

Sovereign Lake Nordic Club
Treasurer's Report to the 2022 Annual General Meeting
October 17, 2022

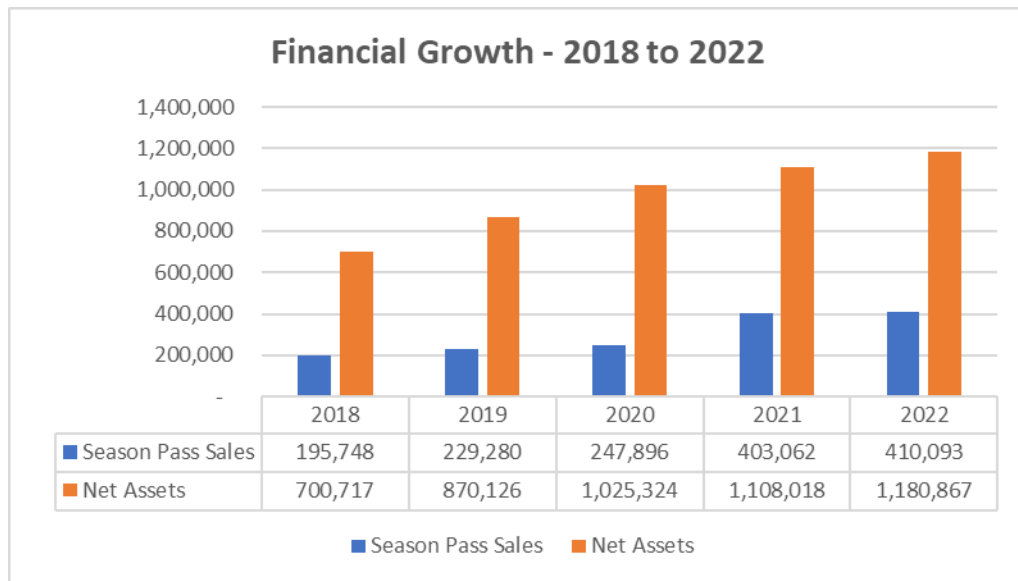
Finance Committee

Finance Committee advises Sovereign Lake Nordic Club (SLNC) on financial policy, procedures, and budgets. Committee members are Hugh Seaton (Chair), Bill Miller (Board Member), Ted Angen (Board Member), Mike Pennock (Internal Accountant), and Troy Hudson (General Manager). The year end financial figures in this report June 1, 2021 to May 31, 2022, unless otherwise noted, are based on the Year End Compilation by the External Accounting firm Romei Plummer LLP.

Financial Growth – 2018 to 2022

The 5-year trend at Sovereign Lake is one of financial growth and resilience, despite setbacks during the Pandemic. The following are indicators of growth from 2018-22.

- Annual Season Pass sales increased 110%.
- Club memberships (i.e., # of season passes sold) increased 64% from 1,831 to 2,995.
- SLNC net assets increased 69% from \$700,717 to \$1,180,867. The donation during 2021-22 for the Biathlon Range Upgrade had a positive impact on our net assets.



Over the same five-years, 2018-2022:

- Overall Annual Revenues increased 32% from 781,585 to \$1,029,315
- Overall Annual Expenses increased 41% from \$582,635 to \$823,819.
- Average Excess Sales over Expenditures (net operating profit) was \$148,160.

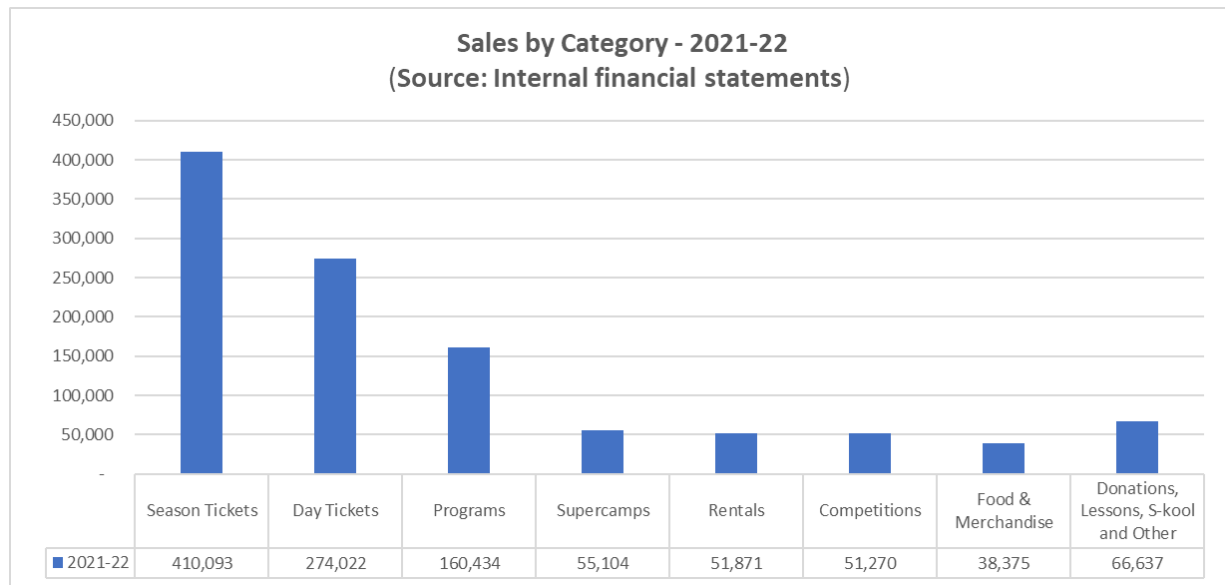
2021-22 Financials (as of May 31, 2022)

