

LOPEZ HOUSING OPTIONS (LOHO)

**THE HAMLET
2013 ANNUAL REPORT**



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This Organization is an Equal Opportunity Provider and Employer

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LOPEZ HOUSING OPTIONS (LOHO) ANNUAL REPORT FOR 2013

The LOHO Bylaws Article IV states: “The annual meeting of the Board (the “Annual Board Meeting”) shall be held during the first quarter of the calendar year or on another date determined by the Board. The purpose of the meeting shall be to report on the status of the Corporation.”

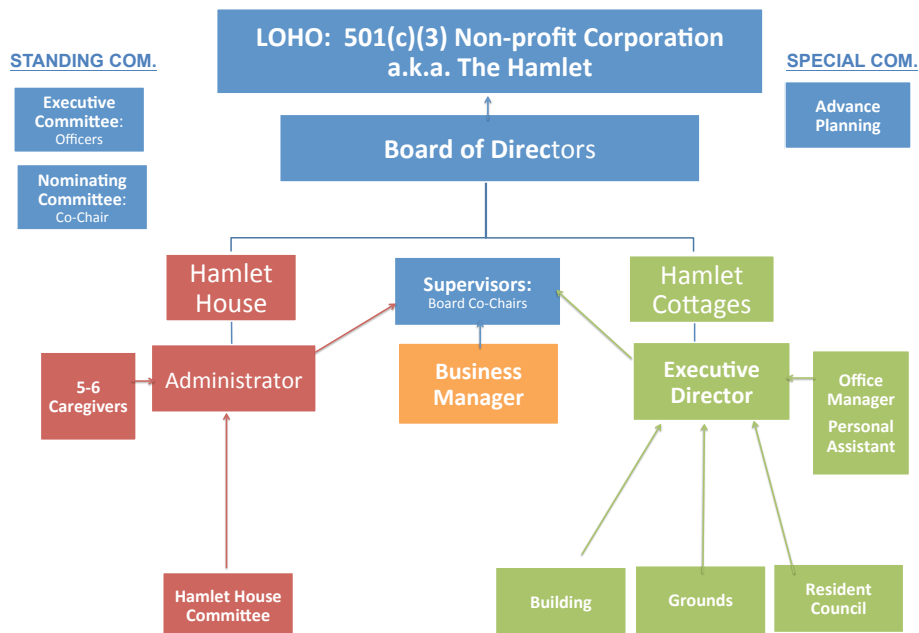
This report is intended to provide the status report as well as discuss significant issues and actions taken during fiscal year 2013, January 1 through December 31st.

LOHO ORGANIZATION

LOHO is a 501(c)(3) non-profit charitable organization incorporated in May 2003. A volunteer Board of Directors (the Board) governs LOHO. See Appendix A for board member information.

The mission of Lopez Island Housing Options (LOHO) is to own and manage an adult family home and a 14-cottage residential rental community serving people 55 and over on Lopez Island, Washington. To accomplish its mission, LOHO owns and operates 14 independent living cottages (Cottages) and a 6-bed 24-hour care adult family home (Hamlet House). LOHO also owns and operates the Gathering Place that serves as the residents’ “living room.”

The Board governs the two programs of The Hamlet. Each program has a lead manager supervised by the Co-Chairs. The support services are centralized. The Board has two standing committees: Executive and Nominating. Responsibility for specific needs, such as building maintenance or grounds care, is assigned to a board member or resident. If needed, special temporary committees are formed; in 2013, a special Advance Planning Committee was formed. The Hamlet House also has its own committee chaired by the Hamlet House Administrator.



LOHO 2013 STRATEGIC GOALS

The Board approved a new set of Strategic Goals for 2013 focusing on four goals:

1. Resolve Cottage debt
2. Maximize occupancy
3. Pursue financial sustainability
4. Increase resident involvement

1. Resolve Cottage Debt

Construction of the Cottages and Gathering Place was funded in part by a loan with Islanders Bank and the remainder by 3 refundable deposits and 4 short-term advances from individuals. The source of individual debt repayment was intended to be the refundable entrance deposit originally required of each market rate renter. The refundable entrance deposit model proved to be impractical and an impediment to renting the Cottages. In 2010, the Cottages converted to a 'pure rental' model resulting in a lack of funds to repay the 3 deposits already collected and the 4 advances, all of which had been spent during the construction phase.

COTTAGES BANK LOAN: This goal included permanently reducing the interest rate on the bank loan from 6.5% to 5.25%. This was achieved starting December 2013. Throughout 2013, we met with the bank quarterly to keep them apprised of our status. Due to the improved financial status of LOHO, the bank reduced this requirement to semi-annual meetings.

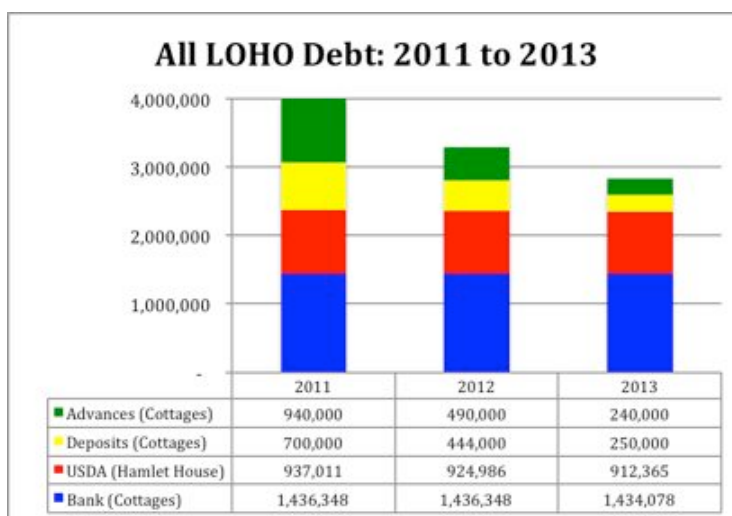
COTTAGES INDIVIDUAL DEBT:

Fundraising to Resolve the Debt

A successful special fundraising campaign was conducted to obtain sufficient funds to trigger forgiveness of one of the Depositor debts.

All Debt: Pursue Further Debt Reduction

In 2012, one deposit and two advances were gifted to LOHO. In 2013, a small portion of one deposit was repaid and the remainder was gifted to LOHO. Another \$250,000 advance was fully gifted. This leaves LOHO with 2 individual loans unpaid.



The chart displays the amount of debt outstanding by type, comparing end of 2011 with the end of 2013.

2. Maximize Occupancy

COTTAGES OCCUPANCY

Continue Rental Rate Strategy

The 2012 strategy of lowering rents to attract qualified residents continued to prove extremely successful in 2013. Current residents' rent increases are limited to 5% annually; the Board elected not to raise existing rents in 2013. The Board raised the base rent for new renters of the 2-bedroom cottages twice in 2013: to \$1,550 in the spring, and to \$1,650 in the autumn. Rent for the 1-bedroom market rate cottage was raised to \$1,175. These increases generated no price resistance.

Occupancy Target

The Strategic Plan's occupancy target "to maintain at least 85% occupancy" was exceeded in 2013. Nationally in the third quarter of 2013, the occupancy rate for senior independent living housing was 89.3%. Cottage occupancy averaged 92% most of the year. In November 2013, we achieved full occupancy; however, in December one resident in a 1-BR affordable cottage became ill and left. See Cottage Rentals chart.

