TAHOE DONNER ASSOCIATION

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018 (for comparative purposes only)

TAHOE DONNERASSOCIATION

TABLE OF CONTENTS

M^C^CLINTOCK ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tahoe Donner Association

Report on the Financial Statements

We have audited the accompanying financial statements of Tahoe Donner Association, which comprise the balance sheet as of December 31, 2019, and the related statements of revenue and expenses – all funds, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 controls relevant to the entity'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 controls. 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, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on pages 18 and 19 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.

Other Information

The information included on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Comparative Information

Information for the year ended December 31, 2018 is presented for comparative purposes only. The financial statements for the year ended December 31, 2018 were audited by a predecessor auditor. Those auditors expressed an unmodified opinion on those financial statements in their report dated March 15, 2019.

As discussed above, the financial statements of Tahoe Donner Association as of December 31, 2018 and for the year then ended were audited by other auditors. As described in Note 2, the Association changed the composition of its financial statements and allocations of certain departmental expenses in 2019, and the 2018 financial statements have been restated to conform to the composition and allocations utilized in 2019.

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
April 3, 2020

TAHOE DONNER ASSOCIATION

Exhibit A

BALANCE SHEET

December 31, 2019 (with comparative totals for 2018)

	2019						2018 (for comparative purposes only)
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
ASSETS							
Cash and cash equivalents, unrestricted (Note 5)	$ 1,541,942	$ -0-	$ -0-	$ -0-	$ -0-	$ 1,541,942	$ 1,488,059
Cash and cash equivalents, designated and restricted (Note 5)	253,090	159,670	12,710	23,705	-0-	449,175	625,254
Investments, unrestricted (Note 5)	4,504,145	-0-	-0-	-0-	-0-	4,504,145	4,114,816
Investments, designated and restricted (Note 5)	-0-	14,181,560	246,478	7,391,214	-0-	21,819,252	17,778,905
	6,299,177	14,341,230	259,188	7,414,919	-0-	28,314,514	24,007,034
Assessments and other member receivables, less allowance for doubtful accounts of $88,679 in 2019 and $87,193 in 2018	266,025	-0-	-0-	-0-	-0-	266,025	261,579
Other receivables	215,091	84,523	871	36,524	-0-	337,009	239,199
Inventory	319,342	-0-	-0-	-0-	-0-	319,342	314,922
Prepaid expenses and other assets	860,057	-0-	-0-	-0-	-0-	860,057	748,911
Due from (to) other funds	(131,222)	109,638	6,980	14,604	-0-	-0-	-0-
Property and equipment, net (Note 6)	-0-	-0-	-0-	-0-	41,331,406	41,331,406	41,554,852
Total Assets	$ 7,828,470	$ 14,535,391	$ 267,039	$ 7,466,047	$ 41,331,406	$ 71,428,353	$ 67,126,498
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 355,407	$ 290,150	$ -0-	$ 26,078	$ -0-	$ 671,635	$ 487,502
Accrued liabilities	1,565,692	14,856	169	3,946	-0-	1,584,663	1,525,719
Deferred revenue	3,445,653	1,402,874	59,196	648,772	-0-	5,556,495	5,041,422
Deposits from members	219,266	-0-	-0-	-0-	-0-	219,266	256,651
Total Liabilities	5,586,018	1,707,880	59,365	678,796	-0-	8,032,059	7,311,294
Fund Balances - Exhibit B	2,242,452	12,827,511	207,674	$ 6,787,251	41,331,406	63,396,294	59,815,204
Total Liabilities and Fund Balances	$ 7,828,470	$ 14,535,391	$ 267,039	$ 7,466,047	$ 41,331,406	$ 71,428,353	$ 67,126,498

The accompanying notes are an integral part of these statements.

TAHOE DONNER ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES - ALL FUNDS
For the Year Ended December 31, 2019 (with comparative totals for 2018)

