

Sovereign Lake Nordic Club (SLNC)

Treasurer's Report - 2025 Annual General Meeting (AGM)

November 17, 2025

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Introduction

The purpose of the Treasurer's report to the AGM is to provide the members of SLNC with an overview of the financial results of the past fiscal year (June 1, 2024, to May 31, 2025) and a snapshot of the Board of Director (**BOD**) approved budget forecast for the upcoming year June 1, 2025, to May 31, 2026.

SLNC's Treasurer is the Chair of the Finance Committee (**FC**) which is tasked with advising the SLNC BOD on financial policy, procedures, expenditure controls, and budgets. The FC meets monthly and provides the BOD with timely analysis to support the financial well-being of the Club.

Current FC members include Alexander Klein, CPA, CGA, MBA (Committee Chair and BOD member), Bill Miller, BBA, PFP (BOD member), Wendy Shannon (General Manager), and Jacqueline Kent, CPA (SLNC Accountant).

In conjunction with the Treasurer's report, readers should also refer to the unaudited financial statements prepared by our external accountants Romei Plummer LLC. These external statements are prepared on a compilation basis which includes a basic review of our internal accounting records, recommended minor adjusting journal entries where required, and the financial statements formatted to Romei Plummer's standards.

Note that much of the analysis provided in this Treasurer's report is sourced from SLNC's internal financial records which are much more detailed than the summarized financial data in the external documents.

SLNC Financial Overview

Table – 1 provides a financial overview of SLNC's results for 2024-25 compared with 2023-24.

For 2024-25 SLNC reported an **operating surplus of \$59.9k** versus an operating deficiency of (\$21.4k) last year. This is also a 44% improvement over the operating surplus of \$41.7k achieved in the 2022-23 fiscal period. These are positive results reversing the downward trend that began in 2022-23. Several factors have contributed to these results:

- Season-pass sales were 5% above last year. Season-pass memberships were marginally higher than 2023-24 reversing a downward trend that started after the pandemic.
- Day ticket sales were 16% above last year thanks to a good snow season.
- Program and S-Cool revenues were also 8% above last year.
- SLNC's Fund Development Committee was also successful applying for and being approved for a number of grants which positively impacted revenues.
- Total expenses including cost of sales were 5.1% higher than last year but the 12% increase in total revenues more than offset this increase.

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Table – 1

Sovereign Lake Nordic Club		
Financial Overview		
(Unaudited - Internally Prepared)		
	Fiscal Year	
	2024-25	2023-24
Total revenues ⁽¹⁾	\$ 1,331,312	\$ 1,188,184
Season pass + Day ticket sales ⁽¹⁾	\$ 779,869	\$ 707,738
XC Season pass members ⁽²⁾	2,093	2,076
Total operating expenses including cost of sales ⁽¹⁾	\$ 1,271,432	\$ 1,209,589
Gross profit % ⁽³⁾	88%	89%
Operating surplus (deficiency)	\$ 59,881	\$ (21,405)
Operating surplus - 5-year average ⁽⁴⁾	\$ 85,477	\$ 108,118
Club total cash on hand (Restricted & unrestricted)	\$ 1,312,834	\$ 549,825
Club net assets (Assets less Liabilities & debt obligations)	\$ 898,104	\$ 960,645
Term loan principal balance ⁽⁵⁾	\$ 117,314	\$ 161,328
Effective household interest rate ⁽⁶⁾	5.6%	6.6%
Notes:		
<p>(1) 2023-24 has been re-stated for presentation purposes. Prior to 2024/25 CCBC/Nordique Canada fees of \$21/member were netted against Season Pass revenue in the accounting records. This had the effect of understating season pass revenues and understating cost of sales. For more transparency on a go-forward basis these fees are being recorded in a separate account within cost of sales. For 2023-24 both season pass revenue and cost of sales have been grossed up by \$33,020. There is no change to the bottom line.</p> <p>(2) XC memberships only, including add-on purchases from SilverStar.</p> <p>(3) SLNC incurs significant costs relating to sales fees for our Point of Sale (POS) systems and credit card fees. In the past these costs have been shown within the operating expense category but really they are a direct cost of sales. For presentation purposes our internal financial reports now include these costs in the cost of sales category. As a result, gross profit percentages shown will be less than those shown in the past.</p> <p>(4) Minimum target is \$100k.</p> <p>(5) Maturity is January 1, 2028. Monthly principal payments are \$3,667.</p> <p>(6) Source: Bank of Canada; weekly average - weighted average of various mortgage and consumer credit interest rates.</p>		

