

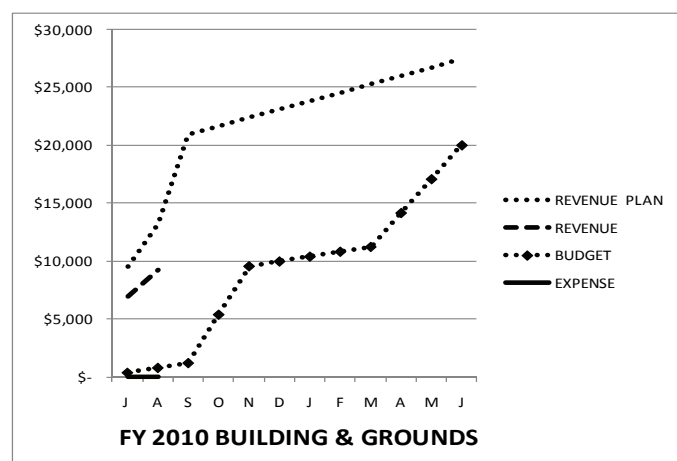
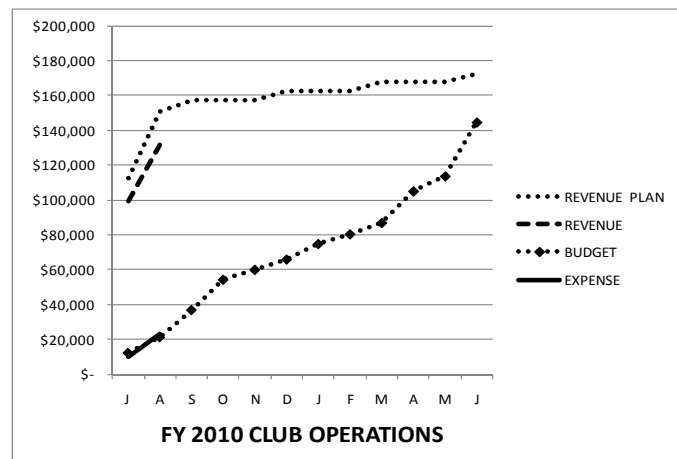
Well, it's official; John Ward is the FY2010 Treasurer. Before I provide a brief fiscal performance overview, I would like to share with you the fiscal objectives for the year. First; thanks to Chris McClellan who will continue to serve as Assistant Treasurer (a great transition). The following objectives are based in the expectation that the Members and Trustees will be cooperative and supportive.

1. This Keynotes forum will give you information. You will see graphical budget presentations at the summary level monthly. Your feedback will determine the actual content of these reports. You can always ask for more information—see me in the Club office after 10 on Tuesday's and Thursday's.
2. Long Range Planning will be used to develop budget models for each of our Club's major areas of expense. Budget elements are now organized into logical areas—for example, if you were to query for expenses related to the Swimming Pool, the "roll up" of all associated expense elements are summarized for quick examination; of course all of the supporting detail is readily available right down to the individual transactions.
3. Since the budget models will depend upon Long Range Planning, you should expect to see some surveys—beginning next month—to gain your direct input in areas expected to form the foundation of our next budget process. We need to know your expectations.
4. Some issues with the Club's accounting are being immediately addressed. There is no need to throw rocks or blame any individual for these issues. In short, the "physical" banking process (consider the act of depositing a check in the bank) is sound and very well documented. However, the accounting database, as currently configured, requires extensive manipulation to force it to match the "physical" banking activity. Only after that manipulation can we gain the type of reports anticipated from our accounting application. A new approach for going forward will allow us to use our existing accounting application in concert with the "physical" banking process. That we may modify the database design is not necessarily a bad thing—a Navy Captain with whom I worked was finishing his PhD in "databases" when he opined that "a very well constructed database typically is useful for about a year and a half; the useful life of a poorly constructed database is typically about 18 months."

Here are the five graphical presentations for the major fiscal areas the Club tracks. For each you will see the planned revenue, actual revenue, the budget, and the accrued expenses. The issues of coordinating the database to the "physical" banking process require many transfers within the database. Please note that these charts are independent of each other with revenue and liabilities associated with transfers included—therefore adding the individual revenue budgets will produce a sum in excess of the total amount collected from dues, assessments, leases, and fees.

A. The Club Operations graph displays the effect of 64 Members having not paid their dues—11 Members have made partial payments and 13 Members are paying against contracts. The notorious non-payers from prior years add to this current year list. **Total dues and assessments owing at the end of August were \$66,520.** If you are wondering what the "record" amount owing to the Club might be—it's ~\$7,800! As revenue has a marked effect on the budget and our ability to manage the Club effectively, the Trustees are addressing more aggressive methods of gaining payment.

