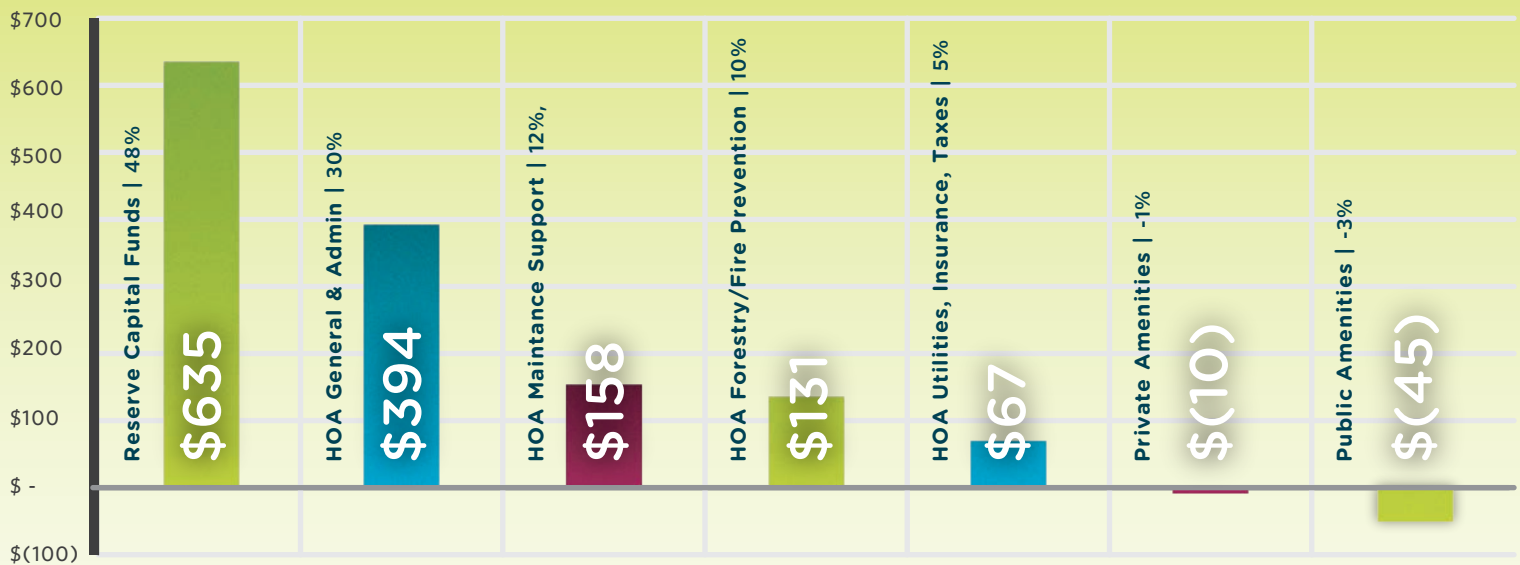




2011 ANNUAL REPORT

2011 Budget Annual Assessment per Owner of \$1,330 Distribution



Annual Assessment per Owner

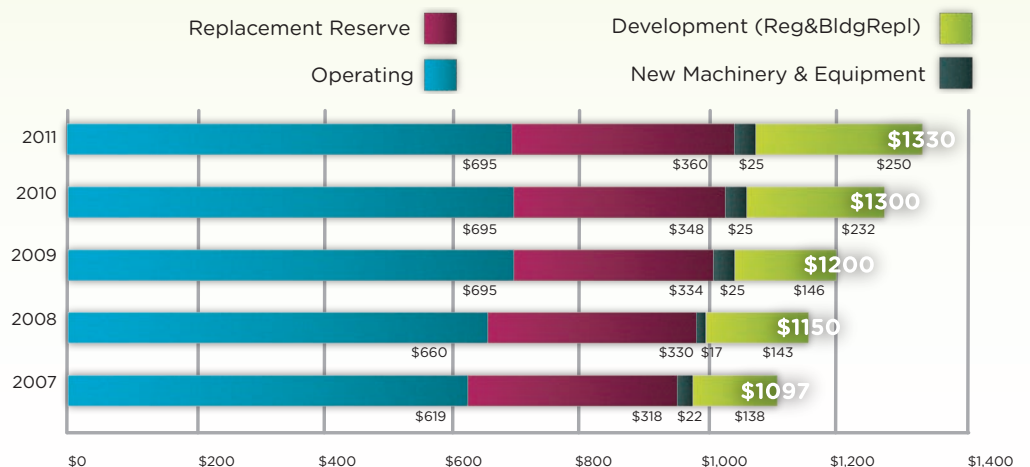
Operating Fund CAGR 3%

Capital Funds CAGR 7%

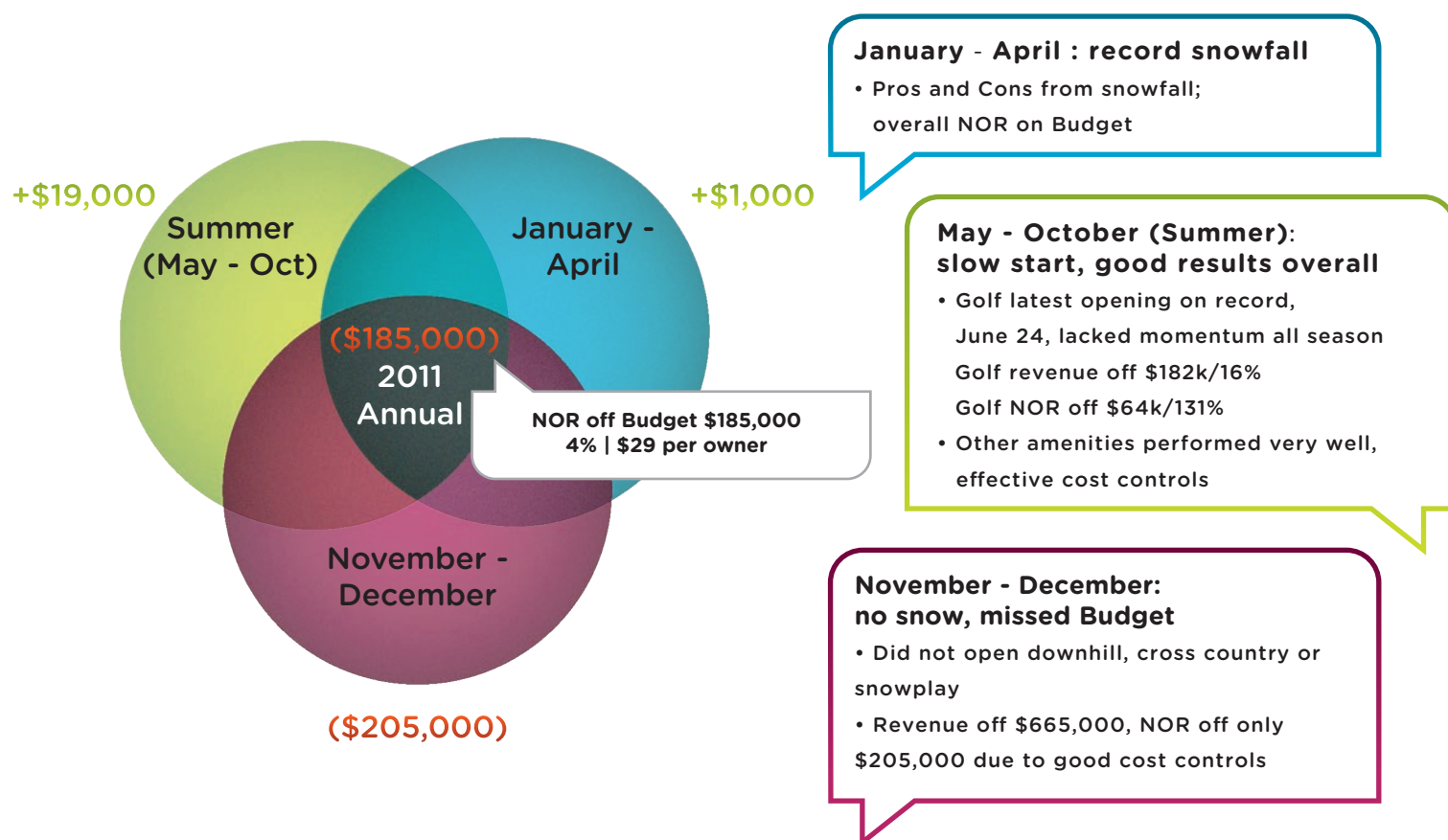
Total Assessment CAGR 5%

*Compounded Annual Growth Rate (CAGR),
2007 to 2011*

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



OPERATING FUND - NET OPERATING RESULTS (NOR) 2011 VARIANCE TO BUDGET



Dear Owners,

The purpose of this 2011 Annual Report is to provide a comprehensive report on 2011 financial results and communicate the 2011 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.

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

MICHAEL SALMON
DIRECTOR OF FINANCE
& ACCOUNTING
msalmon@tahoedonner.com
(530) 587-9418
