



TAHOE DONNER

2017

# ANNUAL REPORT

## 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 2017 Annual Report is to provide a comprehensive report on 2017 financial results and to communicate the 2017 Audited Financial Statements and Independent Auditors Report to all members.

Management, the 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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**\$1.2 MILLION FAVORABLE NOR RESULTS**

Net Operating Result Loss of \$5.1 million was \$1,188,000 or 19% favorable to Budget and \$619,000 or 14% unfavorable to 2016

**\$13.1 MILLION OPERATING REVENUES**

Up 19% to Budget and Up 3% to 2016

**\$18.2 MILLION OPERATING COSTS**

Up 5% to Budget and Up 6% to 2016

**\$3.9 MILLION CAPITAL FUNDS EXPENDITURES**

Favorable \$548,000 or 12% to Budget

**\$6.3 MILLION | \$975 PER OWNER**

Operating Contribution by Annual Assessment in 2017

**\$6.0 MILLION | \$925 PER OWNER**

Capital Contribution by Annual Assessment in 2017

**\$64.3 MILLION TOTAL ASSETS**

Up \$3.3 million or 5% to 2016

**\$57.1 MILLION | \$8,822 PER OWNER**

Members' Equity as of 12/31/2017, up 6% to 2016

**OPERATING FUND**

NET OPERATING RESULTS – 2017 VARIANCES TO BUDGET

JAN. – APRIL

**STRONG PERFORMING WINTER WITH GREAT SNOWPACK**

- REVENUES UP \$2,065,000 OR 56% TO BUDGET
- EXPENSES UP DUE TO THE RECORD VOLUMES, UP \$915,000 OR 17% TO BUDGET
- NET OPERATING RESULT FAVORABLE \$1,150,000 OR 66% TO BUDGET

**+\$1,150,000**

MAY – OCT.

**WINTER SNOWPACK NEGATIVELY IMPACTED GOLF, ALL OTHER OPERATIONS PERFORMED AHEAD OR NEAR BUDGET**

- REVENUES UP \$97,000 OR 2% TO BUDGET OVERALL (GOLF OFF BUDGET \$177,000 OR 15%)
- REVENUES AT THE LODGE OF \$1.5 MILLION, UP 10% TO BUDGET AND 8% TO 2016
- EXPENSES UP \$96,000 OR 1%
- NET OPERATING RESULT FAVORABLE \$1,000 OR 0% TO BUDGET

**+\$1,000**

NOV. – DEC.

**SNOWMAKING PROVIDED ENOUGH SNOW, GOOD BUSINESS LEVELS**

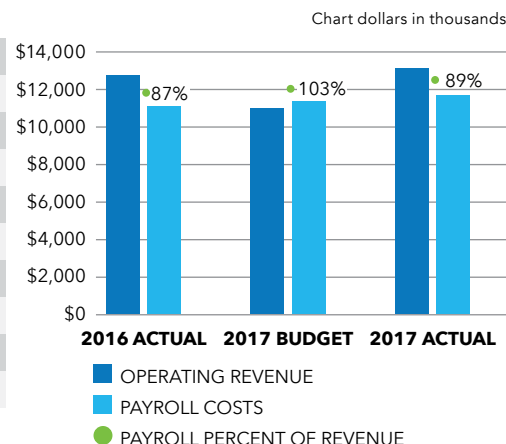
- SNOWMAKING PROVEN INVESTMENT, PROVIDED ENOUGH SNOW TO OPERATE FOR THE PEAK HOLIDAY PERIOD
- RECEIVED JUST ENOUGH NATURAL SNOWFALL TO OPERATE CROSS COUNTRY SKI
- VERSUS BUDGET: REVENUE OFF \$46,000/3% AND COSTS FAVORABLE \$83,000/3%

**+\$37,000**

2017 ANNUAL  
**+\$1,188,000**  
 NOR FAVORABLE TO BUDGET  
 \$1,188,000 | 19% | \$184 PER OWNER

**REVENUE AND PAYROLL**

	2013	2014	2015	2016	2017
OPERATING REVENUES IN THOUSANDS	\$9,505,010	\$7,679,146	\$8,681,085	\$12,771,029	\$13,116,553
EMPLOYEE W-2s ISSUED	819	735	764	897	924
W-2s PER \$1,000 REVENUE RATIO	9%	10%	9%	7%	7%
AVERAGE WAGES PER W-2 ISSUED	\$ 8,884	\$ 8,773	\$ 9,509	\$ 9,826	\$ 10,276
CALIFORNIA MINIMUM WAGE (1)	\$ 8.00	\$ 9.00	\$ 9.00	\$ 10.00	\$ 10.50
SEASONAL/PART-TIME FTE (3)	122.3	92.1	100.9	128.2	120.9
FULL-TIME REGULAR (2) FTE (3)	64.0	65.0	66.0	81.0	84.0
FTE (3) TOTAL	186.3	157.1	166.9	209.2	204.9
REVENUE PER FTE	\$ 51,020	\$ 48,881	\$ 52,014	\$ 61,047	\$ 64,014
W-2 TO FTE RATIO	4.4	4.7	4.6	4.3	4.5



The association employs a high percentage of seasonal customer service, entry level positions to operate the various amenities of the association. There is a high volatility of work-force each season and in each season based on numerous factors, particularly weather and business volumes.

- California Minimum Wage; 2014 change effective 7/1, 2018 increases to \$11.00 and 2019 increases to \$12.00.
- The Federal Affordable Care Act of 2010, impacted the association starting in 2016, created a Federally regulated determination of those employees categorized as 'Full Time' and mandated to be offered health insurance. Prior to this Act, the association had discretion as to which employees were offered health insurance and categorized full time and which were classified as seasonal employees.
- Full Time Equivalents (FTE) as calculated based on a standard of 2080 work hours per year.