	2019						2018 (for comparative purposes only)
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
REVENUE							
Members' assessments	$ 5,696,445	$ 4,661,000	$ 194,000	$ 2,168,000	$ -0-	$ 12,719,445	$ 12,298,700
Downhill ski	4,770,549	-0-	-0-	-0-	-0-	4,770,549	3,431,021
Snowplay	244,046	-0-	-0-	-0-	-0-	244,046	201,572
The Lodge and Summer F&B	2,742,223	-0-	-0-	-0-	-0-	2,742,223	2,792,859
Cross country center	1,381,116	-0-	-0-	-0-	-0-	1,381,116	957,163
Trout Creek recreation center and aquatics	1,310,493	-0-	-0-	-0-	-0-	1,310,493	1,302,725
Marina	680,754	-0-	-0-	-0-	-0-	680,754	678,416
Golf course	706,522	-0-	-0-	-0-	-0-	706,522	1,102,824
Alder Creek Café	490,426	-0-	-0-	-0-	-0-	490,426	387,892
Pizza on the Hill	344,563	-0-	-0-	-0-	-0-	344,563	590,922
Tennis	308,060	-0-	-0-	-0-	-0-	308,060	222,645
Day Camp	247,719	-0-	-0-	-0-	-0-	247,719	256,667
Equestrian	238,636	-0-	-0-	-0-	-0-	238,636	227,394
Recreation	201,021	-0-	-0-	-0-	-0-	201,021	181,645
Campground	95,813	-0-	-0-	-0-	-0-	95,813	86,757
Bikeworks	134,638	-0-	-0-	-0-	-0-	134,638	106,887
Trails	2,832	-0-	-0-	-0-	-0-	2,832	504
Communications	227,063	-0-	-0-	-0-	-0-	227,063	202,366
Architectural standards	174,557	-0-	-0-	-0-	-0-	174,557	201,541
Forestry	94,975	-0-	-0-	-0-	-0-	94,975	137,410
Interest income	114,156	219,493	6,813	160,459	-0-	500,921	370,809
Late charges, handling, transfer fees, and other fees	130,614	-0-	-0-	-0-	-0-	130,614	158,535
Miscellaneous income	54,762	-0-	-0-	-0-	-0-	54,762	61,439
Total Revenue	20,391,983	4,880,493	200,813	2,328,459	-0-	27,801,748	25,958,693
OPERATING EXPENSES							
Downhill ski (cost of sales of $196,821 in 2019 and $172,637 in 2018)	3,525,824	53,253	-0-	-0-	-0-	3,579,077	3,334,547
Snowplay (cost of sales of $1,911 in 2019 and $3,553 in 2018)	183,038	-0-	-0-	-0-	-0-	183,038	187,709
The Lodge and Summer F&B (cost of sales of $784,377 in 2019 and $796,467 in 2018)	3,233,424	73,771	-0-	-0-	-0-	3,307,195	3,313,364
Cross country center (cost of sales of $85,840 in 2019 and $72,782 in 2018)	1,167,081	68,563	-0-	-0-	-0-	1,235,644	1,021,751
Trout Creek recreation center and aquatics (cost of sales of $20,016 in 2019 and $27,108 in 2018)	1,656,094	6,301	-0-	-0-	-0-	1,662,395	1,617,184
Marina (cost of sales of $51,485 in 2019 and $52,259 in 2018)	540,431	22,922	-0-	-0-	-0-	563,353	585,815
Golf course (cost of sales of $49,814 in 2019 and $62,154 in 2018)	1,444,559	47,010	-0-	-0-	-0-	1,491,569	1,518,769
Alder Creek Café (cost of sales of $164,450 in 2019 and $138,213 in 2018)	639,279	-0-	-0-	-0-	-0-	639,279	588,284
Pizza on the Hill (cost of sales of $99,622 in 2019 and $175,579 in 2018)	498,994	-0-	-0-	-0-	-0-	498,994	786,823
Tennis (cost of sales of $35,643 in 2019 and $31,801 in 2018)	317,727	10,711	-0-	-0-	-0-	328,438	361,893
Day Camp	297,689	-0-	-0-	-0-	-0-	297,689	292,517
Equestrian (cost of sales of $7,732 in 2019 and $6,040 in 2018)	399,414	-0-	-0-	-0-	-0-	399,414	404,273
Recreation (cost of sales of $1,469 in 2019 and $1,650 in 2018)	322,520	-0-	-0-	-0-	-0-	322,520	347,101
Campground	118,293	2,322	-0-	-0-	-0-	120,615	115,433
Bikeworks (cost of sales of $55,263 in 2019 and $33,280 in 2018)	157,333	-0-	-0-	-0-	-0-	157,333	140,661
Trails	201,300	8,347	-0-	-0-	-0-	209,647	281,812
Communications	227,062	-0-	-0-	-0-	-0-	227,062	202,366
Architectural standards	502,158	-0-	-0-	-0-	-0-	502,158	506,998
Forestry	1,418,809	250,113	-0-	-0-	-0-	1,668,922	1,457,839
Homeowners' association operating expenses and G&A	2,709,112	532,263	-0-	111,782	-0-	3,353,157	2,741,728
Total Operating Expenses	19,560,141	1,075,576	-0-	111,782	-0-	20,747,499	19,806,867
FUND EXPENSES							
(Gain) Loss on disposal of assets	-0-	(66,533)	-0-	-0-	30,927	(35,606)	111,966
Depreciation	-0-	-0-	-0-	-0-	3,440,155	3,440,155	3,284,227
Income tax provision	31,283	22,538	604	14,185	-0-	68,610	45,870
Total Expenses	19,591,424	1,031,581	604	125,967	3,471,082	24,220,658	23,248,930
Revenue Over (Under) Expenses	$ 800,559	$ 3,848,912	$ 200,209	$ 2,202,492	$ (3,471,082)	$ 3,581,090	$ 2,709,763
Property Fund Additions, Net	$ -0-	$ (2,422,049)	$ (105,557)	$ (720,030)	$ 3,247,636	$ -0-	$ -0-
Transfer Between Funds	(1,000,000)	1,000,000	-0-	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Year	2,441,893	10,400,648	113,022	5,304,789	41,554,852	59,815,204	57,105,441
Fund Balances, End of Year	$ 2,242,452	$ 12,827,511	$ 207,674	$ 6,787,251	$ 41,331,406	$ 63,396,294	$ 59,815,204

