

SNOWY RIVER SKI CLUB COOPERATIVE LIMITED

TREASURER'S REPORT TO 2011 ANNUAL GENERAL MEETING

David Hogg, Treasurer

The following report has been prepared to complement the audited financial statements compiled by Houston and Hanna, Chartered Accountants, which have been distributed separately. It provides additional explanation for the key financial issues currently facing the Club as of 31 December 2010.

1. Cash Balance

The cash balance in Club funds as of the beginning and end of 2010 (allowing for unpresented cheques) was as follows:

Account	Balance 1/1/10	Balance 31/12/10	Increase/(decrease)
Trading account (Westpac)	\$48,660.54	\$32,176.98	(\$16,483.56)
Term deposit 11-9420	\$7,242.33	\$7,495.81	\$253.48
Total funds (cash)	\$55,902.87	\$39,672.79	(\$16,230.08)

These figures do not take account of members' debts or credits, which are reflected in the trading statement on page 12 of the audited report. The decrease in the cash balance is due mainly to a delay in sending out annual subscription notices, which required formal changes to the Club Rules to be finalised. That process was not completed until December, when the notices were sent out.

2. Trading Statement

The trading statement for 2010 (Detailed statement of financial performance) is presented on page 12 of the audited report. This statement takes account of outstanding debtors and creditors at the beginning and end of the year, and depreciation or amortisation of the lodge building and contents. Some costs (e.g. lease rental, insurance, community service charges) are spread over two years (i.e. 2010 and 2011), but also include a component carried forward from payments made in the previous year (2009).

Based on the trading statement, the loss incurred by the Club during 2010 was \$9,629. This loss is due predominantly to amortisation of the lodge building (\$8,515).

Some other comments on the trading statement are as follows:

- The main component of bank fees and charges relates to the merchant fees and terminal fees applying to credit card bookings (\$1,877).
- There are significant increases in community service charges and electricity (light and power) costs. These follow the trend set in the previous year.

- The cost of insurance has continued to decrease. (The actual premium paid in May 2010 was \$6,840).
- 'Repairs, replacements and maintenance' includes materials for work parties (\$557), professional services (\$2,642), work party credits to members (\$3,200) and new electrical items etc. (\$2,178) including the replacement of the oven.
- 'Telephone' includes both the lodge phone and the EFTPOS lines used by the booking officers. A component of the lodge phone cost is recovered from members.

3. Allocation of Costs by Categories

In response to a request at the 2002 AGM, the Board developed the following principles for considering how costs of running the Club should be allocated:

- Accommodation receipts should cover all costs arising from use of the lodge.
- Annual subscriptions should cover all compulsory charges that are incurred by the Club irrespective of how much the lodge is used.
- Levies should recover costs such as capital works that add to the value of members' shareholdings.

An analysis of 2010 costs according to these categories is presented below:

A. Charges against accommodation

Electricity	\$7,583
Telephone	\$1,230
Firewood	\$1,584
Communal stores	\$1,700
Honour shop	\$433
Community service charges	\$18,317
Repairs and maintenance related to lodge use	\$260
Replacement of equipment	\$2,178
Merchant/ terminal fees (booking officers)	\$1,717
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Total expenses	\$35,002
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Accommodation income	\$29,058
Shop purchases	\$470
Telephone recovery	\$210
Locker fees	\$875
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Total income	\$30,613
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Based on the above figures, it would appear that the accommodation charges applying in 2010 were not sufficient to cover the associated costs. The Board has
 → increased accommodation rates from the beginning of 2011 by approximately 20 percent. This should be adequate to cover the associated costs for the immediate future.

B. Compulsory charges

Lease rental	\$11,932
Insurance	\$6,825
Repairs and maintenance not related to lodge use*	\$5,871
Printing, postage, stationery	\$281
Audit fees	\$1,540
Meetings	\$67
Bank guarantee fee	\$160
Revaluation fees	\$1,320
SLOPES subscription	\$350
Ski Patrol donation	\$500
Legal fees	\$81
Website expenses	\$145
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Total expenses	\$29,072
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* Includes materials, contractors and work party credits

Subscriptions	\$32,200
Interest	\$416
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Total income	\$32,616
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Based on the above figures, it would appear that subscription fees, which were increased in 2010, comfortably covered the compulsory charges or costs associated with running the Club and maintaining the lodge. No further increase is considered necessary in 2011.

C. Capital works

No new capital works were undertaken in 2010. The Board, however, decided to accept an offer from the National Parks and Wildlife Service to extend the lease of the site to 2058 at a cost of \$22,440. The Board decided to recover this cost through a levy on members. This levy of \$224.40 per membership was billed at the same time as annual subscriptions. The lease extension should add to the value of members' share holdings.

4. Financial Trends

The financial trends which were reported in detail for 2009 at the 2010 Annual General Meeting have generally continued into 2010. In particular, the community service charges have continued to rise steeply and there has been a substantial rise in electricity costs (see page 12 of audited report). The lease rental has also increased. Insurance costs were reduced, but these will rise again in 2011 due to the costs of recent natural disasters in many areas of Australia.

There was a small decrease (3.2%) in accommodation income in 2010, continuing the trend which has been evident for several years. This decrease should be

checked temporarily by the increase in accommodation rates for 2011. While the lodge continues to be used to capacity during the peak winter season, it is very much underutilised during summer. Increased summer use of the lodge by members and guests during summer could become important in the future as a means of boosting accommodation income and putting off the need for further increases in accommodation rates.

5. Lodge Revaluation

As the value of the lodge shown in the 2009 financial report was considered unrealistically low, the Board arranged for an independent revaluation of the building in June 2010. This is reflected in the statement of financial position on page 6 of the audited report, which shows an increase in leasehold improvements from \$17,454 to \$793,314, and corresponding increases in total assets, net assets and total equity.

The revaluation was undertaken prior to the Board decision to extend the lease from 2025 to 2058, and the value of the lodge may increase further once this lease extension is taken into account. A further revaluation may be warranted once the lease extension has been finalised.

The contents of the lodge have been depreciated to zero in the accounts, but this is not a true reflection of their current value. The Board plans to undertake a valuation of the contents for purposes of the financial record.

The value of the lodge and contents shown in the financial report are not the same as those adopted for insurance purposes. The latter figures are substantially higher and reflected the estimated replacement value.

6. Possible Future Levies/ Sinking Fund

It is anticipated that it will be necessary to charge members a levy during 2011 or 2012 for stabilisation and landscaping works required in association with maintenance of the deck, and that further levies may be required in future years if it is decided to extend the deck and provide a new window in the mezzanine. The Board has also discussed a suggestion from a member for creating a sinking fund, based on annual levies from members, which could be used to fund major maintenance items or improvements. These matters will be open for discussion at the Annual General Meeting as separate items.