



TAHOE DONNER

2019

# ANNUAL REPORT



**\$4.4 MILLION**

**IN CAPITAL EXPENDITURES**

REINVESTING IN YOUR ASSOCIATION,  
PROTECTING YOUR INVESTMENT

CAPITAL DISCUSSION STARTS ON PAGE 10

**\$801,000 OR 14% FAVORABLE**  
**NET OPERATING RESULTS IN OPERATING FUND**

STRONG WINTER MONTHS RESULTS

DETAILS ON PAGE 2

**\$19.8 MILLION**

**IN CAPITAL RESERVES SAVINGS**

SAVING FOR AGING EQUIPMENT, BUILDING  
COMPONENTS AND THE BUILDING REPLACEMENT  
OF THE DOWNHILL SKI RESORT LODGE

**\$2.2 MILLION**

**IN OPERATING FUND RESERVES**

A PROVEN NECESSARY CONTINGENCY FUND  
BALANCE WITH THE COVID-19 PANDEMIC

## 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 2019 Annual Report is to provide a comprehensive report on 2019 financial results and to communicate the 2019 Audited Financial Statements and Independent Auditors Report to all members.

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

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

**CHARLES C. WU**  
BOARD PRESIDENT  
cwu@tahoedonner.com

[tahoedonner.com/financials](http://tahoedonner.com/financials)

**\$801,000 FAVORABLE NOR RESULTS**

Net Operating Result Loss of \$4.8 million was \$801,000 or 14% favorable to Budget and \$338,000 or 6% favorable to 2018

**\$14.7 MILLION OPERATING REVENUES**

Up 3% to Budget and up 10% to 2018

**\$19.8 MILLION OPERATING COSTS**

Down 2% to Budget and up 5% to 2018

**\$4.4 MILLION CAPITAL FUNDS EXPENDITURES**

Favorable \$2.8 million or 40% to Budget, primarily due to timing of projects between years

**\$5.7 MILLION | \$880 PER OWNER**

Operating Contribution by Annual Assessment in 2019

**\$7.0 MILLION | \$1,085 PER OWNER**

Capital Contribution by Annual Assessment in 2019

**\$71.4 MILLION TOTAL ASSETS**

Up \$4.3 million or 6% to 2018

**\$63.4 MILLION | \$9,794 PER OWNER**

Members' Equity as of 12/31/2019, up 6% to 2018

**OPERATING FUND**

**NET OPERATING RESULTS – 2019 VARIANCES TO BUDGET**

**JAN. – APRIL**  
**GREAT SKI CONDITIONS. EXTREME WINTER WEATHER IN FEBRUARY.**

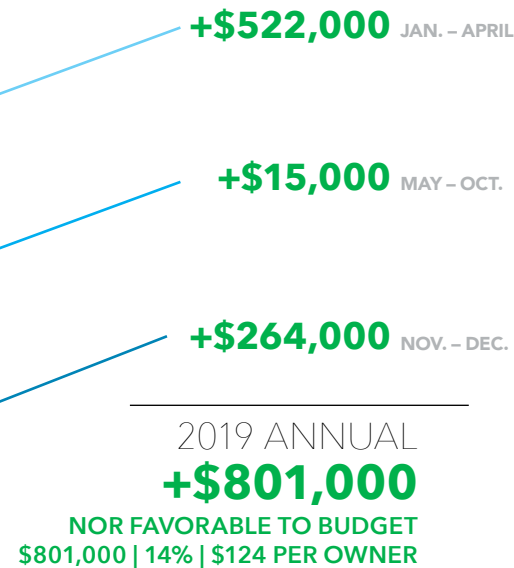
- REVENUES UP FAVORABLE \$795,000 OR 14% TO BUDGET
- EXPENSES UP UNFAVORABLY \$273,000 OR 4% TO BUDGET
- NET OPERATING RESULT FAVORABLE \$522,000 OR 57% TO BUDGET

**MAY – OCT.**  
**STRONG VISITATIONS AND FINANCIAL PERFORMANCE AT MOST AMENITIES. GOLF WAS OFF BUDGET EXPECTATIONS DUE TO COURSE DAMAGE FROM EXTREME WINTER. PIZZA ON THE HILL STRUGGLED UNTIL LATE IN THE SEASON.**

- REVENUES OFF \$708,000 OR 11% TO BUDGET OVERALL (GOLF OFF BUDGET \$450,000 OR 39%)
- REVENUES AT PIZZA ON THE HILL OFF 46% TO BUDGET
- EXPENSES DOWN FAVORABLY \$723,000 OR 7% DUE TO POSITION VACANCIES AND COST SAVINGS
- NET OPERATING RESULT FAVORABLE \$15,000 OR 0% TO BUDGET

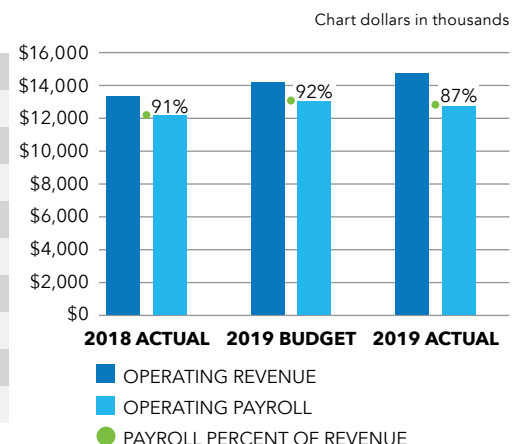
**NOV. – DEC.**  
**SNOWMAKING PROVIDED ENOUGH SNOW. GOOD BUSINESS LEVELS. NEW PEAK PRICING FOR GUESTS AND PUBLIC (NOT MEMBERS) PROVIDED INCREMENTAL POSITIVE RESULTS.**

- SNOWMAKING PROVEN INVESTMENT, PROVIDED ENOUGH SNOW TO OPERATE FOR THE PEAK HOLIDAY PERIOD
- VERSUS BUDGET: REVENUE UP \$394,000 / 20% AND COSTS UP \$130,000 / 5%



**REVENUE AND PAYROLL**

	2015	2016	2017	2018	2019
OPERATING REVENUES	\$ 8,681,085	\$ 12,771,029	\$ 13,116,553	\$ 13,535,047	\$ 14,695,538
EMPLOYEE W-2s ISSUED	764	897	924	958	954
W-2s PER \$1,000 REVENUE RATIO	9	7	7	7	6
AVERAGE WAGES PER W-2 ISSUED	\$ 9,509	\$ 9,826	\$ 10,276	\$ 10,181	\$ 11,086
CALIFORNIA MINIMUM WAGE (1)	\$ 9.00	\$ 10.00	\$ 10.50	\$ 11.00	\$ 12.00
SEASONAL/PART-TIME FTE (3)	100.9	128.2	133.0	125.0	123.0
FULL-TIME REGULAR (2) FTE (3)	66.0	81.0	82.0	84.0	83.0
FTE (3) TOTAL	166.9	209.2	215.0	209.0	206.0
OPERATING REVENUE PER FTE	\$ 52,014	\$ 61,047	\$ 61,007	\$ 64,761	\$ 71,338
W-2 TO FTE RATIO	4.6	4.3	4.3	4.6	4.6



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 every season, and within seasons, based on numerous factors, particularly weather and business volumes.

(1) California Minimum Wage; 2014 change effective 7/1, 2019 increased to \$12.00 and 2020 increases to \$13.00.

(2) 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.

(3) Full Time Equivalents (FTE) as calculated based on a standard of 2080 work hours per year.

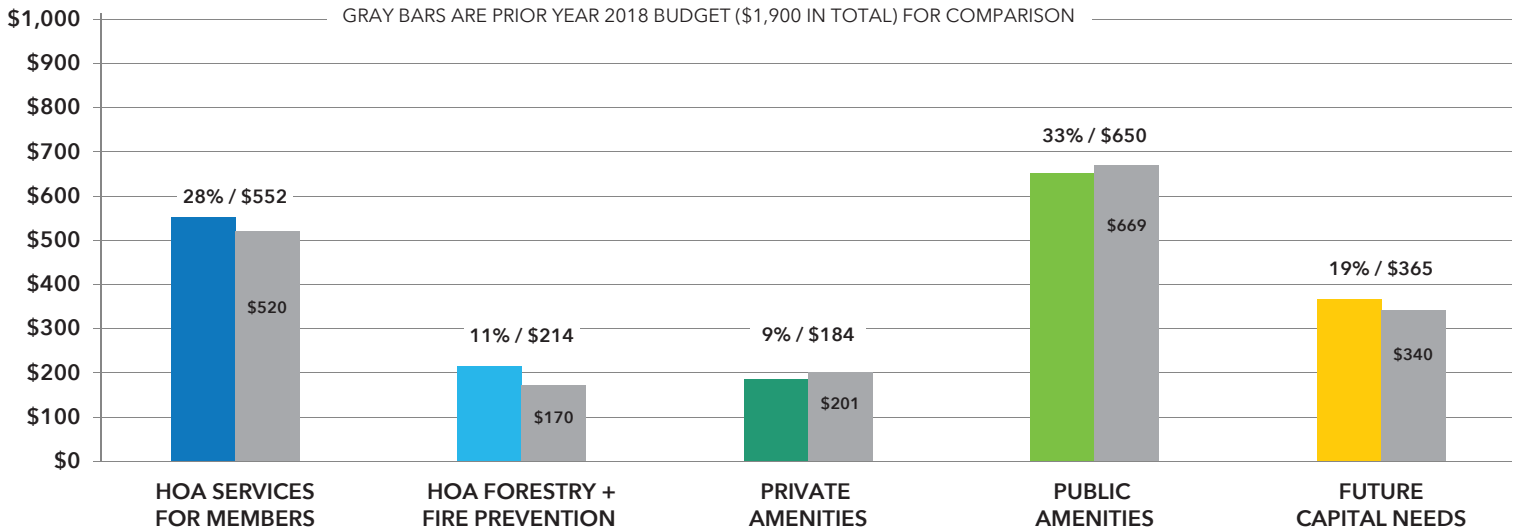
**2019 ACTUAL VERSUS BUDGET**  
REVENUE UP 3%, PAYROLL COSTS DOWN 2%

**2019 ACTUAL VERSUS PRIOR YEAR**  
REVENUE UP 10%, PAYROLL COSTS UP 4%  
CALIFORNIA MINIMUM WAGE UP \$1.00 OR 9% IN 2019 VERSUS 2018