tahoedonner.com/financials

\$40.6 million | \$6273 per owner | Members' Equity as of 12/31/2011, up 3.3% to 2010

\$4.1 million | \$635 per owner | Capital Contribution by Annual Assessment in 2011

\$4.5 million | \$695 per owner | Operating Contribution by Annual Assessment in 2011

\$8.3 million | Operating Revenues | Down 6% to Budget and down 5% to 2010

\$12.9 million | Operating Costs | Down 2% to Budget and up 1% over 2010

\$4.7 million | NOR Loss | \$185,000 or 4% off Budget, \$662,000 or 16% off 2010

ATTENDANCE

139,777 | 383 average per day
Trout Creek visits, up 1% to 2010

45,032 | 421 average per season day
Downhill Ski visits, down 26% to 2010

41,330 | 113 average per day
The Lodge dinner guests, up 7% to 2010

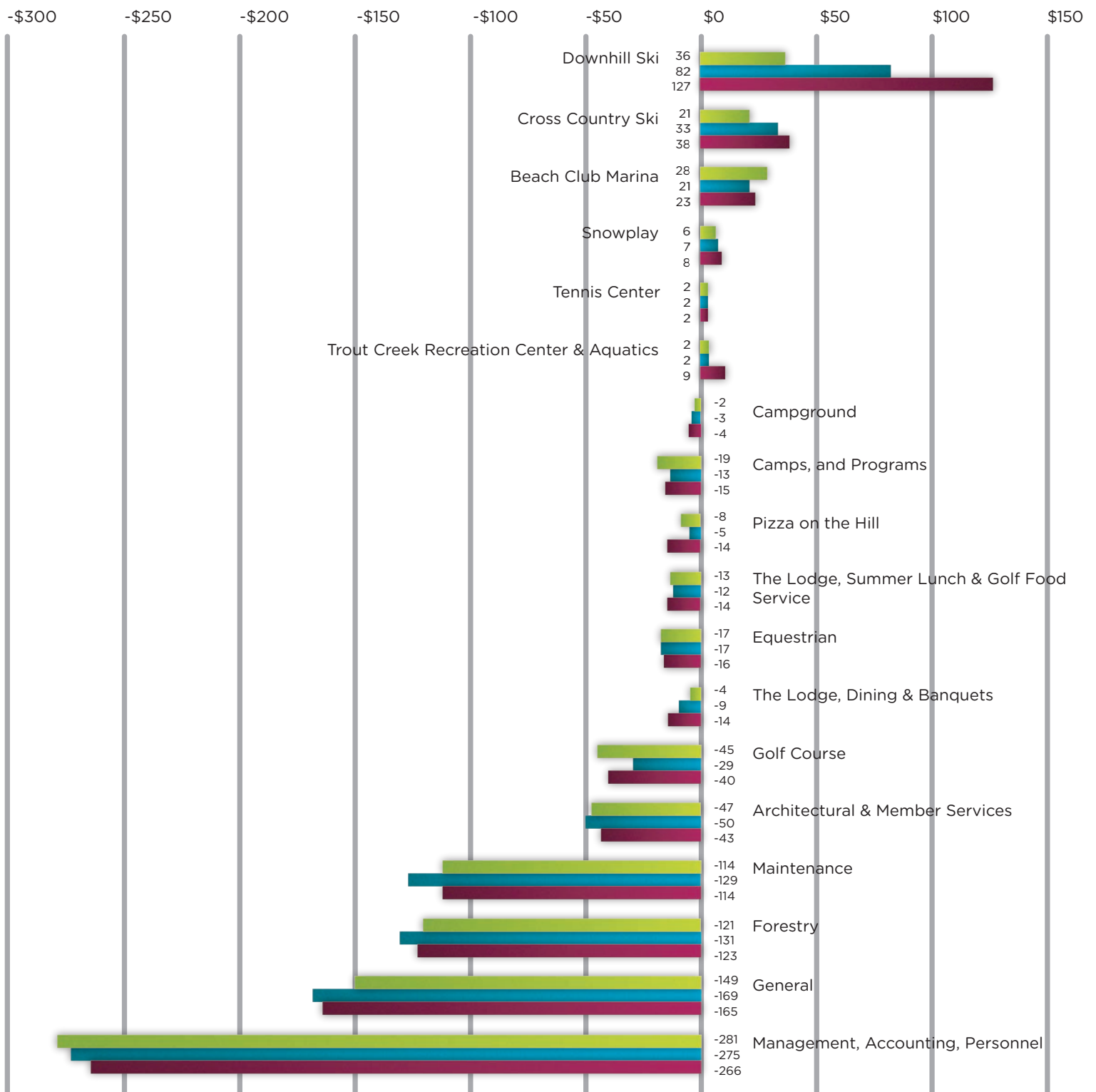
39,497 | 306 average per season day
Marina visits, up 6% to 2010

