



NEW ALDER CREEK ADVENTURE CENTER ARCHITECTURAL RENDERING

\$6.1 MILLION IN CAPITAL FUNDS EXPENDITURES

Reinvesting previously accumulated funds of the association. Refer to the capital discussion starting on page 8 for full details.

\$3.8 MILLION : FOR NEW ALDER CREEK ADVENTURE CENTER BUILDING
Investment in replacing 40+ year old Cross Country & Equestrian operations building

\$2.0 MILLION : IN REPLACEMENT RESERVE FUND EXPENDITURES
Over 200 reserve component projects, preserving and protecting existing assets of the association

\$350,000 OR 6% FAVORABLE : NET OPERATING RESULTS IN OPERATING FUND

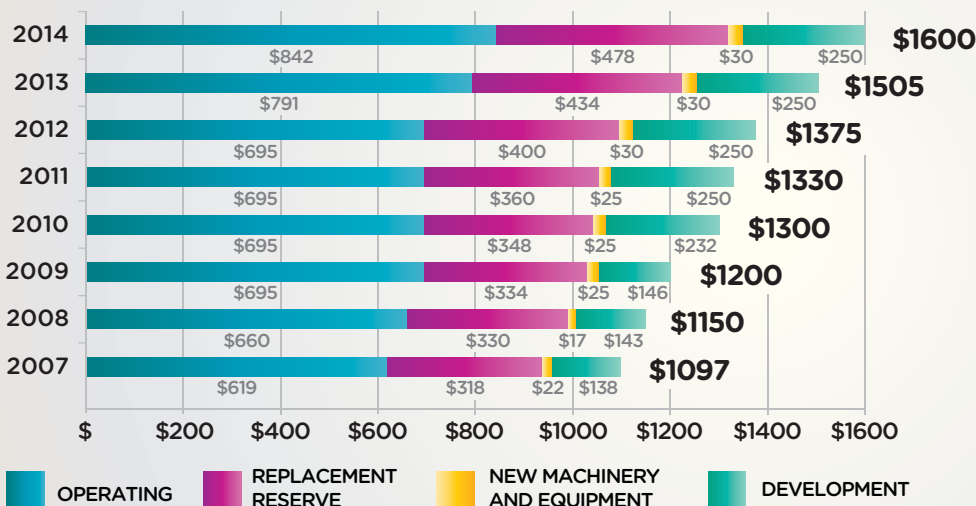
\$ 7.7 million in revenues, **UNDER BUDGET \$1,941,000 OR 20%**

\$12.8 million in costs, **UNDER BUDGET \$2,291,000 OR 15%**

OPERATING FUND

A SUCCESSFUL AGGRESSIVE LOSS RECOVERY PLAN EXECUTED IN RESPONSE TO DROUGHT INDUCED REVENUE SHORTFALL

ANNUAL ASSESSMENT PER OWNER (BY FUND)



ANNUAL ASSESSMENT PER OWNER (BY FUND)

OPERATING FUND CAGR 4.5%

CAPITAL FUNDS CAGR 6.8%

TOTAL ASSESSMENT CAGR 5.5%

COMPOUNDED ANNUAL GROWTH RATE (CAGR), 2007 TO 2014

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

DEAR MEMBERS,

The purpose of this 2014 Annual Report is to provide a comprehensive report on 2014 financial results and communicate the 2014 Audited Financial Statements and Independent Auditors Report to all members.

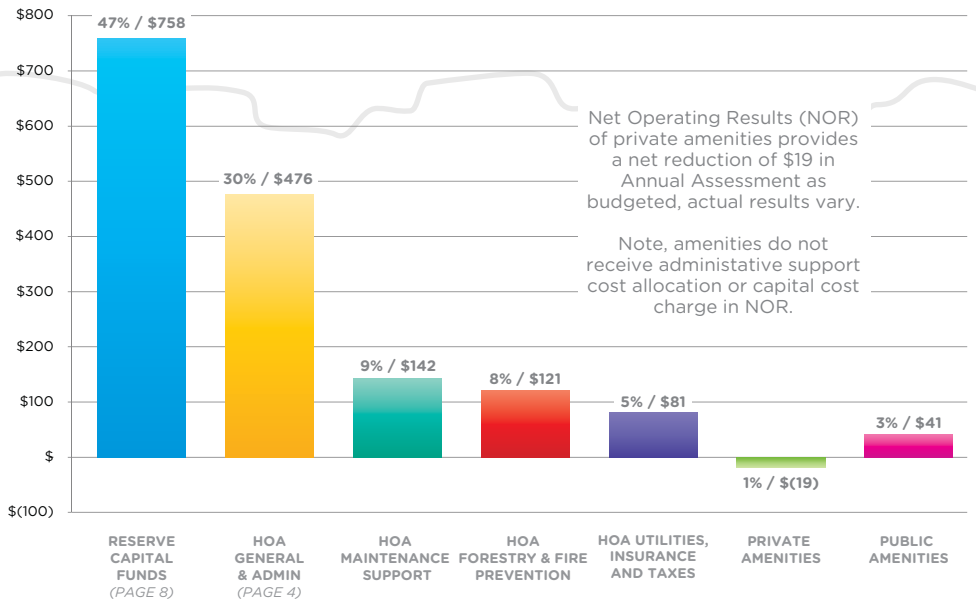
Management, Finance Committee, and the board consistently monitor both operational and financial results, and we are committed to both responsive and proactive management, balancing our service levels to volume and financial performance.

The first quarter drought presented a significant financial challenge for management and the board to get back on budget by year end. A loss recovery plan was successful in saving over \$750,000, with minimal impacts on service levels and customer service. The plan included mandatory employee furloughs and a hiring freeze, as well as, non-essential expense reductions. Thank you to all employees for the responsive financial management and sacrifices made to achieve this challenging goal.