- *Diagram - 1* provides a historical graph of SLNC's XC membership numbers for the last six seasons (left scale). The numbers include families and children as well as SLNC add-on memberships purchased at SilverStar. A downward trend in memberships began in the 2021-22 season and accelerated into 2023-24. This downward trend now seems to have abated.
- The end of the COVID pandemic in June of 2021 resulted in the re-opening of indoor activities in conjunction with reinstated travel and this likely had an impact on our membership numbers. Inflation, higher interest rates, and the resulting increased cost of living also cannot be ruled out as a possible factor. *Diagram – 1* also shows the BC Consumer Price Index's growth over the last five years (right scale).
- Notwithstanding the positive membership numbers for last season a couple of trends should be made note of:
 - Adult memberships continue to decline but this is offset by increasing senior memberships. However, senior members pay less than adults, so our revenue stream is negatively impacted.
 - Family memberships including 1-Adult and 2-Adult are also less than last year as are the number of children associated with these memberships. It is possible that persistent inflation and the high cost of living are to blame for this situation.

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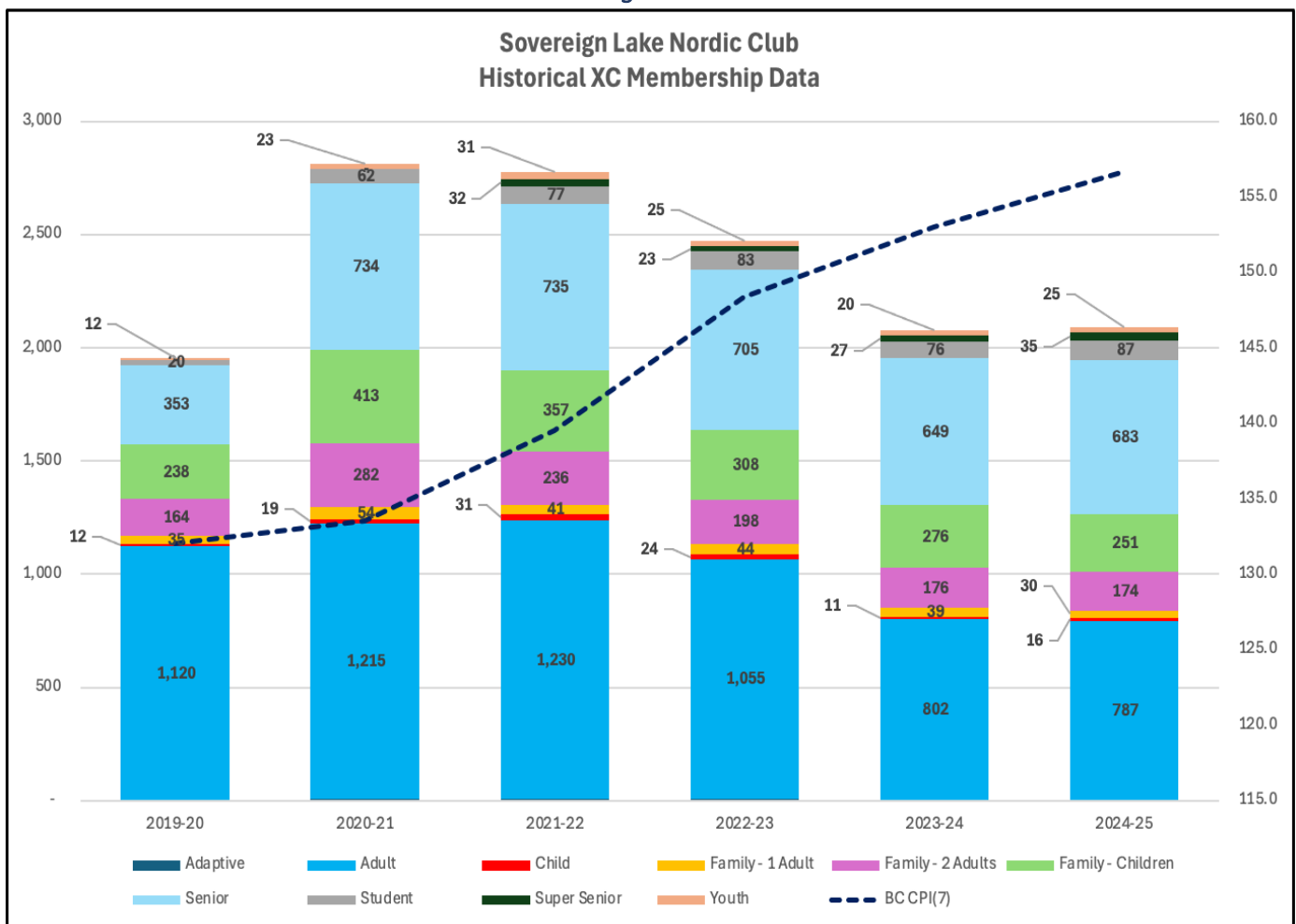
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- To early-November of 2025, total XC season pass sales amount to 1,400 excluding SilverStar add-ons from October. These sales exceed our the early-bird forecasts in our budget, however, note that this is a sales number and not representative of actual members. We expect more season passes to be sold during the balance of November leading up to the two competitions occurring in late November / early December.

