

COUNSEL OF CO-OWNERS XYZ CONDOMINIUM



**Sample Replacement Reserve Study
With Site Inspection and Financial Analysis
As of December 31, 20XX**

Table of Contents

	Page
Introduction	1
Scope of Intervention	2
Methodology	2
List of agreed upon procedures	3
Certified Public Accountant Report	4
Executive Summary	5
Components Categories and Percent Breakdown	6
Percent Funded	7
30 Year Fund Balance	8
30 Year Reserve use or Expenses	9
Assumptions, Findings and Recommendations	10 - 11
Descriptions and definition of terms	12
Data Reports:	
Component Items	A
Reserve Contributions Schedule	B
30 Years Funding Plans	C
Components Details	D
Preparers Qualifications	E

COUNSEL OF CO-OWNERS
XYZ CONDOMINIUM
DECEMBER 31, 20XX

INTRODUCTION

Our firm was contracted by the Counsel of Co-owners of XYZ Condominium (Counsel of Co-owners) to perform a Study of Replacement Reserve (Reserve Study) for the purpose of know the expected repairs required in the condominium in short terms and long terms.

Our main objective for this work is to issue an attestation report for the work performed. The work performed is Professional or technically known as “Agreed Upon Procedures”. This type of work represents an understanding by and between the Client and the Certified Public Accountant (CPA) as to specific procedures to be applied to a transaction, an element or elements of the financial statements or accounts, a process, financial analysis or any other subject or issue that may be agreeable upon. This is a type of professional engagement in which the CPA is hired by the client to issue a report on procedures and findings based on specific procedures performed.

This type of engagement is governed by the “Statement on Auditing Standards (SAS) No. XX” - Engagements to Apply Agreed Upon Procedures to Specified Elements, Accounts or Items of a Financial Statement; and “Statement on Standards for Attestation Engagements (SSAE) No. XX”- Agreed Upon Procedures Engagements; both issued by the American Institute of Certified Public Accountants (AICPA).

Our responsibility is to issue a report on findings encountered while performing the Agreed Upon Procedures. The procedures were applied to:

- the contracted service of physical inspection of conditions of replacement components within the general common areas of the condominium

Our work consisted in applying the Agreed Upon Procedures specified by the Counsel of Co-Owners to this specific service contracted, exclusively.

SCOPE OF THE INTERVENTION

The scope of the professional services for this agreed upon procedures work is described in the following paragraphs:

Our firm obtained an understanding that certain major replacements of components are required in the future. The current Board of Directors like to have an independent planning tool to inform the Counsel of Co-owners that a financial plan process is required to afford the replacement costs of components when required due to the expiration of the respective useful life and physical conditions of the components.

The work performed includes the review and evaluation of documentation related to the existing components in the general common areas of the condominium. The evaluation included reading and reviews the following documents:

1. ...
2. ...
3. ...
4. ...

METHODOLOGY

The firm carried out a visit on January 15 20X1, took a physical inventory, documented the conditions of components and documented each component with photo and descriptions.

The data was tabulated and completed with useful life and current replacement cost.

The engagement was carefully planned to ascertain compliance with all of the objectives of this work. The Board assigned a person (Administrator) to be our liaison so that my firm could work in an efficient and effective manner.

The firm requested a series of relevant documents and these were read and evaluated to ascertain that the required documentation was obtained and that the physical inventory matches official condominium documents.

While performing the agreed upon procedures, any additional documents and questions were annotated in order to resolve with the Administrator.

LIST OF AGREED UPON PROCEDURES

The following are the agreed upon procedures as they were required and designed jointly with the Board of Directors:

1. Visit the Condominium....
2. Estimate the useful...
3. Obtain a current...
4. Make projections...
5. Conduct an analysis...
6. ...

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Counsel of Co-owners
XYZ Condominium
San Juan, Puerto Rico, 00901

Board of Directors:

We have performed the procedures....

Our procedures and findings are as follows:

1. ...
2. ...
3. ...
4. ...
5. ...

We were not engaged to...

This report is intended solely for the information and use of Counsel of Co-owners XYZ Condominium and is not intended to be and should not be used by anyone other than this specified party.

February 28, 20X1
San Juan, Puerto Rico

The stamp number 0999999 of
the Puerto Rico Society of CPA
was attached to the original of
this report.

