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Capital Replacement Plan



Sample Worship Facility Anywhere, USA

Report #: 9999-0W
For Period Beginning: January 1, 2003
Ending: December 31, 2003
Date Prepared: June 26, 2002

Hello, and welcome to your Capital Replacement Plan!

It's all very simple, really. A Capital Replacement Plan is the *art and science* of anticipating, and preparing for, major common area repair and replacement costs. With our experience in this industry, we have gathered the information necessary to make an evaluation of the current status of your Reserve Components, an evaluation of the current status of your Reserve Fund, and a recommended Reserve Funding Plan.

This Report is a valuable budget planning tool, for with it you control the future of your facility. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your facility will face.

While this Report has been prepared to answer all of your questions, please don't hesitate to call us if unanswered questions remain. Our toll-free number is (800) 733-1365, and answers to most frequently asked questions are on our web site (www.ReserveStudy.com). A *Quick Reference Guide* is provided on the following page, to map out your Capital Replacement Plan and provide directions to the most valuable areas. From the entire staff of Association Reserves, thank you for selecting us as your Reserve-planning partner!



Quick Reference Guide



What do I distribute?

A good choice is to distribute copies of the “Executive Summary” immediately following the Table of Contents (a summary page and the Reserve Component Listing).

Where do I find...

...a listing of our Reserve Components?

Table 2 shows the name, Useful Life, Remaining Useful Life, and current Replacement Cost.

...our Percent Funded rating and recommended Reserve Contribution Rate?

With our major financial summary information, in the Executive Summary (Page i)

...a description of our objectives and methodology?

Beginning on Page 1 we introduce the Capital Replacement Plan, our objectives, and methodology.

...more detailed information on our site inspection?

General site inspection notes can be found on Page 5. Photographs and specific information on each component can be found in the Photographic Inventory Appendix.

More questions?

Visit our web site at www.ReserveStudy.com



or call us at (800) 733-1365.

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# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Asphalt - Resurface	20	8	\$36,900	\$46,744
202 Asphalt - Seal/Repair	4	0	\$5,263	\$5,923
303 HVAC Units - Partial Replace	4	1	\$10,000	\$10,300
320 Pole Lights - Replace	20	4	\$29,900	\$33,653
405 Play Equipment - Replace	10	2	\$18,000	\$19,096
503 Iron Fence/Rail - Replace	20	4	\$21,000	\$23,636
601 Hallway-Foyer Carpet - Replace	6	1	\$4,800	\$4,944
601 Worship Carpet - Replace	12	1	\$5,775	\$5,948
603 Worship Tile Floor - Refurbish	24	13	\$10,400	\$15,273
604 Stage Floor - Resurface	4	0	\$2,550	\$2,870
901 Appliances - Partial Replace	2	0	\$1,500	\$1,591
903 Pews - Repair/Replace	12	1	\$31,563	\$32,509
904 Kitchen - Refurbish	12	1	\$10,500	\$10,815
909 Bathroom - Minor Refurbish	5	2	\$4,000	\$4,244
910 Downstairs - Renovate	8	7	\$14,900	\$18,325
910 Jr. High Room - Renovate	8	0	\$2,663	\$3,373
910 Office Areas - Renovate	6	0	\$13,500	\$16,120
910 SS/Preschool - Renovate	8	7	\$30,000	\$36,896
913 Music Equip - Replace	3	1	\$2,125	\$2,189
913 Pianos/Organ - Partial Replace	15	4	\$10,250	\$11,536
920 Sound System - Upgrade	4	0	\$16,250	\$18,290
1107 Metal Surfaces - Repaint	4	0	\$2,550	\$2,870
1110 Church Interior - Paint	12	1	\$8,000	\$8,240
1115 Exterior Stucco - Repaint	8	4	\$15,750	\$17,727
1116 Wood Surfaces - Repaint	4	0	\$5,375	\$6,050
1301 Flat Roof - Replace	12	4	\$8,013	\$9,018
1303 Shingle Roof - Replace	20	14	\$35,700	\$53,999
1402 Signage - Refurbish	5	0	\$1,625	\$1,884
1810 Bus - Replace	12	2	\$37,500	\$39,784
29 Total Funded Components				

Introduction

It is all very simple, really. A Capital Replacement Plan is the art and science of anticipating and preparing for major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

A Capital Replacement Plan consists of two parts: the Physical Analysis and the Financial Analysis. The Physical Analysis contains the information about the current condition and repair or replacement cost of the major common area components the facility is obligated to maintain. The Financial Analysis contains an evaluation of the facility's Reserve balance (measured by Percent Funded) and a recommended Funding Plan to offset the anticipated Reserve expenses.

Reserve Study

- Physical Analysis
- Financial Analysis

The primary responsibility of the Board of Directors is to maintain, protect, and enhance the assets of the facility. As the physical assets age and deteriorate, it is important to accumulate financial assets, keeping the two "in balance". The Capital Replacement Plan is the document that helps keep the physical and financial assets of the facility in balance. This Capital Replacement Plan is a budget-planning document. The primary information you will get from this document is a list of your major Reserve components, a finding of the current status (strength) of your Reserve Fund, and a recommended Funding Plan. The basic objective of the Capital Replacement Plan is to provide a plan to collect funds at a stable rate to offset the predicted irregular Reserve expenses. Setting a stable Reserve contribution rate will ensure that each member pays their own "fair share" of the ongoing, gradual deterioration of the common areas.

Methodology

By necessity, the Physical Analysis occurs before the Financial Analysis (first we establish what the projected expenses are, then we determine the facility's financial status and create a Funding Plan). For this "Full" Capital Replacement Plan, the Physical Analysis starts with a review of your recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established facility precedents. We performed an on-site inspection to inventory (quantify and evaluate) your common areas, creating your Reserve Component List "from scratch". Your Reserve Component List (Table 1 or Table 2) contains a description and quantification of individual line items, and

Reserve Study Types

- • Full
- Update With-Site-Visit
- Update No-Site-Visit
- Do-It-Yourself Kit

estimates for the Useful Life, Remaining Useful Life, and current Replacement Cost of each component. The average of the Best and Worst Case cost estimates are used for all calculations throughout the Financial Analysis. With this information and an assumed inflation rate (as shown on the Executive Summary), we are able to project the array of future major expenses facing the facility.

