



TAHOE DONNERSM

2016 ANNUAL REPORT

EUER VALLEY

CRABTREE CANYON

640-ACRE ACQUISITION

In 2016, Tahoe Donner Association purchased Crabtree Canyon, a 640-acre parcel of land located adjacent to Carpenter Valley and adjacent to Tahoe Donner's existing 7,000-plus acres. This land parcel now offers expanded recreational opportunities (cross country ski trails and summer trails) for Tahoe Donner residents and the public, and will help preserve, protect and maintain Crabtree Canyon.

CARPENTER VALLEY

VISION STATEMENT

Tahoe Donner is a vibrant and desirable mountain community, providing attractive and well-maintained facilities, events, programs, and leading customer service to its members, guests, and public, all while maintaining accessible and healthy natural surroundings.

Dear Members,

The purpose of this 2016 Annual Report is to provide a comprehensive report on 2016 financial results and to communicate the 2016 Audited Financial Statements and Independent Auditors Report to all members.

Management, Finance Committee, and the Board consistently monitor both operational and financial results, and we are committed to both responsive and proactive management, balancing our service levels to volume and financial performance.

Please contact me anytime to discuss this report or any other financial aspects of your association.

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\$ 2.4 MILLION FAVORABLE NOR RESULTS

Net Operating Result Loss of \$4.5 million was \$2,447,000 or 35% favorable to Budget and \$1,097,000 or 20% favorable to 2015

\$ 53.9 MILLION | \$8,325 PER OWNER

Members' Equity as of 12/31/2016, up 9% to 2015

\$ 5.3 MILLION | \$826 PER OWNER

Capital Contribution by Annual Assessment in 2016

\$ 7.0 MILLION | \$1074 PER OWNER

Operating Contribution by Annual Assessment in 2016

\$ 12.8 MILLION OPERATING REVENUES

Up 35% to Budget and Up 47% to 2015

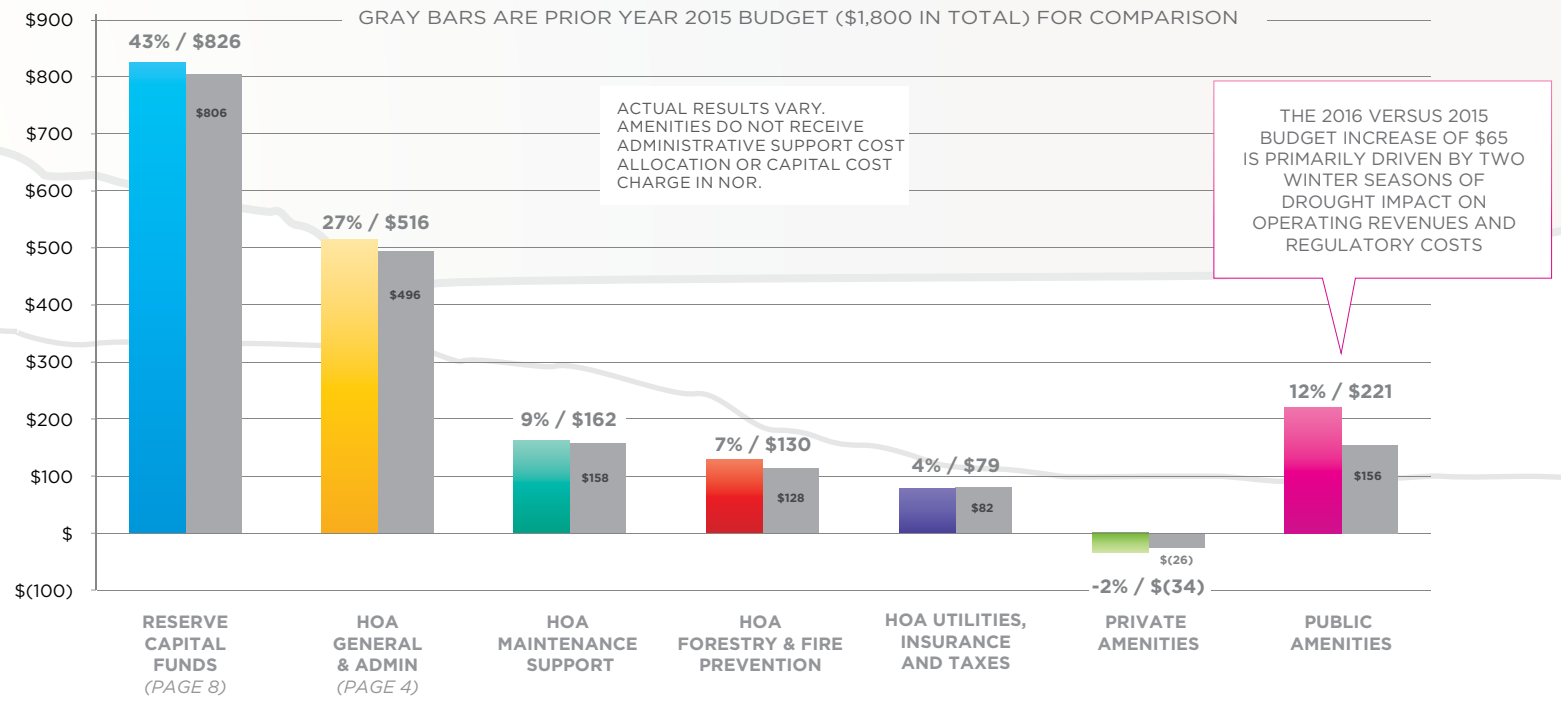
\$ 17.3 MILLION OPERATING COSTS

Up 7% to Budget and Up 21% to 2015

\$ 61.0 MILLION TOTAL ASSETS

Up \$4.9 million or 9% to 2015

DISTRIBUTION OF 2016 ANNUAL ASSESSMENT (\$1,900 PER OWNER)



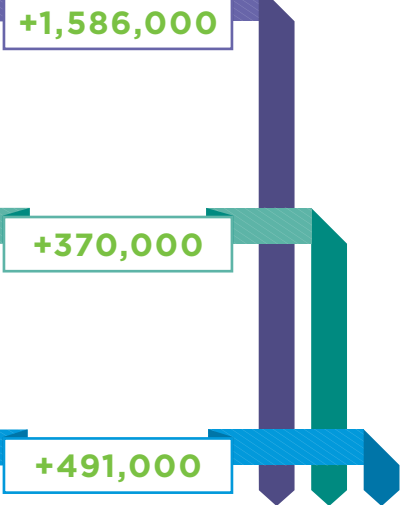
OPERATING FUND

NET OPERATING RESULTS - 2016 VARIANCES TO BUDGET

JAN. - APRIL
GREAT SNOWPACK AND STRONG MOMENTUM FOLLOWING TWO WINTER DROUGHT SEASONS, RECORD REVENUE LEVELS
• REVENUES UP \$2,397,000 OR 88% TO BUDGET
• EXPENSES UP DUE TO THE RECORD VOLUMES, \$811,000 OR 16% TO BUDGET
• NET OPERATING RESULT FAVORABLE \$1,586,000 OR 70% TO BUDGET

MAY - OCT.
RECORD VOLUMES AND RECORD REVENUES
• RECORD REVENUES EVERY MONTH OF THE SUMMER, UP \$489,000 OR 9% TO BUDGET
• EXPENSES UP \$119,000 OR 1%
• NET OPERATING RESULT FAVORABLE \$370,000 OR 11% TO BUDGET

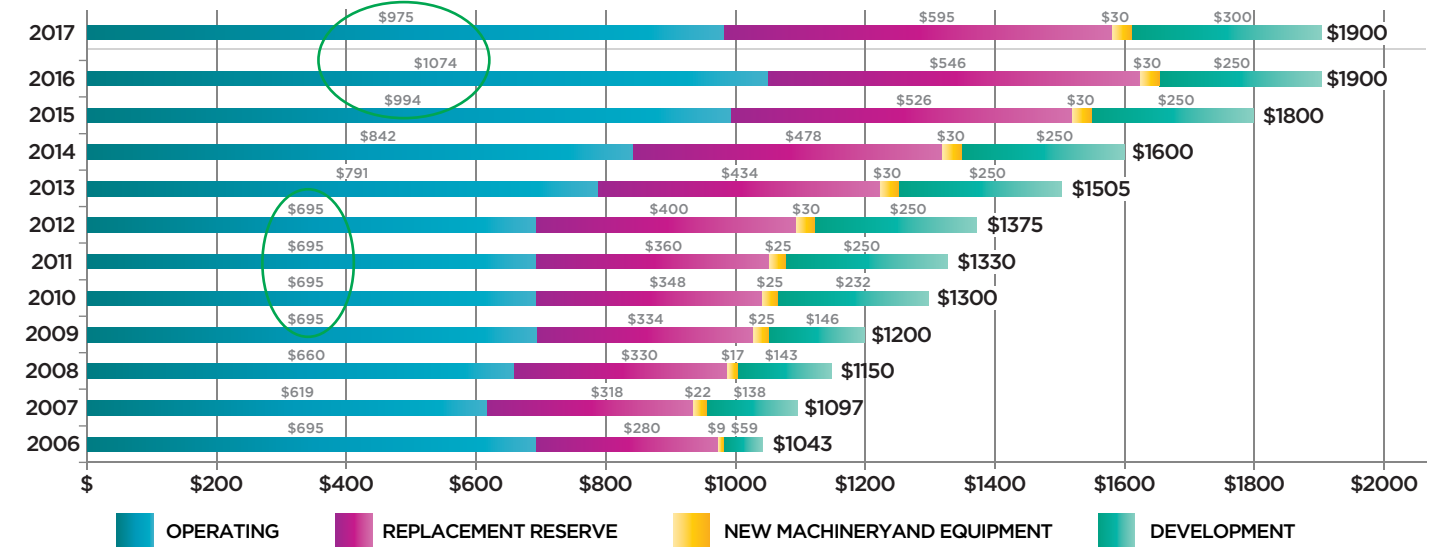
NOV. - DEC.
SNOWMAKING PROVIDED ENOUGH SNOW, GOOD BUSINESS LEVELS
• SNOWMAKING PROVEN INVESTMENT, PROVIDED ENOUGH SNOW TO OPERATE FOR THE PEAK HOLIDAY PERIOD
• RECEIVED JUST ENOUGH NATURAL SNOWFALL TO OPERATE CROSS COUNTRY SKI, NEW RECORD HOLIDAY BUSINESS REVENUES
• VERSUS BUDGET: REVENUE UP \$685,000/63% AND COSTS TO SERVICE VOLUME UP \$194,000/8%