Season Pass Trends

Diagram – 1



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2024-25 Detailed Financial Review

1. Statement of Surplus (Deficiency)

Table - 2

Sovereign Lake Nordic Club					
	Statement of Surplus (Deficiency)				
	12 Months June 1 to May 31				
	(Unaudited - Internally Prepared)				
	2023-2024 Actual	2025 Actual Variance to 2024	2024-2025 Actual	2024-2025 Budget	2025 Actual Variance to Budget
Income					
Season Passes	\$ 398,095	\$ 21,475	\$ 419,571	\$ 406,952	\$ 12,619
Upgrade	-	-	-	-	-
Day Tickets	309,643	50,655	360,298	300,990	59,309
Lessons	12,908	(163)	12,745	16,000	(3,256)
S'Cool & Programs	214,847	17,681	232,528	260,074	(27,546)
Competition / Events / Supercamp	130,235	15,132	145,367	112,900	32,467
Rentals / Food / Merch	99,929	2,950	102,879	114,000	(11,121)
Grants & Donations / Sponsorships	14,971	31,862	46,833	17,000	29,833
Investment Interest & Other	7,557	3,535	11,092	8,500	2,592
Total Income	\$ 1,188,184	\$ 143,128	\$ 1,331,312	\$ 1,236,415	\$ 94,897
Total Cost Of Sales	\$ 134,790	\$ (21,102)	\$ 155,892	\$ 105,768	\$ (50,124)
Gross Profit	\$ 1,053,394	\$ 122,027	\$ 1,175,420	\$ 1,130,647	\$ 44,773
Gross Profit %	89%		88%	91%	
Expenses					
Advertising / Promotion	\$ 12,967	\$ 6,565	\$ 19,532	\$ 19,000	\$ 532
Staff / Volunteer Recognition	7,532	5,039	12,571	9,500	3,071
Competition & Wax Supplies	16,397	24,946	41,343	25,250	16,093
Bank Fees / Loan interest	17,988	(5,644)	12,344	17,300	(4,956)
Program Supplies and Expenses	24,259	(17,678)	6,581	12,604	(6,023)
Insurance for Business & Vehicles	17,991	3,685	21,676	19,800	1,876
Office / Admin / H&S and Other	38,510	(15,707)	22,803	31,950	(9,147)
Training / Travel	16,704	2,196	18,900	25,100	(6,200)
Snow Removal / Trail Maintenance	35,196	1,455	36,651	37,220	(569)
Building / Utilities / Alarm / Comm. Costs	56,110	1,752	57,862	47,200	10,662
Equipment R&M / Fuel Costs	143,024	(26,711)	116,314	136,667	(20,353)
Vehicle Lease / Equip Rental	17,201	(740)	16,461	17,418	(957)
Professional / Contractor fees	54,323	(7,166)	47,157	63,840	(16,683)
Salaries & Wages (including burden)	616,598	68,748	685,346	660,861	24,485
Total Expenses	\$ 1,074,799	\$ 40,741	\$ 1,115,540	\$ 1,123,710	\$ (8,170)
Operating Surplus / (Deficiency)	\$ (21,405)	\$ 81,286	\$ 59,881	\$ 6,937	\$ 52,943
Other Income					
Gain (Loss) on Asset Disposal	\$ (9,173)	\$ 9,273	\$ 100	\$ -	\$ 100
Total Other Income	\$ (9,173)	\$ 9,273	\$ 100	\$ -	\$ 100
Amortization					
Deferred Contribution Income	(56,547)	(0)	(56,547)	(56,000)	(547)
Amortization	\$ 175,941	\$ 4,272	\$ 180,213	\$ 175,000	\$ 5,213
Total Net Amortization	\$ 119,394	\$ 4,272	\$ 123,666	\$ 119,000	\$ 4,666
Net Surplus / (Deficiency)	\$ (149,971)	\$ 86,286	\$ (63,685)	\$ (112,063)	\$ 48,378

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Table – 2 shows a Condensed Statement of Surplus (Deficiency) for the fiscal year with comparisons to last year (June 1 to May 31, 2024) and the 2024-25 budget. Presentation of the data is slightly different than the externally prepared Statement of Revenues and Expenditures, but the Operating Surplus (Deficiency) and Net Surplus (Deficiency) totals are identical.