CPA Fernando Rivera
License number 9999
Expired on December 1st, 20X9

EXECUTIVE SUMMARY

The Council of Co-Owners of XYZ Condominium (Counsel of Co-Owners) is a legal entity and organization created through the Law 104, of 25 of June of 1958, as amended, known as “Puerto Rico Law of Condominium”, for the purposes of maintaining, repairing, replacing and administrating the general common areas. This organization is a Counsel of Co-Owners and is located in San Juan, Puerto Rico.

The condominium consists of one building, high rise type, with 199 apartments or units, and parking spaces for residents and visitors.

The general and limited common area components include: roofing, asphalt, clubhouse, fitness center, pool area, electrical and mechanical equipment, building exterior, playing fields, irrigation and landscape and guard area.

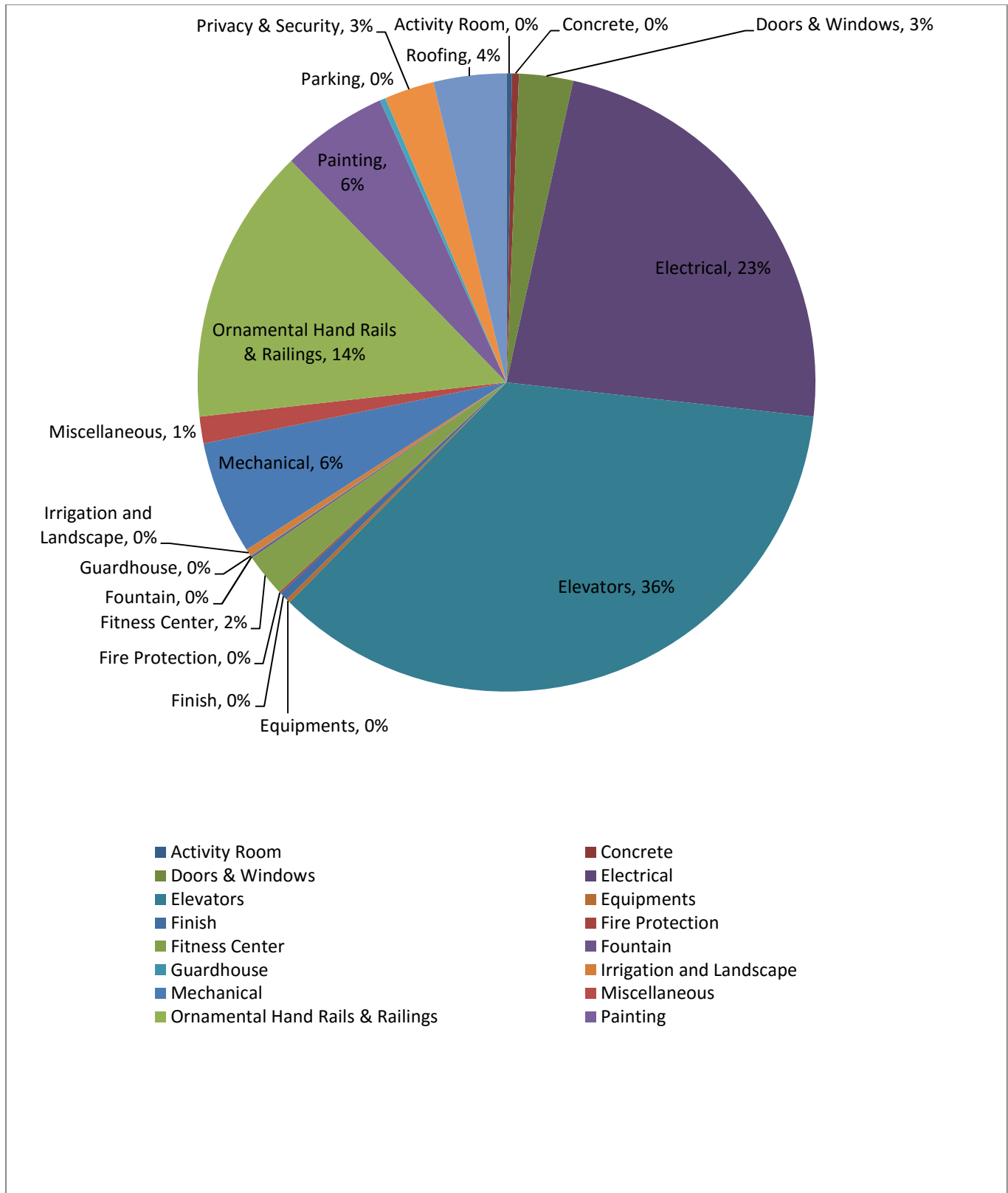
A Full Study, with on-site inspection of the condition of the components was performed on January 15, 20X1, as well as corresponding financial projections, analysis and fund balance analysis.