2016 ANNUAL
+\$2,447,000
NOR FAVORABLE TO BUDGET
\$2,447,000 | 35% | \$378 PER OWNER

- 146,242 | 401 AVERAGE PER DAY TROUT CREEK VISITS, UP 3% TO 2015
- 48,152 | 388 AVERAGE PER SEASON DAY DOWNHILL SKI VISITS, UP 195% TO 2015
- 60,496 | 136 AVERAGE PER DAY THE LODGE DINNER GUESTS, UP 3% TO 2015
- 40,336 | 313 AVERAGE PER SEASON DAY MARINA VISITS, UP 1% TO 2015
- 28,228 | 205 AVERAGE PER SEASON DAY CROSS COUNTRY SKI VISITS, UP 178% TO 2015
- 19,494 | 124 AVERAGE PER SEASON DAY GOLF ROUNDS, DOWN 2% TO 2015
- 22,821 | 321 AVERAGE PER SEASON DAY SNOWPLAY VISITS, UP 73% TO 2015
- 4,961 | CONCERTS ON THE GREEN TWO NIGHTS, FOUR ACTS IN 2016, CONCERT ATTENDANCE UP 103% TO 2015
- 897 | IRS W-2s ISSUED AN INCREASE OF 17% TO 2015 (REVENUES UP 47% TO 2015)

ANNUAL ASSESSMENT PER OWNER (BY FUND)



COMPOUNDED ANNUAL GROWTH RATE (CAGR) METRICS

	(2006-2016) 10 YEAR	(2006-2017) 11 YEAR
CAPITAL FUNDS	9.0%	9.0%
OPERATING FUND	4.4%	3.4%
TOTAL ASSESSMENT	6.2%	5.6%

Accumulating funds over time to address the aging infrastructure needs of your association, consistent with the General Plan, while striving to minimize the operating fund portion of your assessment.

KEY NOTES

Capital Funds portion of Annual Assessment

- The Replacement Reserve Fund portion has been deliberately increased over time to improve the reserve funding level of our over 45 year old association. Underfunding reserves is considered the bane of many associations across the country. We adopted a reserves funding policy and recent Boards have adhered to this policy. Your association's reserves are now in a much stronger financial position to handle the replacement and major maintenance needs of the associations assets.
- The Development Fund portion was held at \$250 for six years (2011 to 2016). This funding is for eventual building replacements due to functional obsolescence and for new facilities or other new major projects due to the changing needs of the association and membership.
- More historical information on Capital Funds, see pages 4 and 5.

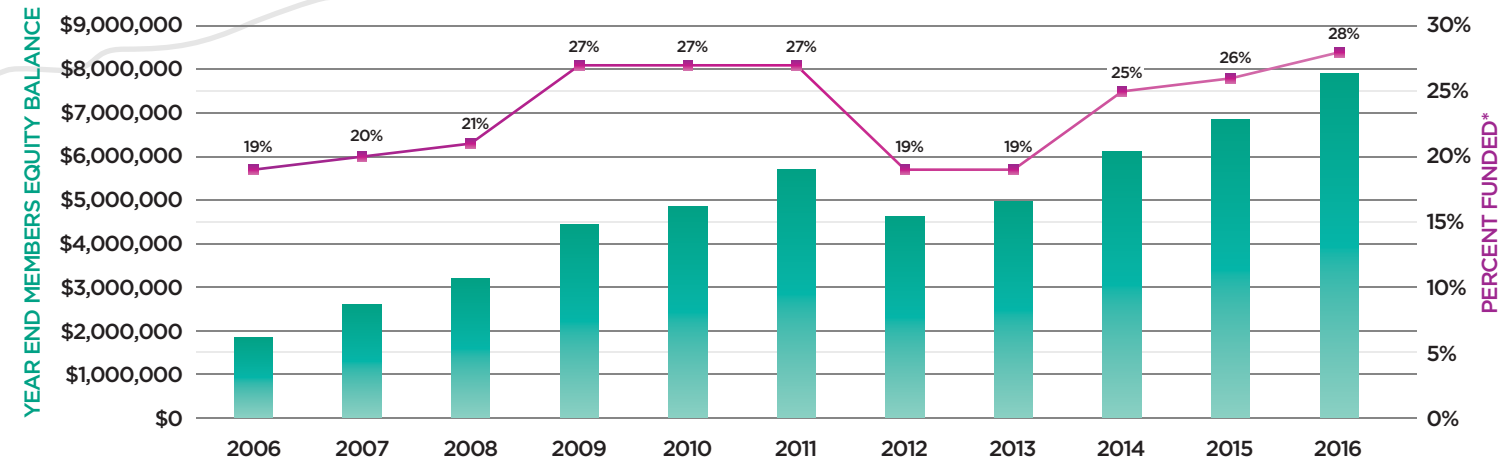
Operating Fund portion of Annual Assessment

- The Operating Fund portion increased in 2015 and 2016 due to the combined pressures of winter droughts impact on operating revenue expectations and payroll cost increases due to California minimum wage increases and the Federal Affordable Care Act impacts.
- The Operating Fund portion was held flat for four years (2009 to 2012), with strong visitation and revenue growth and no droughts.
- For 2017, this operating fund portion was decreased by \$99 due to 2015 Actual and 2016 Forecast favorable revenue trends, as well as, a favorable decrease in workers compensation costs. In December 2016, the snowmaking investment proved it's return on investment.
- More historical information on Operating Fund, see page 6.

CAPITAL RESERVES

REPLACEMENT RESERVE FUND

MEMBERS EQUITY (Fund Balance) AND PERCENT FUNDED

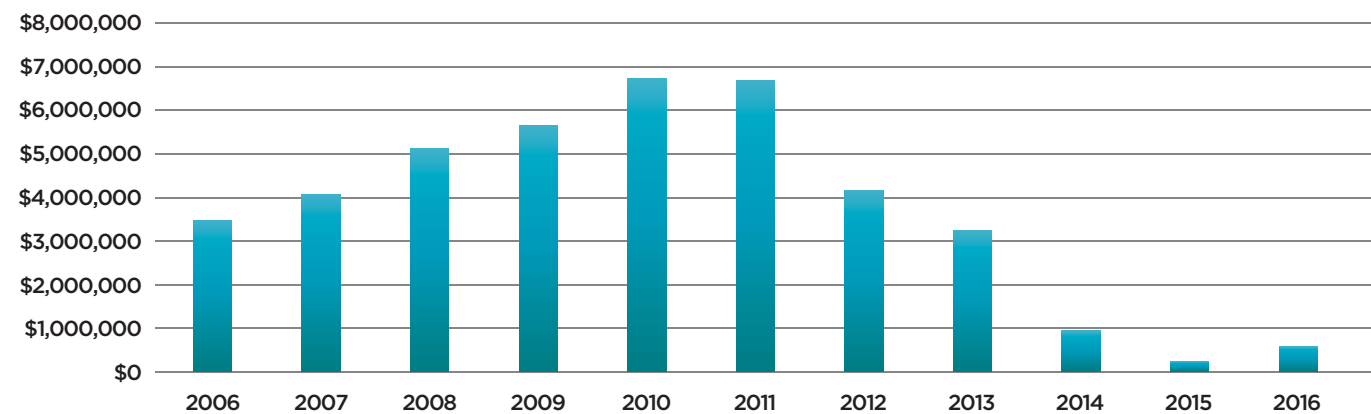


- The Replacement Reserve Fund is the capital reserve fund for existing asset components of the association. This is a savings fund utilized to replace and preserve assets of the association as they depreciate over time. There are over 1800 components in the reserve study which is updated every year and a complete physical inspection of all components is performed every three years.
- The association has a Replacement Reserve Fund policy which provides for a target minimum of 25% Funded.*
- The reserve study does not include the replacement of existing buildings, see below Development Fund.
- The funding level from annual assessment generally needs to increase each year to, at a minimum, keep pace with inflation.
- The association has a fiduciary duty to adequately reserve for the preservation of assets, which ultimately protects property values.
- The 2016 assessment funding level was \$546 per owner or \$3,534,000, an increase of 4% over 2015.
- The 2017 assessment funding level was \$595 per owner or \$3,852,000, an increase of 9% over 2016.

*Percent (%) Funded is the measure of the fund balance to the Fully Funded - 100% funded reserve study amount. The Fully Funded - 100% balance is total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. The direct proportion of the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component and summed together for the association in total. Refer to 2017 Budget Report of more information on Reserve Study.

