

GUNSTOCK AREA COMMISSION

Financial Statements

April 28, 2022 and April 29, 2021

and

Independent Auditor's Report

GUNSTOCK AREA COMMISSION
FINANCIAL STATEMENTS
April 28, 2022 and April 29, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Gunstock Area Commission

Opinion

We have audited the accompanying financial statements of the Gunstock Area Commission, a component unit of Belknap County, New Hampshire, as of and for the years ended April 28, 2022 and April 29, 2021, and the related notes to the financial statements, which collectively comprise the Gunstock Area Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Gunstock Area Commission as of April 28, 2022 and April 29, 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gunstock Area Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gunstock Area Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gunstock Area Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Gunstock Area Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Vachon Clukay & Company PC

Manchester, New Hampshire
October 19, 2022

Gunstock Area Commission

Management's Discussion and Analysis

For the Fiscal Years Ending April 28, 2022, and April 29, 2021

As management of Gunstock Area Commission, we offer readers of Gunstock Mountain Resort's financial statements an overview and analysis of the financial activities for the Fiscal Years ending April 28, 2022, and April 29, 2021. We encourage readers to consider the information presented here in conjunction with additional information furnished in the financial statements and notes thereto.

Financial Highlights

Fiscal Year 2022 Operating Results

For the 12-month period ending April 28, 2022, Operating Revenues were up from the prior year. Departmental Gross Income was \$18.22mm vs. \$14.05mm prior year. Operating Income was up from the prior year, \$3.69mm FY22 vs. \$2.35mm FY21.

2021 Summer Season

Management executed a strategy to maximize revenue by running a four-day week for the summer activities. This allowed us to drive sales into limited days and utilize available staff.

2021/2022 Ski Season

Gunstock opened for its 85th season on December 10, 2021. Despite continued concerns over the COVID 19 virus, Gunstock had its most successful winter season in history. The mountain had over 198,000 skier visits, which included over 16,000-night skier visits. Grooming kept the trails in excellent shape and that continued all the way up to our last day of skiing, which was April 3, 2022.

Summary of Financial Results and Payment to Belknap County

- Department Gross Income was up \$4.16mm from last year. The winter season was up \$2.22mm from last year.
- Net Position was up \$3.51mm from last year.
- Cash and Cash Equivalents were up \$2.85mm from last year. Management did not utilize a RAN for the second consecutive year.
- Capital Expenditures for the year totaled \$1.39mm. A new rental building was completed during the year and the new parking lot at Breezy Knoll was 80% completed. An additional \$651K was in CIP at year end. (Refer to Note 3 – Capital Assets for additional information)
- Fee to Belknap County for the fiscal year was \$320,285. Payment due 45 days after approval of the Audited Financial Statements from the commissioners.

- Bonds and Capital Leases net decrease for the year was \$734K. (Refer to Note 5 – Long-Term Obligations for additional information)

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Gunstock’s financial statements. The basic financial statements comprise of four components:

- 1) Statements of Net Position
- 2) Statements of Revenues, Expenses and Changes in Net Position
- 3) Notes to Financial Statements (see auditor’s report for notes)

Gunstock Area Commission Statements of Net Position

	FY2022	FY2021
Current and Other Assets	9,214,315	6,302,353
Capital Assets	12,594,404	12,272,984
Total Assets	21,808,719	18,575,337
Current Liabilities	4,601,483	4,165,707
Noncurrent Liabilities	1,589,727	2,303,868
Total Liabilities	6,191,210	6,469,575
Net Position		
Net Invested in Capital Assets	10,297,476	9,242,395
Unrestricted	5,320,033	2,863,367
Total Net Position	15,617,509	12,105,762

Gunstock Area Commission
Statements of Revenues, Expenses and Changes in Net Position