Sales and other revenues

NOTE #1: The External Financial Report does not provide a breakdown of sales by category. Therefore, this table is based on Internal Year-end figures.

NOTE #2: This section compares 2021-22 financials to the second previous year, namely 2019-20. The reason for this is that the previous year 2020-21 was an anomaly due to a COVID-related 25% reduced budget; cancellation of most regular activities; and a federal emergency wage subsidy grant.

In response to the easing of public health restrictions, SLNC re-introduced SuperCamps, ski races, and Ski C'ool. SLNC had record-high sales in 2021-22 at \$1.1 m.

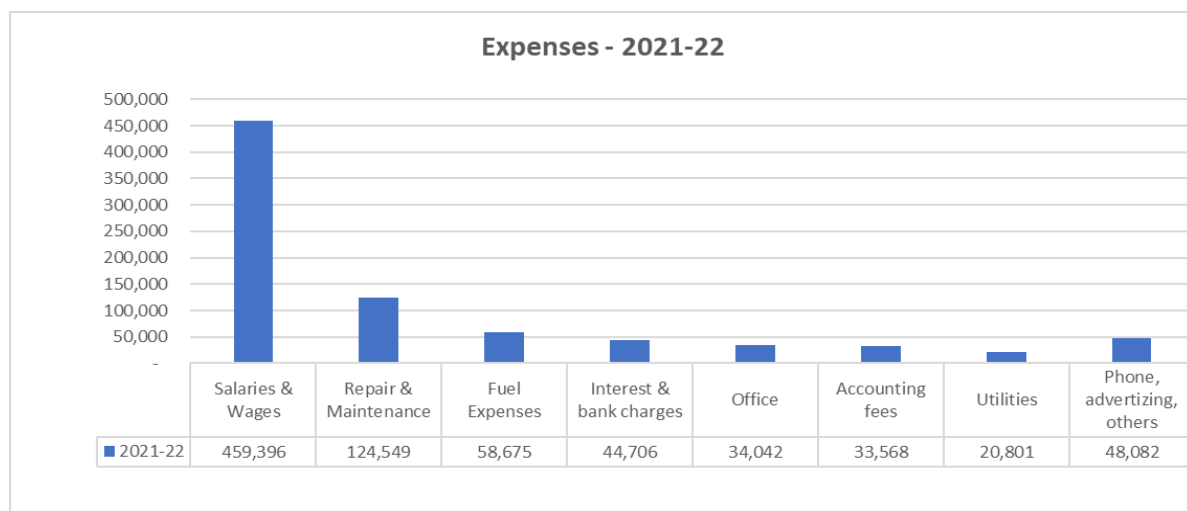


Note: The \$55,104 for SuperCamps is NET profit for SLNC, after expenses and profit sharing with our SuperCamps partner SilverStar Mountain Resort. All other categories in the table are GROSS sales.

- With the easing of pandemic restrictions, most SLNC activities returned to full operations.
- 2021-22 sales were up 17% over 2019-20.
 - We had a record-setting year for Season Pass sales. This is a combination of the number of passes sold (2,995) and price increases. (e.g., 5% increase for an Adult Season pass.)
 - Day Ticket sales at \$274,022 were down 15% compared to 2019-20.
 - Programs sales were \$160,434 and Competitions at \$51,270.
 - SuperCamps and Lodge Sales returned to pre-pandemic levels.
- “Other sales sources” include: Events, Interest from Investments; Donations to Programs; RFID card sales, and Services.

Expenses

Total operating expenses were \$823,819 . This is a 15% increase over 2019-20 actuals. The largest individual increases were Salary & Wages and Programs expansion.



- Salary & Wages at \$459,396 were up 18% over 2019-20.
- The largest Repair & Maintenance bills were for the 2008 PB400 trail groomer.
- Fuel costs increased by 37% over 2019-20.

Programs (this section is based on internal year-end financial figures for 2021-22).