27,132 | 254 average per season day
Cross Country Ski visits, down 27% to 2010

16,868 | 131 average per season day
Golf Rounds, down 11% to 2010

16,522 | 285 average per season day
Snowplay visits, down 23% to 2010

1,869 | August 13, 2011
Robert Cray concert attendance



2011 Actual -\$725

2011 Budget -\$695

2010 Actual -\$621

OPERATING FUND

Net Operating Results (NOR) per Member Property

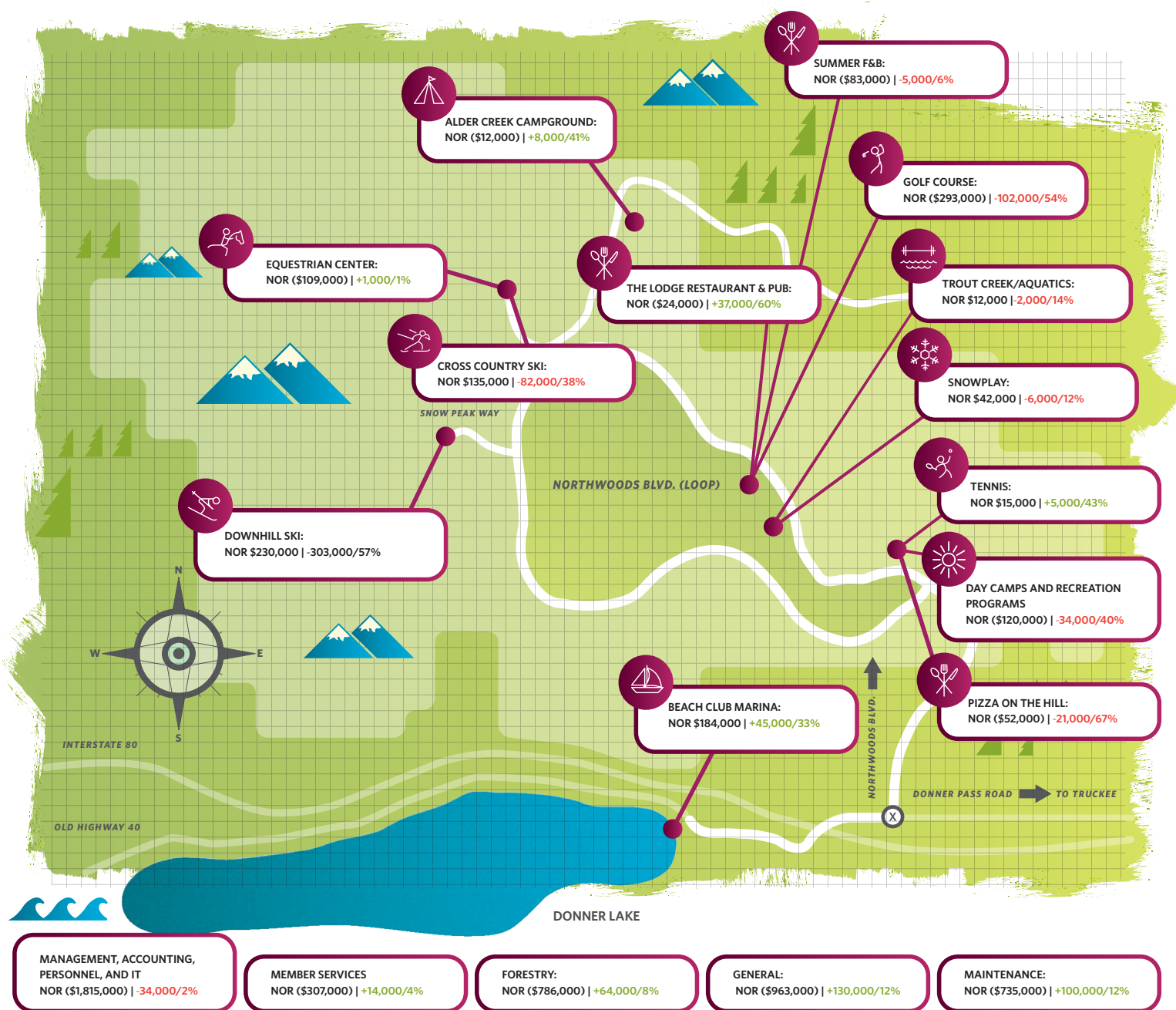
OPERATING FUND / 2011 DEPARTMENTAL RESULTS

	2011 Actual				2011 NOR versus Budget	
	Gross Revenue	Cost of Goods Sold	Operating Expenses	Net Operating Results	2011 Budget	Actual to Budget Variance
PRIVATE AMENITIES						
Trout Creek Recreation Center & Aquatics	\$ 1,013,246	\$ -30,301	\$ -971,350	\$ 11,595	\$ 13,467	\$ -1,872
Beach Club Marina	441,694	-30,989	-226,823	183,882	138,499	45,383
Tennis Center	223,238	-39,114	-168,634	15,490	10,841	4,649
Camps and Programs	192,638	-3,251	-309,774	-120,387	-86,121	-34,266
TOTAL PRIVATE AMENITIES	1,870,816	-103,655	-1,676,581	90,580	76,686	13,894
PUBLIC AMENITIES						
Golf	948,354	-77,599	-1,163,346	-292,591	-190,585	-102,006
Downhill Ski Area	2,157,860	-145,073	-1,782,406	230,381	533,486	-303,105
Cross Country Ski Center	592,154	-31,591	-426,061	134,502	216,662	-82,160
Snowplay	97,471	0	-55,825	41,646	47,250	-5,604
Campground	42,693	0	-54,586	-11,893	-20,155	8,262
Equestrian	133,443	-3,621	-239,214	-109,392	-110,721	1,329
The Lodge, Dining & Banquets	1,464,248	-484,090	-1,004,564	-24,406	-61,021	36,615
The Lodge, Lunch & Golf Food Service	137,557	-53,653	-167,267	-83,363	-78,630	-4,733
Pizza on the Hill	257,288	-90,107	-219,671	-52,490	-31,378	-21,112
TOTAL PUBLIC AMENITIES	5,831,068	-885,734	-5,112,940	-167,606	304,908	-472,514
TOTAL AMENITIES	7,701,884	-989,389	-6,789,521	-77,026	381,594	-458,620
HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES						
General	193,855	0	-1,157,323	-963,468	-1,094,319	130,851
Management, Accounting, Personnel, IT	190,588	0	-2,005,873	-1,815,285	-1,780,560	-34,725
Architectural & Member Services	79,737	0	-386,275	-306,538	-320,715	14,177
Forestry	111,177	0	-897,340	-786,163	-849,795	63,632
Maintenance	0	0	-734,516	-734,516	-834,205	99,689
TOTAL HOMEOWNERS ASSOCIATION	575,357	0	-5,181,327	-4,605,970	-4,879,594	273,624
TOTAL OPERATING RESULTS	8,277,241	-989,389	-11,970,848	-4,682,996	-4,498,000	-184,996
Assessment Revenues	4,498,000	0	0	4,498,000	4,498,000	0
Total Operating Fund	\$ 12,775,241	\$ -1,000,734	\$ -11,970,848	\$ -184,996	\$ 0	\$ -184,996

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 .