	FY2022	FY2021
Operating Revenues:		
Departmental Gross Income	<u>18,215,562</u>	<u>14,052,263</u>
Operating Expenses:		
Departmental Expenses	8,831,025	6,640,940
General and Administrative Expenses	3,334,183	2,723,291
Marketing Expenses	700,107	555,919
Depreciation	<u>1,662,370</u>	<u>1,777,992</u>
Total Operating Expenses	14,527,685	11,698,142
Operating Income	3,687,877	2,354,121
Total Non-Operating Revenues (Expenses)	<u>(276,226)</u>	<u>(158,058)</u>
Income before Capital Contributions	3,411,651	2,196,063
Capital Contributions	100,096	68,250
Changes in Net Position	3,511,747	2,264,313
Net Position - Beginning of Year	<u>12,105,762</u>	<u>9,841,449</u>
Net Position - End of Year	<u><u>15,617,509</u></u>	<u><u>12,105,762</u></u>

Fiscal Year 2023 Operating Budget and Plan

2022 Summer Season

Management decided to extend operations to a 5-day operating schedule during the months of July and August vs. the 4-day operating week last year. May and June will operate weekends and holidays only, as we have done historically. The continued condensed week will also assist managing the shortage in the labor pool and ensure guest satisfaction. Camping will continue to operate as usual, 7 days a week.

2022/2023 Ski Season

Management has taken the lessons learned during the past two years and incorporated them into the operating plan for winter FY2023. Gunstock will continue to focus on providing a great experience by limiting the number of day tickets sold. Management will flex the quantity of tickets sold depending on season pass sales, conditions, etc. While overall number of skier visits is planned to be lower than the prior year, we budgeted overall revenue to be higher.

Income from Operations and Net Income

Income from Operations is budgeted at \$5.0mm and Net Income is budgeted at \$2.92mm.

Additional Financial Information

- Cash and Cash Equivalents at year end \$7.9mm. No RAN requested.
- Capital Expenditures budgeted at \$3.85mm. Plan includes a full- service restaurant located at the current Stockade Food Court, AC installed in the Main Lodge and a new groomer.
- Bonds and Capital Leases net decrease of \$704K.

Request for Information

This MD&A is designed to provide a general overview of Gunstock's finances for all those with an interest in the resort's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, Gunstock Area Commission, 719 Cherry Valley Road, Gilford, NH 03249.

EXHIBIT A
GUNSTOCK AREA COMMISSION
STATEMENTS OF NET POSITION
April 28, 2022 and April 29, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 8,349,232	\$ 5,494,251
Investments	244,977	244,009
Accounts receivable	13,347	10,668
Inventories, net	508,125	411,485
Prepaid expenses	98,634	141,940
Total Current Assets	<u>9,214,315</u>	<u>6,302,353</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable capital assets	2,848,443	2,197,595
Depreciable capital assets, net	9,745,961	10,075,389
Total Noncurrent Assets	<u>12,594,404</u>	<u>12,272,984</u>
Total Assets	<u>21,808,719</u>	<u>18,575,337</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	208,891	244,042
Accrued expenses	536,449	473,960
Due to other governments	320,285	247,404
Advance from grantors	59,778	59,778
Current portion of bonds payable	472,142	472,142
Current portion of capital leases payable	235,059	254,579
Unearned revenue	2,768,879	2,413,802
Total Current Liabilities	<u>4,601,483</u>	<u>4,165,707</u>
Noncurrent Liabilities:		
Bonds payable	1,469,287	1,941,430
Capital leases payable	120,440	362,438
Total Noncurrent Liabilities	<u>1,589,727</u>	<u>2,303,868</u>
Total Liabilities	<u>6,191,210</u>	<u>6,469,575</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	10,297,476	9,242,395
Unrestricted	5,320,033	2,863,367
Total Net Position	<u>\$ 15,617,509</u>	<u>\$ 12,105,762</u>

