

Treasurer's Report and Recommendations to the Board of Directors
White Pass Village Inn Association
Fiscal Year Ended June 30, 2019

Dear Owners and Board of Directors:

I have prepared this Treasurer's Report in order to provide a recap for you of the financial status and activities of the Association and its subsidiary Rental LLC. If you have any questions or suggestions, please feel free to contact me and I'll be happy to help.

Erin Simonson, Treasurer

1. Unrestricted Cash Balances: The Association had cash and equivalents of over \$200,000 at June 30, 2019 which represents a significant increase from the prior year resulting primarily from operating income well in excess of budget and higher levels of owner prepayments of assessments.
2. Restricted Cash Balances: The Association had cash restricted for major repairs and replacements at June 30, 2019 of over \$86,000, which represents a net increase of approximately \$5,000 from the prior fiscal year. An assessment of \$40,000 increased the reserves available while approximately \$35,000 was spent on major repairs and replacements, including work on the pool and south decks.
3. Budget vs. Actual Analysis: The Association's net operating income exceeded the budget approved by the Board of Directors by over \$48,000 for the fiscal year ended June 30, 2019. Primary elements of the budget surplus included improved rental income results from Unit 12, improvements in pricing, monitoring and purchasing of propane, and cost reductions in payroll and building and pool supplies.
4. Other Discussion:
 - a. Audit of Association's financials – The audit of the June 30, 2018 financials has now been completed and the report is available on the owner website. The audit of the June 30, 2019 will be underway soon. A few reporting changes will bring a different look to the financials.
 - i. Fund Accounting – The Association historically presented its financial information in a standard financial reporting format. We have been advised to convert to the fund accounting format, especially given our implementation of a reserve study and policy toward funding the reserves through annual assessments. Fund accounting separately tracks the activities of the Association that flow through operating funds or through our reserve funds. This change in reporting format was implemented with the audit of the June 30, 2018 financials. The annual budget and interim financial statement formats may also eventually be transitioned to the fund accounting format, although this is not a requirement.
 - ii. Capitalized Assets – The Association historically capitalized assets that represent common area components that technically are not the property of the Association as a separate legal entity and instead are real property owned proportionately and in common by each of the unit owners. We have been advised to write off all assets that are not the separate property of the Association itself and to develop a capitalization policy going forward that is more consistent with the industry standards developed in FASB 972. We will be working on development of a recommended capitalization policy for approval and adoption by the Board in order to clarify the criteria for capital asset classifications.

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5. White Pass Village Inn Rentals, LLC:

- a. Unrestricted Cash Balances: The Rental LLC had cash and equivalents of over \$461,000 at June 30, 2019 which represents an increase of approximately \$55,000 from the prior year resulting primarily from additional cash provided from operations during the fiscal year.
- b. Net Income Distributable to Owners: The Rental LLC had net income distributable to owners of over \$398,000 for the fiscal year, representing an increase of approximately \$56,000 over the amount of distributable net income of the prior fiscal year and resulting primarily from an increase in Guest Room Rental and other Service Fee income.
- c. Housekeeping Department expenses continue to materially exceed amounts billed to owners and renters for housekeeping services. For the year ended June 30, 2019, net unrecovered housekeeping department expenses of over \$65,000 were separately allocated to all unit owners in proportion to the actual number of unit cleans provided to each unit during the year.