2011 NOR versus Prior Year		~~~~~ Amounts Including Replacement Reserve Capital Contribution ~~~~~					
2010 Actual	2011 to 2010 Variance	NOR 2011 Actual	Contribution to Replacement Reserve Fund	2011 Net Results After Capital	2011 per Property 6471	2010 per Property 6471	2011 vs 2010
\$ 55,641	\$ -44,046	\$ 11,595	\$ -175,433	\$ -163,838	\$ -25	\$ -15	\$ -10
147,799	36,083	183,882	-58,127	125,755	19	13	6
10,917	4,573	15,490	-102,560	-87,070	-13	-8	-5
-97,743	-22,644	-120,387	-9,487	-129,874	-20	-17	-3
116,614	-26,034	90,580	-345,607	-255,027	-39	-27	-12
-259,061	-33,530	-292,591	-606,607	-899,198	-139	-144	5
820,568	-590,187	230,381	-360,674	-130,293	-20	77	-97
244,408	-109,906	134,502	-60,122	74,380	11	26	-15
54,663	-13,017	41,646	-7,000	34,646	5	8	-3
-25,971	14,078	-11,893	-36,224	-48,117	-7	-11	4
-102,631	-6,761	-109,392	-43,466	-152,858	-24	-21	-3
-91,636	67,230	-24,406	-203,588	-227,994	-35	-39	4
-89,459	6,096	-83,363	-23,621	-106,984	-17	-17	0
-90,248	37,758	-52,490	-29,058	-81,548	-13	-18	5
460,633	-628,239	-167,606	-1,370,360	-1,537,966	-238	-139	-99
577,247	-654,273	-77,026	-1,715,967	-1,792,993	-277	-166	-111
-1,070,908	107,440	-963,468	-187,836	-1,151,304	-178	-186	8
-1,723,831	-91,454	-1,815,285	-93,239	-1,908,524	-295	-278	-17
-275,253	-31,285	-306,538	-5,300	-311,838	-48	-43	-5
-793,753	7,590	-786,163	-64,413	-850,576	-131	-139	8
-734,687	171	-734,516	-263,245	-997,761	-154	-157	3
-4,598,432	-7,538	-4,605,970	-614,033	-5,220,003	-807	-803	-4
-4,021,185	-661,811	-4,682,996	-2,330,000	-7,012,996	-1,084	-969	-115
4,498,192	-192	4,498,000	2,330,000	6,828,000	1,055	1,043	12
\$ 477,007	\$ -662,003	\$ -184,996	\$ 0	\$ -184,996	\$ -29	\$ 74	\$ -103

OPERATING FUND / 2011 HIGHLIGHTS VERSUS BUDGET



Tahoe Donner Measurements:

6,471 Properties
25,000 Members
7,000 Acres
250 Employees

HOA and Amenity Support Services \$274,000 | +6%

Favorable net operating results (NOR) versus budget

GENERAL

General HOA costs and communications. Cost savings due to position vacancies and a favorable income tax credit adjustment.

FORESTRY

Trails, forest health, defensible and open space management. Cost savings primarily due to the shortened work season due to the snowpack from winter 2010/2011 impacting spring 2011.

MAINTENANCE

Common area property, buildings, and vehicles maintenance. Cost savings primarily due to reorganization of departments cost savings.

Public Amenities (\$473,000) | (155%)

Unfavorable net operating results (NOR) versus budget

GOLF

Latest course opening on record, June 17.

