

2010

ANNUAL

REPORT

\$8.9 MILLION
New record Total Operating Revenues

6,471 PROPERTIES
Over 24,000 members

\$2.8 MILLION
New record Downhill Ski Revenues
31% of Total Operating Revenues

\$476,000
NOR favorable to Budget



2010 ANNUAL REPORT: LETTERs TO mEmBERs

GENERAL MANAGER's MESSAGe

Dear Members,

Tahoe Donner demonstrated in 2010 that following our strategic goals can lead to excellent service and programs for our community, including outstanding financial performance on the road to achieving our strategic vision:

Tahoe Donner is a vibrant, desirable mountain community, with modern recreational facilities, events, programs and leading customer service, surrounded by accessible, healthy natural resources.

2010 was a watershed year in financial performance, modernization and membership outreach for the association. While holding the operating assessment and recreation fee steady at 2009 levels, the association was able to finish the fiscal year with a net operating result of \$476,000 or 11% better than budget. This is \$707,000 or 15% better than the net operating results for 2009. These results were a product of tremendous teamwork, revenue generation and expense management, while embracing our core mission and enhancing guest services for the membership. The balance of this Annual Report provides a comprehensive review of your association. I would like to highlight a few key modernization, customer service, and membership outreach efforts that took place in 2010.

- New Downhill Ski patio furniture, staff uniforms, chair pads, teaching surface lift, outside BBQ, "Candyland" terrain parks and snowmobile with transport sled
- Paved Cross Country on-street parking
- Expanding Snowplay with tubing lanes
- Golf website & member booking system with variable golf rates
- Purchase of the 240 acre Bucknam Tract for defensible space
- 99% inspection compliance rate for individual lot defensible space
- Marina snack bar renovation and rental equipment expansion
- Golf Course irrigation system well water efficiency system improvements
- Expanded Equestrian BBQ events and improved working herd
- New association website with more dynamic content
- Improved Halloween and first time "Fall Festival" community events
- New portable outside movie theater and high definition indoor movie system
- Upgraded and expanded fitness facility equipment
- Improved The Lodge Restaurant and Pub seating with a 20% customer increase over 2009
- New "ShopTD" online store to sell special programs and passes

An essential element to our formulation of improving facilities, programs and services of the association is maintaining a low overall assessment. 2011 marks the third straight year we have held the operating assessment at \$695 per assessed unit. Maintaining this low operating assessment is at the forefront of our decision making and guiding principles. Additionally, the recently approved "2030 General Plan" outlines a program of facility improvement and modernization at the current capital funding assessment level.

Building on these achievements, in 2011 we continue to focus on our "Strategic Plan Goals", and "2030 General Plan" in order to continuously improve the quality of this amazing mountain community. A few key areas being develop in 2011 are:

- Member ID card Stored Value program to alleviate need for cash
- Membership loyalty program to reward frequent amenity users
- Tahoe Donner sponsored summer concert
- Additional off-street Downhill Ski Area parking lot
- Two reconstructed tennis courts
- 2030 General Plan projects
- Mountain Bike Rentals/Tours/Programs
- Development of a Trails Master Plan
- Trout Creek Recreation Facility on-site Child Drop-In care program
- Monument, amenity, and way finding signage plan review

It is truly an honor serving as your General Manager, and on behalf of the entire association staff, I'd like to thank you for your continued support and participation in your homeowner community.

Robb Etnyre, General Manager

DIRECTOR OF FINANCE / BOARD TREASURER's MESSAGe

Dear Members,

The purpose of this 2010 Annual Report is to provide a comprehensive report on 2010 financial results and communicate the 2010 Audited Financial Statements and Independent Auditors Report to all members. This Annual Report provides several at-a-glance reference charts and information. However, a full read can provide you with in-depth information regarding the financial activities of your association.

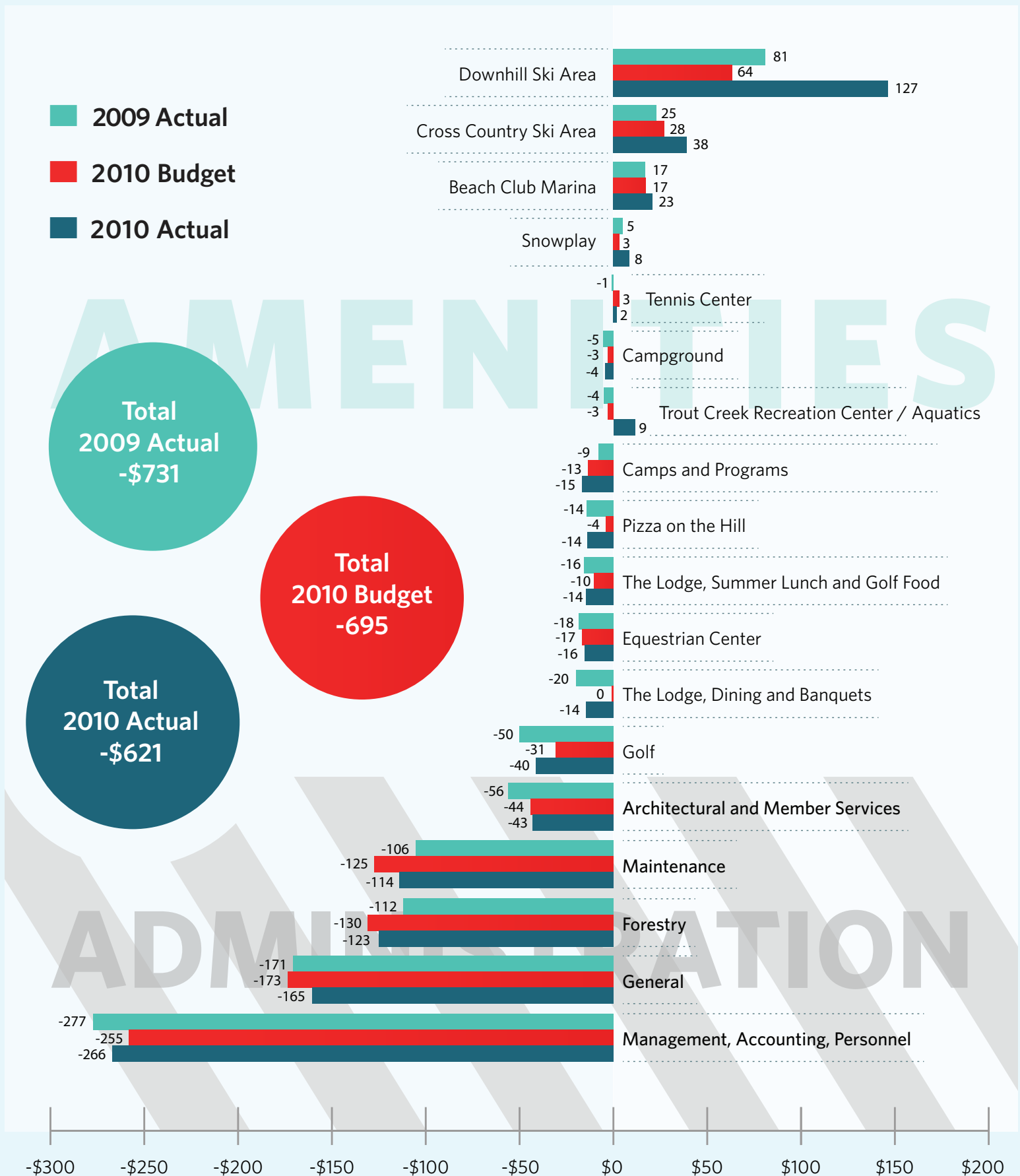
The quality and variety of affordable recreation and other activities the Association offers continues to be a proven valued asset to you, the members. Overall in 2010, your association has seen strong visitations at the majority of amenities. Two notable new revenue records, Downhill Ski revenue of \$2.8 million (21% over previous record) and the Association's total operating revenues of \$8.9 million (9% over previous record). Net Operating Results bested budget by \$476,000 or 11% and prior year by \$707,000 or 15%.