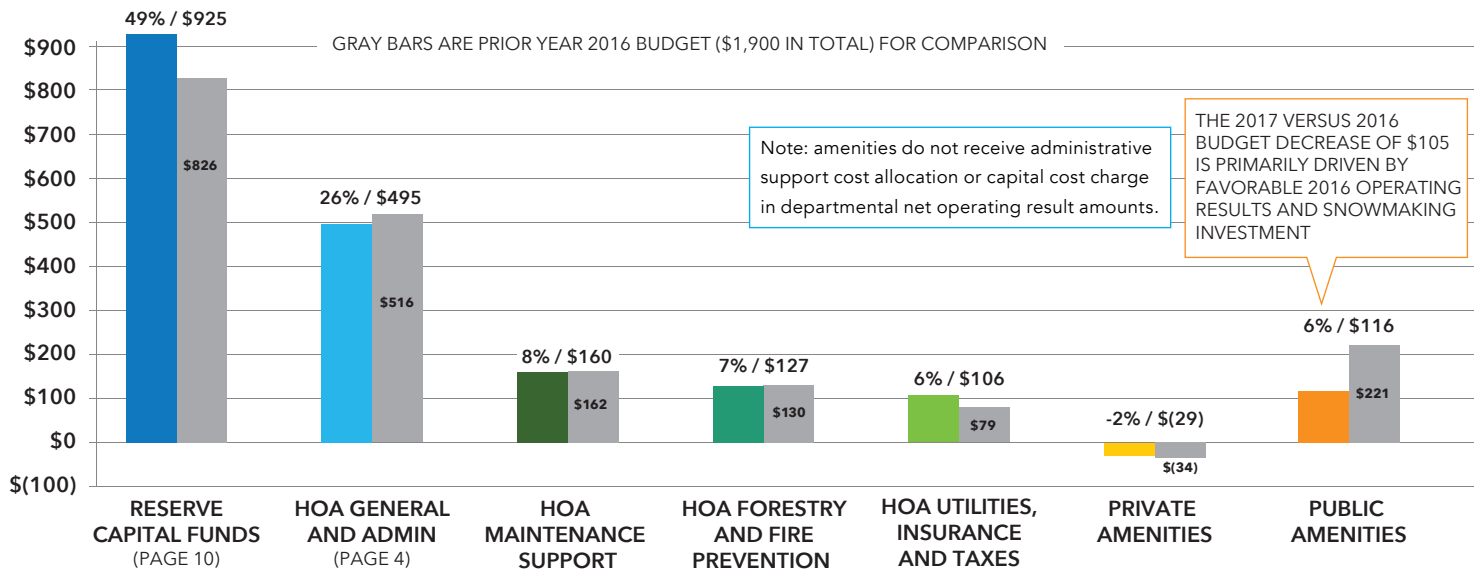
**2017 ACTUAL VERSUS BUDGET**  
 REVENUE UP 19%, PAYROLL COSTS UP 3%

**2017 ACTUAL VERSUS PRIOR YEAR**  
 REVENUE UP 3%, PAYROLL COSTS UP 5%

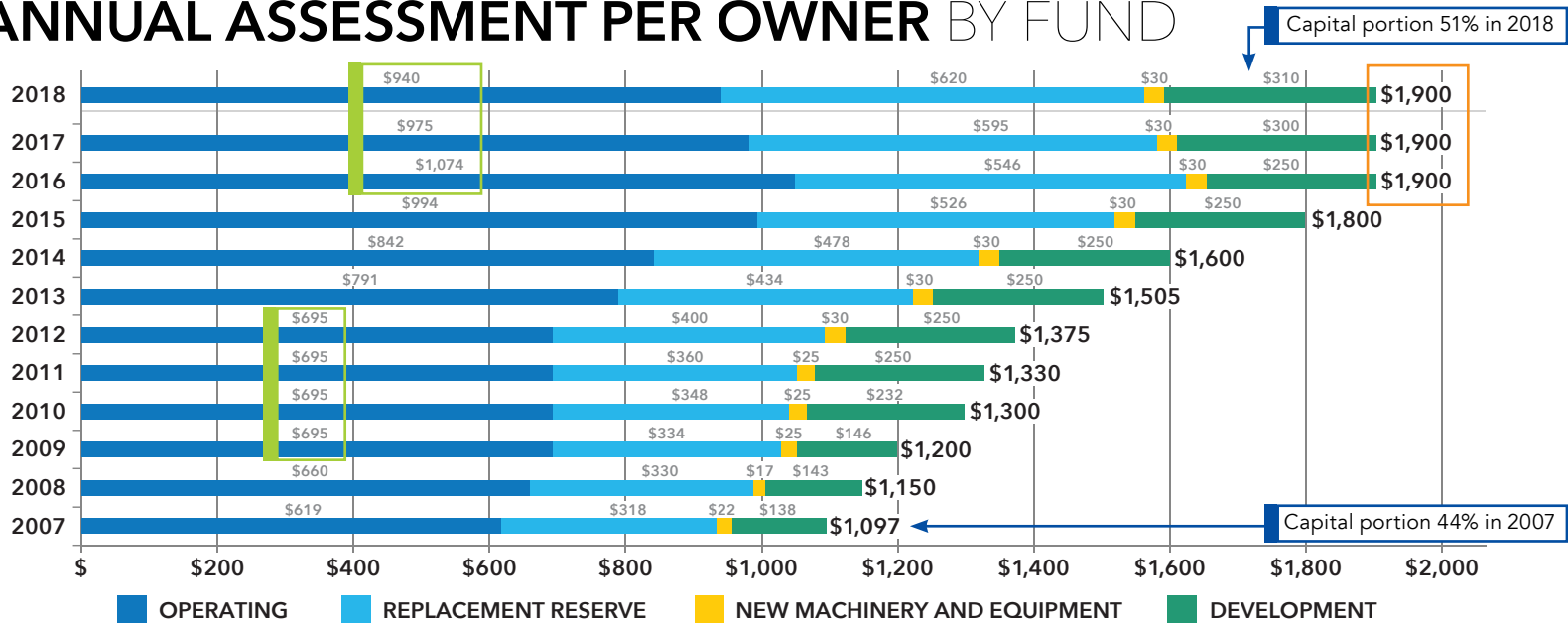
# ANNUAL ASSESSMENT

## DISTRIBUTION OF 2017 ANNUAL ASSESSMENT

\$1,900 PER OWNER



## ANNUAL ASSESSMENT PER OWNER BY FUND



### COMPOUND ANNUAL GROWTH RATE (CAGR) METRICS

	2007-2017 10 YEAR	2007-2018 11 YEAR
CAPITAL FUNDS	6.8%	6.5%
OPERATING FUND	4.6%	3.9%
TOTAL ASSESSMENT	5.6%	5.1%

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 association's assets.
- The Development Fund portion was held at \$250 for six years (2011-2016) and was increased to \$300 in 2017, recognizing the known future funding requirements. 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 membership.
- More historical information on Capital Funds, see pages 10-11.

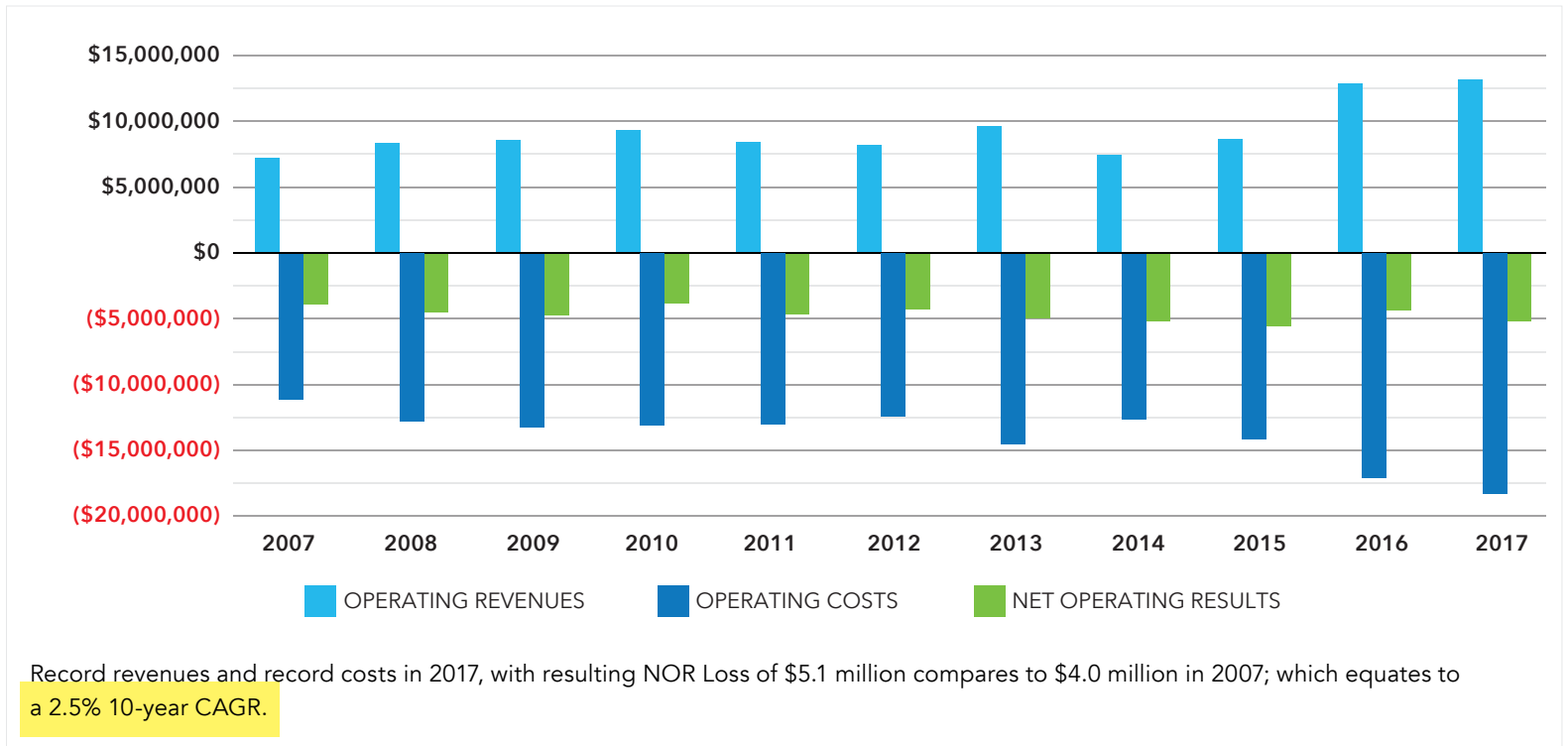
#### Operating Fund Portion of Annual Assessment

- The Operating Fund portion was held flat for four years (2009-2012), with strong visitation and revenue growth and no droughts.
- 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.
- For 2017 and 2018, the Operating Fund portion was decreased (\$99 in 2017 and another \$35 in 2018) due to favorable revenue trends, as well as a favorable decrease in workers compensation costs.
- More historical information on the Operating Fund, see page 4

# OPERATING FUND

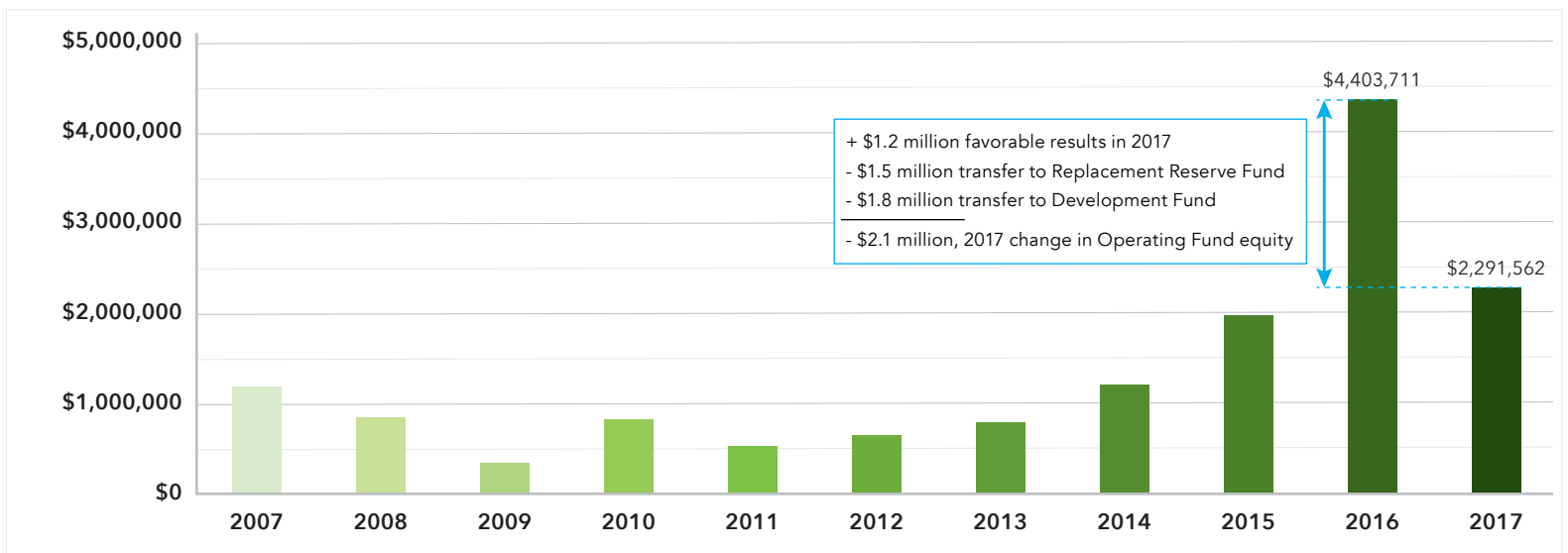
CAGR = COMPOUND ANNUAL GROWTH RATE

## ACTUAL RESULTS



# MEMBERS' EQUITY - OPERATING FUND

## ACCUMULATED NET RESULTS, CONTINGENCY



### FROM THE 2007 BUDGET TO THE 2017 BUDGET 10-YEAR CAGR

- 3.7% OPERATING REVENUE GROWTH
- 4.0% OPERATING COSTS GROWTH
- 4.7% 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 two seasons of winter drought lowered revenue budget in 2017 and recent regulatory cost pressures have added significant cost increases.