Which Physical Assets are Covered by Reserves?

Reserve expenses are the larger, infrequent expenses that require significant advance planning. Operating expenses, on the other hand, are those ongoing daily, weekly, or monthly expenses that occur and recur throughout the year. Small surprises are typically handled as maintenance contingencies, while the larger ones may be covered by insurance or require emergency funding.

There is a national-standard four-part test to determine which expense items should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated and budgeted). Fourth, the component must be above a minimum threshold cost. This limits Reserve Components to major, predictable expenses. We do not typically Reserve for building foundations and major infrastructure elements since they do not have limited life expectancies. Light bulbs or other small items are not listed as Reserve Components since their individual costs are insignificant. Finally, it is usually inappropriate to include unpredictable expenses such as damage due to fire, flood, or earthquake since these typically cannot be considered “reasonably predictable”.

Reserve Components

- Common Area
- Limited Useful Life
- Predictable Life Limit
- Cost must be Significant

How are Useful Life and Remaining Useful Life established?

Useful Life is typically established by our experience with the component, adjusted by assumptions for quality, rate of wear and tear, expected normal maintenance, and weather exposure. Remaining Useful Life is established primarily by the component’s current observed condition. The observed age of the component may or may not equal the “Chronological Age” of the component due to accelerated wear or low usage. For components requiring a particular expertise or components where age characteristics are not visible (elevators, chillers, security electronics, etc.), it is typical that we interview the facility’s service vendor to obtain a recommendation for Useful Life and Remaining Useful Life.

How are Cost Estimates Established?

The best way to obtain an accurate cost for a component is for it to be repaired or replaced, providing us with a valuable benchmark from which to make current cost estimates. In absence of “actual” costs, we regularly make comparisons to projects that were done recently at similar facilities. In addition, we often contact local vendors who provide us with insights into current pricing trends. For components that require a particular expertise (major roof or roadway systems, elevators, etc.), it is our normal practice to interview your vendor who maintains that asset. In the absence of these estimating tools, we look to reliable industry cost guidebooks. A “Best Case” and “Worst Case” cost estimate is made for each component in an attempt to bracket the actual cost.

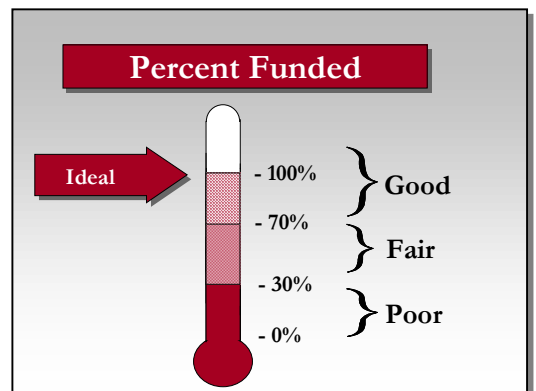
Cost Estimating Tools

- Association History
- Similar Properties
- Vendor Interviews
- Printed cost guides

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate for the needs of the facility. Reserve Fund size is therefore measured by Percent Funded, which is the actual (or projected) Reserve Balance divided by the facility’s calculated Fully Funded Balance (FFB), expressed as a percentage. Table 3 shows that the Fully Funded Balance is the current “value” of the deteriorated portion (not the total replacement value) of all the Reserve Components. To show how this works with one component, in the case of a \$10,000 component with a 10 year Useful Life, in the third year the Fully Funded Balance is three tenths of \$10,000, or \$3,000. The FFB grows as assets age, but shrinks as components are replaced. Deteriorated facilities have a higher FFB than facilities with assets in good condition. The Fully Funded Balance changes each year, and is a predictable, but moving target.

Emergency funding and deferred maintenance are common when the Percent Funded is weak (below 30%). While the 100% point is Ideal, a Reserve Fund above the 70% level should be considered “strong” because cash flow problems are rare. Measuring your Reserves by Percent Funded tells how well prepared your facility is for upcoming Reserve expenses. An facility with a strong Reserve Fund should experience smooth sailing financially, while an facility with a weak Reserve Fund should expect cash flow problems.



How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. First and foremost, our objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it indicates the facility is being run on a stable financial platform, not being driven by the winds of change from year to year. For fairness, it is important to evenly distribute the contributions over the years so each member pays their fair share of the deterioration in direct proportion to the amount of time they are members. And finally, any Funding Plan must be based on fiscally responsible principles. Your Funding Plan was created by a process where different solutions were tested until one was found that most successfully met all four of these principles and achieved your Funding Goal.

Funding Principles

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible

What is our Funding Goal?

There are different Funding Goals to strive for, ranging from conservative to risky. Establishing a goal of simply having sufficient cash for all future years is called “Baseline Funding”. The drawback is that there is little or no “margin for error”, and expenses that are higher than budgeted or projects that occur earlier than planned will often require emergency funding.

“Full Funding” is when the facility has the goal of becoming Fully Funded (Reserve Cash equals the FFB). Such an objective means the facility is following the simple and responsible principle that you “replace what you use up”. Believing this to be the responsible choice, our Funding Plan will direct you to Full Funding. Members of Fully Funded facilities enjoy low exposure to the risk of emergency funding or deferred maintenance. Strong interest earnings will minimize their Reserve contributions. Board members enjoy peace of mind that the facility’s physical and financial assets are in balance, and therefore a degree of insulation from claims of fiscal irresponsibility.

Funding Goals

- Full Funding
- Threshold Funding
- Baseline Funding

Threshold Funding option is different in that the facility selects a target other than 0% or 100%. This objective may be between 0% and 100% Funded, higher than 100% Funded, or a particular Reserve cash balance. Facilities choosing Threshold Funding select this option to customize their risk exposure.

Site Inspection

During our site visit on May 23, 2002, we started with a brief meeting with the church administrator, and then started the site inspection accompanied by custodian Carlos Bigelow beginning with the roof areas. Working our way down, we visually inspected the exterior of the church, asphalt areas, and then turned to inspect interior assets. We visually inspected the entire facility, and were able to gain access to observe all major components.