Fiscal Year is: January to December, ended December 31, 20XX

Reserve Study Results	Amount
Total Replacement costs of all Components, in a 30 Years period	\$ 3,847,000
Cumulative Fully Funded Reserve Balance required as of December 31, 20XX	\$ 897,000
Required Contribution to Reserve per Year	\$ 87,000

Reserve Fund Balance as of February 28, 20X1	
Reserve balance, as of February 28, 20X1	\$ 208,000
20X1 Reserve budget contribution	\$ 39,800
20X1 Reserve budget percent	4%
Under Funded (Deficiency in Reserve Funding) as of February 28, 20X1	(\$ 380,000)
Actual Percent Funded	12%
Cumulative Average Deficiency in Reserve Funding Per Unit (Apts.)	(\$ 5,300)

Components Category and Percent Breakdown



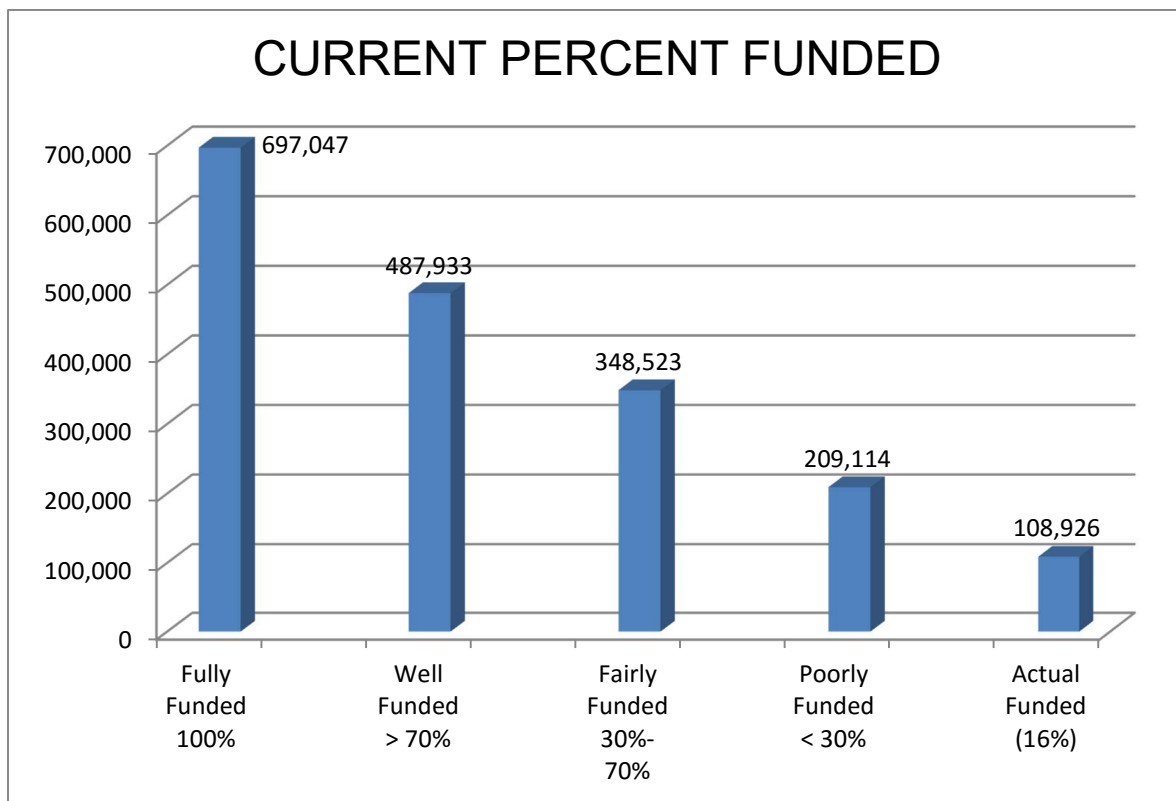
Current Percent Funded

	Amount
Fully Funded Reserve Balance	\$ 897,000
Replacement Fund Balance, as of February 28, 20X1	\$ 208,000
Percent Funded	12%