- The Operating Surplus for fiscal 2024-25 was **\$59.9k** compared with a deficiency from last year of \$21.4k. This is a significant turnaround in results. It is also significantly better than the FC's conservative original approved budget showing a surplus of \$6.9k.
- Total revenues were 12% higher than 2023-24 and 8% greater than budget. Gross profit was also 12% greater than last year and 4% better than budget.
- Although operating expenses were 4% higher than 2024-25, they were 1% below budget.
- For 2024-25, Season Pass revenue represented 32%, Day Ticket sales represented 27%, and Program revenues represented 15% of total revenues respectively. These three areas then account for 74% of Club total income as was the case in 2023-24.
- On the operating expense side, Salary & Wage related costs represent 62% of total operating costs with Equipment Repairs & Maintenance and Fuel amounting to 10%, and Snow Removal & Trail Maintenance 3%, bringing the total for all these categories to 75% of total operating costs. Last year, these cost categories were 57%, 13% and 4% respectively for a total of 74% of total operating costs.
- Salaries, wages, and benefit costs is the largest cost component in the Club's operations. For 2024-25 these costs were 11% higher than last year and 4% higher than budget. The budget was 7% higher than 2023-24 primarily due to:
 - A general 3% increase to hourly rates for seasonal part-time staff to compensate for inflation plus increases to salaried staff where appropriate.
 - Three new positions including: a) an Assistant Biathlon Coach, b) XC Masters/Heroes Coordinator/Coach, and c) Volunteer Coordinator. These three positions added \$27.4k (4%) to overall salaries, Wages, and benefits.
- The above Salary and Wage related details were outlined in the Treasurer's Report for the 2024 AGM and should not be a surprise. What was not accounted for in the original budget was a staffing change that occurred after budget approval. This change related to our groomer/mechanic moving to a seasonal full-time mechanic position and the hiring of another part-time groomer. Changes were made to improve grooming efficiency and reduce grooming hours to offset some of the increase in salary and wage costs. Despite this change adding to our salary and wage burden, it is believed that having a mechanic fully dedicated to maintaining the Club's equipment will reduce overall future maintenance costs.
- Total staff levels for 2024-25 were 32 people consisting of 3 full-time, 7 seasonal full-time (over 32 hrs/wk), and 22 seasonal part-time (less than 32 hrs/wk) employees. Total staff levels for 2023-24 were 26 people consisting of 3 full time, 5 seasonal full time, and 18 seasonal part time employees.
- SLNC's accounting policy relating to assets is to write the initial cost of the assets off over time. The purpose is to recognize the fact that assets have a useful life and will need to be replaced at some future date. This write-off, commonly referred to as depreciation or Amortization, is an estimate and provides guidance regarding approximately how much money SLNC should be saving annually to replace its assets. For 2024-25 total net amortization amounted to \$123.7k (2023-24 \$119.4k).

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- A more accurate measure of how much money we need annually to replace assets over time is a long-term capital plan. The FC has completed an initial 5-year capital plan which is detailed in Section 6 of this report.
- **Based on the assumptions in the 5-Year Capital Plan, the Club needs to generate a minimum annual operating surplus of \$100k to fund capital expenditures and debt repayment over the next five years.**
- The BOD recognizes that financial results have underperformed over the last three years relative to the above mentioned target. Initiatives to either reduce expenditures or increase revenues are constantly being reviewed and implemented where possible. Examples include:
 - A new Point of Sale system was acquired in 2024-25 that should improve efficiency and should reduce sales fees and may reduce accounting costs.
 - A new cloud-based accounting system was implemented for the 2025-26 season which should improve efficiency and lead to lower accounting costs in conjunction with providing both the GM and Treasurer with instant ability to view accounting data and produce reports.
 - Formation of a volunteer Fund Development committee with the objective of identifying and applying for grants to support our operations and capital needs. This committee should be congratulated for its efforts as grant income in 2024-25 was significantly higher than 2023-24.
 - A continuous review of grooming with the objective of increasing efficiency leading to a reduction in both fuel usage and salary & wage expenses.
 - A policy was initiated for the 2025-26 season to charge a fee if credit cards are used to purchase season passes. Members can avoid the fee by paying with debit cards. If this policy is successful, a roll-out to include other credit card purchases will be considered.
 - Small investments in electrical infrastructure continue to be made to reduce electricity consumption and costs.
 - For 2025-26 the GM will implement a pass screening process manned by lodge employees with the objective of ensuring that all users of the SLNC trail network either have purchased a season pass or a day ticket. If successful, consideration will be given to expanding the program using volunteers.
 - In conjunction with SilverStar, advance communication has been sent to race teams planning to attend SLNC competitions reminding them that trail passes must be purchased prior for training prior to competition dates.
 - Implementation of reciprocal agreements with other Nordic ski areas to drive up tourism and generate new day pass revenue.
 - Continual monitoring of Programs and engagement of coaching staff to promote and recruit participants.
 - A continuous review of donations and sponsorship contracts to ensure all amounts committed to are being received.
 - On-going participation of BOD members in Community Chamber of Commerce events to actively promote SLNC and all that it has to offer.