Due to the recent renovation of the Sunday School (and pre-school) wing and the recarpeting of the downstairs areas you will note that we have broken interior refurbish projects into a number of different line items with different timing. During our site inspection we were informed that minor maintenance and janitorial projects are being successfully handled from the Operational maintenance budget, not Reserves.

We were advised of upcoming termite tenting, and member expectation that the worship area was in need of renovation. While our charter is to advise clients of physical deterioration and not so much aesthetic issues, our observations were that the degree of wear and deterioration exhibited in the worship area is consistent with a refurbish in the next fiscal year. If the church desires different seating or flooring materials or configuration, those design and material costs may exceed the budget estimates included in this document. You will note that our costs include replacement of existing seating with pews, and flooring with carpet.

It was our general impression that a large number of components were due for renovation or replacement at this time. A number of these projects were aesthetic (old upstairs kitchen appliances look even worse on a brand new floor), some have operational considerations (the advancing age and deterioration of the church bus), some are practical and physical necessities (crack repair and seal coating of the asphalt and replacement in the near future of the work worship carpet that will soon become a "trip and fall" hazard).

It is our opinion that the church has the cash reserves to begin undertaking these major projects without need for emergency fund raising at this time. To better prepare for future expenses, our recommendation is to increase the ongoing Reserve contributions, but we do not find any projects necessary at this time or in the near future that need to be delayed due to insufficient funds.

Projected Expenses

The figure below shows the array of the projected future expenses at your facility. As with all computations in this Report, the estimates in this figure are based on the average of Best and Worst Case expense projections. As you can see, expenses are projected 30 years into the future, using the Inflation rate shown in the Executive Summary. This figure clearly shows the near term and future expenses that your facility will face. Note the cluster of significant expenses in four of the first five years. Such expenses are not typical each year.

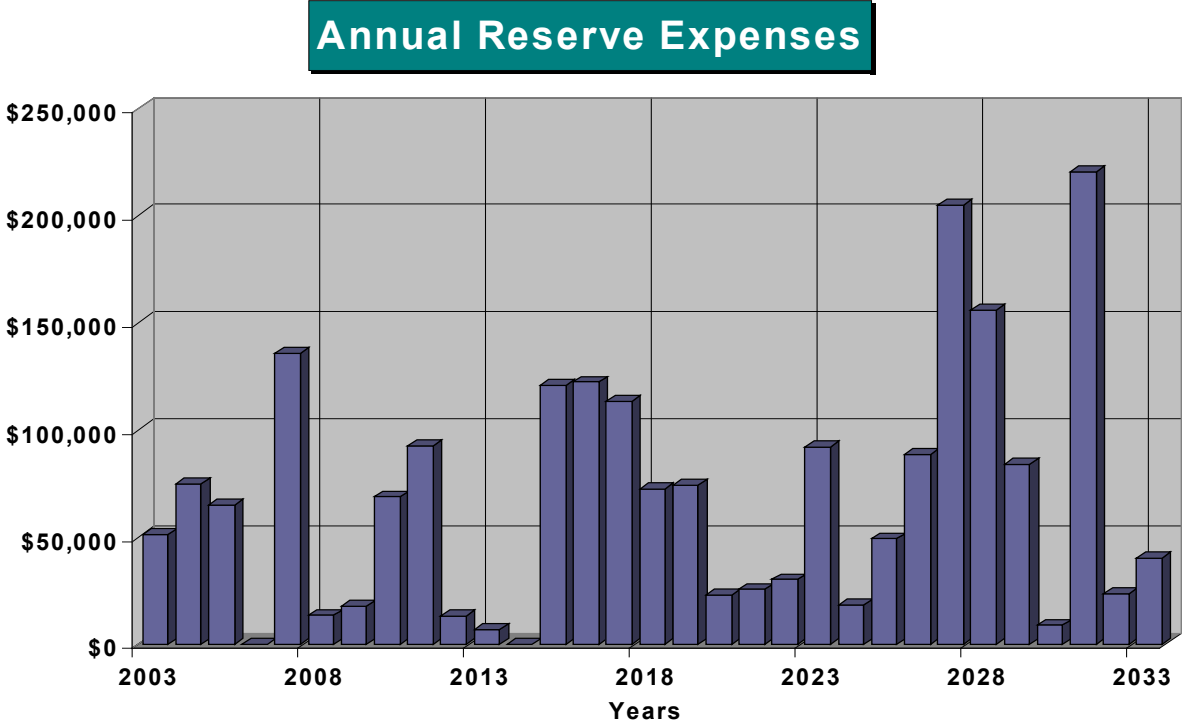


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Capital Replacement Plan is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$184,272 as-of the start of your Fiscal Year on January 1, 2003. This is based on your actual balance on 5/30/2002 of \$157,236 and anticipated Reserve contributions and expenses through the end of your Fiscal year. As of January 1, 2003, your Fully Funded Balance is computed to be \$268,109 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 69% Funded. As indicated earlier in the Executive Summary, while this is technically a mid-range status, it is just below the 70% level that typifies Reserve Fund strength.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$3,550/month this Fiscal Year. This represents the first year of a 30-year Funding Plan. To most fairly spread out the contribution burden over current and future members in our inflationary economic environment, nominal annual increases should be expected in future years. This Reserve contribution rate was established by testing different contribution rates and balancing the four Funding Principles in an attempt to eventually achieve Full Funding. Generally, the tools we utilize are regular ongoing contributions (for stability and fairness), and emergency funding (used only as a last resort). Our recommended multi-year Funding Plan is shown below. This same information is shown numerically in both Table 4 and Table 5.