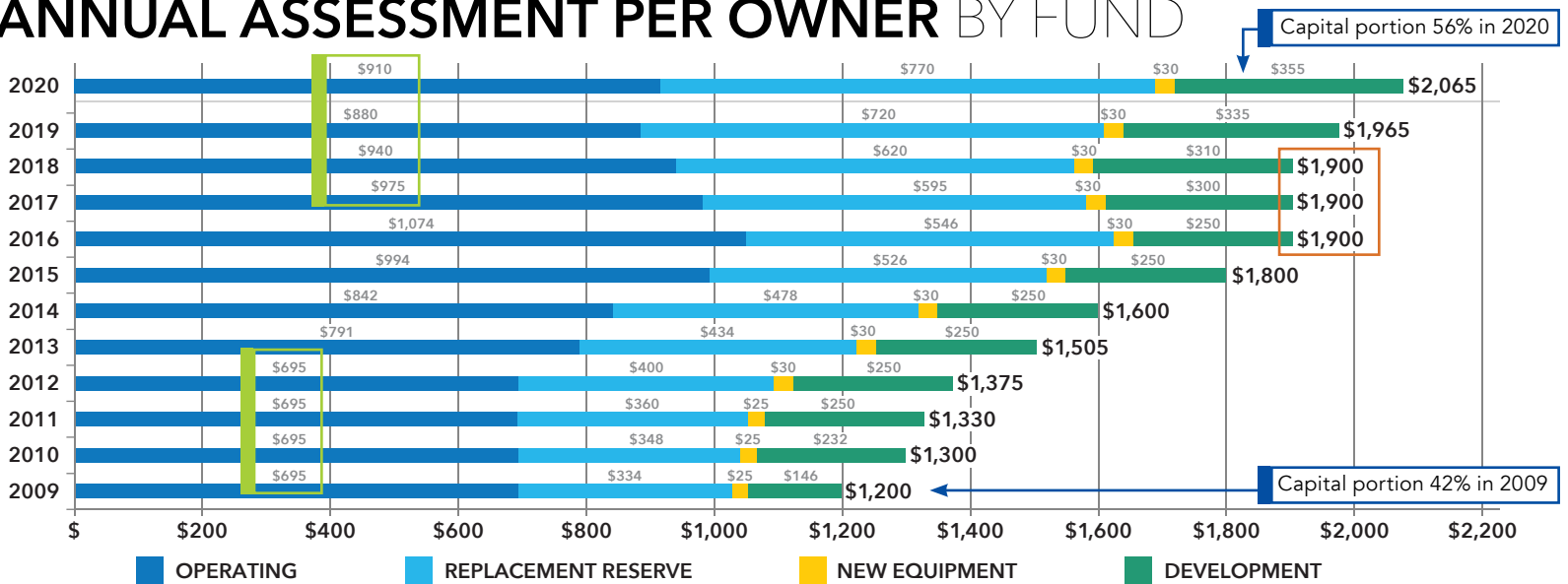
# ANNUAL ASSESSMENT

## DISTRIBUTION OF 2019 ANNUAL ASSESSMENT

\$1,965 PER OWNER



## ANNUAL ASSESSMENT PER OWNER BY FUND



### COMPOUND ANNUAL GROWTH RATE (CAGR) METRICS

	2009-2019 10 YEAR	2009-2020 11 YEAR
CAPITAL FUNDS	7.9%	7.8%
OPERATING FUND	2.4%	2.5%
TOTAL ASSESSMENT	5.1%	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 we are now increasing to recognize 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.

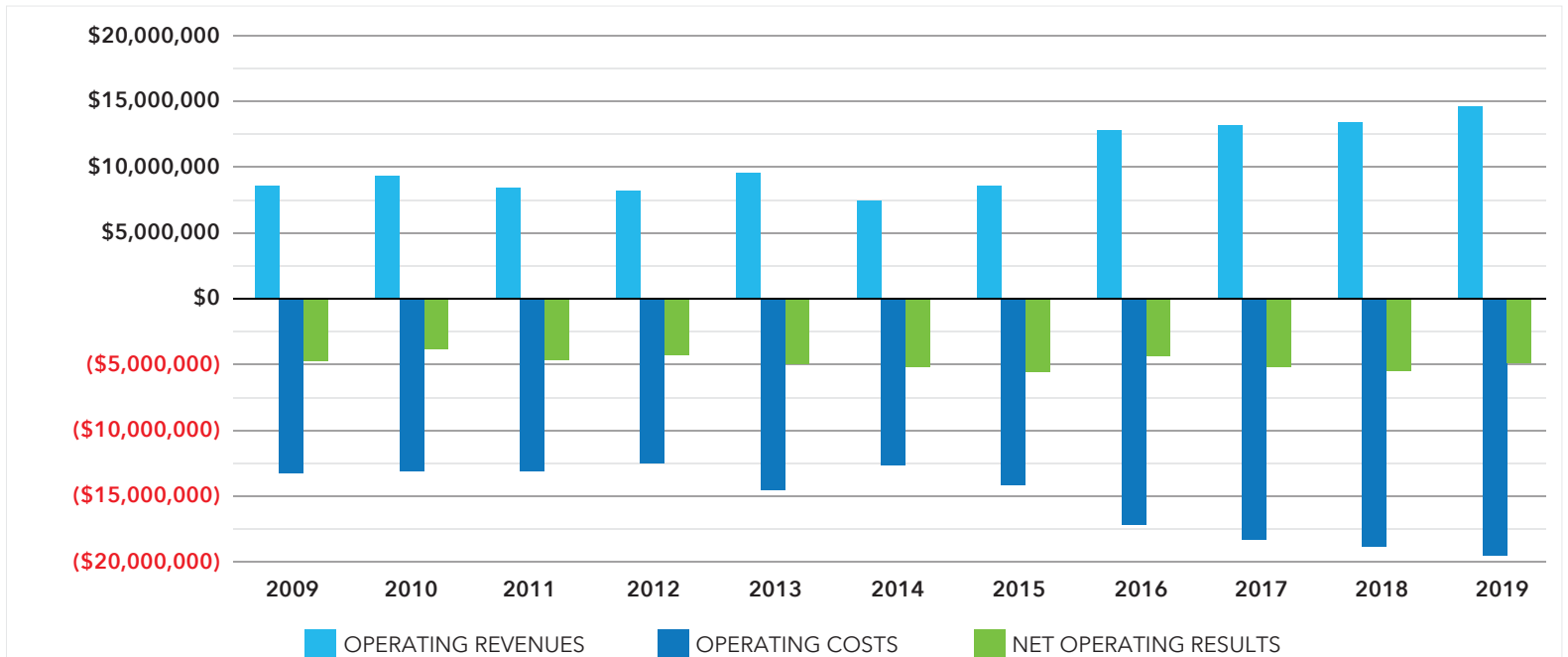
#### Operating Fund Portion of Annual Assessment

- 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 impacting operating revenue expectations and payroll cost increases due to California minimum wage increases and the Federal Affordable Care Act impacts.
- For 2017, 2018 and 2019, the Operating Fund portion was *decreased* due to favorable revenue trends, our snowmaking investment, price increases, as well as a favorable decrease in workers' compensation costs, all favorably offsetting the California minimum wage increases.
- More historical information on the Operating Fund, see page 4.

# OPERATING FUND

CAGR = COMPOUND ANNUAL GROWTH RATE

## ACTUAL RESULTS

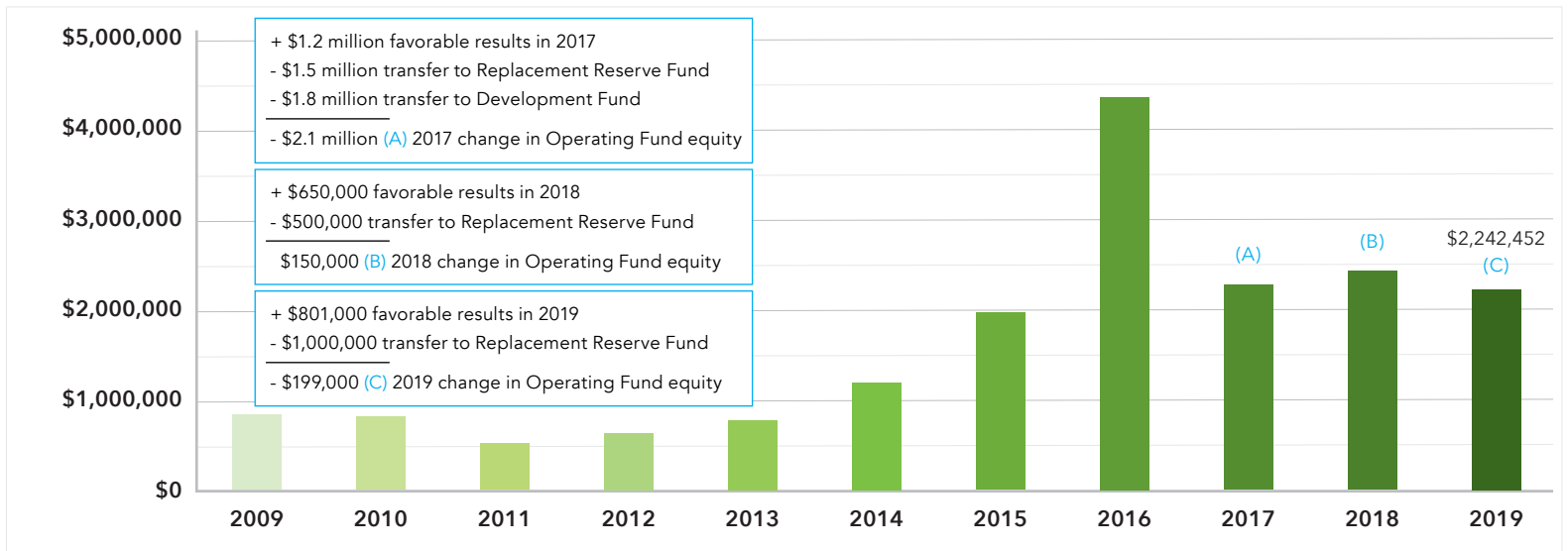


Record revenues and record costs in four consecutive years, from 2016 to 2019, with relatively flat net operating results. 2019 Resulting NOR Loss of \$4.9 million compares to \$4.7 million in 2009 Actual, a **0.4% 10-year CAGR**.