Affordable Cottage Gap

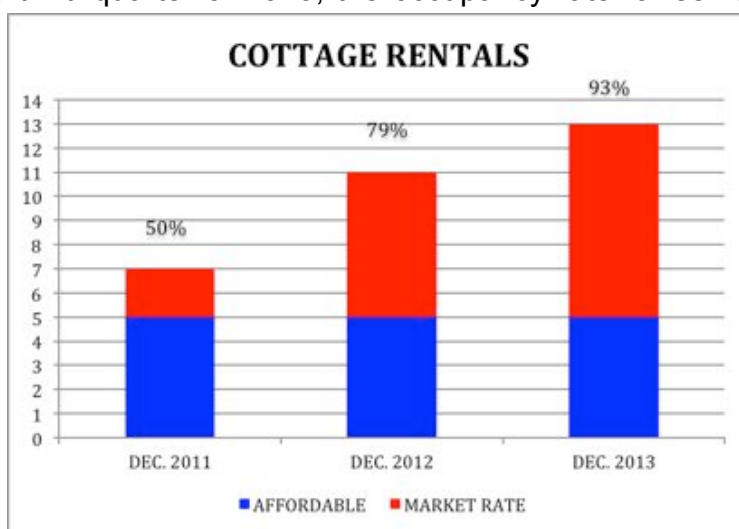
San Juan County requires that LOHO offer 7 "affordable" units whose pricing must be set no higher than the "moderate income" level, as defined by the USDA/HUD. Residents' income must not exceed the maximum "moderate income" level and residents must submit their income each year to re-qualify. The rent pricing is set according to a formula based upon San Juan County's annual Median Family Income (adjusted for family size). Each year the formula sets a maximum and minimum rent range and then, within this pricing range, the actual rent is based on the resident's own income. As a result, the rental revenue from the affordable Cottages is not based on actual costs and does not generate sufficient revenue to cover all the operating and debt costs incurred by those Cottages, thus creating a gap.

LOHO does not receive any governmental subsidy for this gap. Several governmental sources for affordable housing were explored, but our "moderate" income category, existing bank loan, and completed construction make us ineligible for these subsidies.

Retention Of Current Cottage Residents

- Expand The Benefit Bundle

Again keying off our successes in 2012, we continue to explore ways to increase residents' satisfaction with their life at the Hamlet Cottages. See the Hamlet Cottages Report for full details.



- Strengthen Residents' Experience Of Community

We discovered early on that the residents highly value (1) open communication with the staff/Board and (2) having a valued voice in the operations of the Cottages. See the Hamlet Cottages Report for details on how we addressed these needs.

HAMLET HOUSE OCCUPANCY

Throughout 2013 the Hamlet House remained full with a waiting list.

3. Pursue Financial Sustainability

THE HAMLET GENERALLY

Major Maintenance Of The Hamlet

Starting in 2011, the Board began funding Maintenance Reserve Funds for both the Hamlet House and the Cottages. At the end of 2013, the balance in the Hamlet House Maintenance Fund was \$25,000 and the Cottages \$25,000.

Since LOHO owns all of its facilities, major maintenance is a significant concern. It is difficult to know how much to set aside without first evaluating the useful lives and major maintenance areas. In December 2013, the Board reviewed the first draft of a major maintenance plan with estimated costs. Next year we will develop a capital funding budget to accompany that plan and begin efforts to find funding sources for those maintenance items. See the Buildings Report for more details.

Financial Analysis And Reporting

In order to make timely decisions needed to maintain a balanced budget, the Board began in February to review "Flash Reports" for the Cottages and for the Hamlet House at each Board meeting. The Flash Reports lay out key financial information, including significant budget category (e.g., rent, payroll, utilities) forecasts, a forecasted end-of-year cash balance and savings totals and the status of all debt.

LOHO also maintains multiyear forecast models that project revenues and expenses for the Cottages and for the Hamlet House. While assumptions do not contain as many details as the annual budgets, it enables management to evaluate the long-term impact of financial options and decisions.

COTTAGES FINANCIAL SUSTAINABILITY

Sustainable Finance Plan (SFP)

In early 2012 the Board approved a goal to spend the next three years striving to attain a sustainable finance plan. In 2013 we developed and approved the Sustainable Finance Plan (SFP) which is a five-year approach to our budgeting procedures. The guidelines outline priorities for making expense cuts to assure balancing of the budget and also to prioritize the uses of any year-end excess revenues. The SFP contains both principles and goals that are then applied to a five-year forecast of Cottage revenue and expenses. The principles govern all

annual budgets; the goals may not be achievable in the near term, but indicate where we are trying to go over the long term. See the full copy of the SFP in Appendix C.

Fundraising to Meet the Gap

Each year the Board estimates the amount of the operating expense gap (the amount the operating expenses exceed the rental revenue) and then drafts a Fundraising Plan to cover the gap. For 2013 the goal for the operating gap was \$27,500 and we raised \$37,000.

See the Hamlet Fundraising Report 2013 for details.

Continue to Explore Other Funding Sources or Cost Reductions

LOHO continued to aggressively explore the reduction of expenses. Our multiple insurance policies were reviewed by our agent and significant savings were achieved by consolidating the policies into a single insurance pool for non-profit agencies. While the Hamlet House obtains a property tax exemption for most of its property, the Cottages were found ineligible given the affordable housing was in the “moderate” rather than the “very low” income category.

In addition to local fundraising, grants were sought. See the Hamlet Fundraising Report 2013 for details.

Amazon Smile: Amazon has established a giving program called Amazon Smile which directs a contribution to charities indicated by its customers. If a customer joins the program, 0.5% of the price of eligible items will be donated. Anyone wishing to support LOHO can log on to “smile.amazon.com” and enter “LOHO” as the charity.

HAMLET HOUSE FINANCIAL SUSTAINABILITY

Throughout 2013 the Hamlet House financial performance remained strong. Increasing the hourly pay rate for caregivers was a priority and a stepped program to do so was initiated.

4. Increase Resident Involvement

See the Hamlet Cottages Report for Resident Council activities.



CONTRIBUTION TO OUR COMMUNITY

Not only did we benefit from the generosity of the community in terms of both fundraising and many volunteer hours, in 2013 we also gave back to our community in many ways.

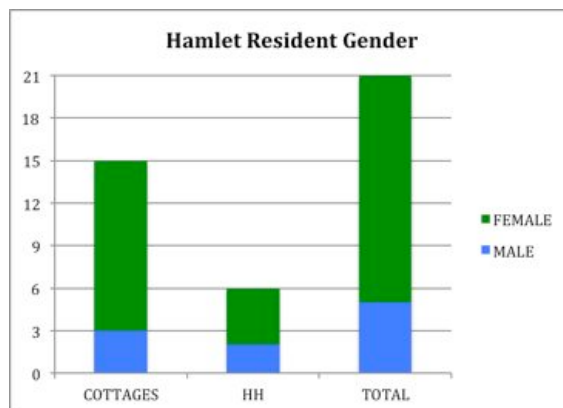
- Property Taxes: LOHO paid over \$13,000 in 2013.
- LOHO currently provides 11 full or part time jobs.
- Many residents deposit funds and/or maintain savings accounts with the Lopez branch of Islanders Bank.
- LOHO has multiple accounts at Islanders Bank for both the Cottages (\$282,000 revenues for 2013) and the Hamlet House (\$325,000 revenues for 2013).
- The Cottages and Hamlet House housed 21 persons over 55 who may otherwise have had to leave the island. This allowed those individuals' offspring to also stay on the island.
- LOHO provided affordable housing to 7 lower income seniors.
- Residents do business with island stores, clinic, pharmacy, etc.
- LOHO helped facilitate opportunities for school age children to connect with our residents through various projects and programs, thus promoting an open dialogue between our youth and community elders.
- The Gathering Place provided a space for numerous well-received resident-sponsored functions (public invited) including art showings and musical performances. See the Hamlet Cottages Report for details.