### FOR 2018 BUDGET

The strong financial performance in 2016 and 2017 combined for a substantial increase in operating revenue expectations in the 2018 Budget. The 2017 Budget was \$11.0 million, while the 2018 Budget is \$12.5 million, a key factor in allowing a reduced Operating Fund annual assessment funding requirement.

# NET RESULTS AFTER REPLACEMENT RESERVES CAPITAL CHARGE

## BY DEPARTMENT

CHART DOLLARS IN THOUSANDS

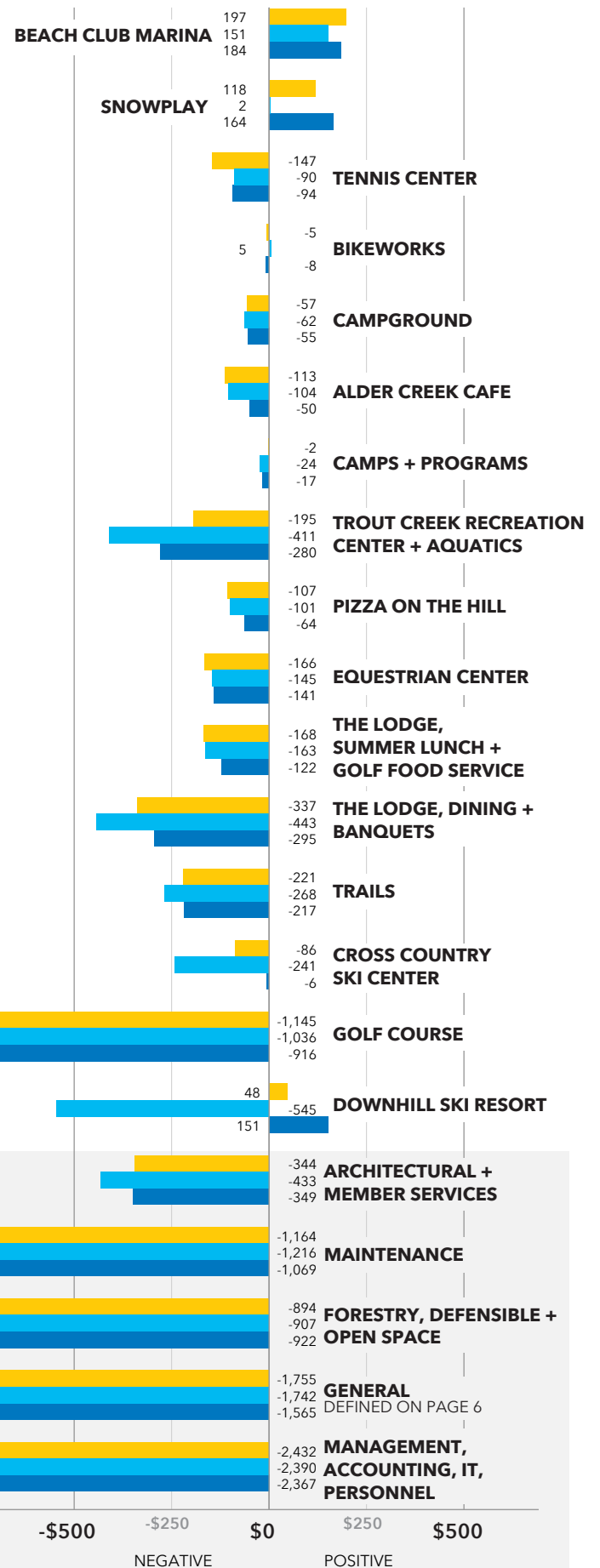
Net Results after Reserves Capital Charge is NOR plus a Replacement Reserves Capital Charge.

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 amounts do not have allocated overhead for administrative, accounting, human resources and IT support costs.

Refer to pages 6 and 7 for additional details.

- 2017 ACTUAL \$-8,975,000
- 2017 BUDGET \$-10,163,000
- 2016 ACTUAL \$-8,038,000



### AMENITIES

### ADMINISTRATION

# OPERATING FUND

## 2017 DEPARTMENTAL RESULTS

	2017 ACTUAL				AMOUNTS INCLUDING MEMBER'S	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2017 NET RESULTS AFTER CAPITAL
<b>PRIVATE AMENITIES</b>						
Trout Creek Recreation Center and Aquatics	\$ 1,205,934	\$ -27,127	\$ -1,063,515	\$ 115,292	\$ -310,104	\$ -194,812
Beach Club Marina	686,296	-58,614	-338,857	288,825	-92,091	196,734
Tennis Center	225,777	-35,789	-190,610	-622	-146,009	-146,631
Camps and Programs	407,899	-2,752	-391,886	13,261	-15,664	-2,403
<b>TOTAL PRIVATE AMENITIES</b>	<b>\$2,525,906</b>	<b>\$ -124,282</b>	<b>\$ -1,984,868</b>	<b>\$ 416,756</b>	<b>\$ -563,868</b>	<b>\$ -147,112</b>
<b>PUBLIC AMENITIES</b>						
Downhill Ski	3,667,599	-205,944	-2,783,658	677,997	-630,263	47,734
Cross Country Ski	1,005,397	-52,080	-780,293	173,024	-259,034	-86,010
Snowplay	263,541	-5,365	-128,468	129,708	-11,557	118,151
Golf	994,199	-59,577	-1,188,643	-254,021	-890,768	-1,144,789
Campground	64,233	0	-71,923	-7,690	-48,829	-56,519
Equestrian	195,762	-6,111	-292,800	-103,149	-62,477	-165,626
Trails	951	0	-102,418	-101,467	-119,885	-221,352
Bikeworks	110,155	-44,402	-68,486	-2,733	-2,433	-5,166
The Lodge, Lunch + Golf Food Service	238,767	-75,649	-293,594	-130,476	-37,546	-168,022
The Lodge, Dining + Banquets	2,444,853	-749,702	-1,787,040	-91,889	-245,264	-337,153
Pizza on the Hill	518,002	-168,174	-421,089	-71,261	-35,431	-106,692
Alder Creek Cafe	399,681	-143,323	-361,260	-104,902	-8,213	-113,115
<b>TOTAL PUBLIC AMENITIES</b>	<b>\$9,903,140</b>	<b>\$ -1,510,327</b>	<b>\$ -8,279,672</b>	<b>\$ 113,141</b>	<b>\$ -2,351,700</b>	<b>\$ -2,238,559</b>
<b>TOTAL AMENITIES</b>	<b>\$12,429,046</b>	<b>\$ -1,634,609</b>	<b>\$ -10,264,540</b>	<b>\$ 529,897</b>	<b>\$ -2,915,568</b>	<b>\$ -2,385,671</b>
<b>HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES</b>						
General (g)	184,934	0	-1,672,324	-1,487,390	-269,215	-1,756,605
Management, Accounting, Human Resources, IT	266,933	0	-2,562,402	-2,295,469	-136,538	-2,432,007
Architectural and Member Services	210,001	0	-545,113	-335,112	-8,424	-343,536
Forestry, Defensible Space, Open Space	25,639	0	-835,369	-809,730	-83,776	-893,506
Maintenance	0	0	-725,045	-725,045	-438,479	-1,163,524
<b>TOTAL HOA</b>	<b>\$ 687,507</b>	<b>\$ 0</b>	<b>\$ -6,340,253</b>	<b>\$ -5,652,746</b>	<b>\$ -936,432</b>	<b>\$ -6,589,178</b>
<b>TOTAL OPERATING RESULTS</b>	<b>\$ 13,116,553</b>	<b>\$ -1,634,609</b>	<b>\$ -16,604,793</b>	<b>\$ -5,122,849</b>	<b>\$ -3,852,000</b>	<b>\$ -8,974,849</b>
Assessment Revenues	6,310,700	0	0	6,310,700	3,852,000	10,162,700
<b>TOTAL OPERATING FUND</b>	<b>\$ 19,427,253</b>	<b>\$ -1,634,609</b>	<b>\$ -16,604,793</b>	<b>\$ 1,187,851</b>	<b>\$ 0</b>	<b>\$ 1,187,851</b>

(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 departments costs do not have allocated overhead for administrative, accounting, human resources or IT support costs.

