

TAHOE DONNER

2013 ANNUAL REPORT

KENNY BLUM PHOTOGRAPHY

\$5.4 MILLION | CAPITAL FUNDS EXPENDITURES

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

\$1.3 Mil l i o N | t H e l o d g e r e s t a u r a n t & p u b b u i l d i n g e X p a N s i o N

to improve service levels for our members and guests, the kitchen, indoor/outdoor porch, pro shop, and snack bar were all expanded.

\$1.1 Mil l i o N | C r o s s C o u N t r Y s K i C e N t e r & M a i n t e N a N C e b u i l d i n g r e p l a C e M e N t

\$0.6 million completion costs for complete remodel and expansion of a 40+ year old maintenance building.

\$0.5 million permits in architectural and engineering costs for replacement of a 40+ year old Cross Country ski Center building.

\$2.6 Mill i o N | r e p l a C e M e N t r e s e r v e F u N d e X p e N d i t u r e s

293 reserve component projects, including replacement of front loader and snowblower heavy equipment.

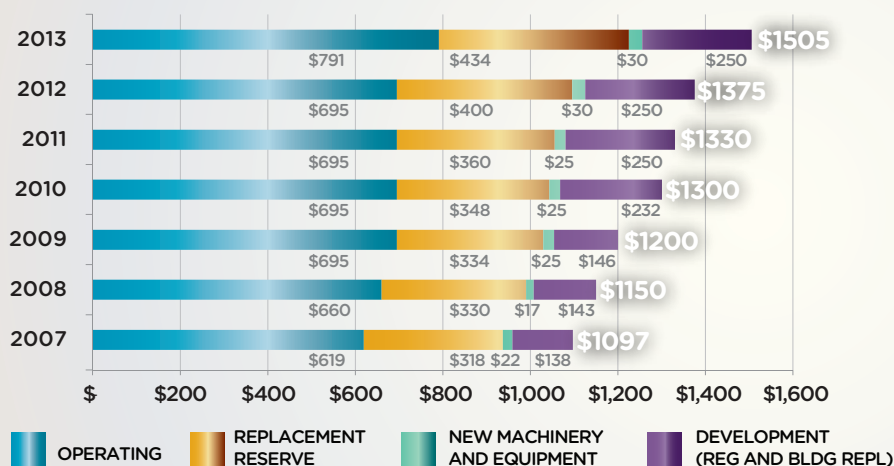
\$141,000 or 2.7% Favorable
Net operating results in operating fund

\$9.5 million in revenues, **Over Budget \$580,000 Or 7%**

\$14.5 million in costs, **Over Budget \$439,000 Or 3%**

**operating
Fund**

ANNUAL ASSESSMENT PER OWNER (BY FUND)



Annual Assessment per Owner (by fund)

Operating Fund CAGR 4.2%

Capital Funds CAGR 6.9%

Total assessment CAGR 5.4%

Compounded Annual Growth Rate (CAGR), 2007 to 2013

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.

dear member s,

The purpose of this 2013 Annual Report is to provide a comprehensive report on 2013 financial results and communicate the 2013 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 business volumes and financial performance.

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

michael salmon

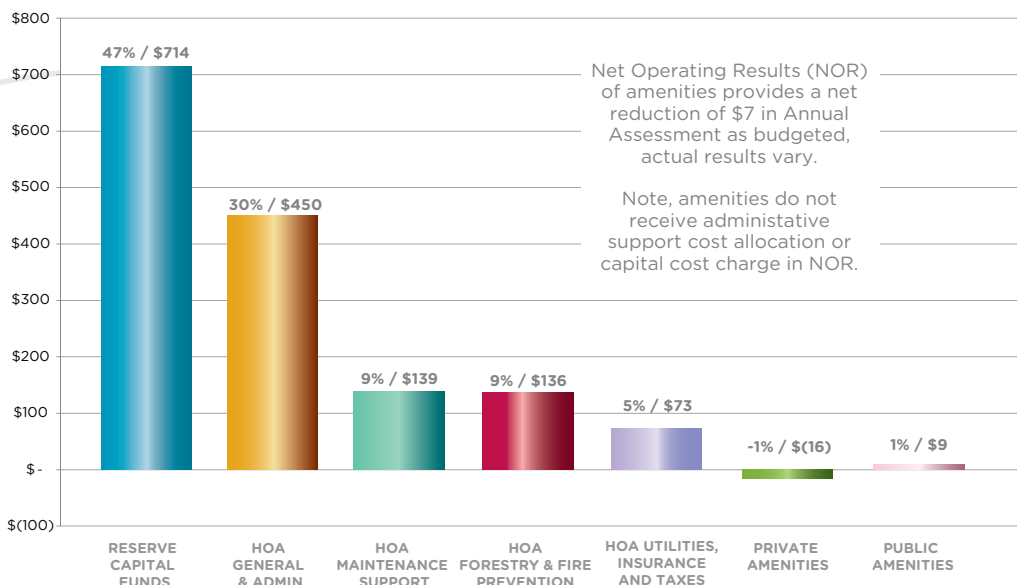
Director of Finance & Accounting

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DISTRIBUTION OF 2013 ANNUAL ASSESSMENT (\$1,505 PER OWNER)