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

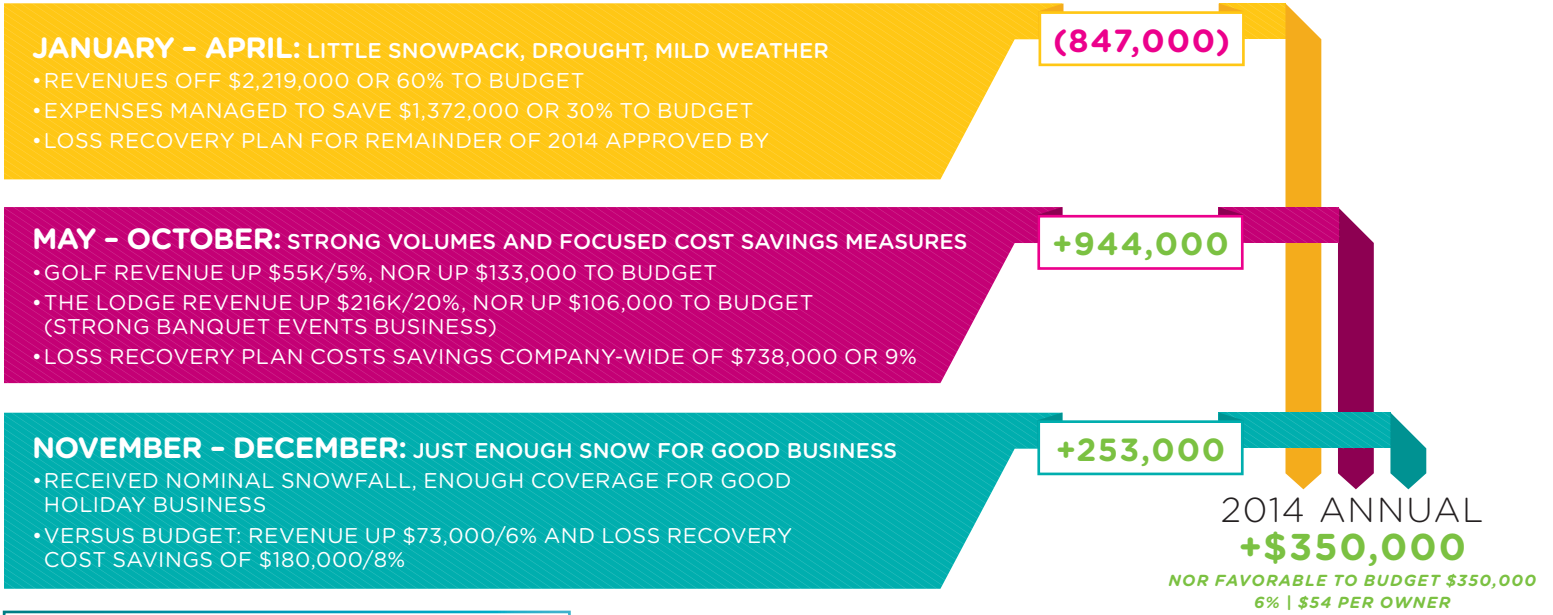
Michael Salmon | Director of Finance & Accounting
 msalmon@tahoedonner.com
 530-587-9418
 @TDAacg
 tahoedonner.com/financials

DISTRIBUTION OF 2014 ANNUAL ASSESSMENT (\$1,600 PER OWNER)



OPERATING FUND

NET OPERATING RESULTS - 2014 VARIANCES TO BUDGET



\$ 46.6 MILLION | \$7,205 PER OWNER
 Members' equity as of 12/31/2014, up 5% to 2013

\$ 4.9 MILLION | \$758 PER OWNER
 Capital contribution by Annual Assessment in 2014

\$ 5.5 MILLION | \$842 PER OWNER
 Operating contribution by Annual Assessment in 2014

\$ 7.7 MILLION OPERATING REVENUES
 Down 20% to budget and down 20% to 2013

\$ 12.8 MILLION OPERATING COSTS
 Down 15% to budget and down 12% to 2013

\$ 5.1 MILLION NOR LOSS
 Net Operating result loss | \$350,000 or 6% favorable to budget and \$123,000 or 2% unfavorable to 2013

- 138,042 | 378 AVERAGE PER DAY TROUT CREEK VISITS, DOWN 5% TO 2013
- 8,171 | 215 AVERAGE PER SEASON DAY DOWNHILL SKI VISITS, DOWN 79% TO 2013
- 48,313 | 133 AVERAGE PER DAY THE LODGE DINNER GUESTS, UP 1% TO 2013
- 43,178 | 317 AVERAGE PER SEASON DAY MARINA VISITS, UP 5% TO 2013
- 8,489 | 131 AVERAGE PER SEASON DAY CROSS COUNTRY SKI VISITS, DOWN 66% TO 2013
- 18,047 | 115 AVERAGE PER SEASON DAY GOLF ROUNDS, DOWN 3% TO 2013
- 8,525 | 230 AVERAGE PER SEASON DAY SNOWPLAY VISITS, DOWN 51% TO 2013
- 2,504 | SUPER DIAMOND SUMMER CONCERT CONCERT ATTENDANCE UP 141% TO 2013

DOWNHILL SKI AREA DROUGHT IMPACT:

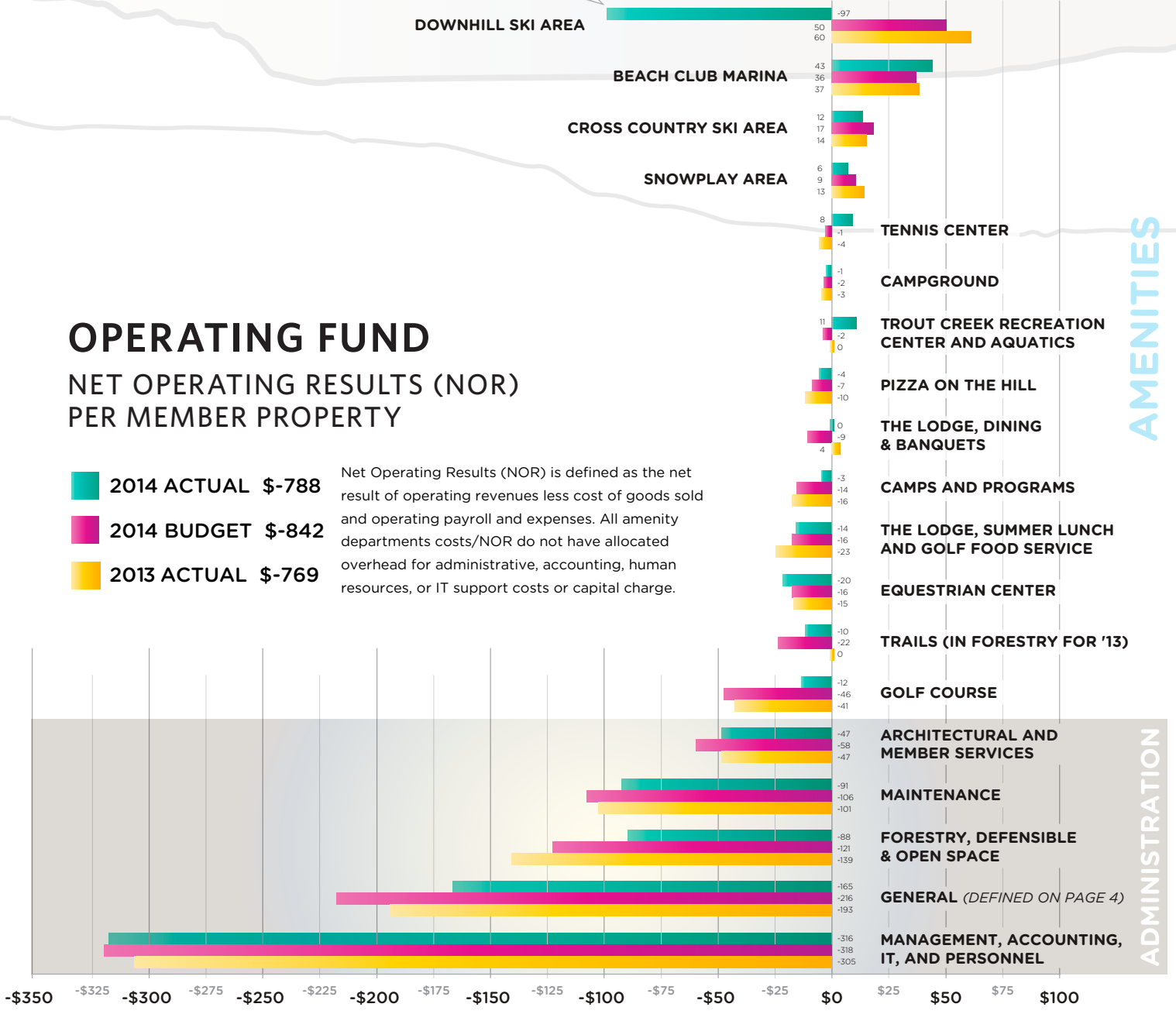
\$147/owner negative variance to 2014 Budget (\$951,000)
 \$157/owner negative variance to 2013 Actual (\$1,016,000)