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

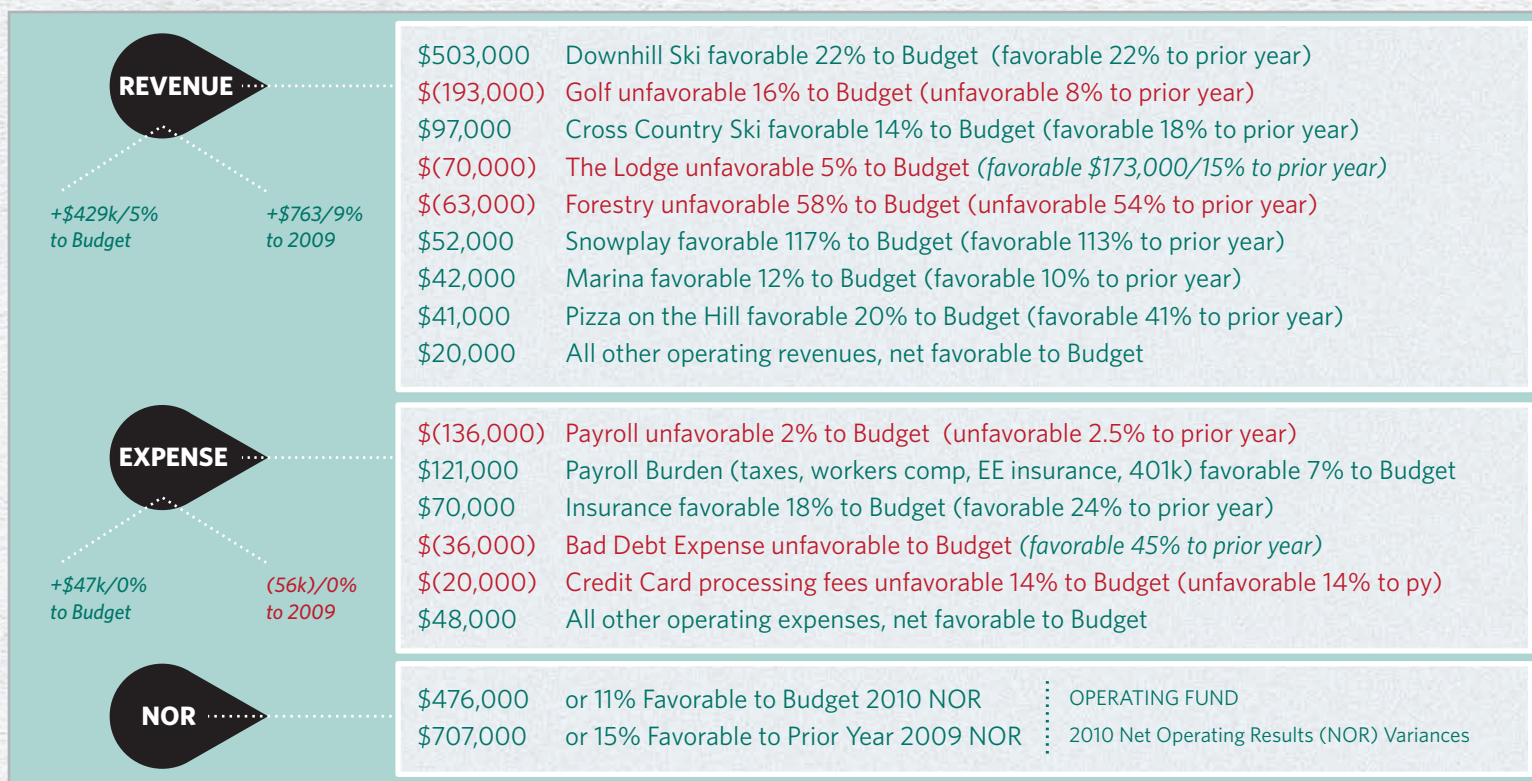
John Dundas, Treasurer
Michael Salmon, Director of Finance and Accounting

Cover photo: tribute to Downhill's record success in 2010.

NET OPERATING RESULTS (NOR) PER MEMBER PROPERTY

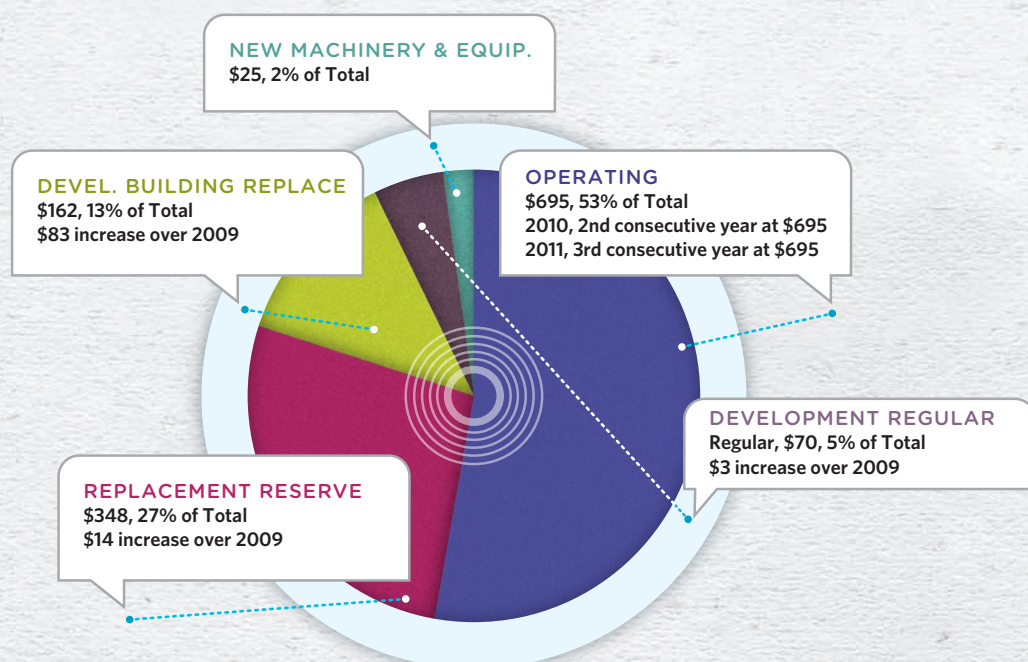


2010 OPERATING FUND RESULTS - KEY VARIANCES



2010 ANNUAL ASSESSMENT OF \$1,300 PER MEMBER DISTRIBUTION by FUND

\$100 or 8% increase over 2009, 2011 was \$30 or 2% increase over 2010



For 2010, 53% of the annual assessment was contributed to the Operating Fund and 47% of the annual assessment was contributed to capital funds. Total assessment revenue for 2010 of \$8,412,000 was \$1,000 or 0% favorable to budget and increased \$649,000 or 8% over prior year.

The association records and reports its financial activities through fund accounting, utilizing five funds – Operating Fund, Replacement Reserve Fund, New Machinery & Equipment Fund, Development Fund, and Property Fund. The annual results of activities in each fund are discussed below and in charts provide herein.

2010 OPERATING FUND FINANCIAL RESULTS

The Operating Fund is used to account for financial resources available for the general operations of the Association. The revenues and expenses for daily operation of the amenities and association administration are recorded in this fund.

• \$8,862,000 consolidated operating gross revenues, before assessment revenues:

- >> \$429,000/5% favorable to Budget 2010
- >> \$763,000/9% favorable to Actual 2009

• \$4,021,000 consolidated net operating result loss, before assessment revenues:

- >> \$476,000/11% favorable to Budget 2010
- >> \$707,000/15% favorable to Actual 2009

AmENITIES

Downhill Ski and Cross Country Ski Snow conditions were average to above average for both the 1st quarter and 4th quarter winter periods of operations. Both of these operations had great financial results and are proving to have a competitive advantage in this economic climate. The capital improvements, particularly Downhill's expanded rental shop, new beginners surface lift, and cross country's improved parking contributed to strong financial performance for the year. Downhill's ski school adult and kid lessons and programs had record attendance, revenues and results in 2010.

Downhill Ski visits were 29% over budget and 14% over prior year. Downhill Ski revenue of \$2.8 million was \$503,000 or 22% favorable to budget and \$479,000 or 21% favorable to prior year. Downhill Ski NOR of \$821,000 was \$409,000 or 99% favorable to budget and \$298,000 or 57% favorable to prior year.

Cross Country Ski revenues of \$797,000 were favorable 97,000 or 14% to budget and \$120,000 or 18% favorable to prior year. Cross Country Ski NOR of \$244,000 was \$64,000 or 36% favorable to budget and \$83,000 or 52% favorable to prior year.

Golf Course summer of 2010 was negatively impacted by the wintry spring weather in May and majority of June. Golf also seems to still be impacted by the economic recession, albeit less so than in 2009. Golf rounds were 11% off budget and 6% off prior year. Golf revenues of \$1.0m were unfavorable \$193,000 or 16% to budget and unfavorable \$92,000 or 8% to prior year. Management and capital improvements in our well water distribution system which reduced our reliance on public utility water were able to mitigate a portion of the revenue shortfall through operating cost savings in totaling \$137,000 or 10% to budget and savings of \$159,000 or 11% to prior year. Golf NOR loss of (\$259,000) was \$56,000 or 28% unfavorable to budget and \$67,000 or 21% favorable to prior year. The primary driver of unfavorable variance was golf volume not achieving budget expectations, as discussed above. Further, while there is some opportunity to flex/reduce operating costs, the majority of operating costs are relatively

fixed in nature. We have a high quality course that provides significant value to the association and property values. We are assessing all options to improve the financial performance of golf, while maintaining the quality of course conditions and service levels that market conditions demand.