DEVELOPMENT FUND

MEMBERS EQUITY (Fund Balance)



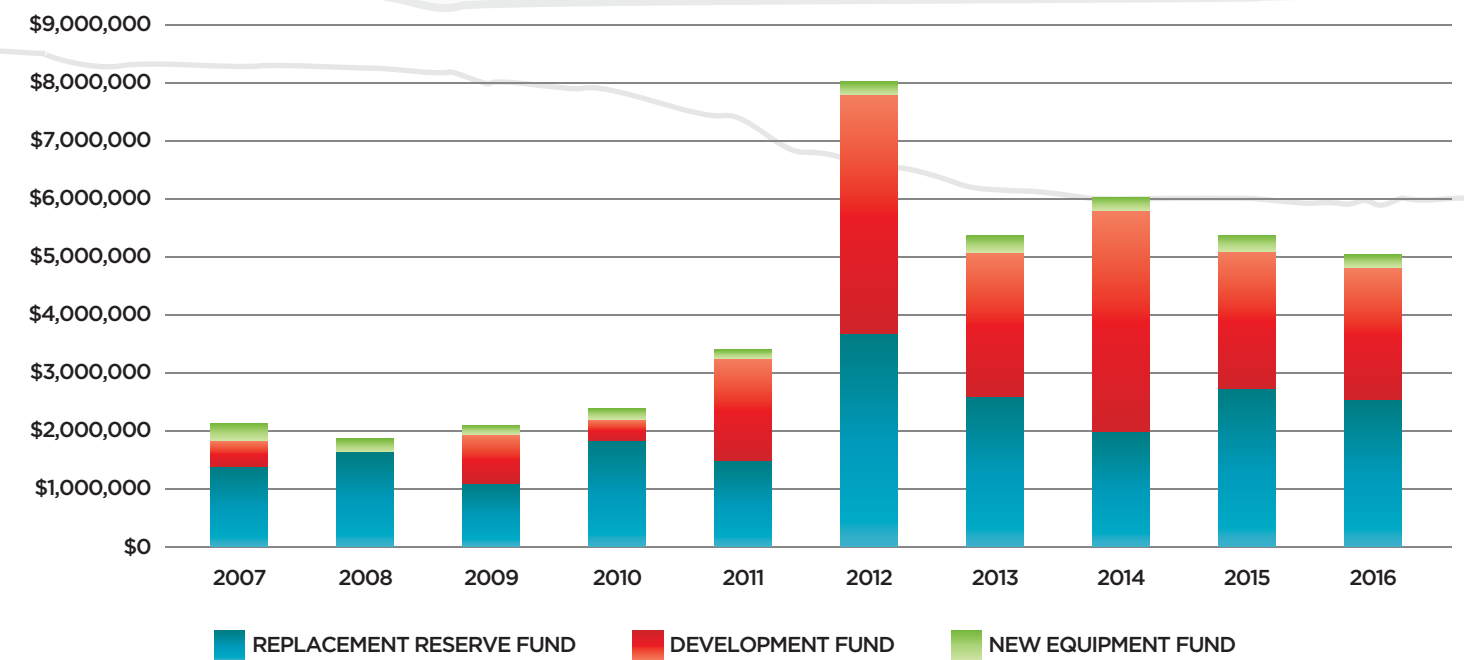
- The Development Fund was established as authorized in the governing documents of the association to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements, or changing needs of the Association.
- The Association Master Plan (General Plan) guides the prioritization of the numerous projects identified for Development Fund expenditure. This Plan is actively being updated in 2017, lead by the Board and the General Plan Committee, including numerous member open meetings on this subject, and articles in the Tahoe Donner News magazine and our website, www.tahoedonner.com.
- The 2016 assessment funding level was \$250 per owner or \$1,618,000, consistent with the 2011 to 2015 amount.
- The 2017 assessment funding level was \$300 per owner or \$1,942,000, an increase of 20% over 2016.

CAPITAL EXPENDITURES

CAPITAL FUNDS

EXPENDITURES BY YEAR

10 YEAR TOTAL = \$40.8 MILLION



\$40.8 million equates to a 10-year average of \$4.1 million in capital expenditures per year. The 10 year average of depreciation expense is \$2.4 million for a total of \$24 million. *Note that many high-age assets are fully depreciated and now have no annual depreciation expense. The net effect is a growth in net fixed assets; over the 10 years a CAGR of 3.8% in net fixed assets.*

Net fixed assets (property and equipment) grew from \$28 million at the end of 2006 to \$41 million at the end of 2016.

Bottom line - reinvesting in the association, the assets value grew at a 3.8% growth rate. This as opposed to limited or less capital spend, would have equated to decline in net assets.

THE BOARD HAS A FIDUCIARY RESPONSIBILITY (BY LAW) TO DO WHAT IS BEST FOR THE ASSOCIATION BOTH NOW AND FOR THE FUTURE. CURRENT OWNERS HAVE THE RESPONSIBILITY TO PAY FOR THE DEPRECIATION OF ASSOCIATION ASSETS, NOT TO DEFER THE BURDEN TO FUTURE OWNERS. PROPERLY MAINTAINING OUR ASSETS PROTECTS OWNERS' PROPERTY VALUES.

CAPITAL INVESTMENTS OVER THE 10 YEARS INCLUDES:

\$21.3 million in replacement of existing assets (per reserve study plan)

- \$2.1 million per year 10-year average, maintaining existing asset components
- \$1.5 million per year 1st 5 years average, maintaining existing asset components
- \$2.7 million per year 2nd 5 years average, maintaining existing asset components

The increase from 2007-2011 to the 2012-2016 average is due to the overall aging of assets and the impact of Development Fund projects on related reserve components.

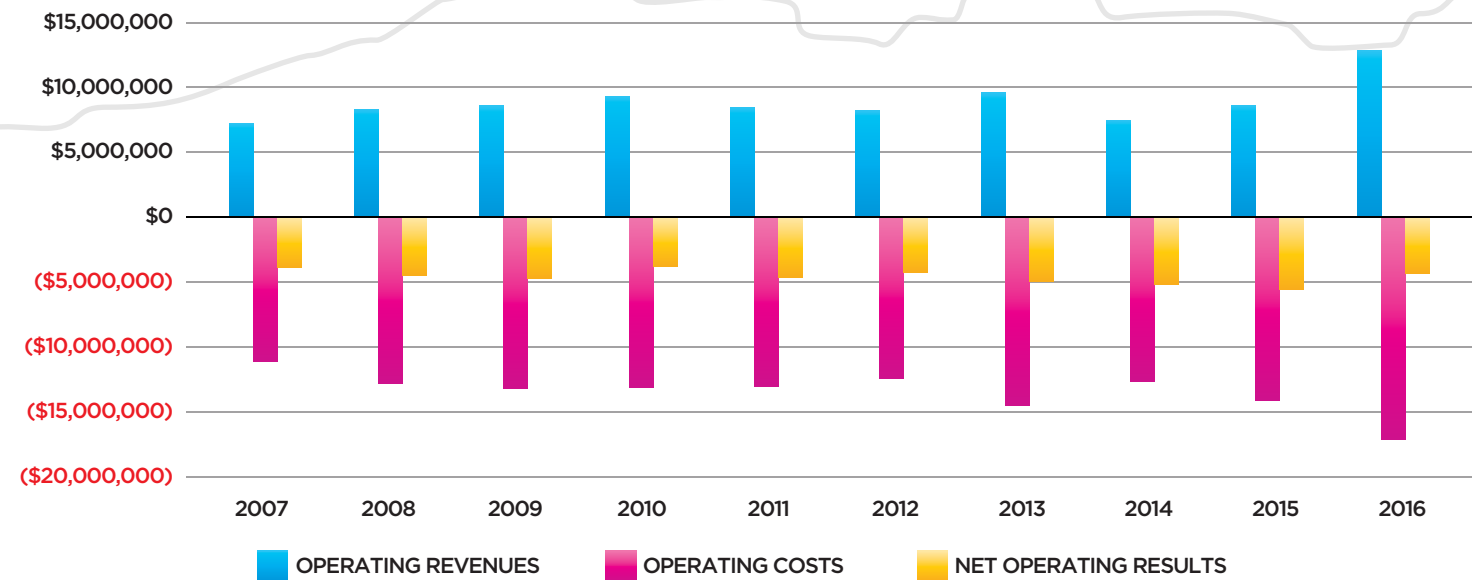
\$17.7 million in Development Fund capital investments, including:

- Euer Valley land 482-acres (2012)
- Forestry building and 20-acres (2012)
- The Lodge expansion - kitchen, covered porch and pro shop (2013)
- Downhill Ski School - yurt and deck (2013)
- Alder Creek Adventure Center building (2014/2015)
- Downhill Ski Area snowmaking investment (2014)
- Solar Projects at three locations (2015-2016)
- Equestrian Campus Relocation and Upgrades (2015-2016)
- Crabtree Canyon land 640-acres (2016)

\$1.8 million in New Equipment Fund capital investments

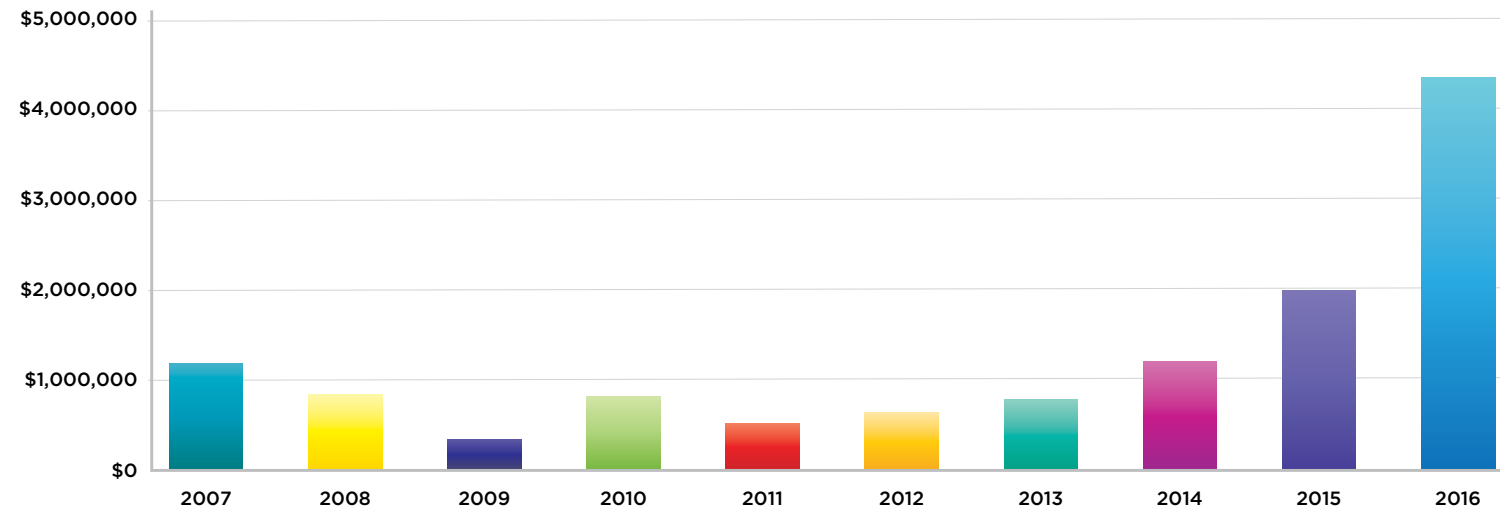
\$182,000 per year average

OPERATING FUND ACTUAL RESULTS



Record revenues and record costs in 2016. Resulting NOR Loss of \$4.5 million compares to \$3.8 million in 2006, a 1.8% 10-yr CAGR

OPERATING FUND OPERATING FUND ACCUMULATED NET RESULTS, CONTINGENCY



MEMBERS' EQUITY (as of December 31)

The association's operating fund members equity target balance per policy is 10% of budgeted operating Revenues or \$1.1 million for 2017. The accumulated excess balance transfer to capital Fund(s) will be determined by the board in coordination with the adoption of the association Master Plan and the 2018 budget cycle in fall 2017.