See accompanying notes to the basic financial statements

EXHIBIT B
GUNSTOCK AREA COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Years Ended April 28, 2022 and April 29, 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Departmental gross income	\$ 18,215,562	\$ 14,052,263
Operating expenses:		
Departmental expenses	8,831,025	6,640,940
General and administrative expenses	3,334,183	2,723,291
Marketing expenses	700,107	555,919
Depreciation	1,662,370	1,777,992
Total operating expenses	<u>14,527,685</u>	<u>11,698,142</u>
Operating income	<u>3,687,877</u>	<u>2,354,121</u>
Non-operating revenues (expenses):		
County fees	(320,285)	(247,404)
Interest expense	(106,131)	(127,732)
Interest income	6,937	4,268
(Loss) gain on dispositions of capital assets	(35,524)	12,760
Lease income	64,288	86,378
Miscellaneous	114,489	113,672
Net non-operating revenues (expenses)	<u>(276,226)</u>	<u>(158,058)</u>
Income before capital contributions	3,411,651	2,196,063
Capital contributions	<u>100,096</u>	<u>68,250</u>
Changes in net position	3,511,747	2,264,313
Net Position - beginning of year	12,105,762	9,841,449
Net Position - end of year	<u>\$ 15,617,509</u>	<u>\$ 12,105,762</u>

See accompanying notes to the basic financial statements

EXHIBIT C
GUNSTOCK AREA COMMISSION
STATEMENTS OF CASH FLOWS
For the Fiscal Years Ended April 28, 2022 and April 29, 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 18,567,960	\$ 15,455,234
Cash paid to suppliers	(7,698,185)	(5,296,625)
Cash paid to employees	(5,189,612)	(4,199,348)
Net Cash Provided by Operating Activities	<u>5,680,163</u>	<u>5,959,261</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital leases		402,300
Principal paid on bonds payable	(472,143)	(1,022,143)
Principal paid on capital leases payable	(261,518)	(333,189)
Interest paid on debt financing	(109,645)	(135,637)
Payments to County	(247,404)	
Acquisition and construction of capital assets	(2,043,374)	(1,124,723)
Proceeds from capital contributions	100,096	68,250
Proceeds from sales of capital assets	24,060	59,876
Other non-operating revenues	178,777	200,050
Net Cash Used for Capital and Related Financing Activities	<u>(2,831,151)</u>	<u>(1,885,216)</u>
Cash Flows from Investing Activities:		
Purchases of investment securities	(968)	(996)
Interest on investments	6,937	4,268
Net Cash Provided by Investing Activities	<u>5,969</u>	<u>3,272</u>
Net Increase in Cash and Cash Equivalents	2,854,981	4,077,317
Cash and Cash Equivalents at Beginning of Year	5,494,251	1,416,934
Cash and Cash Equivalents at End of Year	<u>\$ 8,349,232</u>	<u>\$ 5,494,251</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 3,687,877	\$ 2,354,121
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	1,662,370	1,777,992
Change in assets and liabilities:		
(Increase) Decrease in accounts receivables	(2,679)	40,993
(Increase) Decrease in inventories	(96,640)	341,931
(Increase) Decrease in prepaid expenses	43,306	(31,830)
(Decrease) Increase in accounts payable	(35,151)	(63,349)
(Decrease) Increase in accrued expenses	66,003	177,425
(Decrease) Increase in unearned revenue	355,077	1,361,978
Net Cash Provided by Operating Activities	<u>\$ 5,680,163</u>	<u>\$ 5,959,261</u>
Noncash Transactions Affecting Financial Position:		
Net book value of disposed capital assets	<u>\$ 59,584</u>	<u>\$ 47,116</u>

See accompanying notes to the basic financial statements

GUNSTOCK AREA COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
For the Years Ended April 28, 2022 and April 29, 2021

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gunstock Area Commission (“the Commission”) conform to accounting principles generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Commission was incorporated as a body politic and an agency of the County of Belknap (the “County”) by Act of the New Hampshire General Court, effective September 15, 1959, to provide for the operation and maintenance of the former Belknap County Recreational Area. The Commission is authorized to borrow funds to accomplish its purposes upon approval by the County Convention. All debt has been authorized pursuant to New Hampshire laws and carries the pledge of the full faith and credit of the County of Belknap.

The Commission (a component unit of Belknap County, New Hampshire) is accounted for as a separate and distinct enterprise fund from the County.

Basis of Accounting

The financial statements of the Commission have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, cash and cash equivalents consist of checking accounts, savings accounts, and cash on hand.

Investments

Investments are stated at their fair value. Certificates of deposit with a maturity greater than ninety days from the date of issuance are included in investments.

Inventories

Merchandise available for sale is valued at the lower of cost (under the first-in, first-out method), or market. For the years ended April 28, 2022 and April 29, 2021, inventory is reported net of reserves for obsolescence of \$51,486 and \$55,837, respectively.

