Three Rivers View Townhomes, Inc.

12232803-2026

115 Federal Street, Pittsburgh, PA 15212

Level of Service:	Level I - Full Study
Inspection Date:	May 1, 2026
Number of Units:	25 Townhomes, 75 Villas
Number of Buildings:	15 Townhomes, 15 Villas
Report Version:	Sample Report
Report Submitted on:	May 31, 2026
Inspection and Report by:	John LaGue

IRON CITY RESERVES

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Aerial View - Property Boundary

Executive Summary

This analysis is designed to determine the adequacy of capital reserves for long-term replacement and repair needs. The report provides a comprehensive 30-year projection of capital expenditures with suggested adjustments to reserve contributions. Short-term forecasts (less than 5 years) carry higher certainty; long-range financial forecasts carry more uncertainty. Therefore, we strongly recommend updating this reserve study every 3–5 years. Regular updates are essential for incorporating changes in macroeconomic factors (e.g., construction inflation rate, rate of return on reserves) and property-specific changes (e.g., completed capital projects, insurance claims, or amendments to governing documents).

Our methodology involves comprehensive data collection: client consultati
review of governing documents, and GIS data analysis to establish cr
and historical context. Any inspection conducted is visual, r
non-invasive. Projected capital costs are calculated using a ble
historic expenditure data, our proprietary cost database, and valida
(e.g., RSMeans and relevant Trade Associations).

See the funding status in the executive summary

Based on the following data, we found that the association is currently UNDERFUNDING RESERVES and the reserve balance will fall to a critical level by 2037. See the next page for the current funding model.

Beginning financial conditions provided by client:

Fiscal Year (2026):	01/01/26-12/31/26
Reserve Balance as of 04/30/26:	$165,231.15
2026 Reserve Contribution:	$45,000.00
2026 Loan Proceeds:	$0.00
2026 Additional Assessment Proceeds:	$0.00
2026 Other Reserve Contributions:	$0.00
2026 Remaining Reserve Expenditures:	$12,500.00
2026 Interest Earned on Reserves:	$2,680.74
Projected Year End Reserve Balance as of 12/31/26:	$185,411.89
Rate of Return on Reserves:	2.10%
Anticipated Construction Inflation Rate:	3.70%

Current Funding Model:

The chart below displays the current cash flow model for the next 30 years if the reserve contribution is increased only to match inflation. See Section 5 for alternative funding options to keep the reserve fund viable.

Status Quo - Current Contribution With Inflationary Increases

Year	Beginning Reserve Balance ($)	(Plus) Reserve Contribution ($):	Percent Increase of Reserve Contribution (%):	(Plus) Additional Assessment ($):	(Plus) Loan Proceeds ($):	(Plus) Other Contributions ($):	(Less) Expenditures ($):	(Plus) Interest ($):	Year End Reserve Balance ($):
2026*	165,231	30,000		0	0	0	12,500	2,681	185,412
2027	185,412	46,700	3.8%	0	0	0	0	4,874	236,986
2028	236,986	48,400	3.6%	0	0	0	0	5,993	291,379
2029	291,379	50,200	3.7%	0	0	0	6,451	7,038	342,166
2030	342,166	52,100	3.8%	0	0	0	9,251	8,085	393,100
2031	393,100	54,000	3.6%	0	0	0	30,314	8,753	425,539
2032	425,539	56,000	3.7%	0	0	0	31,089	9,459	459,909
2033	459,909	58,100	3.8%	0	0	0	7,460	10,722	521,270
2034	521,270	60,200	3.6%	0	0	0	14,042	11,916	579,344
2035	579,344	62,400	3.7%	0	0	0	7,281	13,324	647,787
2036	647,787	64,700	3.7%	0	0	0	0	14,962	727,450
2037	727,450	67,100	3.7%	0	0	0	1,254,696	0	460,146
2038	460,146	69,600	3.7%	0	0	0	1,292,173	0	1,682,720
2039	1,682,720	72,200	3.7%	0	0	0	0	0	1,610,520
2040	1,610,520	74,900	3.7%	0	0	0	42,038	0	1,577,658
2041	1,577,658	77,700	3.7%	0	0	0	180,390	0	1,680,348
2042	1,680,348	80,600	3.7%	0	0	0	59,017	0	1,658,765
2043	1,658,765	83,600	3.7%	0	0	0	0	0	1,575,165
2044	1,575,165	86,700	3.7%	0	0	0	0	0	1,488,465
2045	1,488,465	89,900	3.7%	0	0	0	11,537	0	1,410,102
2046	1,410,102	93,200	3.7%	0	0	0	25,851	0	1,342,753
2047	1,342,753	96,600	3.6%	0	0	0	0	0	1,246,153
2048	1,246,153	100,200	3.7%	0	0	0	0	0	1,145,953
2049	1,145,953	103,900	3.7%	0	0	0	71,640	0	1,113,693
2050	1,113,693	107,700	3.7%	0	0	0	0	0	1,005,993
2051	1,005,993	111,700	3.7%	0	0	0	0	0	894,293
2052	894,293	115,800	3.7%	0	0	0	64,297	0	842,790
2053	842,790	120,100	3.7%	0	0	0	663,515	0	1,386,205
2054	1,386,205	124,500	3.7%	0	0	0	22,126	0	1,283,830
2055	1,283,830	129,100	3.7%	0	0	0	0	0	1,154,730
2056	1,154,730	133,900	3.7%	0	0	0	4,241,588	0	5,262,418

Identify when reserves will go negative if no changes are made

***Current year figures may represent a partial year based on the beginning reserve balance date**

Reserve Components

Identifying which property assets require reserve funding is a critical process based on the unique characteristics and needs of a community. To ensure consistent financial planning, we use specific criteria to distinguish between reserve components and excluded items.

Defining a Reserve Component: The Three-Part Test

Derived from the Community Associations Institute (CAI) Reserve Study Standards, a project must generally meet three specific criteria to qualify as a reserve component:

- **Association Responsibility:** The association must have a formal obligation to maintain or replace the element.
- **Predictable Schedule:** The need for the project and its timing must be something that can be reasonably anticipated.
- **Material Cost:** The total project cost must be [illegible] capable of being reasonably estimated, including a[illegible]

Components Excluded from Rese[illegible]

Determining exclusions requires careful co[illegible]s and the nature of each asset. Several categ[illegible]ve study due to their classification, cost, or frequen[illegible]

Don't see a large expense? The report can be customized to include large projects that may be omitted from other studies.

- **Long-Lived Components:** These are assets that do not have a predictable useful life or are expected to last well beyond the standard 30-year projection window.
- **Operating Expenses:** Items currently addressed through the annual operating budget or below a certain cost threshold are excluded from the reserve study. These are typically routine or frequent maintenance tasks.
- **Unit Owner Responsibility:** Any components or activities that are the designated responsibility of individual unit owners are not factored into the reserve needs.
- **Responsibility of Other Groups:** Assets designated as the responsibility of external groups to maintain, repair, or replace are excluded.

By applying these standards, associations can create a focused and accurate roadmap for funding their most significant future capital needs. The following responsibility chart is based on our conversations with the client and review of governing documents. Some governing documents are not written with the granularity required to complete a reserve study, and so some assumptions may have been made. The chart does not reflect a legal opinion and the Board and its legal counsel should review these classes to confirm maintenance responsibilities and its policy regarding the manner of funding.

Responsibility Chart

RESPONSIBILITY CHART*	Reserve	Operating	Long Lived	Unit Owner	Others
Asphalt Pavement, Driveways, Repairs and Seal Coating	✓				
Asphalt Pavement, Driveways, Repaving	✓				
Asphalt Pavement, Federal Street					✓
Balconies, Wood Frame, Composite Decking, (Incl. Railings)	✓				
Chimney Caps, Metal	✓				
Concrete, Patios, Partial	✓				
Concrete, Sidewalks, Parallel to Federal S					✓
Concrete, Sidewalks, Within Com					
Doors, Front				✓	
Doors, Garage				✓	
Doors, Patio and Balcony				✓	
Electrical Systems, Common			✓		
Electrical Systems, Serving Individual Unit(s)				✓	
Fencing, Buck and Rail, North Perimeter	✓				
Fencing, Privacy, Cedar, Between Units				✓	
Foundations				✓	
Gutters and Downspouts, Aluminum	✓				
HVAC Systems, Serving Individual Unit(s)				✓	
Landscape, Capital Improvements	✓				
Landscape, Maintenance		✓			
Light Fixtures, Wall Sconce, Unit Front Elevations	✓				

Quick responsibility chart reference to easily communicate information to unit owners

*The chart does not reflect a legal opinion and the Board and its legal counsel should review these classes to confirm maintenance responsibilities and its policy regarding the manner of funding.

RESPONSIBILITY CHART*	Reserve	Operating	Long Lived	Unit Owner	Others
Light Fixtures, Wall Sconce, Unit Rear Elevations				✓	
Light Poles and Fixtures					✓
Mailbox Stations, (Incl. Concrete Pads)	✓				
Pipes, Interior, Serving Individual Unit(s)				✓	
Pipes, Subsurface Utilities, Laterals, Serving Individual Unit(s)				✓	
Pipes, Subsurface Utilities, Mains, Under Private Property			✓		
Pipes, Subsurface Utilities, Mains, Under Public Property					✓
Playground, Riverview Park					✓
Roofs, Asphalt Shingles	✓				
Signage, Entrance Monument, Repairs and Painting		✓			
Signage, Street Names and Traffic Control	✓				
Site Furniture, Benches		✓			
Site Furniture, Dog Waste Stations		✓			
Structural Building Frames				✓	
Unit Interiors				✓	
Walls, Fiber Cement Siding, Repairs and Paint Finishes		✓			
Walls, Fiber Cement Siding, Replacement	✓				
Walls, Masonry, Capital Repairs	✓				
Windows				✓	

*The chart does not reflect a legal opinion and the Board and its legal counsel should review these classes to confirm maintenance responsibilities and its policy regarding the manner of funding.

Reserve Component Expenditures

The next several pages each represent a line item in the reserve study. We detail the component:

- Total Quantity Within Community
- Unit of Measure
- Cost per Unit of Measure
- Percent Ownership (if Shared with Other Entities)
- Full Cost to Replace / Repair Entire Item
- Year(s) Placed in Service
- Age (Years)
- Useful Life (Years)
- Condition
- Remaining Useful Life (Years)
- First Year of Next Repair / Replace

In some instances, based on varied ages, the useful life of a component or the desire to phase a project over multiple years, the annual reserve expenditure may not reflect the cost for full replacement. We consider a project ***phased*** if 100% of the component is addressed during the scope of the study, ***but not all in one year***. We consider a project as a ***partial*** if less than 100% of the component is addressed during the scope of the study. Some components may be replaced more than once during the next 30 years, as such, we will indicate that over 100% of the component is addressed.

Following the individual component pages, we include tabular listings that display the component data in multiple charts (Section 4). The first chart includes the component name, quantity, unit of measure, age, unit cost of replacement and the project cost if all of the component were replaced or repaired in a singular year.

The second chart displays the ownership percentage of each component, the amount of component replaced during any given year, the amount of component replaced over 30 years, the 30-year inflated cost and the relative cost of the component compared to the other components.

The subsequent six charts display the components and the years of replacements with the corresponding inflation-adjusted costs. As the time horizon for our predicted times and costs of future projects extends, we encounter greater uncertainty. It is important to monitor large “budget-buster” projects that will occur in the next 30 years, but focusing on the next 5 years is most practical.