NOTE: Each year is subject to volatility due to weather and other variables. See page 28 for Budget growth information.

## OPERATING FUND MEMBERS' EQUITY

### ACCUMULATED NET RESULTS, CONTINGENCY



### FROM THE 2009 BUDGET TO THE 2019 BUDGET 10-YEAR CAGR

- 5.6% OPERATING REVENUE GROWTH
- 4.6% OPERATING COSTS GROWTH
- 2.4% NET OPERATING RESULT LOSS (THIS LOSS EQUATES TO THE PORTION FUNDED BY THE ANNUAL ASSESSMENT)

See page 28 for more Budget Growth Information

Costs are greater than Operating Revenues (every year) and the Costs have grown at a lower growth rate. Therefore, the resulting NOR Loss growth rate is lower than both Revenue and Costs growth rate.

#### FOR 2020 BUDGET

The strong financial performance from 2016 to 2019 combined for a substantial increase

in operating revenue expectations for the 2020 Budget, before the adjustment for no Golf. (The 2017 Budget was \$11.0 million, the 2018 Budget was \$12.5 million and the 2019 Budget is \$14.1 million.) This is due in large part to the snowmaking investment and Peak Period Pricing at the Downhill Ski Resort, which both reduce the Operating Fund Net NOR loss.

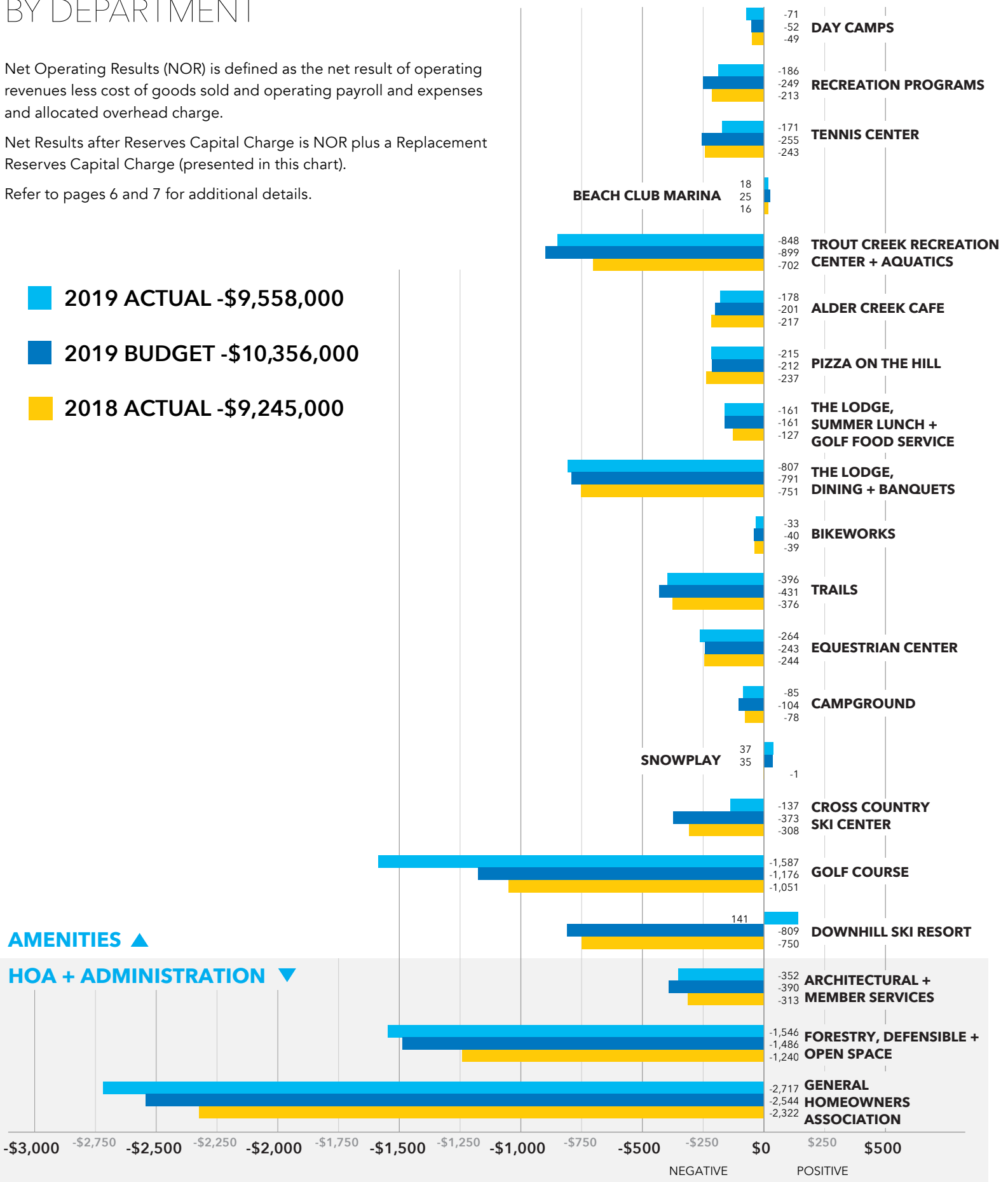
# NET RESULTS AFTER REPLACEMENT RESERVES CAPITAL CHARGE BY DEPARTMENT

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

Net Results after Reserves Capital Charge is NOR plus a Replacement Reserves Capital Charge (presented in this chart).

Refer to pages 6 and 7 for additional details.

CHART DOLLARS IN THOUSANDS



AMENITIES ▲

HOA + ADMINISTRATION ▼

# OPERATING FUND RESULTS

## 2019 DEPARTMENTAL SUMMARY

	2019 OPERATING FUND					AMOUNTS INCLUDING
	GROSS REVENUE	OPERATING COSTS TOTAL	OPERATING RESULT BEFORE OVERHEAD	OVERHEAD ALLOCATION	NET OPERATING RESULTS	CONTRIBUTION TO REPLACEMENT RESERVE FUND
<b>PRIVATE AMENITIES</b>						
Trout Creek Rec Center + Aquatics	\$ 1,310,493	\$ -1,214,849	\$ 95,644	\$ -441,242	\$ -345,598	\$ -502,098
Beach Club Marina	680,754	-416,116	264,638	-124,317	140,321	-122,486
Tennis Center	308,060	-235,698	72,362	-82,029	-9,667	-161,756
Recreation Programs	201,021	-201,959	-938	-120,559	-121,497	-64,515
Day Camps	247,719	-236,924	10,795	-60,762	-49,967	-21,505
<b>TOTAL PRIVATE AMENITIES</b>	<b>2,748,047</b>	<b>-2,305,546</b>	<b>442,501</b>	<b>-828,909</b>	<b>-386,408</b>	<b>-872,360</b>
<b>PUBLIC AMENITIES</b>						
Golf	706,522	-1,230,695	-524,173	-213,864	-738,037	-848,985
Downhill Ski	4,770,549	-3,069,054	1,701,495	-456,783	1,244,712	-1,103,306
Cross Country Ski	1,381,116	-963,176	417,940	-203,904	214,036	-350,627
Snowplay	244,046	-131,804	112,242	-51,232	61,010	-24,310
Campground	95,813	-85,916	9,897	-32,374	-22,477	-62,645
Equestrian	238,636	-330,226	-91,590	-69,186	-160,776	-102,851
Trails	2,832	-145,060	-142,228	-56,241	-198,469	-197,286
Bikeworks	134,638	-127,589	7,049	-29,745	-22,696	-10,285
The Lodge, Dining + Banquets	2,540,702	-2,499,066	41,636	-393,776	-352,140	-454,412
The Lodge, Summer Lunch + Golf Food Service	201,521	-293,225	-91,704	-47,352	-139,056	-21,505
Pizza on the Hill	344,563	-389,831	-45,268	-109,163	-154,431	-60,775
Alder Creek Cafe	490,426	-558,924	-68,498	-80,354	-148,852	-28,985
<b>TOTAL PUBLIC AMENITIES</b>	<b>11,151,364</b>	<b>-9,824,566</b>	<b>1,326,798</b>	<b>-1,743,974</b>	<b>-417,176</b>	<b>-3,265,972</b>
<b>TOTAL AMENITIES</b>	<b>13,899,411</b>	<b>-12,130,112</b>	<b>1,769,299</b>	<b>-2,572,883</b>	<b>-803,584</b>	<b>-4,138,332</b>
<b>HOMEOWNERS ASSOCIATION</b>						
General HOA	0	-1,072,731	-1,072,731	-1,368,259	-2,440,990	-275,827
Architectural Standards Office	174,681	-389,200	-214,519	-112,959	-327,478	-24,310
Forestry, Defensible + Open Space	94,975	-1,248,873	-1,153,898	-169,936	-1,323,834	-222,531
<b>TOTAL HOA</b>	<b>269,656</b>	<b>-2,710,804</b>	<b>-2,441,148</b>	<b>-1,651,154</b>	<b>-4,092,302</b>	<b>-522,668</b>
<b>AMENITY + HOA SUPPORT SERVICES</b>						
Marketing + Communications	227,063	-638,208	-411,145	411,145	0	0
Facility Administration + Risk Management	0	-315,414	-315,414	315,414	0	0
Administration	264,741	-1,130,268	-865,527	865,527	0	0
Information Technology	0	-613,197	-613,197	613,197	0	0
Accounting + Finance	4,802	-839,191	-834,389	834,389	0	0
Human Resources	0	-383,748	-383,748	383,748	0	0
Member Services	29,865	-253,328	-223,463	223,463	0	0
Maintenance	0	-749,668	-749,668	749,668	0	0
<b>TOTAL SUPPORT SERVICES</b>	<b>526,471</b>	<b>-4,923,022</b>	<b>-4,396,551</b>	<b>4,396,551</b>	<b>0</b>	<b>0</b>
<b>TOTAL OPERATING RESULTS</b>	<b>14,695,538</b>	<b>-19,763,938</b>	<b>-5,068,400</b>	<b>172,514</b>	<b>-4,895,886</b>	<b>-4,661,000</b>
Assessment Revenues	5,696,445	0	5,696,445	0	5,696,445	4,661,000
<b>TOTAL OPERATING FUND</b>	<b>\$ 20,391,983</b>	<b>\$ -19,763,938</b>	<b>\$ 628,045</b>	<b>\$ 172,514</b>	<b>\$ 800,559</b>	<b>\$ 0</b>