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

REPLACEMENT RESERVE CAPITAL CONTRIBUTION			2017 NOR VERSUS BUDGET		2017 NOR VERSUS PRIOR YEAR		
	2017 PER PROPERTY 6473	2016 PER PROPERTY 6473	2017 VS 2016	2017 BUDGET	ACTUAL TO BUDGET VARIANCE	2016 ACTUAL	2017 TO 2016 VARIANCE
	\$ -30	\$ -43	\$ 13	\$ -100,400	\$ 215,692	\$ 22,362	\$ 92,930
	30	28	2	242,700	46,125	273,641	15,184
	-23	-14	-9	56,300	-56,922	51,830	-52,452
	0	-3	3	-8,600	21,861	-2,276	15,537
	<b>\$ -23</b>	<b>\$ -32</b>	<b>\$ 9</b>	<b>\$ 190,000</b>	<b>\$ 226,756</b>	<b>\$ 345,557</b>	<b>\$ 71,199</b>
	7	23	-16	85,000	592,997	667,793	10,204
	-13	-1	-12	18,100	154,924	204,248	-31,224
	18	25	-7	13,900	115,808	174,941	-45,233
	-176	-140	-36	-144,800	-109,221	-98,544	-155,477
	-9	-8	-1	-13,000	5,310	-6,728	-962
	-26	-22	-4	-82,100	-21,049	-83,449	-19,700
	-34	-34	0	-148,600	47,133	-109,161	7,694
	-1	-1	0	7,000	-9,733	-6,002	3,269
	-26	-19	-7	-125,500	-4,976	-86,145	-44,331
	-52	-46	-6	-198,000	106,111	-63,905	-27,984
	-16	-10	-6	-65,800	-5,461	-27,743	-43,518
	-17	-8	-9	-96,200	-8,702	-42,354	-62,548
	<b>\$ -345</b>	<b>\$ -241</b>	<b>\$ -104</b>	<b>\$ -750,000</b>	<b>\$ 863,141</b>	<b>\$ 522,951</b>	<b>\$ -409,810</b>
	<b>\$ -368</b>	<b>\$ -273</b>	<b>\$ -95</b>	<b>\$ -560,000</b>	<b>\$ 1,089,897</b>	<b>\$ 868,508</b>	<b>\$ -338,611</b>
	-271	-242	-29	-1,473,100	-14,290	-1,299,716	-187,674
	-376	-366	-10	-2,253,100	-42,369	-2,231,835	-63,634
	-53	-54	1	-424,700	89,588	-341,087	5,975
	-138	-142	4	-823,000	13,270	-844,037	34,307
	-180	-165	-15	-777,100	52,055	-655,442	-69,603
	<b>\$ -1,018</b>	<b>\$ -969</b>	<b>\$ -49</b>	<b>\$ -5,751,000</b>	<b>\$ 98,254</b>	<b>\$ -5,372,117</b>	<b>\$ -280,629</b>
	<b>\$ -1,386</b>	<b>\$ -1,242</b>	<b>\$ -144</b>	<b>\$ -6,311,000</b>	<b>\$ 1,188,151</b>	<b>\$ -4,503,609</b>	<b>\$ -619,240</b>
	1,570	1,620	-50	6,311,000	-300	6,953,045	-642,345
	<b>\$ 184</b>	<b>\$ 378</b>	<b>\$ -194</b>	<b>\$ 0</b>	<b>\$ 1,187,851</b>	<b>\$ 2,449,436</b>	<b>\$ -1,261,585</b>

See pages 8-9 for Results by Department Highlights

# OPERATING FUND

## 2017 HIGHLIGHTS VERSUS BUDGET

■ FAVORABLE VARIANCE TO BUDGET ■ 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

#### DOWNHILL SKI

**NOR \$678,000**

FAVORABLE \$593,000 / 698% TO BUDGET

Great snow in Winter 2016/2017, a second great season following two drought seasons. December 2017 opened with Snowbird only during holidays due to snowmaking efforts and had good holiday business levels.

**ANNUAL:** Visits up 39%; Revenue up \$1,281,000/54%; Record revenues of \$3.7 million

#### CAMPGROUND

**NOR LOSS (\$8,000)**

FAVORABLE \$5,000 / 41% TO BUDGET

**ANNUAL:** Visits up 12%; Revenue up \$7,000/13%; Costs up \$2,000/3%

#### GOLF

**NOR LOSS (\$254,000)**

UNFAVORABLE -\$109,000 / 75% TO BUDGET

Delayed/shortened season due to the record precipitation Winter 2016/2017, no season momentum, average business levels once open, with effective costs management.

**ANNUAL:** Rounds down 15%; Revenue down \$176,000/15%; Costs savings of \$67,000/5%

#### CROSS COUNTRY SKI

**NOR \$173,000**

FAVORABLE \$155,000 / 856% TO BUDGET

Great snow in Winter 2016/2017, a second great season following two drought seasons. December 2017 operated with minimal snow coverage, but enough for some holiday business levels.

**ANNUAL:** Visits up 4%; Revenue up \$305,000/44%; Costs up \$150,000/22%

#### SNOWPLAY

**NOR \$130,000**

FAVORABLE \$116,000 / 833% TO BUDGET

Good snow in Winter 2016/2017, a second great season following two drought seasons. December 2017 operated minimal due to lack of snow coverage.

**ANNUAL:** Visits up 24%; Revenue up \$89,000/51%; Costs down \$27,000/17%

#### TRAILS

**NOR LOSS (\$101,000)**

FAVORABLE \$47,000 / 32% TO BUDGET

Good cost controls and focus on Trails Master Plan execution, as well as consistent and effective trails maintenance.

#### EQUESTRIAN

**NOR LOSS (\$103,000)**

UNFAVORABLE -\$21,000 / 26% TO BUDGET

Average business levels; boarding, camps and trail rides. New campus improvements received very well.

**ANNUAL:** Visits up 1%; Revenue down \$10,000/5%; Costs up \$11,000/4%

#### PIZZA ON THE HILL

**NOR LOSS (\$71,000)**

UNFAVORABLE -\$5,000 / 8% TO BUDGET

Continuing to improve on margins, quality, service levels and volume. Cost pressures of CA minimum wage continue.

**ANNUAL:** Revenue up \$42,000/9%; Costs up \$47,000/9%

#### BIKEWORKS

**NOR LOSS (\$3,000)**

UNFAVORABLE -\$10,000 / 139% TO BUDGET

Continued growth in bike rentals, retail, services and tours. Costs over Budget primarily due to retail sales growth.

#### THE LODGE

**NOR LOSS (\$92,000)**

FAVORABLE \$106,000 / 54% TO BUDGET

Great volume and continued positive momentum in dining, Pub and banquet events. Cost pressures primarily driven by CA minimum wage, FED Affordable Care Act and the volume increase.

**ANNUAL:** Visits of 59,825, up 27% to Budget and down 1% to last year; Revenue of \$2.44 million (record), up \$250,000/11% (up 6% to last year); Costs of \$2.54 million (record), up \$145,000/6% (up 7% to last year)

#### ALDER CREEK CAFE

**NOR LOSS (\$105,000)**

UNFAVORABLE -\$9,000 / 9% TO BUDGET

Second 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 \$190,000/90%; Costs up \$199,000/65%

#### SUMMER F+B

**NOR LOSS (\$130,000)**

UNFAVORABLE -\$5,000 / 4% TO BUDGET

The Lodge's summer lunch service, golf snack bar and bar cart, and Trout Creek's poolside Marco Polo Grill. Season impacted negatively by golf's decline in volume. Cost impacted by labor market pressures from CA minimum wage increases and FED ACA.

**ANNUAL:** Revenue down \$27,000/10%; Costs down \$22,000/6%



# PRIVATE AMENITIES

## TROUT CREEK RECREATION + AQUATICS

**NOR \$115,000**

FAVORABLE \$216,000 / 178% TO BUDGET

Good visitation, swim lessons and fitness class volumes; visits up 1%, revenue up 10%, costs down 6%. Rec Fee utilization % at Trout Creek increased. Aquatics programs had an off season. Revenues down 18% and costs down 33% (cost of heating of larger rec pool in winter months less than anticipated).

## BEACH CLUB MARINA

**NOR \$289,000**

FAVORABLE \$46,000 / 19% TO BUDGET

Member and guest visitation up 7% to Budget and 9% to weather impacted 2016. Strong rental revenues. Revenues up 9% and costs up 2% to Budget. Record revenues of \$686,000.

## TENNIS

**NOR LOSS (\$1,000)**

UNFAVORABLE -\$56,000 / 101% TO BUDGET

Visits up 4%, revenues down 12% and costs up 13%. A decreased proportion of Recreation Fee allocation to tennis (overall an increase), increases in retail and lesson revenues. Costs increase due to growth in lesson programs.

## DAY CAMPS + RECREATION PROGRAMS

**NOR \$13,000**

FAVORABLE \$22,000 / 43% TO BUDGET

**DAY CAMPS:** \$225,000 in revenues, down 8% to Budget and up 9% to 2016. NOR of \$34,000 was unfavorable \$9,000 to Budget and flat to 2016. Good program participation, however cost increases due to expanded kid 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 \$183,000 was 5% favorable to budget and costs of \$204,000 were 10% favorable to budget.

# SUPPORT SERVICES

## GENERAL

**NOR LOSS (\$1,487,000)**

UNFAVORABLE -\$14,000 / 1% TO BUDGET

General HOA costs and communications. Cost savings due to position vacancies, cost overruns for various reasons, including the extreme weather in Q1.

## MANAGEMENT, ACCOUNTING, PERSONNEL + I.T.

**NOR LOSS (\$2,295,000)**

UNFAVORABLE -\$42,000 / 2% TO BUDGET

Various cost increases driven by the record revenues of the association and NOR favorable to Budget \$1.2 million, partially offset by various cost decreases primarily driven by personnel turnover.

## ARCHITECTURAL STANDARDS + MEMBER SERVICES

**NOR LOSS (\$335,000)**

FAVORABLE \$90,000 / 21% TO BUDGET

Revenues up 5% due to volume. Significant cost savings due to vacant positions and the continued difficulties in maintaining adequate staffing levels.

## FORESTRY, DEFENSIBLE SPACE + OPEN SPACE

**NOR LOSS (\$810,000)**

FAVORABLE \$13,000 / 2% TO BUDGET

Trails, forest health, defensible and open space management. Cost savings primarily due to high snow levels impacting the length of the available summer work season.