OPERATING FUND

**NET OPERATING RESULTS (NOR)
 PER MEMBER PROPERTY**

- 2014 ACTUAL \$-788
- 2014 BUDGET \$-842
- 2013 ACTUAL \$-769

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

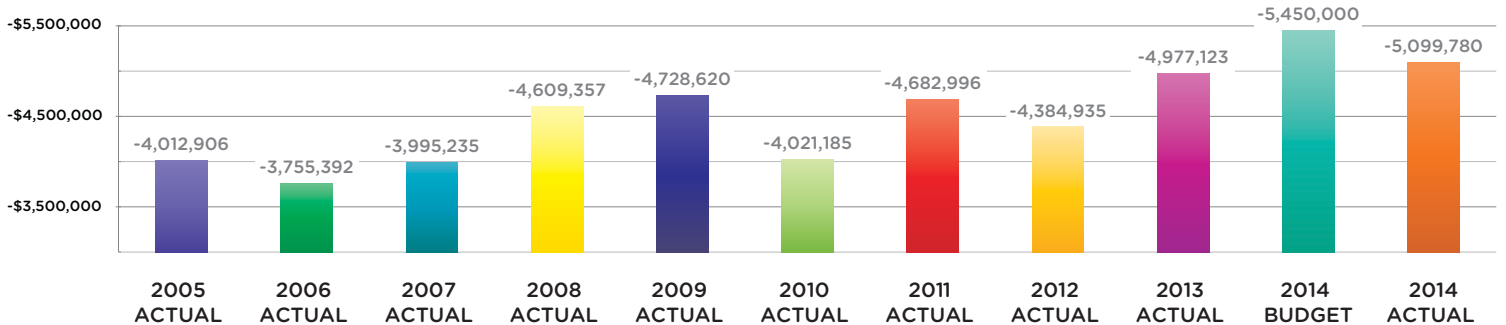


AMENITIES

ADMINISTRATION

OPERATING FUND - NET OPERATING RESULT COST TO ALL MEMBER PROPERTIES

(FUNDED BY ANNUAL ASSESSMENT) 2.7% CAGR 9 year, 2005 to 2014 1.5% CAGR 5 year, 2009 to 2014



OPERATING FUND 2014 DEPARTMENTAL RESULTS

	2014 ACTUAL				2014 NOR VS BUDGET	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	2014 BUDGET	ACTUAL TO BUDGET VARIANCE
PRIVATE AMENITIES						
TROUT CREEK RECREATION CENTER AND AQUATICS	\$1,097,471	\$-36,884	\$-986,618	\$73,969	\$-16,100	\$90,069
BEACH CLUB MARINA	568,723	-45,323	-246,354	277,046	230,700	46,346
TENNIS CENTER	250,613	-35,867	-165,491	49,255	-6,500	55,755
CAMPS AND PROGRAMS	325,982	-10,675	-335,941	-20,634	-87,800	67,166
TOTAL PRIVATE AMENITIES	2,242,789	-128,749	-1,734,404	379,636	120,300	259,336
PUBLIC AMENITIES						
GOLF	1,139,086	-69,377	-1,146,261	-76,552	-295,000	218,448
DOWNHILL SKI AREA	614,436	-40,876	-1,199,209	-625,649	321,050	-946,699
CROSS COUNTRY SKI AREA	438,906	-19,290	-339,015	80,601	109,850	-29,249
SNOWPLAY	69,890	-511	-30,329	39,050	57,900	-18,850
CAMPGROUND	52,044	0	-61,006	-8,962	-14,700	5,738
EQUESTRIAN	12,918	0	-139,406	-126,488	-103,000	-23,488
TRAILS	0	0	-64,248	-64,248	-139,300	75,052
THE LODGE - DINING AND BANQUETS	2,001,709	-625,873	-1,372,849	2,987	-58,000	60,987
THE LODGE - LUNCH AND GOLF FOOD SERVICES	183,846	-60,077	-213,018	-89,249	-102,000	12,751
PIZZA ON THE HILL	347,020	-108,255	-264,122	-25,357	-44,000	18,643
TOTAL PUBLIC AMENITIES	4,859,855	-924,259	-4,829,463	-893,867	-267,200	-626,667
TOTAL AMENITIES	7,102,644	-1,053,008	-6,563,867	-514,231	-146,900	-367,331

HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES

GENERAL (g)	209,637	0	-1,281,579	-1,071,942	-1,396,700	324,758
MANAGEMENT, ACCOUNTING, HUMAN RESOURCES, IT	217,766	0	-2,264,400	-2,046,634	-2,057,300	10,666
ARCHITECTURAL AND MEMBER SERVICES	136,997	0	-441,735	-304,738	-378,300	73,562
FORESTRY, DEFENSIBLE & OPEN SPACE	12,100	0	-583,609	-571,509	-783,000	211,491
MAINTENANCE	0	0	-590,726	-590,726	-687,800	97,074
TOTAL HOA	576,500	0	-5,162,049	-4,585,549	-5,303,100	717,551
TOTAL OPERATING RESULTS	7,679,144	-1,053,008	-11,725,916	-5,099,780	-5,450,000	350,220
ASSESSMENT REVENUES	5,447,600	0	0	5,447,600	5,450,000	-2,400
TOTAL OPERATING FUND	\$13,126,744	\$-1,053,008	\$-11,725,916	\$347,820	\$0	\$347,820

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

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.

