

GUNSTOCK AREA COMMISSION MEETING
October 19, 2022 at 6PM
Gunstock Mountain Historic Lodge
APPROVED MINUTES

GAC: Doug Lambert (Chairman), Jade Wood (Vice-Chairman), Denise Conroy (Secretary),

Gunstock Personnel: Tom Day, Cathy White, Peter Weber, Robin Rowe, Patrick McGonagle, Becky LaPense.

Chairman Lambert called the meeting to order at 6:02 PM with the pledge of allegiance led by Tom Day. Chairman Lambert read the meeting notice and posting locations into the record and welcomed the Gunstock Commissioners, Gunstock Management and the members of the public.

Meeting Minutes

The Gunstock Area Commission public meeting minutes of the September 21, 2022 were reviewed.

ACTION

Motion: Secretary Conroy made a motion to accept the minutes as presented.

Second: Vice-Chair Wood.

Vote: All in favor.

Presentation of Annual Audit- Vachon Clukay & Company PC

Jared Vartanian and Jennifer Dorr from Vachon Clukay & Company PC presented the FY22 Annual Audit of financial statements for the GAC. Evidence of communication was previously submitted to the GAC with a summary of the overall process and the consideration of the GAC's internal control over financial reporting as a basis for designing the audit procedures that are appropriate for the purpose of expressing opinion on the financial statements, not for the purpose of expressing opinion on the effectiveness of the GAC's internal control. Jared stated that fieldwork was disrupted due to circumstances out of their control, so it took longer than usual to complete the field work. He also noted that there were no audit adjustments to the financial statements, and they did not identify any deficiencies in internal control that would be considered material weaknesses. Jared stated that there was an increase in cash and total assets, and total liabilities remained stable. There was an increase in operating revenues and the payment to Belknap County is \$320,285.00.

Jared reviewed the two letters for recommendations to management. Findings were not significant, but he noted that during the sample testing for credit card procedures there was one instance where there was lack of supporting documentation for a purchase on the statement. The second letter of recommendation was in regard to contracts and incentive programs. It is noted that there was an instance where a long-term contract being entered into by management without final approval by the GAC. In addition, there are payroll bonus/incentive programs that lacked formal approval by the GAC, even though they are part of the budget.

Jared also reviewed the recommendation to the GAC to review and update their internal control policies and procedures for governing control.

Chairman Lambert stated that some of the issues noted did not affect the overall financial picture and there was no "wrongdoing" just a lack of policy and procedures in some areas. He asked Jared, in his opinion, if this was a "clean bill of health" from an audit standpoint?

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Jared replied yes for financial statements, not control system. Secretary Conroy stated that the GAC has a long standing relationship with Vachon Clukay and previous audits did not flag some of policy issues/letters that were brought up in this audit. Jared replied that he can't speak on past audits. Secretary Conroy replied that she was concerned about the political influence during this audit and that one credit card transaction without evidence in a large sample size is pretty good. Jared replied that as an independent audit firm they are not influenced and they report based on government standards.

Chairman Lambert asked if issues were brought up during the process that were not usually looked into would they have made note of that? Jared replied that Vachon Clukay gave the GAC the option to look into a list of issues or if the firm should handle it. Chairman Lambert replied that the GAC received that list and went over each issue that was being brought to attention and found no issue with any.

General Manager/President Tom Day read a statement on behalf of himself and CFO, Cathy White.

"Now that the audit is final Cathy White and I would like to issue a statement dealing with the audit, because of the professionals we are, we waited until the audit was done. When we first heard rumblings of malfeasance at the delegation level Cathy spoke to Mike Sylvia, former chair of the delegation and soon to be former representative. She said that myself and her would be happy to sit in front of the delegation and present our financials and answer any questions they had. We asked multiple times and never got an answer and then soon as Ness became chair there was an audit committee. On that audit committee as a member of the delegation and Barbara Comtois and later Dawn Johnson and a member of the public John Plummer who used to be a delegate, interesting. When we asked what it's purpose was we were told it was for your protection. Then a few weeks later the attacks on Cathy and I started.

Since the inception of the audit committee we have had our honesty and integrity assaulted in print, radio and multiple gatherings. The following individuals Dave Strang, Peter Ness, Barbara Comtois, Dawn Johnson, Norm Silber and Mike Silvia have spread lies, misinformation and false accusations at both Cathy and I. Insulting our honesty and integrity over and over again at any chance they had. This is a group of petty, mean spirited people, with no moral compass they believe louder they talk, and spread unsubstantiated claims, the more they will be heard. They don't want to be informed they just want to win an argument -even if it's totally based on no evidence. It's too bad these individuals don't spend their time doing something constructive for the constituents of Belknap county - imagine all the good that could come.