YEAR ENDING DECEMBER 31, 2019

MEMBERS' REPLACEMENT RESERVE CAPITAL CONTRIBUTION				2019 NOR VERSUS BUDGET		2019 NOR VERSUS PRIOR YEAR	
2019 NET RESULTS AFTER CAPITAL	2019 PER PROPERTY 6473	2018 PER PROPERTY 6473	2019 VS 2018	2019 BUDGET	ACTUAL TO BUDGET VARIANCE	2018 ACTUAL*	2019 TO 2018 VARIANCE
\$ -847,696	\$ -131	\$ -108	\$ -23	-396,800	51,202	\$ -269,927	\$ -75,671
17,835	3	2	1	147,300	-6,979	121,192	19,129
-171,423	-26	-38	12	-93,300	83,633	-104,039	94,372
-186,012	-29	-33	4	-184,100	62,603	-157,329	35,832
-71,472	-11	-8	-3	-30,900	-19,067	-30,456	-19,511
<b>-1,258,768</b>	<b>-194</b>	<b>-185</b>	<b>-9</b>	<b>-557,800</b>	<b>171,392</b>	<b>-440,559</b>	<b>54,151</b>
-1,587,022	-245	-162	-83	-327,300	-410,737	-320,345	-417,692
141,406	22	-116	138	294,100	950,612	199,562	1,045,150
-136,591	-21	-48	27	-22,600	236,636	-6,522	220,558
36,700	6	0	6	59,400	1,610	19,764	41,246
-85,122	-13	-12	-1	-41,600	19,123	-23,786	1,309
-263,627	-41	-38	-3	-140,500	-20,276	-155,403	-5,373
-395,755	-61	-58	-3	-233,700	35,231	-205,961	7,492
-32,981	-5	-6	1	-29,500	6,804	-30,268	7,572
-806,552	-125	-116	-9	-337,000	-15,140	-359,499	7,359
-160,561	-25	-20	-5	-139,200	144	-108,903	-30,153
-215,206	-33	-37	4	-151,700	-2,731	-185,171	30,740
-177,837	-27	-34	7	-171,700	22,848	-192,430	43,578
<b>-3,683,148</b>	<b>-569</b>	<b>-647</b>	<b>78</b>	<b>-1,241,300</b>	<b>824,124</b>	<b>-1,368,962</b>	<b>951,786</b>
<b>-4,941,916</b>	<b>-763</b>	<b>-832</b>	<b>69</b>	<b>-1,799,100</b>	<b>995,516</b>	<b>-1,809,521</b>	<b>1,005,937</b>
-2,716,817	-420	-358	-62	-2,267,800	-173,190	-2,084,637	-356,353
-351,788	-54	-48	-6	-365,700	38,222	-291,791	-35,687
-1,546,365	-239	-191	-48	-1,263,400	-60,434	-1,047,954	-275,880
<b>-4,614,970</b>	<b>-713</b>	<b>-597</b>	<b>-116</b>	<b>-3,896,900</b>	<b>-195,402</b>	<b>-3,424,382</b>	<b>-667,920</b>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>-9,556,886</b>	<b>-1,476</b>	<b>-1,429</b>	<b>-47</b>	<b>-5,696,000</b>	<b>800,114</b>	<b>-5,233,903</b>	<b>338,017</b>
10,357,445	1,600	1,529	71	5,696,000	445	5,884,234	-187,789
<b>\$ 800,559</b>	<b>\$ 124</b>	<b>\$ 100</b>	<b>\$ 24</b>	<b>0</b>	<b>800,559</b>	<b>\$ 650,331</b>	<b>\$ 150,228</b>

\* 2018 Actual has been restated to include Overhead Allocation amounts based on the 2019 methodology

SEE PAGES 8-9 FOR RESULTS BY DEPARTMENT HIGHLIGHTS

# OPERATING FUND RESULTS

## 2019 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, operating payroll and expenses and any overhead allocation.

### PUBLIC AMENITIES

#### EQUESTRIAN

**NOR LOSS (\$160,776)**

UNFAVORABLE -\$20,276 / 14% TO BUDGET

Boarding up 19%. Camps and special events business strong. Trail rides volume still room for growth, down 25%. Costs of herd care continue to rise.

**ANNUAL:** Visits down 19%; Revenue down \$16,000/6%; Costs up \$9,000/3%

#### GOLF

**NOR LOSS (\$738,037)**

UNFAVORABLE -\$410,737 / 125% TO BUDGET

Late/Partial opening due to large winter, poor greens conditions all summer

**ANNUAL:** Rounds down 29%; Revenue down \$453,000/39% (down \$396,000/36% to last year); Costs down \$42,000/3%

#### CAMPGROUND

**NOR (\$22,477)**

FAVORABLE \$19,123 / 46% TO BUDGET

Reservation software and increase in prices contribute to the rise in visitation and revenues.

**ANNUAL:** Visits up 30%; Revenue up \$26,000/37%; Costs up \$7,000/6%

#### TRAILS

**NOR LOSS (\$198,469)**

FAVORABLE \$35,231 / 15% TO BUDGET

Savings driven by huge winter impact delaying summer season and trail crew efforts.

#### DOWNHILL SKI

**NOR \$1,244,712**

FAVORABLE \$950,612 / 323% TO BUDGET

February received 22 feet of snow to maintain conditions for full season. December 2019 snowmaking and peak pricing all year continue to contribute to strong positive results.

**ANNUAL:** Visits up 4%; Revenue up \$876,000/22%; Costs down \$75,000/2%

#### SUMMER F+B

**NOR LOSS (\$139,056)**

FAVORABLE \$144 / 0% TO BUDGET

Payroll costs down 19% and Operating Expenses down 25%. Low visitation volume due to poor golf season.

**ANNUAL:** Visits down 35%; Revenue down \$68,000/25%; Costs down \$69,000/17%

#### BIKEWORKS

**NOR (\$22,696)**

FAVORABLE \$6,804 / 23% TO BUDGET

Rental sales down 1% due to the winter impact on summer business. Retail sales up 28%, which has an associated cost of goods sold increasing costs.

**ANNUAL:** Rentals down 1%; Revenue up \$18,000/5%; Costs up \$11,000/7%

#### SNOWPLAY

**NOR \$61,010**

FAVORABLE \$1,610 / 3% TO BUDGET

High snow volume at the end of 2018/19 season and average snow in December 2019.

**ANNUAL:** Visits down 25%; Revenue down \$38,000/13%; Costs down \$40,000/18%

#### CROSS COUNTRY SKI

**NOR \$214,036**

FAVORABLE \$236,636 / 1,047% TO BUDGET

February received 22 feet of snow to maintain conditions for full season. December 2019 open all 31 days. Peak pricing through season contributed to positive results.

**ANNUAL:** Visits up 77%; Revenue up \$338,000/32%; Costs up \$101,000/10%

#### THE LODGE

**NOR (\$352,140)**

UNFAVORABLE -\$15,140 / 4% TO BUDGET

Cost savings primarily due to vacant Director of F&B position. Banquet events pricing increases and menu pricing increases favorably offset other costs driven primarily by CA minimum wage increase.

**ANNUAL:** Visits of 47,274, down 16% to budget and down 12% to last year; Revenue of \$2.54 million down \$89,000/3%; Costs down \$74,000/2%

#### ALDER CREEK CAFE

**NOR LOSS (\$148,852)**

FAVORABLE \$22,848 / 13% TO BUDGET

New: Open for dinner service 12 days in December. Q1 and Q4 benefited from strong winter seasons. Summer season good volumes to budget, net up \$13,000.

**ANNUAL:** Visits up 7%; Revenue up \$40,000/9%; Costs up \$18,000/3%

#### PIZZA ON THE HILL

**NOR LOSS (\$154,431)**

UNFAVORABLE -\$2,731 / 2% TO BUDGET

Closed September through December except previously scheduled banquet events. Struggled during the early summer season due to personnel turnover.

**ANNUAL:** Visits down 44%; Revenue down \$258,000/43%; Costs down \$256,000/34%



# PRIVATE AMENITIES

## TROUT CREEK RECREATION + AQUATICS

**NOR (\$345,598)**

FAVORABLE \$51,202 / 13% TO BUDGET

**TROUT CREEK:** Increased pricing for Members, Guests and Unaccompanied Guests. Trout Creek costs down due to position vacancies and construction impacts. Visitation down 4%; Revenue down \$34,000/3% (Recreation Fee Sales +\$16,000); Costs down \$76,000/4%

**AQUATICS:** Costs up due to rising costs of chemicals and chlorine.

## BEACH CLUB MARINA

**NOR \$140,321**

UNFAVORABLE -\$6,979 / 5% TO BUDGET

Visits down 13% to budget and down 13% to 2018; Revenue down \$69,000/9%; Costs down \$62,000/10%

## TENNIS

**NOR LOSS (\$9,667)**

FAVORABLE \$83,633 / 90% TO BUDGET

Recreation Fee portion shift to Tennis due to increase in recreation fee scans impacted Tennis favorably \$52,000. Visits up 24%; Revenue up \$95,000/45%; Costs up \$11,000/4%

## RECREATION PROGRAMS

**NOR LOSS (\$121,497)**

FAVORABLE \$62,603 / 34% TO BUDGET

Strong summer concert results were the primary driver. Revenue up \$21,000/12%; Costs down \$42,000/11%

## DAY CAMPS

**NOR LOSS (\$49,967)**

UNFAVORABLE -\$19,067 / 62% TO BUDGET

Pricing threshold may have been reached. Programs and pricing addressed for 2020. Visits down 6%; Revenue down \$27,000/10% (down \$9,000/3% to last year); Costs down \$8,000/3%

# SUPPORT SERVICES

## GENERAL

**NOR LOSS (\$2,440,990)**

UNFAVORABLE -\$173,190 / 8% TO BUDGET

General HOA costs. Costs of HOA include allocation of general and administration costs to serve membership, property taxes, annual meeting, legal fees, magazine and website operations. Primary driver of cost overrun is General Manager severance costs of \$260,000, offset partially by cost savings in other areas.

## ARCHITECTURAL STANDARDS OFFICE

**NOR LOSS (\$327,478)**

FAVORABLE \$38,222 / 10% TO BUDGET

Revenue off \$21,000/11% due primarily to decline in construction related fees activities. Cost savings of \$60,000/11% driven primarily by position vacancies.