## MAINTENANCE

**NOR LOSS (\$725,000)**

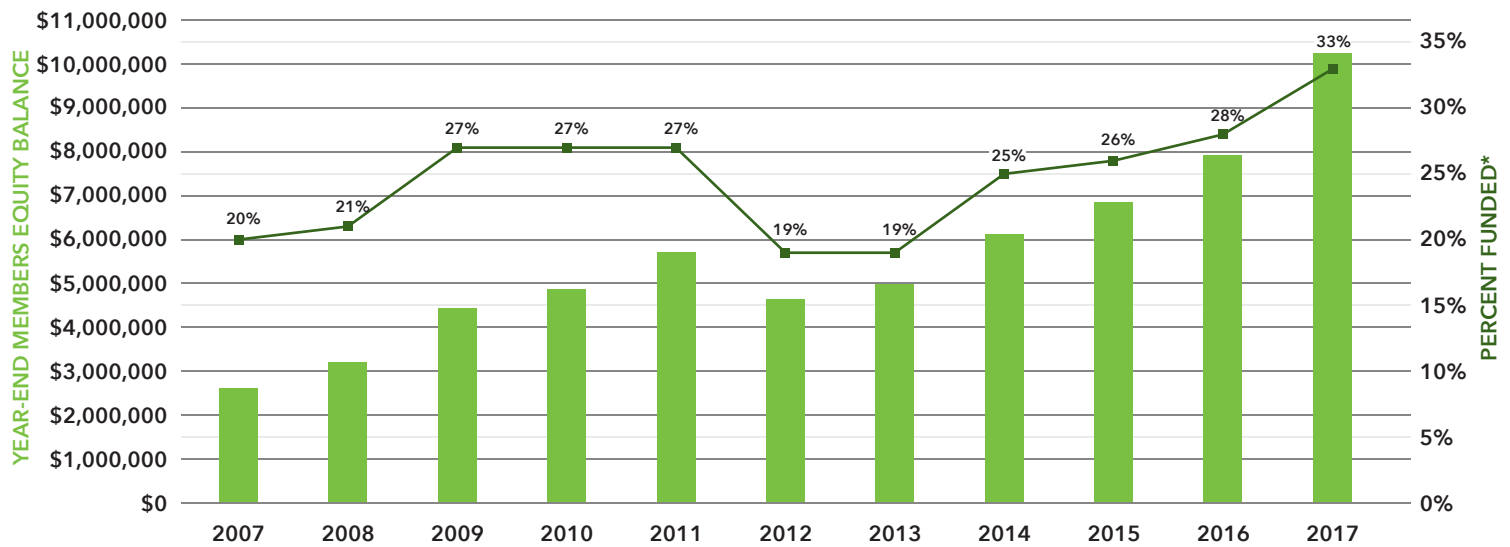
FAVORABLE \$52,000 / 7% TO BUDGET

Common area property, buildings and vehicles maintenance. Cost savings due primarily to extreme winter snow removal efforts in Q1 driving greater cost charging out to amenities for these services (maintenance staff spent extraordinary amount of time on snow removal efforts instead of general maintenance).

# CAPITAL RESERVES

## REPLACEMENT RESERVE FUND

MEMBERS EQUITY (YEAR-END FUND BALANCE) + PERCENT FUNDED

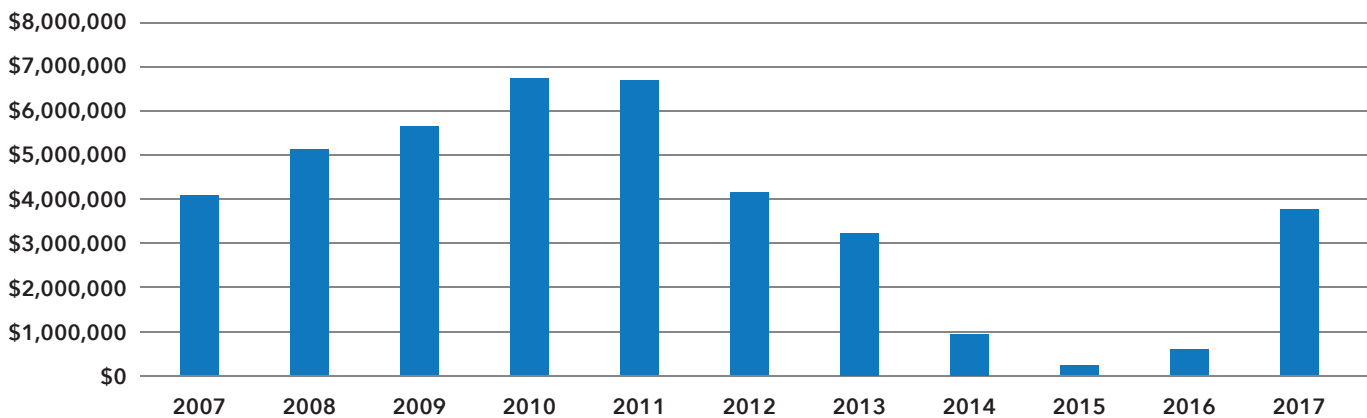


- The Replacement Reserve Fund is the capital reserve fund for existing asset components of the association. This is a savings fund utilized to replace and preserve assets of the association as they depreciate over time. There are over 2,000 components in the reserve study, which is updated every year, 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 Development Fund below.**
- The funding level from annual assessment generally needs to increase each year to keep pace with inflation.
- The association has a fiduciary duty to adequately reserve for the preservation of assets, which ultimately protects property values.
- **In 2017, the Board of Directors approved a \$1,500,000 transfer from Operating Fund members equity to this fund.**
- The 2017 assessment funding level was \$595 per owner or \$3,852,000, an increase of 9% over 2016.
- The 2018 assessment funding level was \$620 per owner or \$4,013,000, an increase of 4% over 2017.

\*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 2018 Budget Report for more information on the reserve study.

## DEVELOPMENT FUND

MEMBERS EQUITY (YEAR-END FUND BALANCE)



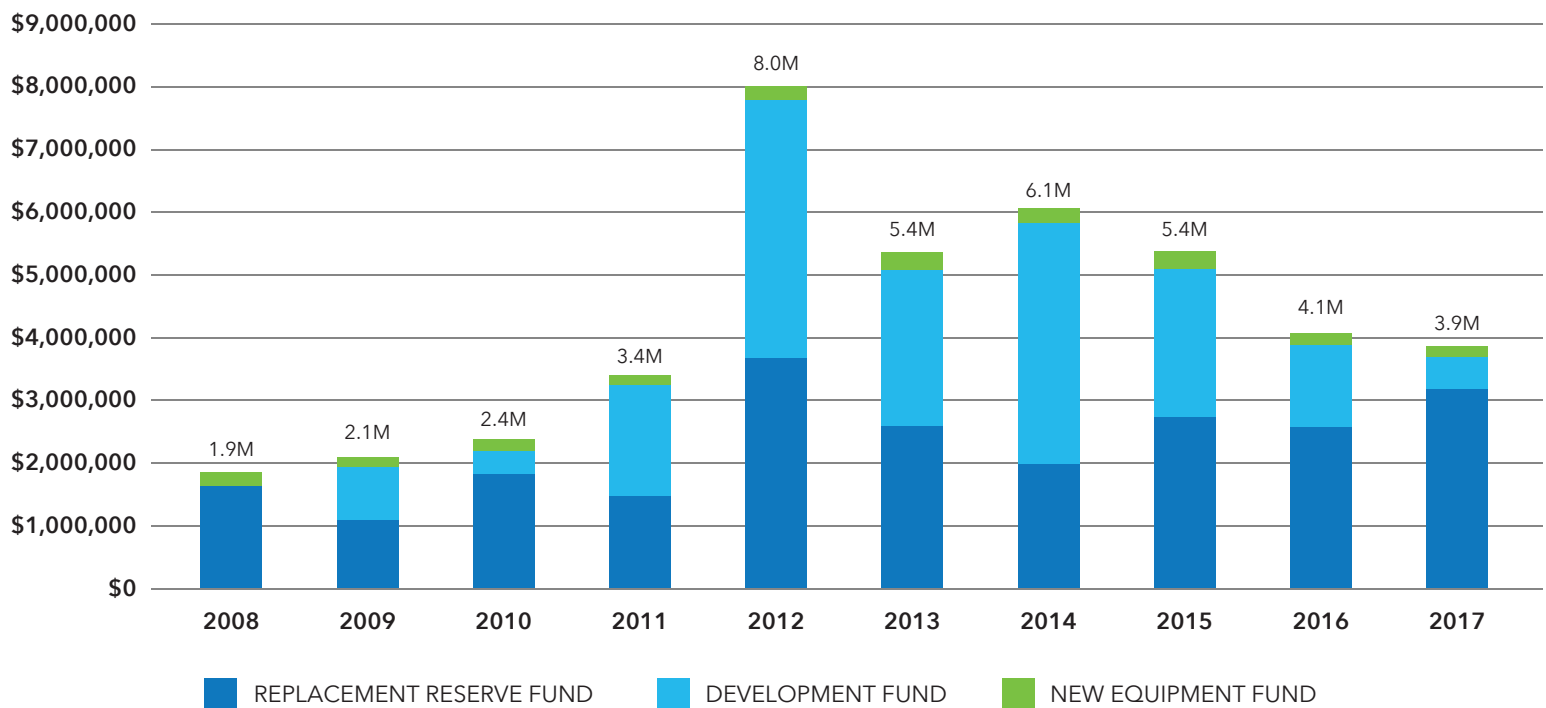
- The Development Fund was established as authorized in the governing documents of the association to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements, or changing needs of the association.
- The Association Master Plan guides the prioritization of the numerous projects identified for Development Fund expenditure. This Plan is actively being updated in 2017 and 2018, led by the Board and the General Plan Committee, including numerous member open meetings on this subject, articles in *Tahoe Donner News* magazine and on our website, [tahoedonner.com](http://tahoedonner.com).
- **In 2017, the Board of Directors approved a \$1,800,000 transfer from Operating Fund members equity to this fund.**
- The 2017 assessment funding level was \$300 per owner or \$1,942,000, an increase of 20% over 2016.
- The 2018 assessment funding level was \$310 per owner or \$2,007,000, an increase of 3% over 2017.

# CAPITAL EXPENDITURES

## CAPITAL FUNDS

### EXPENDITURES BY YEAR

10 YEAR TOTAL = \$42.5 MILLION



\$42.5 million equates to a 10-year average of \$4.25 million in Capital Fund expenditures per year. The 10-year average of depreciation expense is \$2.5 million per year for a total of \$25 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.