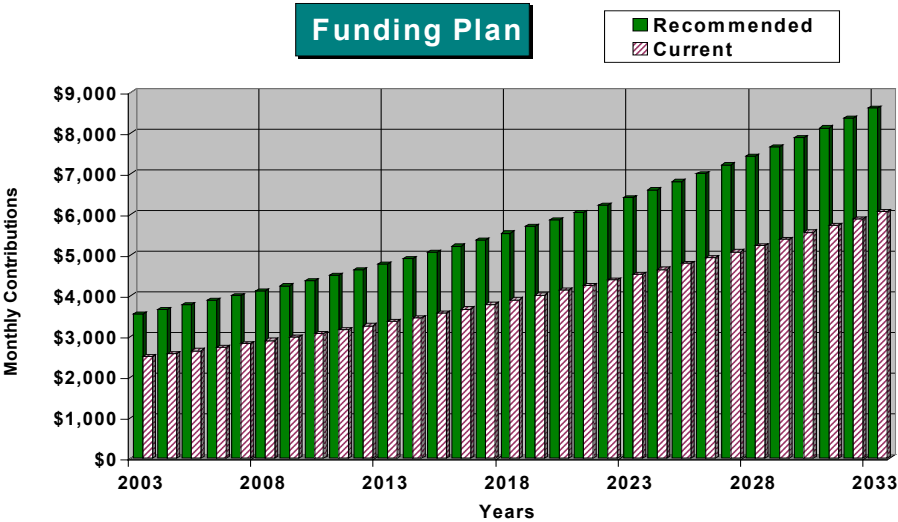


Figure 2

Your projected Reserve Balance as a result of following this Recommended multi-year Funding Plan and your Current Funding Plan is shown below, compared to your Fully

Funded Balance target. This assumes the future expenses we have projected in this Capital Replacement Plan. Note that your Reserve Fund gradually draws close to the Fully Funded Balance profile over a period of approximately 20-25 years. While your Reserve Balance might seem high in future years, remember that these figures are “inflated” future dollars. In addition, this Reserve Balance is necessary to prepare for expenses in following years and provide necessary “margin” for projects that will probably not occur exactly as planned.

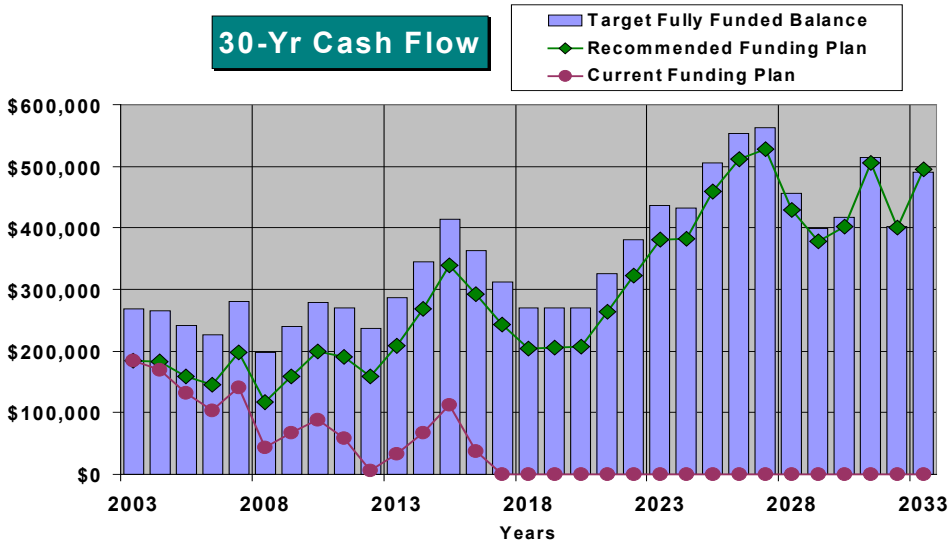


Figure 3

A simple comparison (a percentage comparison) of your Actual Reserve Balance to the moving Fully Funded Balance target is shown below. In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

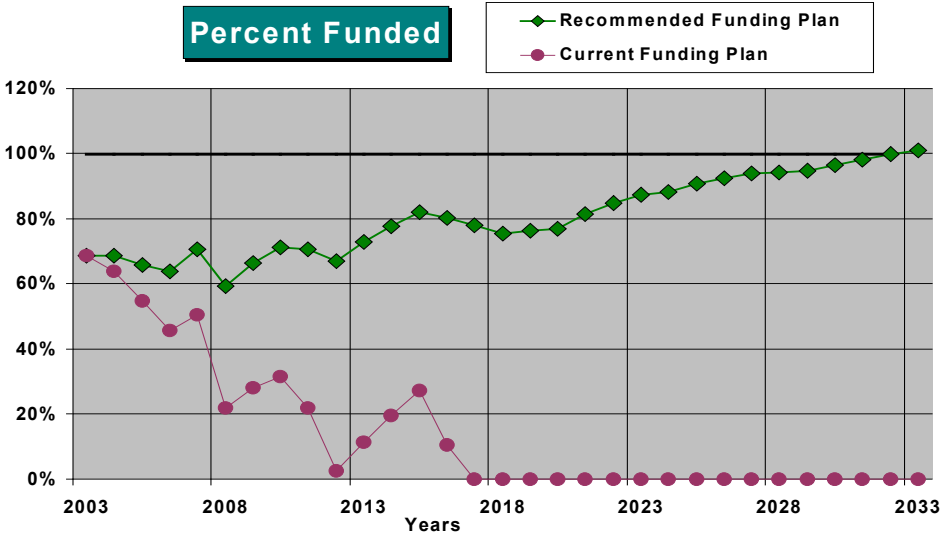


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the facility as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the facility is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the facility's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the facility (current cost divided by useful life). This presentation is not meant to cause clients to redistribute facility funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the facility, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**9999-0W**

# Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
201 Asphalt - Resurface	Approx 42,200 Sq Ft	20	8	\$31,600	\$42,200
202 Asphalt - Seal/Repair	Approx 42,200 Sq Ft	4	0	\$4,225	\$6,300
303 HVAC Units - Partial Replace	Approx (2) of (8) units	4	1	\$8,000	\$12,000
320 Pole Lights - Replace	Approx (23) fixtures	20	4	\$25,300	\$34,500
405 Play Equipment - Replace	Swings, slides, playhouse	10	2	\$16,000	\$20,000
503 Iron Fence/Rail - Replace	Approx 600 LF	20	4	\$18,000	\$24,000
601 Hallway-Foyer Carpet - Replace	Approx 160 Sq Yd	6	1	\$4,000	\$5,600
601 Worship Carpet - Replace	Approx 220 Sq Yds	12	1	\$4,950	\$6,600
603 Worship Tile Floor - Refurbish	Approx 1300 Sq Ft	24	13	\$9,100	\$11,700
604 Stage Floor - Resurface	Approx 600 Sq Ft	4	0	\$2,100	\$3,000
901 Appliances - Partial Replace	(8) Assorted appliances	2	0	\$1,250	\$1,750
903 Pews - Repair/Replace	Approx 505 Linear Ft	12	1	\$27,775	\$35,350
904 Kitchen - Refurbish	(2) kitchen areas	12	1	\$8,000	\$13,000
909 Bathroom - Minor Refurbish	(4) bathroom areas	5	2	\$3,000	\$5,000
910 Downstairs - Renovate	Fellowship Hall, Choir Rm	8	7	\$12,300	\$17,500
910 Jr. High Room - Renovate	(1) 800 Sq Ft Room	8	0	\$2,325	\$3,000
910 Office Areas - Renovate	Approx 1700 Sq Ft	6	0	\$10,500	\$16,500
910 SS/Preschool - Renovate	Approx 2200 Sq Ft wing	8	7	\$25,000	\$35,000
913 Music Equip - Replace	Keyboards, drums...	3	1	\$1,500	\$2,750
913 Pianos/Organ - Partial Replace	(4) Pianos, (1) Organ	15	4	\$8,000	\$12,500
920 Sound System - Upgrade	Sound board + amps	4	0	\$12,500	\$20,000
1107 Metal Surfaces - Repaint	600 LF railing + lights	4	0	\$2,100	\$3,000
1110 Church Interior - Paint	Moderate total Sq Ft	12	1	\$6,500	\$9,500
1115 Exterior Stucco - Repaint	Approx 7,720 Sq Ft	8	4	\$12,500	\$19,000
1116 Wood Surfaces - Repaint	(1)Trellis, 538 LF Trim	4	0	\$4,250	\$6,500
1301 Flat Roof - Replace	Approx 2,670 Sq Ft	12	4	\$6,675	\$9,350
1303 Shingle Roof - Replace	Approx 10,570 Sq Ft	20	14	\$29,100	\$42,300
1402 Signage - Refurbish	(1) main entry sign	5	0	\$1,250	\$2,000
1810 Bus - Replace	(1) Bus, 139700 mi	12	2	\$30,000	\$45,000
29 Total Funded Components					

Table 3: Contribution and Fund Breakdown**9999-0W**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
201 Asphalt - Resurface	20	8	\$36,900	\$22,140	\$0.00	\$157.51
202 Asphalt - Seal/Repair	4	0	\$5,263	\$5,263	\$5,262.50	\$112.32
303 HVAC Units - Partial Replace	4	1	\$10,000	\$7,500	\$7,500.00	\$213.43
320 Pole Lights - Replace	20	4	\$29,900	\$23,920	\$112.63	\$127.63
405 Play Equipment - Replace	10	2	\$18,000	\$14,400	\$14,400.00	\$153.67
503 Iron Fence/Rail - Replace	20	4	\$21,000	\$16,800	\$0.00	\$89.64
601 Hallway-Foyer Carpet - Replace	6	1	\$4,800	\$4,000	\$4,000.00	\$68.30
601 Worship Carpet - Replace	12	1	\$5,775	\$5,294	\$5,293.75	\$41.09
603 Worship Tile Floor - Refurbish	24	13	\$10,400	\$4,767	\$0.00	\$37.00
604 Stage Floor - Resurface	4	0	\$2,550	\$2,550	\$2,550.00	\$54.43
901 Appliances - Partial Replace	2	0	\$1,500	\$1,500	\$1,500.00	\$64.03
903 Pews - Repair/Replace	12	1	\$31,563	\$28,932	\$28,932.29	\$224.55
904 Kitchen - Refurbish	12	1	\$10,500	\$9,625	\$9,625.00	\$74.70
909 Bathroom - Minor Refurbish	5	2	\$4,000	\$2,400	\$2,400.00	\$68.30
910 Downstairs - Renovate	8	7	\$14,900	\$1,863	\$0.00	\$159.01
910 Jr. High Room - Renovate	8	0	\$2,663	\$2,663	\$2,662.50	\$28.41
910 Office Areas - Renovate	6	0	\$13,500	\$13,500	\$13,500.00	\$192.09
910 SS/Preschool - Renovate	8	7	\$30,000	\$3,750	\$0.00	\$320.15
913 Music Equip - Replace	3	1	\$2,125	\$1,417	\$1,416.67	\$60.47
913 Pianos/Organ - Partial Replace	15	4	\$10,250	\$7,517	\$7,516.67	\$58.34
920 Sound System - Upgrade	4	0	\$16,250	\$16,250	\$16,250.00	\$346.83
1107 Metal Surfaces - Repaint	4	0	\$2,550	\$2,550	\$2,550.00	\$54.43
1110 Church Interior - Paint	12	1	\$8,000	\$7,333	\$7,333.33	\$56.92
1115 Exterior Stucco - Repaint	8	4	\$15,750	\$7,875	\$7,875.00	\$168.08
1116 Wood Surfaces - Repaint	4	0	\$5,375	\$5,375	\$5,375.00	\$114.72
1301 Flat Roof - Replace	12	4	\$8,013	\$5,342	\$5,341.67	\$57.00
1303 Shingle Roof - Replace	20	14	\$35,700	\$10,710	\$0.00	\$152.39
1402 Signage - Refurbish	5	0	\$1,625	\$1,625	\$1,625.00	\$27.75
1810 Bus - Replace	12	2	\$37,500	\$31,250	\$31,250.00	\$266.79
29 Total Funded Components				\$268,109	\$184,272	\$3,550