- Rounds off 2,900/16%
- Revenue off \$182,000/16%
- Costs savings of \$80,000/6%

DOWNHILL SKI AREA

On Budget through November, then did not open in December. Spring 2011 record snows, good visits, increased costs.

- Visits off 12,400/22%
- Revenue off \$387,000/15%
- Costs savings of \$84,000/4%

CROSS COUNTRY SKI AREA

Off Budget \$27,000 through November, with Spring 2011 record snows, negatively impacting visits and increasing costs. Did not open in December, missing NOR by \$55,000 for the month.

- Visits off 6,200/19%
- Revenue off \$148,000/20%
- Costs savings of \$66,000/13%

SNOWPLAY

Ahead of Budget \$9,000 through November, then did not open in December, missing NOR by \$15,000 for the month.

- Revenue off \$3,000/3%
- Costs over budget \$3,000/6%

CAMPGROUND

Shortened season, effective marketing and good cost controls.

- Revenue 7% over budget and 22% over last year.
- NOR 41% better than budget and 54% better than last year.

Public Amenities Cont.

EQUESTRIAN

Shortened season, lower revenues and good cost controls.

- Revenue 19% under budget and 14% under last year.
- NOR 1% better than budget and 7% off last year.

THE LODGE

Solid year, approaching break-even, despite December's weather woes. NOR improved over 2010 by \$67,000 or 73%!

- Visits of 41,330, up 2,741/7% to last year
- Revenue of \$1.46 million, up \$135,000/10% to last year
- Costs of \$1.48 million, up \$68,000/5% to last year

SUMMER FOOD & BEVERAGE

The Lodge's summer lunch service, golf snack bar and bar cart, and Trout Creek's poolside Marco Polo Grill. Shortened season due to golf's delayed opening in 2011, improves margins.

- Revenue of \$138,000, down \$17,000/11% to last year
- Costs of \$221,000, down \$23,000/9% to last year
- NOR of (\$83,000), favorable \$6,000/7% to last year

PIZZA ON THE HILL

Continuing to improve on margins, missed an aggressive budget. NOR improved over 2010 by \$38,000 or 42%!

- Revenue of \$257,000, up \$6,000/2% to last year
- Costs of \$309,000, down \$32,000/9% to last year

Private Amenities \$14,000 | +18%

Favorable net operating results (NOR) versus budget

TROUT CREEK/AQUATICS

Strong visitation and fitness classes; revenue up \$35,000/4% Aquatics programs labor costs over budget \$32,000/6% (expanded programs and trainings)

MARINA

Strong member and guest visitation (up 8%) and rental revenues. Revenues up 17% and costs up 8%.

TENNIS

Visits up 16% and revenues up 5%, while costs up 3%.

DAY CAMPS AND RECREATION PROGRAMS

DAY CAMPS:

Strong program participation and effective cost reductions.

- \$107,000 in revenues, up 27% to budget
- NOR of \$19,000 was favorable \$27,000 to budget

RECREATION:

Robert Cray Concert, higher revenues and costs than budget

- Net \$2,000 loss
- Off budget \$12,000.

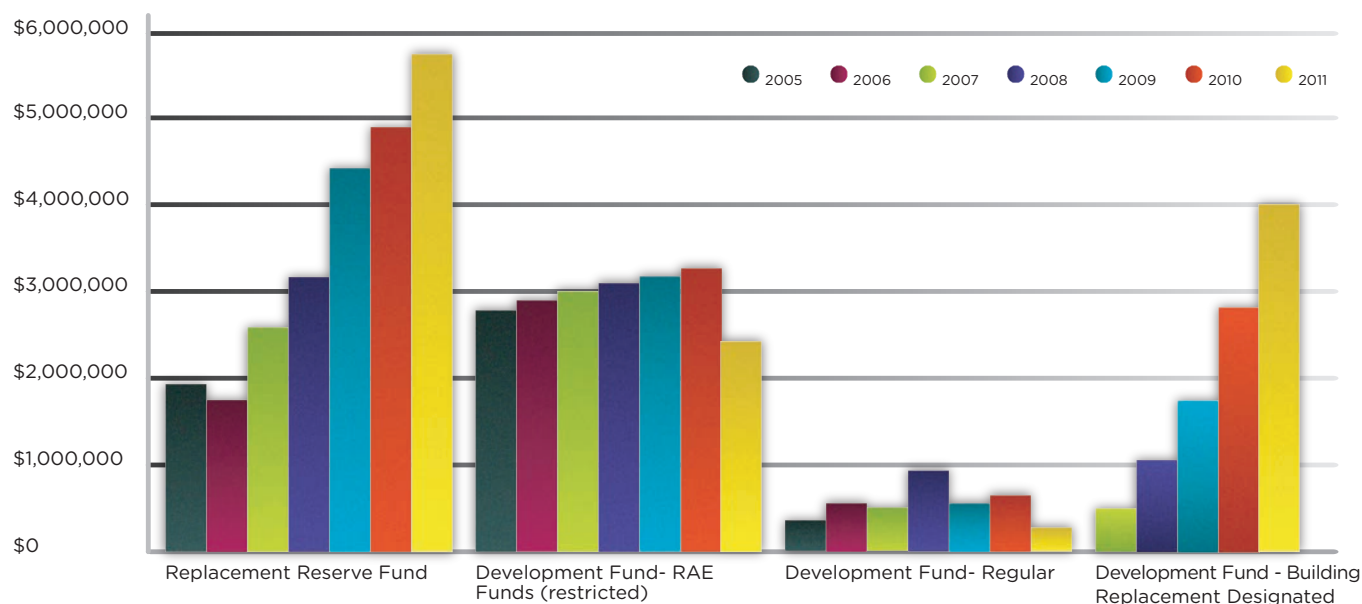
Bike rentals start-up operation

- Off budget \$18,000.

Member Events

- Increased scope (costs) of member events, off budget \$10,000.

KEY FUND BALANCES RESERVED FOR FUTURE CAPITAL NEEDS



27% Funded

Replacement Reserve funds as of 12/31/2011 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation.