## FORESTRY

**NOR LOSS (\$1,323,834)**

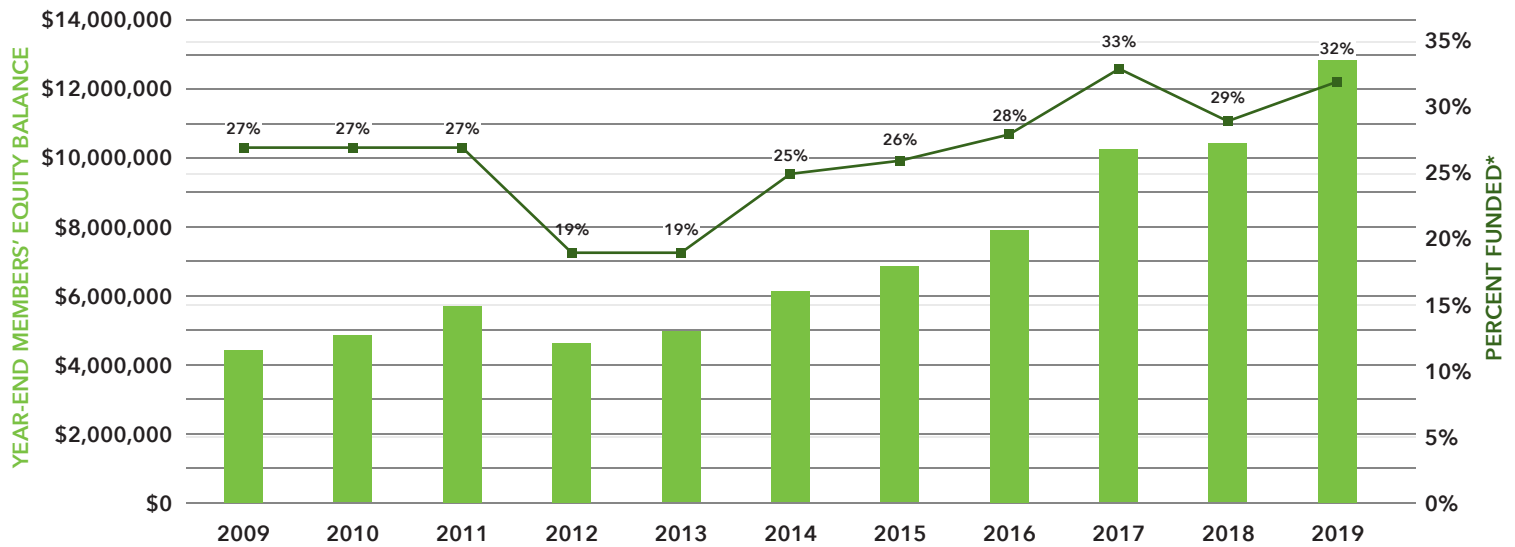
UNFAVORABLE -\$60,434 / 5% TO BUDGET

Forest health, defensible space and open space management. Increased cost driven primarily by board approved non-budgeted expenditure of \$41,000 for Firewise Camera partnership with regional fire agency.

# CAPITAL RESERVES

## REPLACEMENT RESERVE FUND

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



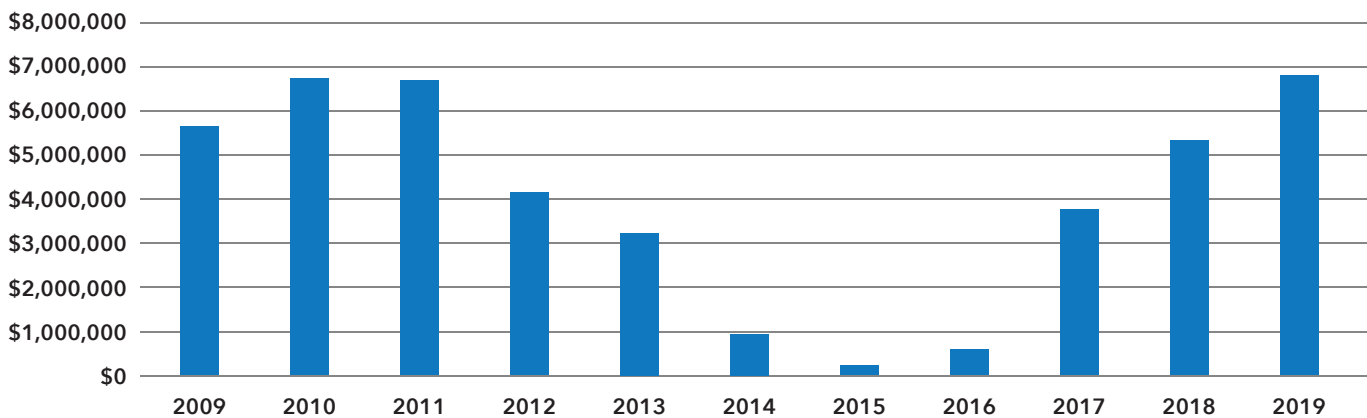
- The Replacement Reserve Fund is the capital reserve fund for existing asset components of the association. This is a savings fund utilized to replace and preserve assets of the association as they depreciate over time. There are over 2,000 components in the reserve study, which is updated every year, 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. Funding for the replacement of existing buildings comes from the Development Fund, seen below.**

- The funding level from the 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.
- The board of directors approved \$1,500,000 (2017), \$500,000 (2018) and \$1,000,000 (2019) transfers from Operating Fund members' equity to this fund.
- The 2019 assessment funding level was \$720 per owner or \$4,661,000, an increase of 16% over 2018.
- *The 2020 assessment funding level was \$770 per owner or \$4,985,000, an increase of 7% over 2019.*

\*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 the 2020 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; the plan is updated every five years. Management is developing a work plan to

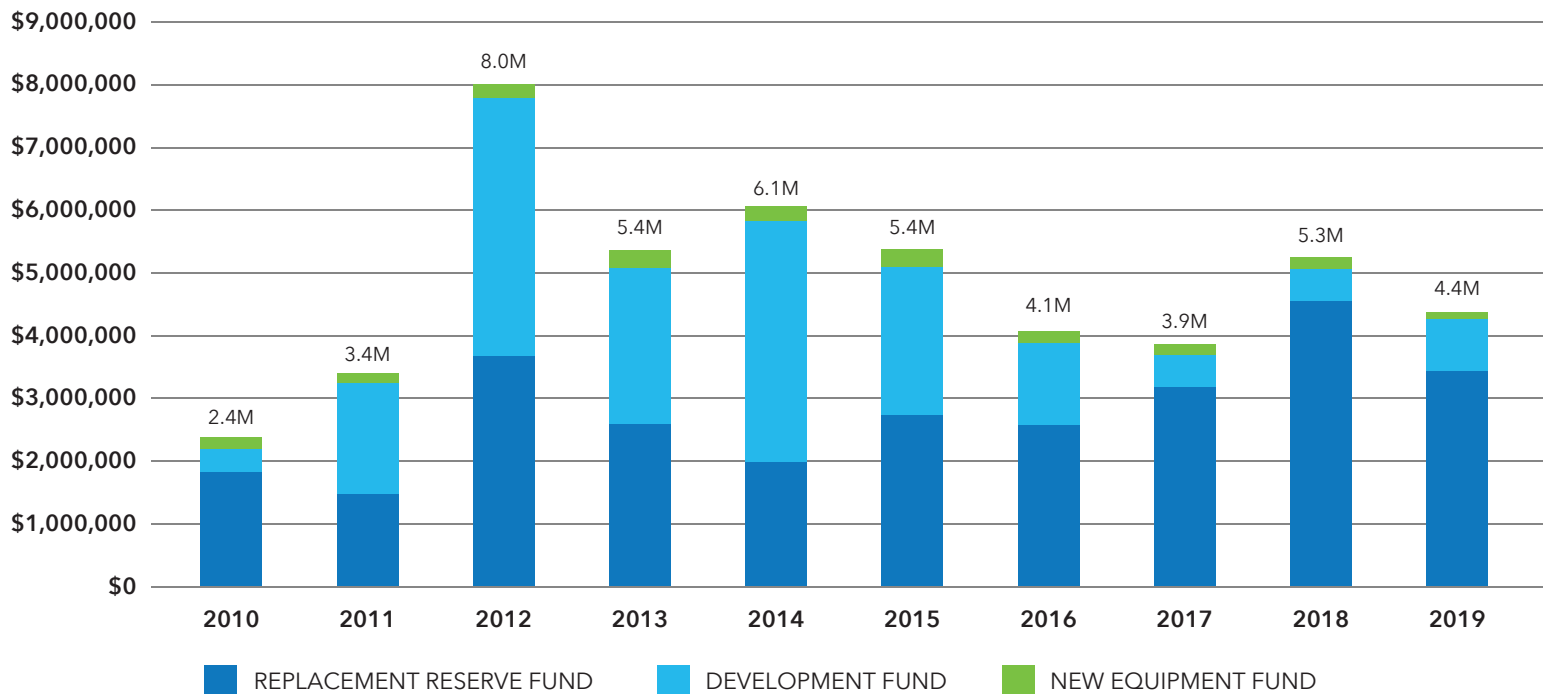
- utilize staff and General Plan Committee resources to start the update process in the next year.
- In 2017, the board of directors approved a \$1,800,000 transfer from Operating Fund members' equity to this fund.
- The 2019 assessment funding level was \$335 per owner or \$2,168,000, an increase of 8% over 2018.
- *The 2020 assessment funding level was \$355 per owner or \$2,298,000, an increase of 6% over 2019.*

# CAPITAL EXPENDITURES

## CAPITAL FUNDS

### EXPENDITURES BY YEAR

10 YEAR TOTAL = \$48.3 MILLION



Ten-year total spend of \$48.3 million equates to an average of \$4.8 million in capital fund expenditures per year. The 10-year average of depreciation expense is \$2.7 million per year for a total of \$27 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 the CAGR of 4.4% in net fixed assets.

Net fixed assets grew from \$27 million at the end of 2009 to \$41.3 million at the end of 2019. Bottom line – reinvesting in the association, the net fixed assets value grew at a 4.4% growth rate.