Growing from \$28 million at the end of 2007 to \$41 million at the end of 2017. Bottom line – reinvesting in the association, the assets value grew at a 3.8% growth rate.

This, as opposed to limited or less capital spending, would have equated to a 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 INVESTMENT OVER THE 10 YEARS INCLUDES:

#### \$23.0 million in replacement and major repairs of existing assets (per reserve study plan)

- \$2.3 million per year 10-year average, maintaining existing asset components
  - \$2.0 million per year first 5 years average, maintaining existing asset components
  - \$2.6 million per year second 5 years average, maintaining existing asset components
- The increase from 2008-2012 to the 2013-2017 average is due to the overall aging of assets and the impact of Development Fund projects on related reserve components.*

#### \$17.8 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)
- 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 (2015-2016-2017)
- Crabtree Canyon land 640 acres (2016)
- Alder Creek Adventure Center exterior storage building (2017)

#### \$1.7 million in New Equipment Fund capital investments

- \$172,000 per year average

# CAPITAL FUNDS

## REPLACEMENT RESERVE FUND

**33% FUNDED**

Replacement Reserve Funds as of 12/31/2017 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation. See page 10 for by-year trends.

**\$3.2 MILLION** | 2017 Expenditures

- \$741,000 GOLF COURSE carts fleet, cart path asphalt and course maintenance equipment
- \$536,000 DOWNHILL SKI uniforms, deck resurfacing, painting, rental and operating equipment
- \$381,000 INFORMATION TECHNOLOGY equipment
- \$340,000 AQUATICS pools and spas equipment
- \$135,000 FORESTRY defensible space mastication and storm damage
- \$125,000 CROSS COUNTRY SKI rental and operating equipment, trails and facility maintenance
- \$111,000 THE LODGE kitchen equipment, exterior staining and facility maintenance
- \$101,000 SUMMER TRAILS maintenance

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 30-year reserve funding and expenditure plan is produced every three years and updated annually to schedule and analyze the funding and expenditure needs. Over 2,000 individual items are tracked in this plan, with a current replacement value of \$51 million. A complete study and plan was performed in 2016 and is updated annually.

The year-end fund balance increased by \$2.3 million or 30%. This increase includes a \$1.5 million transfer in from the Operating

### REPLACEMENT RESERVE FUND CONTINUED

Fund. These transfer funds were generated by favorable net operating results by the Operating Fund. The transfer amount to this fund was due primarily to the anticipated known need to replace the Snowbird chairlift in 2018.

**28% FUNDED**

Excluding 2017 \$1.5 million transfer in.

## DEVELOPMENT FUND

**\$510,000** | 2017 Expenditures

- \$90,000 ALDER CREEK ADVENTURE CENTER storage building addition
- \$76,000 EQUESTRIAN campus improvements
- \$66,000 TROUT CREEK RECREATION CENTER planning
- \$42,000 DOWNHILL SKI master planning
- \$34,000 TRAILS 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.

The year-end fund balance increased by \$3.3 million or 652%. This increase includes a \$1.8 million transfer in from the Operating Fund. These transfer funds were generated by favorable net operating results by the Operating Fund. The transfer amount to this fund was made primarily due to the anticipated known need to address the aging (47 years old) Downhill Ski lodge skier services building.

## NEW EQUIPMENT FUND

**\$170,000** | 2017 Expenditures

- \$29,000 DAY CAMPS equipment and facility improvements
- \$18,000 RECREATION sound equipment and telescope
- \$13,000 CROSS COUNTRY SKI snowmobile
- \$13,000 EQUESTRIAN covered paddocks
- \$12,000 MEMBER SERVICES customer service software
- \$6,000 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.

The year-end fund balance increased by \$25,000 or 32%.

## PROPERTY FUND

The Property Fund is used to account for the association's investment in its fixed assets. Capital additions to fixed assets totaled \$2,851,000 (in 2016 \$3,546,000). Depreciation expense for the year totaled \$3,118,000 (in 2016 \$2,971,000).

Total gross fixed asset value of \$76.3m equates to \$11,794 per owner and net book value of fixed assets and construction in progress of \$40.7m equates to \$6,299 per owner (a decrease of 1% under 2016).

# CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2017

	2017 ACTUAL	2017 BUDGET	2017 ACTUAL VS 2017 BUDGET	2016 ACTUAL	2017 ACTUAL VS 2016 ACTUAL
<b>REPLACEMENT RESERVE FUND</b>					
Beginning Fund Balance	\$ 7,903,234	\$ 7,000,000	\$ 903,234	\$ 6,859,483	\$ 1,043,751
Assessment Contribution	3,852,000	3,852,000	-	3,534,000	318,000
Interest Income	137,726	51,000	86,726	56,222	81,504
Operating Fund Transfer In	1,500,000	-	1,500,000	-	1,500,000
Other Revenue + Expense, Net	19,927	20,000	(73)	21,777	(1,850)
Major Maintenance Expenses	(1,003,845)	(760,000)	(243,845)	(514,652)	(489,193)
Expenditures for Capital Additions	(2,170,731)	(2,941,000)	770,269	(2,053,596)	(117,135)
Net Change in Fund Activity for Year	2,335,077	222,000	2,113,077	1,043,751	1,291,326
<b>ENDING FUND BALANCE</b>	<b>\$ 10,238,311</b>	<b>\$ 7,222,000</b>	<b>\$ 3,016,311</b>	<b>\$ 7,903,234</b>	<b>\$ 2,335,077</b>
<b>NEW EQUIPMENT FUND</b>					
Beginning Fund Balance	75,788	40,000	35,788	66,536	9,252
Assessment Contribution	194,000	194,000	-	194,000	-
Interest Income	848	-	848	8	840
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(170,213)	(170,000)	(213)	(184,756)	14,543
Net Change in Fund Activity for Year	24,635	24,000	635	9,252	15,383
<b>ENDING FUND BALANCE</b>	<b>\$ 100,423</b>	<b>\$ 64,000</b>	<b>\$ 36,423</b>	<b>\$ 75,788</b>	<b>\$ 24,635</b>
<b>DEVELOPMENT FUND</b>					
Beginning Fund Balance	499,052	194,000	305,052	192,497	306,555
Assessment Contribution	1,942,000	1,618,000	324,000	1,618,000	324,000
Interest Income	26,848	2,000	24,848	3,844	23,004
Operating Fund Transfer In	1,800,000	-	1,800,000	-	1,800,000
Other Revenue + Expense, Net	(4,972)	(8,000)	3,028	(7,416)	2,444
Fund Expenses for Capital Additions	-	-	-	-	-
Expenditures for Capital Additions	(509,915)	(532,000)	22,085	(1,307,873)	797,958
Net Change in Fund Activity for Year	3,253,961	1,080,000	2,173,961	306,555	2,947,406
<b>ENDING FUND BALANCE</b>	<b>\$ 3,753,013</b>	<b>\$ 1,274,000</b>	<b>\$ 2,479,013</b>	<b>\$ 499,052</b>	<b>\$ 3,253,961</b>
<b>CAPITAL FUND TOTALS</b> SEE NEXT PAGE FOR SCHEDULE OF EXPENDITURES BY DEPARTMENT					
Major Maintenance/Fund Expenses	(1,003,845)	(760,000)	(243,845)	(514,652)	(489,193)
Expenditures for Capital Additions	(2,850,859)	(3,643,000)	792,141	(3,546,225)	695,366
<b>TOTAL</b>	<b>\$ (3,854,704)</b>	<b>\$ (4,403,000)</b>	<b>\$ 548,296</b>	<b>\$ (4,060,877)</b>	<b>\$ 206,173</b>

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 defer the burden to future owners. Properly maintaining our assets protects owners' **property values**.