Table 4: 30-Year Reserve Plan Summary **9999-0W**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Annual Reserve Contribs.	Emergency Funding	Interest Income	Reserve Expenses
2003	\$184,272	\$268,109	68.7%	\$42,600	\$0	\$7,331	\$51,275
2004	\$182,928	\$266,168	68.7%	\$43,878	\$0	\$6,820	\$74,945
2005	\$158,680	\$241,073	65.8%	\$45,194	\$0	\$6,067	\$64,715
2006	\$145,227	\$227,087	64.0%	\$46,550	\$0	\$6,865	\$0
2007	\$198,642	\$280,700	70.8%	\$47,947	\$0	\$6,306	\$135,652
2008	\$117,243	\$197,604	59.3%	\$49,385	\$0	\$5,508	\$13,477
2009	\$158,660	\$239,302	66.3%	\$50,867	\$0	\$7,135	\$17,911
2010	\$198,751	\$279,173	71.2%	\$52,393	\$0	\$7,766	\$68,658
2011	\$190,252	\$269,506	70.6%	\$53,964	\$0	\$6,965	\$92,538
2012	\$158,644	\$236,532	67.1%	\$55,583	\$0	\$7,330	\$13,048
2013	\$208,510	\$286,071	72.9%	\$57,251	\$0	\$9,518	\$7,056
2014	\$268,223	\$344,945	77.8%	\$58,968	\$0	\$12,129	\$0
2015	\$339,320	\$414,579	81.8%	\$60,737	\$0	\$12,601	\$120,815
2016	\$291,843	\$363,641	80.3%	\$62,560	\$0	\$10,677	\$122,127
2017	\$242,952	\$311,655	78.0%	\$64,436	\$0	\$8,909	\$112,990
2018	\$203,307	\$269,408	75.5%	\$66,369	\$0	\$8,158	\$72,484
2019	\$205,351	\$269,558	76.2%	\$68,360	\$0	\$8,246	\$74,278
2020	\$207,679	\$269,866	77.0%	\$70,411	\$0	\$9,424	\$23,140
2021	\$264,375	\$324,919	81.4%	\$72,524	\$0	\$11,728	\$25,536
2022	\$323,090	\$381,277	84.7%	\$74,699	\$0	\$14,071	\$30,116
2023	\$381,744	\$436,797	87.4%	\$76,940	\$0	\$15,249	\$91,863
2024	\$382,070	\$432,636	88.3%	\$79,249	\$0	\$16,802	\$18,603
2025	\$459,517	\$506,129	90.8%	\$81,626	\$0	\$19,384	\$49,100
2026	\$511,427	\$552,805	92.5%	\$84,075	\$0	\$20,744	\$88,614
2027	\$527,632	\$562,644	93.8%	\$86,597	\$0	\$19,097	\$204,397
2028	\$428,928	\$456,057	94.1%	\$89,195	\$0	\$16,119	\$155,751
2029	\$378,491	\$398,990	94.9%	\$91,871	\$0	\$15,578	\$84,107
2030	\$401,834	\$416,695	96.4%	\$94,627	\$0	\$18,118	\$8,885
2031	\$505,693	\$515,180	98.2%	\$97,466	\$0	\$18,101	\$220,270
2032	\$400,990	\$401,747	99.8%	\$100,390	\$0	\$17,902	\$23,566

Table 5: 30-Year Reserve Plan Detail (yrs 0 through 4) 9999-0W

Fiscal Year	2003	2004	2005	2006	2007
Starting Reserve Balance	\$184,272	\$182,928	\$158,680	\$145,227	\$198,642
Annual Reserve Contribution	\$42,600	\$43,878	\$45,194	\$46,550	\$47,947
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,331	\$6,820	\$6,067	\$6,865	\$6,306
Subtotal	\$234,203	\$233,626	\$209,942	\$198,642	\$252,895
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$5,263	\$0	\$0	\$0	\$5,923
303 HVAC Units - Partial Replace	\$0	\$10,300	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$33,653
405 Play Equipment - Replace	\$0	\$0	\$19,096	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$23,636
601 Hallway-Foyer Carpet - Replace	\$0	\$4,944	\$0	\$0	\$0
601 Worship Carpet - Replace	\$0	\$5,948	\$0	\$0	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$0	\$0
604 Stage Floor - Resurface	\$2,550	\$0	\$0	\$0	\$2,870
901 Appliances - Partial Replace	\$1,500	\$0	\$1,591	\$0	\$1,688
903 Pews - Repair/Replace	\$0	\$32,509	\$0	\$0	\$0
904 Kitchen - Refurbish	\$0	\$10,815	\$0	\$0	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$4,244	\$0	\$0
910 Downstairs - Renovate	\$0	\$0	\$0	\$0	\$0
910 Jr. High Room - Renovate	\$2,663	\$0	\$0	\$0	\$0
910 Office Areas - Renovate	\$13,500	\$0	\$0	\$0	\$0
910 SS/Preschool - Renovate	\$0	\$0	\$0	\$0	\$0
913 Music Equip - Replace	\$0	\$2,189	\$0	\$0	\$2,392
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$11,536
920 Sound System - Upgrade	\$16,250	\$0	\$0	\$0	\$18,290
1107 Metal Surfaces - Repaint	\$2,550	\$0	\$0	\$0	\$2,870
1110 Church Interior - Paint	\$0	\$8,240	\$0	\$0	\$0
1115 Exterior Stucco - Repaint	\$0	\$0	\$0	\$0	\$17,727
1116 Wood Surfaces - Repaint	\$5,375	\$0	\$0	\$0	\$6,050
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$9,018
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1402 Signage - Refurbish	\$1,625	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$0	\$39,784	\$0	\$0
Subtotal	\$51,275	\$74,945	\$64,715	\$0	\$135,652
Ending Reserve Balance:	\$182,928	\$158,680	\$145,227	\$198,642	\$117,243