This, as opposed to limited or less capital spend, would have equated to flat or a decline in net fixed 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:

#### \$28.3 million in replacement and major repairs of existing assets (per reserve study plan)

\$2.8 million per year 10-year average, maintaining existing asset components (depreciation average is \$2.7 million)

\$2.3 million per year 1st 5 years average, maintaining existing asset components

\$3.3 million per year 2nd 5 years average, maintaining existing asset components

*The increase from 2009-2014 to the 2014-2019 average is due to the overall aging of assets, the impact of Development Fund projects on related reserve components, and the 2018 replacement of Snowbird chairlift for \$1.4 million.*

#### \$18.3 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 (2015)

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)

Equestrian campus improvements, Eagle Rock Chairlift building improvements (2018)

Trout Creek Recreation Center building expansion (2019)

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

\$172,000 per year average

# CAPITAL FUNDS

## REPLACEMENT RESERVE FUND

# 32% FUNDED

Replacement Reserve Funds as of 12/31/2019 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation. See page 10 for by-year trends.

### **\$3.5 MILLION** | 2019 Expenditures

- \$892,000 TROUT CREEK RECREATION CENTER remodel
- \$395,000 INFORMATION TECHNOLOGY equipment and software
- \$344,000 FORESTRY defensible space and equipment
- \$207,000 NORTHWOODS CLUBHOUSE exterior restrooms remodel
- \$177,000 DOWNHILL SKI rental equipment and bus replacements
- \$134,000 ADMINISTRATION fund direct payroll allocation
- \$123,000 GOLF COURSE remodel planning and greens replacement

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 \$62 million. A complete study and plan was performed in 2019 and is updated annually.

The year-end fund balance increased by \$2,426,863 or 23%. In 2019, \$1,000,000 was transferred in from the Operating Fund. These transferred in funds were generated by favorable net operating results by the Operating Fund. Excluding the transfer,

### REPLACEMENT RESERVE FUND CONTINUED

the fund balance increased \$1.4 million or 14%. The balance fluctuates each year due to funding level from assessment, transfers, if any, as well as expenditures each year, in accordance with 30-year reserve study.

## DEVELOPMENT FUND

### **\$832,000** | 2019 Expenditures

- \$396,000 TROUT CREEK RECREATION CENTER expansion
- \$191,000 ADMINISTRATION fund direct payroll allocation
- \$120,000 ADMINISTRATION fund allocated overhead
- \$49,000 DOWNHILL SKI improvement planning costs
- \$30,000 TRAILS additions per the Trails Master Plan
- \$27,000 EQUESTRIAN complex 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 assessment contribution for 2019 was \$2,168,000 or \$355 per owner. The year-end fund balance increased by \$1.5 million or 28%. Savings in this fund are primarily for the anticipated known need to address the aging (49 years old) Downhill Ski Lodge skier services building.

## NEW EQUIPMENT FUND

### **\$106,000** | 2019 Expenditures

- \$51,000 FORESTRY chipper
- \$26,000 EQUESTRIAN 4x4 ATV work vehicle
- \$15,000 TROUT CREEK RECREATION CENTER new gym equipment

The New 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 of \$208,000 increased by \$95,000 or 84% compared to prior year end.

## PROPERTY FUND

The Property Fund is used to account for the association's investment in its fixed assets. Capital additions to fixed assets totaled \$3,248,000 (in 2018, \$4,319,000). Depreciation expense for the year totaled \$3,440,000 (in 2018, \$3,284,000).

Total gross fixed asset value of \$81.7 million equates to \$12,619 per owner and net book value of fixed assets and construction in progress of \$41.3 million equates to \$6,385 per owner (a decrease of \$35 or 2% to 2018).

# CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2019

	2019 ACTUAL	2019 BUDGET	2019 ACTUAL VS 2019 BUDGET	2018 ACTUAL	2019 ACTUAL VS 2018 ACTUAL
<b>REPLACEMENT RESERVE FUND</b>					
Beginning Fund Balance	\$ 10,400,648	\$ 9,900,000	\$ 500,648	\$ 10,238,311	\$ 162,337
Assessment Contribution	4,661,000	4,661,000	-	4,013,000	648,000
Interest Revenue	219,493	172,000	47,493	211,998	7,495
Operating Fund Transfer In	1,000,000	-	1,000,000	500,000	500,000
Other Revenue + Expense, Net	43,994	4,000	39,994	56,916	(12,922)
Major Maintenance + Fund Expenses	(1,075,576)	(1,396,000)	320,424	(1,017,764)	(57,812)
Expenditures for Capital Additions	(2,422,048)	(3,721,000)	1,298,952	(3,601,813)	1,179,765
Change in Fund Balance	2,426,863	(280,000)	2,706,863	162,337	2,264,526
<b>ENDING FUND BALANCE</b>	<b>\$ 12,827,511</b>	<b>\$ 9,620,000</b>	<b>\$ 3,207,511</b>	<b>\$ 10,400,648</b>	<b>\$ 2,426,863</b>
<b>NEW EQUIPMENT FUND</b>					
Beginning Fund Balance	113,022	54,000	59,022	100,423	12,599
Assessment Contribution	194,000	194,000	-	194,000	-
Interest Revenue	6,813	3,000	3,813	3,005	3,808
Other Revenue + Expense, Net	(604)	-	(604)	-	(604)
Major Maintenance + Fund Expenses	-	-	-	-	-
Expenditures for Capital Additions	(105,557)	(187,000)	81,443	(184,406)	78,849
Change in Fund Balance	94,652	10,000	84,652	12,599	82,053
<b>ENDING FUND BALANCE</b>	<b>\$ 207,674</b>	<b>\$ 64,000</b>	<b>\$ 143,674</b>	<b>\$ 113,022</b>	<b>\$ 94,652</b>
<b>DEVELOPMENT FUND</b>					
Beginning Fund Balance	5,304,789	4,950,000	354,789	3,753,013	1,551,776
Assessment Contribution	2,168,000	2,168,000	-	2,007,000	161,000
Interest Revenue	160,459	86,000	74,459	91,945	68,514
Other Revenue + Expense, Net	(14,185)	(12,000)	(2,185)	(13,938)	(247)
Fund Expenses	(111,782)	(170,000)	58,218	-	(111,782)
Expenditures for Capital Additions	(720,030)	(1,850,000)	1,129,970	(533,231)	(186,799)
Change in Fund Balance	1,482,462	222,000	1,260,462	1,551,776	(69,314)
<b>ENDING FUND BALANCE</b>	<b>\$ 6,787,251</b>	<b>\$ 5,172,000</b>	<b>\$ 1,615,251</b>	<b>\$ 5,304,789</b>	<b>\$ 1,482,462</b>
<b>CAPITAL FUND TOTALS</b> SEE PAGE 26 FOR SCHEDULE OF SPEND BY DEPARTMENT					
Major Maintenance + Fund Expenses	(1,187,358)	(1,396,000)	320,424	(1,017,764)	(57,812)
Expenditures for Capital Additions	(3,247,635)	(5,758,000)	2,510,365	(4,319,450)	1,071,815
<b>TOTAL</b>	<b>\$ (4,434,993)</b>	<b>\$ (7,154,000)</b>	<b>\$ 2,830,789</b>	<b>\$ (5,337,214)</b>	<b>\$ 902,221</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**.

# INDEPENDENT AUDITOR'S 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 19 and 20 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 pages 24-26 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

## BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	OPERATING FUND	REPLACEMENT RESERVE FUND	NEW EQUIPMENT FUND	DEVELOPMENT FUND	PROPERTY FUND	TOTAL 2019	TOTAL 2018
<b>ASSETS</b>							
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
	<u>6,299,177</u>	<u>14,341,230</u>	<u>259,188</u>	<u>7,414,919</u>	<u>-0-</u>	<u>28,314,514</u>	<u>24,007,034</u>
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
<b>TOTAL ASSETS</b>	<u>\$ 7,828,470</u>	<u>\$ 14,535,391</u>	<u>\$ 267,039</u>	<u>\$ 7,466,047</u>	<u>\$ 41,331,406</u>	<u>\$ 71,428,353</u>	<u>\$ 67,126,498</u>
<b>LIABILITIES AND FUND BALANCES</b>							
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 revenues	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
<b>TOTAL LIABILITIES</b>	<u>5,586,018</u>	<u>1,707,880</u>	<u>59,365</u>	<u>678,796</u>	<u>-0-</u>	<u>8,032,059</u>	<u>7,311,294</u>
Fund Balances - Exhibit B	<u>2,242,452</u>	<u>12,827,511</u>	<u>207,674</u>	<u>6,787,251</u>	<u>41,331,406</u>	<u>63,396,294</u>	<u>59,815,204</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 7,828,470</u>	<u>\$ 14,535,391</u>	<u>\$ 267,039</u>	<u>\$ 7,466,047</u>	<u>\$ 41,331,406</u>	<u>\$ 71,428,353</u>	<u>\$ 67,126,498</u>

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

# TAHOE DONNER ASSOCIATION

## STATEMENTS OF REVENUE AND EXPENSES – ALL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	OPERATING FUND	REPLACEMENT RESERVE FUND	NEW EQUIPMENT FUND	DEVELOPMENT FUND	PROPERTY FUND	TOTAL 2019	TOTAL 2018
<b>REVENUE</b>							
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 Cafe	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 Camps	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
<b>TOTAL REVENUE</b>	<b>20,391,983</b>	<b>4,880,493</b>	<b>200,813</b>	<b>2,328,459</b>	<b>-0-</b>	<b>27,801,748</b>	<b>25,958,693</b>
<b>OPERATING EXPENSES</b>							
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	68,564	-0-	-0-	-0-	1,235,645	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 Cafe (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 Camps	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	532,262	-0-	111,782	-0-	3,353,156	2,741,728
<b>TOTAL OPERATING EXPENSES</b>	<b>19,560,141</b>	<b>1,075,576</b>	<b>-0-</b>	<b>111,782</b>	<b>-0-</b>	<b>20,747,499</b>	<b>19,806,867</b>
<b>FUND EXPENSES</b>							
(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
<b>TOTAL EXPENSES</b>	<b>19,591,424</b>	<b>1,031,581</b>	<b>604</b>	<b>125,967</b>	<b>3,471,082</b>	<b>24,220,658</b>	<b>23,248,930</b>
<b>REVENUE OVER (UNDER) EXPENSES</b>	<b>\$ 800,559</b>	<b>\$ 3,848,912</b>	<b>\$ 200,209</b>	<b>\$ 2,202,492</b>	<b>\$ (3,471,082)</b>	<b>\$ 3,581,090</b>	<b>\$ 2,709,763</b>
<b>PROPERTY FUND ADDITIONS, NET</b>	<b>\$ -0-</b>	<b>\$ (2,422,049)</b>	<b>\$ (105,557)</b>	<b>\$ (720,030)</b>	<b>\$ 3,247,636</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>TRANSFER BETWEEN FUNDS</b>	<b>(1,000,000)</b>	<b>1,000,000</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>2,441,893</b>	<b>10,400,648</b>	<b>113,022</b>	<b>5,304,789</b>	<b>41,554,852</b>	<b>59,815,204</b>	<b>57,105,441</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 2,242,452</b>	<b>\$ 12,827,511</b>	<b>\$ 207,674</b>	<b>\$ 6,787,251</b>	<b>\$ 41,331,406</b>	<b>\$ 63,396,294</b>	<b>\$ 59,815,204</b>