LOHO RESIDENT DEMOGRAPHICS AS OF DEC. 31, 2013

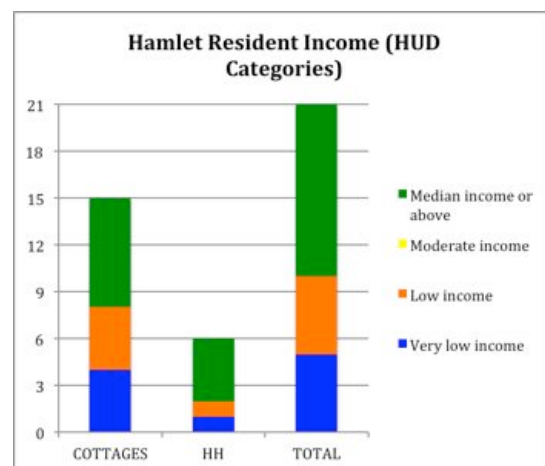
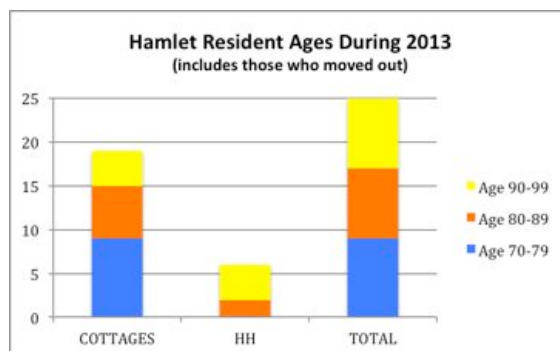
In the Cottages and the Hamlet House apartment:

- Gender: 12 females and 3 males at year end (during the year an additional 2 females and 1 male left the Cottages, so a total of 15 females and 4 males were served)
- Ages (including those who moved out during 2013): 9 in 70s; 6 in 80s, 4 in 90s. The average age was 82.0 years.
- Income - Affordable Cottages: Over the year: 2 residents arrived, 2 residents left, a total of 8 low income residents were served. Our affordable cottages housed 4 low-income and 4 very low-income residents.



In the Hamlet House:

- Gender: 4 females and 2 males
- Ages: 2 in 80s, 4 in 90s. The average age was 91.3 years.
- Income – During 2013 the Hamlet House served 1 low-income and 1 very low-income residents.



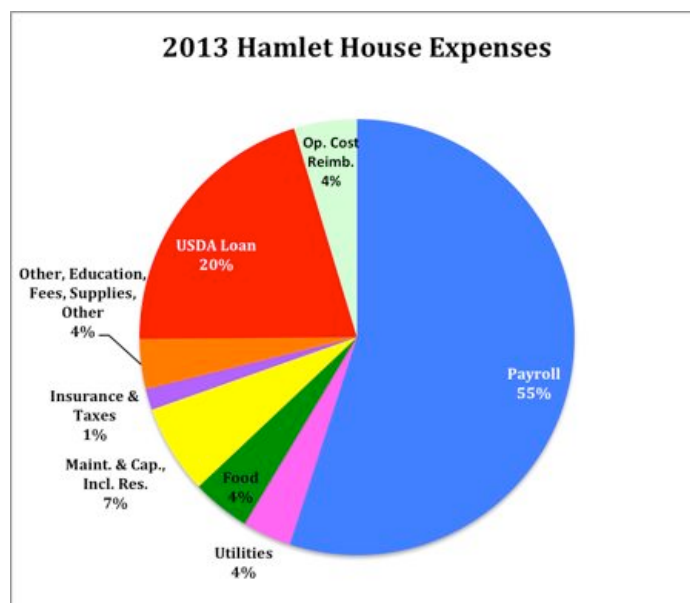
FINANCIAL COMMENTS

The two LOHO programs have separate budgets. The Hamlet House funds are not available for use by the Cottages, other than to reimburse its proportionate share of operational support provided by the Cottages. LOHO added a paid part-time bookkeeper position in 2013 to manage The Hamlet finances.

HAMLET HOUSE

At the beginning of 2013, the Hamlet House had one empty bed which was rented in February; the Hamlet House then remained full for the remainder of the year. All Hamlet House expenditures were covered by current revenues and Hamlet House savings were increased. Since the majority of Hamlet House revenue comes from rent, only expenditures are shown here.

The Hamlet House also maintains a Financial Assistance Fund (FAF) which was funded originally through fundraising. This fund is used to subsidize the affordable bed rent. During 2013 the Hamlet House upstairs apartment was rented and this rent is now deposited into the FAF fund. The end-of-year FAF fund balance is \$17,568 (compared to \$23,382 end of 2012).

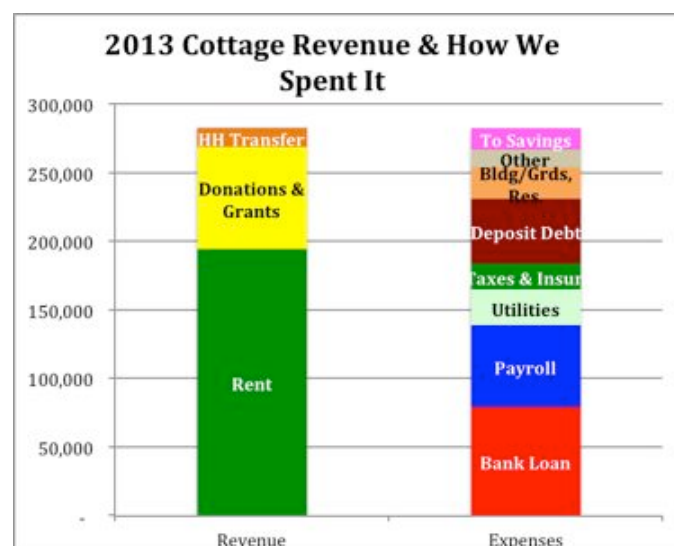


COTTAGES

During 2013, increased occupancy and fundraising programs enabled the Cottages to cover all expenditures and add to savings. Expenses are shown in the chart; "Other" expenses include Marketing, Supplies, Professional Fees, etc.

LOHO was also able to negotiate a permanently lower bank loan "floor" rate of 5.25%. In December, the Cottages resumed payment of principal on the bank loan.

In November 2013, in accordance with the Strategic Financial Plan Guidelines, the Board approved using 2013 excess revenues to fund the Maintenance Reserve to the \$25,000 goal. The remaining excess is being held in savings.



HAMLET HOUSE REPORT

From Hamlet House Administrator Nichelle Sorenson

YEAR END STATUS

In January Hamlet House had 5 residents after losing one resident in December 2012 to a skilled nursing facility. In mid-February we welcomed a new resident, once again bringing the house to its full 6-bed capacity.

Hamlet House currently employs four caregivers and an alternate caregiver to fill in as needed. All caregivers are fully trained according to adult family home licensure requirements. Medical care is coordinated with the Lopez Island Clinic and the island EMS has been called in a few times as needed.

2013 YEAR IN REVIEW

In 2013 we ushered in the new year with the welcoming of a new resident and changes to our staff. Thanks to a generous grant from the United Way of San Juan County we were able to make some much needed changes and additions to our staffing structure. This enabled our wonderful caregiving team to provide a higher level of personal care tailored specifically to each resident's needs. These changes included dissolving the position of Relief Manager. On June 29, 2013 the House had a very welcomed renter move into the vacant apartment upstairs. Though it was made clear from the onset that she is a "Cottage" resident, even though her unit is located in the House, she is the perfect addition to both. As we said good-bye to summer, sadly we also said good-bye to one of our gentlemen caregivers who moved to the east coast.

Hamlet House is all about its residents and the team of caregivers that make this house a home. Two of our residents started the year off with a bang by having back-to-back short hospital stays. Thanks to the training and continuing education provided to the caregivers, many medical issues were headed off and treated with minimal disturbance and discomfort to residents. Our staff continues to seek out and gain any skills or knowledge that will enable them to bring better care to our residents. This year we gained knowledge of how to care for our residents after receiving hearing devices from the audiologist who comes to visit in-house once a month. We were also fortunate enough to have Hospice of San Juan afford us the opportunity to join them for an intensive four-day training workshop.

Throughout the year Hamlet House has enjoyed a variety of activities bringing residents and community members together to form and maintain friendships. We have had an independent filmmaker come share his movie shorts and have discussions with our residents, musicians playing various instruments and musical stylings, plus the extremely popular weekly "Rosie Reads" are a few in-house offerings that have been enjoyed this year. For our physical fitness enthusiast we hosted low impact exercises three times a week and helped coordinate with offsite Yoga and Tai Chi classes for those who desired to participate. We also welcomed many friends and family members who came in to head up board and card game sessions with everyone wanting to join in.