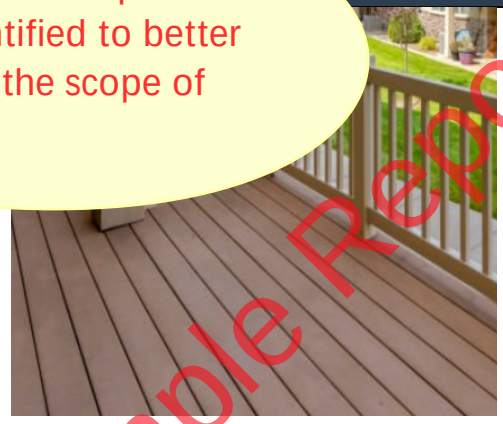
Component	Balconies, Wood Frame, Composite Decking, (Incl. Railings)
Component Categorization	Exterior

Line Item	1	Year(s) Placed in Service	2023
Total Quantity	1,800	Age (Years)	3
Units	Square Feet	Useful Life (Years)	to 30
Unit Cost	$135.00	Condition	Very Good
Percent Ownership	100%	Remaining Useful Life (Years)	27
Full Cost to Replace / Repair Entire Item	$243,000.00	First Year of Next Repair / Replace	2053

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$648,086
How much does this component contribute to all future costs?	8.05%

Each reserve component is clearly identified to better undersand the scope of work.

Composite deck with railing



Decking and railing in very good condition

Wood joists with metal hangers

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037	2042	2047	2052	
2028	2033	2038	2043	2048	2053	$648,086
2029	2034	2039	2044	2049	2054	
2030	2035	2040	2045	2050	2055	
2031	2036	2041	2046	2051	2056	

Notes

Each of the 25 townhome units is served by a balcony comprising wood frames, composite decking and vinyl railings. These elements appear in very good condition and require less maintenance than a traditional wood deck. Based on age and condition, we recommend replacement by 2053.

Component	Chimney Caps, Metal
Component Categorization	Exterior

Line Item	2	Year(s) Placed in Service	2015-2016
Total Quantity	100	Age (Years)	10, 11
Units	Each	Useful Life (Years)	to 25
Unit Cost	$1,200.00	Condition	Good to Fair
Percent Ownership	100%	Remaining Useful Life (Years)	11
Full Cost to Replace / Repair Entire Item	$120,000.00	First Year of Next Repair / Replace	2037

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	50%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$182,267
How much does this component contribute to all future costs?	2.26%

Photos

Typical metal chimney caps

Rust at metal chimney cap with poor drainage

Ornamental chimney cap (1 of 15)

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037	$89,478	2042	2047	2052
2028	2033	2038	$92,789	2043	2048	2053
2029	2034	2039		2044	2049	2054
2030	2035	2040		2045	2050	2055
2031	2036	2041		2046	2051	2056

Notes

Each unit is served by a metal chimney cap. These were installed between 2015-2016 in coordination with the roof replacements. We are unaware of any leaks, but did note rust at isolated caps. Of note, 15 of the chimney caps are highly ornamental and our unit cost reflects the average price per cap.

Component	Gutters and Downspouts, Aluminum
Component Categorization	Exterior

Line Item	3	Year(s) Placed in Service	2015-2016
Total Quantity	10,875	Age (Years)	10, 11
Units	Linear Feet	Useful Life (Years)	to 25
Unit Cost	$17.50	Condition	Good
Percent Ownership	100%	Remaining Useful Life (Years)	11
Full Cost to Replace / Repair Entire Item	$190,312.50	First Year of Next Repair / Replace	2037

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	50%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$289,064
How much does this component contribute to all future costs?	3.59%

Photos

Gutter and downspout assembly

Gutter detail view

Sagging gutter with evidence of overflowing

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037	$141,907	2042	2047	2052
2028	2033	2038	$147,157	2043	2048	2053
2029	2034	2039		2044	2049	2054
2030	2035	2040		2045	2050	2055
2031	2036	2041		2046	2051	2056

Notes

The gutters and downspouts were installed in coordination with the roofs. We note only isolated deterioration. The association should fund cleaning and repairs through the operating budget to maximize their useful life.

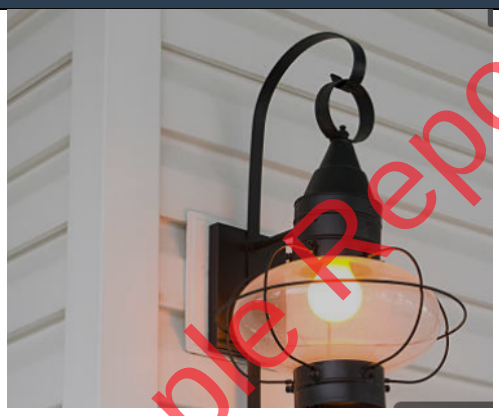
Component	Light Fixtures, Wall Sconce, Unit Front Elevations
Component Categorization	Exterior

Line Item	4	Year(s) Placed in Service	2005
Total Quantity	100	Age (Years)	21
Units	Each	Useful Life (Years)	20 to 25
Unit Cost	$125.00	Condition	Poor
Percent Ownership	100%	Remaining Useful Life (Years)	0
Full Cost to Replace / Repair Entire Item	$12,500.00	First Year of Next Repair / Replace	2026

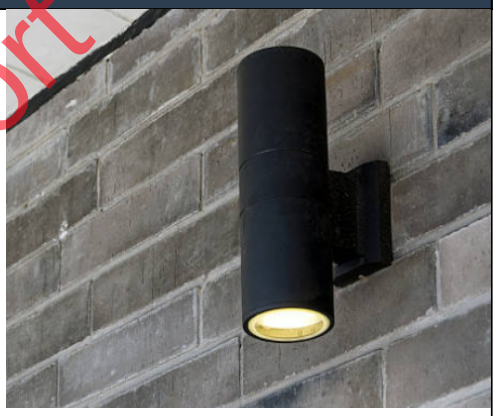
Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	Yes
How much of this component will be repaired / replaced in the next 30 years?	200%
What is the total inflated cost for this component over the next 30 years?	$38,351
How much does this component contribute to all future costs?	0.48%

Photos

Typical garage door light fixture



Wall sconce near front door



Light fixtures at unit rears are unit owner responsibility

Component Expenditure Calendar (Includes Inflation)

2026	$12,500					
2027	2032	2037	2042		2047	2052
2028	2033	2038	2043		2048	2053
2029	2034	2039	2044		2049	2054
2030	2035	2040	2045		2050	2055
2031	2036	2041	2046	$25,851	2051	2056

Notes

The association is responsible for maintenance and replacement of the light fixtures at the front elevations of the homes; unit owners are responsible for the rear elevation light fixtures. The fixtures appear in good condition but the client informs us of several issues with their operation, which may originate from faulty wiring. The client informs us the association will replace the light fixtures in 2026 for a cost of $12,500. We recommend budgeting for subsequent replacement by 2046.

Component	Roofs, Asphalt Shingles
Component Categorization	Exterior

Line Item	5	Year(s) Placed in Service	2015-2016
Total Quantity	2,160	Age (Years)	10, 11
Units	Squares	Useful Life (Years)	to 30
Unit Cost	$630.00	Condition	Good
Percent Ownership	100%	Remaining Useful Life (Years)	11
Full Cost to Replace / Repair Entire Item	$1,360,800.00	First Year of Next Repair / Replace	2037

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	50%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$2,066,910
How much does this component contribute to all future costs?	25.68%

Photos

Asphalt shingle roof with ridge vent

Laminate asphalt shingles

Isolated shingle lift

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037	$1,014,684	2042	2047	2052
2028	2033	2038	$1,052,227	2043	2048	2053
2029	2034	2039		2044	2049	2054
2030	2035	2040		2045	2050	2055
2031	2036	2041		2046	2051	2056

Notes

The shingles were replaced between 2015-2016 through an insurance claim after sustaining hail damage in 2014. The board reports a history of isolated leaks, primarily near the valleys over the unit front doors. The board reports that the association will continue to fund isolated repairs through the operating budget. We recommend budgeting for phased replacement between 2037-2038.

Component	Walls, Fiber Cement Siding, Replacement
Component Categorization	Exterior

Line Item	6	Year(s) Placed in Service	2017
Total Quantity	130,600	Age (Years)	9
Units	Square Feet	Useful Life (Years)	to 50
Unit Cost	$14.00	Condition	Very Good
Percent Ownership	100%	Remaining Useful Life (Years)	30
Full Cost to Replace / Repair Entire Item	$1,828,400.00	First Year of Next Repair / Replace	2056

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	78%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	78%
What is the total inflated cost for this component over the next 30 years?	$4,241,588
How much does this component contribute to all future costs?	52.71%

Photos

Shingle style composite siding in very good condition

Alternate lap style siding in very good condition, detail view

Isolated cracked lap siding

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037	2042	2047	2052	
2028	2033	2038	2043	2048	2053	
2029	2034	2039	2044	2049	2054	
2030	2035	2040	2045	2050	2055	
2031	2036	2041	2046	2051	2056	$4,241,588

Notes

The fiber cement siding was installed in 2017 and appears in very good condition. This type of siding has a long useful life and we do not anticipate the need for replacement during the next 30 years. With the benefit of paint finishes and repairs every 8-12 years, which should be funded through the operating budget, we recommend replacement after 2056. However, due to the size of the cost of this project and for budgetary purposes, we include an allowance to fund replacement of up to 78% of the siding by 2056, the last year of this study.

Component	Walls, Masonry, Capital Repairs
Component Categorization	Exterior

Line Item	7	Year(s) Placed in Service	to 1980
Total Quantity	2,500	Age (Years)	to 46
Units	Square Feet	Useful Life (Years)	8 to 12
Unit Cost	$3.20	Condition	Fair
Percent Ownership	100%	Remaining Useful Life (Years)	4
Full Cost to Replace / Repair Entire Item	$8,000.00	First Year of Next Repair / Replace	2030

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	Yes
How much of this component will be repaired / replaced in the next 30 years?	300%
What is the total inflated cost for this component over the next 30 years?	$45,684
How much does this component contribute to all future costs?	0.57%

Photos

Mortar joints in good condition

Isolated detached mortar

Previous brick replacements evident

Component Expenditure Calendar (Includes Inflation)

2026							
2027		2032	2037	2042	$14,307	2047	2052	
2028		2033	2038	2043		2048	2053	
2029		2034	2039	2044		2049	2054	$22,126
2030	$9,251	2035	2040	2045		2050	2055	
2031		2036	2041	2046		2051	2056	

Notes

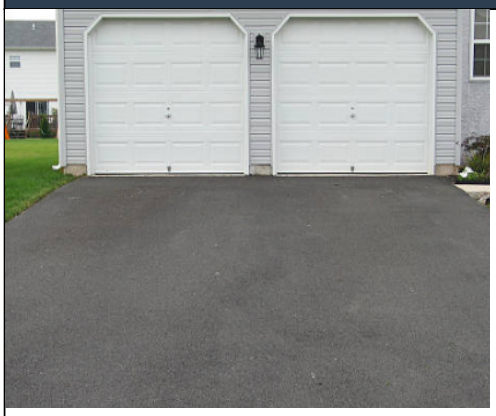
The brick siding is primarily original to construction. Brick generally never requires complete replacement, but will require periodic repairs such as full or partial depth repointing, or brick replacements. We noted isolated areas of deterioration and previous repairs. We recommend inspection and repairs to the facade by 2030 and every 12 years after.