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2. Programs Financial Summary

Table – 3

Sovereign Lake Nordic Club			
Programs Operating Surplus / (Deficiency)			
(Unaudited - Internally Prepared)			
	2024-25	2023-24	2022-23
<u>Surplus / Deficiency from:</u>			
Youth, Masters, Masters HP, Masters RT, Biathlon, General	\$ 11,912	\$ 374	\$ (10,353)
Academy Programs	\$ (100,019)	\$ (102,489)	\$ (91,155)
Programs Surplus (Deficiency) before Subsidies	\$ (88,107)	\$ (102,115)	\$ (101,508)
<u>Add: Subsidies</u>			
SLNC share of S25 Net Income	\$ 12,620	\$ 18,050	\$ 11,262
Net Competition Income	\$ 47,272	\$ 27,042	\$ 45,957
Subsidy Surplus (Deficiency)	\$ 59,892	\$ 45,092	\$ 57,219
Programs Surplus (Deficiency) after Subsidies	\$ (28,215)	\$ (57,023)	\$ (44,289)

- Objective 4.2.1 of the 2024-28 Strategic Plan is to provide Programming Excellence. Providing programs for youth development is essential to the long-term survival of the Club.
- A Special Committee was established in 2021 to develop a plan of action for the subsequent two years. Consequently, considerable Program expansion occurred over the last several years. Unfortunately, coaching changes and restructuring have delayed participant recruitment and therefore registrations and revenues have fallen short of expectations.
- *Table – 3* displays a Programs Operating Surplus / (Deficiency) summary for the last three fiscal years. Long-standing programs including Youth, Masters, Masters HP, and Biathlon are self-sustaining; however, Academy Programs have struggled to be profitable. That said, 2024-25 results are a substantial improvement from the last two seasons.
- Notwithstanding the overall 2024-25 deficiency of (\$28.2k), total Programs gross profit was 5.5% above budget, costs were in-line with budget, and the deficiency was 37% better than budget.

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3. SLNC Cash Position

Table – 4

Sovereign Lake Nordic Club	
Statement of Changes in Cash	
May 31, 2025	
(Unaudited - Internally Prepared)	
CASH - BEGINNING OF THE YEAR	549,825
CASH FROM OPERATIONS	
Surplus (deficiency) from operations	59,881
Increase (decrease) working capital	69,414
	129,295
CASH FROM (USED IN) INVESTING ACTIVITIES	
Gain (loss) on sale of capital assets	100
Investment in Capital assets	(83,427)
Investment in Lodge renewal	(56,550)
	(139,876)
CASH FROM (USED IN) FINANCING ACTIVITIES	
Increase (Decrease) in Long term debt	(44,014)
Increase (Decrease) in Deferred Income	(11,256)
Increase (Decrease) in Deferred grants/donations	26,911
Increase (Decrease) in Lodge renewal grants/donations	801,949
	773,590
CASH - END OF YEAR	\$ 1,312,834
LESS: Cash Restricted or Designated for Specific Purposes	
Funds restricted for Lodge Renewal	907,209
Jessica Eamon funds held in trust	36,760
Funds held as security for payroll overdraft	52,200
General capital account funds	27,766
Gaming account funds	20,602
	\$ 1,044,536
CASH AVAILABLE FOR GENERAL USE, MAY 31, 2025	\$ 268,297
Restricted Cash Reconciliation	
Restricted cash from above	\$ 1,044,536
Restricted cash on Romei Plummer (RP) balance sheet (BS)	945,232
Difference	\$ 99,304
Explained by:	
Jessica Eamon funds in operating account not shown on RP BS	36,760
Lodge Renewal funds in operating account not shown on RP BS	62,545
	\$ 99,304

