years)	-	0	
Estimated Replacement Year	-	2017	
Cost Source	-	1	
Depreciation Percent	-	1.36%	
Life Remaining Percent	-	0%	

Slurry Seal & Repair

Estimated Current Unit Cost	\$	0.17
Estimated Total Current Cost	\$	2,550
Estimated Total Future Cost	\$	2,550
Fully Funded Balance	\$	2,550
Depreciation This Year	\$	638
Monthly Contribution	\$	98.67
Fully Funded Balance Percent		0.38%



Asphalt

Approximate Component Quantity	-	15000	
Unit of Measure	-	SF	
Normal Useful Life (Years)	-	25	
Estimated Remaining Useful Life (Years)	-	6	
Estimated Replacement Year	-	2023	
Cost Source	-	1	
Depreciation Percent	-	1.79%	
Life Remaining Percent	-	 24%	

Overlay & Replace

Estimated Current Unit Cost	\$	1.40
Estimated Total Current Cost	\$	21,000
Estimated Total Future Cost	\$	25,075
Fully Funded Balance	\$	15,960
Depreciation This Year	\$	840
Monthly Contribution	\$	130.01
Fully Funded Balance Percent		2.36%

Asphalt

Pavers Repair/Reset

Approximate Component Quantity	- 16000	Estimated Current Unit Cost	\$ 2.00
Unit of Measure	- SF	Estimated Total Current Cost	\$ 32,000
Normal Useful Life (Years)	- 10	Estimated Total Future Cost	\$ 40,537
Estimated Remaining Useful Life (Years)	- 8	Fully Funded Balance	\$ 6,400
Estimated Replacement Year	- 2025	Depreciation This Year	\$ 3,200
Cost Source	- 1	Monthly Contribution	\$ 495.27
Depreciation Percent	- 6.83%	Fully Funded Balance Percent	0.95%
Life Remaining Percent	- 80%		



Asphalt

Concrete Repairs

Approximate Component Quantity	- 1	Estimated Current Unit Cost	\$ 5,000.00
Unit of Measure	- Allowance	Estimated Total Current Cost	\$ 5,000
Normal Useful Life (Years)	- 10	Estimated Total Future Cost	\$ 5,628
Estimated Remaining Useful Life (Years)	- 4	Fully Funded Balance	\$ 3,000
Estimated Replacement Year	- 2021	Depreciation This Year	\$ 500
Cost Source	- 1	Monthly Contribution	\$ 77.39
Depreciation Percent	- 1.07%	Fully Funded Balance Percent	0.44%
Life Remaining Percent	- 40%		



Fencing/Rails**Stucco Wall Repairs**

Approximate Component Quantity	- 1	Estimated Current Unit Cost	\$ 8,000.00
Unit of Measure	- Allowance	Estimated Total Current Cost	\$ 8,000
Normal Useful Life (Years)	- 10	Estimated Total Future Cost	\$ 9,274
Estimated Remaining Useful Life (Years)	- 5	Fully Funded Balance	\$ 4,000
Estimated Replacement Year	- 2022	Depreciation This Year	\$ 800
Cost Source	- 1	Monthly Contribution	\$ 123.82
Depreciation Percent	- 1.71%	Fully Funded Balance Percent	0.59%
Life Remaining Percent	- 50%		

Fencing/Rails**Retaining Wall Repairs**

Approximate Component Quantity	- 1	Estimated Current Unit Cost	\$ 8,000.00
Unit of Measure	- Allowance	Estimated Total Current Cost	\$ 8,000
Normal Useful Life (Years)	- 15	Estimated Total Future Cost	\$ 8,742
Estimated Remaining Useful Life (Years)	- 3	Fully Funded Balance	\$ 6,400
Estimated Replacement Year	- 2020	Depreciation This Year	\$ 533
Cost Source	- 1	Monthly Contribution	\$ 82.55
Depreciation Percent	- 1.14%	Fully Funded Balance Percent	0.95%
Life Remaining Percent	- 20%		

Landscaping**Irrigation System Upgrade**

Approximate Component Quantity	- 1	Estimated Current Unit Cost	\$ 75,000.00
Unit of Measure	- Allowance	Estimated Total Current Cost	\$ 75,000
Normal Useful Life (Years)	- 20	Estimated Total Future Cost	\$ 86,946
Estimated Remaining Useful Life (Years)	- 5	Fully Funded Balance	\$ 56,250
Estimated Replacement Year	- 2022	Depreciation This Year	\$ 3,750
Cost Source	- 1	Monthly Contribution	\$ 580.39
Depreciation Percent	- 8.01%	Fully Funded Balance Percent	8.32%
Life Remaining Percent	- 25%		

Landscaping**Landscape Replacements**

Approximate Component Quantity	- 1	Estimated Current Unit Cost	\$ 10,000.00
Unit of Measure	- Allowance	Estimated Total Current Cost	\$ 10,000
Normal Useful Life (Years)	- 8	Estimated Total Future Cost	\$ 11,593
Estimated Remaining Useful Life (Years)	- 5	Fully Funded Balance	\$ 3,750
Estimated Replacement Year	- 2022	Depreciation This Year	\$ 1,250
Cost Source	- 1	Monthly Contribution	\$ 193.46
Depreciation Percent	- 2.67%	Fully Funded Balance Percent	0.55%
Life Remaining Percent	- 63%		