Capital Assets

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

GUNSTOCK AREA COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended April 28, 2022 and April 29, 2021

All reported capital assets except for land and construction in progress are depreciated. Improvements, buildings, and equipment are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Land improvements	5-25
Buildings and improvements	3-33
Equipment	3-25
Leasehold improvements	5-8

Compensated Absences

Employees earn vacation leave as they provide services. Pursuant to the personnel policy, full time/year round employees earn twelve to twenty days of vacation leave on an annual basis dependent on length of service. Accrued and unused vacation leave has been included as a liability in these financial statements.

Advances from Grantors

Grants received before the eligibility requirements are met are recorded as an advance from grantors.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Sales collected before the revenues are earned are recorded as unearned revenue. All revenues are expected to be recognized within one year of receipt.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Commission. For the Commission, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the Commission. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

GUNSTOCK AREA COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended April 28, 2022 and April 29, 2021

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2--DEPOSITS AND INVESTMENTS

Deposits and investments as of April 28, 2022 and April 29, 2021 are classified in the accompanying financial statements as follows:

	<u>2022</u>	<u>2021</u>
Statement of Net Position:		
Cash and cash equivalents	\$ 8,349,232	\$ 5,494,251
Investments	<u>244,977</u>	<u>244,009</u>
	<u>\$ 8,594,209</u>	<u>\$ 5,738,260</u>

Deposits and investments as of April 28, 2022 and April 29, 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 15,133	\$ 8,270
Deposits with financial institutions	<u>8,579,076</u>	<u>5,729,990</u>
	<u>\$ 8,594,209</u>	<u>\$ 5,738,260</u>

The Commission's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Commission limits its investments to demand deposits, certificates of deposit and repurchase agreements.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned.

The Commission's cash management program is based on an FDIC Insured operating account which sweeps balances daily above the FDIC limit to an Insured Cash Sweep account. The funds in the Insured Cash Sweep (ICS) are 100% FDIC Insured through placement in the Promontory Network. This is an approved method of collateralizing public funds (including Counties) in the State of New Hampshire, specifically under RSA 6:8, 29:1. The Commission has entered into an ICS Deposit Placement Agreement with Franklin Savings Bank. For the years ended April 28, 2022 and April 29, 2021, uncollateralized balances in excess of federally insured limits were \$-0-.

GUNSTOCK AREA COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended April 28, 2022 and April 29, 2021

NOTE 3--CAPITAL ASSETS

The following is a summary of changes in capital assets during the years ended April 28, 2022 and April 29, 2021:

	Balance 4/29/2021	Additions	Reductions	Balance 4/28/2022
Capital assets not being depreciated:				
Land	\$ 2,197,595			\$ 2,197,595
Construction in progress		\$ 650,848		650,848
Total capital assets not being depreciated	<u>2,197,595</u>	<u>650,848</u>	<u>\$ -</u>	<u>2,848,443</u>
Other capital assets:				
Land improvements	2,667,935	86,334		2,754,269
Buildings and improvements	5,229,162	332,223	(24,286)	5,537,099
Equipment	30,169,581	973,969	(347,268)	30,796,282
Leasehold improvements	737,809			737,809
Total other capital assets at historical cost	<u>38,804,487</u>	<u>1,392,526</u>	<u>(371,554)</u>	<u>39,825,459</u>
Less accumulated depreciation for:				
Land improvements	(1,589,419)	(50,172)		(1,639,591)
Buildings and improvements	(4,321,851)	(118,779)	11,937	(4,428,693)
Equipment	(22,235,797)	(1,445,587)	300,033	(23,381,351)
Leasehold improvements	(582,031)	(47,832)		(629,863)
Total accumulated depreciation	<u>(28,729,098)</u>	<u>(1,662,370)</u>	<u>311,970</u>	<u>(30,079,498)</u>
Total other capital assets, net	<u>10,075,389</u>	<u>(269,844)</u>	<u>(59,584)</u>	<u>9,745,961</u>
Total capital assets, net	<u>\$ 12,272,984</u>	<u>\$ 381,004</u>	<u>\$ (59,584)</u>	<u>\$ 12,594,404</u>
	Balance 5/1/2020	Additions	Reductions	Balance 4/29/2021
Capital assets not being depreciated:				
Land	\$ 2,197,595			\$ 2,197,595
Construction in progress	23,771		\$ (23,771)	-
Total capital assets not being depreciated	<u>2,221,366</u>	<u>\$ -</u>	<u>(23,771)</u>	<u>2,197,595</u>
Other capital assets:				
Land improvements	2,667,935			2,667,935
Buildings and improvements	5,111,807	117,355		5,229,162
Equipment	29,274,442	1,031,139	(136,000)	30,169,581
Leasehold improvements	737,809			737,809
Total other capital assets at historical cost	<u>37,791,993</u>	<u>1,148,494</u>	<u>(136,000)</u>	<u>38,804,487</u>
Less accumulated depreciation for:				
Land improvements	(1,533,213)	(56,206)		(1,589,419)
Buildings and improvements	(4,164,441)	(157,410)		(4,321,851)
Equipment	(20,805,654)	(1,519,027)	88,884	(22,235,797)
Leasehold improvements	(536,682)	(45,349)		(582,031)
Total accumulated depreciation	<u>(27,039,990)</u>	<u>(1,777,992)</u>	<u>88,884</u>	<u>(28,729,098)</u>
Total other capital assets, net	<u>10,752,003</u>	<u>(629,498)</u>	<u>(47,116)</u>	<u>10,075,389</u>
Total capital assets, net	<u>\$ 12,973,369</u>	<u>\$ (629,498)</u>	<u>\$ (70,887)</u>	<u>\$ 12,272,984</u>

GUNSTOCK AREA COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended April 28, 2022 and April 29, 2021

The balance of the assets acquired through capital leases as of April 28, 2022 and April 29, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 1,601,009	\$ 1,598,098
Less: Accumulated depreciation	<u>(462,964)</u>	<u>(337,373)</u>
	<u>\$ 1,138,045</u>	<u>\$ 1,260,725</u>

NOTE 4--SHORT-TERM OBLIGATIONS

Revenue Anticipation Notes

The Commission issues revenue anticipation notes during the year, if needed. These borrowings are to assist in the payment of operating expenses during the off-season and are guaranteed to be repaid from operating revenues of the Commission received during the winter months.

For the year ended April 28, 2022 the Commission did not execute a short-term revenue anticipation note and for the year ended April 29, 2021, the Commission had executed a short-term revenue anticipation note, however, no drawdowns were taken.

NOTE 5--LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in long-term debt obligations for the years ended April 28, 2022 and April 29, 2021 are as follows:

<u>Type</u>	Balance <u>4/29/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>4/28/2022</u>	Amounts Due Within <u>One Year</u>
Bonds payable	\$ 2,413,572		\$ (472,143)	\$ 1,941,429	\$ 472,142
Capital leases	<u>617,017</u>		<u>(261,518)</u>	<u>355,499</u>	<u>235,059</u>
	<u>\$ 3,030,589</u>	<u>\$ -</u>	<u>\$ (733,661)</u>	<u>\$ 2,296,928</u>	<u>\$ 707,201</u>

<u>Type</u>	Balance <u>5/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>4/29/2021</u>	Amounts Due Within <u>One Year</u>
Bonds payable	\$ 3,435,715		\$ (1,022,143)	\$ 2,413,572	\$ 472,142
Capital leases	<u>547,906</u>	<u>\$ 402,300</u>	<u>(333,189)</u>	<u>617,017</u>	<u>254,579</u>
	<u>\$ 3,983,621</u>	<u>\$ 402,300</u>	<u>\$ (1,355,332)</u>	<u>\$ 3,030,589</u>	<u>\$ 726,721</u>

General Obligation Bonds

Bonds payable at April 28, 2022 and April 29, 2021 are comprised of the following individual issues:

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	<u>2022</u>	<u>2021</u>
\$1,600,000 bonds due in annual installments of \$182,857 through March 2025; interest at 2.145%	\$ 548,572	\$ 731,429
\$1,000,000 bonds due in annual installments of \$114,285 through March 2025; interest at 2.78%	342,857	457,143
\$3,250,000 bonds due in an annual installments of \$175,000 through January 2028; interest at 3.500% - 4.375%	<u>1,050,000</u>	<u>1,225,000</u>
	<u>\$ 1,941,429</u>	<u>\$ 2,413,572</u>

Debt service requirements to retire general obligation bonds outstanding at April 28, 2022 are as follows:

Year Ending <u>April 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 472,142	\$ 64,719	\$ 536,861
2024	472,142	50,584	522,726
2025	472,145	36,444	508,589
2026	175,000	22,313	197,313
2027	175,000	15,094	190,094
2028	175,000	7,656	182,656
	<u>\$ 1,941,429</u>	<u>\$ 196,810</u>	<u>\$ 2,138,239</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. Capital leases payable at April 28, 2022 and April 29, 2021 are comprised of the following individual issues:

	<u>2022</u>	<u>2021</u>
\$402,300 equipment lease due in monthly installments of \$22,270, including interest at 11.874% through March 2024	\$ 178,880	\$ 279,455
\$127,755 equipment lease due in yearly installments of \$26,582, including interest at 2.0% through June 2022	-	23,469
\$99,400 equipment lease due in annual installments of \$21,684, including interest at 3.85% through February 2024	42,760	62,074
\$40,400 equipment lease due in annual installments of \$8,851, including interest at 3.728% through February 2024	8,863	24,704
\$374,528 equipment lease due in five installments per year of \$20,375, including interest at 6.21% through April 2023	92,182	184,364

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\$69,509 equipment lease due in monthly installments of		
\$1,114, including interest at 5.99% through December 2024	32,814	42,951
	<u>\$ 355,499</u>	<u>\$ 617,017</u>

Debt service requirements to retire capital lease obligations outstanding at April 28, 2022 are as follows:

<u>April 28,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 235,059	\$ 24,288	\$ 259,347
2024	111,872	12,459	124,331
2025	<u>8,568</u>	<u>156</u>	<u>8,724</u>
	<u>\$ 355,499</u>	<u>\$ 36,903</u>	<u>\$ 392,402</u>

NOTE 6--LEASE OF AREA FACILITIES

Land Parcel

The Commission has contracted with a company to lease a parcel of land to operate a facility to conduct radio telephone and other telecommunications operations. Per the agreement, commencing February 1, 2013 and each five-year anniversary thereafter, the rent for each five-year term shall increase based on the percentage change in the Consumer Price Index published by the Bureau of Labor and Statistics of the United States Department of Labor for all Urban Consumers, US City Average. In addition, the Commission will receive 25% of rental income if the land parcel is subleased to another entity.

The agreement provides that the Commission will receive rent payable in equal monthly installments. During the years ended April 28, 2022 and April 29, 2021, the annual income from the land lease was \$62,300. The lessee is responsible for real estate taxes and utilities.

Tower Leases

The Commission has entered into various agreements to lease tower space to several independent companies for telecommunication and radio operations. These lease agreements range from being renewed on an annual basis to long-term agreements for a period of five years.

Tower lease rentals are payable in monthly installments. In addition, the Commission will receive an annual trade agreement of signal time from the lessee. During the years ended April 28, 2022 and April 29, 2021, the annual income from tower leases was \$14,891 and \$27,017, respectively.

Soul Festival

During November 2016, the Commission entered into a five-year agreement with a corporation to grant them the right to conduct the Soul Festival at the Gunstock Area Commission. A one year agreement was entered into for fiscal year 2022. Terms of the agreement provide that the Commission will retain campsite sales up to \$100,000 and 50% of these sales thereafter. In addition, the Commission will retain the income from summit chair lift rides up to \$3,000 and 50% thereafter. During the year ended April 28, 2022, the annual income from the Soul Festival was as follows:

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	<u>2022</u>
Camping	\$ 117,073
Coaster and Add on	19,165
Chair lift rides	<u>24,036</u>
	<u>\$ 160,274</u>

During the year ended April 29, 2021, the Soul Festival was cancelled (due to the COVID-19 pandemic).