B. Building and Grounds also shows latent revenue. The large jump in revenue in September is due to the partial repayment of a loan to Club Operations. The expense budget demonstrates that a substantial repair effort is

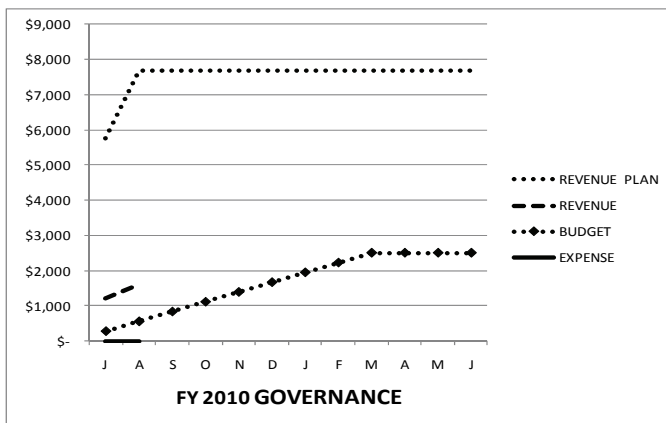
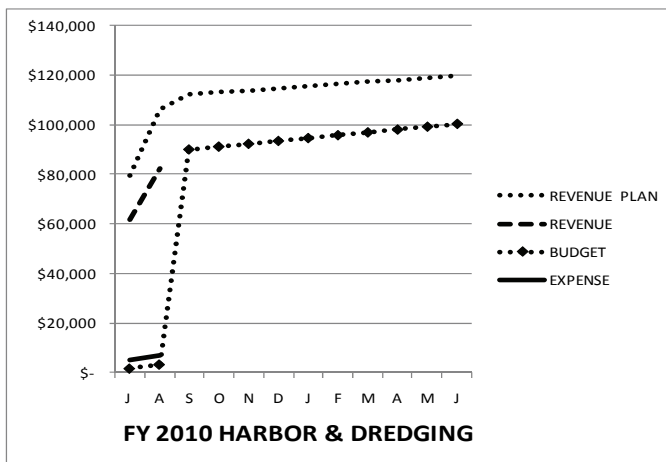
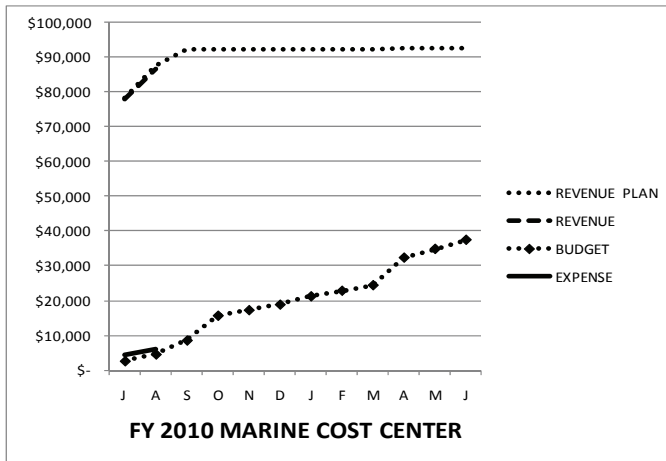


anticipated on the Bathhouse (roof leaks, etc.). This repair raises the expenses for the year above the revenue from dues; however, the partial repayment of the loan from Club Operations ensures a positive result for the year.

C. The Marine Cost Center remains viable and continues to perform as “designed”. The gap between revenue and expenses means that the Dock Replacement Fund will grow as required to meet mid- and long-term Marina requirements. Most expenses are in support of Club Operations—the Marine Cost Center fully supports itself and pays a significant share of Club Operations expenses. Some Club Operations expenses are Marina expenses associated with the 600 feet of transient/guest moorage. The Marina’s contribution to Club Operations is over five times the Club Operations expense associated with the Marina.

D. Harbor & Dredging revenue suffers from those who have not paid their dues. We have a remaining balance of approximately \$500,000 on two loans. One loan has a principal payment due in September as you can see in the expense budget line. Proper business management suggests that we overpay the principal payment. The late payment of dues and assessments means that we cannot make as large a payment as we should. That means “double damage” caused by those who pay late.

E. This was the last year of the Governance Assessment—a total of \$67 per Member (the ballot text indicated \$67 over a minimum of two years). The Trustees and committee members are working towards the final suite of documents that will be presented to the Members; first in readily explainable blocks, then for ratification. The expense budget shows that we have some room for emergent expenses as we proceed to ratification of these documents.



Some details to complete the current (end of August) fiscal picture:

1. Total funds on hand in all accounts = \$380,269
2. The September principle payment for the Dredging Loan will be maximized to minimize the loan term. The plan was to pay over \$100,000; those who have not paid their dues and assessments are forcing us to pay only \$85,000 and endure the increased interest over the next year.
3. Swimming Pool donors. . . please rest assured that the remaining funds (\$1,702) remain segregated and will be available to support any options considered for the 2010 pool season.
4. There were two summation problems (H&D and Marina subtotals) and one double entry (in Club Ops) in the “Blue Budget” included with the Annual Meeting Notice. None of the budget element values were incorrect. If the information above does not clarify all to your satisfaction I will be happy to provide, to any who request it, a specific set of line-by-line pen and ink change instructions.