FROM THE 2006 BUDGET TO THE 2016 BUDGET 10-YEAR CAGR

- 3.2% OPERATING REVENUE
- 3.7% OPERATING COSTS
- 4.5% NET OPERATING RESULT LOSS
(RESULTING ANNUAL ASSESSMENT)

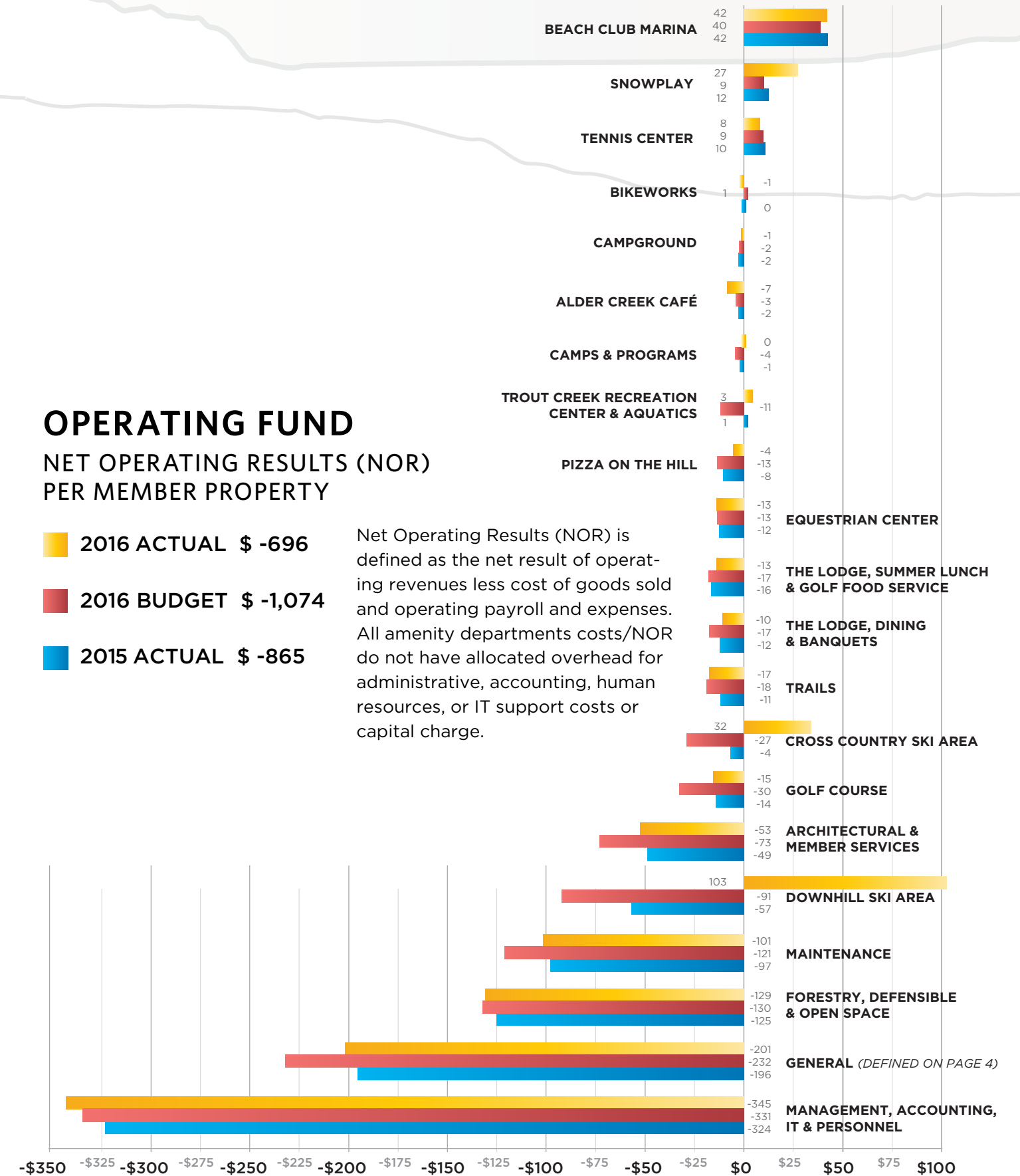
Costs are greater than Revenues (every year) and the Costs have grown at a slightly higher growth rate, therefore, the resulting NOR Loss growth rate is higher. Further, the 2 seasons of winter drought lowered revenue budget in 2016 and recent regulatory cost pressures have added significant cost increases.

For 2017 Budget, the strong financial performance in summer and fall of 2015 and 1st eight months of 2016 combined for a substantial increase in operating revenue expectations in the 2017 Budget. The 2016 Budget was \$9.2 million, while the 2017 Budget is \$11.0m, allowing a reduced annual assessment funding requirement.

OPERATING FUND NET OPERATING RESULTS (NOR) PER MEMBER PROPERTY

- 2016 ACTUAL \$ -696
- 2016 BUDGET \$ -1,074
- 2015 ACTUAL \$ -865

Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses. All amenity departments costs/NOR do not have allocated overhead for administrative, accounting, human resources, or IT support costs or capital charge.



OPERATING FUND 2016 DEPARTMENTAL RESULTS

YEAR ENDING DECEMBER 31, 2016

	2016 ACTUAL				2016 NOR VS BUDGET	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	2016 BUDGET	ACTUAL TO BUDGET VARIANCE
PRIVATE AMENITIES						
TROUT CREEK RECREATION CENTER AND AQUATICS	1,151,137	-33,335	-1,095,440	22,362	-69,900	92,262
BEACH CLUB MARINA	627,652	-48,733	-305,278	273,641	261,800	11,841
TENNIS CENTER	253,474	-30,657	-170,987	51,830	55,200	-3,370
CAMPS AND PROGRAMS	391,548	-2,328	-391,496	-2,276	-26,100	23,824
TOTAL PRIVATE AMENITIES	2,423,811	-115,053	-1,963,201	345,557	221,000	124,557
PUBLIC AMENITIES						
GOLF	1,119,109	-58,706	-1,158,947	-98,544	-197,300	98,756
DOWNHILL SKI AREA	3,502,165	-205,298	-2,629,074	667,793	-588,300	1,256,093
CROSS COUNTRY SKI AREA	978,088	-65,781	-708,059	204,248	-174,600	378,848
SNOWPLAY	290,166	-6,895	-108,330	174,941	58,000	116,941
CAMPGROUND	59,042	0	-65,770	-6,728	-14,200	7,472
EQUESTRIAN	186,780	-4,694	-265,535	-83,449	-83,200	-249
TRAILS	307	0	-109,468	-109,161	-116,000	6,839
BIKEWORKS	86,888	-28,589	-64,301	-6,002	6,100	-12,102
THE LODGE - DINING AND BANQUETS	2,312,246	-716,951	-1,659,200	-63,905	-108,900	44,995
THE LODGE - LUNCH AND GOLF FOOD SERVICES	227,992	-75,103	-239,034	-86,145	-110,400	24,255
PIZZA ON THE HILL	518,060	-155,956	-389,847	-27,743	-83,300	55,557
ALDER CREEK CAFÉ	353,697	-119,884	-276,167	-42,354	-17,900	-24,454
TOTAL PUBLIC AMENITIES	9,634,540	-1,437,857	-7,673,732	522,951	-1,430,000	1,952,951
TOTAL AMENITIES	12,058,351	-1,552,910	-9,636,933	868,508	-1,209,000	2,077,508

2016 NOR VS PRIOR YEAR	
2015 ACTUAL	2016 TO 2015 VARIANCE
3,867	18,495
270,696	2,945
65,234	-13,404
-4,696	2,420
335,101	10,456
-90,044	-8,500
-365,778	1,033,571
-25,646	229,894
74,943	99,998
-11,651	4,923
-80,477	-2,972
-70,074	-39,087
-2,008	-3,994
-79,789	15,884
-103,585	17,440
-52,629	24,886
-11,459	-30,895
-818,197	1,341,148
-483,096	1,351,604

AMOUNTS INCLUDING REPLACEMENT RESERVE CAPITAL CONTRIBUTION					
NOR 2016 ACTUAL	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2016 NET RESULTS AFTER CAPITAL	2016 PER PROPERTY 6,473	2015 PER PROPERTY 6,472	2016 VS 2015
22,362	-301,886	-279,524	-43	-44	1
273,641	-89,180	184,461	28	28	0
51,830	-145,685	-93,855	-14	-13	-1
-2,276	-14,918	-17,194	-3	-3	0
345,557	-551,669	-206,112	-32	-32	0
-98,544	-817,100	-915,644	-140	-138	-2
667,793	-517,075	150,718	23	-134	157
204,248	-210,167	-5,919	-1	-22	21
174,941	-11,007	163,934	25	10	15
-6,728	-47,986	-54,714	-8	-9	1
-83,449	-57,793	-141,242	-22	-18	-4
-109,161	-107,849	-217,010	-34	-30	-4
-6,002	-2,392	-8,394	-1	-2	1
-63,905	-230,806	-294,711	-46	-49	3
-86,145	-35,758	-121,903	-19	-21	2
-27,743	-35,764	-63,507	-10	-14	4
-42,354	-7,822	-50,176	-8	-2	-6
522,951	-2,081,519	-1,558,568	-241	-429	188
868,508	-2,633,188	-1,764,680	-273	-461	188

HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES						
GENERAL (g)	178,278	0	-1,477,994	-1,299,716	-1,500,800	201,084
MANAGEMENT, ACCOUNTING, HUMAN RESOURCES, IT	320,803	0	-2,552,638	-2,231,835	-2,143,300	-88,535
ARCHITECTURAL AND MEMBER SERVICES	155,981	0	-497,068	-341,087	-470,700	129,613
FORESTRY, DEFENSIBLE & OPEN SPACE	57,616	0	-901,653	-844,037	-843,400	-637
MAINTENANCE	0	0	-655,442	-655,442	-783,800	128,358
TOTAL HOA	712,678	0	-6,084,795	-5,372,117	-5,742,000	369,883
TOTAL OPERATING RESULTS	12,771,029	-1,552,910	-15,721,728	-4,503,609	-6,951,000	2,447,391
ASSESSMENT REVENUES	6,953,045	0	0	6,953,045	6,951,000	2,045
TOTAL OPERATING FUND	19,724,074	-1,552,910	-15,721,728	2,449,436	0	2,449,436

-1,263,126	-36,590	-1,299,716	-266,052	-1,565,768	-242	-252	10
-2,098,633	-133,202	-2,231,835	-135,236	-2,367,071	-366	-344	-22
-318,250	-22,837	-341,087	-8,023	-349,110	-54	-50	-4
-810,681	-33,356	-844,037	-77,666	-921,703	-142	-138	-4
-626,958	-28,484	-655,442	-413,835	-1,069,277	-165	-147	-18
-5,117,648	-254,469	-5,372,117	-900,812	-6,272,929	-969	-931	-38
-5,600,744	1,097,135	-4,503,609	-3,534,000	-8,037,609	-1,242	-1,392	150
6,430,800	522,245	6,953,045	3,534,000	10,487,045	1,620	1,520	100
830,056	1,619,380	2,449,436	0	2,449,436	378	128	250

(g) General department includes homeowner association services costs including property and income taxes, legal fees, loss prevention, insurance, annual and board meetings, Tahoe Donner News magazine (revenue and costs), and utilities and maintenance for majority of Northwoods Clubhouse facility.

Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating expenses.

The amenity department costs do not have allocated overhead for administrative, accounting, human resources, or IT support costs.

These amenity support costs are in respective departments under the Homeowners Association and Support Services section.

SEE PAGES 10 - 11 FOR RESULTS BY DEPARTMENT HIGHLIGHTS

OPERATING FUND

2016 HIGHLIGHTS VERSUS BUDGET

GREEN = FAVORABLE VARIANCE TO BUDGET

MAGENTA = UNFAVORABLE VARIANCE TO BUDGET

NOR = Net Operating Results. NOR is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses. NOR does not include any allocated overhead or capital costs.

PUBLIC AMENITIES

GOLF
(\$98,000) NOR LOSS
 FAVORABLE \$99,000 / 50% TO BUDGET
 The Golf Course had a great season overall, average business levels, and effective costs management.
ANNUAL: Rounds up 0%; Revenue off \$9,000/1%; Cost Savings of \$108,000/8%

THE LODGE RESTAURANT & PUB
(\$64,000) NOR LOSS
 FAVORABLE \$45,000 / 41% TO BUDGET
 Great volume and continued positive momentum in dining, pub, and banquet events. NOR improved over 2015 by 20%. Cost pressures primarily driven by CA minimum wage, FED Affordable Care Act, and the volume increase.
ANNUAL: Visits of 60,496, up 29% to Budget and up 22% to last year; Revenue of \$2.31m (record), up \$337,000/17% (up 16% to last year); Costs of \$2.3m (record), up \$292,000/14% (up 14% to last year)

ALDER CREEK CAFE
(\$42,000) NOR LOSS
 UNFAVORABLE \$24,000 / 137% TO BUDGET
 New operation, 1st full year of operations. Continuing to focus on improvement in margins, service levels and volume fluctuations by season and shoulder season operating days and hours refinements.
ANNUAL: Revenue up \$244,000/222%; Costs up \$268,000/210%

DOWNHILL SKI AREA
\$668,000 NOR
 FAVORABLE \$1,256,000 / 214% TO BUDGET
 Good snow in winter 2015/2016, a great season following two drought seasons. December 2016 opened on time primarily due to snowmaking efforts and had good holiday business levels.
ANNUAL: Visits up 78%; Revenue up \$1,889,000/117%; Costs up \$633,000/29%

CROSS COUNTRY SKI CENTER
\$204,000 NOR
 FAVORABLE \$379,000 / 217% TO BUDGET
 Good snow in winter 2015/2016, a great season following two drought seasons. December 2016 operated with minimal snow coverage, but enough for good holiday business levels.
ANNUAL: Visits up 49%; Revenue up \$573,000/142%; Costs up \$194,000/34%

EQUESTRIAN
(\$83,000) NOR LOSS
 UNFAVORABLE -\$249 / 0% TO BUDGET
 Good business levels; boarding, camps, and trail rides. New campus improvements very well received.
ANNUAL: Visits up 6%; Revenue up \$17,000/10%; Costs up \$17,000/7%

BIKEWORKS
(\$6,000) NOR LOSS
 UNFAVORABLE \$12,000 / 198% TO BUDGET
 Continued growth in bike rentals, retail, services, and tours. Costs over budget primarily due to retail sales growth and charged a portion of building utility costs in summer months which was not budgeted.

SUMMER FOOD & BEVERAGE
 LODGE LUNCH, T-9 GRILL, F&B GOLF CART, MARCO POLO GRILL AT TROUT CREEK REC CENTER
(\$86,000) NOR LOSS
 FAVORABLE \$24,000 / 22% TO BUDGET
 A great season with improving margins and effective balancing of service levels. NOR loss is improved to 2015 actual by \$17,000/17%.
ANNUAL: Revenue up \$23,000/11%; Costs down \$1,000/0%

SNOWPLAY AREA
\$175,000 NOR
 FAVORABLE \$117,000 / 202% TO BUDGET
 Good snow in winter 2015/2016, a great season following two drought seasons. December 2016 operated with minimal snow coverage, but enough for good holiday business levels.
ANNUAL: Visits up 76%; Revenue up \$160,000/123%; Costs up \$43,000/60%

PIZZA ON THE HILL
(\$28,000) NOR LOSS
 FAVORABLE \$56,000 / 67% TO BUDGET
 Continuing to improve on margins, quality, service levels, and volume. NOR improved over 2015 by \$25,000/47%.
ANNUAL: Revenue up \$118,000/30%; Costs up \$62,000/13%

TRAILS
(\$109,000) NOR LOSS
 FAVORABLE \$7,000 / 6% TO BUDGET
 Good cost controls and focused on Trails Master Plan execution, as well as consistent and effective trails maintenance.

CAMPGROUND
(\$7,000) NOR LOSS
 FAVORABLE \$7,000 / 53% TO BUDGET
ANNUAL: Visits up 11%; Revenue up \$9,000; Costs up \$2,000/2%



PRIVATE AMENITIES

BEACH CLUB MARINA
\$274,000 NOR
 FAVORABLE \$12,000 / 5% TO BUDGET
 Member and guest visitation down 10% due primarily to higher than average unfavorable weather events on weekends and holiday peak periods. Strong rental revenues. Revenues up 5%; Costs up 6%

TROUT CREEK RECREATION & AQUATICS
\$22,000 NOR
 FAVORABLE \$92,000 / 132% TO BUDGET
 Good visitation, swim lessons, and fitness class volumes. Aquatics programs continued improvement in volume and margins. Visits up 1%; Revenues up 5%; Costs down 3%

TENNIS CENTER
\$52,000 NOR
 UNFAVORABLE \$3,000 / 6% TO BUDGET
 Visits up 11%; Revenues down 11%; Costs down 12%. A decreased proportion of recreation fee allocation (overall an increase) and decline in retail (21%) and lesson (12%) revenues.

DAY CAMPS & RECREATION PROGRAMS
(\$2,000) NOR LOSS
 FAVORABLE \$24,000 / 91% TO BUDGET
 Day Camps: \$206,000 in revenues, up 1% to Budget and 4% to last year. NOR of \$34,000 was unfavorable \$6,000 to budget and \$19,000 to last year. Strong program participation, however cost increases due to expanded kids programs and CA labor law impacts.
 Recreation: Two evenings in a row of concerts on the green with sellout crowds and lower costs than budgeted. Member events remain popular. Revenue of \$186,000 was 15% favorable to budget and costs of \$222,000 were 3% favorable to budget.

HOA & AMENITY SUPPORT SERVICES

GENERAL
(\$1,300,000) NOR LOSS
 FAVORABLE \$201,000 / 13% TO BUDGET
 General HOA costs and communications. Cost savings due to position vacancies.

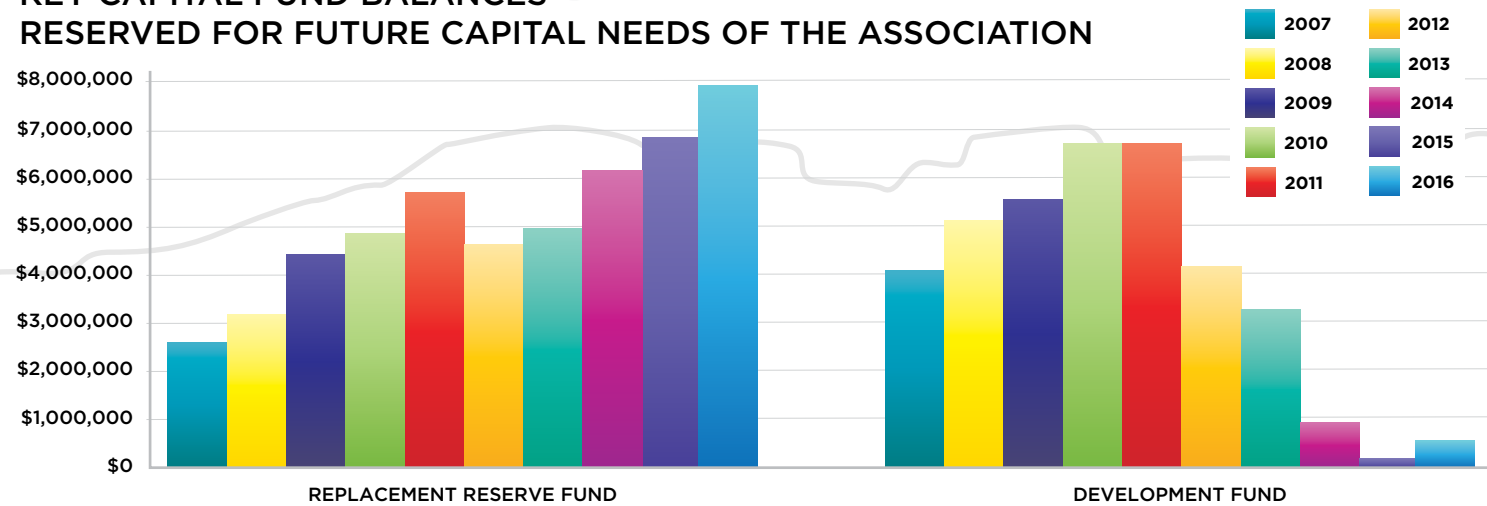
MANAGEMENT, ACCOUNTING, HUMAN RESOURCES, AND IT
(\$2,232,000) NOR LOSS
 UNFAVORABLE \$89,000 / 4% TO BUDGET
 Cost increases due to the record levels of operating revenues and operating costs company wide, including incentive compensation for which the majority is not in Budget (therefore not in assessment), rather funded by NOR favorable to Budget results. NOR was favorable \$2.4 million in 2016.