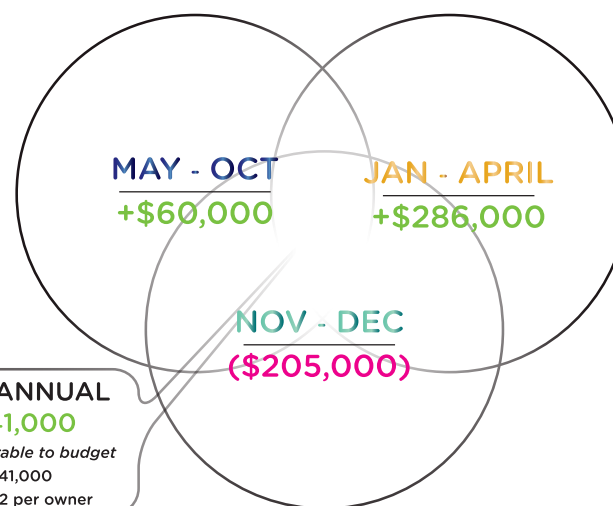
Operating Fund

Net Operating Results - 2013 VARIANCES TO BUDGET

January - April: good snowpack, mild weather
Revenues up \$380k or 11% to budget

(Summer) May - October: good results overall
Golf revenue up \$37k/4%, NOR up \$5k/33%
The Lodge revenue up \$202k/22%, NOR up \$68k/101%

November - December: drought impacts
Received nominal snowfall, very limited terrain open
Revenue off \$290k, cost savings of \$85k



\$44.5 million | \$6,880 per owner

Members' equity as of 12/31/2013, up 5% to 2012

\$4.6 million | \$714 per owner

Capital contribution by Annual Assessment in 2013

\$5.1 million | \$791 per owner

Operating contribution by Annual Assessment in 2013

\$9.5 million operating revenues

Up 7% to budget and up 16% to 2012

\$14.5 million operating costs

Up 3% to budget and up 15% to 2012

\$5.0 million net loss

Net Operating Result loss | \$141,000 or 3% favorable to budget and \$592,000 or 14% unfavorable to 2012