TAHOE DONNER ASSOCIATION

Exhibit C

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2019 (with comparative totals for 2018)

	2019						2018 (for comparative purposes only)
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
Cash Flows from Operating Activities:							
Operating Revenue Over (Under) Expenses	$ 800,559	$ -0-	$ -0-	$ -0-	$ -0-	$ 800,559	$ 650,331
Replacement Revenue Over Expenses	-0-	3,848,912	-0-	-0-	-0-	3,848,912	(337,663)
Non-Operating Funds Revenue Over (Under) Expenses	-0-	-0-	200,209	2,202,492	(3,471,082)	(1,068,381)	2,397,095
Transfers between funds	(1,000,000)	1,000,000	-0-	-0-	-0-	-0-	-0-
Adjustments to Reconcile Operating/Replacement Revenue Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:							
Bad debt expense	9,519	10,714	-0-	4,409	-0-	24,642	21,872
Depreciation expense	-0-	-0-	-0-	-0-	3,440,155	3,440,155	3,284,227
(Gain)/Loss on disposal of assets	-0-	(66,533)	-0-	-0-	30,927	(35,606)	111,966
Changes in:							
Assessments receivable	(13,965)	(10,714)	-0-	(4,409)	-0-	(29,088)	(40,045)
Other receivables	(69,895)	(15,535)	(106)	(12,272)	-0-	(97,808)	62,118
Inventory	(4,419)	-0-	-0-	-0-	-0-	(4,419)	31,510
Prepaid expenses and other assets	(111,148)	-0-	-0-	-0-	-0-	(111,148)	(173,858)
Due to/from other funds	261,906	(133,278)	(36,675)	(91,953)	-0-	-0-	-0-
Accounts payable	40,127	1,127	-0-	16,389	-0-	57,643	(192,750)
Accrued liabilities	53,573	4,402	169	801	-0-	58,945	184,814
Deferred revenue	413,391	51,258	22,666	27,757	-0-	515,072	101,029
Deposits	(37,385)	-0-	-0-	-0-	-0-	(37,385)	24,335
Net Cash Provided (Used) by Operating Activities	342,263	4,690,353	186,263	2,143,214	-0-	7,362,093	6,124,981
Cash Flows from Investing Activities:							
Acquisition of property and equipment	-0-	(2,295,559)	(105,557)	(720,030)	-0-	(3,121,146)	(4,319,450)
Proceeds from sale of property and equipment	-0-	66,533	-0-	-0-	-0-	66,533	90,537
Purchase of investments	(11,385,559)	(30,215,254)	(741,626)	(9,760,625)	-0-	(52,103,064)	(21,005,065)
Maturity or redemption of investments	10,996,230	27,782,137	644,933	8,250,088	-0-	47,673,388	19,655,961
Net Cash Provided (Used) by Investing Activities	(389,329)	(4,662,143)	(202,250)	(2,230,567)	-0-	(7,484,289)	(5,578,017)
Net Increase (Decrease) in Cash and Cash Equivalents	(47,066)	28,210	(15,987)	(87,353)	-0-	(122,196)	546,964
Cash and cash equivalents, Beginning of Year	1,842,098	131,460	28,697	111,058	-0-	2,113,313	1,566,349
Cash and cash equivalents, End of Year	$ 1,795,032	$ 159,670	$ 12,710	$ 23,705	$ -0-	$ 1,991,117	$ 2,113,313
Analysis of Cash and Cash Equivalents:							
Cash and cash equivalents, unrestricted	$ 1,541,942	$ -0-	$ -0-	$ -0-	$ -0-	$ 1,541,942	$ 1,488,059
Cash and cash equivalents, designated and restricted	253,090	159,670	12,710	23,705	-0-	449,175	625,254
	$ 1,795,032	$ 159,670	$ 12,710	$ 23,705	$ -0-	$ 1,991,117	$ 2,113,313
Supplemental Disclosure:							
Income taxes paid	$ 53,970	$ -0-	$ -0-	$ -0-	$ -0-	53,970	$ 96,563
Non-cash Investment Activities:							
Acquisition of equipment financed by trade payables	$ -0-	$ 126,490	$ -0-	$ -0-	$ -0-	126,490	$ -0-