Table 5: 30-Year Reserve Plan Detail (yrs 5 through 9) 9999-0W

Fiscal Year	2008	2009	2010	2011	2012
Starting Reserve Balance	\$117,243	\$158,660	\$198,751	\$190,252	\$158,644
Annual Reserve Contribution	\$49,385	\$50,867	\$52,393	\$53,964	\$55,583
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,508	\$7,135	\$7,766	\$6,965	\$7,330
Subtotal	\$172,137	\$216,662	\$258,910	\$251,182	\$221,558
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$46,744	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$6,666	\$0
303 HVAC Units - Partial Replace	\$11,593	\$0	\$0	\$0	\$13,048
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$0
601 Hallway-Foyer Carpet - Replace	\$0	\$0	\$5,903	\$0	\$0
601 Worship Carpet - Replace	\$0	\$0	\$0	\$0	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$0	\$0
604 Stage Floor - Resurface	\$0	\$0	\$0	\$3,230	\$0
901 Appliances - Partial Replace	\$0	\$1,791	\$0	\$1,900	\$0
903 Pews - Repair/Replace	\$0	\$0	\$0	\$0	\$0
904 Kitchen - Refurbish	\$0	\$0	\$0	\$0	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$4,919	\$0	\$0
910 Downstairs - Renovate	\$0	\$0	\$18,325	\$0	\$0
910 Jr. High Room - Renovate	\$0	\$0	\$0	\$3,373	\$0
910 Office Areas - Renovate	\$0	\$16,120	\$0	\$0	\$0
910 SS/Preschool - Renovate	\$0	\$0	\$36,896	\$0	\$0
913 Music Equip - Replace	\$0	\$0	\$2,613	\$0	\$0
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$0
920 Sound System - Upgrade	\$0	\$0	\$0	\$20,585	\$0
1107 Metal Surfaces - Repaint	\$0	\$0	\$0	\$3,230	\$0
1110 Church Interior - Paint	\$0	\$0	\$0	\$0	\$0
1115 Exterior Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$6,809	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1402 Signage - Refurbish	\$1,884	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$13,477	\$17,911	\$68,658	\$92,538	\$13,048
Ending Reserve Balance:	\$158,660	\$198,751	\$190,252	\$158,644	\$208,510

Table 5: 30-Year Reserve Plan Detail (yrs 10 through 14) 9999-0W

Fiscal Year	2013	2014	2015	2016	2017
Starting Reserve Balance	\$208,510	\$268,223	\$339,320	\$291,843	\$242,952
Annual Reserve Contribution	\$57,251	\$58,968	\$60,737	\$62,560	\$64,436
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$9,518	\$12,129	\$12,601	\$10,677	\$8,909
Subtotal	\$275,278	\$339,320	\$412,658	\$365,079	\$316,298
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$7,503	\$0	\$0
303 HVAC Units - Partial Replace	\$0	\$0	\$0	\$14,685	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$25,664	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$0
601 Hallway-Foyer Carpet - Replace	\$0	\$0	\$0	\$7,049	\$0
601 Worship Carpet - Replace	\$0	\$0	\$0	\$8,481	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$15,273	\$0
604 Stage Floor - Resurface	\$0	\$0	\$3,636	\$0	\$0
901 Appliances - Partial Replace	\$2,016	\$0	\$2,139	\$0	\$2,269
903 Pews - Repair/Replace	\$0	\$0	\$0	\$46,351	\$0
904 Kitchen - Refurbish	\$0	\$0	\$0	\$15,420	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$5,703	\$0	\$0
910 Downstairs - Renovate	\$0	\$0	\$0	\$0	\$0
910 Jr. High Room - Renovate	\$0	\$0	\$0	\$0	\$0
910 Office Areas - Renovate	\$0	\$0	\$19,248	\$0	\$0
910 SS/Preschool - Renovate	\$0	\$0	\$0	\$0	\$0
913 Music Equip - Replace	\$2,856	\$0	\$0	\$3,121	\$0
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$0
920 Sound System - Upgrade	\$0	\$0	\$23,169	\$0	\$0
1107 Metal Surfaces - Repaint	\$0	\$0	\$3,636	\$0	\$0
1110 Church Interior - Paint	\$0	\$0	\$0	\$11,748	\$0
1115 Exterior Stucco - Repaint	\$0	\$0	\$22,456	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$7,663	\$0	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$53,999
1402 Signage - Refurbish	\$2,184	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$0	\$0	\$0	\$56,722
Subtotal	\$7,056	\$0	\$120,815	\$122,127	\$112,990
Ending Reserve Balance:	\$268,223	\$339,320	\$291,843	\$242,952	\$203,307

Table 5: 30-Year Reserve Plan Detail (yrs 15 through 19) 9999-0W

Fiscal Year	2018	2019	2020	2021	2022
Starting Reserve Balance	\$203,307	\$205,351	\$207,679	\$264,375	\$323,090
Annual Reserve Contribution	\$66,369	\$68,360	\$70,411	\$72,524	\$74,699
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$8,158	\$8,246	\$9,424	\$11,728	\$14,071
Subtotal	\$277,835	\$281,957	\$287,514	\$348,626	\$411,861
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$8,445	\$0	\$0	\$0
303 HVAC Units - Partial Replace	\$0	\$0	\$16,528	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$0
601 Hallway-Foyer Carpet - Replace	\$0	\$0	\$0	\$0	\$8,417
601 Worship Carpet - Replace	\$0	\$0	\$0	\$0	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$0	\$0
604 Stage Floor - Resurface	\$0	\$4,092	\$0	\$0	\$0
901 Appliances - Partial Replace	\$0	\$2,407	\$0	\$2,554	\$0
903 Pews - Repair/Replace	\$0	\$0	\$0	\$0	\$0
904 Kitchen - Refurbish	\$0	\$0	\$0	\$0	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$6,611	\$0	\$0
910 Downstairs - Renovate	\$23,214	\$0	\$0	\$0	\$0
910 Jr. High Room - Renovate	\$0	\$4,273	\$0	\$0	\$0
910 Office Areas - Renovate	\$0	\$0	\$0	\$22,983	\$0
910 SS/Preschool - Renovate	\$46,739	\$0	\$0	\$0	\$0
913 Music Equip - Replace	\$0	\$3,410	\$0	\$0	\$3,726
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$17,973
920 Sound System - Upgrade	\$0	\$26,076	\$0	\$0	\$0
1107 Metal Surfaces - Repaint	\$0	\$4,092	\$0	\$0	\$0
1110 Church Interior - Paint	\$0	\$0	\$0	\$0	\$0
1115 Exterior Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$0	\$8,625	\$0	\$0	\$0
1301 Flat Roof - Replace	\$0	\$12,858	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1402 Signage - Refurbish	\$2,532	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$72,484	\$74,278	\$23,140	\$25,536	\$30,116
Ending Reserve Balance:	\$205,351	\$207,679	\$264,375	\$323,090	\$381,744