\$1.5MILLION | 2011 EXPENDITURES REPLACEMENT RESERVE FUND

- \$359,000 Golf Course (equipment, cart paths, carts lease)
- \$256,000 IT (computer, network & phone hardware and software)
- \$216,000 Downhill Ski (parking lot paving, rental equipment, fencing, bus)
- \$198,000 Tennis Center (courts resurfacing, fencing, access road refurb)
- \$126,000 HOA General (meeting room remodel, parking lots sealing)

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the association is obligated by state law and sound business practices to repair, restore, replace or maintain. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,300 individual items are tracked in this plan, with a current replacement value of over \$32 million. A complete study and plan were performed in 2010, updated in 2011.

\$1.8MILLION | 2011 EXPENDITURES DEVELOPMENT FUND

- \$916,000 HOA General (Euer valley land acquisition)(RAE funds)
- \$785,000 HOA General (McGlashan Springs land acquisition)(Regular funds)
- \$65,000 Forestry (building acquisition costs)(Building Replacement funds)
- (\$120,000) Cross Country (TSSA-1 funds reimbursement from Town)

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 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 2011, \$777,000 of RAE funds were expended to acquire land in Euer Valley (in 2012, final escrow close of transaction and majority of remaining RAE Funds expended).

\$124,000 | 2011 EXPENDITURES NEW MACHINERY AND EQUIP. FUND

- \$79,000 IT software & hardware
- \$15,000 Tennis cabanas
- \$5,000 Snowplay improvements
- \$5,000 Pizza on the Hill kitchen equip.

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 \$2,973,000 (in 2010 \$2,112,000). Depreciation expense for the year totaled \$2,245,000 (in 2010 \$2,256,000). Total gross fixed asset value of \$49.4m equates to \$7,629 per owner and net book value of fixed assets and construction in progress of \$27.6m equates to \$4,261 per owner (an increase of 3% over 2010).

CAPITAL FUNDS SUMMARY

	2011 Actual	2011 Budget	2011 Actual vs Budget	2010 Actual	2011 vs 2010
Replacement Reserve Fund:					
Beginning Fund Balance	\$ 4,867,305	\$ 4,404,000	\$ 463,305	\$ 4,424,649	\$ 442,656
Assessment Contribution	2,330,000	2,330,000	-	2,251,000	79,000
Interest Revenue	17,572	28,000	(10,428)	13,155	4,417
Other Revenue & Expense, Net	19,359	10,000	9,359	21,471	(2,112)
Major Maintenance Expenses	(337,967)	(342,000)	4,033	(258,528)	(79,439)
Expenditures for Capital Additions	(1,193,521)	(1,523,000)	329,479	(1,584,442)	390,921
Change in Fund Balance	835,443	503,000	332,443	442,656	392,787
Ending Fund Balance	5,702,748	4,907,000	795,748	4,867,305	835,443
New Machinery & Equipment Fund:					
Beginning Fund Balance	46,706	33,000	13,706	40,120	6,586
Assessment Contribution	162,000	162,000	-	162,000	-
Interest Revenue	30	-	30	9	21
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(123,708)	(123,000)	(708)	(155,423)	31,715
Change in Fund Balance	38,322	39,000	(678)	6,586	31,736
Ending Fund Balance	85,028	72,000	13,028	46,706	38,322
Development Fund: (includes RAE Restricted, Designated Building Replacement, and Regular)					
Beginning Fund Balance	6,722,923	6,722,000	923	5,567,818	1,155,105
Assessment Contribution	1,618,000	1,618,000	-	1,501,000	117,000
Interest Revenue	40,448	38,000	2,448	63,663	(23,215)
Operating Fund Transfer In	100,000	100,000	-	-	100,000
Other Revenue & Expense, Net	(12,914)	(9,000)	(3,914)	(15,224)	2,310
Fund Expenses for Capital Additions	(102,617)	-	(102,617)	(22,160)	(80,457)
Expenditures for Capital Additions	(1,655,511)	(3,330,000)	1,674,489	(372,174)	(1,283,337)
Change in Fund Balance	(12,594)	(1,583,000)	1,570,406	1,155,105	(1,167,699)
Ending Fund Balance	A) 6,710,329	5,139,000	1,571,329	6,722,923	(12,594)
Capital Fund Totals:					
	see next page for by department				
Major Maintenance/Fund Expenses	(440,584)	(342,000)	4,033	(280,688)	(79,439)
Expenditures for Capital Additions	(2,972,740)	(4,976,000)	2,003,260	(2,112,039)	(860,701)
Total	\$ (3,413,324)	\$ (5,318,000)	\$ 2,007,293	\$ (2,392,727)	\$ (1,020,597)

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

12/31/2011 Ending Balance Components: \$2,394,753 RAE Restricted, \$3,993,123 Designated Building Replacement, and \$322,453 Regular.

12/31/2010 Ending Balance Components: \$3,280,551 RAE Restricted, \$2,815,802 Designated Building Replacement, and \$626,570 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 defer the burden to future owners. Properly maintaining our assets protects owners' **property values**.

CAPITAL FUNDS EXPENDITURES BY DEPT.

	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	\$ 28,934	\$ 19,483	\$ -	\$ -	\$ -	\$ -	\$ 28,934	\$ 19,483
Beach Club Marina	3,697	11,864	4,290	-	-	-	7,987	11,864
Tennis Center	184,068	13,765	15,313	-	-	-	199,381	13,765
Northwoods Pool	17,356	-	-	-	-	-	17,356	-
Camps & Recreation Programs	-	-	6,032	-	21,142	-	27,174	-
TOTAL PRIVATE AMENITIES	234,055	45,112	25,635	-	21,142	-	280,832	45,112
PUBLIC AMENITIES								
Golf	205,484	153,105	3,898	-	5,867	-	215,249	153,105
Downhill Ski	213,950	1,823	-	-	50,977	-	264,927	1,823
Cross Country Ski	32,566	14,302	-	-	(119,845)	-	(87,279)	14,302
Campground	-	-	-	-	-	-	-	-
Equestrian	9,131	2,682	-	-	-	-	9,131	2,682
The Lodge	54,943	9,006	-	-	-	-	54,943	9,006
Pizza on the Hill	34,066	1,280	5,156	-	-	-	39,222	1,280
Snowplay	44,315	-	5,195	-	-	-	49,510	-
TOTAL PUBLIC AMENITIES	594,455	182,198	14,249	-	(63,001)	-	545,703	182,198
TOTAL AMENITIES	828,510	227,310	39,884	-	(41,859)	-	826,535	227,310
HOMEOWNERS ASSOCIATION								
General	71,628	55,286	4,911	-	1,637,590	85,386	1,714,129	140,672
Communications	-	-	-	-	-	-	-	-
Facility Administration	-	-	-	-	-	10,833	-	10,833
Administration	8,463	-	-	-	-	-	8,463	-
Management Information Systems	222,819	33,650	78,913	-	-	-	301,732	33,650
Accounting	-	-	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-	-	-
Architectural Standards Office	-	-	-	-	-	-	-	-
Member Services	-	-	-	-	-	-	-	-
Forestry	23,634	7,000	-	-	58,490	6,398	82,124	13,398
Maintenance	38,467	14,721	-	-	1,290	-	39,757	14,721
TOTAL HOMEOWNERS ASSOCIATION	365,011	110,657	83,824	-	1,697,370	102,617	2,146,205	213,274
TOTAL	\$ 1,193,521	\$ 337,967	\$ 123,708	\$ -	\$ 1,655,511	\$ 102,617	\$ 2,972,740	\$ 440,584