Component	Asphalt Pavement, Driveways, Repairs and Seal Coating
Component Categorization	Site

Line Item	8	Year(s) Placed in Service	2025
Total Quantity	1,780	Age (Years)	1
Units	Square Yards	Useful Life (Years)	3 to 5
Unit Cost	$3.25	Condition	Good to Very Good
Percent Ownership	100%	Remaining Useful Life (Years)	3
Full Cost to Replace / Repair Entire Item	$5,785.00	First Year of Next Repair / Replace	2029

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	Yes
How much of this component will be repaired / replaced in the next 30 years?	600%
What is the total inflated cost for this component over the next 30 years?	$62,846
How much does this component contribute to all future costs?	0.78%

Photos



Typical pavement driveway

Recent seal coat application at driveway

Pavement detail view

Component Expenditure Calendar (Includes Inflation)

2026											
2027		2032		2037	$8,627	2042		2047		2052	
2028		2033	$7,460	2038		2043		2048		2053	$15,429
2029	$6,451	2034		2039		2044		2049	$13,342	2054	
2030		2035		2040		2045	$11,537	2050		2055	
2031		2036		2041		2046		2051		2056	

Notes

The asphalt pavement driveways were installed in 2021 and seal coated last in 2025. The driveways and seal coat appear in good to very good condition. We recommend crack repairs and patching to address areas of settlement, cracks and raveling, which if left unaddressed, will shorten the life of the driveways. We recommend this work by 2029 and every 4 years after, except during repaving which we discuss on the following page.

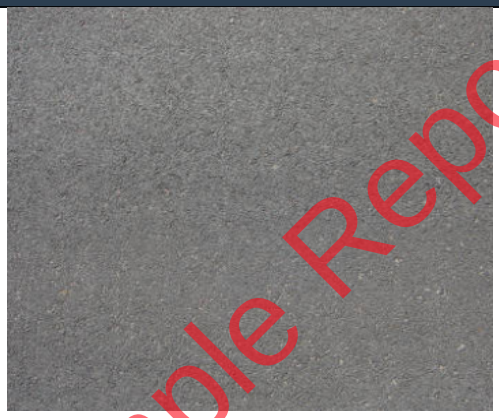
Component	Asphalt Pavement, Driveways, Repaving
Component Categorization	Site

Line Item	9	Year(s) Placed in Service	2021
Total Quantity	1,780	Age (Years)	5
Units	Square Yards	Useful Life (Years)	to 20
Unit Cost	$45.00	Condition	Good
Percent Ownership	100%	Remaining Useful Life (Years)	15
Full Cost to Replace / Repair Entire Item	$80,100.00	First Year of Next Repair / Replace	2041

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$138,138
How much does this component contribute to all future costs?	1.72%

Photos

Pavement driveway in good condition



Detail view of pavement surface

Isolated open crack

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037		2042	2047	2052
2028	2033	2038		2043	2048	2053
2029	2034	2039		2044	2049	2054
2030	2035	2040		2045	2050	2055
2031	2036	2041	$138,138	2046	2051	2056

Notes

As noted previously, the asphalt pavement driveways were installed in 2021 and seal coated last in 2025. The driveways and seal coat appear in good to very good condition. We did not observe significant deterioration. With the benefit of regular repairs, we recommend the association budget for replacement of the driveways by 2041.

Component	Concrete, Patios, Partial
Component Categorization	Site

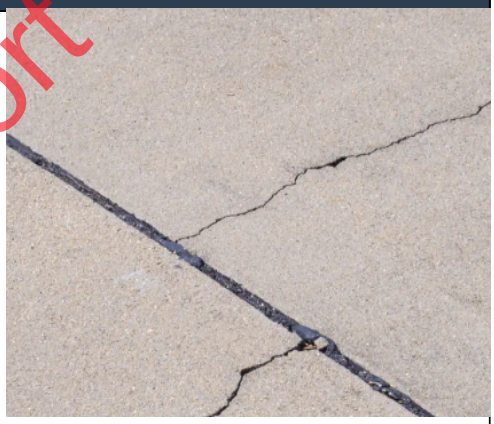
Line Item	10	Year(s) Placed in Service	Varies
Total Quantity	7,500	Age (Years)	Varies
Units	Square Feet	Useful Life (Years)	to 65
Unit Cost	$22.00	Condition	Good to Fair
Percent Ownership	100%	Remaining Useful Life (Years)	5
Full Cost to Replace / Repair Entire Item	$165,000.00	First Year of Next Repair / Replace	2031

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	10%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	30%
What is the total inflated cost for this component over the next 30 years?	$85,281
How much does this component contribute to all future costs?	1.06%

Photos

Typical concrete patio

Concrete cracks



Detail view of cracks

Component Expenditure Calendar (Includes Inflation)

2026											
2027		2032		2037		2042		2047		2052	
2028		2033		2038		2043		2048		2053	
2029		2034		2039		2044		2049	$38,054	2054	
2030		2035		2040	$27,440	2045		2050		2055	
2031	$19,787	2036		2041		2046		2051		2056	

Notes

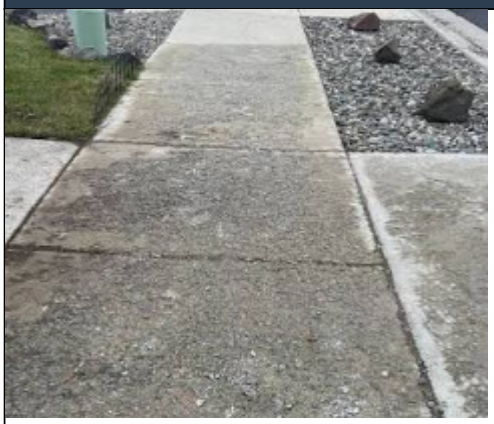
Each of the 75 villa units has a concrete patio. The majority of the patios are original to construction, but we note several that have been replaced. Concrete fails in a progressive manner and generally never requires complete, community-wide replacement. We recommend budgeting for replacement of up to 10% of the patios by 2031 and every 9 years after, in coordination with sidewalk replacements. By coordinating patio and sidewalk replacements, the association may be able to achieve a more competitive bid due to economies of scale.

Component	Concrete, Sidewalks, Within Community
Component Categorization	Site

Line Item	11	Year(s) Placed in Service	to 1980
Total Quantity	7,315	Age (Years)	to 46
Units	Square Feet	Useful Life (Years)	to 65
Unit Cost	$12.00	Condition	Good to Fair
Percent Ownership	100%	Remaining Useful Life (Years)	5
Full Cost to Replace / Repair Entire Item	$87,780.00	First Year of Next Repair / Replace	2031

Will 100% of this component be repaired or replaced during every event?	No
If not, what percent of the component will be repaired or replaced per event?	10%
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	30%
What is the total inflated cost for this component over the next 30 years?	$45,369
How much does this component contribute to all future costs?	0.56%

Photos



Typical condition of original sidewalk

Recently updated sidewalk in good condition

Location of most significant movement due to tree roots

Component Expenditure Calendar (Includes Inflation)

2026									
2027		2032		2037		2042	2047		2052
2028		2033		2038		2043	2048		2053
2029		2034		2039		2044	2049	$20,244	2054
2030		2035		2040	$14,598	2045	2050		2055
2031	$10,527	2036		2041		2046	2051		2056

Notes

The concrete sidewalks within the community are the responsibility of the association, while the sidewalks parallel to Federal Street are the responsibility of the city. The majority of the sidewalks are original to construction, but we note several that have been replaced. Concrete fails in a progressive manner and generally never requires complete, community-wide replacement. We recommend budgeting for replacement of up to 10% of the sidewalks by 2031 and every 9 years after, in coordination with patio replacements. By coordinating patio and sidewalk replacements, the association may be able to achieve a more competitive bid due to economies of scale.

Component	Fencing, Buck and Rail, North Perimeter
Component Categorization	Site

Line Item	12	Year(s) Placed in Service	2009
Total Quantity	250	Age (Years)	17
Units	Linear Feet	Useful Life (Years)	to 25
Unit Cost	$42.00	Condition	Fair
Percent Ownership	100%	Remaining Useful Life (Years)	8
Full Cost to Replace / Repair Entire Item	$10,500.00	First Year of Next Repair / Replace	2034

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$14,042
How much does this component contribute to all future costs?	0.17%

Photos

Typical buck and rail fencing

Fencing in fair condition overall

Metal bolt fastener detail

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032		2037	2042	2047	2052
2028	2033		2038	2043	2048	2053
2029	2034	$14,042	2039	2044	2049	2054
2030	2035		2040	2045	2050	2055
2031	2036		2041	2046	2051	2056

Notes

The north perimeter wood buck and rail fencing appears in fair condition. The association should fund replacement of individual rails through the operating budget. We recommend budgeting for replacement by 2034.

Component	Landscape, Capital Improvements
Component Categorization	Site

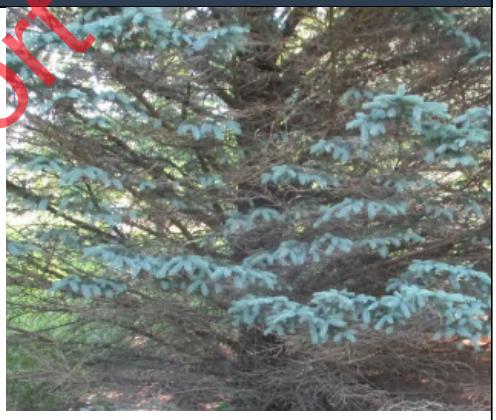
Line Item	13	Year(s) Placed in Service	Varies
Total Quantity	100	Age (Years)	Varies
Units	Units	Useful Life (Years)	to 10
Unit Cost	$250.00	Condition	Good
Percent Ownership	100%	Remaining Useful Life (Years)	6
Full Cost to Replace / Repair Entire Item	$25,000.00	First Year of Next Repair / Replace	2032

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	Yes
How much of this component will be repaired / replaced in the next 30 years?	300%
What is the total inflated cost for this component over the next 30 years?	$140,095
How much does this component contribute to all future costs?	1.74%

Photos

Typical common area planter

Evergreen shrubs



Distressed evergreen

Component Expenditure Calendar (Includes Inflation)

2026								
2027	2032	$31,089	2037	2042	$44,710	2047	2052	$64,297
2028	2033		2038	2043		2048	2053	
2029	2034		2039	2044		2049	2054	
2030	2035		2040	2045		2050	2055	
2031	2036		2041	2046		2051	2056	

Notes

Based on discussions with the board, we include landscape allowances of $250/unit every 10 years, beginning by 2032. These expenditures are meant for periodic capital improvements to address dead / dying trees, bushes, replacing planter beds or address site drainage issues. The timing and costs of these allowances can vary significantly based on board discretion and this report should be updated as the desires of the board change.

Component	Mailbox Stations, (Incl. Concrete Pads)
Component Categorization	Site

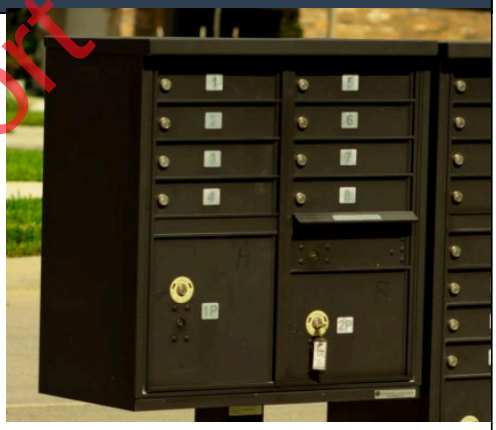
Line Item	14	Year(s) Placed in Service	2016
Total Quantity	7	Age (Years)	10
Units	Each	Useful Life (Years)	to 25
Unit Cost	$3,500.00	Condition	Good
Percent Ownership	100%	Remaining Useful Life (Years)	15
Full Cost to Replace / Repair Entire Item	$24,500.00	First Year of Next Repair / Replace	2041

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$42,252
How much does this component contribute to all future costs?	0.53%

Photos

Cluster mailbox staions, front view

Detail view of individual boxes



Alternate style cluster station

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032	2037		2042	2047	2052
2028	2033	2038		2043	2048	2053
2029	2034	2039		2044	2049	2054
2030	2035	2040		2045	2050	2055
2031	2036	2041	$42,252	2046	2051	2056

Notes

The 7 cluster mailbox stations were installed in 2016 and appear in good overall condition. Of note, the villas are served by the black stations and the townhomes are served by the beige stations. These stations have long useful lives though their finishes may fade, chip or develop a powder-like finish. We recommend painting and repairing the stations as needed. We conservatively recommend budgeting for replacement by 2041. Our cost includes an allowance to replace the associated concrete pads.