- *Table – 4* summarizes the changes in cash position of the Club from June 1, 2024, to May 31, 2025.
- Overall, the Club's cash position increased \$763.0k during the fiscal year primarily due to the \$801.9k of donations and grants received for Lodge Renewal less \$56.5k spent on Lodge Renewal expenditures.
- In the normal course of operations, the Club invested \$83.4k in capital assets during the year and paid down \$44k of principal on the Vantage One term loan for the PB400 Groomer. A balance of \$117.3k remains on this loan. Principal payments equate to \$3.7k/month or \$44k annually. The loan matures on January 1, 2028.
- Restricted funds for Lodge Renewal of \$907.2k are explained in the next section.

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4. Lodge Renewal Funding

Table – 5

Sovereign Lake Nordic Club		
Lodge Renewal Funding		
As of May 31, 2025		
<small>(Unaudited - Internally Prepared)</small>		
Grants / Donations		
Grants / donations received to the end of May 2024	\$ 104,070	
Grants / donations received in fiscal 2024-25	801,949	
Total grants / donations received		\$ 906,019
BOD Approved Capital Transfers		
2021/22	\$ 10,000	
2022/23	31,500	
2023/24	25,000	
2024/25	19,600	
		86,100
Total Funds available for Lodge Renewal		992,119
Expenditures		
Expenditures to the end of May 2024	\$ 28,360	
Expenditures in fiscal 2024-25	56,550	
		84,910
Total Funds unspent, May 31, 2025		\$ 907,209
Represented by:		
Lodge capital account		419,664
Term #2 GIC investment		425,000
Restricted funds in the operating account		62,545
		\$ 907,209

- *Table – 5* summarizes Lodge Renewal amounts received and spent from inception of the project to the end of May 31, 2025.
- Donations in fiscal 2024-25 ramped up considerably from 2023-24 and the Lodge Committee should be commended for its efforts.
- The Fund Development Committee was also successful with regards to its application for a Capital Gaming grant with \$14.6 awarded for the purpose of structural repairs to the lodge crawl space.
- At the end of the year, \$62.5k of Lodge Renewal funds were left in the operating account to pay for BOD approved structural repairs to the lodge crawl space and the roof replacement which were projects planned for the summer/fall of 2025. Being in the operating account, this amount is not reflected on the Romei Plummer balance sheet as restricted cash.

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5. 2025-26 Operations Budget

Table – 6

Sovereign Lake Nordic Club		
Operating Budget		
2025-26 BUDGET vs. 2024-25 ACTUAL		
<i>Fiscal Period June 1 to May 31</i>		
<i>(Unaudited - Internally Prepared)</i>		
	Budget	Actual
	25/26	24/25
INCOME		
Total Income	\$1,306,323	\$1,331,312
Cost of Sales	147,284	155,892
Gross Profit	\$1,159,039	\$1,175,420
<i>Gross Profit %</i>	<i>88.7%</i>	<i>88.3%</i>
EXPENSES		
Salaries, Wages, & Benefits	690,339	685,346
Equipment R&M and Fuel	108,797	116,314
Office Admin / H&S / Other	33,380	35,374
Professional / Consulting Fees	45,000	47,157
All Remaining Expenses	217,624	231,349
Total Operating Expenses	\$1,095,140	\$1,115,540
Operating Surplus (Deficiency)	\$ 63,899	\$ 59,881
Other Income (Loss)	-	100
Net Amortization	118,604	123,666
Net Operating Surplus (Deficiency)	\$ (54,705)	\$ (63,685)

- The Finance Committee takes a zero-based approach to budgeting whereby all major line items are examined from the ground up with justifications and analysis to support the budget figures.
- **The result of this lengthy process is an operational surplus forecast of \$63.9k for the 2025-26 fiscal period which is slightly better (6.7%) than results for fiscal 2024-25 (Table-5). With a minimum operational surplus target of \$100k (see Section 6 for details), we still have some work to do to achieve that objective.**
- Risk factors are always present that could impact this forecast. These include but are not limited to:
 - Lack of snow due to warm weather conditions that could negatively impact day ticket sales and the running of events.
 - Shortfalls in season pass sales and program registrations.
 - Non-budgeted expenditures and cost-overruns for unexpected repairs, maintenance or other operational needs.
- Assumptions underlying significant budget line items include the following:

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Revenues and Cost of Sales

- A general 5% increase to ticket pricing and season passes. Pricing was compared to other Nordic centres and kept in-line with what SilverStar was planning for the upcoming season. No growth was forecast for the number of season-passes sold. To be conservative a 4% reduction in day ticket sales was factored into the budget to account for the possibility of a less than exceptional snow year. The overall result is a slightly less than 1% increase over 2024-25 results.
- Programs revenue is forecast to be 17% higher than 2024-24 due to expectations of higher participant registrations coupled with weighted average price increases for SDP and Race programs. This is offset to some degree by a weighted average price decrease for adult programs of 3%.
- Competitions to include only three events with a gross margin of 38% forecast. Actual results for 2024-25 were better than the data we had available when the budget was assembled so upside may exist in this area.
- Net Supercamp income was lower in 2024-25 compared with 2023-24 due to lower participation. An enhanced marketing effort by SilverStar and increased management participation by Sovereign Lake will hopefully result in an increase in 2025-26 registrations.
- No change to the 30% profit margins on food, merchandise, and rental sales but budget amounts are lower than 2024-25 due to the assumption that ticket sales will also be lower.
- No change to sales and credit card fee rates however sales fee savings are expected from the use of the Aluvi system instead of Zone4 for 2025-26. Furthermore, the implementation of a plan to charge a credit card fee for season-pass holders who do not pay via debit is expected to result in some savings.
- A conservative \$0 budgeted for grants.
- Limited sponsorship funding.
- **Overall total revenue is forecast to be 1.9% lower than last year but this is offset by cost of sales forecast to be 5.5% lower resulting in gross profit 1.4% lower from 2024-25.**

Operating Expenses

- Salaries and Wages and benefits are forecast to be in-line with 2024-25 results (less than 1% increase). No changes were forecast for the number of staff. Some wage increases for select positions were forecast but these were offset to some degree by efficiencies expected from a reduction in grooming hours.
- Diesel fuel expenditures are expected to be considerably lower than 2024-25 due to the elimination of the BC carbon tax of \$0.2004/litre effective April 1, 2025. Additionally, the International Energy Administration (IEA) is forecasting a 19% decrease in WTI oil prices in 25/26 to US\$60/bbl due to slowing economic growth resulting from US trade tensions. The FC is conservatively using US\$70/bbl resulting in an assumed diesel price of CA\$1.29/litre. Fuel consumption is forecast to be 40,500 litres in-line with the 5-year average.
- The FC is being conservative in forecasting a 7.3% increase over last year in equipment repairs and maintenance costs.

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- Term loan interest is forecast to be 37% lower than 2024-25 due to lower prime interest rates and a lower principal balance outstanding on the loan.
- A slight reduction of 5.6% is forecast for office administration, health & safety, and other costs.
- Snow removal, trail maintenance costs, and repairs & maintenance to the lodge were kept in line with 2023-24 actual results.
- Professional and consulting fees are forecast to be slightly lower than 2024-25 due to efficiencies gained from the implementation of a new accounting system.
- **As a result of all the above, total operating expenses are forecast to be 1.8% lower than last year and the operating surplus is forecast to be 6.7% higher than 2024-25.**

6. Capital Budget

2025-26 Capital Spending

Table – 7

Sovereign Lake Nordic Club	
2025 - 2026 Essential Capital Budget	
(Unaudited - Internally Prepared)	
General Operations	
Operations	\$ 17,500
Grooming equipment	-
Skis and Rental equipment	6,000
Competitions	1,000
Environmental Sustainability	3,250
Health and Safety	-
Funded from Operations	\$ 27,750
Lodge Renewal	
Roof Replacement	55,000
Funded from Lodge Donations / Grants	\$ 55,000
Total Planned Capital Expenditures	\$ 82,750

- *Table – 7* summarizes the Essential capital spending planned for the 2025-26 season and approved by the BOD in the Spring of 2025.
- Capital spending for 2025-26 is considerably lower for General Operations compared to previous years where annual capital spending has been in the \$80k range.
- The Operations amount of \$17.5k is for a number small but important upgrades including but not limited to; a wood stove for the wax hut, additional POS system equipment, lodge interior stair improvements, and a new septic pump for the Tech building.

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- The replacement of the Lodge Roof was considered essential as leaking issues had previously been identified. The Lodge Committee was consulted on this project and it was agreed that this upgrade would form part of the Lodge Renewal and be funded from Lodge Renewal donations and grants.

