

Finance Committee Report

Lawrence Greenberg, Chair

Annual Meeting of Members of the
Cascadas de Baja Association

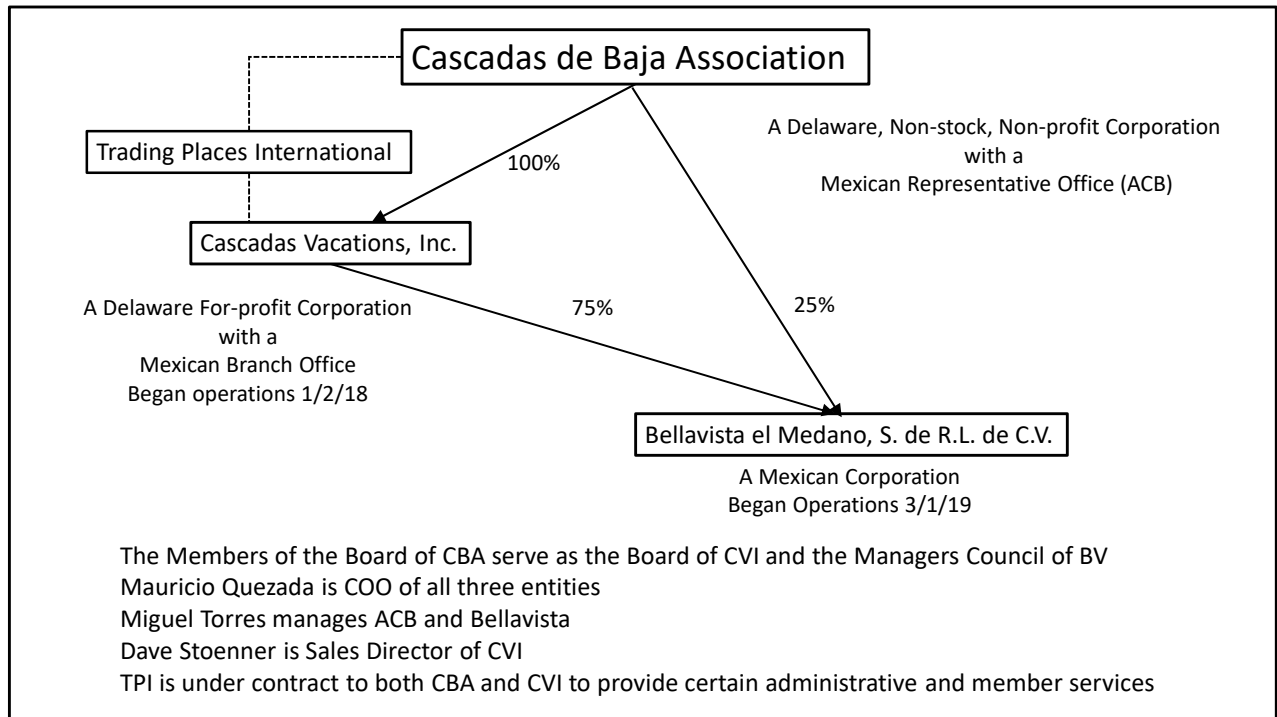
19 June 2021

Let me first introduce you to the Finance Committee that advises the Board

Finance Committee

- Richard Bort – Board Member and Secretary
- Larry Greenberg – Board President and Committee Chair
- ~~Luis Moran – TPI Vice President of HOA Accounting~~
- Mauricio Quezada – Chief Operating Officer
- Marty Russell – Board Member and Treasurer

Marty Russell is the Association's Treasurer; Richard and I have been on the Committee since it's inception. Mauricio joined as COO. Luis served us well for years, and we are waiting for TPI to replace him.



You have heard from Luis already about the financial results for the Association consolidating all three components. This slide, that you have seen in previous years, reminds you that the non-profit club has two profit making subsidiaries. CVI does sales and assists members on their use time needs. Bellavista operates the restaurant, spa, minimarket and Clubhouse Too.