Lighting

Approximate Component Quantity	-	1
Unit of Measure	-	Allowance
Normal Useful Life (Years)	-	20
Estimated Remaining Useful Life (Years)	-	15
Estimated Replacement Year	-	2032
Cost Source	-	1
Depreciation Percent	-	2.67%
Life Remaining Percent	-	75%

Repairs & Replacements

Estimated Current Unit Cost	\$	25,000.00
Estimated Total Current Cost	\$	25,000
Estimated Total Future Cost	\$	38,949
Fully Funded Balance	\$	6,250
Depreciation This Year	\$	1,250
Monthly Contribution	\$	193.46
Fully Funded Balance Percent		0.92%



Miscellaneous


Approximate Component Quantity	-	32
Unit of Measure	-	Each
Normal Useful Life (Years)	-	24
Estimated Remaining Useful Life (Years)	-	2
Estimated Replacement Year	-	2019
Cost Source	-	1
Depreciation Percent	-	0.43%
Life Remaining Percent	-	8%

Mailboxes

Estimated Current Unit Cost	\$	150.00
Estimated Total Current Cost	\$	4,800
Estimated Total Future Cost	\$	5,092
Fully Funded Balance	\$	4,400
Depreciation This Year	\$	200
Monthly Contribution	\$	30.95
Fully Funded Balance Percent		0.65%



Miscellaneous

Approximate Component Quantity	-	32	
Unit of Measure	-	Each	
Normal Useful Life (Years)	-	24	
Estimated Remaining Useful Life (Years)	-	4	
Estimated Replacement Year	-	2021	
Cost Source	-	1	
Depreciation Percent	-	2.70%	
Life Remaining Percent	-	 17%	

Garage Doors

Estimated Current Unit Cost	\$	950.00
Estimated Total Current Cost	\$	30,400
Estimated Total Future Cost	\$	34,215
Fully Funded Balance	\$	25,333
Depreciation This Year	\$	1,267
Monthly Contribution	\$	196.04
Fully Funded Balance Percent		3.75%

Miscellaneous

Approximate Component Quantity	-	1	
Unit of Measure	-	Allowance	
Normal Useful Life (Years)	-	20	
Estimated Remaining Useful Life (Years)	-	0	
Estimated Replacement Year	-	2017	
Cost Source	-	1	
Depreciation Percent	-	0.27%	
Life Remaining Percent	-	0%	

Entry Monument

Estimated Current Unit Cost	\$	2,500.00
Estimated Total Current Cost	\$	2,500
Estimated Total Future Cost	\$	2,500
Fully Funded Balance	\$	2,500
Depreciation This Year	\$	125
Monthly Contribution	\$	19.35
Fully Funded Balance Percent		0.37%

Disclaimer

This report attempts to determine the estimated remaining useful life of the components that can be visually observed. This report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements. The study is not a guarantee or warranty, or a recommendation to purchase. Estimated remaining useful lives are calculated with reasonable consideration for weather conditions. Natural disasters, including seismic activity will not be addressed in this report. Reserve Funding for earthquake damages and other disasters exceeds the scope of the study. We recommend the development consider additional insurance to cover unforeseen disasters. We assume the components of the association will receive proper maintenance. The report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements.

In providing the opinions of probable construction costs, the client understands that McCaffery Reserve Consulting (MRC) has no control over costs or the price of labor, equipment or materials, or over the contractor's method of pricing, and that the opinions of probable construction costs provided herein are to be made on the basis of MRC's qualifications and experience. MRC makes no warranty, expressed or implied, as to the accuracy of such opinions as compared to bid or actual costs.

Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as future inflation rates and levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand. All future projections are therefore theoretical and reserve studies should be updated annually.

MRC has made a reasonable effort to ensure that the report is accurate. This study does not preclude errors resulting from unforeseen conditions or circumstances. The scope of this report is expressly limited to the components described herein. MRC has obtained certain information, documentation and materials from the association agent and the reserve study is based upon the accuracy of such information. Material inaccuracies could adversely effect the reserve study. MRC is not responsible for such inaccuracies. This study is limited to a visual observation. There has been neither destructive testing nor inspection of the interior of private units; floors, wall or ceiling cavities, or structural elements. It is assumed that the components have been constructed per original construction documents and comply with applicable codes. This study is not designed to uncover latent or patent defects. Estimates represent replacement of a component with similar materials unless otherwise noted. Local building codes have not been researched to determine whether or not current ordinances will permit the replacement of any component with components of like material. The estimates do not take into account the abbreviated useful life of a component as a result of its original construction, installation, or design. MRC is not responsible for any claims, demands, or damages arising out of the discovery of asbestos, radon or any environmental claims, demands or damages. We do not assume any liability for damages which may result from this study. We are not responsible for conditions this report fails to disclose. The information contained in this study is deemed reliable as of the date of this study, but is not guaranteed.

The Association, by accepting this study, agrees to release MRC from any claims, demands or damages. The Association, in consideration of MRC performing the reserve study, hereby agrees to indemnify, defend and hold harmless MRC from and against any and all liability, damages, losses, claims, demands, or lawsuits arising out of or relating to this reserve study.

The information contained within the report is assembled in conjunction with the client and is intended to assist the client with its reserve planning. MRC does not guarantee, either explicitly or implied, that all repair and replacement items have been identified, the accuracy of the probable costs or the product lives associated with these items.