Standard market classification of fund balance is:

Below 30%	=	Poorly Funded
Between 30% and 70%	=	Fairly Funded
Above 70%	=	Well Funded

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

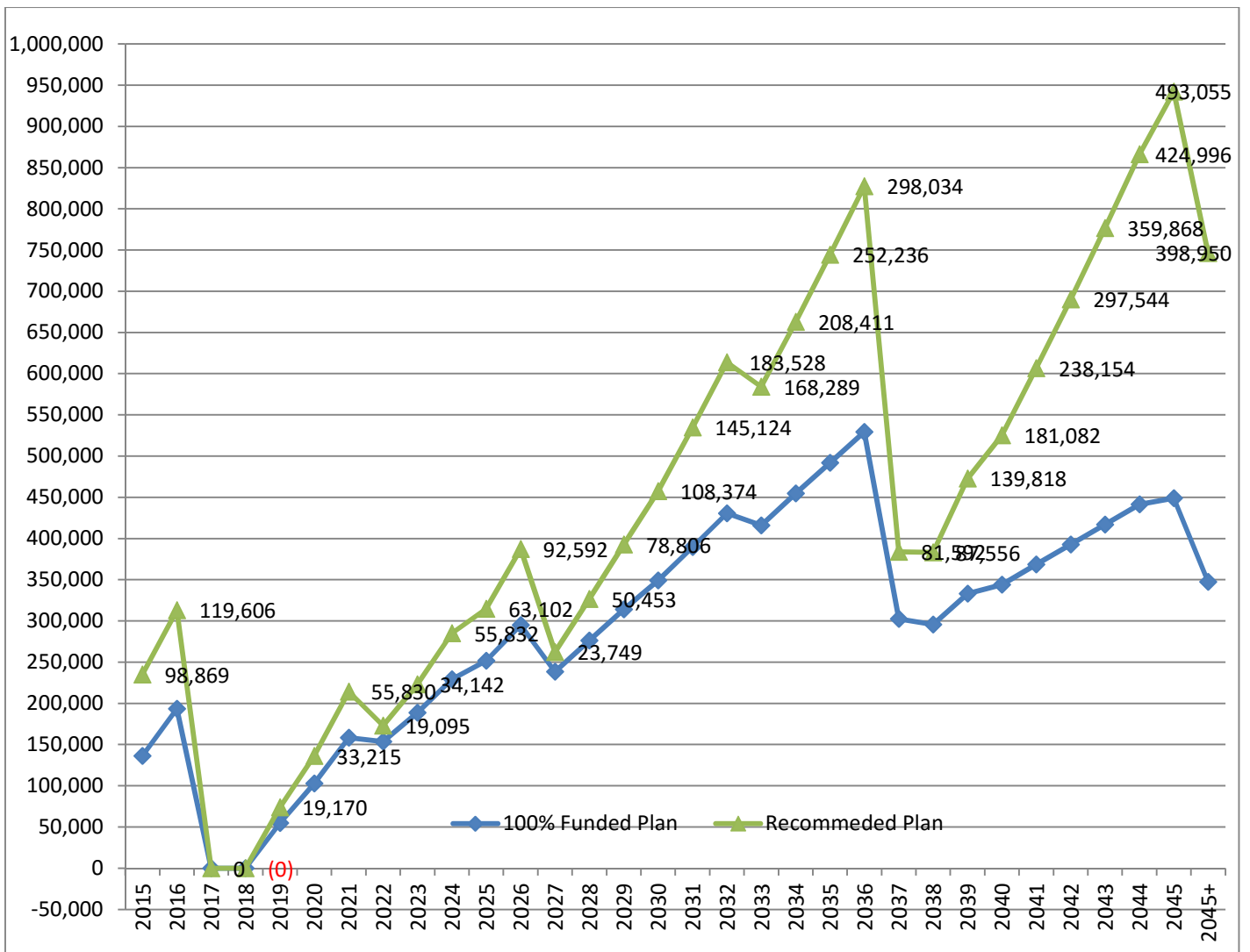


Percent Funded 30 Year Projection

If you follow one of the 3 Funding Plans in this reserve study this is what your percent funded may look like over the next 30 years:

	Annually	Monthly	Average Per unit Monthly
Fully Funded Plan	\$ 57,207	\$ 4,767	\$ 83.63
Current Budgeted Reserve Plan	19,844	1,653	29.01
Recommended Funding Plan	57,207	4,767	83.63