145,900 | 400 average per day at Truckee Visits, up 0% to 2012

38,063 | 349 average per season at downhill ski Visits, up 16% to 2012

47,827 | 131 average per day at the Lodge dinner guests, up 9% to 2012

41,212 | 304 average per season at marina Visits, up 1% to 2012

24,793 | 219 average per season at Cross Country ski Visits, up 7% to 2012

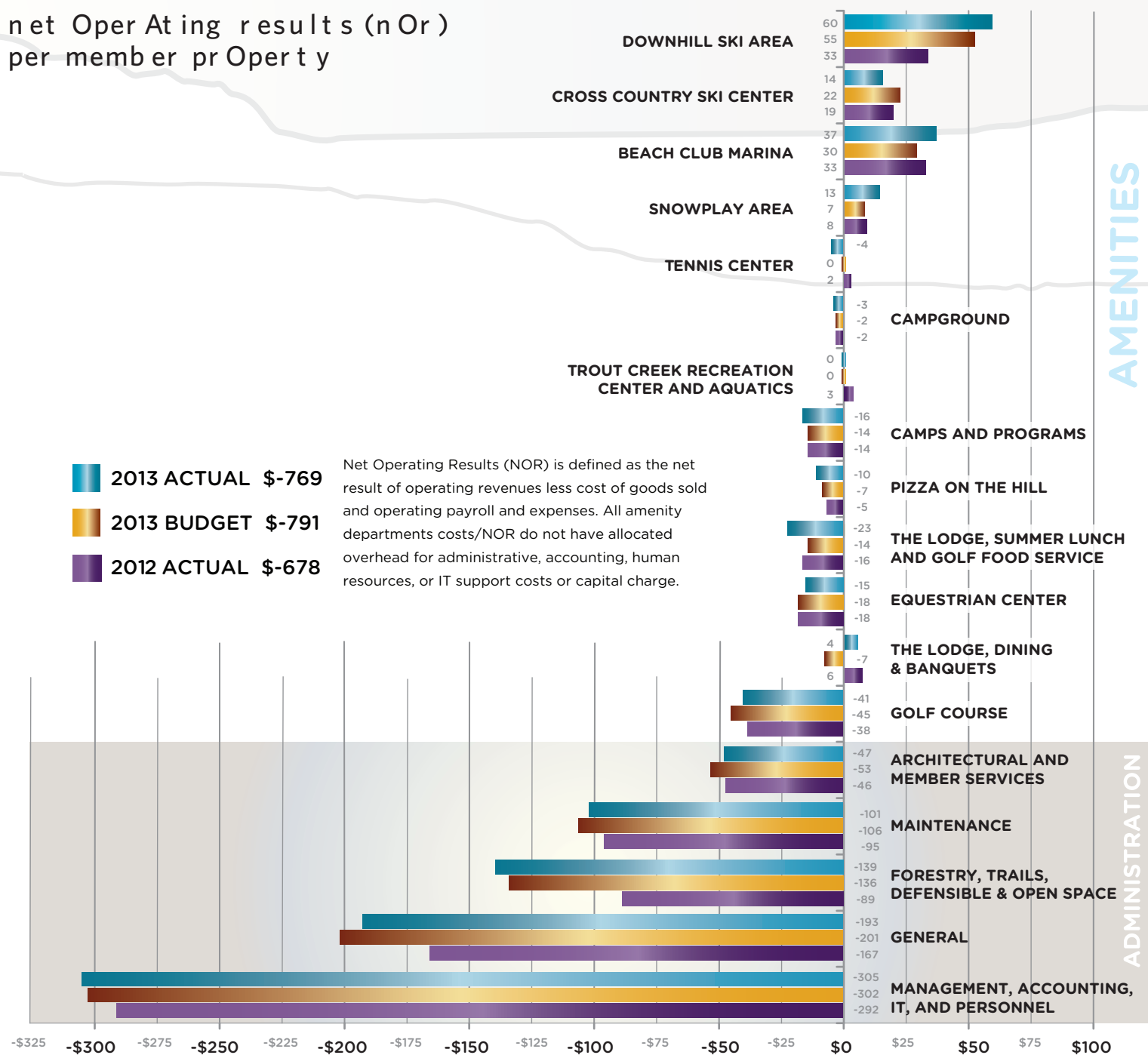
18,672 | 122 average per season at golf Rounds, down 2% to 2012

17,481 | 286 average per season at snowplay Visits, up 57% to 2012

1,040 | Zydeco summer concert Co-Attendees, down 33% to 2012

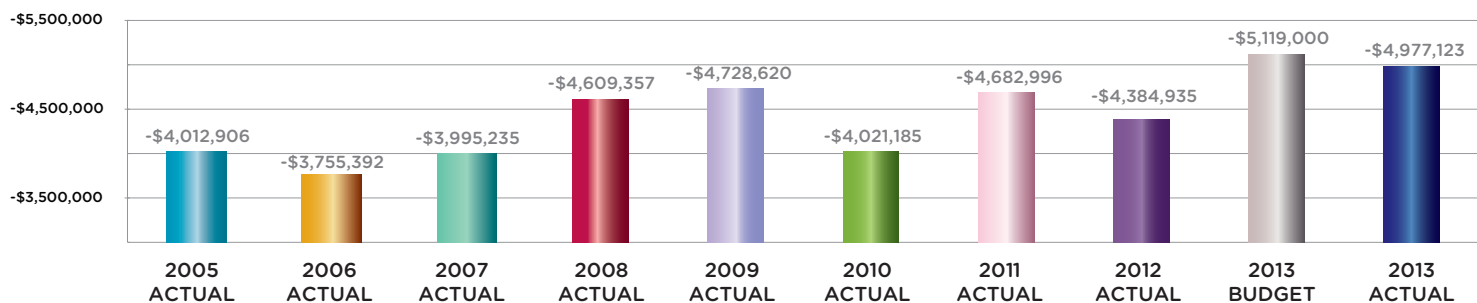
Operating Fund

net Operating results (nor)
per member property



OPERATING FUND - NET OPERATING RESULT COST TO ALL MEMBER PROPERTIES

(FUNDED BY ANNUAL ASSESSMENT) 2.7% CAGR 8 year, 2005 to 2013 1.6% CAGR 5 year, 2008 to 2013