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, 2011 and 2010, 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, 2011 and 2010, 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 51 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 21, 2012

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 are pages 43 - 51 of this Annual Report.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2011 AND 2010

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	\$ 3,290,518		\$ 3,290,518
Retail sales	2,607,243		2,607,243
Lessons and rental revenue	1,662,761		1,662,761
Other revenues	141,362	\$ 561,028	702,390
Interest income		14,329	14,329
Gross operating revenues	7,701,884	575,357	8,277,241
Cost of goods sold	(989,389)		(989,389)
Net operating revenues	6,712,495	575,357	7,287,852
OPERATING EXPENSES:			
Salaries and wages	3,748,689	2,828,489	6,577,178
Payroll taxes and employee benefits	866,956	744,268	1,611,224
Supplies and maintenance	961,446	597,030	1,558,476
Utilities	545,722	212,399	758,121
Insurance	194,200	112,133	306,333
Other employee expenses	97,130	121,724	218,854
Income taxes (benefit)		(23,296)	(23,296)
Other expenses	375,378	588,580	963,958
Total operating expenses	6,789,521	5,181,327	11,970,848
NET OPERATING INCOME (LOSS)	<u>(77,026)</u>	<u>(4,605,970)</u>	<u>(4,682,996)</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		4,498,000	4,498,000
INCREASE (DECREASE) IN MEMBERS' EQUITY	<u>\$ (77,026)</u>	<u>\$ (107,970)</u>	<u>(184,996)</u>
TRANSFERS BETWEEN FUNDS			<u>(100,000)</u>
MEMBERS' EQUITY, December 31, 2010			<u>807,598</u>
MEMBERS' EQUITY, December 31, 2011			<u>\$ 522,602</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY DECEMBER 31, 2011 AND 2010

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2011	Total 2010
				\$ 3,290,518	\$ 3,717,902
				2,607,243	2,594,114
				1,662,761	1,873,426
				702,390	650,833
				72,379	102,175
\$ 17,572	\$ 30	\$ 40,448		8,335,291	8,938,450
17,572	30	40,448		(989,389)	(1,000,734)
				7,345,902	7,937,716
				6,577,178	6,529,871
				1,611,224	1,661,933
				1,558,476	1,417,198
				758,121	768,240
				306,333	312,889
				218,854	240,381
				(23,296)	70,081
19,758		12,914		996,630	915,747
19,758		12,914		12,003,520	11,916,340
(2,186)	30	27,534		(4,657,618)	(3,978,624)
(1,193,521)	(123,708)	(1,655,511)	\$ 2,972,740		
39,117			(619)	38,498	23,713
(337,967)		(102,617)		(440,584)	(323,837)
			(2,244,985)	(2,244,985)	(2,256,134)
(1,492,371)	(123,708)	(1,758,128)	727,136	(2,647,071)	(2,556,258)
2,330,000	162,000	1,618,000		8,608,000	8,412,192
835,443	38,322	(112,594)	727,136	1,303,311	1,877,310
		100,000			
4,867,305	46,706	6,722,923	26,843,138	39,287,670	37,410,360
\$ 5,702,748	\$ 85,028	\$ 6,710,329	\$ 27,570,274	\$ 40,590,981	\$ 39,287,670

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY DECEMBER 31, 2011 AND 2010

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2011	Total 2010
ASSETS							
Cash	\$ 1,014,083					\$ 1,014,083	\$ 1,622,080
Cash, designated and restricted	117,994	\$ 140,442	\$ 54,039	\$ 141,266		453,741	520,611
Investments	529,975		100,000			629,975	972,089
Investments, designated and restricted	999,950	6,499,960		7,100,231		14,600,141	13,395,610
Assessments and other member receivables, net of allowance for doubtful accounts of \$97,440 in 2011 and \$92,230 in 2010	292,325					292,325	276,709
Other receivables	32,315	6,454		6,082		44,851	49,400
Inventory	268,494					268,494	249,055
Prepaid expenses and other assets	260,948					260,948	249,593
Due from (to) other funds	17,908	3,311	(616)	(20,603)			
Net property and equipment					\$ 27,570,274	27,570,274	26,843,138
TOTAL ASSETS	<u>\$ 3,533,992</u>	<u>\$ 6,650,167</u>	<u>\$ 153,423</u>	<u>\$ 7,226,976</u>	<u>\$ 27,570,274</u>	<u>\$ 45,134,832</u>	<u>\$ 44,178,285</u>
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 180,824	\$ 134,447	\$ 7,422	\$ 8,539		\$ 331,232	\$ 378,526
Deferred revenues	2,208,949	812,972	60,973	508,108		3,591,002	3,615,622
Deposits from members	119,735					119,735	96,965
Accrued liabilities	501,882					501,882	799,502
TOTAL LIABILITIES	3,011,390	947,419	68,395	516,647		4,543,851	4,890,615
MEMBERS' EQUITY	<u>522,602</u>	<u>5,702,748</u>	<u>85,028</u>	<u>6,710,329</u>	<u>\$ 27,570,274</u>	<u>40,590,981</u>	<u>39,287,670</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 3,533,992</u>	<u>\$ 6,650,167</u>	<u>\$ 153,423</u>	<u>\$ 7,226,976</u>	<u>\$ 27,570,274</u>	<u>\$ 45,134,832</u>	<u>\$ 44,178,285</u>