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018 (for comparative purposes only)

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 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 assessments, usually payable in equal quarterly installments, to provide funds for the Association's operating expenses, major repairs and replacements, development and purchase of new equipment. Accounts receivable at the balance sheet date primarily represents amounts due from unit owners. The Association's collection policy includes, among other things, assessing a late charge and interest, filing a lien, and assessing a lien fee on payments not received within the allowable time periods. In certain instances, foreclosure may be necessary. An allowance for doubtful accounts is created when and account's collectability is uncertain. Accounts are written off when the Association's management determines that an account is uncollectible due to an event such as bankruptcy or foreclosure proceedings.

Revenue recognition – The Association's accounting policies with regards to revenue from contracts with customers are discussion in Note 3, Revenues.

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. As of December 31, 2019 and 2018, cash balances exceeded federally insured limits by approximately $864,000 and $825,000, respectively. 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 and the related income tax expense 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.

Assessments paid in advance and deferred revenue primarily represents funds received for assessments, amenity and newsletter fees received in the current fiscal year, which apply to the subsequent fiscal year.

Deposits from members 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.

Advertising costs are expensed as incurred. For the year ended December 31, 2019 and 2018 advertising costs total approximately $73,449 and $80,472, respectively.

Income taxes – For California purposes, the Association is taxed as membership organization. As such, the Association is generally taxed only on non-member income, such as investment earnings, advertising revenue and gains on sales of assets at regular state corporate tax rates. For federal purposes, the Association has tax-exempt status as a non-profit organization under Internal Revenue Code 501(c)(4). Unrelated business income earned by the Association, such as advertising revenue, is taxed net of related expenses 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 2015.

Carrying amounts of financial instruments, including cash and cash equivalent, accounts receivable and accounts payable approximate their fair value due to the short-term maturities of these instruments.

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.

Reclassifications - certain reclassifications have been made in the 2018 financial statements to conform to the classifications used in 2019. The reclassifications had no impact on the financial position or results of operations for 2018.

Restatement – in 2019, the Association changed the composition of its financial statements to present the Statement of Revenue and Expenses – All Funds by program rather than by natural classification. Additionally, the association began allocating certain departmental expenses (overhead) to the other departments they both directly and indirectly serve. The 2018 financial statements as presented for comparative purposes only have been restated to conform to the composition and allocations utilized in 2019. The restatements had no impact on the total financial position or results of operations for 2018.

Revenue recognition - For 2019, the Association has adopted the provisions of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, ("Topic 606" in the Accounting Standards Codification (ASC). Topic 606 superseded the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*. Under Topic 606, the Association must identify a contract with a customer, among other things, and recognize revenue as the Association satisfies a performance obligation.

As described above, Association members are subject to annual assessments that provide funds for the Association's operating expenses and major repairs and replacements. Association management has considered Topic 606 and concluded that Association members are not customers as defined in the ASC. As such, all assessment revenue, including amounts allocated to the replacement fund, is recognized in the period in which it is assessed, regardless of when it is collected or expended. This treatment is substantially consistent with the Association's accounting in previous years.