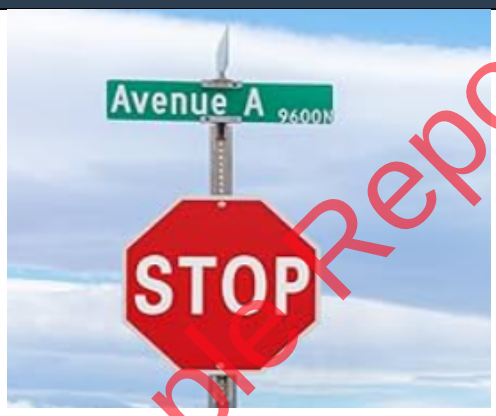
Component	Signage, Street Names and Traffic Control
Component Categorization	Site

Line Item	15	Year(s) Placed in Service	2012
Total Quantity	15	Age (Years)	14
Units	Each	Useful Life (Years)	to 25
Unit Cost	$350.00	Condition	Fair
Percent Ownership	100%	Remaining Useful Life (Years)	9
Full Cost to Replace / Repair Entire Item	$5,250.00	First Year of Next Repair / Replace	2035

Will 100% of this component be repaired or replaced during every event?	Yes
If not, what percent of the component will be repaired or replaced per event?	
Will more than 100% of this component be repaired / replaced in the next 30 years?	No
How much of this component will be repaired / replaced in the next 30 years?	100%
What is the total inflated cost for this component over the next 30 years?	$7,281
How much does this component contribute to all future costs?	0.09%

Photos

Street name sign



Street name and traffic control sign on U-channel post

Traffic control signage, detail view

Component Expenditure Calendar (Includes Inflation)

2026						
2027	2032		2037	2042	2047	2052
2028	2033		2038	2043	2048	2053
2029	2034		2039	2044	2049	2054
2030	2035	$7,281	2040	2045	2050	2055
2031	2036		2041	2046	2051	2056

Notes

We identified 4 street name signs, 6 stops signs, 1 pedestrian crossing sign and 4 parking control signs within the community. The signs date to 2012 and appear in fair condition. Based on age and condition, the association should budget for replacement by 2035. The association should fund replacement of individual signs through the operating budget. Our unit cost includes the cost of the poles.

Reserve Expenditures

Line Item	Component	Total Quantity	Units	Age	Useful Life	Remaining Useful Life	Unit Cost ($)	Cost Per Phase ($)
	Exterior							
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)	1,800	Square Feet	3	to 30	27	135.00	243,000.00
2	Chimney Caps, Metal	100	Each	10, 11	to 25	11	1,200.00	60,000.00
3	Gutters and Downspouts, Aluminum	10,875	Linear Feet	10, 11	to 25	11	17.50	95,156.25
4	Light Fixtures, Wall Sconce, Unit Front Elevations	100	Each	21	20 to 25	0	125.00	12,500.00
5	Roofs, Asphalt Shingles	2,160	Squares	10, 11	to 30	11	630.00	680,400.00
6	Walls, Fiber Cement Siding, Replacement	130,600	Square Feet	9	to 50	30	14.00	1,426,152.00
7	Walls, Masonry, Capital Repairs	2,500	Square Feet	to 46	8 to 12	4	3.20	8,000.00
	Site							
8	Asphalt Pavement, Driveways, Repairs and Seal Coating	1,780	Square Yards	1	3 to 5	3	3.25	5,785.00
9	Asphalt Pavement, Driveways, Repaving	1,780	Square Yards	5	to 20	15	45.00	80,100.00
10	Concrete, Patios, Partial	7,500	Square Feet	Varies	to 65	5	22.00	16,500.00
11	Concrete, Sidewalks, Within Community	7,315	Square Feet	to 46	to 65	5	12.00	8,778.00
12	Fencing, Buck and Rail, North Perimeter			17	to 25	8	42.00	10,500.00
13	Landscape, Capital Improvements				to 10	6	250.00	25,000.00
14	Mailbox Stations, (Incl. Concrete Pads)				to 25	15	3,500.00	24,500.00
15	Signage, Street Names and Traffic Control				to 25	9	350.00	5,250.00

Reserve components, quantities, ages, useful lives and costs detailed in tabular form. All reports come with Excel worksheet with formulas.

Line Item	Component	Total Quantity	Units	% Ownership	Quantity Replaced Per Phase	Cost Per Phase ($)	Quantity Replaced in 30 Years	% Replaced in 30 Years	Total Inflated Cost in 30 Years	% of All Expenditures in 30 Years
	Exterior									
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)	1,800	Square Feet	100.0%	1800	243,000	1,800	100.0%	648,086	8.05%
2	Chimney Caps, Metal	100	Each	100.0%	50	60,000	100	100.0%	182,267	2.26%
3	Gutters and Downspouts, Aluminum	10,875	Linear Feet	100.0%	5437.50	95,156	10,875	100.0%	289,064	3.59%
4	Light Fixtures, Wall Sconce, Unit Front Elevations	100	Each	100.0%	100	12,500	200	200.0%	38,351	0.48%
5	Roofs, Asphalt Shingles	2,160	Squares	100.0%	1080	680,400	2,160	100.0%	2,066,910	25.68%
6	Walls, Fiber Cement Siding, Replacement	130,600	Square Feet	100.0%	101868	1,426,152	101,868	78.0%	4,241,588	52.71%
7	Walls, Masonry, Capital Repairs	2,500	Square Feet	100.0%	2500	8,000	7,500	300.0%	45,684	0.57%
	Site									
8	Asphalt Pavement, Driveways, Repairs and Seal Coating	1,780	Square Yards	100.0%	1780	5,785	10,680	600.0%	62,846	0.78%
9	Asphalt Pavement, Driveways, Repaving	1,780	Square Yards	100.0%	1780	80,100	1,780	100.0%	138,138	1.72%
10	Concrete, Patios, Partial	7,500	Square Feet	100.0%	750	16,500	2,250	30.0%	85,281	1.06%
11	Concrete, Sidewalks, Within Community	7,315	Square Feet	100.0%	731.50	8,778	2,195	30.0%	45,369	0.56%
12	Fencing, Buck and Rail, North Perimeter	250	Linear Feet	100.0%	250	10,500	250	100.0%	14,042	0.17%
13	Landscape, Capital Improvements	100	Units	100.0%	100	25,000	300	300.0%	140,095	1.74%
14	Mailbox Stations, (Incl. Concrete Pads)	7	Each	100.0%	7	24,500	7	100.0%	42,252	0.53%
15	Signage, Street Names and Traffic Control	15	Each	100.0%	15	5,250	15	100.0%	7,281	0.09%

	Cumulative Reserve Expenditures ($)	12,500	0	0	6,451	9,251	30,314
	Years 0 Through 5	0	1	2	3	4	5
Line Item	Component	2026	2027	2028	2029	2030	2031
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)						
2	Chimney Caps, Metal						
3	Gutters and Downspouts, Aluminum						
4	Light Fixtures, Wall Sconce, Unit Front Elevations	12,500					
5	Roofs, Asphalt Shingles						
6	Walls, Fiber Cement Siding, Replacement						
7	Walls, Masonry, Capital Repairs					9,251	
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating				6,451		
9	Asphalt Pavement, Driveways, Repaving						
10	Concrete, Patios, Partial						19,787
11	Concrete, Sidewalks, Within Community						10,527
12	Fencing, Buck and Rail, North Perimeter						
13	Landscape, Capital Improvements						
14	Mailbox Stations, (Incl. Concrete Pads)						
15	Signage, Street Names and Traffic Control						

Reserve expenditures displayed in 5-year intervals, helping to focus on near term projects.

	Cumulative Reserve Expenditures ($)		31,089	7,460	14,042	7,281	0
	Years 6 Through 10		6	7	8	9	10
Line Item	Component		2032	2033	2034	2035	2036
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)						
2	Chimney Caps, Metal						
3	Gutters and Downspouts, Aluminum						
4	Light Fixtures, Wall Sconce, Unit Front Elevations						
5	Roofs, Asphalt Shingles						
6	Walls, Fiber Cement Siding, Replacement						
7	Walls, Masonry, Capital Repairs						
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating			7,460			
9	Asphalt Pavement, Driveways, Repaving						
10	Concrete, Patios, Partial						
11	Concrete, Sidewalks, Within Community						
12	Fencing, Buck and Rail, North Perimeter				14,042		
13	Landscape, Capital Improvements		31,089				
14	Mailbox Stations, (Incl. Concrete Pads)						
15	Signage, Street Names and Traffic Control					7,281	

	Cumulative Reserve Expenditures ($)		1,254,696	1,292,173	0	42,038	180,390
	Years 11 Through 15		11	12	13	14	15
Line Item	Component		2037	2038	2039	2040	2041
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)						
2	Chimney Caps, Metal		89,478	92,789			
3	Gutters and Downspouts, Aluminum		141,907	147,157			
4	Light Fixtures, Wall Sconce, Unit Front Elevations						
5	Roofs, Asphalt Shingles		1,014,684	1,052,227			
6	Walls, Fiber Cement Siding, Replacement						
7	Walls, Masonry, Capital Repairs						
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating		8,627				
9	Asphalt Pavement, Driveways, Repaving						138,138
10	Concrete, Patios, Partial					27,440	
11	Concrete, Sidewalks, Within Community					14,598	
12	Fencing, Buck and Rail, North Perimeter						
13	Landscape, Capital Improvements						
14	Mailbox Stations, (Incl. Concrete Pads)						42,252
15	Signage, Street Names and Traffic Control						

	Cumulative Reserve Expenditures ($)		59,017	0	0	11,537	25,851
	Years 16 Through 20		16	17	18	19	20
Line Item	Component		2042	2043	2044	2045	2046
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)						
2	Chimney Caps, Metal						
3	Gutters and Downspouts, Aluminum						
4	Light Fixtures, Wall Sconce, Unit Front Elevations						25,851
5	Roofs, Asphalt Shingles						
6	Walls, Fiber Cement Siding, Replacement						
7	Walls, Masonry, Capital Repairs		14,307				
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating					11,537	
9	Asphalt Pavement, Driveways, Repaving						
10	Concrete, Patios, Partial						
11	Concrete, Sidewalks, Within Community						
12	Fencing, Buck and Rail, North Perimeter						
13	Landscape, Capital Improvements		44,710				
14	Mailbox Stations, (Incl. Concrete Pads)						
15	Signage, Street Names and Traffic Control						

	Cumulative Reserve Expenditures ($)		0	0	71,640	0	0
	Years 21 Through 25		21	22	23	24	25
Line Item	Component		2047	2048	2049	2050	2051
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)						
2	Chimney Caps, Metal						
3	Gutters and Downspouts, Aluminum						
4	Light Fixtures, Wall Sconce, Unit Front Elevations						
5	Roofs, Asphalt Shingles						
6	Walls, Fiber Cement Siding, Replacement						
7	Walls, Masonry, Capital Repairs						
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating				13,342		
9	Asphalt Pavement, Driveways, Repaving						
10	Concrete, Patios, Partial				38,054		
11	Concrete, Sidewalks, Within Community				20,244		
12	Fencing, Buck and Rail, North Perimeter						
13	Landscape, Capital Improvements						
14	Mailbox Stations, (Incl. Concrete Pads)						
15	Signage, Street Names and Traffic Control						