The Lodge revenues of \$1.3 million were unfavorable \$70,000 or 5% to budget and favorable \$173,000 or 15% to prior year. Guest covers of 38,589 increased 20% over 2009! Net operating result loss of (\$92,000) came in unfavorable to a break-even budget. However, this loss was improved to 2009 by \$36,000 or 28%. Banquet events continued to be impacted by the economic recession, with revenues 40% off budget. Member frequent dining and banquet event business remain keys to achieving break-even results at The Lodge.

Summer Lunch and Golfer F&B at The Lodge had revenue of \$154,000 which was favorable to budget \$14,000 or 10% and favorable to prior year \$6,000 or 4%. Table service lunch was offered during the majority of the summer and the snack and liquor bar at a minimum operated all periods the golf course was open. We also offered pool-side lunch at Trout Creek during the peak of summer. The NOR loss of (\$89,000) was unfavorable to budget \$23,000 or 35% yet favorable to prior year \$16,000 or 15%. We continue to aggressively improve the top line and bottom line of these operations, driving more volume and continuing to look for ways to operate with better margins, without sacrificing quality and service levels.

Pizza on the Hill revenues of \$251,000 were favorable to budget \$41,000 or 20% and favorable to prior year \$73,000 or 41%. Pizza's NOR loss of (\$90,000) was unfavorable to budget \$65,000 and unfavorable to prior year \$1,000. Volume continues to gain momentum and is a key to improving the financial performance. In 2010, we enhanced product quality and consistency. Improving product and labor margins is another area for operational improvement focus. We remain committed to improving the financial performance of this operation, as the

restaurant provides a great family oriented low cost dining experience.

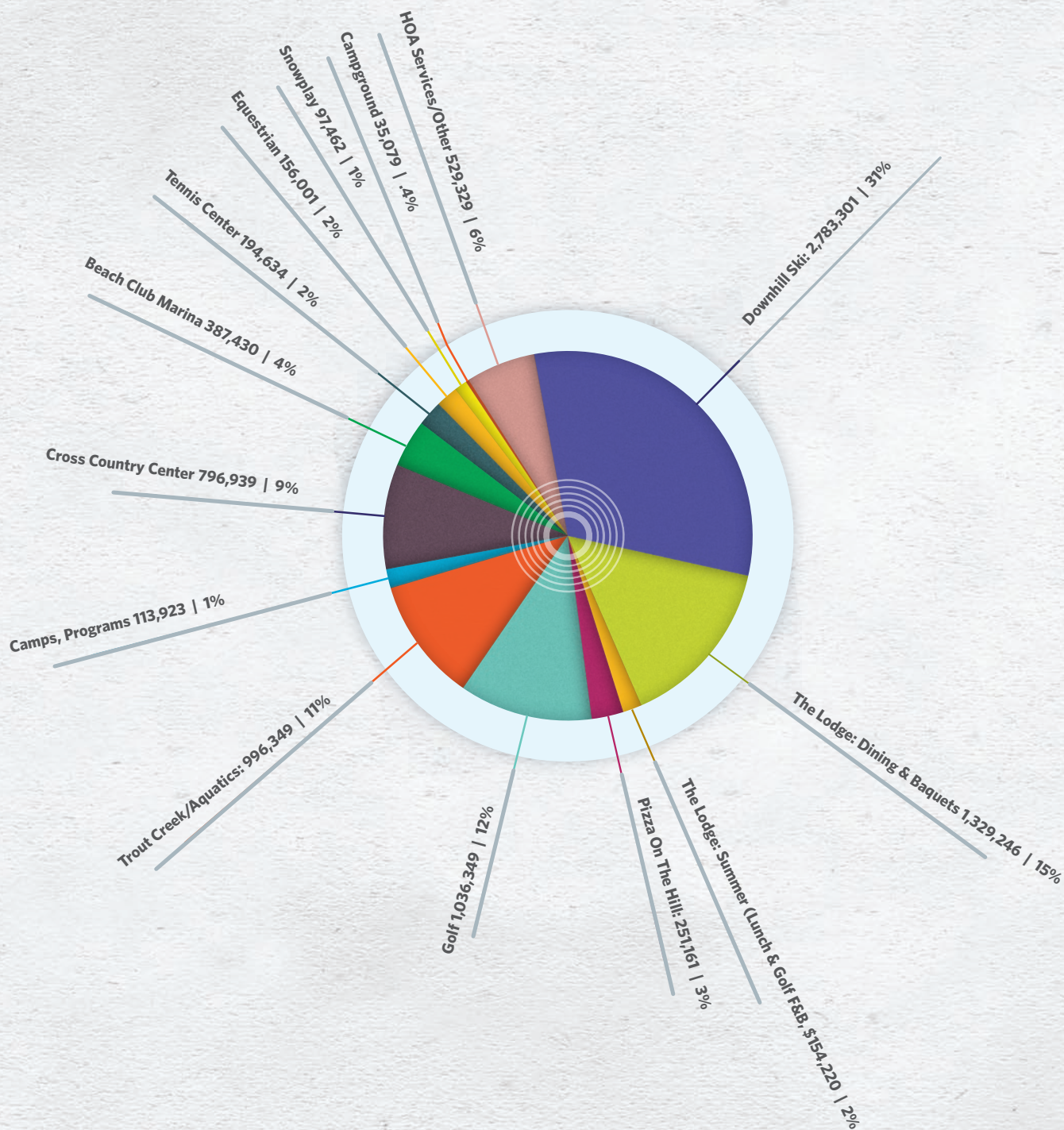
Equestrian revenue of \$156,000 was unfavorable to budget \$17,000 or 10% and unfavorable to prior year \$8,000 or 5%. The revenue decline is attributed primarily to the economic recession impacting this discretionary activity. Despite the revenue declines, NOR was improved to budget and prior year by means of effective cost management efforts. Equestrian NOR loss of (\$103,000) was favorable to budget \$7,000 or 6% and favorable to prior year \$12,000 or 10%.

Trout Creek, Northwoods Pool and Aquatics revenue of \$996,000 was favorable to budget \$35,000 or 4% and unfavorable to prior year \$16,000 or 2%. With over 144,000 visits in 2010, Trout Creek's volume increased 6% over prior year. NOR of \$56,000 was favorable to budget \$77,000 and favorable to prior year \$84,000. The favorable NOR results were driven primarily by effective cost control measures, particularly in labor management, linens, and janitorial costs.

Marina revenue of \$387,000 was favorable to budget \$42,000 or 12% and favorable to prior year \$34,000 or 10%. Marina had strong visitation, despite the cold and wet June, being an excellent low cost activity for members and their guests. Food and beverage and rental revenues were both strong, particularly stand up paddle board rentals. Marina NOR of \$148,000 was favorable to budget \$37,000 or 34% and favorable to prior year \$35,000 or 31%.

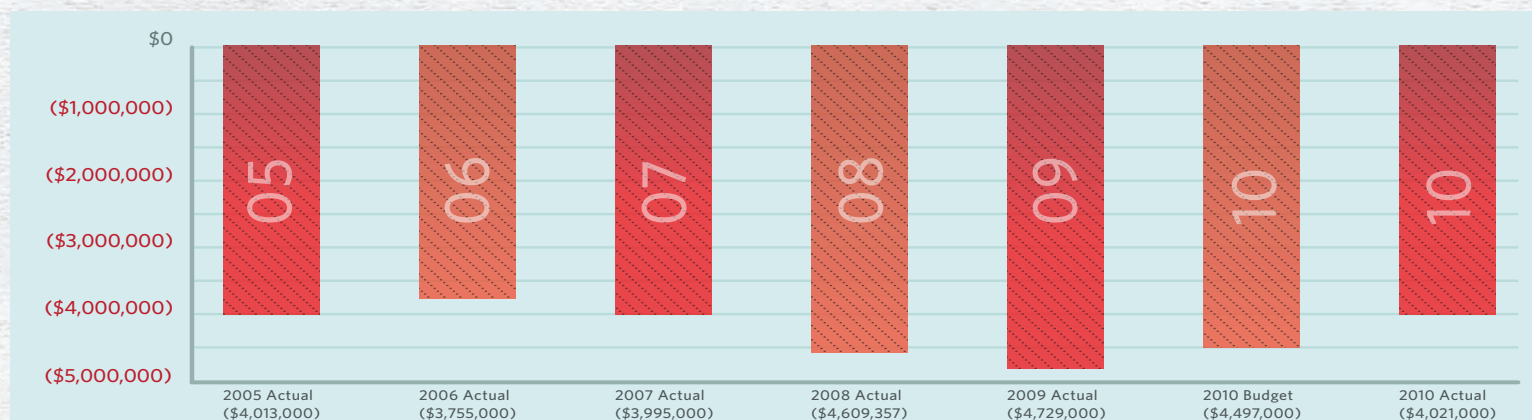
Tennis revenue of \$195,000 was unfavorable to budget \$15,000 or 7% and favorable to prior year \$10,000 or 5%. Tennis struggled early season May and June due to the cold wet weather. The remainder of the season's visitation and revenues were strong. Tennis NOR of \$11,000 was unfavorable to budget \$8,000, yet favorable to prior year \$19,000. Mitigation of the revenue shortfall to Budget and the prior year favorable variance were driven by improved program revenues and reduced operating costs.