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



# TAHOE DONNER ASSOCIATION

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	OPERATING FUND	REPLACEMENT RESERVE FUND	NEW EQUIPMENT FUND	DEVELOPMENT FUND	PROPERTY FUND	TOTAL 2019	TOTAL 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
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
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>342,263</b>	<b>4,690,353</b>	<b>186,263</b>	<b>2,143,214</b>	<b>-0-</b>	<b>7,362,093</b>	<b>6,124,981</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
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
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(389,329)</b>	<b>(4,662,143)</b>	<b>(202,250)</b>	<b>(2,230,567)</b>	<b>-0-</b>	<b>(7,484,289)</b>	<b>(5,578,017)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
	<b>(47,066)</b>	<b>28,210</b>	<b>(15,987)</b>	<b>(87,353)</b>	<b>-0-</b>	<b>(122,196)</b>	<b>546,964</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,842,098</b>	<b>131,460</b>	<b>28,697</b>	<b>111,058</b>	<b>-0-</b>	<b>2,113,313</b>	<b>1,566,349</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,795,032</b>	<b>\$ 159,670</b>	<b>\$ 12,710</b>	<b>\$ 23,705</b>	<b>\$ -0-</b>	<b>\$ 1,991,117</b>	<b>\$ 2,113,313</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>							
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
	<b>\$ 1,795,032</b>	<b>\$ 159,670</b>	<b>\$ 12,710</b>	<b>\$ 23,705</b>	<b>\$ -0-</b>	<b>\$ 1,991,117</b>	<b>\$ 2,113,313</b>
<b>SUPPLEMENTAL DISCLOSURE</b>							
Income taxes paid	\$ 53,970	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 53,970	\$ 96,563
<b>NON-CASH INVESTMENT ACTIVITIES</b>							
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 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 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 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 an 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 discussed 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

# NOTES TO FINANCIAL STATEMENTS

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 satisfied 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

(Continued on next page)

# NOTES TO FINANCIAL STATEMENTS

expected season days. Total expected season days are based on historical data, and the Association believes this estimate provides 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 satisfied 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

# NOTES TO FINANCIAL STATEMENTS

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 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
<b>TOTAL</b>	<b>\$ 1,991,117</b>	<b>\$ 101,238</b>	<b>\$ -0-</b>	<b>\$ 2,092,355</b>

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
<b>TOTAL</b>	<b>\$ 2,113,313</b>	<b>\$ 95,703</b>	<b>\$ -0-</b>	<b>\$ 2,209,016</b>

## 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
<b>TOTAL</b>	<b>\$ 28,314,514</b>	<b>\$ 24,007,034</b>

# NOTES TO FINANCIAL STATEMENTS

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.

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
<b>TOTAL HELD TO MATURITY</b>	<b>\$ 26,323,397</b>	<b>\$ 169,745</b>	<b>\$ -0-</b>	<b>\$ 26,493,142</b>

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
<b>TOTAL</b>	<b>\$ 20,969,290</b>	<b>\$ 5,354,107</b>	<b>\$ 26,323,397</b>

## 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
<b>TOTAL</b>	<b>81,680,066</b>	<b>79,801,058</b>
Less accumulated depreciation	(41,424,804)	(38,264,353)
	40,255,262	41,536,705
Construction in progress	1,076,144	18,147
<b>TOTAL</b>	<b>\$ 41,331,406</b>	<b>\$ 41,554,852</b>

## 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
<b>TOTAL</b>	<b>\$ 68,610</b>	<b>\$ 45,870</b>

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 is 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 five 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:

<b>YEAR ENDING DECEMBER 31:</b>	
2020	\$ 18,297
2021	5,752
2022	5,752
2023	1,917
<b>TOTAL</b>	<b>\$ 31,718</b>

**12 COMMITMENT**

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 events 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 OF REVENUE + EXPENSES BY NATURAL CLASSIFICATION FOR THE YEAR ENDED DECEMBER 31, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

### OPERATIONS

AMENITIES

HOMEOWNERS  
ASSOCIATION

TOTAL  
OPERATING  
FUND

#### REVENUE

Assessments	\$ -0-	\$ 5,696,445	\$ 5,696,445
Access and use fees	5,724,281	-0-	5,724,281
Retail sales	4,772,930	-0-	4,772,930
Lessons and rental revenue	2,941,005	13,275	2,954,280
Other revenues	461,195	668,696	1,129,891
Interest income	-0-	114,156	114,156
Total revenue	13,899,411	6,492,572	20,391,983

#### OPERATING EXPENSES

Salaries and wages	5,992,938	4,286,328	10,279,266
Cost of good sold	1,554,443	-0-	1,554,443
Payroll taxes and employee benefits	1,454,875	995,824	2,450,699
Supplies and maintenance	1,067,874	731,395	1,799,269
Utilities	748,105	185,681	933,786
Other employee expenses	265,727	167,254	432,981
Insurance	331,514	279,000	610,514
Income tax	-0-	31,283	31,283
Other expenses	714,961	956,737	1,671,698
Overhead allocation	2,572,883	(2,745,398)	(172,515)
Total operating expenses	14,703,320	4,888,104	19,591,424

#### FUND EXPENSES

(Gain) Loss on disposal of assets	-0-	-0-	-0-
Depreciation	-0-	-0-	-0-
Fund expenses	-0-	-0-	-0-
Total Expenses	14,703,320	4,888,104	19,591,424

#### REVENUE OVER (UNDER) EXPENSES

**\$ (803,909)**      **\$ 1,604,468**      **\$ 800,559**

#### PROPERTY FUND ADDITIONS, NET

**-0-**      **-0-**      **-0-**

#### TRANSFER BETWEEN FUNDS

**-0-**      **-0-**      **(1,000,000)**

#### FUND BALANCES, BEGINNING OF YEAR

**-0-**      **-0-**      **2,441,893**

#### FUND BALANCES, END OF YEAR

**\$ (803,909)**      **\$ 1,604,468**      **\$ 2,242,452**

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



CAPITAL				TOTALS	
REPLACEMENT RESERVE FUND	NEW EQUIPMENT FUND	DEVELOPMENT FUND	PROPERTY FUND	TOTAL 2019	TOTAL 2018
\$ 4,661,000	\$ 194,000	\$ 2,168,000	\$ -0-	\$ 12,719,445	\$ 12,298,700
-0-	-0-	-0-	-0-	5,724,281	4,771,304
-0-	-0-	-0-	-0-	4,772,930	4,807,694
-0-	-0-	-0-	-0-	2,954,280	2,481,175
-0-	-0-	-0-	-0-	1,129,891	1,229,011
219,493	6,813	160,459	-0-	500,921	370,809
4,880,493	200,813	2,328,459	-0-	27,801,748	25,958,693
-0-	-0-	-0-	-0-	10,279,266	9,753,277
-0-	-0-	-0-	-0-	1,554,443	1,573,523
-0-	-0-	-0-	-0-	2,450,699	2,388,373
-0-	-0-	-0-	-0-	1,799,269	1,705,066
-0-	-0-	-0-	-0-	933,786	910,364
-0-	-0-	-0-	-0-	432,981	409,834
-0-	-0-	-0-	-0-	610,514	476,875
22,538	604	14,185	-0-	68,610	45,870
10,714	-0-	4,409	-0-	1,686,821	1,571,791
77,000	-0-	95,514	-0-	(1)	-0-
110,252	604	114,108	-0-	19,816,388	18,834,973
(66,533)	-0-	-0-	30,927	(35,606)	111,966
-0-	-0-	-0-	3,440,155	3,440,155	3,284,227
987,862	-0-	11,859	-0-	999,721	1,017,764
1,031,581	604	125,967	3,471,082	24,220,658	23,248,930
<b>\$ 3,848,912</b>	<b>\$ 200,209</b>	<b>\$ 2,202,492</b>	<b>\$ (3,471,082)</b>	<b>\$ 3,581,090</b>	<b>\$ 2,709,763</b>
<b>(2,422,049)</b>	<b>(105,557)</b>	<b>(720,030)</b>	<b>3,247,636</b>	<b>-0-</b>	<b>-0-</b>
<b>1,000,000</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>10,400,648</b>	<b>113,022</b>	<b>5,304,789</b>	<b>41,554,852</b>	<b>59,815,204</b>	<b>57,105,441</b>
<b>\$ 12,827,511</b>	<b>\$ 207,674</b>	<b>\$ 6,787,251</b>	<b>\$ 41,331,406</b>	<b>\$ 63,396,294</b>	<b>\$ 59,815,204</b>