Note: Programs includes: Youth Cross Country (XC); Youth High Performance (HP); Youth Biathlon; Masters Cross Country (XC); and Masters High Performance (HP). Competitions (i.e., race events) is also accounted for under Programs.

- The Programs budget for 2021-22 was increased by approximately 50%. This was based on the work of the Programs Special Committee to add coaching, administrative support, and operating expenses.
- To support this increase:
 - The Board agreed to transfer \$10 for every season pass sold from general operations to Programs. This resulted in a \$29,980 transfer.
 - We increased Youth and Masters prices.
 - Competitions (ski races) resulted in a year end net profit of \$34,481.
 - Donations and sponsorships contributed \$19,500 e.g., CCBC 50/50; Canada Sports (bussing).
- Programs ended the year with a net operating profit of \$23,481.

Excess of sales over expenses

- Excess of revenue over expenses from operations (net operating profit) at the end of 2021-22 was \$170,090.
- The average year end net operating profit for over the past 5-years is \$182,178. Year end profit is the main source of funding for the repair and replacement of Capital Assets (i.e., machinery, equipment, and facilities).
- Excess of revenues over expenses for the year after other income and amortization assets was \$72,849. Other income and amortization included (i) \$100 in sale of assets (ii) \$54,747 in deferred contribution income and (iii) amortization of capital.

Current Year Finances (June 1, 2022 to May 31, 2023)
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Rising inflation was an important consideration in our budgeting this year (e.g. pricing, wages, and operational costs).

We ended last year with a strong Balance Sheet with \$369,084 in our Cash Account and **\$499,083** in our Restricted Accounts (primarily for Capital).

Budget highlights – 2022-23

- **\$1.38 m** in projected sales (24% higher than last year’s budget). This makes 2022-23 our largest budget to-date. Season Pass and Programs Registrations sales are projected to be respectively \$90,446 and \$83,145 higher than last year.
- **\$521 k** in Wages & Salaries; a **19%** increase over 2021-22.
- **57%** increase in Programs-Competitions expenses (over the 2021-22 budget).
- **\$166 k** is our projected 2022-23 year-end net operating profit.

Revenues projected to cover higher costs

- **\$761 k** in combined Season Pass and Day Ticket sales (**\$130 k** higher than last year).
- **\$60 k** in SuperCamp net revenues to SLNC.
- **\$264 k** in anticipated Programs revenues (youth; biathlon; competitions; masters).
 - Overall registrations are projected to increase 12% from 446 last year to 499 this year.
 - We raised fees in Youth and Masters categories.
 - With more coaching and support, we expect registrations will continue to go up.
 - S2S Ski Marathon is transferring \$7,186 to SLNC as a result of net profits from the S2S event last April.

Capital projects

- Based on a balance of \$632,760 in our Cash Account (April 30, 2022), and considering our buildings, machinery, and New Lodge Project, **the Board approved a transfer of \$300,000** from our year-end operating (cash) account into our Capital Fund.
- The SLNC Board approved the following capital expenditures for 2022-23.
 - \$49,900 Small capital (Tech building upgrades, Lodge building repairs, trail signage, competitions equipment).
 - \$31,500 New Lodge Campaign in support of the.
 - \$427,423 PB400 Trail Groomer. This is a 2020 near-new Pisten Bully.

Trail groomers

2008 PistenBully

Sold this year for \$45,000 as trade-in towards the 2020 Groomer.
Over 12,000 hours and rising costs due to downtime, repairs, and a potential rebuild.

2019 PistenBully

Purchased in 2020.
26 months and \$43k remaining on the \$100,000 loan.

2020 PistenBully

For purchase this year. \$427,423 net after trade-in of the 2008 groomer.
SLNC is arranging a \$220,00 variable loan with flexibility to make lump sum drawdowns at any time.
We received a \$18,000 grant from RDNO in support of the 2020 groomer.
We applied to the Capital Gaming Grant for funding of the 2020 groomer. If approved, this will alleviate \$222,750 of the total cost. If not approved, we are able to support the loan based on our Capital Account.

Financial risk management

- A net profit at the end of the year is a measure of the financial stability of the Club.
- SLNC monitors factors such as expenditures on wages & salaries as a percentage of overall expenditures.
- SLNC assesses cash flow mid season and curtails spending, if necessary.
- SLNC keeps track of amortization of its capital assets (machinery and equipment). Capital assets overall are currently at 50% of their estimated useful life. (See Note # 3 in the SLNC May 31, 2022 Financial Statements). It is important to set aside sufficient funds for the timely repair and replacement of Capital machinery and equipment.

SLNC is active in pursuing grants, donations, and sponsorships.

Jessica Eamon fund (J4K). There are \$53,842 in the J4K Fund. (\$16,309 held by the Club and \$37,533 in trust with BC Parks). These monies will be apportioned on an annual basis according to the criteria of the J4K Fund.