



## What Does Percent Funded Mean?

This is an indicator of your financial strength. The ratio of Starting Reserve Balance divided by Fully Funded Reserve Balance is expressed as a percentage. Calculating percent funded is a three-step process. First, Calculate the fully funded balance (FFB) for each component. Per National Reserve Study Standards,  $FFB = \text{Current Cost} \times \text{Effective Age} / \text{Useful Life}$ . Second, sum the individual component FFB values together for a property total. Third, divide the actual (or projected) total reserve balance by the property total FFB. Important to note, the percent funded is calculated relative to the fiscal year end.

The higher the percentage is, the stronger or healthier your reserve fund is and the more confidence you'll have to pay for future repairs. If your Reserve Fund Balance equals the Fully Funded Reserve Balance, the reserve fund would be considered fully funded, or 100% funded. This is considered an ideal amount.

Think of the Reserve Fund Balance as the gas in your tank and the Fully Funded Reserve Balance as the ideal amount you need to fund your road trip. It's okay if the two don't match perfectly. Usually 70% funded or above is considered strong or healthy.