OPERATING REVENUES mix - 2010 AcTUAL \$8.9m



OPERATING FUND: NET OPERATING RESULTS

BEFORE ANNUAL ASSESSMENT REVENUES



The chart above provides a historical perspective of operating fund Net Operating Results (NOR). The NOR before annual assessment revenues for 2010 Actual, as compared to previous years, is favorable 5% to the 5 year average (2005 to 2009) and favorable 6% to the 4 year average (2006 to 2009).

HOA AND AMENITIES SUPPORT SERVICES

General revenue of \$192,000 was favorable to budget \$12,000 or 7% and favorable to prior year \$13,000 or 7%. General revenue consists of TD News advertising revenues and the variances are due to growth in ad sales, an indicator of the strength of our publication and perhaps an improving local economy. General operating costs of \$1.3 million were favorable to budget \$38,000 or 2% and favorable to prior year \$27,000 or 2%. General operating costs include the Communications Department, facility administration, and general association costs including insurance (non-amenity), taxes, audit fees, and legal. General NOR loss of (\$1,071,000) was favorable to budget \$51,000 or 5% and favorable to prior year \$39,000 or 12%.

Management, Accounting, IT, and HR revenue of \$206,000 was favorable to budget \$6,000 or 3% and unfavorable to prior year \$17,000 or 8%. Revenue consists of interest income, late charges, and delinquency, lien, & transfer fees. Operating costs of \$1.9 million were unfavorable to budget \$82,000 or 4% and favorable to prior year \$86,000 or 4%. The variances were driven primarily by fluctuations in incentive compensation (plan linked to NOR results) and position vacancies. NOR loss of (\$1,648,000) was unfavorable to budget \$76,000 or 5% and favorable to prior year \$69,000 or 4%.

Architectural & Member Services revenue of \$85,000 was unfavorable to budget \$15,000 or 15% and unfavorable to prior year \$26,000 or 23%. Revenue consists of interest income, architectural inspection, fines, and service fees, boat/RV storage fees, and other miscellaneous revenues. The declines are directly attributable to the downturn in home construction activities. Operating costs of \$360,000 were favorable to budget \$28,000 or 7% and favorable to prior year \$111,000 or 24%. Cost savings are primarily due to cost reduction efforts by management, particularly in response to the revenue declines. NOR loss of (\$275,000) was favorable to budget \$13,000 or 4% and favorable to prior year \$85,000 or 23%.

Tahoe Donner Association had a total of 6,471 property membership properties at year-end. The nationwide slowdown in construction activity continued in 2010. In 2010 the Architectural Standards Office processed 15 new house submittals, 15 addition and garage submittals and 12 miscellaneous plan submittals. New houses were 10 in 2009, 14 in 2008, 39 in 2007 and 51 in 2006. There were 797 vacant residential lots remaining as December 31, 2010, which equates to an approximate 88% build-out. Architectural Standards Office also continued the focus on Fire Safe inspections and compliance, a joint effort with our Forestry department.

Forestry revenue of \$48,000 was unfavorable to budget \$63,000 or 58% and unfavorable to prior year \$55,000 or 53%. Revenues consist of grant revenues, chip sales and firewood sales. The revenue variances are due to timing of grant funds earned between years. Operating costs of \$840,000 were favorable to budget \$112,000 or 12% and unfavorable to prior year \$17,000 or 2%. The costs savings are attributed to grant costs savings, as well as overall scope of work reductions driven primarily by the spring wet weather and early snows in the fall season. NOR loss of (\$794,000) was favorable to budget \$49,000 or 6% and unfavorable to prior year \$72,000 or 10%.

Maintenance comprises the general building and grounds (non-golf) maintenance efforts, as well as, fleet (rolling and over-the-snow) maintenance operations. Operating costs/NOR Loss of (\$735,000) was favorable to budget \$77,000 or 10% and unfavorable to prior year \$52,000 or 8%. The cost variances are attributed to personnel vacancies in prior year, repairs costs fluctuations and fuel costs increases.

2010 ANNUAL Assessment Break Down

\$1,300 BUDGET
DISTRIBUTION / MEMBER - By FUNCTION



OPERATING FUND TOTALS

The 2010 total net operating results loss, before assessment revenue allocation, of \$4,021,000 was favorable to budget \$476,000 or 5% and favorable \$707,000 or 15% to 2009.

Members' equity in the Operating Fund totaled \$808,000 at year-end 2010, reflecting an increase of \$477,000 from the prior year end:

\$476,000 NOR results variance to Budget
\$1,000 Assessment Revenues variance to Budget
\$477,000 Total Change in Operating Fund Members' Equity

This \$808,000 in equity equates to \$125 per unit or 10% of 2010 Budget operating revenues.

REPLACEMENT RESERVE FUND

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the association is obligated by state law and sound business practices to repair, restore, replace or maintain. A thirty-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,000 individual items are tracked in this plan, with a current replacement value of over \$27 million. A complete study and plan were performed in 2010. The 2010 fund activities are summarized below:

Revenues

- Assessment allocation to the Replacement Reserve Fund totaled \$2,251,000
- Gain on sale of assets totaled \$41,000
- Earnings on investments were \$13,000

Expenditures

- Fund expenditures for capital asset replacements totaled \$1,584,000
- Fund expenses related to maintenance and repair of capital assets totaled \$259,000
- Fund expense for income taxes and other totaled \$19,000

Downhill Ski Area capital projects included \$298,000 for grooming machine, \$70,000 for new uniforms, \$50,000 for snowmobiles, \$42,000 for furniture, and \$63,000 for replacement of aged rental equipment. Cross Country projects included \$292,000 for grooming machine and \$23,000 for replacement of aged rental equipment. Golf capital projects included \$161,000 in replacement of aged operating equipment. MIS computer system replacements totaled \$93,000. Trout Creek Recreation Center projects included \$54,000 in exercise equipment. Vehicle Maintenance projects included \$60,000 for a bus and \$36,000 for a fleet vehicle. Fund expense consists of \$104,000 in leases of capital equipment, \$10,000 in painting and staining of buildings, \$92,000 in asphalt sealing and repairs, and \$53,000 in other capital component major repairs. Replacement Reserve Fund expenditures by department are outlined in chart on page 13.

As identified and discussed in 2006, complete building replacements have not been included in the association's capital funding plans to-date, as anticipated demolition and complete reconstruction of existing structures was thought to be outside the 30 year capital plan. After a preliminary review of existing buildings and their potential dates of replacement, the board of directors now recognizes a need to establish a plan for future funding of building replacements. As a result, \$496,000 in 2007, \$511,000 in 2008 and 2009, and \$1,048,000 in 2010 of assessment contribution were made to the Development Fund to establish funding for this requirement. The 2011 Budget includes an assessment contribution to building replacement of \$1,152,000. A detailed analysis of structure replacements has been performed as part of the General Plan process and building replacements have been incorporated in the capital reserve plans (see Development Fund section of report). Members' equity of \$4.9 million in the Replacement Reserve Fund at year end reflected an increase of \$443,000 or 10% from the prior year.