Operating Fund 2013 DEPARTMENTAL RESULTS

	2013 ACTUAL				2013 NOR VS BUDGET	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	2013 BUDGET	ACTUAL TO BUDGET VARIANCE
PRIVATE AMENITIES						
TROUT CREEK RECREATION CENTER AND AQUATICS	\$1,088,846	\$-40,017	\$-1,051,275	\$-2,446	\$-3,000	\$554
BEACH CLUB MARINA	517,815	-37,229	-240,040	240,546	193,000	47,546
TENNIS CENTER	215,392	-42,548	-195,767	-22,923	1,000	-23,923
CAMPS AND PROGRAMS	299,224	-9,120	-392,253	-102,149	-88,000	-14,149
TOTAL PRIVATE AMENITIES	2,121,277	-128,914	-1,879,335	113,028	103,000	10,028
PUBLIC AMENITIES						
GOLF	1,072,970	-81,900	-1,257,308	-266,238	-290,000	23,762
DOWNHILL SKI AREA	2,365,240	-131,736	-1,842,521	390,983	355,000	35,983
CROSS COUNTRY SKI CENTER	692,335	-50,200	-550,646	91,489	142,000	-50,511
SNOWPLAY	161,229	-1,786	-75,162	84,281	46,000	38,281
CAMPGROUND	45,927	0	-62,885	-16,958	-13,000	-3,958
EQUESTRIAN	140,891	-4,730	-230,676	-94,515	-115,000	20,485
THE LODGE - DINING AND BANQUETS	1,825,480	-592,279	-1,206,154	27,047	-45,000	72,047
THE LODGE - LUNCH AND GOLF FOOD SERVICES	167,660	-65,397	-253,928	-151,665	-91,000	-60,665
PIZZA ON THE HILL	308,785	-116,583	-256,777	-64,575	-48,000	-16,575
TOTAL PUBLIC AMENITIES	6,780,517	-1,044,611	-5,736,057	-151	-59,000	58,849
TOTAL AMENITIES	8,901,794	-1,173,525	-7,615,392	112,877	44,000	68,877

HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES

GENERAL	171,171	0	-1,427,132	-1,255,961	-1,308,000	52,039
MANAGEMENT, ACCOUNTING, PERSONNEL, IT	212,128	0	-2,188,272	-1,976,144	-1,952,000	-24,144
ARCHITECTURAL AND MEMBER SERVICES	114,476	0	-418,287	-303,811	-341,000	37,189
FORESTRY, TRAILS, DEFENSIBLE & OPEN SPACE	105,437	0	-1,003,435	-897,998	-877,000	-20,998
MAINTENANCE	0	0	-656,086	-656,086	-685,000	28,914
TOTAL HOA	603,212	0	-5,693,212	-5,090,000	-5,163,000	73,000
TOTAL OPERATING RESULTS	9,505,006	-1,173,525	-13,308,604	-4,977,123	-5,119,000	141,877
ASSESSMENT REVENUES	5,117,855	0	0	5,117,855	5,119,000	-1,145
TOTAL OPERATING FUND	\$14,622,861	\$-1,173,525	\$-13,308,604	\$140,732	\$0	\$140,732

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, 2013

2013 NOR VS 2012		AMOUNTS INCLUDING REPLACEMENT RESERVE CAPITAL CONTRIBUTION					
2012 ACTUAL	2013 TO 2012 VARIANCE	NOR 2013 ACTUAL	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2013 NET RESULTS AFTER CAPITAL	2013 PER PROPERTY 6,471	2012 PER PROPERTY 6,471	2013 VS 2012
\$17,397	\$-19,843	\$-2,446	\$-247,783	\$-250,229	\$-39	\$-25	\$-14
210,336	30,210	240,546	-80,651	159,895	25	23	2
10,582	-33,505	-22,923	-136,925	-159,848	-25	-21	-4
-88,962	-13,187	-102,149	-11,596	-113,745	-18	-15	-3
149,353	-36,325	113,028	-476,955	-363,927	-56	-38	-18
-246,812	-19,426	-266,238	-684,596	-950,834	-147	-140	-7
216,709	174,274	390,983	-413,531	-22,548	-3	-37	34
120,028	-28,539	91,489	-97,684	-6,195	-1	1	-2
52,184	32,097	84,281	-8,556	75,725	12	7	5
-15,884	-1,074	-16,958	-49,352	-66,310	-10	-6	-4
-119,158	24,643	-94,515	-38,426	-132,941	-21	-27	6
37,995	-10,948	27,047	-181,212	-154,165	-24	-17	-7
-106,144	-45,521	-151,665	-28,872	-180,537	-28	-20	-8
-33,265	-31,310	-64,575	-32,843	-97,418	-15	-9	-6
-94,347	94,196	-151	-1,535,072	-1,535,223	-237	-248	11
55,006	57,871	112,877	-2,012,027	-1,899,150	-293	-286	-7