Contract revenue is discussed further at Note 3, Revenue from Contracts with Customers. The adoption of the new revenue recognition guidance did not result in any changes to the fund balances as of January 1, 2019 or the balance sheet or results of operations for the year ended December 31, 2019.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

The following provides information about the Association's composition of revenue recognized from contracts with customers, the performance obligations under those contracts, and the significant judgments made in accounting for those contracts:

Downhill ski, Cross Country and Golf revenue is derived from a wide variety of sources, including, among other things: lift, trail and course access revenue, which includes sales of lift tickets, trail access, golf course access and pass products; ski school and lesson revenue, which includes the revenue derived from ski school and lesson operations; food and beverage sales; retail sales and equipment rental revenue. Revenue is recognized over time as performance obligations are satisfies as control of the goods or services (e.g. access to ski areas, trails and golf course, provision of ski school and lesson services, etc.) is transferred to the customer, except for the retail sales, rentals and food and beverage operations revenue which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer. The Association records deferred revenue primarily related to the sales of the pass products. Deferred revenue is recognized throughout the ski and golf seasons as the Association's performance obligations are satisfied as control of the service (e.g. access to the ski areas throughout the ski season) is transferred to the customer. The transfer of control is based on the number of days that have passed in the season relative to total expected season days. Total expected season days are based on historical data, and the Association believes this estimate provide a faithful depiction of its customers pass product usage.

The Association's private amenities (Trout Creek recreation center and aquatics, Snowplay, Marina and Tennis) are accessible via an annual recreation pass or daily access fees. Revenue is derived from recreation pass usage, daily access fees, lessons, classes and trainings, retail sales, equipment rentals and food and beverage sales. Revenue is recognized over time as performance obligations are satisfies as control of the goods or services (e.g. access amenities , provision of lesson, classes and training services, etc.) is transferred to the customer, except for the retail sales, rentals and food and beverage operations revenue which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer. The Association records deferred revenue primarily related to the sales of the recreation pass. Deferred revenue is recognized throughout recreation pass period as the Association's performance obligations are satisfied as control of the service (e.g. access to amenities throughout the pass period) is transferred to the customer. The transfer of control is based on an estimated number of pass holder visits relative to total expected visits. The total expected visits are estimated based on historical data, and the Association believes this estimate provides a faithful depiction of its customers' pass product usage.

Food and beverage revenue (The Lodge and Summer F&B, Alder Creek Café and Pizza on the Hill) is derived from restaurants and cafes, room rentals and banquets. Revenue is recognized at a point in time when performance obligations are satisfied by transferring controls of the underlying goods to the customer.

Other revenue sources not previously mentioned provide revenue from a variety of means including other amenity access fees, lessons and camps, retail sales, equipment rentals, special events and concerts and food and beverage sales, architectural fees and forestry grants revenues. Revenue is recognized over time as performance obligations are satisfied as control of the (e.g. completions of lessons or camps) is transferred to the customer, except for retail sales, equipment rentals and food and beverage sales which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer.

Communications revenue is derived primarily from newsletter ad sales. Revenue is recognized over time as performance obligations are satisfied as control of the good (e.g. inclusion of ad in the monthly newsletter) is transferred to the customer. Deferred revenue relates sales of newsletter ad space for multiple monthly publications in advance.

Arrangements with Multiple Performance Obligations

Some of the Association's contracts with customers include multiple performance obligations, primarily related to bundled services such as multiple events, camps, class and lesson packages. For such contracts, revenue is allocated to each distinct and separate performance obligation based on its relative standalone selling price. The standalone selling prices are generally based on observable prices charged to customers or estimated based on historical experience and information.

Contract Balances

Contract liabilities are recorded primarily as deferred revenues when payments are received or due in advance of the Association's performance, including amounts which may be refundable. The deferred revenue balance is primarily related to accounts receivable or cash payments recorded in advance of satisfying the Association's performance obligations related to advance purchase products consisting primarily of recreation passes, ski and golf passes, amenity related lessons and programs. Deferred revenue balances related to contracts was approximately $1,783,000 and $1,388,000 as of December 31, 2019 and 2018, respectively. For the year ended December 31, 2019, the Association recognized approximately $1,315,000 of contract revenue that was included in the deferred revenue balance as of December 31, 2018.

Contract assets are recorded as trade receivables when the right to consideration is unconditional. Trade receivable balances were $52,823 and $100,253 as of December 31, 2019 and 2018, respectively. Payments from customers are based on billing terms established in the contracts with customers, which vary by the type of customer, the location and the products or services offered.

The term between invoicing and when payment is due is not significant. For certain products or services and customer types, contracts require payment before the products are delivered or services are provided to the customer. Impairment losses related to contract assets are recognized through the Association's allowance for doubtful accounts analysis. Contract asset write-offs are evaluated on an individual basis.