	Cumulative Reserve Expenditures ($)		64,297	663,515	22,126	0	4,241,588
	Years 26 Through 30		26	27	28	29	30
Line Item	Component		2052	2053	2054	2055	2056
	Exterior						
1	Balconies, Wood Frame, Composite Decking, (Incl. Railings)			648,086			
2	Chimney Caps, Metal						
3	Gutters and Downspouts, Aluminum						
4	Light Fixtures, Wall Sconce, Unit Front Elevations						
5	Roofs, Asphalt Shingles						
6	Walls, Fiber Cement Siding, Replacement						4,241,588
7	Walls, Masonry, Capital Repairs				22,126		
	Site						
8	Asphalt Pavement, Driveways, Repairs and Seal Coating			15,429			
9	Asphalt Pavement, Driveways, Repaving						
10	Concrete, Patios, Partial						
11	Concrete, Sidewalks, Within Community						
12	Fencing, Buck and Rail, North Perimeter						
13	Landscape, Capital Improvements		64,297				
14	Mailbox Stations, (Incl. Concrete Pads)						
15	Signage, Street Names and Traffic Control						

Reserve Funding Plan Options

The charts and graphs on the following pages provide analysis of various reserve funding strategies. As we defined in the Executive Summary, the core objective of this reserve study is to define the necessary annual reserve contributions that will ensure the reserve balance consistently remains above a critical threshold, thereby maintaining fiscal integrity without overfunding. It is important to note that many association reserve funds are below optimal funding levels. To proactively address future capital needs, the association has several options:

- Increasing routine reserve contributions
- Implementing strategic special assessments
- Prudently obtaining external financing (loans)
- Revising governing documents to redefine repair / replacement responsibility to other entities, such as individual unit owners

These approaches are not mutually exclusive; a combination may be essential to ensure long-term solvency. We recognize that each option presents distinct challenges and trade-offs for the community:

- **Special Assessments:** While necessary in some cases, these can be financially disruptive, unfairly transferring the burden of long-term asset deterioration onto current owners, and potentially diminishing the property's appeal to prospective buyers.
- **Loans:** Utilizing loans increases the overall project cost through interest, effectively shifting the financial obligation onto future homeowners.
- **Governing Document Revisions:** Shifting maintenance burdens to individual owners may lead to deferred maintenance if unit owners lack the immediate funds for timely repairs, which would necessitate increased oversight from the board.

We strongly advocate for the consistent use of regular annual reserve contributions. This approach offers the most robust benefits for the entire community:

- **Ensures Equitable Financial Participation**: Regular funding guarantees that all owners, regardless of tenure, contribute their proportional share toward the life cycle of common assets. This prevents current owners from incurring massive, sudden costs associated with years of past usage. One way to think of the reserve contribution is that it is equivalent to the annual depreciation of the common elements. For each year that the common elements are “used up”, the corresponding annual value is deposited into reserves.

- **Preserves and Enhances Property Values**: A well-funded reserve is directly linked to the community's curb appeal and property values. Readily available funds empower the Board to execute repairs promptly, preventing minor deterioration from escalating into costly major failures.
- **Promotes Financial Stability and Consistency**: Regular contributions establish predictable, stable budgeting, mitigating the volatility of large, unexpected financial spikes and ensures funds are reliably available for major capital projects.
- **Meets Critical Lender Requirements**: Adequate reserve funding is often a mandatory consideration for mortgage lenders and a regulatory requirement in many states, which directly facilitates the ease of property sales and refinancing within the community.

Funding Methods: The funding goal is not a fixed number and may be dynamic given the timing and scope of projects, the community's risk tolerance, as well as statutory requirements. Three funding methods include Baseline, Threshold or Full funding, which we define below.

- **Baseline Funding:** This method is defined as allowing the cash balance to approach but never fall below zero. Since this method allows the reserve balance to fall to critically low levels, it carries the highest risk of requiring special assessments. Baseline funding may lead to the need for special assessments, loans or deferred repairs / replacements. Additionally, recent changes to Fannie Mae and Freddie Mac policy prevent lenders from accepting reserve studies that use baseline funding.
- **Threshold Funding:** This method is defined by keeping the reserve balance above a specific dollar amount. Many variables should be considered, such as community risk tolerance, community type and age. Threshold goals may include never letting the reserve balance fall below a set amount, for example $100,000 (adjusted for inflation or not), or never letting a year-end reserve balance fall below a set ratio relative to that year's anticipated expenditures. For example, if there is a $1,000,000 expenditure in 2045, we would want to have at least $150,000 in reserves at the end of 2045. In general, we recommend never letting that ratio fall below 15-20% for a particular year. This gives a buffer / contingency for unanticipated costs. **We recommend threshold funding** and will evaluate the year-end reserve balance relative to that year's expenditures for each of the next 30 years.
- **Full Funding:** This method is defined by keeping the reserve balance at or near 100 percent funded. "Full Funding" is when the reserve balance is equal to the fully funded balance. We do not recommend using this method. Because the fully funded balance relies heavily on subjective, moving variables like Estimated Useful

Life (EUL) and Remaining Useful Life (RUL), the entire metric can easily be manipulated (intentionally or unintentionally) to make an association look fiscally healthy or underfunded on paper—all without a single dollar actually entering or leaving the bank account.

The formula used to calculate an asset's Fully Funded Balance (FFB) is:

$$FFB = \text{Current Replacement Cost} \times \frac{\text{Current Age}}{\text{Useful Life}}$$

Here is an example where a roof will cost **$100,000** to replace, is currently **10 years old**, has a useful life of **15 to 20 years**, and the HOA currently has **$40,000** sitting in the bank allocated for it.

	Scenario A: Conservative (15-Year Life)	**Scenario B: Optimistic (20-Year Life)**
Current Replacement Cost	$100,000	$100,000
Current Age	10 Years	10 Years
Assumed Useful Life	**15 Years**	**20 Years**
Calculated Fully Funded Balance	$100,000 x (10) / (15) = $66,667	$100,000 x (10) / (20) = $50,000
Actual Cash in Bank	$40,000	$40,000
Percent Funded Result	**60% Funded (Fair / Weak)**	**80% Funded (Strong / Healthy)**

By simply altering a single assumption - stretching the roof's life expectancy from 15 to 20 years - the association leaps from a mediocre 60% funded status to a robust 80% funded status on paper.

Funding Goals: There is no right or wrong way to fund reserves. On the following pages, we present the current funding model and several options which offer trade-offs.

- Large, near term increases to reserve contributions can be burdensome and disruptive to current owners.
- Deferring adjustments to reserve contributions penalizes future owners who will have to bear the brunt of even larger increases to contributions or forcing the need for special assessments or loans.
- **Critical Years:** In certain years, the reserve balance may fall to “critically low” levels. These critical years may represent the absolute minimum reserve balance over the next 30 years, or may represent a low reserve balance relative to that year’s expenditures. The recommended reserve contribution are designed to have

adequate reserve funds in those critical years. Sometimes, following a critical year, the reserve contributions may need to be *reduced* to prevent overfunding the reserves.

- We use the **cash flow method** to develop the funding plans.

This report is for informational purposes only and the Board should review each funding option to determine what will work best for the community. The goal is not necessarily to have *perfect* funding, but to have improvements each year to be able to fund replacement projects. We include charts that estimate how the changes to reserve contributions will affect the operating dues. We assume that the operating budget will increase to match inflation.

These projections demonstrate that although reserve balances may appear robust during periods of accumulation, significant capital expenditures can rapidly diminish these funds. By utilizing a 30-year planning horizon, this reserve study emphasizes the necessity of strategic long-term fiscal planning to mitigate the financial impact of major infrastructure and maintenance requirements.

We recommend that the association follow FUNDING PLAN 3 Phased Adjustments. In this model, the need for increases to reserve contributions is weighed against the disruptions to current owners.

FUNDING PLAN 1: Status Quo:

The first chart and graph answers the question: what would the funding plan look like if the current reserve contribution increased at a rate that matches inflation?

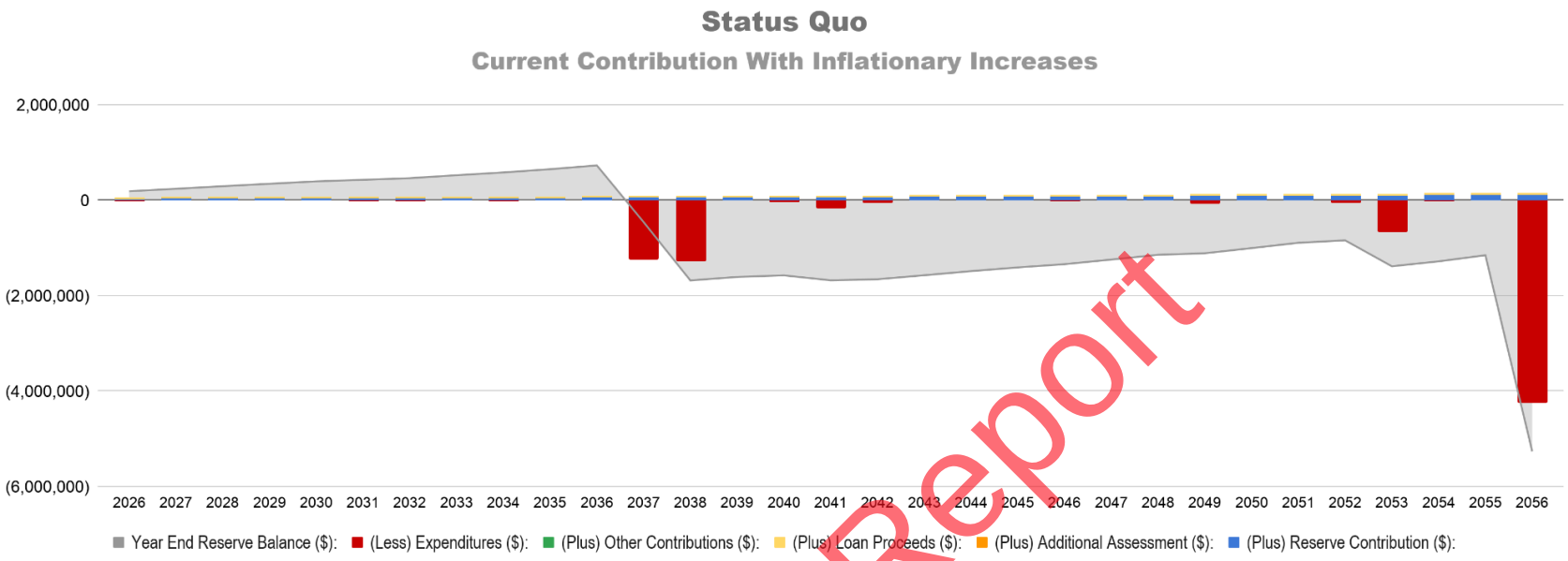
Based on the following data, we found that the association is currently underfunding reserves and the reserve balance will fall to a critical level by 2037.

Status Quo - Current Contribution With Inflationary Increases

This section displays the current funding model against 3 alternative models, giving the board options to better fit their community.