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

YEAR ENDING DECEMBER 31, 2014

2014 NOR VS PRIOR YEAR		AMOUNTS INCLUDING REPLACEMENT RESERVE CAPITAL CONTRIBUTION					
2013 ACTUAL	2014 TO 2013 VARIANCE	NOR 2014 ACTUAL	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2014 NET RESULTS AFTER CAPITAL	2014 PER PROPERTY 6,471	2013 PER PROPERTY 6,471	2014 VS 2013
\$-2,446	\$76,415	\$73,969	\$-262,707	\$-188,738	\$-29	\$-39	\$10
240,546	36,500	277,046	-84,746	192,300	30	25	5
-22,923	72,178	49,255	-137,420	-88,165	-14	-25	11
-102,149	81,515	-20,634	-13,152	-33,786	-5	-18	13
113,028	266,608	379,636	-498,025	-118,389	-18	-57	39
-266,238	189,686	-76,552	-745,510	-822,062	-127	-147	20
390,983	-1,016,632	-625,649	-457,476	-1,083,125	-167	-3	-164
91,489	-10,888	80,601	-107,576	-26,975	-4	-1	-3
84,281	-45,231	39,050	-9,704	29,346	5	12	-7
-16,958	7,996	-8,962	-48,262	-57,224	-9	-10	1
-94,515	-31,973	-126,488	-31,448	-157,936	-24	-21	-3
	-64,248	-64,248	-119,315	-183,563	-28	-16	-12
27,047	-24,060	2,987	-231,796	-228,809	-35	-24	-11
-151,665	62,416	-89,249	-32,745	-121,994	-19	-28	9
-64,575	39,218	-25,357	-31,020	-56,377	-9	-15	6
-151	-893,716	-893,867	-1,814,852	-2,708,719	-419	-253	-166
112,877	-627,108	-514,231	-2,312,877	-2,827,108	-437	-310	-127

-1,255,961	184,019	-1,071,942	-255,926	-1,327,868	-205	-228	23
-1,976,144	-70,490	-2,046,634	-129,672	-2,176,306	-336	-323	-13
-303,811	-927	-304,738	-7,347	-312,085	-48	-48	0
-897,998	326,489	-571,509	-78,769	-650,278	-100	-153	53
-656,086	65,360	-590,726	-309,409	-900,135	-139	-142	3
-5,090,000	504,451	-4,585,549	-781,123	-5,366,672	-829	-894	65
-4,977,123	-122,657	-5,099,780	-3,094,000	-8,193,780	-1,266	-1,204	-62
5,117,855	329,745	5,447,600	3,094,000	8,541,600	1,320	1,225	95
\$140,732	\$207,088	\$347,820	\$0	\$347,820	\$54	\$21	\$33

SEE PAGES 6 - 7 FOR RESULTS BY DEPARTMENT HIGHLIGHTS

OPERATING FUND

2014 HIGHLIGHTS VERSUS BUDGET

GREEN=FAVORABLE VARIANCE TO BUDGET
MAGENTA=UNFAVORABLE VARIANCE TO BUDGET

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

GOLF

(\$77,000) NOR LOSS

FAVORABLE \$218,000 / 74% TO BUDGET

The Golf Course had a great summer season positively impacted by weather, with pass and pack sales favorable to prior year \$51k/25%. Successful group sales and off-peak specials. Cost savings in winter months.

THE LODGE RESTAURANT & PUB

\$3,000 NOR

FAVORABLE \$61,000 / 105% TO BUDGET

Also impacted by decrease number of visitation in the area during winter months, yet a positive NOR result. Major expansion completed in Spring 2013 increased seating and kitchen capacity to successfully improve service to members. Record revenues of \$2M! Banquet revenues of \$423k, favorable to prior year by \$150k or 55%.

PIZZA ON THE HILL

(\$25,000) NOR LOSS

FAVORABLE \$19,000 / 42% TO BUDGET

Improving volumes and improved quality in 2014. Continue to refine operating labor and product costs margins.

SNOWPLAY AREA

\$39,000 NOR

UNFAVORABLE \$19,000 / 33% TO BUDGET

Drought impacted, did offer Grassplay alternative.

CAMPGROUND

(\$9,000) NOR LOSS

FAVORABLE \$6,000 / 39% TO BUDGET

Great long summer with volume up 15%.

PUBLIC AMENITIES

DOWNHILL SKI AREA

\$626,000 NOR LOSS

UNFAVORABLE \$947,000 / 295% TO BUDGET

Ski area severely impacted by lack of snow. 13/14 and 14/15 season opened with limited terrain, total operating days in 13/14 season 30. 14/15 winter season operating days 40. Budgeted operating days 110.

SUMMER FOOD & BEVERAGE

LODGE LUNCH, T-9 GRILL, F&B GOLF CART, MARCO POLO GRILL AT TROUT CREEK REC CENTER

(\$89,000) NOR LOSS

FAVORABLE \$13,000 / 13% TO BUDGET

Improved volume and food quality in 2014. A focused effort in 2014 to refine operating labor and product costs margins.

EQUESTRIAN

(\$127,000) NOR LOSS

UNFAVORABLE \$23,000 / 23% TO BUDGET

Building construction impacted, only boarding offered, no summer programs.

CROSS COUNTRY SKI CENTER

\$81,000 NOR

UNFAVORABLE \$29,000 / 27% TO BUDGET

Significantly impacted by weather in both Q1 and December 2014, however still a positive NOR result.

TRAILS

(\$64,000) NOR LOSS

FAVORABLE \$75,000 / 54% TO BUDGET

Cost savings plan, dropped Trail Rangers and other costs.





HOA & AMENITY SUPPORT SERVICES

GENERAL (DEFINED ON PAGE 4)

(\$1,072,000) NOR LOSS

FAVORABLE \$325,000 / 23% TO BUDGET

Savings in utilities and miscellaneous other cost categories, driven by loss recovery plan implemented in spring.

MANAGEMENT,
ACCOUNTING, HUMAN
RESOURCES AND IT

(\$2,047,000) NOR LOSS

FAVORABLE \$11,000 / 1% TO BUDGET

MAINTENANCE

(\$591,000) NOR LOSS

FAVORABLE \$97,000 / 14% TO BUDGET

Favorable cost savings primarily due to position vacancies throughout the year.

FORESTRY, DEFENSIBLE
AND OPEN SPACE

(\$572,000) NOR LOSS

FAVORABLE \$211,000 / 27% TO BUDGET

Cost savings due to reprioritization of programs as part of loss recovery.

ARCHITECTURAL AND
MEMBER SERVICES

(\$305,000) NOR LOSS

FAVORABLE \$74,000 / 19% TO BUDGET

Volume of inspections for construction activities were significantly greater than budget expectations and the prior year.

PRIVATE AMENITIES

BEACH CLUB MARINA

\$277,000 NOR

FAVORABLE \$46,000 / 20% TO BUDGET

Another high performing year with increased visitation.

TROUT CREEK
RECREATION & AQUATICS

\$74,000 NOR

FAVORABLE \$90,000 / 559% TO BUDGET

Strong visitation and program participation throughout the year, with nominal weather impact volatility. Budgeted position not filled.