# CAPITAL FUNDS EXPENDITURES

BY DEPARTMENT – YEAR ENDING DECEMBER 31, 2017

	REPLACEMENT RESERVE FUND		NEW EQUIPMENT FUND		DEVELOPMENT FUND		CAPITAL FUNDS TOTAL	
	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE
<b>PRIVATE AMENITIES</b>								
Trout Creek Recreation Center	\$ 40,742	\$ 38,817 (a)	\$ 3,954	\$ -	\$ 65,995	\$ -	\$ 110,691	\$ 38,817
Beach Club Marina	42,462	15,479	38,440	-	(2,598)	-	78,304	15,479
Tennis Center	16,348	11,822 (a)	3,546	-	-	-	19,89	11,822
Northwoods Pool / Aquatics	332,135	8,067	5,808	-	-	-	337,943	8,067
Camps + Recreation Programs	1,852	-	18,067	-	-	-	19,919	-
<b>TOTAL PRIVATE AMENITIES</b>	<b>\$433,539</b>	<b>\$ 74,185</b>	<b>\$ 69,815</b>	<b>-</b>	<b>\$ 63,397</b>	<b>\$ -</b>	<b>\$566,751</b>	<b>\$ 74,185</b>
<b>PUBLIC AMENITIES</b>								
Golf	662,838	77,964 (a)	-	-	-	-	662,838	77,964
Downhill Ski	366,442 (c)	169,543 (b)	13,829	-	41,653	-	421,924	169,543
Cross Country Ski	94,706	30,502 (a)	20,983	-	89,700 (f)	-	205,389	30,502
Campground	7,589	-	-	-	-	-	7,589	-
Equestrian	25,086	2,500	13,414	-	76,205 (g)	-	114,705	2,500
Trails	58,804	41,770	1,446	-	34,320	-	94,570	41,770
Bikeworks	25,518	-	4,618	-	-	-	30,136	-
The Lodge	63,447	47,327	4,709	-	700	-	68,856	47,327
The Lodge, Summer Lunch/Golf F&B	-	-	-	-	-	-	-	-
Pizza on the Hill	2,699	-	3,007	-	-	-	5,706	-
Alder Creek Cafe	-	-	-	-	-	-	-	-
Snowplay	3,460	-	-	-	-	-	3,460	-
<b>TOTAL PUBLIC AMENITIES</b>	<b>\$1,310,589</b>	<b>\$369,606</b>	<b>\$ 62,006</b>	<b>-</b>	<b>\$242,578</b>	<b>\$ -</b>	<b>\$1,615,173</b>	<b>\$369,606</b>
<b>TOTAL AMENITIES</b>	<b>\$1,744,128</b>	<b>\$443,791</b>	<b>\$131,821</b>	<b>-</b>	<b>\$305,975</b>	<b>\$ -</b>	<b>\$2,181,924</b>	<b>\$443,791</b>
<b>HOMEOWNERS ASSOCIATION</b>								
General	-	-	-	-	-	-	-	-
Marketing + Communications	-	-	-	-	-	-	-	-
Facility Administration	-	125,000 (e)	-	-	180,000 (e)	-	180,000	125,000
Administration	46,942	63,683	5,069	-	23,940	-	75,951	63,683
Information Technology	271,790 (d)	109,233	25,442	-	-	-	297,232	109,233
Accounting	-	-	-	-	-	-	-	-
Human Resources	-	17,764	-	-	-	-	-	17,764
Architectural Standards Office	12,376	-	-	-	-	-	12,376	-
Member Services	-	-	3,279	-	-	-	3,279	-
Forestry	166	135,029 (a)	4,602	-	-	-	4,768	135,029
Maintenance	95,329	109,345	-	-	-	-	95,329	109,345
<b>TOTAL HOMEOWNERS ASSOC</b>	<b>\$ 426,603</b>	<b>\$ 560,054</b>	<b>\$ 38,392</b>	<b>\$ -</b>	<b>\$203,940</b>	<b>\$ -</b>	<b>\$ 668,935</b>	<b>\$ 560,054</b>
<b>TOTAL</b>	<b>\$2,170,731</b>	<b>\$1,003,845</b>	<b>\$170,213</b>	<b>\$ -</b>	<b>\$509,915</b>	<b>\$ -</b>	<b>\$2,850,859</b>	<b>\$1,003,845</b>

- (a) Winter storm damage of \$149,000 across various locations, not budgeted. Includes Forestry \$78,000, Golf \$20,000, Trout Creek \$16,000 Cross Country Ski \$11,000, Tennis \$11,000.  
(b) Downhill Ski; includes deck resurfacing of \$110,000 (not budgeted in 2017), buildings painting and staining of \$30,000, and asphalt maintenance of \$16,000.  
(c) Downhill Ski; includes replacements of uniforms \$117,000, rental equipment \$93,000, ski lift components \$65,000, and trail maintenance \$38,000.  
(d) Information Technology; includes replacements of Architectural Standards Office software, networking & wireless systems, SAN, workstations, webcams, and other.  
(e) Personnel cost allocations, consistent with Budget and prior years.  
(f) Alder Creek Adventure Center exterior storage building addition.  
(g) Equestrian campus improvements phase III capital investment expenditures.

## 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.

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# 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its 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 19, 2018**

# TAHOE DONNER ASSOCIATION

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY - DECEMBER 31, 2017 AND 2016

### OPERATIONS

	Amenities	Homeowners Association	Total Operating Fund
<b>OPERATING REVENUES:</b>			
Access and use fees	\$ 4,887,280		\$ 4,887,280
Retail sales	4,720,197		4,720,197
Lessons and rental revenue	2,446,622		2,446,622
Other revenues	374,947	\$ 637,074	1,012,021
Interest income		50,433	50,433
Gross operating revenues	12,429,046	687,507	13,116,553
Cost of goods sold	(1,634,609)		(1,634,609)
Net operating revenues	10,794,437	687,507	11,481,944
<b>OPERATING EXPENSES:</b>			
Salaries and wages	5,657,073	3,531,706	9,188,779
Payroll taxes and employee benefits	1,647,793	885,698	2,533,491
Supplies and maintenance	1,139,700	514,333	1,654,033
Utilities	606,900	250,546	857,446
Other employee expenses	276,681	170,347	447,028
Insurance	287,200	145,335	432,535
Income tax exposure		665	665
Other expenses	649,193	841,623	1,490,816
Total operating expenses	10,264,540	6,340,253	16,604,793
<b>NET OPERATING INCOME (LOSS)</b>	529,897	(5,652,746)	(5,122,849)
<b>CAPITAL ACTIVITIES:</b>			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
<b>ASSESSMENTS:</b>			
Assessment revenues		6,310,700	6,310,700
<b>INCREASE (DECREASE) IN MEMBERS' EQUITY</b>	\$ 529,897	\$ 657,954	1,187,851
<b>TRANSFERS BETWEEN FUNDS</b>			(3,300,000)
<b>MEMBERS' EQUITY, December 31, 2016</b>			4,403,711
<b>MEMBERS' EQUITY, December 31, 2017</b>			\$ 2,291,562

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



# TAHOE DONNER ASSOCIATION

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY - DECEMBER 31, 2017 AND 2016

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery + Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
				\$ 4,887,280	\$ 4,767,825
				4,720,197	4,522,519
				2,446,622	2,448,610
				1,012,021	1,007,560
\$ 137,726	\$ 848	\$ 26,848		215,855	84,589
137,726	848	26,848		13,281,975	12,831,103
				(1,634,609)	(1,552,910)
137,726	848	26,848		11,647,366	11,278,193
				9,188,779	8,703,131
				2,533,491	2,413,444
				1,654,033	1,700,232
				857,446	851,321
				447,028	301,557
				432,535	412,453
15,563		2,373		18,601	39,450
(610)		2,599		1,492,805	1,326,416
14,953		4,972		16,624,718	15,748,004
122,773	848	21,876		(4,977,352)	(4,469,811)
(2,170,731)	(170,213)	(509,915)	\$ 2,850,859		
34,880			(16,616)	18,264	28,632
(1,003,845)				(1,003,845)	(514,652)
			(3,118,291)	(3,118,291)	(2,971,289)
(3,139,696)	(170,213)	(509,915)	(284,048)	(4,103,872)	(3,457,309)
3,852,000	194,000	1,942,000		12,298,700	12,299,045
835,077	24,635	1,453,961	(284,048)	3,217,476	4,371,925
1,500,000		1,800,000			
7,903,234	75,788	499,052	41,006,180	53,887,965	49,516,040
\$ 10,238,311	\$ 100,423	\$ 3,753,013	\$ 40,722,132	\$ 57,105,441	\$ 53,887,965

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

# TAHOE DONNER ASSOCIATION

## STATEMENTS OF FINANCIAL POSITION

### DECEMBER 31, 2017 AND 2016

	Operating Fund	Replacement Reserve Fund	New Machinery + Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
<b>ASSETS</b>							
Cash	\$ 812,527					\$ 812,527	\$ 1,304,203
Cash, designated and restricted	345,396	\$ 281,959	\$ 68,867	\$ 57,600		753,822	517,133
Investments	5,057,220					5,057,220	6,570,883
Investments, designated and restricted		11,098,598	100,000	4,288,799		15,487,397	10,196,207
Assessments and other member receivables, net of allowance for doubtful accounts of \$81,135 in 2017 and \$96,388 in 2016	243,407					243,407	289,148
Other receivables	111,779	179,523	375	9,640		301,317	128,842
Inventory	346,432					346,432	335,337
Prepaid expenses and other assets	575,053					575,053	687,119
Due from (to) other funds	(138,138)	130,105	11,277	(3,244)			
Net property and equipment					\$ 40,722,132	40,722,132	41,006,180
<b>TOTAL ASSETS</b>	<u>\$ 7,353,676</u>	<u>\$ 11,690,185</u>	<u>\$ 180,519</u>	<u>\$ 4,352,795</u>	<u>\$ 40,722,132</u>	<u>\$ 64,299,307</u>	<u>\$ 61,035,052</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>							
Accounts payable	\$ 444,397	\$ 224,438	\$ 5,868	\$ 5,549		\$ 680,252	\$ 742,992
Deferred revenues	3,047,576	1,224,764	74,228	593,825		4,940,393	4,894,302
Deposits from members	232,316					232,316	215,246
Accrued liabilities	1,337,825	2,672		408		1,340,905	1,294,547
<b>TOTAL LIABILITIES</b>	5,062,114	1,451,874	80,096	599,782		7,193,866	7,147,087
<b>MEMBERS' EQUITY</b>	<u>2,291,562</u>	<u>10,238,311</u>	<u>100,423</u>	<u>3,753,013</u>	<u>40,722,132</u>	<u>57,105,441</u>	<u>53,887,965</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 7,353,676</u>	<u>\$ 11,690,185</u>	<u>\$ 180,519</u>	<u>\$ 4,352,795</u>	<u>\$ 40,722,132</u>	<u>\$ 64,299,307</u>	<u>\$ 61,035,052</u>