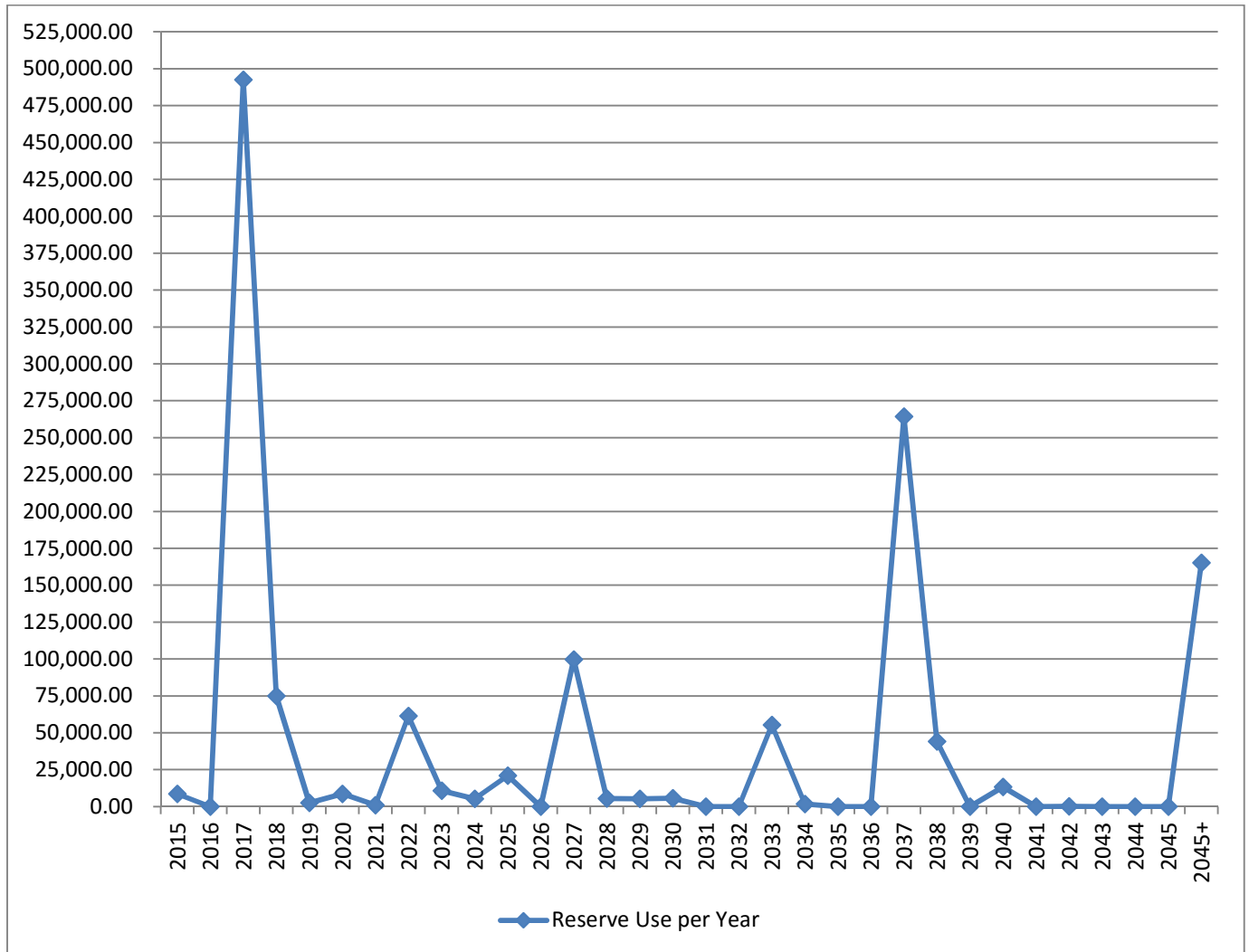
Reserve Fund Balance 30 Year Projection



30 Year Projected Annual Expenses

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

Reserve use/Expense
30 Years Estimate



Assumptions, Findings, Recommendations and benefits of Reserve Study Analysis:

1. All future projections are estimates...
2. Components are included...
3. Maintenance is expected to be...
4. Items not included....
5. In the 30 year Funding Plan...
6. The estimated costs will likely...
7. The recommendations are...
 - a. ...
 - b. ...