TENNIS CENTER

\$49,000 NOR

FAVORABLE \$56,000 / 85% TO BUDGET

High visitation levels due to great summer and programs offered, recreation fee allocation increased.

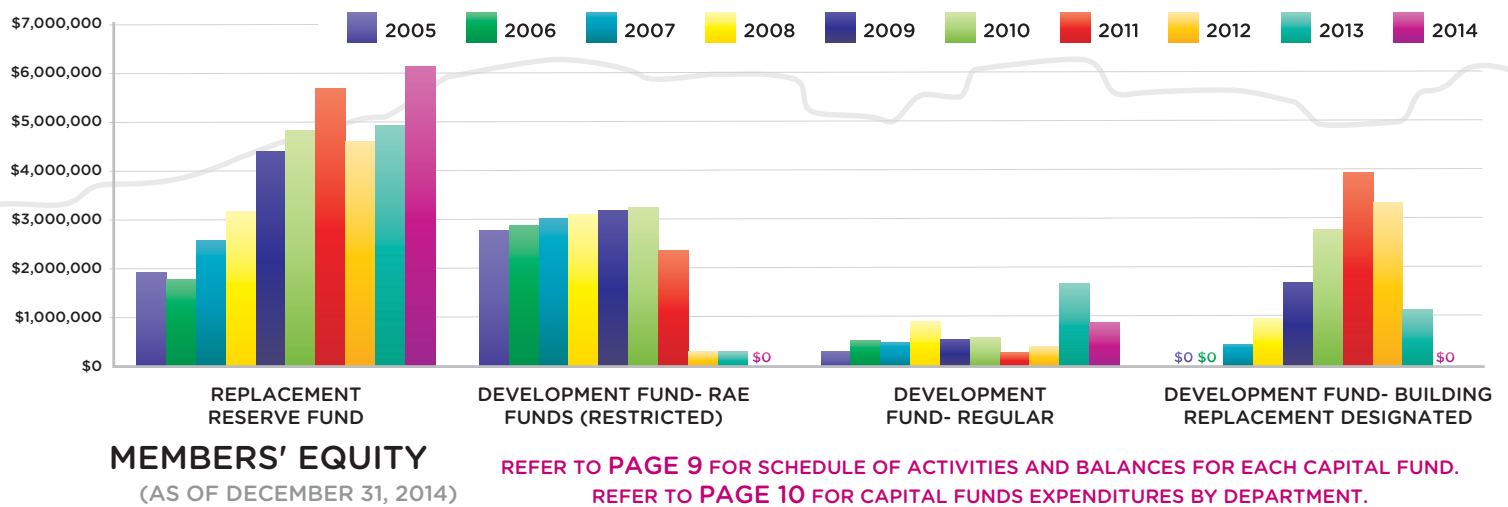
DAY CAMPS & RECREATION PROGRAMS

(\$21,000) NOR LOSS

FAVORABLE \$67,000 / 77% TO BUDGET

Day Camps strong results, NOR favorable \$18k/52% to budget. Recreation programs strong visitations and successful concert event; NOR favorable to budget \$49k/40%.

KEY FUND BALANCES RESERVED FOR FUTURE CAPITAL NEEDS



\$2.0 MILLION | 2014 EXPENDITURES REPLACEMENT RESERVE FUND

- \$321,000 CROSS COUNTRY/EQUESTRIAN building replacement components
- \$220,000 MIS (computer, network and phone hardware and software)
- \$135,000 FORESTRY complex asphalt overlay
- \$ 93,000 FORESTRY chipper replacement
- \$ 82,000 MARINA docks replacement
- \$ 82,000 GOLF course maintenance equipment replacements
- \$ 79,000 GOLF carts lease
- \$ 40,000 VEHICLE FLEET, pickup truck replacement
- \$ 37,000 GOLF course asphalt maintenance
- \$ 37,000 TENNIS courts (4/5/6) resurfacing and asphalt overlay road
- \$ 20,000 NORTHWOODS recreation Bocce area

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 1,600 individual items are tracked in this plan, with a current replacement value of \$42 million. A complete study and plan were performed in 2013 and updated in 2014.

25% FUNDED

Replacement Reserve funds as of 12/31/2014 ratio to Replacement Reserve Component total costs on 100% funded method calculation.

\$3.9 MILLION | 2014 EXPENDITURES DEVELOPMENT FUND

- \$ 3,777,000 CROSS COUNTRY/EQUESTRIAN building replacement
- \$ 43,000 MARINA improvements planning
- \$ 29,000 EQUESTRIAN facility planning
- \$ 28,000 TRAILS construction of new trails

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 also accounts for the board previously designated funds accumulated for the specific purpose of replacing existing buildings.

The Development Fund also accounts for the restricted Recreational Amenities Expansion funds, referred to as the RAE funds. In 2014, the last remaining \$334,000 of RAE funds were expended on the expansion of the cross country/equestrian building. In 2012, \$2,057,000 of RAE funds were expended to acquire land in Euer Valley. *In 2011, \$777,000 of RAE funds were expended to acquire land in Euer Valley.*

\$266,000 | 2014 EXPENDITURES NEW MACHINERY AND EQUIPMENT FUND

- \$ 89,000 DOWNHILL SKI/DAYCAMPS bus
- \$ 10,000 RECREATION equipment
- \$ 8,000 CROSS COUNTRY snow blower
- \$ 7,000 PIZZA ON THE HILL oven

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

PROPERTY FUND

The Property Fund is used to account for the Association's investment in its fixed assets. Capital additions to fixed assets totaled \$5,742,000 (in 2013 \$5,023,000).

Depreciation expense for the year totaled \$2,651,000 (in 2013 \$2,527,000).

Total gross fixed asset value of \$62.0m equates to \$9,585 per owner and net book value of fixed assets and construction in progress of \$38.3m equates to \$5,918 per owner (an increase of 8% over 2013).

CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2014

	2014 ACTUAL	2014 BUDGET	2014 ACTUAL VS 2014 BUDGET	2013 ACTUAL	2014 ACTUAL VS 2013 ACTUAL
REPLACEMENT RESERVE FUND					
BEGINNING FUND BALANCE	\$4,970,638	\$4,650,000	\$320,638	\$4,629,816	\$340,822
ASSESSMENT CONTRIBUTION	3,094,000	3,094,000	-	2,809,000	285,000
INTEREST REVENUE	11,379	10,000	1,379	11,366	13
OTHER REVENUE AND EXPENSE, NET	67,581	5,000	62,581	110,212	(42,631)
MAJOR MAINTENANCE EXPENSES	(323,311)	(410,000)	86,689	(343,687)	20,376
EXPENDITURES FOR CAPITAL ADDITIONS	(1,654,355)	(3,795,000)	2,140,645	(2,246,069)	591,714
CHANGE IN FUND BALANCE	1,195,294	(1,096,000)	2,291,294	340,822	854,472
ENDING FUND BALANCE	6,165,932	3,554,000	2,611,932	4,970,638	1,195,294
NEW MACHINERY & EQUIPMENT FUND					
BEGINNING FUND BALANCE	48,462	50,000	(1,538)	119,978	(71,516)
ASSESSMENT CONTRIBUTION	194,000	194,000	-	194,000	-
INTEREST REVENUE	28	-	28	39	(11)
MAJOR MAINTENANCE EXPENSES	-	-	-	-	-
EXPENDITURES FOR CAPITAL ADDITIONS	(153,026)	(214,000)	60,974	(265,555)	112,529
CHANGE IN FUND BALANCE	41,002	(20,000)	61,002	(71,516)	112,518
ENDING FUND BALANCE	89,464	30,000	59,464	48,462	41,002
DEVELOPMENT FUND (INCLUDES RAE RESTRICTED, DESIGNATED BUILDING REPLACEMENT, AND REGULAR)					
BEGINNING FUND BALANCE	3,267,808	2,910,000	357,808	4,167,239	(899,431)
ASSESSMENT CONTRIBUTION	1,618,000	1,618,000	-	1,618,000	-
INTEREST REVENUE	2,679	7,000	(4,321)	7,131	(4,452)
OPERATING FUND TRANSFER IN	-	-	-	-	-
OTHER REVENUE & EXPENSE NET	(4,103)	(7,000)	2,897	(10,081)	5,978
FUND EXPENSES FOR CAPITAL ADDITIONS	(3,500)	-	(3,500)	(2,818)	(682)
EXPENDITURES FOR CAPITAL ADDITIONS	(3,934,339)	(4,487,000)	552,661	(2,511,663)	(1,422,676)
CHANGE IN FUND BALANCE	(2,321,263)	(2,869,000)	547,737	(899,431)	(1,421,832)
ENDING FUND BALANCE	946,545	41,000	905,545	3,267,808	(2,321,263)
CAPITAL FUND TOTALS (SEE NEXT PAGE FOR BREAKDOWN BY DEPARTMENT)					
MAJOR MAINTENANCE/FUND EXPENSES	(326,811)	(410,000)	86,689	(346,505)	20,376
EXPENDITURES FOR CAPITAL ADDITIONS	(5,741,720)	(8,496,000)	2,754,280	(5,023,287)	(718,433)
TOTAL	\$(6,068,531)	\$(8,906,000)	\$2,840,969	\$(5,369,792)	\$(698,739)

A) DEVELOPMENT FUND: Recreational Amenity Expansion (RAE) amounts are restricted funds. Refer to Development Fund discussion on page 8 for further information.
 12/31/2014 Balance Components: All \$946,545 Regular.
 12/31/2013 Balance Components: \$339,471 RAE Restricted, \$1,193,740 Designated Building Replacement, and \$1,734,597 Regular.

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

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

CAPITAL FUNDS EXPENDITURES BY DEPARTMENT

YEAR ENDING DECEMBER 31, 2014

	REPLACEMENT RESERVE FUND		NEW MACHINERY AND EQUIPMENT FUND		DEVELOPMENT FUND		CAPITAL FUNDS TOTAL	
	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE	CAPITAL ADDITIONS	MAJOR MAINTENANCE
PRIVATE AMENITIES								
TROUT CREEK REC CENTER	\$11,249	\$2,100	\$ -	\$ -	\$551	\$ -	\$11,800	\$2,100
BEACH CLUB MARINA	107,434	5,752	3,415	-	42,677	-	153,526	5,752
TENNIS CENTER	65,110	6,695	1,177	-	-	-	66,287	6,695
NORTHWOODS POOL / AQUATICS	44,541	5,068	2,528	-	-	-	47,069	5,068
CAMPS AND REC PROGRAMS	32,094	-	20,496	-	-	-	52,590	-
TOTAL PRIVATE AMENITIES	260,428	19,615	27,616	-	43,228	-	331,272	19,615
PUBLIC AMENITIES								
GOLF	103,617	127,156	-	-	-	-	103,617	127,156
DOWNHILL SKI AREA	61,604	7,867	89,324	-	7,402	-	158,330	7,867
CROSS COUNTRY SKI CENTER	(a) 379,290	1,049	8,216	-	(d) 3,778,635	-	4,166,141	1,049
CAMPGROUND	7,710	-	-	-	-	-	7,710	-
EQUESTRIAN	-	-	-	-	28,584	-	28,584	-
TRAILS	27,354	2,990	5,735	-	28,284	-	61,373	2,990
THE LODGE	39,299	1,150	9,483	-	-	-	48,782	1,150
THE LODGE, SUMMER LUNCH/GOLF F&B	-	-	-	-	2,086	-	2,086	-
PIZZA ON THE HILL	3,594	3,668	7,497	-	-	-	11,091	3,668
SNOWPLAY	-	-	-	-	-	-	-	-
TOTAL PUBLIC AMENITIES	622,468	143,880	120,255	-	3,844,991	-	4,587,714	143,880
TOTAL AMENITIES	882,896	163,495	147,871	-	3,888,219	-	4,918,986	163,495
HOMEOWNERS ASSOCIATION								
GENERAL	(b) 244,102	44,994	-	-	25,193	3,500	269,295	48,494
MARKETING & COMMUNICATION	-	-	-	-	-	-	-	-
FACILITY ADMINISTRATION	-	72,100	-	-	-	-	-	72,100
ADMINISTRATION	32,563	6,641	-	-	-	-	32,563	6,641
MANAGEMENT INFORMATION SYSTEMS	190,345	29,496	3,745	-	27,993	-	222,083	29,496
ACCOUNTING	-	-	-	-	-	-	-	-
HUMAN RESOURCES	-	-	-	-	-	-	-	-
ARCHITECTURAL STANDARDS OFFICE	-	-	-	-	-	-	-	-
MEMBER SERVICES	210	-	-	-	-	-	210	-
FORESTRY	(c) 258,315	-	1,081	-	(7,066)	-	252,330	-
MAINTENANCE	45,924	6,585	329	-	-	-	46,253	6,585
TOTAL HOMEOWNERS ASSOC	771,459	159,816	5,155	-	46,120	3,500	822,734	163,316
TOTAL	\$1,654,355	\$323,311	\$153,026	\$-	\$3,934,33	\$3,500	\$5,741,720	\$326,811

(a) Includes Cross Country/Equestrian building replacement, Replacement Reserve Fund portion for components of \$321,000

(b) Includes Northwoods Clubhouse roof replacement and improvements of \$206,000

(c) Includes Forestry area asphalt overlay of \$135,000 and chipper replacement of \$93,000

(d) Includes Cross Country/Equestrian building replacement, Development Fund portion of \$3,777,000

STATEMENT OF LEGAL COMPLIANCE

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

INDEPENDENT AUDITOR'S REPORT

An independent auditor's report, prepared by Gilbert Associates, and associated financial statements are on pages 11-19 of this Annual Report.