Our hope for the new year is to not just maintain all of the great things we already have in place but to go a step further for our residents:

- Continuing to revisit what services our residents want and need, finding even better ways to get them connected.

- Linking in the most effective ways possible with Senior Services and medical professionals to further strengthen the continuity of care for our residents.
- Finding more social activities that really interest, excite and bring everyone together is another way we strive to get better and better.
- Continuing education is another very important focus this year. As the needs of our residents change so does our knowledge and skill level as caregivers, ensuring that we can always give them the very best care possible.



HAMLET COTTAGES REPORT

From Cottages Executive Director Lorrie Harrison

2013 YEAR IN REVIEW

2013 was the year the vision for the Cottages community was truly realized. With occupancy finally reaching capacity (we held steady between 85 and 100% all year long), the Cottages came into its own as a vibrant, interesting residential community of independent islanders.

The Gathering Place, which cottagers call their communal living room, bustled with art openings, concerts, book club meetings, parties, special events and exercise classes – to name just some of the activities. But it was the small interactions that tell the deeper story of what the Cottages became this year: the friends dropping by share a glass of wine by the fireplace, the way new residents were always invited and included, the connections made and held, how people came to rely upon and support each other – whether it meant inviting a new neighbor for dinner, driving a friend to Seattle for medical treatment, or spending a sunny morning planting veggies in the new community garden.

2013 was the year Lopez high school kids built every resident their own mail box for community mail and Mollie Fromm, age 94, donning her “Going Postal” vest, began delivering neighborhood notes cottage to cottage. It was the year Gene Chao, husband of LOHO Board Co-chair Rebecca Chao, began hosting gourmet cocktail parties to welcome new residents. And it was the year cottager Barbara Fleming adopted a rescue pup named Millie who immediately stole the hearts of each and every one of us.

Like any community, ours will always have ups and downs, struggles, successes, joys and sorrows. But what emerged as the hallmark of the Cottages this year was the sense of community, connection and care that is shared by all who call this place home.

On the business side, these strategies assured high occupancy and resident satisfaction:

Marketing to Improve Occupancy

In an effort to keep a tight focus on improving the Cottages’ occupancy, the Board approved marketing plans for 6-month periods. Both the December 2012 – May 2013 and the June 2013 – November 2013 plans continued the successful strategies which had increased our occupancy dramatically in 2012. With the stabilization of occupancy over 85%, we moved to an annual model as of November 2013.

Marketing Strategies:

Direct contact with potential residents

The personal approach is our strongest marketing strategy. Personal calls, one-on-one lunches and meetings with those in our primary market have proven extremely successful.

Continue outreach to LOHO founders, funders, friends and fans

We keep these individuals in the loop through art openings, Sunday concerts and other special events. To celebrate, acknowledge and honor the extraordinary successes of 2012, the Board hosted a private champagne reception at The Gathering Place for all those who had contributed to the revitalization of the Cottages.

Publicity

We increase public awareness of The Hamlet and our cultural events via regular listings on Lopez Rocks, by regular email updates, placing event posters throughout the island, using our Hamlet website, submitting feature articles to the newspaper, reprinting our brochure twice each year (including pricing updates); and publishing a 4x6" calendar of Cottages events that is distributed island-wide.

Promotion

We increase awareness of The Hamlet by restocking our brochures, posters and materials in high visibility locations such as the clinic lobby, pharmacy, Chamber of Commerce, library, senior centers, etc.

Expand The Benefit Bundle

Building on our successes in 2012, we continued to explore ways to increase residents' satisfaction with life at the Cottages.

We expanded the housekeeper position to a Personal Assistant service and hired this person in house as staff. The Personal Assistant assists residents with special tasks such as gardening, shopping, running errands or moving objects in lieu of cleaning if the resident wishes. She is the liaison between the residents and staff, looking out for potential health or safety problems or areas of concern.

Resident satisfaction increases measurably as residents experience a connected, vital, thriving community. The gains are two-fold for LOHO: increased resident satisfaction and positive PR both increase our visibility in the Lopez community. We foster and nurture a culture of community and connection by offering a wide variety of programs, activities and social opportunities planned by and for Hamlet residents. Hosted in The Gathering Place, they are open to residents' families, friends and the entire Lopez community.

ART OPENINGS: Our partnership with Lopez Artists' Guild continues with monthly gallery shows in the Gathering Place and Friday night receptions for the presenting artist. This year, we offered the Gathering Place as a venue for the 17th annual Lopez Artist Studio Tour on August 31 & September 1 with Randolph Kelts' work showcased.

SUNDAY CONCERTS: Our monthly Sunday Afternoon Concert Series has been very popular this year hosting such entertainment as storytelling, Writers in Performance, Lopez Chamber Orchestra, Baroque and Renaissance flute duet performance and an ice cream social.

CLASSES AND GROUPS: The Gathering Place continues to be a popular venue for resident-sponsored classes and group meetings. Examples: Meditation class, Transition Group meetings, monthly writers' group, book club meetings, Parkinsons Group, Physical Balance class, Tai Chi classes and others.

SOCIALS: New resident Welcome Receptions feature elegant hors d'oeuvres and wines and officially welcome new cottage residents to our Hamlet community.

ADDITIONAL EVENTS: We continue collaborating with local organizations to provide opportunities for our residents. Spring and autumn garden cleanup parties continue, a United Way Day of Caring brought community volunteers to clean and improve our garden areas and, in a special collaboration with Lopez School, high schoolers from the shop class met with residents to design, then build, lovely cedar mailboxes for

each of the cottages. Lou Pray, Lopez Librarian, hosted *Que Pasa* this summer, a weekly current events forum for residents and their guests.

PERSONAL USE OF THE GATHERING PLACE: Residents use the space for family meals, parties and personal gatherings.

Strengthen Residents' Voice in our Community

We know that the residents highly value (1) improved communication with the staff/Board and (2) having a valued voice in the operations of the cottages. Responding to both, the Executive Director continues monthly teas to solicit and implement residents' input.

Additional meetings are held periodically to solicit residents' expertise and input in key areas of the Cottages decision making and management. This year, residents rewrote the Resident Handbook and met with staff and board members to develop a much-needed independence policy to guide the admission qualifications of potential new residents.

FROM THE COTTAGE RESIDENTS - Nancy Mariotti and Florence Wagner

COTTAGE RESIDENTS GIVE BACK TO THE COMMUNITY - 2013

Active residents of the Cottages have volunteered their time and talents to the following Lopez Island organizations which benefit the Lopez Island community. Residents also contribute in unofficial ways such as baking cookies for the volunteer fireman's monthly meeting, delivering Hamlet resident internal mail and serving as a resource for yoga teachers.

Lopez Island Organizations

- Thrift Shop
- Lions Club
- Community Trails Network
- Hospice and Home Support
- Library
- Fresh Food Distribution
- Food Bank
- Community Center
- Fireworks Committee
- Transitions Movement
- Woodman Hall Senior Center Programs
- LOHO Board, Resident Representative, Hamlet Grounds Committee Chair
- Hamlet Cottage Resident Council
- Christmas wreath project for maintenance of Center Church and Cemetery
- Garden planting and clean up at the Hamlet campus

COTTAGE RESIDENTS MEET OBJECTIVES FOR 2013

1. Revive the Resident Council

Resident council meets monthly and has 3 members, elected for 1-3 yr. terms. Minutes are distributed to each cottage during the week following the monthly meeting.

2. Working through the Resident Council and with the Executive Director, create a revised Resident Handbook to be presented to the Board.

The revised Resident Handbook has been completed and is included in a notebook given to each resident when a new rental agreement is signed. Handbook is due for revision each March.

3. Create a system through which relevant information from Board meetings regularly flows back to the cottage residents in a timely manner.

Board meeting information is now a part of the monthly Director's Tea.

4. Explore options and provide a "resident mailbox" on the outside of each cottage for messages from other residents or the management.

Resident mailboxes have been hung on each cottage porch. A red ribbon hangs from the box when there is resident mail.