Year	Beginning Reserve Balance ($)	(				(Plus) Other ributions $):	(Less) Expenditures ($):	(Plus) Interest ($):	Year End Reserve Balance ($):
2026*	165,231					0	12,500	2,681	185,412
2027	185,412					0	0	4,874	236,986
2028	236,986					0	0	5,993	291,379
2029	291,379	50,200			0	0	6,451	7,038	342,166
2030	342,166	52,100	3.8%	0	0	0	9,251	8,085	393,100
2031	393,100	54,000	3.6%	0	0	0	30,314	8,753	425,539
2032	425,539	56,000	3.7%	0	0	0	31,089	9,459	459,909
2033	459,909	58,100	3.8%	0	0	0	7,460	10,722	521,270
2034	521,270	60,200	3.6%	0	0	0	14,042	11,916	579,344
2035	579,344	62,400	3.7%	0	0	0	7,281	13,324	647,787
2036	647,787	64,700	3.7%	0	0	0	0	14,962	727,450
2037	727,450	67,100	3.7%	0	0	0	1,254,696	0	460,146
2038	460,146	69,600	3.7%	0	0	0	1,292,173	0	1,682,720
2039	1,682,720	72,200	3.7%	0	0	0	0	0	1,610,520
2040	1,610,520	74,900	3.7%	0	0	0	42,038	0	1,577,658
2041	1,577,658	77,700	3.7%	0	0	0	180,390	0	1,680,348
2042	1,680,348	80,600	3.7%	0	0	0	59,017	0	1,658,765
2043	1,658,765	83,600	3.7%	0	0	0	0	0	1,575,165
2044	1,575,165	86,700	3.7%	0	0	0	0	0	1,488,465
2045	1,488,465	89,900	3.7%	0	0	0	11,537	0	1,410,102
2046	1,410,102	93,200	3.7%	0	0	0	25,851	0	1,342,753
2047	1,342,753	96,600	3.6%	0	0	0	0	0	1,246,153
2048	1,246,153	100,200	3.7%	0	0	0	0	0	1,145,953
2049	1,145,953	103,900	3.7%	0	0	0	71,640	0	1,113,693
2050	1,113,693	107,700	3.7%	0	0	0	0	0	1,005,993
2051	1,005,993	111,700	3.7%	0	0	0	0	0	894,293
2052	894,293	115,800	3.7%	0	0	0	64,297	0	842,790
2053	842,790	120,100	3.7%	0	0	0	663,515	0	1,386,205
2054	1,386,205	124,500	3.7%	0	0	0	22,126	0	1,283,830
2055	1,283,830	129,100	3.7%	0	0	0	0	0	1,154,730
2056	1,154,730	133,900	3.7%	0	0	0	4,241,588	0	5,262,418

***Current year figures may represent a partial year based on the beginning reserve balance date**



The chart below estimates how total dues will change with respect to changes to the reserve contribution. We assume that the operating income will increase at a rate that matches inflation.

5-Year Adjustments to Gross Income - Status Quo - Current Contribution With Inflationary Increases									
	Operating Income (Gross Income Less Reserve Contribution) ($):	Assumed Increase to Operating Income:	Average Per Unit Per Month Operating Income ($):	Annual Reserve Contribution ($):	Increase to Reserve Contribution:	Average Per Unit Per Month Reserve Contribution ($):	Gross Income ($):	Average Per Unit Per Month Gross Income ($):	Increase to Gross Income:
2026	270,000		225.00	45,000		37.50	315,000	262.50	
2027	279,990	3.70%	233.33	46,700	3.78%	38.92	326,690	272.24	3.71%
2028	290,350	3.70%	241.96	48,400	3.64%	40.33	338,750	282.29	3.69%
2029	301,090	3.70%	250.91	50,200	3.72%	41.83	351,290	292.74	3.70%
2030	312,230	3.70%	260.19	52,100	3.78%	43.42	364,330	303.61	3.71%
2031	323,780	3.70%	269.82	54,000	3.65%	45.00	377,780	314.82	3.69%

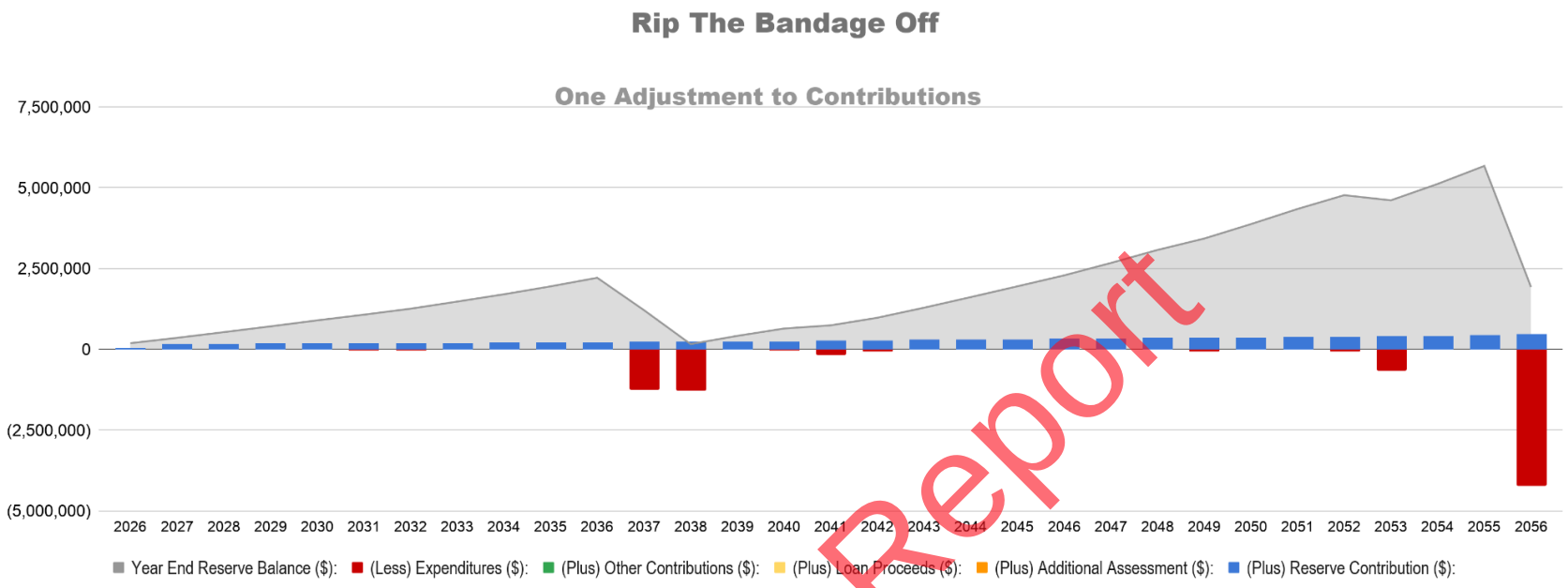
FUNDING PLAN 2 Rip The Bandage Off - One Adjustment to Contributions:

The second chart and graph answers the question: what would the 30-year funding plan look like if the reserves were adjusted in a single year with all future contributions being adjusted to match inflation?

Rip The Bandage Off - One Adjustment to Contributions

Year	Beginning Reserve Balance ($)	(Plus) Reserve Contribution ($):	Percent Increase of Reserve Contribution (%):	(Plus) Additional Assessment ($):	(Plus) Loan Proceeds ($):	(Plus) Other Contributions ($):	(Less) Expenditures ($):	(Plus) Interest ($):	Year End Reserve Balance ($):
2026*	165,231	30,000		0	0	0	12,500	2,681	185,412
2027	185,412	158,900	253.1%	0	0	0	0	7,231	351,542
2028	351,542	164,800	3.7%	0	0	0	0	10,843	527,186
2029	527,186	170,900	3.7%	0	0	0	6,451	14,524	706,159
2030	706,159	177,200	3.7%	0	0	0	9,251	18,356	892,464
2031	892,464	183,800	3.7%	0	0	0	30,314	21,965	1,067,915
2032	1,067,915	190,600	3.7%	0	0	0	31,089	25,776	1,253,202
2033	1,253,202	197,700	3.7%	0	0	0	7,460	30,312	1,473,754
2034	1,473,754	205,000	3.7%	0	0	0	14,042	34,959	1,699,671
2035	1,699,671	212,600	3.7%	0	0	0	7,281	40,005	1,944,995
2036	1,944,995	220,500	3.7%	0	0	0	0	45,475	2,210,971
2037	2,210,971	228,700	3.7%	0	0	0	1,254,696	24,884	1,209,859
2038	1,209,859	237,200	3.7%	0	0	0	1,292,173	3,253	158,138
2039	158,138	246,000	3.7%	0	0	0	0	8,487	412,625
2040	412,625	255,100	3.7%	0	0	0	42,038	13,139	638,826
2041	638,826	264,500	3.7%	0	0	0	180,390	15,182	738,118
2042	738,118	274,300	3.7%	0	0	0	59,017	20,021	973,423
2043	973,423	284,400	3.7%	0	0	0	0	26,414	1,284,237
2044	1,284,237	294,900	3.7%	0	0	0	0	33,162	1,612,299
2045	1,612,299	305,800	3.7%	0	0	0	11,537	40,038	1,946,599
2046	1,946,599	317,100	3.7%	0	0	0	25,851	46,995	2,284,843
2047	2,284,843	328,800	3.7%	0	0	0	0	54,886	2,668,529
2048	2,668,529	341,000	3.7%	0	0	0	0	63,200	3,072,729
2049	3,072,729	353,600	3.7%	0	0	0	71,640	70,448	3,425,138
2050	3,425,138	366,700	3.7%	0	0	0	0	79,629	3,871,467
2051	3,871,467	380,300	3.7%	0	0	0	0	89,287	4,341,054
2052	4,341,054	394,400	3.7%	0	0	0	64,297	98,094	4,769,251
2053	4,769,251	409,000	3.7%	0	0	0	663,515	94,809	4,609,546
2054	4,609,546	424,100	3.7%	0	0	0	22,126	105,242	5,116,762
2055	5,116,762	439,800	3.7%	0	0	0	0	116,688	5,673,250
2056	5,673,250	456,100	3.7%	0	0	0	4,241,588	39,643	1,927,405

***Current year figures may represent a partial year based on the beginning reserve balance date**



The chart below estimates how total dues will change with respect to changes to the reserve contribution. We assume that the operating income will increase at a rate that matches inflation.

5-Year Adjustments to Gross Income - Rip The Bandage Off - One Adjustment to Contributions

	Operating Income (Gross Income Less Reserve Contribution) ($):	Assumed Increase to Operating Income:	Average Per Unit Per Month Operating Income ($):	Annual Reserve Contribution ($):	Increase to Reserve Contribution:	Average Per Unit Per Month Reserve Contribution ($):	Gross Income ($):	Average Per Unit Per Month Gross Income ($):	Increase to Gross Income:
2026	270,000		225.00	45,000		37.50	315,000	262.50	
2027	279,990	3.70%	233.33	158,900	253.11%	132.42	438,890	365.74	39.33%
2028	290,350	3.70%	241.96	164,800	3.71%	137.33	455,150	379.29	3.70%
2029	301,090	3.70%	250.91	170,900	3.70%	142.42	471,990	393.33	3.70%
2030	312,230	3.70%	260.19	177,200	3.69%	147.67	489,430	407.86	3.69%
2031	323,780	3.70%	269.82	183,800	3.72%	153.17	507,580	422.98	3.71%