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS
TAHOE DONNER ASSOCIATION
TRUCKEE, CALIFORNIA

We have audited the accompanying financial statements of Tahoe Donner Association (Association), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of revenues, expenses and changes in members' equity, and of cash flows for the years then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2014 and 2013, and the changes in members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GILBERT ASSOCIATES, INC.
SACRAMENTO, CALIFORNIA
MARCH 19, 2015

TAHOE DONNER ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN MEMBERS' EQUITY, DECEMBER 31, 2014 AND 2013

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	\$ 2,831,169		\$ 2,831,169
Retail sales	3,075,344		3,075,344
Lessons and rental revenue	957,805		957,805
Other revenues	238,326	\$ 573,121	811,447
Interest income		<u>3,379</u>	<u>3,379</u>
Gross operating revenues	7,102,644	576,500	7,679,144
Cost of goods sold	<u>(1,053,008)</u>		<u>(1,053,008)</u>
Net operating revenues	<u>6,049,636</u>	<u>576,500</u>	<u>6,626,136</u>
OPERATING EXPENSES:			
Salaries and wages	3,526,027	3,226,236	6,752,263
Payroll taxes and employee benefits	1,059,202	870,465	1,929,667
Supplies and maintenance	746,326	108,884	855,210
Utilities	521,197	242,455	763,652
Insurance	219,436	140,006	359,442
Other employee expenses	68,810	85,724	154,534
Income tax benefit		14,311	14,311
Other expenses	<u>358,433</u>	<u>538,404</u>	<u>896,837</u>
Total operating expenses	<u>6,499,431</u>	<u>5,226,485</u>	<u>11,725,916</u>
NET OPERATING INCOME (LOSS)	<u>(449,795)</u>	<u>(4,649,985)</u>	<u>(5,099,780)</u>
CAPITAL ACTIVITIES:			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
ASSESSMENTS:			
Assessment revenues	<u>146,900</u>	<u>5,300,700</u>	<u>5,447,600</u>
INCREASE (DECREASE) IN MEMBERS' EQUITY	<u>\$ (302,895)</u>	<u>\$ 650,715</u>	347,820
TRANSFERS BETWEEN FUNDS			
MEMBERS' EQUITY, December 31, 2013			<u>776,399</u>
MEMBERS' EQUITY, December 31, 2014			<u>\$ 1,124,219</u>

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

TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY DECEMBER 31, 2014 AND 2013

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery and Equipment Fund	Development Fund	Property Fund	Total 2014	Total 2013
				\$ 2,831,169	\$ 3,609,173
				3,075,344	3,174,624
				957,805	1,868,543
				811,447	847,414
\$ 11,379	\$ 28	\$ 2,679		17,465	23,788
11,379	28	2,679		7,693,230	9,523,542
				(1,053,008)	(1,173,525)
11,379	28	2,679		6,640,222	8,350,017
				6,752,263	7,377,004
				1,929,667	1,864,770
				855,210	1,510,239
				763,652	788,616
				359,442	406,943
				154,534	229,464
				14,311	16,278
4,990		3,865		905,692	1,140,247
4,990		3,865		11,734,771	13,333,561
6,389	28	(1,186)		(5,094,549)	(4,983,544)
(1,654,355)	(153,026)	(3,934,339)	\$ 5,741,720		
75,292			(249,330)	(174,038)	85,993
(326,032)		(3,738)		(329,770)	(346,505)
			(2,651,018)	(2,651,018)	(2,527,024)
(1,905,095)	(153,026)	(3,938,077)	2,841,372	(3,154,826)	(2,787,536)
3,094,000	194,000	1,618,000		10,353,600	9,738,855
1,195,294	41,002	(2,321,263)	2,841,372	2,104,225	1,967,775
4,970,638	48,462	3,267,808	35,455,158	44,518,465	42,550,690
\$ 6,165,932	\$ 89,464	\$ 946,545	\$ 38,296,530	\$ 46,622,690	\$ 44,518,465

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

TAHOE DONNER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	Operating Fund	Replacement Reserve Fund	New Machinery and Equipment Fund	Development Fund	Property Fund	Total 2014	Total 2013
ASSETS							
Cash	\$ 1,472,086					\$ 1,472,086	\$ 608,997
Cash, designated and restricted	332,989	\$ 339,385	\$ 144,057	\$ 569,968		1,386,399	1,686,990
Investments	2,539,053					2,539,053	2,537,354
Investments, designated and restricted		6,969,457		1,248,407		8,217,864	8,515,891
Assessments and other member receivables, net of allowance for doubtful accounts of \$94,572 in 2014 and \$104,230 in 2013	281,625					281,625	312,695
Other receivables	63,250	4,693		2,168		70,111	174,336
Inventory	316,593					316,593	304,435
Prepaid expenses and other assets	679,148					679,148	608,507
Due from (to) other funds	(50,562)	7,764	12,424	30,374			
Net property and equipment					\$ 38,296,530	38,296,530	35,455,158
TOTAL ASSETS	<u>\$ 5,634,182</u>	<u>\$ 7,321,299</u>	<u>\$ 156,481</u>	<u>\$ 1,850,917</u>	<u>\$ 38,296,530</u>	<u>\$ 53,259,409</u>	<u>\$ 50,204,363</u>
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 136,902	\$ 30,752	\$ 2,875	\$ 234,859		\$ 405,388	\$ 522,783
Deferred revenues	3,049,899	1,124,615	64,142	534,513		4,773,169	4,214,241
Deposits from members	188,535					188,535	164,820
Accrued liabilities	1,134,627			135,000		1,269,627	784,054
TOTAL LIABILITIES	4,509,963	1,155,367	67,017	904,372		6,636,719	5,685,898
MEMBERS' EQUITY	<u>1,124,219</u>	<u>6,165,932</u>	<u>89,464</u>	<u>946,545</u>	<u>\$ 38,296,530</u>	<u>46,622,690</u>	<u>44,518,465</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 5,634,182</u>	<u>\$ 7,321,299</u>	<u>\$ 156,481</u>	<u>\$ 1,850,917</u>	<u>\$ 38,296,530</u>	<u>\$ 53,259,409</u>	<u>\$ 50,204,363</u>