5. Organize and sponsor 4 informal resident gatherings at the Gathering Place.

The following events were sponsored by the Resident Council.

<u>Date</u>	<u>Event</u>
August 2013	Movie Night: <i>Beasts of the Southern Wild</i>
Sept. 2013	Cottager's Picnic
October 2013	Gilbert & Sullivan Movie Night
December 2013	Decorating of the Gathering Place

RESIDENT COUNCIL OBJECTIVE FOR 2014

The following objective for 2014 has been established by the Resident Council. This objective will have several phases as the Resident Council partners with the Executive Director and office staff to continue to develop a comprehensive plan.

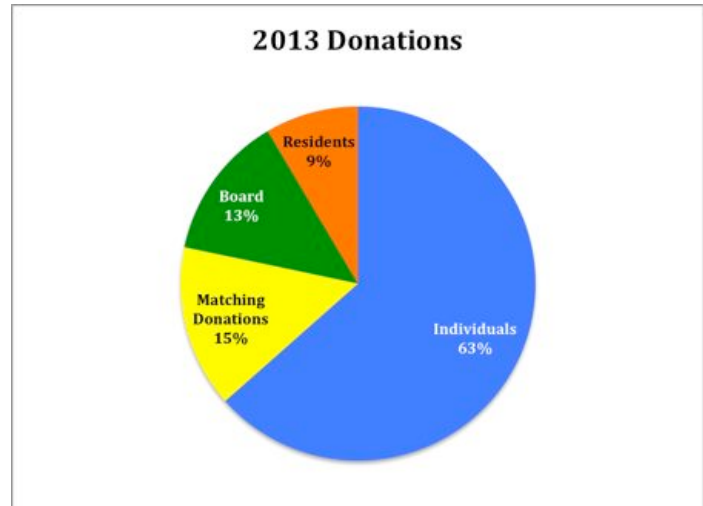
Increase cottage residents' awareness of the types of mass emergencies which might occur on Lopez island and the recommended response.



HAMLET FUNDRAISING REPORT, 2013 – Paula Walker

Fundraising efforts in 2013 for the Cottages focused on three separate needs.

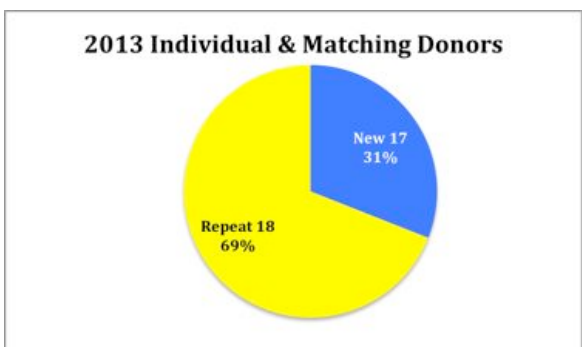
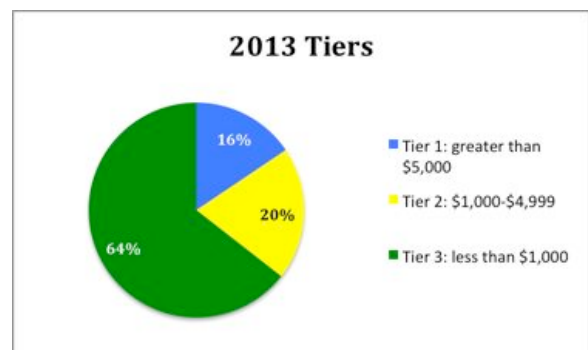
- Our first need was to raise \$27,500 to fill the annual gap between income and expenses resulting from the County-imposed rent ceiling on our six "affordable" cottages. Over \$37,000 was donated for this end.
- During the year an opportunity arose to buy down our debt obligation to one of our depositors. Our need for this purpose was \$25,000. Four past supporters generously contributed a total of \$35,000.
- Our third and most modest goal, requiring less than \$2,000, was to fund two unbudgeted parties and two special projects. Board member and resident contributions met these needs.



Including board members, residents and the public, 82 potential contributors were contacted and 45 separate donors gave over \$74,000 -- nearly \$20,000 over total goals. The charts show the sources and the tiers of giving.

FUNDRAISING PROCEDURES

Again this year, personal donor solicitation was the procedure used. Our "fill-the-gap" campaign began in April, post tax season. Board members were the first to give. Next the non-board member, non-residents who gave in 2012 were approached. Larger donors were contacted personally, others received letters. Only six of this group, less than 30%, did not re-donate. To keep in touch, we also reached out to non-donors from last year's contact list. Residents of our market rate cottages who had lived here at least one year were approached next by personalized letters. To further deepen the donor pool a list of names of all who had, at any time and in any way, shown interest in The Hamlet was compiled from past contribution records and Board minutes. From this list office staff prepared and sent 37 individualized solicitation letters. Ten of the letter recipients contributed, including one in-kind donation of fresh vegetables for Hamlet House. We also sent letters to two more island residents whom we thought might have an interest in our work. One of them donated. Completing the list of this year's new donors is a particularly generous off-island



philanthropist referred to us by a current supporter. Overall, new donors made up almost half of all non-board, individual donors and contributed approximately one-third of the total amount received from that group.

GRANTS

Grants received in 2013:

United Way	1,778	For Hamlet House, 2013. To support caregiving.
Lopez Island Thrift Shop	1,500	New computers and printers for Cottages and Hamlet House.
Lopez Island Thrift Shop	500	New medication cart for Hamlet House.
Lopez Lions' Club	400	Matching grant toward purchase of new Hamlet House freezer.
Lopez Lions' Club	325	Fund sidewalk repair. An anonymous donor will contribute \$925 to complete the project.
Grace Church	500	Unrequested. For Hamlet House FAF.

Grants sought for 2014:

Cottages: After developing a proposal for an initiative to enhance our support of the independence of our cottagers, application was made to the following grantors:

Medina Foundation	\$30,000	Our request to apply was denied because our mission statement did not align with grantor's interest in "critical need" housing.
Harvest Foundation	10,000	A full application was made, but funding was denied. Reasons were primarily lack of perceived "need".
United Way	5,000	For the Cottages. Pending. If granted, the money will be reflected in the 2014 report.

Hamlet House: Sought for 2014:

United Way	\$3,000	For Hamlet House caregiving. Pending. If granted, the money will be reflected in the 2014 report.
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BUILDINGS REPORT – Kirm Taylor

HAMLET BUILDING MAINTENANCE

The major policy accomplishment this past year was the report on Long-Term Maintenance (LTM) for the Hamlet. It detailed the costs of replacing the roofs, painting the exteriors (including Hamlet House and the Gathering Place), and replacing the appliances. It provided estimates as to the lifetimes of each component and then arrived at the amount to set aside each year in today's dollars that will be needed when those components need replacing. The report was presented at the December Board meeting.

During discussions with contractors about the LTM project, the roofer and the painter suggested that they be engaged to make minor repairs to the structures that would extend the lifetimes of the paint and roofing. Things like split joints where water can get in and do damage, touch up peeling paint, caulk joints as needed, etc. We recommend that a sum be set aside in the Building budget for this, not a part of the funding of the LTM.

We developed a written repair form late in 2013 so that there will be a history of maintenance done at the Hamlet. The office manager receives the information about a needed repair and fills out the form forwarding it to the Building Committee. When the repair is done, it is returned to the office manager to put into the permanent record. This will provide a history and a reference going forward.

There have been no major repairs needed this past year. The appliances have held up well. The gutters are clean. The roofs are in excellent shape. There were the usual leaking toilets, bulbs to change, and thermostat adjustments. Two tenants requested hand-held showerheads, which we provided.

Board member Kirm Taylor continues to respond to repair requests and attends to them with assistance from volunteers when needed. Complicated items are referred to professionals.



GROUNDS REPORT – Barbara Fleming & Lorrie Harrison

We began the year with board member Bruce Ellestad at the helm. In September he changed his focus to head the technology area and Cottages resident and Master Gardener Barbara Fleming took over the Grounds.