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

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2011	Total 2010
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ (184,996)	\$ 835,443	\$ 38,322	\$ (112,594)	\$ 727,136	\$ 1,303,311	\$ 1,877,310
Reconciliation to net cash provided by operating activities:							
Fund transfer		(500,285)		500,285			
Depreciation expense					2,244,985	2,244,985	2,256,134
Capital additions and transfers		1,193,521	123,708	1,655,511	(2,972,740)		
(Gain) loss on sale or disposal of property and equipment		(39,117)			619	(38,498)	(23,713)
Changes in:							
Assessments receivable	(15,616)					(15,616)	(37,358)
Other receivables	(8,355)	(519)		13,423		4,549	22,524
Inventory	(19,439)					(19,439)	58,011
Prepaid expenses and other assets	(11,355)					(11,355)	130,330
Due from (to) other funds	(187,068)	171,694	1,594	13,780			
Accounts payable	(45,029)	(8,289)	(678)	6,702		(47,294)	(22,991)
Deferred revenues	(82,319)	68,023	5,792	(16,116)		(24,620)	285,345
Deposits from members	22,770					22,770	(40,380)
Accrued liabilities	(297,620)					(297,620)	15,537
Net cash provided (used) by operating activities	(829,027)	1,720,471	168,738	2,060,991		3,121,173	4,520,749
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(1,193,521)	(123,708)	(1,655,511)		(2,972,740)	(2,112,039)
Proceeds from sale of property and equipment		39,117				39,117	40,513
Purchases of investments	(3,758,152)	(7,252,161)	(100,000)	(12,352,104)		(23,462,417)	(14,268,244)
Proceeds from sale of investments	4,100,000	6,650,000		11,850,000		22,600,000	11,551,666
Transfers between funds	(100,000)			100,000			
Net cash provided (used) by investing activities	241,848	(1,756,565)	(223,708)	(2,057,615)		(3,796,040)	(4,788,104)
NET INCREASE (DECREASE) IN CASH	(587,179)	(36,094)	(54,970)	3,376		(674,867)	(267,355)
CASH, Beginning of Year	1,719,256	176,536	109,009	137,890		2,142,691	2,410,046
CASH, End of Year	\$ 1,132,077	\$ 140,442	\$ 54,039	\$ 141,266	\$	\$ 1,467,824	\$ 2,142,691
OTHER CASH FLOW INFORMATION:							
Income taxes paid	\$ 1,243	\$ 4,916	\$	\$ 3,509	\$	\$ 9,668	\$ 51,036

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS

Tahoe Donner 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.

Tahoe Donner 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 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 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, and bylaws.

NOTES TO FINANCIAL STATEMENTS

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.

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 implemented the amended 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 California income tax examinations by tax authorities for years prior to 2007.

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 21, 2012, the date the financial statements were issued.

3. CASH AND INVESTMENTS

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

	2011	2010
Replacement reserve fund - designated	\$6,640,402	\$5,574,050
Development fund - restricted (RAE Fund)	2,400,087	3,199,546
Development fund - designated	4,841,410	4,036,756
New machinery and equip. fund - undesignated/unrestricted	100,000	
New machinery and equip. fund - designated	54,039	109,009
Operating fund - undesignated and unrestricted	1,544,058	2,594,169
Operating fund - designated	999,950	899,684
Operating fund - Architectural standards deposits - restricted (note 5)	117,994	97,176
Total	\$16,697,940	\$16,510,390

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, 2011 mature as follows:

Investment	Within 1 Year	1-2 Years	Total
U.S. Treasury	\$13,600,241		\$13,600,241
Certificates of deposit	\$451,336	\$1,178,539	\$1,629,875
Total	\$14,051,577	\$1,178,539	\$15,230,116

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

<i>Property and equipment consist of the following:</i>	2011	2010
Buildings	\$21,187,682	\$20,988,463
Fixtures and facility improvements	11,427,366	11,244,585
Equipment	9,812,699	9,815,273
Land and land improvements	6,102,154	4,807,832
Furnishings	<u>835,072</u>	<u>787,310</u>
Total	49,364,973	47,643,463
Less accumulated depreciation	<u>(22,485,408)</u>	<u>(21,024,322)</u>
	26,879,565	26,619,141
Construction in progress	<u>690,709</u>	<u>223,997</u>
Total	\$27,570,274	\$26,843,138

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 2011, 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. 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 \$65,916 and \$66,104 for 2011 and 2010, 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 \$138,243 and \$194,482 for 2011 and 2010, respectively. Future minimum lease payments under these leases are as follows:

<i>Year ending December 31:</i>	
2012	\$97,124
2013	28,242
2014	21,270
2015	11,642
2016 and thereafter	51,250
Total	\$209,528

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS DECEMBER 31, 2011 (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 2011 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, 2011, was \$5,702,000. The 2012 lot assessments include \$2,589,000 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.

Component Group	Range of Remaining Lives (Years)	Estimated Life After Replacement (Years)	Current Replacement Costs
Trout Creek, pools & recreation	0-24	1-30	\$2,111,654
Marina	0-14	1-30	610,463
Tennis complex	0-20	1-30	1,563,746
Downhill ski area	0-29	1-30	4,677,098
Cross country	0-22	1-30	1,193,365
Equestrian	0-24	1-30	410,275
Golf complex	0-23	1-30	6,674,677
Campground	0-16	1-25	204,125
The Lodge	0-24	1-30	2,762,491
Pizza On the Hill	0-30	1-30	444,764
Administration	0-30	1-30	3,613,782
Asphalt maintenance	0-28	1-30	4,022,478
Forestry	0-30	1-30	975,355
General & building maintenance	0-30	1-30	1,895,987
Vehicle maintenance	0-21	1-30	1,198,906
Total			\$32,359,166