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

TAHOE DONNER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	Operating Fund	Replacement Reserve Fund	New Machinery and Equipment Fund	Development Fund	Property Fund	Total 2014	Total 2013
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ 347,820	\$ 1,195,294	\$ 41,002	\$ (2,321,263)	\$ 2,841,372	\$ 2,104,225	\$ 1,967,775
Reconciliation to net cash provided by operating activities:							
Fund transfer							
Depreciation expense					2,651,018	2,651,018	2,527,024
Capital additions and transfers		1,654,355	153,026	3,934,339	(5,741,720)		
(Gain) loss on sale or disposal of property and equipment		(75,292)			249,330	174,038	(85,993)
Changes in:							
Assessments receivable	31,070					31,070	(18,749)
Other receivables	95,503	6,096		2,626		104,225	(100,754)
Inventory	(12,158)					(12,158)	(66,961)
Prepaid expenses and other assets	(70,641)					(70,641)	(354,465)
Due from (to) other funds	(19,353)	58,277	(11,407)	(27,517)			
Accounts payable	(204,836)	(69,908)	(27,414)	184,763		(117,395)	80,614
Deferred revenues	410,528	131,491	1,812	15,097		558,928	349,192
Deposits from members	23,715					23,715	67,895
Accrued liabilities	350,573			135,000		485,573	(21,383)
Net cash provided by operating activities	<u>952,221</u>	<u>2,900,313</u>	<u>157,019</u>	<u>1,923,045</u>		<u>5,932,598</u>	<u>4,344,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(1,654,355)	(153,026)	(3,934,339)		(5,741,720)	(5,023,287)
Proceeds from sale of property and equipment		75,292				75,292	125,088
Purchases of investments	(4,251,656)	(5,954,545)	(144,049)	(3,996,114)		(14,346,364)	(16,160,480)
Proceeds from sale of investments	<u>4,249,957</u>	<u>4,000,000</u>	<u>144,049</u>	<u>6,248,686</u>		<u>14,642,692</u>	<u>16,640,064</u>
Net cash used by investing activities	<u>(1,699)</u>	<u>(3,533,608)</u>	<u>(153,026)</u>	<u>(1,681,767)</u>		<u>(5,370,100)</u>	<u>(4,418,615)</u>
NET INCREASE (DECREASE) IN CASH	950,522	(633,295)	3,993	241,278		562,498	(74,420)
CASH, Beginning of Year	<u>854,553</u>	<u>972,680</u>	<u>140,064</u>	<u>328,690</u>		<u>2,295,987</u>	<u>2,370,407</u>
CASH, End of Year	<u>\$ 1,805,075</u>	<u>\$ 339,385</u>	<u>\$ 144,057</u>	<u>\$ 569,968</u>	<u>\$</u>	<u>\$ 2,858,485</u>	<u>\$ 2,295,987</u>
OTHER CASH FLOW INFORMATION:							
Income taxes refunded (paid)	<u>\$ 16,226</u>	<u>\$ 8,078</u>	<u>\$</u>	<u>\$ 704</u>	<u>\$</u>	<u>\$ 25,008</u>	<u>\$ 16,016</u>

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 6,471 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, and other Association real property.

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

INCOME TAXES - The Association is generally exempt from federal income taxes under Internal Revenue Code 501(c)(4). For California purposes, the Association is taxed as a regular corporation. As a membership organization, the Association is generally taxed only on non-member income, such as advertising revenue and golf and ski ticket sales to the public, at regular federal corporate tax rates. The Association has applied the accounting principles related to the accounting for uncertainty in income taxes and has determined there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2010.

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

SUBSEQUENT EVENTS have been evaluated through March 19, 2015, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2014 that require recognition or disclosure in the financial statements.

RECLASSIFICATION - Certain 2013 amounts have been reclassified to conform to the 2014 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:

	2014	2013
Replacement reserve fund - designated	\$7,308,842	\$5,987,592
Development fund - restricted (RAE Fund)	-	328,690
Development fund - designated	1,818,375	3,500,979
New machinery and equipment fund - designated	144,057	140,064
Operating fund - undesignated and unrestricted	4,011,139	1,147,151
Operating fund - Trust - restricted (note 7)	143,938	80,737
Operating fund - Architectural standards deposits - restricted (note 5)	189,051	164,819
TOTAL	\$13,615,402	\$13,349,232

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.

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

Investments at December 31, 2014 mature as follows:

INVESTMENT	WITHIN 1 YEAR	1 TO 2 YEARS	TOTAL
U.S. TREASURY	\$8,005,336	\$962,296	\$8,967,632
CERTIFICATES OF DEPOSIT	\$1,478,124	\$311,161	\$1,789,285
TOTAL	\$9,483,460	\$1,273,457	\$10,756,917

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Buildings	\$ 25,530,230	\$25,632,003
Fixtures and facility improvements	13,876,969	13,580,913
Equipment	13,015,050	12,340,711
Land and land improvements	8,680,240	8,666,697
Furnishings	919,204	937,230
TOTAL	62,021,693	61,157,554
Less accumulated depreciation	(28,278,248)	(26,288,326)
	33,743,445	34,869,228
Construction in progress	4,553,085	585,930
TOTAL	\$38,296,530	\$35,455,158

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 2014, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.

7. RETIREMENT PLANS

The Association maintains a salary savings plan for all eligible employees. The Association matches 50% of the first 6% of the participant's contribution. Matching contributions are 20% vested after the third year of service and vest at the rate of 20% per year thereafter. Matching contributions expense was \$43,891 and \$73,362 for 2014 and 2013, 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. The 457 Plans funds are held in trust accounts and contributions are deferred compensation until certain future date conditions are met. The Association's contribution to the 457 Plans was \$44,709 and \$43,259 for the years ended December 31, 2014 and 2013, 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 \$158,101 and \$153,396 for 2014 and 2013, respectively. Future minimum lease payments under these leases are as follows:

Year ending December 31:

2015	\$113,581
2016	98,446
2017	22,852
2018	13,402
2019	5,752
THEREAFTER	23,008
TOTAL	\$277,041

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS | DECEMBER 31, 2014 (UNAUDITED)

In accordance with state law and sound business practices it is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing Association-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding needs. The Association updated its study in 2014 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, 2014, was \$6,166,000. The 2015 lot assessments include \$3,405,000 to be allocated to the replacement fund.

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

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

COMPONENT GROUP	RANGE OF REMAINING LIVES (YEARS)	ESTIMATED LIFE AFTER REPLACEMENT (YEARS)	CURRENT REPLACEMENT COSTS
Trout Creek, pools and recreation	0-30	1-30	\$3,950,338
Marina	0-30	1-30	1,118,321
Tennis Complex	0-30	1-30	1,829,968
Downhill Ski Area	0-30	1-30	6,220,884
Cross Country Ski Area	0-30	1-30	1,465,641
Equestrian	0-30	1-30	416,625
Golf Complex	0-30	1-30	9,932,782
Campground	0-30	1-30	594,293
The Lodge Restaurant & Pub	0-30	1-30	3,359,026
Pizza On the Hill	0-30	1-30	441,430
Administration/MIS	0-30	1-30	4,875,061
Forestry	0-30	1-30	982,796
General & building maintenance	0-30	1-30	3,476,010
Trails	0-30	1-30	1,514,986
Vehicle maintenance	0-30	1-30	1,799,849
		TOTAL	\$ 41,978,010

See independent auditor's report on required supplementary information.