-1,066,212	-189,749	-1,255,961	-220,975	-1,476,936	-228	-197	-31
-1,888,546	-87,598	-1,976,144	-112,030	-2,088,174	-323	-308	-15
-296,730	-7,081	-303,811	-6,478	-310,289	-48	-47	-1
-573,758	-324,240	-897,998	-196,063	-1,094,061	-169	-100	-69
-614,695	-41,391	-656,086	-261,427	-917,513	-142	-140	-2
-4,439,941	-650,059	-5,090,000	-796,973	-5,886,973	-910	-792	-118
-4,384,935	-592,188	-4,977,123	-2,809,000	-7,786,123	-1,203	-1,078	-125
4,498,000	619,855	5,117,855	2,809,000	7,926,855	1,225	1,095	130
\$113,065	\$27,667	\$140,732	\$0	\$140,732	\$22	\$17	\$5

OPERATING FUND

2013 HIGHLIGHTS v ERSUS 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.

EQUESTRIAN

(\$95,000) NOR LOSS

fAvORABLE \$20,000 / 18% TO BUDGET

Effective cost savings efforts and strong camps volume in 2013.

DOWNHILL SKI AREA

\$391,000 NOR

fAvORABLE \$36,000 / 10% TO BUDGET

Strong performance in first quarter 2013, with good conditions and mild weather. In Dec. 2013 the drought conditions produced nominal snowfall and the ski area was only able to open a surface lift with limited beginner terrain. NOR was off budget by \$246,000 in Dec. 2013, yet achieved 10% positive to budget for year.

SNOWPLAY AREA

\$84,000 NOR

fAvORABLE \$38,000 / 83% TO BUDGET

Favorable conditions, particularly during the peak periods, generated strong participation volumes in this high margin business.

GOLF

(\$266,000) NOR LOSS

fAvORABLE \$24,000 / 8% TO BUDGET

volume and revenues aligned with budget expectations.

PIZZA ON THE HILL

(\$65,000) NOR LOSS

UNfAvORABLE \$17,000 / 35% TO BUDGET

Improving volumes and quality in 2013. Continued to refine operating, labor and product cost margins. 10,364 PizZAS SERvED.

publiC AMENITIES

THE LODGE RESTAURANT & PUB

\$27,000 NOR

fAvORABLE \$72,000 / 160% TO BUDGET

Excellent performance all year with a major expansion completed in Spring 2013 that increased seating and kitchen capacity to successfully improve service to members. record revenues of \$1,825,000!

6,369 HAMBURGERS, 4,795 fISH TAcOS, 2,204 MEATLOAvES, 2,478 MARTiNIS AND 9,146 BOTTLES Of wINE SERvED IN 2013.

SUMMER FOOD & BEVERAGE

LODGE LUNCh, T-9 GRILL, f & B GOLF cART, MARcO POLO GRILL AT TROUT cREEK REc c ENTER

(\$152,000) NOR LOSS

UNfAvORABLE \$61,000 / 67% TO BUDGET

Improved volume and food quality in 2013. We will be implementing a focused effort in 2014 to improve margins.

CROSS COUNTRY SKI CENTER

\$91,000 NOR

UNfAvORABLE \$51,000 / 36% TO BUDGET

Significantly impacted by weather in both the first quarter and in December 2013, with revenues off % and costs up 4%, compounding impact off 6% to budget, however still a positive NOR result.

CAMPGROUND

(\$17,000) NOR LOSS

UNfAvORABLE \$4,000 / 30% TO BUDGET





Ho a & a MeNit Y SUPPORT SERVICES

GENERAL

(\$1,256,000) NOR LOSS

f AvORABLE \$52,000 / 4% TO BUDGET

Savings in utilities and miscellaneous other cost categories.

MANAGEMENT, ACCOUNTING, HUMAN RESOURCES & IT

(\$1,976,000) NOR LOSS

UNf AvORABLE \$24,000 / 1% TO BUDGET

819 w -2'S ISSUED, 10,498 vENDOR
iNvOic ES PROc ESSED

MAINTENANCE

(\$656,000) NOR LOSS

f AvORABLE \$29,000 / 4% TO BUDGET

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

FORESTRY, TRAILS, DEFENSIBLE & OPEN SPACE

(\$898,000) NOR LOSS

UNf AvORABLE \$21,000 / 2% TO BUDGET

Obtained additional grant work, with net increase in costs. 4,769 TREES PLANTED

ARCHITECTURAL & MEMBER SERVICES

(\$304,000) NOR LOSS

f AvORABLE \$37,000 / 11% TO BUDGET

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

pr ivat e AMENITIES

BEACH CLUB MARINA

\$241,000 NOR

f AvORABLE \$48,000 / 25% TO BUDGET

Another high performing year with increased visitation.

TROUT CREEK RECREATION & AQUATICS

(\$2,000) NOR LOSS

f AvORABLE \$1,000 / 18% TO BUDGET

Strong visitation and program participation throughout the year, with nominal weather impact volatility.