Costs to Obtain Contracts with Customers

The Association expects that credit card fees paid in order to obtain season pass products contracts are recoverable. Accordingly, the Association recognizes these amounts as assets when they are paid prior to the start of the pass season. As of December 31, 2019, $11,283 of costs to obtain contracts with customers were recorded within prepaid expenses and other current assets.

Utilizing the practical expedient provided for under Topic 606, the Association has elected to expense credit card fees related to non pass products and services as incurred, as the amortization period is generally one year or less for the time between customer purchase and utilization. These fees are recorded within departmental expenses on the Association's Statement of Revenue and Expenses and Changes in Fund Balances.

4. FAIR VALUE MEASUREMENT

The Financial Accounting Standards Board (the "FASB")'s authoritative guidance on fair value measurements establishes a framework for measuring fair value and requires disclosure about the fair value measurements of assets and liabilities. This guidance requires the Association to classify and disclose assets and liabilities measured at fair value on a recurring basis, as well as fair value measurements of assets and liabilities measured on a nonrecurring basis in periods subsequent to initial measurement, in a three-tier fair value hierarchy as described below.

The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1—Observable inputs, such as quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Association measures its cash equivalents and accrued interest receivable at fair value. The Association classifies its cash equivalents, investments and accrued interest receivable within Level 1 or Level 2 because the Association values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The fair value of the Association's

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018 (for comparative purposes only)

Level 1 financial assets is based on quoted market prices of the identical underlying security. The fair value of the Association's Level 2 financial assets is based on inputs that are directly or indirectly observable in the market, including the readily-available pricing sources for the identical underlying security that may not be actively traded.

The following tables set forth the estimated fair value of the Association's financial assets measured at fair value on a recurring basis as of December 31, 2019 and 2018, based on the three-tier fair value hierarchy:

	2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,991,117	$ -0-	$ -0-	$ 1,991,117
Other Assets:				
Accrued interest receivable	-0-	101,238	-0-	101,238
Total	$ 1,991,117	$ 101,238	$ -0-	$ 2,092,355

	2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,113,313	$ -0-	$ -0-	$ 2,113,313
Other Assets:				
Accrued interest receivable	-0-	95,703	-0-	95,703
Total	$ 2,113,313	$ 95,703	$ -0-	$ 2,209,016

5. CASH AND INVESTMENTS

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

	2019	2018
Replacement reserve fund - designated	$ 14,341,230	$ 11,879,903
Development fund - designated	7,414,919	5,991,735
New equipment fund - designated	259,188	178,482
Operating fund - undesignated and unrestricted	6,046,087	5,619,295
Operating fund – Trust – restricted 457(b)	33,813	81,051
Operating fund - Architectural standards deposits - restricted (Note 7)	219,277	256,565
Total	$ 28,314,514	$ 24,007,034

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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019 and 2018 (for comparative purposes only)

Association investments consist of certificates of deposit, municipal and corporate securities, and governmental securities, and amounted to $26,323,397 and $21,893,721 at December 31, 2019 and 2018, respectively. Varying types and levels of safety protection cover the various Association investments, including FDIC insurance, SIPC insurance, privately funded bank insurance, and the backing of the US Treasury and its agencies.

Municipal and corporate securities, governmental securities and certificates of deposit are carried at amortized cost as they are classified as held to maturity investments since the Association has the positive intent and ability to hold all securities until maturity.

The amortized cost, gross unrealized gains and losses and aggregate fair value of held-to-maturity investment securities at December 31, 2019 are as follows:

	2019			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held to maturity:				
Certificates of Deposit	$ 1,129,197	$ 2,173	$ -0-	$ 1,131,370
Corporate Bonds	3,220,976	72,922	-0-	3,293,898
Municipal Bonds	2,262,597	36,607	-0-	2,299,204
U.S. Treasury	19,710,627	58,043	-0-	19,768,670
Total held to maturity	$ 26,323,397	$ 169,745	$ -0-	$ 26,493,142

The maturities of the held to maturity securities at December 31, 2019 are as follows:

Investment	Within 1 Year	1-5 Years	Total
Certificates of Deposit	$ 379,197	$ 750,000	$ 1,129,197
Corporate Bonds	1,054,765	2,166,211	3,220,976
Municipal Bonds	320,200	1,942,397	2,262,597
U.S. Treasury	19,215,128	495,499	19,710,627
Total	$ 20,969,290	$ 5,354,107	$ 26,323,397