MAINTENANCE
(\$655,000) NOR LOSS
 FAVORABLE \$128,000 / 16% TO BUDGET
 Common area property, buildings, and vehicle maintenance. Cost savings due primarily to vacant positions with continued difficulties in labor market.

FORESTRY, DEFENSIBLE & OPEN SPACE
(\$844,000) NOR LOSS
 UNFAVORABLE -\$637 / 0% TO BUDGET
 Trails, forest health, defensible and open space management. NOR on budget for the year. Picked up a grant in 2016 which increased revenues and costs by \$44,000, accomplishing more defensible space efforts than budgeted.

ARCHITECTURAL AND MEMBER SERVICES
(\$341,000) NOR LOSS
 FAVORABLE \$130,000 / 28% TO BUDGET
 Revenues on par with budget. Significant cost savings due to vacant positions and the continued difficulties in maintaining adequate staffing levels.

KEY CAPITAL FUND BALANCES RESERVED FOR FUTURE CAPITAL NEEDS OF THE ASSOCIATION



MEMBERS' EQUITY (as of December 31)

REFER TO PAGE 13 FOR SCHEDULE OF ACTIVITIES AND BALANCES FOR EACH CAPITAL FUND.
REFER TO PAGE 14 FOR CAPITAL FUNDS EXPENDITURES BY DEPARTMENT.

28% FUNDED

Replacement Reserve funds as of 12/31/2016 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation.

\$2.6 MILLION | 2016 EXPENDITURES REPLACEMENT RESERVE FUND

- \$ 409,000 DOWNHILL SKI rental equipment, vehicles, and ski/board tuner
- \$ 406,000 TROUT CREEK REC CENTER poolside remodel
- \$ 392,000 MIS technology equipment
- \$ 173,000 GOLF COURSE maintenance equipment
- \$ 156,000 CROSS COUNTRY SKI equipment, trails, and hut maintenance
- \$ 83,000 AQUATICS pools and spas equipment
- \$ 81,000 GOLF carts lease
- \$ 72,000 SUMMER TRAILS maintenance
- \$ 66,000 EQUESTRIAN campus repairs and equipment replacements

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the association is obligated by state law and sound business practices to repair, restore, replace or maintain. A thirty-year reserve funding and expenditure plan is produced every three

years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,800 individual items are tracked in this plan, with a current replacement value of \$48 million. A complete study and plan was performed in 2016 and is updated annually.

\$1.3 MILLION | 2016 EXPENDITURES DEVELOPMENT FUND

- \$ 560,000 CRABTREE CANYON 640 acres
- \$ 228,000 SNOWMAKING equipment
- \$ 226,000 EQUESTRIAN campus improvements

The Development Fund is specifically intended for and authorized in the governing documents of the association. The Development Fund was established to accumulate funds for use in the development of, and additions to, facilities identified by the board as necessary due to new capacity requirements of the association, or changing needs of the community. The Development Fund includes funds accumulated for the specific purpose of replacing existing buildings, as only certain components of buildings are in the Replacement Reserve study.

\$185,000 | 2016 EXPENDITURES NEW EQUIPMENT FUND

- \$ 23,800 restaurant equipment
- \$ 22,000 AUDIO/VISUAL equipment
- \$ 18,100 AQUATICS equipment
- \$ 13,000 DIGITAL SIGNAGE equipment
- \$ 10,000 MAINTENANCE equipment tools
- \$ 9,800 BIKEWORKS rental bikes
- \$ 9,700 FURNITURE & FIXTURES
- \$ 9,600 SECURITY equipment

The New Machinery and Equipment Fund is used to account for financial resources designated for the acquisition of new assets identified as necessary for the association to be more efficient in operations or to provide new services to the membership.

PROPERTY FUND

The Property Fund is used to account for the Association's investment in its fixed assets. Capital additions to fixed assets totaled \$3,546,000 (in 2015 \$4,885,000). Depreciation expense for the year totaled \$2,971,000 (in 2015 \$2,723,000).

Total gross fixed asset value of \$74.2m equates to \$11,467 per owner and net book value of fixed assets and construction in progress of \$41.0m equates to \$6,335 per owner (an increase of 1% over 2015).

CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2016

	2016 ACTUAL	2016 BUDGET	2016 ACTUAL VS 2016 BUDGET	2015 ACTUAL	2016 ACTUAL VS 2015 ACTUAL
REPLACEMENT RESERVE FUND					
BEGINNING FUND BALANCE	\$ 6,859,483	\$ 7,000,000	\$ (140,517)	\$ 6,165,932	\$ 693,551
ASSESSMENT CONTRIBUTION	3,534,000	3,534,000	-	3,405,000	129,000
INTEREST REVENUE	56,222	15,000	41,222	26,967	29,255
OTHER REVENUE AND EXPENSE, NET	21,777	20,000	1,777	34,557	(12,780)
MAJOR MAINTENANCE EXPENSES	(514,652)	(775,000)	260,348	(470,100)	(44,552)
EXPENDITURES FOR CAPITAL ADDITIONS	(2,053,596)	(2,778,000)	724,404	(2,302,873)	249,277
CHANGE IN FUND BALANCE	1,043,751	16,000	1,027,751	693,551	350,200
ENDING FUND BALANCE	7,903,234	7,016,000	887,234	6,859,483	1,043,751
NEW MACHINERY & EQUIPMENT FUND					
BEGINNING FUND BALANCE	66,536	40,000	26,536	89,464	(22,928)
ASSESSMENT CONTRIBUTION	194,000	194,000	-	194,000	-
INTEREST REVENUE	8	-	8	10	(2)
MAJOR MAINTENANCE EXPENSES	-	-	-	-	-
EXPENDITURES FOR CAPITAL ADDITIONS	(184,756)	(170,000)	(14,756)	(216,938)	32,182
CHANGE IN FUND BALANCE	9,252	24,000	(14,748)	(22,928)	32,180
ENDING FUND BALANCE	75,788	64,000	11,788	66,536	9,252
DEVELOPMENT FUND					
BEGINNING FUND BALANCE	192,497	194,000	(1,503)	946,545	(754,048)
ASSESSMENT CONTRIBUTION	1,618,000	1,618,000	-	1,618,000	-
INTEREST REVENUE	3,844	1,000	2,844	949	2,895
OPERATING FUND TRANSFER IN	-	-	-	-	-
OTHER REVENUE & EXPENSE NET	(7,416)	(7,000)	(416)	(7,973)	557
FUND EXPENSES FOR CAPITAL ADDITIONS	-	-	-	-	-
EXPENDITURES FOR CAPITAL ADDITIONS	(1,307,873)	(1,651,000)	343,127	(2,365,024)	1,057,151
CHANGE IN FUND BALANCE	306,555	(39,000)	345,555	(754,048)	1,060,603
ENDING FUND BALANCE	499,052	155,000	344,052	192,497	306,555
CAPITAL FUND TOTALS (SEE NEXT PAGE FOR SCHEDULE OF SPEND BY DEPARTMENT)					
MAJOR MAINTENANCE/FUND EXPENSES	(514,652)	(775,000)	260,348	(470,100)	(44,552)
EXPENDITURES FOR CAPITAL ADDITIONS	(3,546,225)	(4,599,000)	1,052,775	(4,884,835)	1,338,610
TOTAL	\$ (4,060,877)	\$ (5,374,000)	\$ 1,313,123	\$(5,354,935)	\$ 1,294,058

The variance between Actual and Budget capital expenditures is primarily driven by the timing of projects between years.

The board has a fiduciary responsibility (by law) to do what is best for the association both now and for the future. Current owners have the responsibility to pay for the depreciation of association assets, not to defer the burden to future owners. Properly maintaining our assets protects owners' property values.