TENNIS CENTER

(\$23,000) NOR LOSS

UNf AvORABLE \$24,000

Good visitation levels, however costs increased greater than projected.

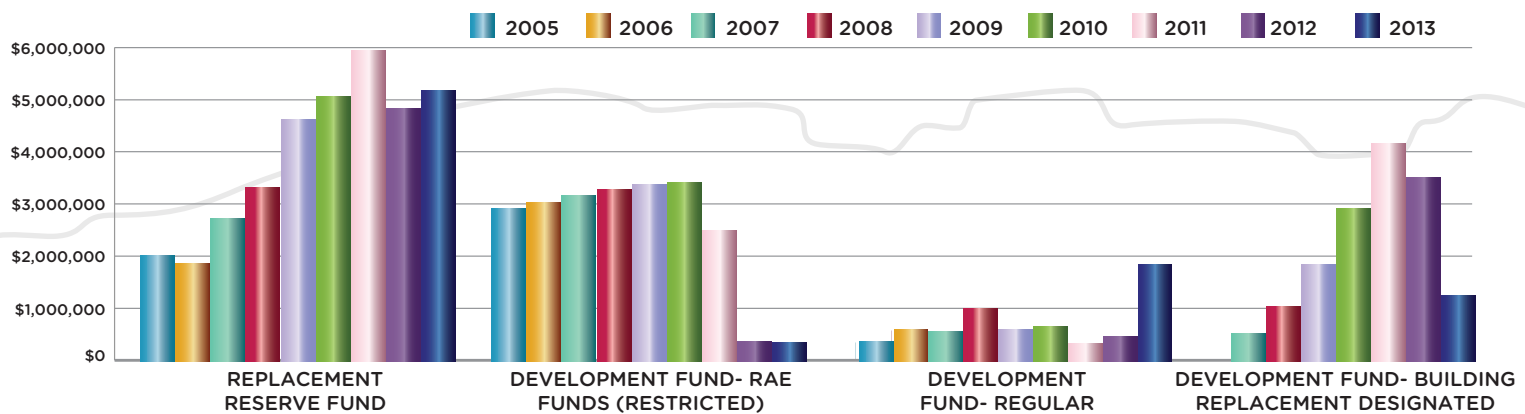
DAY CAMPS & RECREATION PROGRAMS

(\$102,000) NOR LOSS

UNf AvORABLE \$14,000 / 16% TO BUDGET

Day Camps strong results, NOR favorable \$8k/32% to budget. Recreation programs had strong visitation, however expanded program offerings costs were greater than revenues; NOR off u dget \$22k/20%.

Key Fund Balances Reserved For Future Capital Needs



MEMBERS' EQUITY (AS OF DECEMBER 31)

REFER TO PAGE 9 FOR SCHEDULE OF ACTIVITIES AND BALANCES FOR EACH CAPITAL FUND.
REFER TO PAGE 10 FOR CAPITAL FUNDS EXPENDITURES BY DEPARTMENT.

\$2.6 Million | 2013 expenditures REPLACEMENT RESERVE FUND

- \$381,000 MAINTENANCE building remodel (replacement reserve portion)
- \$273,000 GOLF COURSE (equipment, cart paths, and carts lease)
- \$257,000 MAINTENANCE front loader replacement
- \$186,000 MIS (computer, network and phone hardware and software)
- \$119,000 MAINTENANCE snowblower replacement
- \$106,000 DOW NHILL SKI uniforms
- \$105,000 MAINTENANCE yard asphalt overlay
- \$90,000 TROUT CREEK pool deck furniture
- \$78,000 DOW NHILL SKI rental equipment replacement
- \$43,000 MAINTENANCE Bobcat replacement

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the association is obligated by state law and sound business practices to repair, restore, replace or maintain. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,600 individual items are tracked in this plan, with a current replacement value of over \$41 million. A complete study and plan were performed in 2013 and will be updated annually.

19% FUNDED

replacement reserve funds as of 12/31/2013 ratio to replacement reserve Component total costs on 100% funded method calculation.

\$2.5 Million | 2013 expenditures DEVELOPMENT FUND

- \$1,298,000 THE LODGE expansion
- \$524,000 CROSS COUNTRY building replacement
- \$240,000 MAINTENANCE building remodel costs
- \$84,000 FORESTRY building remodel completion
- \$82,000 DOW NHILL SKI yurt ski school structure
- \$56,000 MARINA improvements project
- \$15,000 TENNIS entrance improvements
- \$10,000 TRAILS expansion

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 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 | 2013 expenditures NEW MACHINERY AND EQUIPMENT FUND

- \$51,000 TRAILS construction equipment
- \$40,000 FLEET heavy-duty pickup truck
- \$22,000 GOLF maintenance sod stripper
- \$13,000 SPECIAL EVENT tents and fencing
- \$10,000 CROSS COUNTRY race equipment
- \$9,000 CROSS COUNTRY biathlon 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 \$5,023,000 (in 2012 \$7,590,000). Depreciation expense for the year totaled \$2,527,000 (in 2012 \$2,156,000).