NEW MACHINERY AND EQUIPMENT FUND

The New Machinery and Equipment Fund is used to account for financial resources designated for the acquisition of new assets identified as necessary for the association to be more efficient in operations or to provide new services to the membership. The 2010 fund activities are summarized below:

Revenues

- Assessment revenue totaled \$162,000

Expenditures

- Purchases of new capital assets totaled \$155,000; notables include:
 - Golf well water pressure reduction valves, \$27,000
 - Outdoor Movie system, \$16,000
 - Virtual Network software, \$15,000
 - Dog Waste Receptacles, \$12,000
 - Downhill ski racks, \$12,000
 - Golf course signage, \$10,000
 - Marina storage racks and paddle boards, \$10,000
 - Golf reservations software, \$9,000
 - Digital signage, \$8,000
 - Spin bikes, \$6,000

Members' equity in the New Machinery and Equipment Fund totaled \$47,000 at year-end, an increase of \$7,000 from the prior year end.

DEVELOPMENT FUND

The Development Fund was established to accumulate funds for large-scale projects identified by the board as necessary due to new capacity requirements or changing needs of the association. The Development Fund also includes accumulated designated funds for building replacement. The 2010 fund activities are summarized below:

Revenues

- Assessment allocation to the Development Fund totaled \$1,501,000
- \$1,048,000 Building Replacement Designated
- \$453,000 Designated Regular
- Earnings on investments totaled \$64,000

Expenditures

- Fund expenditures for capital additions totaled \$372,000
- Fund operating expense for income taxes and other totaled \$15,000
- Fund project expense of \$22,000 for project specific costs

Fund expenditures for capital asset additions include \$125,000 for Downhill Ski surface lift at teaching area, \$108,000 for land acquisition, and \$83,000 in cross country/equestrian parking lot improvements.

The Development Fund also accounts for the restricted Recreational Amenities Expansion funds, referred to as the RAE funds. The associa-

tion owned a 32-acre parcel, adjacent to but outside the subdivision borders, that was held in the Development Fund. The parcel sold in 2004 and the net proceeds of \$2.8 million from that sale are retained in the Development Fund. In accordance with policy, investment income on these funds is credited back to the fund. No current formal plans have been approved by the Board for expenditure of these RAE funds, which can only be used for recreational projects.

Members' equity in the Development Fund increased \$1,155,000 in 2010, for a year-end balance of \$6.7 million. This balance is segregated as follows: \$3,280,000 RAE restricted, \$2,816,000 Building Replacement Designated, and \$627,000 Regular Designated.

PROPERTY FUND

The Property Fund is used to account for the Association's investment in its fixed assets.

- Capital additions totaled \$2.1 million for the year, \$1,585,000 from expenditures in the Replacement Reserve Fund, \$155,000 from New Machinery and Equipment Fund capital purchases, and \$372,000 from Development Fund projects.
- Loss on asset disposals amounted to \$17,000
- Other fund expenses amounted to \$43,000
- Depreciation expense for the year totaled \$2,256,000. The Replacement Reserve contribution to Depreciation Expense ratio was 1.0.

Members' equity in the Property Fund decreased \$204,000 in 2010, for a year-end balance of \$26.8 million.

TOTAL MEMBERS' EQUITY

Tahoe Donner Association's total members' equity was \$39.3 million at the end of fiscal year 2010, or \$6,071 per member property; a 5% increase from \$5,781 per property in 2009.

STATEMENT OF LEGAL COMPLIANCE

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

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report, prepared by Gilbert Associates, and associated financial statements begin on page 14.

DEPARTmENTAL Res ULTs

y EAR ENDING DECEMBER 31, 2010

	2010 Actual				2010 NOR versus Budget	
	Gross Revenue	Cost of Goods Sold	Operating Expenses	Net Operating Results	2010 Budget	Actual to Budget Variance
PRIVATE AMENITIES						
Trout Creek Recreation Center & Aquatics	\$ 996,349	\$ -33,591	\$ -907,117	\$ 55,641	\$ -21,264	\$ 76,905
Beach Club Marina	387,430	-21,071	-218,560	147,799	110,686	37,113
Tennis Center	194,634	-23,548	-160,169	10,917	19,403	-8,486
Camps and Programs	113,923	-1,463	-210,203	-97,743	-85,699	-12,044
TOTAL PRIVATE AMENITIES	1,692,336	-79,673	-1,496,049	116,614	23,126	93,488
PUBLIC AMENITIES						
Golf	1,036,549	-64,011	-1,231,599	-259,061	-203,000	-56,061
Downhill Ski Area	2,783,301	-195,312	-1,767,421	820,568	411,701	408,867
Cross Country Ski Center	796,939	-48,602	-503,929	244,408	180,038	64,370
Snowplay	97,462	0	-42,799	54,663	21,270	33,393
Campground	35,079	0	-61,050	-25,971	-19,408	-6,563
Equestrian	156,001	-3,244	-255,388	-102,631	-109,297	6,666
The Lodge, Dining & Banquets	1,329,246	-449,179	-971,703	-91,636	2,000	-93,636
The Lodge, Lunch & Golf Food Service	154,220	-62,569	-181,110	-89,459	-66,120	-23,339
Pizza on the Hill	251,161	-98,144	-243,265	-90,248	-25,054	-65,194
TOTAL PUBLIC AMENITIES	6,639,958	-921,061	-5,258,264	460,633	192,130	268,503
TOTAL AMENITIES	8,332,294	-1,000,734	-6,754,313	577,247	215,256	361,991
HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES						
General	191,794	0	-1,262,702	-1,070,908	-1,121,629	50,721
Management, Accounting, Personnel, IT	206,077	0	-1,929,908	-1,723,831	-1,647,891	-75,940
Architectural & Member Services	84,712	0	-359,965	-275,253	-287,941	12,688
Forestry	46,746	0	-840,499	-793,753	-842,952	49,199
Maintenance	0	0	-734,687	-734,687	-811,843	77,156
TOTAL HOMEOWNERS ASSOCIATION	529,329	0	-5,127,761	-4,598,432	-4,712,256	113,824
TOTAL OPERATING RESULTS	8,861,623	-1,000,734	-11,882,074	-4,021,185	-4,497,000	475,815
Assessment Revenues	4,498,192	0	0	4,498,192	4,497,000	1,192
Total Operating Fund	\$ 13,359,815	\$ -1,000,734	\$ -11,882,074	\$ 477,007	\$ 0	\$ 477,007

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

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

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

2010 NOR versus Prior Year		~~~~~ Amounts Including Replacement Reserve Capital Contribution ~~~~~					
2009 Actual	2010 to 2009 Variance	NOR 2010 Actual	Contribution to Replacement Reserve Fund	2010 Net Results After Capital	2010 per Property 6471	2009 per Property 6471	2010 vs 2009
\$ -28,562	\$ 84,203	\$ 55,641	\$ -151,545	\$ -95,904	\$ -15	\$ -27	\$ 12
113,113	34,686	147,799	-65,195	82,604	13	8	5
-7,679	18,596	10,917	-62,672	-51,755	-8	-10	2
-55,048	-42,695	-97,743	-13,938	-111,681	-17	-11	-6
21,824	94,790	116,614	-293,350	-176,736	-27	-40	13
-325,880	66,819	-259,061	-668,546	-927,607	-144	-150	6
523,038	297,530	820,568	-324,775	495,793	77	33	44
161,200	83,208	244,408	-78,508	165,900	26	13	13
29,352	25,311	54,663	-4,899	49,764	8	4	4
-34,405	8,434	-25,971	-41,270	-67,241	-11	-11	0
-114,622	11,991	-102,631	-35,318	-137,949	-21	-23	2
-127,686	36,050	-91,636	-163,356	-254,992	-39	-48	9
-105,476	16,017	-89,459	-18,953	-108,412	-17	-16	-1
-88,996	-1,252	-90,248	-24,845	-115,093	-18	-17	-1
-83,475	544,108	460,633	-1,360,470	-899,837	-139	-215	76
-61,651	638,898	577,247	-1,653,820	-1,076,573	-166	-255	89
-1,109,498	38,590	-1,070,908	-129,713	-1,200,621	-186	-191	5
-1,792,477	68,646	-1,723,831	-76,949	-1,800,780	-278	-288	10
-360,047	84,794	-275,253	-3,334	-278,587	-43	-56	13
-721,876	-71,877	-793,753	-104,846	-898,599	-139	-127	-12
-683,071	-51,616	-734,687	-282,338	-1,017,025	-157	-147	-10
-4,666,969	68,537	-4,598,432	-597,180	-5,195,612	-803	-809	6
-4,728,620	707,435	-4,021,185	-2,251,000	-6,272,185	-969	-1,064	95
4,493,800	4,392	4,498,192	2,251,000	6,749,192	1,043	1,029	14
\$ -234,820	\$ 711,827	\$ 477,007	\$ 0	\$ 477,007	\$ 74	\$ -35	\$ 109

CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2010

	2010 Actual	2010 Budget	2010 Actual vs Budget	2009 Actual	2010 vs 2009
Replacement Reserve Fund:					
Beginning Fund Balance	\$ 4,424,649	\$ 4,250,000	\$ 174,649	\$ 3,197,358	\$ 1,227,291
Assessment Contribution	2,251,000	2,251,000	-	2,162,000	89,000
Interest Revenue	13,155	60,000	(46,845)	62,680	(49,525)
Operating Fund Transfer In	-	-	-	70,000	(70,000)
Other Revenue & Expense, Net	21,471	15,000	6,471	66,630	(45,159)
Major Maintenance Expenses	(258,528)	(427,000)	168,472	(294,197)	35,669
Expenditures for Capital Additions	(1,584,442)	(2,145,000)	560,558	(839,822)	(744,620)
Change in Fund Balance	442,656	(246,000)	688,656	1,227,291	(784,635)
Ending Fund Balance	4,867,305	4,004,000	863,305	4,424,649	442,656
New Machinery & Equipment Fund:					
Beginning Fund Balance	40,120	56,000	(15,880)	(5,291)	45,411
Assessment Contribution	162,000	162,000	-	162,000	-
Interest Revenue	9	-	9	-	9
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(155,423)	(170,000)	14,577	(116,589)	(38,834)
Change in Fund Balance	6,586	(8,000)	14,586	45,411	(38,825)
Ending Fund Balance	46,706	48,000	(1,294)	40,120	6,586
Development Fund: (includes RAE Restricted, Designated Building Replacement, and Regular)					
Beginning Fund Balance	5,567,818	5,507,000	60,818	5,136,012	431,806
Assessment Contribution	1,501,000	1,501,000	-	945,000	556,000
Interest Revenue	63,663	100,000	(36,337)	125,862	(62,199)
Operating Fund Transfer In	-	-	-	200,000	(200,000)
Other Revenue & Expense, Net	(15,224)	(8,000)	(7,224)	(16,162)	938
Fund Expenses for Capital Additions	(22,160)	-	(22,160)	-	(22,160)
Expenditures for Capital Additions	(372,174)	(100,000)	(272,174)	(822,894)	450,720
Change in Fund Balance	1,155,105	1,493,000	(337,895)	431,806	723,299
Ending Fund Balance	A) 6,722,923	7,000,000	(277,077)	5,567,818	1,155,105
Capital Fund Totals:					
Major Maintenance/Fund Expenses	(280,688)	(427,000)	168,472	(294,197)	35,669
Expenditures for Capital Additions	(2,112,039)	(2,415,000)	302,961	(1,779,305)	(332,734)
Total	\$ (2,392,727)	\$ (2,842,000)	\$ 471,433	\$ (2,073,502)	\$ (319,225)

A) Development Fund: Recreational Amenity Expansion (RAE) amounts are restricted funds, refer to Development Fund discussion for further information.

12/31/2010 Ending Balance Components: \$3,280,551 RAE Restricted, \$2,815,802 Designated Building Replacement, and \$626,570 Regular.

12/31/2009 Ending Balance Components: \$3,244,606 RAE Restricted, \$1,761,000 Designated Building Replacement, and \$562,212 Regular.

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

CAPITAL FUNDS EXPENDITURES BY DEPT.

YEAR ENDING DECEMBER 31, 2010

	Replacement Reserve Fund		New Machinery & Equipment Fund		Development Fund		Capital Funds Total	
	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance
PRIVATE AMENITIES								
Trout Creek Recreation Center	\$ 103,373	\$ 1,349	\$ 10,625	\$ -	\$ -	\$ -	\$ 113,998	\$ 1,349
Beach Club Marina	31,350	14,223	10,346	-	-	-	41,696	14,223
Tennis Center	41,048	-	-	-	-	-	41,048	-
Northwoods Pool	1,390	-	-	-	-	-	1,390	-
Camps & Recreation Programs	-	-	1,728	-	-	-	1,728	-
TOTAL PRIVATE AMENITIES	177,161	15,572	22,699	-	-	-	199,860	15,572
PUBLIC AMENITIES								
Golf	161,176	57,628	40,797	-	-	-	201,973	57,628
Downhill Ski	607,726	43,479	16,440	-	165,050	-	789,216	43,479
Cross Country Ski	319,853	-	-	-	84,795	-	404,648	-
Campground	527	-	-	-	-	-	527	-
Equestrian	14,174	17,645	-	-	-	-	14,174	17,645
The Lodge	43,531	2,356	-	-	-	-	43,531	2,356
Pizza on the Hill	18,846	-	-	-	-	-	18,846	-
Snowplay	4,571	-	-	-	-	-	4,571	-
TOTAL PUBLIC AMENITIES	1,170,404	121,108	57,237	-	249,845	-	1,477,486	121,108
TOTAL AMENITIES	1,347,565	136,680	79,936	-	249,845	-	1,677,346	136,680
HOMEOWNERS ASSOCIATION								
General	15,909	31,446	18,430	-	113,456	15,656	147,795	47,102
Communications	6,055	-	-	-	-	-	6,055	-
Facility Administration	-	-	-	-	-	-	-	-
Administration	1,903	-	-	-	-	-	1,903	-
Management Information Systems	92,511	37,945	43,270	-	-	-	135,781	37,945
Accounting	-	-	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-	-	-
Architectural Standards Office	-	-	-	-	-	-	-	-
Member Services	-	-	-	-	-	-	-	-
Forestry	20,517	-	13,057	-	-	-	33,574	-
Maintenance	-	52,457	-	-	8,873	6,504	8,873	58,961
Vehicle Maintenance	99,982	-	730	-	-	-	100,712	-
TOTAL HOMEOWNERS ASSOCIATION	236,877	121,848	75,487	-	122,329	22,160	434,693	144,008
TOTAL	\$ 1,584,442	\$ 258,528	\$ 155,423	\$ -	\$ 372,174	\$ 22,160	\$ 2,112,039	\$ 280,688

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

Board of Directors

Tahoe Donner Association

Truckee, California

We have audited the accompanying statements of financial position of Tahoe Donner Association (Association) as of December 31, 2010 and 2009, and the related statements of revenue, expenses and changes in members' equity, and of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its members' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements on page 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

GILBERT ASSOCIATES, INC.
SACRAMENTO, CALIFORNIA
MARCH 15, 2011

sTATEmENTs OF FINANCIAL POSITION

yEAR ENDING DECEMBER 31, 2010 AND 2009

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2010	Total 2009
ASSETS							
Cash	\$ 1,622,080					\$ 1,622,080	\$ 1,735,711
Cash, designated and restricted	97,176	\$ 176,536	\$ 109,009	\$ 137,890		520,611	674,335
Investments	972,089					972,089	768,448
Investments, designated and restricted	899,684	5,397,514		7,098,412		13,395,610	10,882,673
Assessments and other member receivables, net of allowance for doubtful accounts of \$92,230 in 2010 and \$82,520 in 2009	276,709					276,709	239,351
Other receivables	23,960	5,935		19,505		49,400	71,924
Inventory	249,055					249,055	307,066
Prepaid expenses and other assets	249,593					249,593	379,923
Due from (to) other funds	(169,160)	175,005	978	(6,823)			
Net property and equipment					\$ 26,843,138	26,843,138	27,004,033
TOTAL ASSETS	\$ 4,221,186	\$ 5,754,990	\$ 109,987	\$ 7,248,984	\$ 26,843,138	\$ 44,178,285	\$ 42,063,464
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 225,853	\$ 142,736	\$ 8,100	\$ 1,837		\$ 378,526	\$ 401,517
Deferred revenues	2,291,268	744,949	55,181	524,224		3,615,622	3,330,277
Deposits from members	96,965					96,965	137,345
Accrued liabilities	799,502					799,502	783,965
TOTAL LIABILITIES	3,413,588	887,685	63,281	526,061		4,890,615	4,653,104
MEMBERS' EQUITY	807,598	4,867,305	46,706	6,722,923	26,843,138	39,287,670	37,410,360
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 4,221,186	\$ 5,754,990	\$ 109,987	\$ 7,248,984	\$ 26,843,138	\$ 44,178,285	\$ 42,063,464

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	\$ 3,717,902		\$ 3,717,902
Retail sales	2,594,114		2,594,114
Lessons and rental revenue	1,873,426		1,873,426
Other revenues	146,852	\$ 503,981	650,833
Interest income		25,348	25,348
Gross operating revenues	8,332,294	529,329	8,861,623
Cost of goods sold	(1,000,734)		(1,000,734)
Net operating revenues	7,331,560	529,329	7,860,889
OPERATING EXPENSES:			
Salaries and wages	3,746,281	2,783,590	6,529,871
Payroll taxes and employee benefits	904,619	757,314	1,661,933
Supplies and maintenance	882,662	534,536	1,417,198
Utilities	569,625	198,615	768,240
Insurance	195,919	116,970	312,889
Other employee expenses	96,373	144,008	240,381
Income taxes		59,675	59,675
Other expenses	358,834	533,053	891,887
Total operating expenses	6,754,313	5,127,761	11,882,074
NET OPERATING INCOME (LOSS)	577,247	(4,598,432)	(4,021,185)
CAPITAL ACTIVITIES:			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
ASSESSMENTS:			
Assessment revenues		4,498,192	4,498,192
INCREASE (DECREASE) IN MEMBERS' EQUITY	\$ 577,247	\$ (100,240)	477,007
MEMBERS' EQUITY, December 31, 2009			330,591
MEMBERS' EQUITY, December 31, 2010			\$ 807,598

The accompanying notes are an integral part of these financial statements.