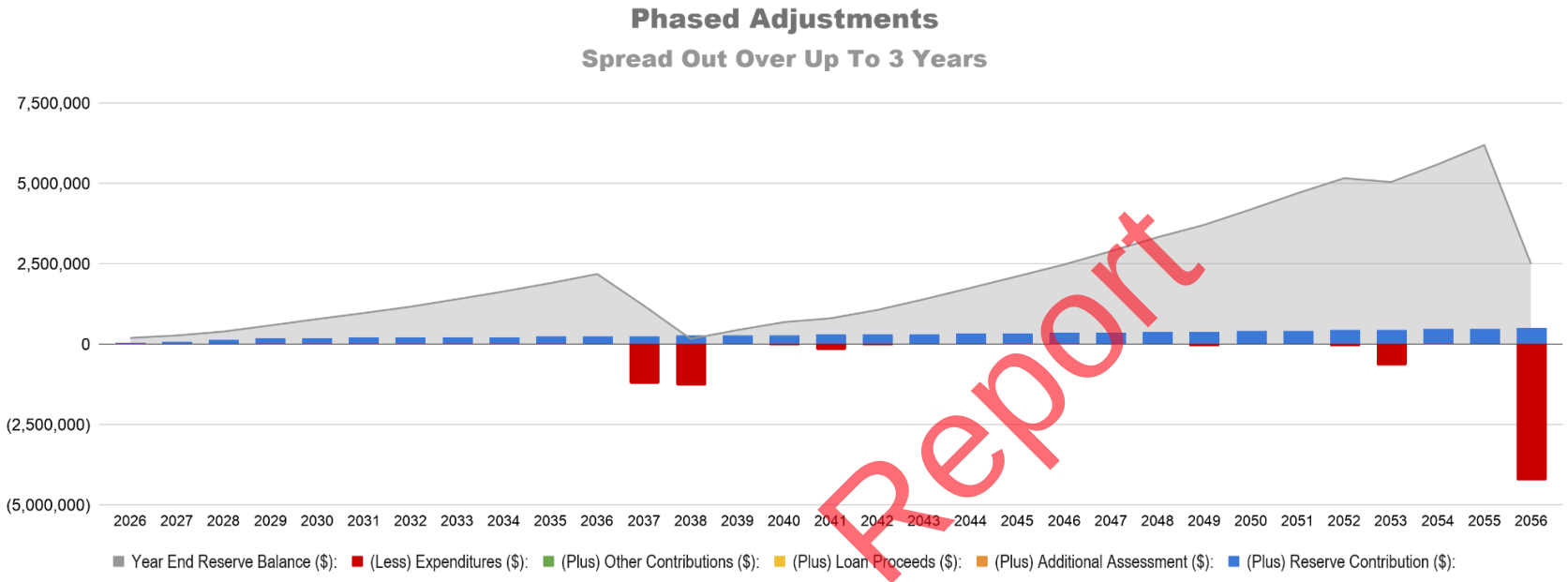
FUNDING PLAN 3 Phased Adjustments - Spread Out The Adjustments Over Up To 3 Years:

The third chart and graph answers the question: what would the 30-year funding plan look like if the reserves were adjusted over multiple years (up to 3), with all future contributions being adjusted to match inflation?

Spread Out The Adjustments Over Up To 3 Years:

Year	Beginning Reserve Balance ($)	(Plus) Reserve Contribution ($):	Percent Increase of Reserve Contribution (%):	(Plus) Additional Assessment ($):	(Plus) Loan Proceeds ($):	(Plus) Other Contributions ($):	(Less) Expenditures ($):	(Plus) Interest ($):	Year End Reserve Balance ($):
2026*	165,231	30,000		0	0	0	12,500	2,681	185,412
2027	185,412	72,000	60.0%	0	0	0	0	5,406	262,818
2028	262,818	115,100	59.9%	0	0	0	0	7,936	385,854
2029	385,854	184,000	59.9%	0	0	0	6,451	11,831	575,234
2030	575,234	190,800	3.7%	0	0	0	9,251	15,892	772,675
2031	772,675	197,900	3.7%	0	0	0	30,314	19,745	960,007
2032	960,007	205,200	3.7%	0	0	0	31,089	23,816	1,157,934
2033	1,157,934	212,800	3.7%	0	0	0	7,460	28,629	1,391,903
2034	1,391,903	220,700	3.7%	0	0	0	14,042	33,570	1,632,131
2035	1,632,131	228,900	3.7%	0	0	0	7,281	38,929	1,892,679
2036	1,892,679	237,400	3.7%	0	0	0	0	44,732	2,174,811
2037	2,174,811	246,200	3.7%	0	0	0	1,254,696	24,493	1,190,807
2038	1,190,807	255,300	3.7%	0	0	0	1,292,173	3,233	157,167
2039	157,167	264,700	3.7%	0	0	0	0	8,859	430,726
2040	430,726	274,500	3.7%	0	0	0	42,038	13,927	677,114
2041	677,114	284,700	3.7%	0	0	0	180,390	16,410	797,834
2042	797,834	295,200	3.7%	0	0	0	59,017	21,714	1,055,732
2043	1,055,732	306,100	3.7%	0	0	0	0	28,598	1,390,430
2044	1,390,430	317,400	3.7%	0	0	0	0	35,864	1,743,695
2045	1,743,695	329,100	3.7%	0	0	0	11,537	43,286	2,104,544
2046	2,104,544	341,300	3.7%	0	0	0	25,851	50,820	2,470,812
2047	2,470,812	353,900	3.7%	0	0	0	0	59,319	2,884,031
2048	2,884,031	367,000	3.7%	0	0	0	0	68,272	3,319,303
2049	3,319,303	380,600	3.7%	0	0	0	71,640	76,194	3,704,457
2050	3,704,457	394,700	3.7%	0	0	0	0	86,082	4,185,239
2051	4,185,239	409,300	3.7%	0	0	0	0	96,485	4,691,024
2052	4,691,024	424,400	3.7%	0	0	0	64,297	106,074	5,157,201
2053	5,157,201	440,100	3.7%	0	0	0	663,515	103,610	5,037,396
2054	5,037,396	456,400	3.7%	0	0	0	22,126	114,905	5,586,576
2055	5,586,576	473,300	3.7%	0	0	0	0	127,257	6,187,133
2056	6,187,133	490,800	3.7%	0	0	0	4,241,588	51,163	2,487,508

***Current year figures may represent a partial year based on the beginning reserve balance date**



The chart below estimates how total dues will change with respect to changes to the reserve contribution. We assume that the operating income will increase at a rate that matches inflation.

5-Year Adjustments to Gross Income - Spread Out The Adjustments Over Up To 3 Years:									
	Operating Income (Gross Income Less Reserve Contribution) ($):	Assumed Increase to Operating Income:	Average Per Unit Per Month Operating Income ($):	Annual Reserve Contribution ($):	Increase to Reserve Contribution:	Average Per Unit Per Month Reserve Contribution ($):	Gross Income ($):	Average Per Unit Per Month Gross Income ($):	Increase to Gross Income:
2026	270,000		225.00	45,000		37.50	315,000	262.50	
2027	279,990	3.70%	233.33	72,000	60.00%	60.00	351,990	293.33	11.74%
2028	290,350	3.70%	241.96	115,100	59.86%	95.92	405,450	337.88	15.19%
2029	301,090	3.70%	250.91	184,000	59.86%	153.33	485,090	404.24	19.64%
2030	312,230	3.70%	260.19	190,800	3.70%	159.00	503,030	419.19	3.70%
2031	323,780	3.70%	269.82	197,900	3.72%	164.92	521,680	434.73	3.71%

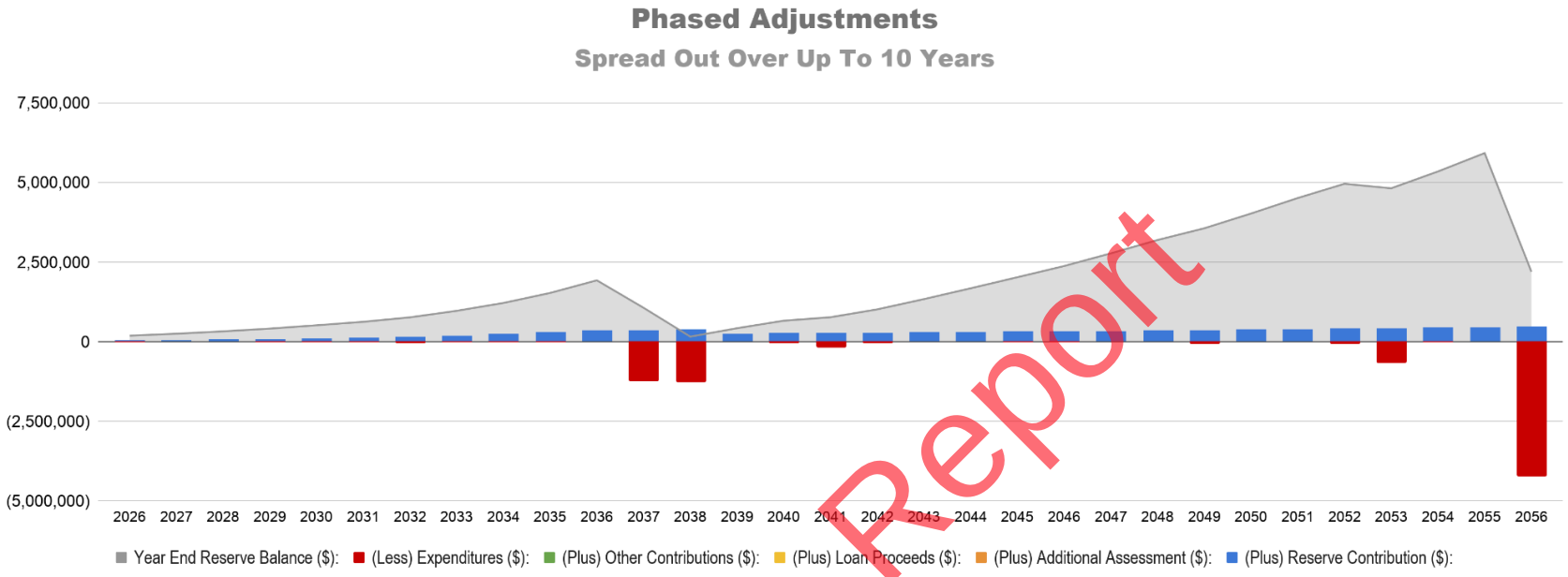
FUNDING PLAN 4 Phased Adjustments - Spread Out The Adjustments Over Up To 10 Years:

The fourth chart and graph answers the question: what would the 30-year funding plan look like if the reserves were adjusted over multiple years (up to 10), with all future contributions being adjusted to match inflation?

Spread Out The Adjustments Over Up To 10 Years:

Year	Beginning Reserve Balance ($)	(Plus) Reserve Contribution ($):	Percent Increase of Reserve Contribution (%):	(Plus) Additional Assessment ($):	(Plus) Loan Proceeds ($):	(Plus) Other Contributions ($):	(Less) Expenditures ($):	(Plus) Interest ($):	Year End Reserve Balance ($):
2026*	165,231	30,000		0	0	0	12,500	2,681	185,412
2027	185,412	55,400	23.1%	0	0	0	0	5,057	245,869
2028	245,869	68,100	22.9%	0	0	0	0	6,593	320,562
2029	320,562	83,800	23.1%	0	0	0	6,451	8,356	406,267
2030	406,267	103,100	23.0%	0	0	0	9,251	10,502	510,618
2031	510,618	126,800	23.0%	0	0	0	30,314	12,749	619,854
2032	619,854	156,000	23.0%	0	0	0	31,089	15,640	760,405
2033	760,405	191,900	23.0%	0	0	0	7,460	19,842	964,686
2034	964,686	236,000	23.0%	0	0	0	14,042	24,920	1,211,564
2035	1,211,564	290,300	23.0%	0	0	0	7,281	31,386	1,525,970
2036	1,525,970	357,100	23.0%	0	0	0	0	39,544	1,922,614
2037	1,922,614	370,300	3.7%	0	0	0	1,254,696	21,803	1,060,021
2038	1,060,021	384,000	3.7%	0	0	0	1,292,173	3,189	155,036
2039	155,036	255,000	-33.6%	0	0	0	0	8,611	418,647
2040	418,647	264,400	3.7%	0	0	0	42,038	13,461	654,470
2041	654,470	274,200	3.7%	0	0	0	180,390	15,714	763,993
2042	763,993	284,300	3.7%	0	0	0	59,017	20,775	1,010,052
2043	1,010,052	294,800	3.7%	0	0	0	0	27,402	1,332,254
2044	1,332,254	305,700	3.7%	0	0	0	0	34,397	1,672,351
2045	1,672,351	317,000	3.7%	0	0	0	11,537	41,534	2,019,347
2046	2,019,347	328,700	3.7%	0	0	0	25,851	48,766	2,370,962
2047	2,370,962	340,900	3.7%	0	0	0	0	56,949	2,768,811
2048	2,768,811	353,500	3.7%	0	0	0	0	65,569	3,187,880
2049	3,187,880	366,600	3.7%	0	0	0	71,640	73,140	3,555,980
2050	3,555,980	380,200	3.7%	0	0	0	0	82,660	4,018,839
2051	4,018,839	394,300	3.7%	0	0	0	0	92,676	4,505,815
2052	4,505,815	408,900	3.7%	0	0	0	64,297	101,859	4,952,277
2053	4,952,277	424,000	3.7%	0	0	0	663,515	98,968	4,811,731
2054	4,811,731	439,700	3.7%	0	0	0	22,126	109,815	5,339,120
2055	5,339,120	456,000	3.7%	0	0	0	0	121,698	5,916,818
2056	5,916,818	472,900	3.7%	0	0	0	4,241,588	45,111	2,193,240

***Current year figures may represent a partial year based on the beginning reserve balance date**



The chart below estimates how total dues will change with respect to changes to the reserve contribution. We assume that the operating income will increase at a rate that matches inflation.