Total gross fixed asset value of \$61,200,000 equates to \$9,451 per owner and net book value of fixed assets and construction in progress of \$35,500,000 equates to \$5,479 per owner (an increase of 7% over 2012).

Capital Funds summary

YEAR ENDING DECEMBER 31, 2013

	2013 ACTUAL	2013 BUDGET	2013 ACTUAL VS 2013 BUDGET	2012 ACTUAL	2013 ACTUAL VS 2012 ACTUAL
REPLACEMENT RESERVE FUND					
BEGINNING FUND BALANCE	\$4,629,816	\$4,100,000	\$529,816	\$5,702,748	\$(1,072,932)
ASSESSMENT CONTRIBUTION	2,809,000	2,809,000	-	2,589,000	220,000
INTEREST REVENUE	11,366	21,000	(9,634)	17,785	(6,419)
OTHER REVENUE AND EXPENSE, NET	110,212	5,000	105,212	36,197	74,015
MAJOR MAINTENANCE EXPENSES	(343,687)	(320,000)	(23,687)	(418,852)	75,165
EXPENDITURES FOR CAPITAL ADDITIONS	(2,246,069)	(4,176,000)	1,929,931	(3,297,062)	1,050,993
CHANGE IN FUND BALANCE	340,822	(1,661,000)	2,001,822	(1,072,932)	1,413,754
ENDING FUND BALANCE	4,970,638	2,439,000	2,531,638	4,629,816	340,822
NEW MACHINERY & EQUIPMENT FUND					
BEGINNING FUND BALANCE	119,978	82,000	37,978	85,028	34,950
ASSESSMENT CONTRIBUTION	194,000	194,000	-	194,000	-
INTEREST REVENUE	39	-	39	6	33
MAJOR MAINTENANCE EXPENSES	-	-	-	-	-
EXPENDITURES FOR CAPITAL ADDITIONS	(265,555)	(260,000)	(5,555)	(159,056)	(106,499)
CHANGE IN FUND BALANCE	(71,516)	(66,000)	(5,516)	34,950	(106,466)
ENDING FUND BALANCE	48,462	16,000	32,462	119,978	(71,516)
DEVELOPMENT FUND (INCLUDES RAE RESTRICTED, DESIGNATED BUILDING REPLACEMENT, AND REGULAR)					
BEGINNING FUND BALANCE	4,167,239	3,626,000	541,239	6,710,329	(2,543,090)
ASSESSMENT CONTRIBUTION	1,618,000	1,618,000	-	1,618,000	-
INTEREST REVENUE	7,131	16,000	(8,869)	7,406	(275)
OPERATING FUND TRANSFER IN	-	-	-	-	-
OTHER REVENUE & EXPENSE NET	(10,081)	(6,000)	(4,081)	(8,795)	(1,286)
FUND EXPENSES FOR CAPITAL ADDITIONS	(2,818)	-	(2,818)	(25,943)	23,125
EXPENDITURES FOR CAPITAL ADDITIONS	(2,511,663)	(4,049,000)	1,537,337	(4,133,758)	1,622,095
CHANGE IN FUND BALANCE	(899,431)	(2,421,000)	1,521,569	(2,543,090)	1,643,659
ENDING FUND BALANCE A)	3,267,808	1,205,000	2,062,808	4,167,239	(899,431)
CAPITAL FUND TOTALS (SEE NEXT PAGE FOR BREAKDOWN BY DEPARTMENT)					
MAJOR MAINTENANCE/FUND EXPENSES	(346,505)	(320,000)	(23,687)	(444,795)	75,165
EXPENDITURES FOR CAPITAL ADDITIONS	(5,023,287)	(8,485,000)	3,461,713	(7,589,876)	2,566,589
TOTAL	\$(5,369,792)	\$(8,805,000)	\$3,438,026	\$(8,034,671)	\$2,664,879

A) DEVELOPMENT FUND: Recreational Amenity Expansion (RAE) amounts are restricted funds. Refer to Development Fund discussion on page 8 for further information.

12/31/2013 Balance Components: \$339,471 RAE Restricted, \$1,193,740 Designated Building Replacement, and \$1,734,597 Regular.