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

# TAHOE DONNER ASSOCIATION

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	Operating Fund	Replacement Reserve Fund	New Machinery + Equipment Fund	Development Fund	Property Fund	Total 2017	Total 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Increase (decrease) in Members' Equity	\$ 1,187,851	\$ 835,077	\$ 24,635	\$ 1,453,961	\$ (284,048)	\$ 3,217,476	\$ 4,371,925
Reconciliation to net cash provided by operating activities:							
Depreciation expense					3,118,291	3,118,291	2,971,289
Capital additions and transfers		2,170,731	170,213	509,915	(2,850,859)		
(Gain) loss on sale or disposal of property and equipment		(34,880)			16,616	(18,264)	(28,632)
Changes in:							
Assessments receivable	45,741					45,741	19,981
Other receivables	4,480	(168,168)	(375)	(8,412)		(172,475)	(34,744)
Inventory	(11,095)					(11,095)	(23,050)
Prepaid expenses and other assets	112,066					112,066	66,090
Due from (to) other funds	(16,608)	5,547	(6,141)	17,202			
Accounts payable	(18,635)	(26,898)	(13,767)	(3,440)		(62,740)	311,756
Deferred revenues	(53,015)	70,971	16,054	12,081		46,091	148,279
Deposits from members	17,070					17,070	(13,594)
Accrued liabilities	46,978	2,672		(3,292)		46,358	131,574
Net cash provided by operating activities	1,314,833	2,855,052	190,619	1,978,015		6,338,519	7,920,874
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchases of property and equipment		(2,170,731)	(170,213)	(509,915)		(2,850,859)	(3,546,225)
Proceeds from sale of property and equipment		34,880				34,880	40,637
Purchases of investments	(8,138,851)	(11,302,020)	(164)	(4,291,685)		(23,732,720)	(30,479,132)
Proceeds from sale of investments	9,652,514	9,250,057		1,052,622		19,955,193	26,559,289
Net cash provided (used) by investing activities	1,513,663	(4,187,814)	(170,377)	(3,748,978)		(6,593,506)	(7,425,431)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Transfers between funds	(3,300,000)	1,500,000		1,800,000			
<b>NET INCREASE (DECREASE) IN CASH</b>	(471,504)	167,238	20,242	29,037		(254,987)	495,443
<b>CASH, Beginning of Year</b>	1,629,427	114,721	48,625	28,563		1,821,336	1,325,893
<b>CASH, End of Year</b>	\$ 1,157,923	\$ 281,959	\$ 68,867	\$ 57,600	\$	\$ 1,566,349	\$ 1,821,336
<b>OTHER CASH FLOW INFORMATION:</b>							
Income taxes paid	\$ 9,320	\$ 32,536	\$	\$ 4,961	\$	\$ 46,817	\$ 39,450

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 AND 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.

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 Reserve, New Machinery and Equipment, Development Funds in proportion to the interest-bearing assets of each fund.

(Continued on next page)

# NOTES TO FINANCIAL STATEMENTS

(Continued from previous page)

**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 2013.

**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 19, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

## 3 CASH AND INVESTMENTS

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

	2017	2016
Replacement Reserve Fund - designated	\$ 11,380,557	\$ 9,161,356
Development Fund - designated	4,346,399	1,078,299
New Machinery and Equipment Fund - designated	168,867	148,461
Operating Fund - undesignated and unrestricted	5,869,747	7,875,086
Operating Fund – Trust – restricted (note 7)	110,257	109,983
Operating Fund - Architectural standards deposits - restricted (note 5)	235,139	215,241
<b>TOTAL</b>	<b>\$ 22,110,966</b>	<b>\$ 18,588,426</b>

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, 2017 mature as follows:

INVESTMENT	WITHIN 1 YEAR	1-5 YEARS	TOTAL
U.S. Treasury	\$ 7,809,254	\$ 4,683,530	\$ 12,492,784
Certificates of deposit	3,995,852	1,106,451	5,102,303
Municipal bonds		1,477,910	1,477,910
Corporate bonds		1,471,620	1,471,620
<b>TOTAL</b>	<b>\$ 11,805,106</b>	<b>\$ 8,739,511</b>	<b>\$ 20,544,617</b>

# NOTES TO FINANCIAL STATEMENTS

## 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Buildings	\$ 32,025,984	\$ 31,674,341
Fixtures and facility improvements	16,338,817	15,563,456
Equipment	17,817,425	16,861,330
Land and land improvements	9,239,805	9,239,805
Furnishings	921,019	888,694
<b>TOTAL</b>	<b>76,343,050</b>	<b>74,227,626</b>
Less accumulated depreciation	(35,663,909)	(33,357,975)
	40,679,141	40,869,651
Construction in progress	42,991	136,529
<b>TOTAL</b>	<b>\$ 40,722,132</b>	<b>\$ 41,006,180</b>

## 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 2017, 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 \$88,685 and \$94,018 for 2017 and 2016, 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 \$51,548 and \$50,738 for the years ended December 31, 2017 and 2016, respectively.

## 8 OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, land usage and computer equipment. Rental expense under all operating leases was \$116,709 and \$198,034 for 2017 and 2016, respectively. Future minimum lease payments under these leases are as follows:

YEAR ENDING DECEMBER 31:	
2018	\$ 42,880
2019	35,230
2020	18,297
2021	5,752
2022	5,752
Thereafter	1,917
<b>TOTAL</b>	<b>\$ 109,828</b>

# REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2017 (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 2017 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, 2017, was \$10,238,000. The 2018 lot assessments include \$4,013,000 to be allocated to the Replacement Reserve 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.

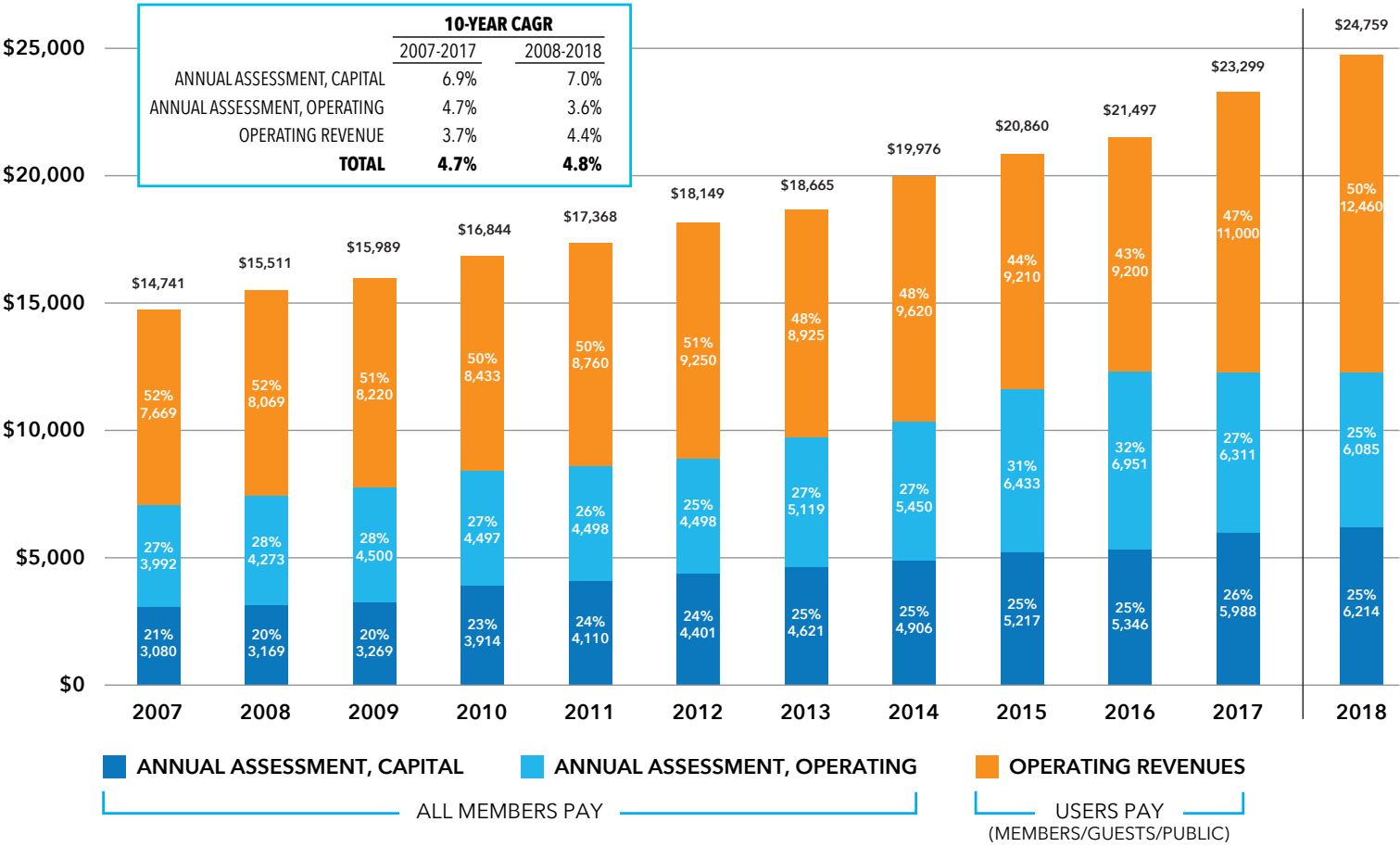
The following table is based on the study and presents significant information about the components of common property for which funds are being set aside.

COMPONENT GROUP	RANGE OF REMAINING LIVES (YEARS)	ESTIMATED LIFE AFTER REPLACEMENT (YEARS)	CURRENT REPLACEMENT COSTS
Trout Creek, pools and recreation	0-30	1-30	\$ 5,142,305
Beach Club Marina	0-30	1-30	1,213,054
Tennis Complex	0-30	1-30	1,822,234
Downhill Ski Resort	0-30	1-30	9,206,992
Cross Country Ski Center	0-30	1-30	3,973,751
Equestrian	0-30	1-30	804,209
Golf Complex	0-30	1-30	10,795,888
Campground	0-30	1-30	613,962
The Lodge Restaurant & Pub	0-30	1-30	3,560,927
Pizza on the Hill	0-30	1-30	458,578
Administration/MIS	0-30	1-30	5,140,083
Forestry	0-30	1-30	1,064,168
General + Building Maintenance	0-30	1-30	3,988,496
Trails	0-30	1-30	1,523,575
Vehicle Maintenance	0-30	1-30	1,531,467
Bikeworks	0-30	1-30	30,473
<b>TOTAL</b>			<b>\$ 50,870,162</b>

See independent auditor's report on required supplementary information.

# ANNUAL BUDGET - SOURCE OF FUNDS

## DOLLARS IN THOUSANDS



# ANNUAL BUDGET - USE OF FUNDS

## DOLLARS IN THOUSANDS