5-Year Adjustments to Gross Income - Spread Out The Adjustments Over Up To 10 Years:									
	Operating Income (Gross Income Less Reserve Contribution) ($):	Assumed Increase to Operating Income:	Average Per Unit Per Month Operating Income ($):	Annual Reserve Contribution ($):	Increase to Reserve Contribution:	Average Per Unit Per Month Reserve Contribution ($):	Gross Income ($):	Average Per Unit Per Month Gross Income ($):	Increase to Gross Income:
2026	270,000		225.00	45,000		37.50	315,000	262.50	
2027	279,990	3.70%	233.33	55,400	23.11%	46.17	335,390	279.49	6.47%
2028	290,350	3.70%	241.96	68,100	22.92%	56.75	358,450	298.71	6.88%
2029	301,090	3.70%	250.91	83,800	23.05%	69.83	384,890	320.74	7.38%
2030	312,230	3.70%	260.19	103,100	23.03%	85.92	415,330	346.11	7.91%
2031	323,780	3.70%	269.82	126,800	22.99%	105.67	450,580	375.48	8.49%

Terms & Conditions

General Scope and Validity

- **Guideline Purpose**: This report serves as a guideline for establishing and spending reserves; it assumes the study will be regularly updated as physical and financial circumstances change.
- **Date of Validity**: The findings are valid only as of the date shown on the report.
- **Environmental and Legislative Changes**: Iron City Reserves is not responsible for subsequent changes in financial conditions, physical environments, or legislation that occur after the report date.

Physical Analysis and Limitations

- **Visual, Non-Invasive Inspection**: Observations are based solely on visual inspections of major components. On-site inspection will *exclude* climbing any non-affixed ladders.
- **No Destructive Testing**: No invasive or destructive testing, nor testing of materials, was conducted during the preparation of this study.
- **Media and Data Ownership**: The Client acknowledges and agrees that Iron City Reserves retains exclusive ownership and copyright of all visual media captured and data compiled during the property inspection. This information may be utilized freely by Iron City Reserves for any purpose—including commercial marketing, case studies, or database analysis—without further compensation or notice to the Client. The Client permanently waives and releases all rights, title, and privacy interests in said media and data.
- **Assumption of Proper Construction**: It is assumed all components were designed and constructed properly according to normal industry standards.
- **Performance Exclusions**: Iron City Reserves does not guarantee or warrant the performance of any products, materials, or workmanship.
- **Structural and Quality Audits**: On-site inspections are not project audits or quality inspections, and structural integrity evaluations are excluded unless otherwise specified.

Estimations and Professional Judgment

- **Preliminary Opinions**: Cost estimates are preliminary opinions and do not constitute a quote, guarantee, or warranty of actual future costs.
- **Variability of Outcomes**: Actual costs may be impacted by maintenance practices, economic conditions, technological changes, and future regulations.
- **Professional Interpretation**: Findings represent best professional judgment, but different conclusions could be reached based on the same facts.

Reliance on Client Information

- **Data Accuracy**: The accuracy of this study is dependent on the completeness and correctness of information provided by the client. The client is responsible for disclosing all known material facts.
- **Information Liability**: Iron City Reserves is not liable for inaccuracies caused by incorrect or incomplete information provided by client representatives.
- **Reliance on Prior Studies**: For update levels of service, it is assumed that previously developed component lists and quantities provided to Iron City Reserves are reliable and accurate. For updates of *competitor* reports, Iron City Reserves makes no guarantees to the accuracy or methodologies of the report.

Liability and Indemnification

- **Disclaimer of Responsibility**: Iron City Reserves makes no expressed or implied warranties regarding report contents and accepts no legal responsibility for inaccuracies, errors, or omissions.
- **Civil Liability**: Iron City Reserves shall incur no civil liability for claims, losses, damages, or expenses related to the performance of the study.
- **Liability Cap**: In any matter related to this study, the total liability of Iron City Reserves is strictly limited to the professional fees charged for the services.
- **No Conflicts of Interest**: Iron City Reserves and its agents maintain no vested interest in or management roles with the client.
- **Informational Purposes Only:** The findings in this report represent the opinion of Iron City Reserves and meant to provide informational guidance to the Board only.

Association Responsibilities

- **Financial Impact of Exclusions**: The failure to include a component in the study may require the client to defer maintenance, increase contributions, borrow funds, or impose special assessments.
- **Maintenance Plans:** Preventive maintenance is essential for long-term component health; however, the evaluation of maintenance performance is outside the scope of this study.

Definitions

- **Adequate Reserves:** A combination of a replacement reserve fund and a stable, equitable multi-year funding plan that provides for the reliable and timely execution of an association's major repair and replacement projects without needing additional supplemental funding.
- **Capital Improvements:** Additions to an association's common areas that did not previously exist. While these should be added to future reserve studies for replacement, their initial construction or installation cost cannot be drawn from the reserve fund.
- **Cash Flow Method (Pooling):** A method of developing a funding plan where contributions are designed to offset the total annual expenditures from the reserve fund. Various funding plans are tested against the anticipated expenditure schedule until the desired funding goal is achieved.
- **Common Area:** Areas identified in the community's master deed or declarations that the association is obligated to maintain and replace, or those based on well-established association precedent.
- **Community Association:** A nonprofit entity served and led by an elected board of directors that exists to preserve the community's nature and protect property values. Membership is mandatory for all owners, who pay lien-based assessments to fund operations and maintain common areas.
- **Components:** Individually listed projects within the physical analysis determined for inclusion based on a three-part test: the association has the obligation to maintain or replace the element; the project schedule is reasonably anticipated; and the project cost is material and can be reasonably estimated.
- **Component Inventory:** The task of selecting and quantifying reserve components through site observations, document reviews, and discussions with association representatives. The Reserve Specialist will determine the methodology for including these components in the study, which consider inclusion of long-lived components, addition of long-lived components with funding at the time when they fall within the reporting period, and identification of long-lived components even when they are not yet being funded in the reporting period.
- **Component Method (Straight Line):** A funding plan method where total funding is based on the sum of funding for individual components.
- **Condition Assessment:** The task of evaluating a component's current state based on visual, non-invasive observations or reported characteristics.
- **Effective Age:** The difference between a component's useful life and its estimated remaining useful life. It represents the "used up" portion of an asset's life and is used primarily for financial computations.

- **Financial Analysis:** One of the two parts of a reserve study where the current fund status (cash or percent funded) is measured and a recommended 30-year funding plan is derived.
- **Fully Funded:** When the actual or projected reserve balance is 100 percent of the fully funded balance.
- **Fully Funded Balance (FFB):** A benchmark indicator representing the amount that should be in the reserve fund based on the fraction of life "used up" for each component. It is calculated as: *Current Cost X Effective Age / Useful Life*.
- **Fund Status:** The state of the reserve fund reported in terms of cash balance or percent funded.
- **Funding Goals:** Strategic targets for the funding plan, ranging from aggressive to conservative:
    - **Baseline Funding:** Allowing the cash balance to approach but never fall below zero; this carries the highest risk of requiring special assessments.
    - **Threshold Funding:** Keeping the reserve balance above a specific dollar amount or percent funded level.
    - **Full Funding:** Attaining and maintaining reserves at or near 100 percent funded.
- **Funding Plan:** An association's 30-year roadmap of projected income and expenses to provide the funds necessary for anticipated expenditures.
- **Funding Principles:** Core objectives including ensuring sufficient funds are available when required, maintaining stable and equitable funding rates, and ensuring fiscal responsibility.
- **Initial Year:** The first fiscal year covered in the financial analysis or funding plan.
- **Life Estimates:** The professional task of estimating the useful life and remaining useful life of each reserve component.
- **Life Cycle Cost:** The total ongoing cost of deterioration that must be offset to maintain and replace common area components. Proactive preventive maintenance often results in lower overall life cycle costs.
- **Maintenance:** The process of preserving association assets. Types include:
    - **Preventive Maintenance:** Proactive, planned tasks at predetermined intervals to ensure a component reaches its estimated useful life.
    - **Deferred Maintenance:** Maintenance that is not performed, leading to premature deterioration, reduced remaining useful life, and potentially inadequate funding.
    - **Corrective Maintenance:** Maintenance performed after a problem is detected to restore or preserve the function and life of a component.
- **Percent Funded:** The ratio of the actual reserve balance to the fully funded balance at a specific point in time. While percent funded is an indicator of an association's reserve fund size, it should be viewed in the context of how it is changing due to the association's reserve funding plan, in light of the association's risk tolerance and is not by itself a measure of "adequacy."

- **Periodic Structural Inspection:** Inspections of a building's structural system to identify issues as they become evident.
- **Physical Evaluation:** The portion of the study involving component inventory, condition assessment, and life and valuation estimates.
- **Preventive Maintenance Schedule:** A summary of proactive maintenance tasks, including timing and estimated costs, required for components to reach their full useful lives.
- **Remaining Useful Life (RUL or RL):** The estimated number of years a component can serve its intended function, assuming timely preventive maintenance. Projects expected to occur in the initial year have zero remaining useful life.
- **Replacement Cost:** The total cost to restore a component to its original functional condition, including direct and related expenses such as engineering, permits, and installation.
- **Reserve Balance:** The actual or projected funds available to cover reserve expenditures, typically based on unaudited information provided by the association.
- **Reserve Study:** A budget planning tool identifying maintenance obligations, fund status, and a stable funding plan for future major expenditures. This limited evaluation is conducted for budget and cash flow purposes. Tasks outside the scope of a reserve study include, but are not limited to design review, construction evaluation, intrusive or destructive testing, preventative maintenance plans, and structural, code or safety evaluations.
- **Reserve Study Provider:** An individual, often a designated **Reserve Specialist (RS)**, who prepares reserve studies according to professional standards.
- **Reserve Study Provider Firm:** A company that prepares reserve studies as one of its primary business activities.
- **Responsible Charge:** The standard requiring a Reserve Specialist to provide effective supervision and personal review of the work performed for a reserve study.
- **Site Visit:** A visual assessment of accessible common area components, including document reviews and discussions with association representatives.
- **Special Assessment:** A temporary fee levied on members in addition to regular assessments, often indicating unplanned shortfalls or unforeseen expenses. Special assessments, when used to make up for unplanned reserve fund shortfalls, may be an indicator of deferred maintenance, improper reserve project planning, and unforeseen catastrophes and accidents, as well as other surprises.
- **Structural System:** Interconnected components (like beams and columns) that deliver applied forces to the ground; while reviewed in structural inspections, these are generally not included for reserve funding.
- **Useful Life (UL):** The estimated total years a component is expected to serve its function if properly constructed and proactively maintained.
- **Valuation Estimates:** The task of estimating current repair or replacement costs for reserve components