GENERAL GROUNDS STATUS

The Hamlet grounds continue to mature and develop nicely. Plantings are healthy and are being well maintained.

Regular weeding, weed whacking, maintenance of the pathways and bark spreading are provided by a professional landscape firm who stayed within the contract budget. A new budget was written and approved for 2014 which includes disposal of garden waste and grass clippings. Because landscape services are provided for our entire property, it was agreed that The Hamlet House will begin making an annual financial contribution toward the landscape budget in 2014.

Clearing the thistles in the Hamlet House front garden was a focus this year. We are told that eradication of the thistles may take 2-3 years.

The walkways around the property are in need of repair. M.R. Buffum agreed to do the work for a total of \$1250. The Lions Club donated \$325 and an anonymous donor provided the balance. Repair work is scheduled for March 2014.

The Board explored the idea of selling the underground water storage tanks located adjacent to the Gathering Place. These tanks are no longer needed by the Hamlet. No action has been taken at this time.

INVOLVEMENT OF RESIDENTS AND VOLUNTEERS

Resident Barbara Fleming designed and paid for the building of a large fenced vegetable garden for residents in the spring. Located on the west side of the Gathering Place, it was used all summer with a bumper crop of kale, beets, carrots, sunflowers, snap peas, tomatoes, strawberries and more. All residents were invited to plant, harvest and enjoy the garden.

Residents Barbara Fleming and Gale McCallum purchased large planters and filled them with flowering plants for the Gathering Place patio. Barbara, Gale and resident Felicity Green spent many hours weeding and tending The Hamlet garden areas and grounds.

A garden party for residents, Board and friends was held in the spring to tidy up the grounds. The United Way Day of Caring event provided additional grounds clean up in the autumn. An estimated 38 volunteers provided 200 hours of donated labor to spread bark, weed the planted beds and maintain the landscaping. Cottage residents continue to take a very active role planning and coordinating landscaping, maintenance and cleanup days.

Sunset Builders donated \$150 in deer-proof plants for our gardens in December.

We worked with Grace Church to formalize their donation of time mowing our Green. We will now contribute \$350 towards the annual maintenance of their mower and pay for gas when they mow. They will continue to mow year round. As a thank you, we will host a coffee for their congregation one Sunday each Spring. Estimated volunteer hours by the Grace Church congregation members: 30 hours mowing and trimming each year.

NOMINATING COMMITTEE REPORT – Charlie Janeway

THE DIRECTORS

The Hamlet started the year with 12 Board Directors. During the year we lost one member and gained one thus ending the year with 12 members (see appendix for Board bios).

Paul Angel left the Board because of work obligations in March 2013.

Karen Gilbert, ARNP was elected to the Board in June 2013 to fill Paul Angel's term. The Board had decided at last year's Annual Meeting to adjust all Director terms so they would end at the Annual Meeting occurring in the year the term was originally to expire. Karen's first full term will begin at our 2014 Annual Meeting.

THE OFFICERS

At the February Annual Meeting the Board elected its officers for one year:

Co-Chairs: Charlie Janeway and Rebecca Chao

Secretary: Paula Walker

Treasurer: Mary Wondra

THE TERMS

See Appendix B for Board terms.

ADVANCE PLANNING REPORT – Kai Sanburn & Karen Gilbert

In 2013 several Board members formed a special committee to discuss ways for Hamlet residents to improve their experience of aging and the declining health that befalls most people in their later years. The Hamlet was born out of a desire for it to be a home where people can live, even as health and abilities change. In the past, all too often elders have had to leave the island when they could no longer maintain their homes and eventually their own personal care.

We continue to see many people leaving the island against their fondest desires in order to receive care on the mainland. We propose that with more careful planning, some hospitalizations could be avoided, shortened, or made less stressful. Therefore, we will initiate a discussion with Hamlet residents, families and staff that could better plan for future health challenges. We feel this process may reduce the stress of health crises and increase the likelihood that residents' wishes can be honored.

When asked, the majority of Americans say that when their time comes, they would like to die a peaceful death at home. In reality however, most Americans die in a hospital or nursing home. We in healthcare have all witnessed the heartbreak of patients and their loved ones when a person with serious illness must end their days in an institution, when they really want to be home. This committee will help explore options for our island residents to avoid this scenario, when possible.

Some objectives we have in mind can include:

- Planning for health problems related to a person's chronic illness (there are often predictable events that could be better planned for in advance).
- Reviewing options and identifying resources for the home management of illness and debility, whether temporary or long-term.
- Planning for end-of-life, what do individuals want and how to make it happen.
- Determining individual's goals as their health changes.

Some ways to achieve these objectives include:

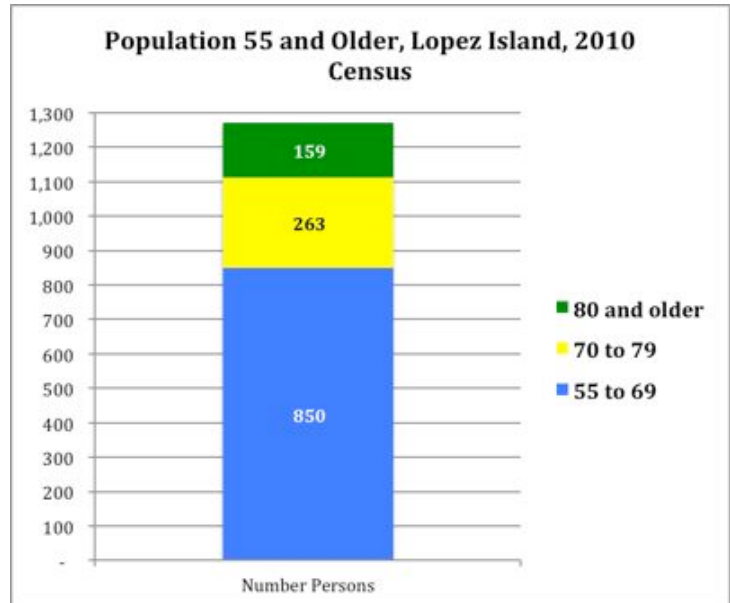
- Presentation of these topics to Hamlet residents, families and staff and eliciting their ideas and concerns.
- Offering a panel of people to field questions and meet individually with residents and families to discuss their specific situations, wishes and options for achieving these wishes.
- Discuss wishes regarding healthcare goals and priorities with healthcare providers to work out a plan to meet each individual's goals.
- Identify available resources.

LOPEZ ISLAND DEMOGRAPHICS: 2010 CENSUS

Based on the 2010 census, the following chart provides demographic data indicating our potential market numbers.

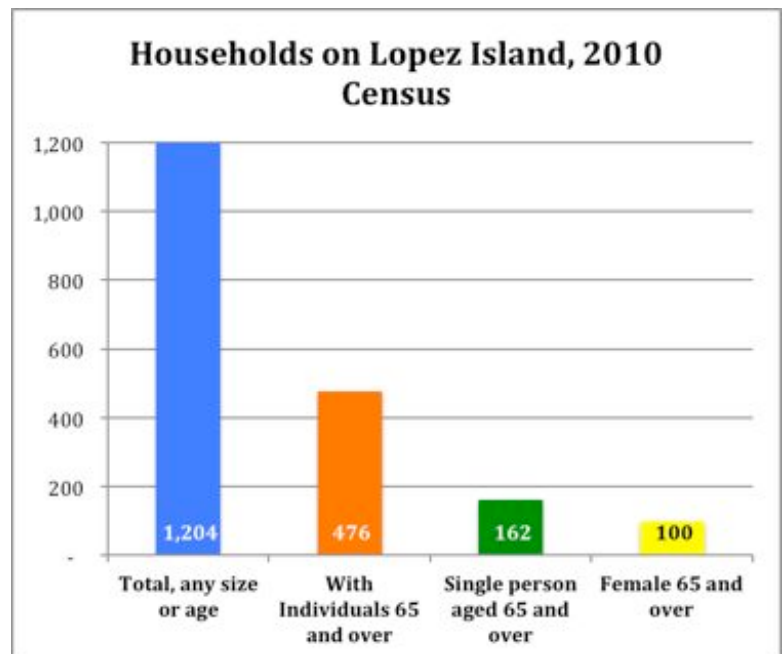
POPULATION

The total 2010 population of Lopez Island was 2,383. The chart shows three age ranges pertinent to LOHO.