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

# CAPITAL FUNDS EXPENDITURES

BY DEPARTMENT – FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ 1,021,010 (a)	\$ 6,301	\$ 14,700	\$ -	\$ 396,165 (a)	\$ -	\$ 1,431,875	\$ 6,301
Beach Club Marina	21,951	22,922	-	-	-	-	21,951	22,922
Tennis Center	27,267	10,711	4,204	-	-	-	31,471	10,711
Northwoods Pool / Aquatics	5,226	-	-	-	-	-	5,226	-
Camps + Recreation Programs	29,314	-	2,998	-	-	-	32,312	-
<b>TOTAL PRIVATE AMENITIES</b>	<b>\$1,104,768</b>	<b>\$ 39,934</b>	<b>\$ 21,902</b>	<b>-</b>	<b>\$396,165</b>	<b>\$ -</b>	<b>\$1,522,835</b>	<b>\$ 39,934</b>
<b>PUBLIC AMENITIES</b>								
Golf	274,794 (b)	47,010	-	-	-	-	274,794	47,010
Downhill Ski	251,687 (c)	53,253	-	-	48,654	-	300,341	53,253
Cross Country Ski	97,416	68,564	-	-	8,050	-	105,466	68,564
Campground	-	2,322	-	-	-	-	-	2,322
Equestrian	6,359	-	26,215	-	27,490	-	60,064	-
Trails	54,657	8,347	-	-	29,662	-	84,319	8,347
Bikeworks	21,185	-	-	-	-	-	21,185	-
The Lodge	65,259	73,771	-	-	3,379	-	68,638	73,771
The Lodge, Summer Lunch/Golf F&B	-	-	-	-	-	-	-	-
Pizza on the Hill	9,755	-	-	-	-	-	9,755	-
Alder Creek Cafe	564	-	-	-	-	-	564	-
Snowplay	5,577	-	-	-	400	-	5,977	-
<b>TOTAL PUBLIC AMENITIES</b>	<b>\$ 787,253</b>	<b>\$253,267</b>	<b>\$ 26,215</b>	<b>\$ -</b>	<b>\$117,635</b>	<b>\$ -</b>	<b>\$ 931,103</b>	<b>\$253,267</b>
<b>TOTAL AMENITIES</b>	<b>\$1,892,021</b>	<b>\$293,201</b>	<b>\$ 48,117</b>	<b>\$ -</b>	<b>\$513,800</b>	<b>\$ -</b>	<b>\$2,453,938</b>	<b>\$293,201</b>
<b>HOMEOWNERS ASSOCIATION + GENERAL AND ADMINISTRATIVE</b>								
General Homeowners Association	11,680	116,211 (d)	-	-	-	111,782 (e)	11,680	227,993
Marketing + Communications	-	-	2,537	-	-	-	2,537	-
Facility Administration	-	134,000 (f)	-	-	191,000 (f)	-	191,000	134,000
Administration	231,729 (g)	40,214	522	-	15,230	-	247,481	40,214
Information Technology	186,717 (h)	208,694 (h)	3,218	-	-	-	189,935	208,694
Accounting	-	-	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-	-	-
Architectural Standards Office	-	-	-	-	-	-	-	-
Member Services	-	-	-	-	-	-	-	-
Forestry	93,667	250,113 (i)	51,163	-	-	-	144,830	250,113
Maintenance	6,235	33,143	-	-	-	-	6,235	33,143
<b>TOTAL HOMEOWNERS ASSOC</b>	<b>\$ 530,028</b>	<b>\$ 782,375</b>	<b>\$ 57,440</b>	<b>\$ -</b>	<b>\$206,230</b>	<b>\$111,782</b>	<b>\$ 793,698</b>	<b>\$ 894,157</b>
<b>TOTAL</b>	<b>\$2,422,049</b>	<b>\$1,075,576</b>	<b>\$105,557</b>	<b>\$ -</b>	<b>\$720,030</b>	<b>\$111,782</b>	<b>\$3,247,636</b>	<b>\$1,187,358</b>

(a) Trout Creek Recreation Center includes major remodel in RRF of \$892,000 and building expansion in DVF of \$396,000.

(b) Golf includes \$70,000 greens turf down payment and \$53,000 in course remodel planning costs.

(c) Downhill Ski Resort includes \$87,400 for bus replacement, \$88,600 for rental equipment fleet replacement, and \$22,700 for snowcat grooming implement replacements.

(d) Replacement Reserve Fund - General HOA - Major Maintenance includes overhead (\$77,000) and bad debt expense (\$10,714) cost allocations.

(e) Development Fund - General HOA - Major Maintenance includes overhead (\$95,514) and bad debt expense (\$4,409) cost allocations.

(f) Personnel cost allocations, consistent with Budget and prior years.

(g) Administration includes \$206,856 for exterior restrooms remodel and ADA code compliance upgrades.

(h) Information Technology; includes replacements of VOIP system, networking and wireless systems, SAN, workstations, webcams, fiber optic lines and other.

(i) Forestry includes \$165,200 in tree damage repairs and \$84,900 in plantation mastication; both related to fire defensible space efforts.

# REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2019 (UNAUDITED)

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 an original remaining life greater than 30 years. The Association is accumulating funds in the Development fund for specific building structure replacements, and not currently accumulating funds over time for all building replacements.

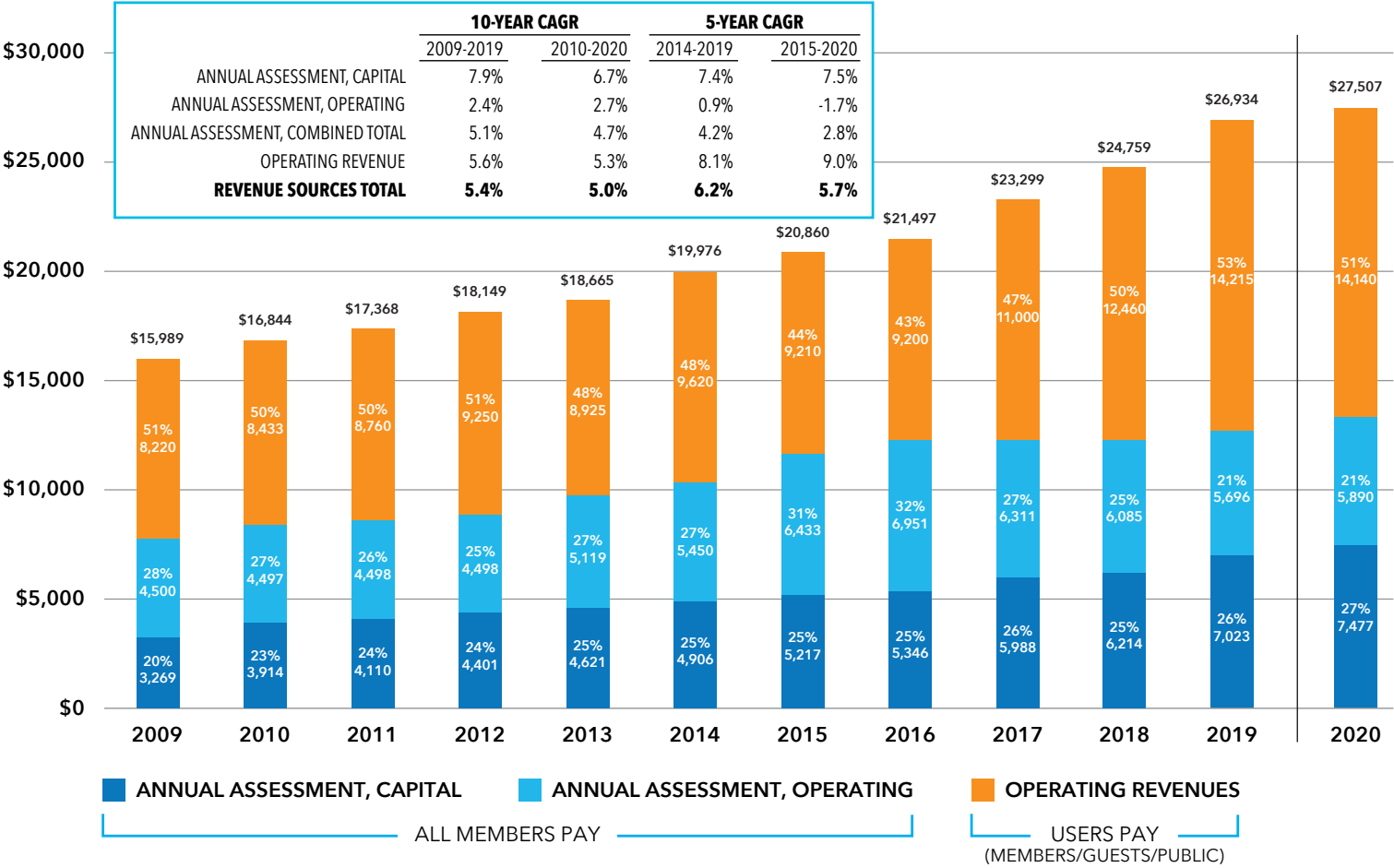
The following table is based on the study and presents significant information about the components of common property.

RESERVE COMPONENT	RANGE OF SERVICE LIFE REMAINING (YEARS)	CURRENT REPLACEMENT COSTS	RESERVE COMPONENT	RANGE OF SERVICE LIFE REMAINING (YEARS)	CURRENT REPLACEMENT COSTS
Administration	0-39	\$ 2,557,555	Downhill Ski Resort - Mountain Operations - Lift Maintenance	0-39	4,053,129
Alder Creek Cafe	1-35	164,989	Downhill Ski Resort - Mountain Operations - Rental + Retail	0-20	1,090,310
Bikeworks	0-2	73,618	Downhill Ski Resort - Mountain Operations - Snowmaking	1-21	1,060,213
Campground	0-42	638,582	Downhill Ski Resort - Mountain Operations - Top Shop	0-17	289,049
Capital Projects	-0-	215,609	Downhill Ski Resort - Mountain Operations - Winter Food + Beverage	0-15	453,275
Chalet House	1-25	349,619	Snowplay	1-8	145,230
Cross Country Ski Center	0-39	3,868,726	Tennis Complex	0-23	2,019,210
Equestrian Center	0-29	976,839	The Lodge Restaurant & Pub	0-53	3,673,425
Food Trailer	4-11	65,500	Trails	0-32	2,947,858
Forestry	0-39	2,085,217	Trout Creek Recreation Center Building	0-29	3,517,861
General Maintenance	0-15	611,451	Trout Creek Recreation Center Pool and Spa	0-18	1,434,737
Golf Complex	0-18	988,539	<b>TOTAL</b>		<b>\$ 61,682,890</b>
Golf Course	0-39	11,206,314			
Information Technology	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 Clubhouse	0-39	3,857,843			
Pizza on the Hill	0-26	493,118			
Recreation	0-24	593,780			
Downhill Ski Resort - Mountain Operations	0-39	5,273,469			

(See Independent Auditor's Report)

# ANNUAL BUDGET - SOURCE OF FUNDS

## DOLLARS IN THOUSANDS



# ANNUAL BUDGET - USE OF FUNDS

## DOLLARS IN THOUSANDS