Land Lease

The Commission has contracted with a company to lease a parcel of land to operate a facility to conduct Bronco Off-Road driver training experience operations. Per the agreement, commencing June 15, 2021 through November 9, 2023, the lessee will pay rent of \$45,000 annually and an annual \$5,000 tax deductible donation for the use of the Gunstock Ski Club building.

NOTE 7--RETIREMENT PLANS

Profit Sharing Plan

Effective September 1, 2008, the Gunstock Area Commission entered into a profit-sharing defined contribution plan. The plan provides for participation by employees who have 1,000 hours of service in a twelve-month consecutive period and have attained the age of 21. Eligible employees may elect to enroll in this pension plan on a semi-annual basis and are eligible for normal retirement after age 62. Once eligible, employer contributions are vested in increments of 20% for each year of service. After six years of service, the employer contributions are 100% vested. The plan further provides that the Commission may contribute a uniform percentage of each participant's compensation at its sole discretion. An employee must be actively working on April 30 to receive an employer contribution.

If a participant terminates employment prior to attaining the normal retirement age, the maximum distribution amount is \$5,000. Prior to termination of employment, a participant may elect a distribution from his/her vested account in the event of hardship or if he/she has attained the age of 59½. Once a participant reaches the normal retirement age of 62 the remainder of their funds are available.

The Commission did not make contributions to the plan for fiscal years 2022 or 2021.

457(b) Plan

Effective September 1, 2008, the Gunstock Area Commission entered into a 457(b) defined contribution plan. Employees may participate in the plan following one year of continuous service and have attained the age of 21. Under the plan, employees are eligible for normal retirement after age 62. Maximum contribution amounts are set by IRS regulations. In addition, participants are permitted to make age 50 catch-up contributions. A matching contribution of 3% is made by the Commission. A participant's contributions are 100% vested immediately without regard to additional service of employment. Prior to termination of employment, a participant may elect a distribution from his vested account in the event of an unforeseeable emergency or if he or she has attained the age of 70½. The Commission's contributions to the plan during fiscal years 2022 and 2021 were \$89,955 and \$31,102, respectively.

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NOTE 8--RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended April 28, 2022, the Commission participated in a public entity risk pool (Trust) for worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in the past year.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at April 28, 2022.

Property and Liability Insurance

The general liability insurance provides a limit of \$1,000,000 for each occurrence with no general aggregate. The self-insured retention is \$15,000 per occurrence and \$75,000 annual aggregate. Primary Excess liability extends coverage over the general liability, auto liability and employer's liability up to \$9,000,000 per occurrence and \$18,000,000 aggregate. A secondary excess liability extends coverage over the general liability, auto liability and employer's liability for an additional \$3,000,000 per occurrence and aggregate, providing a total occurrence liability limit of \$13,000,000. There is no retention on the primary or secondary excess liability layer.

Business Income and Extra Expense coverage is \$4,000,000 with a \$10,000 deductible.

The Commission has a blanket limit of coverage in the amount of \$23,442,962 for scheduled buildings and property. Limit for scheduled lifts, permanent snow making and night lighting equipment is \$16,479,115. The Commission's deductible is \$10,000 per occurrence, except for flood, earthquake, or equipment breakdown at \$25,000 per occurrence.

Commission's scheduled mobile equipment coverage is \$3,184,477. A \$1,000 deductible applies per occurrence.

NOTE 9--COMMITMENTS AND CONTINGENCIES

Settlement

In August 2020, the Commission reached a settlement agreement with the company previously contracted with to provide food services. Terms of the settlement agreement state an amount of \$247,147 will be paid by the Commission to the other party with an upfront payment of \$130,000, a monthly payment of \$10,000 for 11 months and a final payment of \$7,147 within 12 months following the execution of the agreement. This amount is included in the April 29, 2021 financial statements within 'Accounts payable'. As of April 28, 2022, the agreement has been paid in full.

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Litigation

Gunstock Area Commission is involved in certain litigations in the ordinary course of business, primarily its ski operations. Management, based on discussions with its insurer, is of the opinion that the ultimate disposition of these matters will not result in a material effect on the financial condition or results of operations at Gunstock Area Commission.