Table 5: 30-Year Reserve Plan Detail (yrs 20 through 24) 9999-0W

Fiscal Year	2023	2024	2025	2026	2027
Starting Reserve Balance	\$381,744	\$382,070	\$459,517	\$511,427	\$527,632
Annual Reserve Contribution	\$76,940	\$79,249	\$81,626	\$84,075	\$86,597
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$15,249	\$16,802	\$19,384	\$20,744	\$19,097
Subtotal	\$473,933	\$478,120	\$560,527	\$616,246	\$633,325
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$9,505	\$0	\$0	\$0	\$10,698
303 HVAC Units - Partial Replace	\$0	\$18,603	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$60,781
405 Play Equipment - Replace	\$0	\$0	\$34,490	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$42,689
601 Hallway-Foyer Carpet - Replace	\$0	\$0	\$0	\$0	\$0
601 Worship Carpet - Replace	\$0	\$0	\$0	\$0	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$0	\$0
604 Stage Floor - Resurface	\$4,606	\$0	\$0	\$0	\$5,184
901 Appliances - Partial Replace	\$2,709	\$0	\$2,874	\$0	\$3,049
903 Pews - Repair/Replace	\$0	\$0	\$0	\$0	\$0
904 Kitchen - Refurbish	\$0	\$0	\$0	\$0	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$7,664	\$0	\$0
910 Downstairs - Renovate	\$0	\$0	\$0	\$29,406	\$0
910 Jr. High Room - Renovate	\$0	\$0	\$0	\$0	\$5,412
910 Office Areas - Renovate	\$0	\$0	\$0	\$0	\$27,443
910 SS/Preschool - Renovate	\$0	\$0	\$0	\$59,208	\$0
913 Music Equip - Replace	\$0	\$0	\$4,072	\$0	\$0
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$0
920 Sound System - Upgrade	\$29,349	\$0	\$0	\$0	\$33,033
1107 Metal Surfaces - Repaint	\$4,606	\$0	\$0	\$0	\$5,184
1110 Church Interior - Paint	\$0	\$0	\$0	\$0	\$0
1115 Exterior Stucco - Repaint	\$28,446	\$0	\$0	\$0	\$0
1116 Wood Surfaces - Repaint	\$9,708	\$0	\$0	\$0	\$10,926
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1402 Signage - Refurbish	\$2,935	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$91,863	\$18,603	\$49,100	\$88,614	\$204,397
Ending Reserve Balance:	\$382,070	\$459,517	\$511,427	\$527,632	\$428,928

Table 5: 30-Year Reserve Plan Detail (yrs 25 through 29) 9999-0W

Fiscal Year	2028	2029	2030	2031	2032
Starting Reserve Balance	\$428,928	\$378,491	\$401,834	\$505,693	\$400,990
Annual Reserve Contribution	\$89,195	\$91,871	\$94,627	\$97,466	\$100,390
Planned Emergency funding	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$16,119	\$15,578	\$18,118	\$18,101	\$17,902
Subtotal	\$534,242	\$485,941	\$514,579	\$621,260	\$519,282
# Component					
201 Asphalt - Resurface	\$0	\$0	\$0	\$84,425	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$12,040	\$0
303 HVAC Units - Partial Replace	\$20,938	\$0	\$0	\$0	\$23,566
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
405 Play Equipment - Replace	\$0	\$0	\$0	\$0	\$0
503 Iron Fence/Rail - Replace	\$0	\$0	\$0	\$0	\$0
601 Hallway-Foyer Carpet - Replace	\$10,050	\$0	\$0	\$0	\$0
601 Worship Carpet - Replace	\$12,092	\$0	\$0	\$0	\$0
603 Worship Tile Floor - Refurbish	\$0	\$0	\$0	\$0	\$0
604 Stage Floor - Resurface	\$0	\$0	\$0	\$5,834	\$0
901 Appliances - Partial Replace	\$0	\$3,235	\$0	\$3,432	\$0
903 Pews - Repair/Replace	\$66,085	\$0	\$0	\$0	\$0
904 Kitchen - Refurbish	\$21,985	\$0	\$0	\$0	\$0
909 Bathroom - Minor Refurbish	\$0	\$0	\$8,885	\$0	\$0
910 Downstairs - Renovate	\$0	\$0	\$0	\$0	\$0
910 Jr. High Room - Renovate	\$0	\$0	\$0	\$0	\$0
910 Office Areas - Renovate	\$0	\$0	\$0	\$0	\$0
910 SS/Preschool - Renovate	\$0	\$0	\$0	\$0	\$0
913 Music Equip - Replace	\$4,449	\$0	\$0	\$4,862	\$0
913 Pianos/Organ - Partial Replace	\$0	\$0	\$0	\$0	\$0
920 Sound System - Upgrade	\$0	\$0	\$0	\$37,179	\$0
1107 Metal Surfaces - Repaint	\$0	\$0	\$0	\$5,834	\$0
1110 Church Interior - Paint	\$16,750	\$0	\$0	\$0	\$0
1115 Exterior Stucco - Repaint	\$0	\$0	\$0	\$36,035	\$0
1116 Wood Surfaces - Repaint	\$0	\$0	\$0	\$12,298	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$18,332	\$0
1303 Shingle Roof - Replace	\$0	\$0	\$0	\$0	\$0
1402 Signage - Refurbish	\$3,402	\$0	\$0	\$0	\$0
1810 Bus - Replace	\$0	\$80,872	\$0	\$0	\$0
Subtotal	\$155,751	\$84,107	\$8,885	\$220,270	\$23,566
Ending Reserve Balance:	\$378,491	\$401,834	\$505,693	\$400,990	\$495,716

Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the facility change each year, this Capital Replacement Plan is by nature a “one-year” document. This information can and should be adjusted annually as part of the Capital Replacement Plan Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or membership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Capital Replacement Plan be updated annually.

Association Reserves, Inc., and its employees have no membership, management, or other business relationships with the client other than this Capital Replacement Plan engagement. Robert M. Nordlund, P.E., R.S., company president, is a California licensed Professional Engineer (Mechanical, #22322) and a credentialed Reserve Specialist (#5). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the facility’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the facility’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our “Site Inspection Notes” comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area)
GSY	Gross Square Yards (area)
HP	Horsepower
LF	Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an facility total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

Percent Funded: The ratio, at a particular point in time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.

Photographic Inventory Appendix