Despite COVID, 2020 was a good year financially

- CBA's Operating Budget had a surplus of \$941K
 - CBA spent \$1.745M on remodeling and improvements
 - Building 23 renovation deferred to 2021; Bellavista paid for new Spa; CVI is paying for Villa Delfin in 2021
 - CBA's consolidated year-end fund balances increased 54% to \$4.88M
 - Consolidated Financial Statements for 2020 are posted in Members' Corner
- No Maintenance Fee increase was needed for 2021, none since 2016**

Because of conservative budgeting, a strong peso, and reduced expenses during the closure periods of low occupancy, the operating budget had a large surplus that has been transferred into our capital reserves. Similarly, we did not spend all the budgeted capital and the remaining fund balances are substantial. The next slide reviews the capital expenditures in 2020.

The Board will meet in October to prepare the 2022 budgets; I am not going to predict now whether we will continue our streak of no fee increases.

2020 Capital Expenditures

| | Budget | Actuals |
|--|------------------|------------------|
| Ordinary Capital | 433,905 | 438,874 |
| Furniture | 85,025 | 15,589 |
| Appliances | 33,979 | - |
| A/C and Fan Replacements | 42,699 | 23,521 |
| Villa Equipment | 22,801 | - |
| Building Equipment | 249,401 | 213,198 |
| Electrical Infrastructure | - | 177,322 |
| Computers and Miscellaneous | | 9,244 |
| Remodeling | 1,932,308 | 1,306,804 |
| Building 19 | 410,717 | 393,197 |
| Building 20 | 410,717 | 400,740 |
| Building 23 | 350,157 | - |
| Perlitas 14, 15 | 121,120 | 193,563 |
| Electrical Infrastructure | 200,000 | - |
| Common Area Projects | 146,987 | 35,003 |
| Member Relocation | 177,610 | 169,301 |
| Project Management | 115,000 | 115,000 |
| Total 2020 Capital Expenses | 2,366,213 | 1,745,678 |
| Note: Building 23 remodel moved to 2021 | | |
| Note: Spa construction was 2020/2021 Bellavista expense | | |

In total, we underspent our planned capital expenditures by more than \$600,000, with a large part of that being due to postponing the remodel of Building 23 which is now nearing completion. The first phase of replacing the 30-plus year-old electrical infrastructure was reclassified out of the remodel budget into Ordinary Capital.

2020 was a good year financially (cont.)

- CVI had net income of \$369K and retained earnings of \$1.23M
 - CVI paid \$602K to CBA for Maintenance Fees on inventory
 - About 400 weeks of CVI inventory have been booked by Members to replace lost weeks due 2020 closure
 - Strong sales continue and will further reduce fees owed to CBA in 2021
 - CVI returned \$862K to Members and \$452K in maintenance fees
- Bellavista had 2020 loss of \$231K due to shutdown and low occupancy
 - Restaurant employees were paid throughout, and lost tips partially replaced
 - BV owed \$657K to CBA at year end on loans for kitchen remodel, spa expenses, and for tip augmentation
 - BV becoming profitable in 2021 as villa occupancy improves – several years needed to pay off loans

Turning to the association's subsidiaries, CVI had a strong sales year despite the low occupancy. It ended 2020 with over \$1M in retained earnings, some of which will pay for Villa Delfin in 2021. Strong sales in 2021 are further reducing the fees CVI pays CVA on the unsold inventory. Again, this year, and into 2022, some CVI inventory will be used by Members who could not use their weeks for legal reasons.

Members who sold their villas or offered them as bonus weeks received over \$1.3 back from CVI.

Bellavista had a moderate loss during 2020 paying salaries and replacing some lost tips while earning less revenue than normal. As 2021 progresses, Bellavista is again profitable and will return to paying off its loans from CBA.

All in all, it was a good year financially despite the unusual circumstances.