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Buildings	$ 33,141,996	$ 32,406,312
Fixtures and facility improvements	18,633,568	18,231,578
Equipment	18,566,594	18,953,625
Land and land improvements	10,345,875	9,269,730
Furnishings	992,033	939,813
Total	81,680,066	79,801,058
Less accumulated depreciation	(41,424,804)	(38,264,353)
	40,255,262	41,536,705
Construction in progress	1,076,144	18,147
Total	$ 41,331,406	$ 41,554,852

7. INCOME TAXES

The provision for income taxes for the year ended December 31, 2019 and 2018 is as follows:

	2019	2018
State	$ 55,935	$ 45,145
Federal	12,675	725
	$ 68,610	$ 45,870

The 2018 federal tax provision is less than 2019 due to over accruing for taxes in a prior year. Federal income tax for 2019 may be reduced by general tax credits available to the Association. The effect of these credits in not reflected in the accompanying financial statements.

8. REPLACEMENT RESERVE FUND

The Association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Fund for replacement of common area property and equipment is accounted for through a replacement reserve fund. The funds are designated for major repairs and replacement. When major repairs or replacement occur, the expenditures are charged against the fund balance or, if certain conditions are met, a transfer is made for property and equipment to the property fund and the expenditures are capitalized.

Replacement funding levels, as determined by a study updated in 2019, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. The percent funded level is to exceed 25% and the replacement reserve fund balance is to equal or exceed 10% of net replacement reserve assets (total property and equipment less land and land improvements). The annual assessment allocation to the replacement reserve fund is determined by the Board of Directors with input from management. 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.

9. INTERFUND ACTIVITY

The Association maintains two funds. The reserve fund portion of the overall assessment are deposited first to the operating fund and transferred monthly to the reserve fund. At various times during the year there is a receivable/payable (due to/from) among the funds.

During 2019, the Board of Directors approved a $1,000,000 fund balance transfer from the operating fund to the replacement reserve fund.

10. 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 $105,493 and $95,180 for December 31, 2019 and 2018, 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 $57,009 and $56,307 for the years ended December 31 2019 and 2018, respectively.

11. OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, land usage and computer equipment. Rental expense under all operating leases was $40,190 and $93,000 for 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

Year ending December 31:	
2020	$ 18,297
2021	5,752
2022	5,752
2023	1,917
Total	$ 31,718

12. COMMITTMENT

During 2019, the Association entered into a contract for renovation of the golf course greens for $231,800. As of December 31, 2019, $162,260 remains to be spent on the project.

During 2019, the Association entered into a contract for the expansion of the Trout Creek Recreation Center for $1,496,400. As of December 31, 2019, $273,895 remains to be spent on the project.

13. SUBSEQUENT EVENTS

Subsequent have been evaluated through April 3, 2020 the date the financial statements were issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of the Association facilities. While disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Association expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot reasonably be estimated at this time.

TAHOE DONNER ASSOCIATION

Schedule 1

SCHEDULE OF REVENUE AND EXPENSES
BY NATURAL CLASSIFICATION
For the Year Ended December 31, 2019 (with comparative totals for 2018)