YEAR ENDING DECEMBER 31, 2010 AND 2009

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2010	Total 2009
				\$ 3,717,902	\$ 3,517,321
				2,594,114	2,317,364
				1,873,426	1,516,464
				650,833	699,930
				102,175	236,163
\$ 13,155	\$ 9	\$ 63,663		8,938,450	8,287,242
13,155	9	63,663		(1,000,734)	(907,824)
13,155	9	63,663		7,937,716	7,379,418
				6,529,871	6,366,198
				1,661,933	1,652,302
				1,417,198	1,412,221
				768,240	763,257
				312,889	411,935
				240,381	302,811
4,778		5,628		70,081	51,141
14,264		9,596		915,747	981,816
19,042		15,224		11,916,340	11,941,681
(5,887)	\$ 9	\$ 48,439		(3,978,624)	(4,562,263)
(1,584,442)	(155,423)	(372,174)	\$ 2,112,039		
40,513			(16,800)	23,713	(87,306)
(258,528)		(22,160)	(43,149)	(323,837)	(294,197)
			(2,256,134)	(2,256,134)	(2,225,008)
(1,802,457)	(155,423)	(394,334)	(204,044)	(2,556,258)	(2,606,511)
\$ 2,251,000	\$ 162,000	\$ 1,501,000		8,412,192	7,762,800
442,656	6,586	1,155,105	(204,044)	1,877,310	594,026
4,424,649	40,120	5,567,818	27,047,182	37,410,360	36,816,334
\$ 4,867,305	\$ 46,706	\$ 6,722,923	\$ 26,843,138	\$ 39,287,670	\$ 37,410,360

The accompanying notes are an integral part of these financial statements.

sTATEmENTs OF cAsH FLOW s

yEAR ENDING DECEMBER 31, 2010 AND 2009

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2010	Total 2009
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ 477,007	\$ 442,656	\$ 6,586	\$ 1,155,105	\$ (204,044)	\$ 1,877,310	\$ 594,026
Reconciliation to net cash provided by operating activities:							
Depreciation expense					2,256,134	2,256,134	2,225,008
Capital additions and transfers		1,584,442	155,423	372,174	(2,112,039)		
Loss (gain) on sale or disposal of property and equipment		(40,513)			16,800	(23,713)	87,306
Changes in:							
Assessments receivable	(37,358)					(37,358)	(78,491)
Other receivables	26,897	(2,257)		(2,116)		22,524	51,680
Inventory	58,011					58,011	80,166
Prepaid expenses and other assets	12,187	118,143				130,330	(247,081)
Due from (to) other funds	(581,404)	164,468	109,567	264,220	43,149		
Accounts payable	80,577	13,019	(9,949)	(106,638)		(22,991)	65,198
Deferred revenues	191,832	37,870	2,805	52,838		285,345	128,127
Deposits from members	(40,380)					(40,380)	(61,314)
Accrued liabilities	15,537					15,537	200,022
Net cash provided by operating activities	202,906	2,317,828	264,432	1,735,583		4,520,749	3,044,647
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(1,584,442)	(155,423)	(372,174)		(2,112,039)	(1,784,343)
Proceeds from sale of property and equipment		40,513				40,513	77,692
Purchases of investments	(4,351,628)	(5,253,915)		(4,662,701)		(14,268,244)	(16,844,982)
Proceeds from sale of investments	4,123,303	4,654,548		2,773,815		11,551,666	15,511,585
Net cash used by investing activities	(228,325)	(2,143,296)	(155,423)	(2,261,060)		(4,788,104)	(3,040,048)
NET INCREASE (DECREASE) IN CASH	(25,419)	174,532	109,009	(525,477)		(267,355)	4,599
CASH, Beginning of Year	1,744,675	2,004		663,367		2,410,046	2,405,447
CASH, End of Year	\$ 1,719,256	\$ 176,536	\$ 109,009	\$ 137,890	\$	\$ 2,142,691	\$ 2,410,046
OTHER CASH FLOW INFORMATION:							
Income taxes paid	\$ 28,851	\$ 11,061	\$ 11,124	\$	\$	\$ 51,036	\$ 50,403

The accompanying notes are an integral part of these financial statements.

NOTES TO AUDITED FINANCIAL STATEMENTS

1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,471 membership properties within the Tahoe Donner subdivision in Truckee, California. The Association was organized to provide management services and maintenance of certain common areas owned by the Association. A significant portion of revenue is derived from the assessment of member dues.

The Association operates and maintains facilities, which include a golf course and pro shop, restaurant, downhill ski area, clubhouse, Nordic ski area, beach and marina area, equestrian center, campground, tennis facilities, recreation complex, pools and parks. Revenues are derived from member and non-member usage of these facilities.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Operating Fund – Used to account for financial resources available for the general operations of the Association.

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

New Machinery & Equipment Fund – Used to account for financial resources designated for the purchase of new machinery, equipment, furnishings and fixtures.

Development Fund – Used to account for financial resources designated for use in the acquisition and enhancement of facilities, equipment and other resources. Restricted funds include proceeds from land received by the Association in settlement of claims against the developer, Dart Resorts, Inc. (Dart) which can only be expended to fund the expansion of recreational facilities per terms of the settlement of claims against the developer.

Property Fund – Used to account for the Association's investment in its common property and equipment.

Assessment revenue – Association members are subject to annual dues to provide funds for the Association's operating expenses, major repairs and replacements, development and purchase of new machinery and equipment. Assessment revenue is recognized in the assessment period. Assessments received in advance are deferred until earned. The Association has the right to suspend certain membership rights and pursue collection through foreclosure action. Bad debts are recognized when an account's collectability is uncertain.

Access and use fee revenues – Daily fees are charged for access to and use of Association amenities. As an alternate to daily fees, the Association sells recreation passes to members that entitle them to use of various amenities. Revenues from these sales are allocated to the various amenities based upon recreation pass usage.

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

The Association maintains cash in bank deposit accounts and certificates of deposit that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to cash and bank deposits.

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 of equipment and construction of facilities are recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 to 60 years. The Association's policy is to capitalize such items with a cost of \$2,000 or more. These assets are recorded directly in the property fund.

NOTES TO AUDITED FINANCIAL STATEMENTS

Approximately 2,000 acres of undeveloped non-common area real property owned by the association is controlled by the association's declaration of covenants and restrictions. This real property is located adjacent to the Tahoe Donner development and could be sold upon action by the board of directors after an advisory vote of the membership, which it is not obligated to follow.

Interest income is allocated to the operating, replacement and reserve and development funds in proportion to the interest-bearing assets of each fund.

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

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

The association has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, 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 California income tax examinations by tax authorities for years prior to 2006.

Subsequent events have been evaluated through March 15, 2011, the date the financial statements were issued.

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.

Reclassification – Certain 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

3. CASH AND INVESTMENTS

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

	2010	2009
Replacement reserve fund - designated	\$5,574,050	\$4,800,151
Development fund – restricted (RAE Fund)	3,199,546	3,244,606
Development fund - designated	4,036,756	2,628,287
New machinery & equip. fund - designated	109,009	
Operating fund - undesignated, unrestricted	2,594,169	2,504,159
Operating fund - designated	899,684	750,564
Operating fund - Architectural standards deposits - restricted (note 5)	97,176	133,400
Total	\$16,510,390	\$14,061,167

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.

Restricted funds in the development fund relate to the proceeds from the sale of a parcel of land which can only be expended to fund the expansion of recreational facilities per terms of the settlement of claims against the developer, Dart Resorts, Inc. These restricted funds are internally known as the Recreational Amenities Expansion (RAE) Fund.