HOUSEHOLDS

The total number of households on Lopez Island in 2010 was 1,204. The chart below indicates the number of households with individuals 65 and over, single persons aged 65 or older and, of those persons living alone, how many were female 65 and over.



CO-CHAIR REPORT: SIGNIFICANT ISSUES IN 2013 - Rebecca Chao

FINANCIAL SUSTAINABILITY

The Board is committed to maintaining balanced budgets (defined as not drawing upon savings other than for specific one-time purposes) for both the Cottages and the Hamlet House. One of our largest challenges in 2014 is the \$26,000 increase in the annual bank loan payment, now that principal is being retired. To address the necessary cuts, in 2013 the Board established a set of budgeting principles and goals in the Cottage Sustainable Finance Plan (SFP), discussed elsewhere in this report. By adopting these guidelines, the individual decisions about cuts are governed by the Board's policies set out in the SFP. To the extent there are any excess revenues at the end of the year, the allocation of those revenues is also guided by the priorities set in the SFP. An important part of the SFP is the 5-year forecast: it projects the long-term impacts of financial decisions so the Board can consider those impacts when making decisions.

The Board will also continue efforts to resolve the outstanding individual debt.

COTTAGE "INDEPENDENT LIVING"

The Cottages are "independent living" cottages which require no medical or staff assistance beyond normal housing requirements. The Board realized that the determination of resident "independence" needed to be thoroughly discussed and refined. There are two different determinations of independence that need separate Board policies:

1. **Determining independence at the time of admission.** It became clear that a number of actions were needed at the time of accepting a new Cottage resident in order to assure that the resident was sufficiently "independent." The Board developed and approved a policy: "The Hamlet (LOHO) Independence Policy: For Qualifying Prospective Individuals For Hamlet Cottage Residence." This policy sets out the background, policy statements and full application process for proposed residents, with forms and letters attached.
2. **Determining when an existing resident is no longer "independent."** This complex subject was addressed in several meetings with staff, Board members and residents; discussion continues. We anticipate that we will develop another policy that will guide how to help residents remain independent and how to determine when the resident is no longer able to remain "independent" without significant assistance.

OPERATIONS STAFFING: COTTAGES AND HAMLET HOUSE

As the Cottages reached full occupancy, the ongoing operating tasks increased. In the past those tasks were performed primarily by Board members, but in 2012 LOHO began switching such tasks to paid staff, which necessitated hiring part-time staff.

The Hamlet House Administrator and caregivers are a dedicated group of individuals who provide 24-hour care and service to the Hamlet House residents. In keeping with many facilities, the compensation is quite low. We are exploring ways to increase that compensation to reflect the extraordinary responsibility placed upon the staff. The 2014 budget contains increases, but we will strive to further improve compensation as we can.

CO-CHAIR REPORT: Charlie Janeway

2013 was a year of consolidation of the gains we saw in 2012. This past year we were able to continue to make gains on the two great challenges of The Hamlet, short-term cash flow and long-term debt.

With the present market demand and the general attractiveness of The Hamlet, the Cottages remained at more than 85 percent occupancy despite the departure of two cottage residents. Hamlet House remained full with a waiting list.

The 2012 change in our organizational philosophy which divided LOHO into two separate businesses under one umbrella (the Cottages and Hamlet House) has contributed to our success. This division of responsibility to the Executive Director for the Cottages and the Administrator for Hamlet House has resulted in improved tracking of expenses, forecasting and budgeting.

We ended 2013 cautiously optimistic regarding our cash flow challenge. If we can continue to maintain a minimum 85 percent Cottage occupancy and a minimum 92 percent Hamlet House occupancy and remain frugal in our spending we project a budget in the black (barely) for the next five years. This includes meeting our mortgage, payroll and other obligations and putting a small amount in a reserve to cover future maintenance issues.

Long-term debt has been LOHO's biggest threat to survival. This past year again saw some success with this challenge.

During 2013 two additional long-term creditors (one, a party with a previous cottage deposit and the other, a party who had advanced money) very generously forgave debt resulting in a decrease in our long-term debt (deposits and advances) from a total of \$1,640,000 in December 2011 to \$490,000 now.

We wish we could repay the remaining two parties to whom we owe nearly \$500,000 but unfortunately when the Board, as an incentive to get more residents into the Cottages, decided to do away with the refundable deposit in 2010, LOHO lost the ability to repay any of its individual lenders and depositors.

In 2014 we will endeavor to put in place another improvement in our organizational structure with the addition of a part-time Business Manager who will be responsive to the needs of Hamlet House, the Cottages and the organization as a whole. This addition has been factored into our budget. We see this position as essential to the long-term success of The Hamlet.

APPENDIX A: LOHO BOARD OF DIRECTORS AND ADMINISTRATIVE STAFF BIOS**Mary Ann Bailey**

Lopez property owner since 1975, full-time resident since 2010. Holds Bachelor's degree in Political Science from University of Puget Sound. Mother extraordinaire of four grown children. Mother resides at Hamlet House.

Rebecca Chao, Co-Chair

Active in Pacific Northwest public finance for over 35 years as a financial advisor and an investment banker, most currently retired from Seattle-Northwest Securities Corp. From 1989 through 2007, owner and President of Regional Financial Advisors, Inc. (sold to SNW). Other employers included Shearson-Lehman Brothers, E.F. Hutton, First National Bank (now Wells Fargo), Government Finance Associates, Public Financial Management, Clements & Marshall (owner) and Oregon State Treasury. Began as a computer programmer. Has served on a number of non-profit boards.

Randall Dickson

Masters of Physician Assistant Studies, University of Nebraska College of Medicine and graduate of the PA program at the University of Washington School of Medicine. Practices at Group Health, Seattle, WA. Small business owner of Physician Assistant Solutions. On the clinical faculty at the University of Washington School of Medicine. Distinguished Fellow of the American Academy of Physicians Assistants. Community and volunteer activities include Washington Academy of Physician Assistants Past-President, former North Sound Emergency Medicine Board of Directors Vice President.

Bruce Ellestad

Brings a wealth of education experience to the Board. Holds a MA in Policy Studies from the University of Washington; MA Biology Teaching Degree, University of Washington; BA Biological Sciences, University of California, Santa Cruz. Served as researcher for Prometheus Institute for Sustainable Development. Currently a small business owner and substitute teacher on Lopez Island.

Karen Gilbert

Masters in Nursing from the University of Washington and certified as a gerontological and adult nurse practitioner. Currently works in the palliative care service for Skagit Valley Hospital in Mt Vernon. Previous 27 years experience in hospice and home health nursing and in oncology as a nurse practitioner. Lopez Island resident since 1989. Served on advisory board for the development of a senior housing community, which later became The Hamlet.

Charlie Janeway, Co-Chair

Amherst College. University of Rochester School of Medicine; rotating internship at Harborview Hospital in Seattle; internal medicine at University of Washington. Gastroenterologist at Group Health Cooperative of Puget Sound, 1970-2008 – administrative responsibilities included Chief of Internal Medicine Department, Chief of Gastroenterology Section, Chair of Pharmacy and Therapeutics Committee, and member of the Executive Committee of the Medical Staff.

Nancy Mariotti

M.S. Degree, State University of New York at Albany. Cecil College - Senior Director, Continuing Education Division. Cecil College – Fiscal Manager of Continuing Education

Division as part of the Financial Services Division. Adjunct Instructor of the Year 1990 – Cecil College Credit Division. Founder of newsletter for APFTDS and editor for two years. Resident of Hamlet Cottages.