Now I try to find some humor in everything even the defamation of Cathy and my honesty and integrity so let's look at the screen right now."

Cathy reviewed some financial information from November of 2019 as compared to April 2021 and April 2022. In November 2019 cash totaled \$16, 211, the GAC owed \$650,000 for RAN and long term debt totaled \$4.2mm. April of 2021 there was \$5.1mm in the bank, \$0 borrowed on the RAN, and \$3mm in long term debt. As of April 2022 there was \$7.9mm in the bank, \$0 Ran (never asked for one), and \$2.2mm in long term debt.

Chairman Lambert replied that all is well at Gunstock and the deficiencies in policies and oversight will be corrected moving forward.

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Financial MD&A and Executive Summary- September

Cathy White, Chief Financial Officer, reviewed the September financials. Total revenue from operations for September was \$533K \$102K unfavorable to budget and \$31K unfavorable to last year. Operational level EBITDA was (\$20K), \$79K unfavorable to budget and \$67K unfavorable to LY. Total revenue from operations, YTD, was \$2.4mm, \$490K unfavorable to budget and \$71K unfavorable to LY. YTD total company EBITDA was (\$1.2mm), \$238K favorable to budget and \$220K unfavorable to LY. Cathy also reviewed the September Balance sheet. Cash and cash equivalents were \$6.7mm, \$1.6mm favorable to budget and \$.7mm favorable to LY. Deferred revenue, which is mostly from season passes, was \$3.3mm, \$401K unfavorable to budget and \$562K favorable to LY. YTD Long-term debt had a decrease of \$6K. YTD Capital expenditure was \$576K and CIP at month end was \$1.0mm.

Secretary Conroy asked for clarification on the increase in accounts receivable from LY and the significant change in inventories. Cathy replied that part of the receivables is from the season pass installment plan and about \$100K is from Ford Bronco. The inventory is arriving on time this year as opposed to last year when it arrived in March, but now will be able to be sold on-time. Secretary Conroy asked about the Property and Equipment gross value, the budget was for \$45mm but is showing a little short. Cathy replied that projects are ongoing and can't be depreciated and sit in CIP. Secretary Conroy asked if some of that can be attributed to what happened during the summer. Cathy replied yes. Secretary Conroy asked why deferred revenue was off by about \$400K. Cathy replied that it was partially due to timing and that pricing tiers went from 4 tiers to 3.

Cathy reviewed the Recapture Plan. Budget YTD EBITDA for FY23 is (\$1.4mm) with actual of (\$1.1mm) and \$350K in additional expenses with timing so revised is (\$1.5mm) and about \$67K below budget. Unbudgeted legal fees amount to \$80K YTD.

Secretary Conroy asked about summer menu pricing as mentioned in the meeting materials and if there will be changes for winter menu pricing. Cathy responded that menus are currently being worked on, but they are seeing increases from some vendors.

Chairman Lambert noted that the GAC received and reviewed the check register for the month and all commissioners confirmed and that they were satisfied.

Chairman Lambert added that he received two more legal invoices on 10/19/22. The first invoice from Brand & Tapply, LLC. is for the Soulfest matter from July/August. The total amount due is \$627.00. A second invoice was received for Strang vs. Lambert with a total amount due \$2,877.00.

Winter Preparation Review-

Tom Day, GM/President stated that this time of year is a challenge to get projects completed and how to get things rolling for winter. While there is a lot happening there is a lot of discussion. Challenges will be staffing sizes. Becky LaPense, HR Director, added that it is still early, but the last 2 seasons more people have been hired than each winter before. She is cautiously optimistic. Tom acknowledged Patrick McGonagle, Facilities Director, and his teams for all the work they have been doing at the resort. Tom also stated that the tentative opening day is December 9th, with opening from the top.