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 AUDITED FINANCIAL STATEMENTS

Since the association has the positive intent and ability to hold investments until maturity, they are carried at amortized costs determined by specific identification. Investments are comprised of U.S. Treasury securities, corporate debt securities, and certificates of deposit.

Investments at December 31, 2010 mature as follows:

Investment	Within 1 Year	1-2 Years	Total
U.S. Treasury	\$4,195,609	\$4,195,609	
Certificates of deposit	10,077,090	\$95,000	10,172,090
Total	\$14,272,699	\$95,000	\$14,367,699

The amount of amortized cost, fair value, and unrecognized holding gains and losses were as follows at December 31:

	<u>2010</u>	<u>2009</u>
U.S. Treasury securities		
Fair value	4,196,372	4,048,362
Unrecognized holding gains	(763)	(273)
Amortized cost	<u>\$4,195,609</u>	<u>\$4,048,089</u>
Certificates of deposit		
Fair value	\$10,189,363	\$7,579,334
Unrecognized holding (gains) losses	(17,273)	23,698
Amortized cost	<u>\$10,172,090</u>	<u>\$7,603,032</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Buildings	\$20,988,463	\$20,913,032
Fixtures and facility improvements	11,244,585	10,993,234
Equipment	9,815,273	8,564,033
Land and land improvements	4,807,832	4,699,778
Furnishings	787,310	662,066
Total	47,643,463	45,832,143
Less accumulated depreciation	(21,024,322)	(18,950,262)
	26,619,141	26,881,881
Construction in progress	223,997	122,152
Total	\$26,843,138	\$27,004,033

5. DEPOSITS FROM MEMBERS

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

6. REPLACEMENT RESERVE FUND

The association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Replacement funding levels, as determined by a study updated in 2010, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.

NOTES TO AUDITED FINANCIAL STATEMENTS

7. SALARY SAVINGS PLAN

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 \$46,423 and \$47,321 for 2010 and 2009, respectively.

8. OPERATING LEASE OBLIGATIONS

The association has non-cancelable operating leases for copiers, golf carts, land usage and computer equipment. Rental expense under all operating leases was \$194,482 and \$154,868 for 2010 and 2009, respectively. Future minimum lease payments under these leases are as follows:

Year ending December 31:

2011	\$109,028
2012	95,008
2013	26,126
2014	19,154
2015 and thereafter	59,542
Total	\$308,858

TAHOE DONNER ASSOCIATION REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2010 (UNAUDITED)

In accordance with state law and sound business practices it is the policy of the association to fund a reserve program that will adequately provide for repair and replacement of existing association-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding needs. The association prepared a complete study in 2010 to estimate the remaining useful lives, the lives after replacement and the replacement costs of the components of common property. The estimates were based on estimates from consultants, management, contractors and historical costs. Estimated current replacement costs take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The association does not designate the balance in the replacement reserve fund by component. The total available for major repairs and replacements at December 31, 2010, was \$4,867,000. The 2011 lot assessments include \$2,330,000 to be allocated to the replacement fund.

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

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

Replacement Reserve Component Group	Range of Remaining Lives Remaining Lives (Years)	Estimated Life After Replacement (Years)	Current Replacement Costs
Trout Creek, pools & recreation	0-26	1-30	\$1,916,956
Marina	0-15	1-30	502,500
Tennis complex	0-15	1-30	1,191,455
Downhill ski area	0-22	1-30	3,803,103
Cross country/equestrian	0-26	1-30	1,153,330
Golf complex	0-25	1-30	6,224,465
Campground	0-17	1-25	201,747
The Lodge	0-26	1-30	2,685,866
Pizza On the Hill	0-17	1-30	357,527
Administration	0-30	1-30	3,137,244
Asphalt Maintenance	0-27	1-30	3,929,544
General & Building Maintenance	0-30	1-30	3,564,592
Total			\$28,668,329

See independent auditor's report (page 14) on required supplementary information.

2010 FINANCIAL HIGHLIGHTS

MEMBER'S EQUITY (As Of 12/31/20XX)

All Funds Combined

- \$39.3 million 12/31/2010 Ending Members Equity
- >> \$6,071 per Member, an increase of 5% over prior year

Operating Fund

- \$808,000 12/31/2010 Ending Members Equity (\$125 per Member)
- \$8.9 million Total Operating Revenues (excludes Annual Assessment); 5% over Budget
- \$12.9 million Total Operating Costs; favorable \$47k/0% to Budget
- \$4.0m Net Operating Result (NOR) Loss; favorable to Budget \$476,000 or 11%

Development Fund

- \$6.7 million 12/31/2010 Ending Members Equity (\$1039 per Member)
- >> \$3.3 million Recreational Amenities Expansion (restricted)
- >> \$2.8 million Designated Building Replacement
- >> \$0.6 million Designated Regular
- \$1,048,000 Contributed by Annual Assessment for Building Replacement
- \$342,000 Expenditures (land, DH surface lift, and cross country parking improvements)

Replacement Reserve Fund

- \$4.9 million 12/31/2010 Ending Members Equity (\$752 per Member)
- \$2,251,000 Contributed by Annual Assessment
- \$1.8 million Expenditures for replacement of aged building components and operating equipment

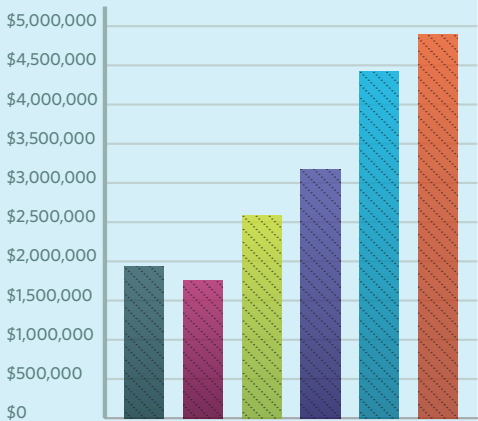
New Machinery and Equipment Fund

- \$47,000 12/31/2010 Ending Members Equity (\$7 per Member)
- \$162,000 Contributed by Annual Assessment
- \$155,000 in new capital expenditures

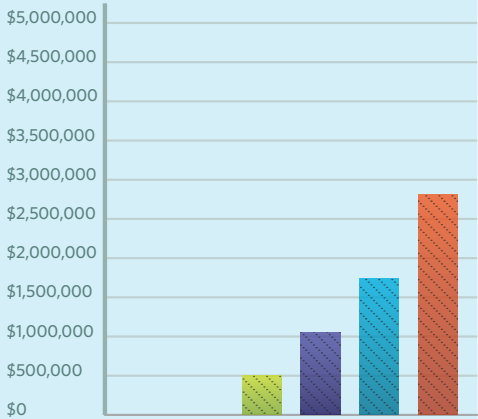
Property Fund

- \$26.8 million 12/31/2010 Ending Members Equity (\$4148/Member)
- \$2.1 million in capital additions through capital funds expenditures
- \$2.3 million in depreciation expense

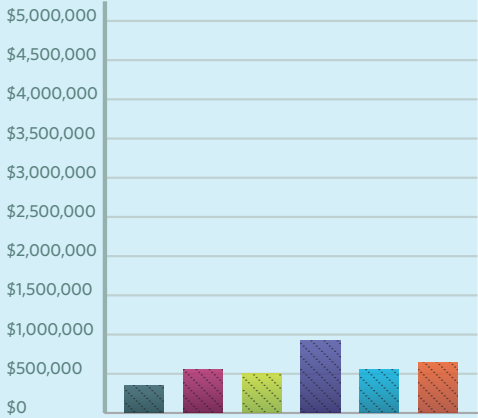
replacement
reserve fund



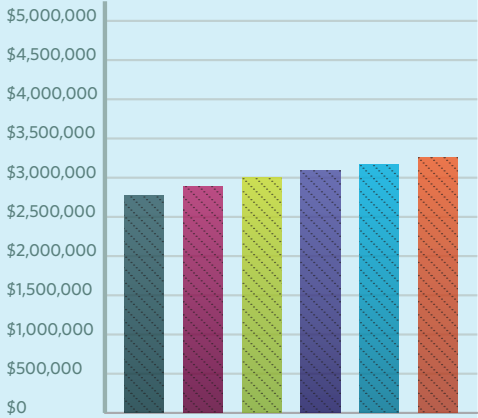
development
fund building
replacement



development
fund regular



development
fund
recreational
amenities
expansion
(restricted)



CHARTS to the right present key fund balances reserved for future capital needs of Tahoe Donner