	2019								2018
	OPERATIONS			CAPITAL					
	Amenities	Homeowners' Association	Total Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
Revenue									
Assessments	$ -0-	$ 5,696,445	$ 5,696,445	$ 4,661,000	$ 194,000	$ 2,168,000	$ -0-	$ 12,719,445	$ 12,298,700
Access and use fees	5,724,281	-0-	5,724,281	-0-	-0-	-0-	-0-	5,724,281	4,771,304
Retail sales	4,772,930	-0-	4,772,930	-0-	-0-	-0-	-0-	4,772,930	4,807,694
Lessons and rental revenue	2,941,005	13,275	2,954,280	-0-	-0-	-0-	-0-	2,954,280	2,481,175
Other revenues	461,195	668,696	1,129,891	-0-	-0-	-0-	-0-	1,129,891	1,229,011
Interest income	-0-	114,156	114,156	219,493	6,813	160,459	-0-	500,921	370,809
Total Revenue	13,899,411	6,492,572	20,391,983	4,880,493	200,813	2,328,459	-0-	27,801,748	25,958,693
Operating Expenses									
Salaries and wages	5,992,938	4,286,328	10,279,266	-0-	-0-	-0-	-0-	10,279,266	9,753,277
Cost of good sold	1,554,443	-0-	1,554,443	-0-	-0-	-0-	-0-	1,554,443	1,573,523
Payroll taxes and employee benefits	1,454,875	995,824	2,450,699	-0-	-0-	-0-	-0-	2,450,699	2,388,373
Supplies and maintenance	1,067,874	731,395	1,799,269	-0-	-0-	-0-	-0-	1,799,269	1,705,066
Utilities	748,105	185,681	933,786	-0-	-0-	-0-	-0-	933,786	910,364
Other employee expenses	265,727	167,254	432,981	-0-	-0-	-0-	-0-	432,981	409,834
Insurance	331,514	279,000	610,514	-0-	-0-	-0-	-0-	610,514	476,875
Income tax	-0-	31,283	31,283	22,538	604	14,185	-0-	68,610	45,870
Other expenses	714,961	956,737	1,671,698	10,714	-0-	4,409	-0-	1,686,821	1,571,791
Overhead allocation	2,572,883	(2,745,398)	(172,515)	77,000	-0-	95,514	-0-	(1)	-0-
Total Operating Expenses	14,703,320	4,888,104	19,591,424	110,252	604	114,108	-0-	19,816,388	18,834,973
Fund Expenses									
(Gain) Loss on disposal of assets	-0-	-0-	-0-	(66,533)	-0-	-0-	30,927	(35,606)	111,966
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	3,440,155	3,440,155	3,284,227
Fund expenses	-0-	-0-	-0-	987,862	-0-	11,859	-0-	999,721	1,017,764
Total Expenses	14,703,320	4,888,104	19,591,424	1,031,581	604	125,967	3,471,082	24,220,658	23,248,930
Revenue Over (Under) Expenses	$ (803,909)	$ 1,604,468	$ 800,559	$ 3,848,912	$ 200,209	$ 2,202,492	$ (3,471,082)	$ 3,581,090	$ 2,709,763
Property Fund Additions, Net	-0-	-0-	-0-	(2,422,049)	(105,557)	(720,030)	3,247,636	-0-	-0-
Transfer Between Funds	-0-	-0-	(1,000,000)	1,000,000	-0-	-0-	-0-	-0-	-0-
Fund Balances, Beginning of Year	-0-	-0-	2,441,893	10,400,648	113,022	5,304,789	41,554,852	59,815,204	57,105,441
Fund Balances, End of Year	$ (803,909)	$ 1,604,468	$ 2,242,452	$ 12,827,511	$ 207,674	$ 6,787,251	$ 41,331,406	$ 63,396,294	$ 59,815,204

The accompanying notes are an integral part of these statements.

Schedule 2

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2019

(Unaudited)

(See Independent Auditors' Report)

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 a study in 2019 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 management, contractors and historical costs. Estimated current replacement costs have been adjusted to reflect a 3% inflation factor, 2% interest rate, and an 8% tax provision on investment income.

The Association does not designate the balance of the replacement fund by component. The total available for major repairs and replacements as of December 31, 2019 is $12,827,511. The 2020 budget includes $4,985,000 of dues 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 a remaining 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.

Reserve Component	*Range of Service Life Remaining (Years)*	*Current Replacement Costs*
Administration	0-39	$ 2,557,555
Alder Creek Café	1-35	164,989
Bikeworks	0-2	73,618
Campground	0-42	638,582
Capital projects	-0-	215,609
Chalet house	1-25	349,619
Cross country	0-39	3,868,726
Equestrian center	0-29	976,839
Food trailer	4-11	65,500
Forestry	0-39	2,085,217
General maintenance	0-15	611,451
Golf complex	0-18	988,539
Golf course	0-39	11,206,314
IT	0-13	2,185,152
Maintenance	0-53	2,993,677
Marina	0-39	1,363,521
Northwoods pool building	0-23	435,775
Northwoods	0-39	3,857,843
Pizza	0-26	493,118
Recreation	0-24	593,780

Schedule 2

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2019
(Unaudited)

Reserve Component	*Range of Service Life Remaining (Years)*	*Current Replacement Costs*
Ski area – mountain operations	0-39	5,273,469
Ski area – mountain operations – lift maintenance	0-39	4,053,129
Ski area – mountain operations – rental-retail	0-20	1,090,310
Ski area – mountain operations – snowmaking	1-21	1,060,213
Ski area – mountain operations – top shop	0-17	289,049
Ski area – mountain operations – winter food-beverage	0-15	453,275
Snowplay	1-8	145,230
Tennis complex	0-23	2,019,210
The Lodge	0-53	3,673,425
Trails	0-32	2,947,858
Trout Creek building	0-29	3,517,861
Trout Creek pool and spa	0-18	1,434,737
		$ 61,682,890