5 – Year Capital Plan

- The FC committed to developing a 5-Year Capital Plan as part of its Strategic Priorities and the initial plan was presented to the BOD in September 2025. A summary of that plan is shown below in *Table-8*.
- The 5-Year Capital Plan should be considered a living document that is updated regularly as new information becomes known. Furthermore, this document is a rolling plan that will continue to add future periods as they occur.
- It should be made clear that this document is NOT an authorization to spend the amounts shown. It is for information and planning purposes only and will be constantly changing.
- The FC will continue to formalize each year’s capital spending requirements through the annual budget process, and the BOD will be asked to review and approve that level of spending.

Table – 8

Sovereign Lake Nordic Club						
5 - Year Capital Plan						
As of September 2025						
Year	1	2	3	4	5	
2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	
Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Accounting Asset Category						
Competitions equipment	\$ 12,207	\$ 5,000	\$ -	\$ -	\$ -	\$ -
Computerequipment	5,406	2,500	1,000	1,000	1,000	1,000
Furniture and other equipment	1,076	1,500	1,500	-	-	-
Grooming equipment	32,971	5,000	40,750	80,000	37,000	80,000
Leasehold (Building) Improvements	-	11,750	10,500	5,500	5,500	5,500
Radio equipment	880	-	1,000	1,000	1,000	1,000
Rental equipment	28,711	2,000	-	-	40,000	35,000
Timing equipment	2,176	-	-	-	-	-
General Operations Capital Spending	\$ 83,427	\$ 27,750	\$ 54,750	\$ 87,500	\$ 84,500	\$ 122,500
Add: Term loan principal repayments		\$ 44,004	\$ 44,004	\$ 25,669	\$ -	\$ -
Cash required before Lodge Renewal funding		\$ 71,754	\$ 98,754	\$ 113,169	\$ 84,500	\$ 122,500

- Based on forecasts as of September 2025, the plan shows that over the next five years, the Club needs to fund \$377k to replace/repair capital assets and another \$113.7k to pay off its current term loan. This is before any potential Lodge Renewal funding requirements or any potential Grant monies that may be available.

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- At a minimum then, SLNC will need to generate \$490.7k over the next five years or \$98.1k on average per year. **If the Club can achieve a minimum operating surplus of \$100k annually over the next five years, then our current un-restricted cash position will be maintained.**
- The largest cost component in the 5-Year Plan is Grooming equipment. Implicit in the forecast is the assumption that we will be able to extend the life of each of our groomers through pro-active internal repairs and maintenance. The details underlying this assumption are outlined below.

Grooming Equipment Strategy

- Grooming equipment is where the largest outlays of capital will be required over the next several years.
- We currently have two PistenBully (PB) Groomers referred to as PB19 and PB20.
- The expected life a PB Groomer is measured in operating hours and is forecast to be 8,000 hours. However, this is a generalization and has a lot to do with the type of work and terrain that the groomer handles and the level of ongoing maintenance and attention the groomer receives during its life.
- Typically, groomers operating on steep terrain at alpine resorts have shorter operating lives than those working on more level terrain.
- Some operators have reported groomers lasting as long 13,000 hours according to Google AI. As of the end of the 2025 season, PB19 had accumulated 5,292 hours and PB20 had accumulated 3,421 hours. Each machine incurs about 1,000 hours per season at SLNC.
- SLNC is unique in that the Club has a full-time Red Seal heavy duty mechanic whose responsibility is the on-going maintenance and care of our equipment particularly the Groomers. Our Lead Mechanic takes PB technical courses in Kelowna every summer to stay updated with current maintenance procedures.
- The GM and Lead Mechanic have discussed our Groomer situation at length and have developed a maintenance strategy. **Essentially the recommendation is to perform major hydraulic re-builds on both machines at 8,000 operating hours. This in conjunction with a pro-active maintenance plan should extend the useful lives of each machine.**
- The cost of a hydraulic re-build is approximately \$70k of which the majority of that is parts. The plan would be to start the work at the end of an operating season (fiscal year) with the work continuing through the start of the next season with completion prior to opening day.
- The current 5-Year Capital Plan envisions starting the first hydraulic re-build on PB19 at the end of the 2026/27 season with the work continuing through the 2027/28 pre-season. PB20's rebuild would occur starting in 2029/30.
- In addition to the hydraulic re-builds on both PistenBully's, the GM is recommending a \$10k contingency be included each year for potential repairs over and above those that would normally occur and be included as operating costs. Furthermore, every 4,000 hours the track belting on each groomer needs replacing and so this occurs every second year.
- **At some time in the future, our PB's will have to be replaced. This will depend on an assessment of the costs of future repairs coupled with the downtime of the machines. At the present time, there is no clear indication of when that will be. Given that the grooming of SLNC trails is very important to our members and the public, it is imperative that the care and maintenance of our grooming machines remain a top priority.**