Kai Sanburn

Lopez Island Medical Clinic nurse 1996-present. Lopez Island School nurse 1997-2010. Harborview Medical Center, Seattle, WA nurse, 1992-1996. Women in Need Shelter, New York City: shelter coordinator, housing specialist, children's program specialist, 1985-1988.

Kirm Taylor

University of Rochester, BA History. University of Michigan, MSW. Social worker in New York and Michigan; twenty-two years as real estate broker in Seattle, WA. Thirteen years as general contractor. Founding member, Lopez Community Trails Network; treasurer of Lopez Island Community Tennis Association.

Florence Wagner

Formative years in East Grand Rapids, Michigan, followed by University of Michigan, where she received a degree in nursing. Main areas of expertise: pediatrics. Practiced in San Francisco, Grand Rapids and Ann Arbor, Michigan. Resident of Hamlet Cottages.

Paula Walker, Secretary

Full-time Lopez Island resident since 2009. Master's degree in library science from the University of Oregon. Taught middle school and was technical librarian first for Pepperdine Law School and then for Portland General Electric Company.

Mary Wondra, Treasurer

Thirty-five year career in administrative, clerical and managerial positions in stock brokerage, insurance administration and claims, physician office, academic medicine, attorney office. Owner, escrow business. Volunteer for Lopez Community Center, Friends of the Library, Fisherman Bay Water Association, Lopez Community Land Trust, Friends of Woodman Hall, Lopez School.

ADMINISTRATIVE STAFF**Cottages - Executive Director: Lorrie Harrison**

Executive Director of Hamlet Cottages since Dec. 2011. Senior Marketing Representative for Walt Disney World Company, Orlando, Florida 1972 - 1980. Co-Director of a large non-profit in Orlando, then returned to Disney as Seminar Productions designer and presenter. Independent marketing consultant, 1989 - 2011. Published author.

Hamlet House – Administrator: Nichelle Kelley Sorenson

Administrator of Hamlet House Adult Family Home since Jan. 2012. Hamlet House Caregiver, March 2011 – January, 2012. Lopez Island Pharmacy Asst., 2008 - 2011; Pre-kindergarten Teacher and Early Childhood Educator 1992 - 2007; Certified Phlebotomist.

APPENDIX B: LOHO BOARD ROSTER AND TERMS

As of 3/26/14

Last Name	First Name	OFFICER	Date Joined	1 st Annual Meeting	2010	2011	2012	2013	2014	2015	2016	2017
Bailey	Mary Ann		12/11	2012			✓			★		
Chao	Rebecca	Co-Chair	12/10	2011		✓			★			★★
Dickson	Randall		01/11	2011		✓			★			★★
Ellestad	Bruce		12/11	2012			✓			★		
Gilbert ¹	Karen		06/13	2014					✓			★
Janeway	Charlie	Co-Chair	11/09	2010	✓			★			★★	×
Mariotti	Nancy		10/12	2013				✓			★	
Sanburn	Kai		10/11	2012			✓			★		
Taylor	Kirm		06/10	2011		✓			★			★★
Wagner	Florence		10/11	2012			✓			★		
Walker	Paula	SEC	01/11	2011		✓			★			★★
Wondra	Mary	TREAS.	03/09	2010	✓			★			★★	×

1- Karen Gilbert replaced Paul Angel in 2013 and stood for full term election at the 2014 Annual meeting.

- ✓ Official beginning of first term
- ★ First term ending
- ★★ Second term ending
- × GONE

ANNUAL MEETINGS:

1/14/2009
 3/11/2010
 4/14/2011
 2/09/2012
 2/14/2013
 2/13/2014

APPENDIX C:

COTTAGE SUSTAINABLE FINANCE PLAN – RECOMMENDED GUIDELINES

BOARD APPROVED October 11, 2013

In early 2012 the LOHO Board approved a goal to spend the next three years striving to attain a sustainable finance plan. This report sets forth our definition of a sustainable finance plan and the actions needed to attain that plan.

The LOHO Sustainable Finance Plan (SFP) is a five-year approach to our budgeting that contains both principles and goals. The principles govern all annual budgets; the goals may not be achievable in the near term, but indicate where we are trying to go over the long term.

SFP Principles:

govern all annual operating budgets (and how they are cut to balance)

- 5-year range The SFP shall project a period that includes five years past the current fiscal year.
- Balanced This means that forecasted current revenues must meet or exceed likely current expenses within \$5,000 or less. Forecasts will use reasonable expectations, rather than conservative or optimistic assumptions. No use of savings is to be budgeted, although savings may be used if actual costs unexpectedly exceed budgeted amounts. Current year budgets must begin the year as balanced and to the extent feasible, the forecast will re-balance throughout the year.
- Bank Debt All scheduled debt payments (bank) must be paid. See Goals section for Individual Debt.
- Maintenance Suspend contributions to the maintenance reserve unless budget is balanced. Use savings for unexpected maintenance, if necessary. Attempt to fund as much of the maintenance items (equipment & furnishings replacement, major maintenance) as possible through grants.
- Rent projections Continue use of 85% occupancy for future years (current year uses forecast based on actual occupancy). National Investment Center senior housing properties occupancy 89% nationally in second quarter 2013.

Assume 3% annual rent increases (market rate cottages) for the purposes of forecasting, but the rent levels must stay within market levels. NOTE: Each percent rent increase adds about \$680 for 2014 (only about half the year is affected).

Our main rent principle is to keep rent increases at a minimum, both for market reasons and to ease the burden on residents, whose income is mostly fixed. Thus, if necessary, cuts in services (expenses) will be closely examined before rents are increased.
- Fundraising Fundraising will continue annually to primarily address the “affordable subsidy”, currently about \$25,000. Maintenance and capital items may also be part of the fundraising effort.
- Grants The Cottages have limited history of receiving grants, although we are optimistic about the future. Budget estimates for grants applied for but not yet awarded should be limited to local granting agencies, including United Way. The estimate for 2014 is \$3,000.
- Spendable Savings **MINIMUM** If the projected year end “spendable savings” amount falls below \$40,000 then replenishment of the savings to this level will have top priority after scheduled debt. (One-month operating/maintenance/bank payment expense is about \$20,000 rounded.)

- Excess revenues Any excess from higher occupancy, lower expenses or unanticipated donations or grants will be used:
 - first for savings replenishment to the goal below (if needed),
 - second for maintenance reserve funding up to the annual maximum of \$6,000,
 - then the Board will determine utilization, with direction from the goals below.

SFP Goals: ***These goals influence the utilization of any excess revenues. The goal level may not be achievable in the near term, but indicate where we are trying to go over the long term.***

- Spendable Savings GOAL (**MAXIMUM**) Grow projected year-end spendable savings to a balance of \$50,000, then can proceed to fund the goals below. The “spendable savings” can be spent on anything, including maintenance.
- Maintenance Reserve Once the savings goal above has been reached, return to funding this reserve with \$6,000 a year until it reaches a maximum of \$25,000.
- Individual Debt It is our goal to resolve the individual debt without incurring payments if possible. If an unscheduled payment on individual debt will cause a substantial reduction in the amount owed (significantly larger than the payment amount), then this has a high priority and will likely to be paid from savings or fundraising.

Once the maintenance reserve goal has been reached, debt reduction should be considered. Principal payments on the individual debt could be made, preferably if they reduce a higher amount of principal. Reduction of the bank loan on June 2017 (interest rate reset date) would result in freeing up annual revenue for other uses; however, for every \$5,000 annual payment reduction, it would take about \$64,000 principal reduction, unless the term of the loan could be extended or rate reduced. If large donations or bequests are received, this should be explored with the bank.
- Maintenance Plan Obtain as soon as feasible a plan and budget for the Major Maintenance needs of the cottages. Once the timing and amounts are determined, rework the long-term budgets to address these needs and begin work on finding grants for those that are deemed most likely to receive funding.
- Staffing As feasible, add staff to cover the tasks that would normally be performed by staff but are now being covered by volunteers (e.g., building/grounds maintenance, business management/finance).

NOTE: 5-year forecast is not attached here. This forecast is updated frequently.