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Old Business

a. Capital Expenditure Projects- status reports

- i. Cannonball- Tom Day introduced Dan Carbonneau, Snowmaking/Grooming Manager, who spoke about the Cannonball project. Dan stated that all the pipe was installed a month ago, posts have been installed for the new snow guns and a welder will be in next week. The new guns and hydrants will be installed in the next month. Dan talked about the new Klick hydrants from HKD that will save time and labor during the snowmaking process
- ii. Tubing Hill building- Patrick McGonagle also acknowledged the operations team members and the whole resort staff. The tubing building has some minor electrical needs to be completed as well as signage.
- iii. Magic Carpet Relocation - Patrick stated that the contractor couldn't come in so used in-house staff. He has started to move sections over. The building and electrical needs to be finished.
- iv. Ski Patrol Equipment Storage- Patrick stated that the project is about 95% complete- the building needs to be stained and patrol will add own shelves and finishing pieces.
- v. Rental building paving is complete and will alleviate drainage problems in that area.
- vi. Summit Septic- Patrick stated that the summit plan has been completed and the well should be drilled before snowmaking starts. Chairman Lambert asked if it would usable for the season. Patrick replied that is the plan but it will be a very busy next 3-4 weeks.
- vii. Pan Pub- Patrick said the engineer is looking at the building to plan out the expansion, but will be a spring/summer project.

- b. Parking Lot- Patrick stated that the as built plan is developed and modeling has started. Grades have a lot to do with ease of access plans.

Vice-Chair Wood added that she agrees with Patrick, the employees really do care and the number of rehires coming backs shows. She appreciates Tom and Patrick for recognizing the staff. Chairman Lambert and Secretary Conroy echoed her statement.

- c. Policy Planning- Chairman Lambert stated at the last GAC meeting it was noted that this would be a workshop meeting open to the public. GAC and management will talk about dates for this workshop meeting.

New Business

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a. "Live Like Doug" presentation

Greg Goddard spoke about the creation of the Live Like Doug group and Covered Bridge project. The project overview is attached. Before Doug Irving passed in 2018 one project, he wanted to complete was a pedestrian walkway around the pond with a covered bridge. The Live Like Doug group is hoping to create a partnership with Gunstock to complete the bridge project. Greg stated that he needs the GAC thoughts on the project before next steps can begin and under the naming policy the GAC will need to approve the project. Bob Durfee spoke about the engineering of the project including specifics on dimensions and capacity to allow a Piston Bully groomer through to groom the cross-country trails. Mr. Durfee added that once complete the bridge would be one-of-a-kind in NH and the only one in NH to have snow/trail access. Chairman Lambert thanked Greg and Bob for the presentation and asked about necessary permits. Greg replied that they need endorsement from the GAC first. Tom Day added that it would be a nice addition aesthetically and the management team would be in favor of the project. Vice-Chair Wood was happy to be honoring the legacy of Doug. Chairman Lambert stated that the GAC was in favor of the project moving forward into the next steps.

Public Comment

Chairman Lambert asked that that speakers use the podium and please write your name on the sheet provided. Limit to two minutes. No personal attacks and accusations.

Rep. Mike Sylvia (Belmont)- Stated to Chairman Lambert that he seems to be an expert on 91A and last month he expunged parts of the minutes from the August 2021 meeting minutes, and it seems misguided, even though it was at the advice of counsel. Rep. Sylvia also stated that there is a 5-year limit for leasing at Gunstock and asked why the ski club gets to renew their lease after 5 years with no other bidders or is there even a policy in place to allow for more bidders. Rep. Sylvia stated that he assumes the GAC will address the need to have secondary and backup for key personnel so the closure that happened during the summer doesn't happen again in the future. Rep. Sylvia stated that he agreed with Secretary Conroy in regard to the audit, using the same audit firm for 20 years is questionable and asked on behalf of the taxpayers that the management governance issues be addressed. Chairman Lambert thanked Rep. Sylvia for his comments.

Stephen Peterson (Gilford)- Stated that earlier in the meeting it was noted that legal fees amounted to \$80K and \$100K had been spent earlier. He said he was not up to speed on the drama and would like to know what the \$100K was for. Chairman Lambert thanked him and suggested that he review prior meeting minutes online as the commission has been open about legal billing for the past 5 months. If he has additional questions to email Chairman Lambert.

Carol Wohlers (Rochester)- Stated that as the GAC is working on policies and procedures, she suggests they have a procedure that says where public is supposed to sit at meetings

Vice-Chair Wood asked for discussion of meeting dates going forward and into next year at the November meeting. Chairman Lambert said he would add it to the agenda and that it was requested that the meeting be moved to the 4th Wednesday of the month instead of the 3rd and that can be discussed next month.

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ACTION

Motion: Secretary Conroy made a motion to adjourn the public meeting of the Gunstock Area Commission at 8:02pm.

Second: Vice-Chair Wood

Vote: All in favor.

Respectfully Submitted,

Denise Conroy, Secretary
Gunstock Area Commission