CAPITAL FUNDS EXPENDITURES BY DEPARTMENT

YEAR ENDING DECEMBER 31, 2016

	REPLACEMENT RESERVE FUND		NEW MACHINERY AND EQUIPMENT FUND		DEVELOPMENT FUND		CAPITAL FUNDS TOTAL	
	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE
PRIVATE AMENITIES								
TROUT CREEK REC CENTER	(b) \$457,444	\$58,473	\$6,199	\$ -	\$3,750	\$ -	\$467,393	\$58,473
BEACH CLUB MARINA	22,246	24,549	7,651	-	12,363	-	42,260	24,549
TENNIS CENTER	74,410	-	8,054	-	-	-	82,464	-
NORTHWOODS POOL / AQUATICS	82,776	-	19,899	-	-	-	102,675	-
CAMPS AND REC PROGRAMS	24,021	7,120	-	-	-	-	24,021	7,120
TOTAL PRIVATE AMENITIES	660,897	90,142	41,803	-	16,113	-	718,813	90,142
PUBLIC AMENITIES								
GOLF	148,726	107,486	10,449	-	-	-	159,175	107,486
DOWNHILL SKI AREA	(c) 409,290	3,429	8,062	-	(e) 228,528	-	645,880	3,429
CROSS COUNTRY SKI AREA	133,224	22,684	11,752	-	58,326	-	203,302	22,684
CAMPGROUND	27	8,354	-	-	-	-	27	8,354
EQUESTRIAN	65,579	-	2,105	-	(f) 226,014	-	293,698	-
TRAILS	80,085	-	-	-	20,540	-	100,625	-
BIKEWORKS	14,126	-	9,840	-	-	-	23,966	-
THE LODGE	47,633	5,005	3,574	-	-	-	51,207	5,005
THE LODGE, SUMMER LUNCH/GOLF F&B	-	-	-	-	-	-	-	-
PIZZA ON THE HILL	42,190	-	5,125	-	-	-	47,315	-
ALDER CREEK CAFE	-	-	6,612	-	-	-	6,612	-
SNOWPLAY	-	-	5,722	-	-	-	5,722	-
TOTAL PUBLIC AMENITIES	940,880	146,958	63,241	-	533,408	-	1,537,529	146,958
TOTAL AMENITIES	1,601,777	237,100	105,044	-	549,521	-	2,256,342	237,100
HOMEOWNERS ASSOCIATION								
GENERAL	-	-	-	-	(a) 559,565	-	559,565	-
MARKETING & COMMUNICATION	-	-	-	-	-	-	-	-
FACILITY ADMINISTRATION	-	120,000	4,249	-	175,000	-	179,249	120,000
ADMINISTRATION	75,379	55,002	10,271	-	21,496	-	107,146	55,002
INFORMATION TECHNOLOGY	(d) 312,833	79,023	58,841	-	2,291	-	373,965	79,023
ACCOUNTING	-	-	-	-	-	-	-	-
HUMAN RESOURCES	-	-	1,915	-	-	-	1,915	-
ARCHITECTURAL STANDARDS OFFICE	18,564	-	4,236	-	-	-	22,800	-
MEMBER SERVICES	-	-	-	-	-	-	-	-
FORESTRY	32,649	4,229	-	-	-	-	32,649	4,229
MAINTENANCE	12,394	19,298	200	-	-	-	12,594	19,298
TOTAL HOMEOWNERS ASSOC	451,819	277,552	79,712	-	758,352	-	1,289,883	277,552
TOTAL	\$2,053,596	\$514,652	\$184,756	\$-	\$1,307,873	\$-	\$3,546,225	\$514,652

(a) General; land purchase of the 640-acre Crabtree Canyon parcel, land adjacent to existing Euer Valley land owned by the Association.
 (b) Trout Creek Recreation Center; poolside locker rooms, spa and sauna refurbishment project \$406,000.
 (c) Downhill Ski; includes replacements of vehicles \$112,000, building components \$79,000, rental equipment \$77,000, and tuning machine \$58,000.
 (d) Information Technology; includes replacements of phone system, networking, wireless systems, reporting systems, workstations, webcams, and other.
 (e) Downhill Ski snowmaking capital investment spent in 2016. The total project approved budget was \$1.5 million, total actual \$1.3 million.
 (f) Equestrian campus improvements phase II capital investment spent in 2016. The approved budget was \$275,000, total actual \$226,000.

STATEMENT OF LEGAL COMPLIANCE

A number of state laws and provisions of its own Governing Documents dictate how Tahoe Donner Association is to manage its financial affairs. Financial reporting, what books and records are to be maintained, how operating and capital needs are determined and funded, how budgets are established, and how member assessments are determined and collected are generally the areas regulated in the financial arena. These regulations can be found in the Association's Covenants and Restrictions ("C&Rs") and Bylaws, as well as the Civil Code and the Corporations Code. After a review of these regulations and our practices, the Association Counsel has determined that the Association is in substantial compliance with these requirements.

INDEPENDENT AUDITOR'S REPORT

An independent auditor's report, prepared by Gilbert Associates, and associated financial statements are on pages 15-23 of this Annual Report.

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
TAHOE DONNER ASSOCIATION
TRUCKEE, CALIFORNIA

We have audited the accompanying financial statements of Tahoe Donner Association (Association), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of revenues, expenses and changes in members' equity, and of cash flows for the years then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2016 and 2015, and the changes in members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which 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 audit 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.

GILBERT ASSOCIATES, INC.
SACRAMENTO, CALIFORNIA
MARCH 21, 2017

TAHOE DONNER ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY, DECEMBER 31, 2016 AND 2015

TAHOE DONNER ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY DECEMBER 31, 2016 AND 2015

	OPERATIONS			CAPITAL				TOTALS	
	Amenities	Homeowners' Association	Total Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2016	Total 2015
OPERATING REVENUES:									
Access and use fees	\$ 4,767,825		\$ 4,767,825					\$ 4,767,825	\$ 3,207,808
Retail sales	4,522,519		4,522,519					4,522,519	3,399,759
Lessons and rental revenue	2,448,610		2,448,610					2,448,610	1,193,456
Other revenues	319,397	\$ 688,163	1,007,560					1,007,560	873,253
Interest income		24,515	24,515	\$ 56,222	\$ 8	\$ 3,844		84,589	34,730
Gross operating revenues	12,058,351	712,678	12,771,029	56,222	8	3,844		12,831,103	8,709,006
Cost of goods sold	(1,552,910)		(1,552,910)					(1,552,910)	(1,198,924)
Net operating revenues	10,505,441	712,678	11,218,119	56,222	8	3,844		11,278,193	7,510,082
OPERATING EXPENSES:									
Salaries and wages	5,232,698	3,470,433	8,703,131					8,703,131	7,136,410
Payroll taxes and employee benefits	1,558,723	854,721	2,413,444					2,413,444	1,987,064
Supplies and maintenance	1,174,728	525,504	1,700,232					1,700,232	1,432,057
Utilities	613,896	237,425	851,321					851,321	769,314
Insurance	279,949	132,504	412,453					412,453	401,719
Other employee expenses	160,433	141,124	301,557					301,557	197,216
Income tax expense		30,108	30,108	8,963		379		39,450	41,996
Other expenses	616,585	692,897	1,309,482	9,897		7,037		1,326,416	1,143,603
Total operating expenses	9,637,012	6,084,716	15,721,728	18,860		7,416		15,748,004	13,109,379
NET OPERATING INCOME (LOSS)	868,429	(5,372,038)	(4,503,609)	37,362	8	(3,572)		(4,469,811)	(5,599,297)
CAPITAL ACTIVITIES:									
Capital additions and transfers				(2,053,596)	(184,756)	(1,307,873)	\$ 3,546,225		
Gain (loss) on sale or disposal of assets				40,637			(12,005)	28,632	37,758
Fund expenses				(514,652)				(514,652)	(470,100)
Depreciation expense							(2,971,289)	(2,971,289)	(2,722,811)
Total capital activities				(2,527,611)	(184,756)	(1,307,873)	562,931	(3,457,309)	(3,155,153)
ASSESSMENTS:									
Assessment revenues		6,953,045	6,953,045	3,534,000	194,000	1,618,000		12,299,045	11,647,800
INCREASE IN MEMBERS' EQUITY	\$ 868,429	\$ 1,581,007	2,449,436	1,043,751	9,252	306,555	562,931	4,371,925	2,893,350
MEMBERS' EQUITY, December 31, 2015			1,954,275	6,859,483	66,536	192,497	40,443,249	49,516,040	46,622,690
MEMBERS' EQUITY, December 31, 2016			\$ 4,403,711	\$ 7,903,234	\$ 75,788	\$ 499,052	\$ 41,006,180	\$ 53,887,965	\$ 49,516,040

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TAHOE DONNER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2016	Total 2015
ASSETS							
Cash	\$ 1,304,203					\$ 1,304,203	\$ 562,230
Cash, designated and restricted	325,224	\$ 114,721	\$ 48,625	\$ 28,563		517,133	763,663
Investments	6,570,883					6,570,883	4,386,449
Investments, designated and restricted		9,046,635	99,836	1,049,736		10,196,207	8,460,798
Assessments and other member receivables, net of allowance for doubtful accounts of \$96,388 in 2016 and \$103,065 in 2015	289,148					289,148	309,129
Other receivables	116,259	11,355		1,228		128,842	94,098
Inventory	335,337					335,337	312,287
Prepaid expenses and other assets	687,119					687,119	753,209
Due from (to) other funds	(154,746)	135,652	5,136	13,958			
Net property and equipment					\$ 41,006,180	41,006,180	40,443,249
TOTAL ASSETS	\$ 9,473,427	\$ 9,308,363	\$ 153,597	\$ 1,093,485	\$ 41,006,180	\$ 61,035,052	\$ 56,085,112
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 463,032	\$ 251,336	\$ 19,635	\$ 8,989		\$ 742,992	\$ 431,236
Deferred revenues	3,100,591	1,153,793	58,174	581,744		4,894,302	4,746,023
Deposits from members	215,246					215,246	228,840
Accrued liabilities	1,290,847			3,700		1,294,547	1,162,973
TOTAL LIABILITIES	5,069,716	1,405,129	77,809	594,433		7,147,087	6,569,072
MEMBERS' EQUITY	4,403,711	7,903,234	75,788	499,052	\$ 41,006,180	53,887,965	49,516,040
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 9,473,427	\$ 9,308,363	\$ 153,597	\$ 1,093,485	\$ 41,006,180	\$ 61,035,052	\$ 56,085,112

