

Banana Bay Condominium
Reserve Study Summary
October 31, 2017

The following Level I (full update with-site-visit) reserve study was performed for Banana Bay Condominium ("property") located at 200 South Banana River BLVD, Cocoa Beach, Florida, . The property has 136 units and 1 different model types. The reserve study is for the fiscal year starting January 1, 2018, and ending December 31, 2018.

The purpose of this reserve study is to produce a reserve funding plan that will project future contributions and expenditures to assure that reserve funds are available as needed.

The reserve study system utilized that generates the calculations, projections and reports in this reserve study has received a Quality Assurance Evaluation from a Certified Public Accounting firm verifying the system for accuracy and compliance with the AICPA Financial Accounting Standard Board's 972 Real Estate-Common Interest Realty Associations, cash flow projections, and tax calculations consistent with IRS guidelines for 1120c and 1120h corporations. Our reserve study system provides for complete, flexible reserve study assumptions while allowing for either current cost or future cost projections while calculating interest and projecting cash flows on a monthly and annual basis.

As of January 1, 2018, the estimated reserve fund balance is \$700,000. This estimate was provided by the board of directors and their property manager based on the unpaid remaining work from Hurricane Irma and Matthew and projects and proceeds from special assessments and insurance proceeds still do. It also contains some current service dates for planned projects that will be complete per the board prior to the end of 2017. The estimated current replacement cost of the reserve items is \$3,389,618, and with an annual compounded inflation rate of 3.00% the future replacement cost is \$5,921,780.

The cash flow method was utilized in preparing the reserve plan with the objective that reserves funds would be available as needed. The following describes how the cash flow was produced:

- Reserve Fund Balance – projected from the date of the reserve study to the beginning of the fiscal year above;
- Reserve Item Data - for each reserve item the following was determined: description, category, basis cost, cost, quantity, estimated useful life and estimated remaining life;
- Expenditures - the reserve item data above was used to project when the initial and recurring expenditures will be incurred over the next 30 years (includes taxes on interest earned);
- Interest – calculated on the available funds;
- Contribution – determined based on the following: annual contribution increases, interest earned with related taxes and inflation on reserve items.

No items have been reserved for which have an estimated useful life of less than two years or a total cost less than \$500.00.

Based upon the following financial assumptions:

- Annual Contribution Increase - 3.00%
- Interest Earned - 1.00%
- Taxes on Interest Earned - 0.00%
- Inflation on Reserve Items - 3.00%
- Contingency - 0.00%
- Contingency Time - 0:00 Yr:Mo

The required reserve amount at the end of the current fiscal year utilizing the cash flow method is \$700,000. The reserve plan, based on all the assumptions, assures that funds for major repairs and replacement will be available when needed and that this method is equitable for charging current rather than future owners with the cost of current use.

The annual contribution for the initial year of this reserve study is \$140,400, \$11,700 on a monthly basis and on an average of \$86 per unit.

The average interest rate earned before and after taxes for the initial of this reserve study are 0.99%, and 0.99%, respectively.

Based upon Percent Funding, as of January 1, 2018, with an estimated reserve fund balance of \$700,000, 100% Funded being \$1,808,253, the percent funded amount is 38.71%. If the cash flow funding plan is adhered to by the board of directors, sufficient funds should be available as needed.

If applicable, developer records, association records, and industry manuals were used for determining the current cost of reserve items. The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change.