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TAHOE DONNER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2016	Total 2015
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ 2,449,436	\$ 1,043,751	\$ 9,252	\$ 306,555	\$ 562,931	\$ 4,371,925	\$ 2,893,350
Reconciliation to net cash provided by operating activities:							
Depreciation expense					2,971,289	2,971,289	2,722,811
Capital additions and transfers		2,053,596	184,756	1,307,873	(3,546,225)		
(Gain) loss on sale or disposal of property and equipment		(40,637)			12,005	(28,632)	(37,758)
Changes in:							
Assessments receivable	19,981					19,981	(27,504)
Other receivables	(28,862)	(5,878)		(4)		(37,744)	(23,987)
Inventory	(23,050)					(23,050)	4,306
Prepaid expenses and other assets	66,090					66,090	(74,061)
Due from (to) other funds	67,354	(213,941)	2,820	143,767			
Accounts payable	247,972	155,202	13,791	(105,209)		311,756	25,848
Deferred revenues	(3,557)	68,484	(1,456)	84,808		148,279	(27,146)
Deposits from members	(13,594)					(13,594)	40,305
Accrued liabilities	127,874			3,700		131,574	(106,654)
Net cash provided by operating activities	2,909,644	3,060,577	209,163	1,741,490		7,920,874	5,389,510
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(2,053,596)	(184,756)	(1,307,873)		(3,546,225)	(4,884,835)
Proceeds from sale of property and equipment		40,637				40,637	53,063
Purchases of investments	(14,545,556)	(13,033,539)	(99,852)	(2,800,185)		(30,479,132)	(17,338,573)
Proceeds from sale of investments	12,361,122	12,078,707	119,580	1,999,880		26,559,289	15,248,243
Net cash used by investing activities	(2,184,434)	(2,967,791)	(165,028)	(2,108,178)		(7,425,431)	(6,922,102)
NET INCREASE (DECREASE) IN CASH	725,210	92,786	44,135	(366,688)		495,443	(1,532,592)
CASH, Beginning of Year	904,217	21,935	4,490	395,251		1,325,893	2,858,485
CASH, End of Year	\$ 1,629,427	\$ 114,721	\$ 48,625	\$ 28,563		\$ 1,821,336	\$ 1,325,893
OTHER CASH FLOW INFORMATION:							
Income taxes paid	\$ 30,108	\$ 8,963	\$	\$ 379	\$	\$ 39,450	\$ 41,996

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,473 membership properties within the Tahoe Donner subdivision in Truckee, California. The Association was organized to provide management services and maintenance of certain common areas owned by the Association. A significant portion of revenue is derived from the assessment of member dues. The Association operates and maintains facilities, which include a golf course and pro shop, restaurant, downhill ski area, clubhouse, Nordic ski area, beach and marina area, equestrian center, campground,

tennis facilities, recreation complex, pools and parks. Revenues are derived from member and non-member usage of these facilities. The Association's Board of Directors is comprised of five members elected to serve three-year terms by a vote of the members. The Board of Directors governs in accordance with the Association's bylaws and declaration of covenants and restrictions. The Board of Directors establishes members' dues and user fees, and has the ability to enter into long-term contracts. Along with other actions, closing an Association amenity (as defined by the governing documents) requires a vote of the members.

2. SIGNIFICANT ACCOUNTING POLICIES BASIS OF PRESENTATION

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

OPERATING FUND - Used to account for financial resources available for the general operations of the Association.

REPLACEMENT RESERVE FUND - Used to account for financial resources designated for the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established.

NEW MACHINERY & EQUIPMENT FUND - Used to account for financial resources designated for the purchase of new machinery, equipment, furnishings and fixtures.

DEVELOPMENT FUND - Used to account for financial resources designated for use in the acquisition and enhancement of facilities, equipment and other resources.

PROPERTY FUND - Used to account for the Association's investment in its common property and equipment, and other Association real property.

ASSESSMENT REVENUE - Association members are subject to annual dues to provide funds for the Association's operating expenses, major repairs and replacements, development and purchase of new machinery and equipment. Assessment revenue is recognized in the assessment period. Assessments received in advance are deferred until earned. The Association has the right to suspend certain membership

rights and pursue collection through foreclosure action. Bad debts are recognized when an account's collectability is uncertain.

ACCESS AND USE FEE REVENUES - Daily fees are charged for access to and use of Association amenities. As an alternate to daily fees, the Association sells recreation passes to members that entitle them to use of various amenities. Revenues from these sales are allocated to the various amenities based upon recreation pass usage.

CASH consists of cash on hand, demand deposits at banks and money market funds.

The Association minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

INVESTMENTS consist of debt securities and certificates of deposits, which are carried at amortized cost as the Association has the positive intent and ability to hold all debt securities and certificates of deposit until maturity.

INVENTORIES consist of food and retail goods and are stated at the lower of average cost or market.

PROPERTY AND EQUIPMENT of the Association includes certain facilities and land contributed by Dart in prior years. These assets are reflected in the accounts at the developers' cost basis. Purchases are stated at cost. The Association capitalizes all expenditures for property and equipment in excess of \$2,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 3 to 60 years. These assets are recorded directly in the property fund.

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NOTES TO FINANCIAL STATEMENTS

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Approximately 3,000 acres of undeveloped non-common area real property owned by the Association is controlled by the Association's declaration of covenants and restrictions, and bylaws.

INTEREST INCOME is allocated to the operating, replacement and reserve, new machinery and equipment and development funds in proportion to the interest-bearing assets of each fund.

DEFERRED REVENUE represents funds received for assessments and recreation passes during the current year, which are applicable to the following year.

INCOME TAXES - The Association is generally exempt from federal income taxes under Internal Revenue Code 501(c)(4). For California purposes, the Association is taxed as a regular corporation. As a membership organization, the Association is generally taxed only on non-member income, such as advertising revenue and golf and ski ticket sales to the public, at regular federal corporate tax rates. The Association has applied the accounting principles related to the

accounting for uncertainty in income taxes and has determined there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2012.

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

SUBSEQUENT EVENTS have been evaluated through March 21, 2017, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in the financial statements.

RECLASSIFICATION Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

3. CASH AND INVESTMENTS

At December 31, the Association's cash and investments consisted of undesignated, designated and restricted accounts as follows:

	2016	2015
Replacement reserve fund - designated	\$9,161,356	\$8,113,738
Development fund - designated	1,078,299	644,682
New machinery and equipment fund - designated	148,461	124,054
Operating fund - undesignated and unrestricted	7,875,086	4,948,679
Operating fund - Trust - restricted (note 7)	109,983	101,962
Operating fund - Architectural standards deposits - restricted (note 5)	215,241	240,025
TOTAL	\$18,588,426	\$14,173,140

Board designated funds in the replacement reserve fund cannot be expended for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established as mandated by state law. Designated funds in the development fund are controlled by board-adopted policy that affords the board discretion in expenditure,

except where member approval is required in connection with the intended project.

Since the Association has the positive intent and ability to hold investments until maturity, they are carried at amortized costs determined by specific identification. Unrecognized holding gains and losses are deemed immaterial.

Investments at December 31, 2016 mature as follows:

INVESTMENT	WITHIN 1 YEAR	1 TO 5 YEARS	TOTAL
U.S. TREASURY	\$14,431,473	\$1,000,470	\$15,431,943
CERTIFICATES OF DEPOSIT	\$587,686	\$747,461	\$1,335,147
TOTAL	\$15,019,159	\$1,747,931	\$16,767,090

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
Buildings	\$ 31,674,341	\$ 31,004,837
Fixtures and facility improvements	15,563,456	14,992,899
Equipment	16,861,330	15,400,612
Land and land improvements	9,239,805	8,680,240
Furnishings	888,694	1,000,359
TOTAL	74,227,626	71,078,947
Less accumulated depreciation	(33,357,975)	(30,740,519)
	40,869,651	40,338,428
Construction in progress	136,529	104,821
TOTAL	\$ 41,006,180	\$ 40,443,249

5. DEPOSITS FROM MEMBERS

The deposits held by the Association are primarily security deposits from members for the construction of residential real property. The deposits are used to ensure that construction is completed in accordance with the guidelines established by the Association's Architectural Standards Committee. The funds are deposited in a separate trust account and are refundable upon satisfactory completion of construction.

6. REPLACEMENT RESERVE FUND

The Association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Replacement funding levels, as determined by a study updated in 2016, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.

7. RETIREMENT PLANS

The Association maintains a salary savings plan for all eligible employees. The Association matches 50% of the first 6% of the participant's contribution. Matching contributions are 20% vested after the third year of service and vest at the rate of 20% per year thereafter. Matching contributions expense was \$94,018 and \$82,340 for 2016 and 2015, respectively.

The Association maintains two defined contribution plans which qualify under Section 457(b) and Section 457(f) of the Internal Revenue Code, respectively (the 457 Plans). The 457 Plans allow for additional Association contributions and salary deferrals subject to limitations for eligible executive employees. Contributions to the 457 Plans funds are considered deferred compensation until certain future date conditions are met. The Association's contribution to the 457 Plans was \$50,378 and \$63,914 for the years ended December 31, 2016 and 2015, respectively.

8. OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, golf carts, land usage and computer equipment. Rental expense under all operating leases was \$198,034 and \$173,308 for 2016 and 2015, respectively. Future minimum lease payments under these leases are as follows:

YEAR ENDING DECEMBER 31	
2017	\$ 83,508
2018	42,880
2019	35,230
2020	18,279
2021	5,752
THEREAFTER	11,504
TOTAL	\$197,153

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS | DECEMBER 31, 2016 (UNAUDITED)

In accordance with state law and sound business practices it is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing Association-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding needs. The Association updated its study in 2016 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on estimates from consultants, management, contractors and historical costs. Estimated current replacement costs take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The Association does not designate the balance in the replacement reserve fund by component. The total available for major repairs and replacements at December 31, 2016, was \$7,903,000. The 2017 lot assessments include \$3,852,000 to be allocated to the replacement fund.

The Association has not included the replacement of building structures as a component of the replacement study. These structures generally have an estimated useful life greater than 30 years. The Association is accumulating funds in the Development Fund for building replacement.

The following table is based on the study and presents significant information about the components of common property for which funds are being set aside.

COMPONENT GROUP	RANGE OF REMAINING LIVES (YEARS)	ESTIMATED LIFE AFTER REPLACEMENT (YEARS)	CURRENT REPLACEMENT COSTS
Trout Creek, pools and recreation	0-30	1-30	\$ 4,212,423
Marina	0-30	1-30	1,150,001
Tennis Complex	0-30	1-30	1,823,328
Downhill Ski Area	0-30	1-30	7,870,553
Cross Country Ski Area	0-30	1-30	3,337,304
Equestrian	0-30	1-30	780,194
Golf Complex	0-30	1-30	11,123,672
Campground	0-30	1-30	609,762
The Lodge Restaurant & Pub	0-30	1-30	3,531,651
Pizza On the Hill	0-30	1-30	442,449
Administration/MIS	0-30	1-30	5,172,126
Forestry	0-30	1-30	1,046,168
General & building maintenance	0-30	1-30	3,966,279
Trails	0-30	1-30	1,497,090
Vehicle maintenance	0-30	1-30	1,509,368
Bikeworks	0-30	1-30	30,380
TOTAL			\$ 48,102,748

See independent auditor's report on required supplementary information.