12/31/2012 Balance Components: \$338,571 RAE Restricted, \$3,378,416 Designated Building Replacement, and \$450,252 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, 2013

	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	\$122,607	\$14,997	\$1,938	\$ -	\$ -	\$ -	\$124,545	\$14,997
BEACH CLUB MARINA	28,935	9,477	-	-	56,374	-	85,309	9,477
TENNIS CENTER	35,854	5,285	-	-	14,508	-	50,362	5,285
NORTHWOODS POOL / AQUATICS	35,680	-	8,377	-	-	-	44,057	-
CAMPS AND REC PROGRAMS	8,386	-	31,527	-	-	-	39,913	-
TOTAL PRIVATE AMENITIES	231,462	29,759	41,842	-	70,882	-	344,186	29,759
PUBLIC AMENITIES								
GOLF	181,230	90,982	21,997	-	-	-	203,227	90,982
DOWNHILL SKI AREA	(a) 287,596	25,535	4,959	-	82,744	-	375,299	25,535
CROSS COUNTRY SKI CENTER	29,716	13,519	40,065	-	(c) 657,697	-	727,478	13,519
CAMPGROUND	34,068	12,510	-	-	-	-	34,068	12,510
EQUESTRIAN	7,883	-	-	-	-	-	7,883	-
THE LODGE	34,306	-	7,453	-	(d) 1,297,599	-	1,339,358	-
PIZZA ON THE HILL	8,265	-	3,479	-	-	-	11,744	-
SNOWPLAY	-	-	-	-	-	-	-	-
TOTAL PUBLIC AMENITIES	583,064	142,546	77,953	-	2,038,040	-	2,699,057	142,546
TOTAL AMENITIES	814,526	172,305	119,795	-	2,108,922	-	3,043,243	172,305
HOMEOWNERS ASSOCIATION								
GENERAL	82,088	55,330	-	-	18,336	-	100,424	55,330
MARKETING & COMMUNICATION	-	1,512	-	-	-	-	-	1,512
FACILITY ADMINISTRATION	-	72,100	1,250	-	15,500	-	16,750	72,100
ADMINISTRATION	47,297	-	945	-	-	-	48,242	-
MANAGEMENT INFORMATION SYSTEMS	196,430	36,521	35,058	-	39,985	-	271,473	36,521
ACCOUNTING	-	-	-	-	-	-	-	-
HUMAN RESOURCES	-	-	-	-	-	-	-	-
ARCHITECTURAL STANDARDS OFFICE	-	-	-	-	-	-	-	-
MEMBER SERVICES	-	-	-	-	-	-	-	-
FORESTRY	60,507	-	57,699	-	88,621	2,818	206,827	2,818
MAINTENANCE	(b) 1,045,221	5,919	50,808	-	(e) 240,299	-	1,336,328	5,919
TOTAL HOMEOWNERS ASSOC	1,431,543	171,382	145,760	-	402,741	2,818	1,980,044	174,200
TOTAL	\$2,246,069	\$343,687	\$265,555	\$-	\$2,511,663	\$2,818	\$5,023,287	\$346,505

(a) Includes uniforms \$106,000, rental equipment \$78,000, and flooring \$50,000

(b) Includes maintenance building remodel \$381,000, front loader replacement \$257,000, snowblower replacement \$119,000, and asphalt overlay \$106,000

(c) Includes cross country building permits, legal, architectural, and engineering planning and design costs

(d) Includes expansion of pub area, deck, kitchen, snack bar, and pro shop

(e) Includes maintenance building remodel completion, development fund portion

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, 2013 and 2012, 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, 2013 and 2012, 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 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gilbert Associates, Inc.

Sacramento, California
March 18, 2014

Tahoe Donner Association

Statement of Revenues, Expenses And

Changes in Members' Equity, December 31, 2013 And 2012

	OPERATIONS		
	Amenities	Homeowners' Association	Total Operating Fund
OPERATING REVENUES:			
Access and use fees	\$ 3,609,173		\$ 3,609,173
Retail sales	3,174,624		3,174,624
Lessons and rental revenue	1,868,543		1,868,543
Other revenues	249,454	\$ 597,960	847,414
Interest income		5,252	5,252
Gross operating revenues	8,901,794	603,212	9,505,006
Cost of goods sold	(1,173,525)		(1,173,525)
Net operating revenues	7,728,269	603,212	8,331,481
OPERATING EXPENSES:			
Salaries and wages	4,196,670	3,180,334	7,377,004
Payroll taxes and employee benefits	1,018,288	846,482	1,864,770
Supplies and maintenance	1,024,674	485,565	1,510,239
Utilities	568,987	219,629	788,616
Insurance	260,300	146,643	406,943
Other employee expenses	112,007	117,457	229,464
Income tax benefit		16,278	16,278
Other expenses	434,466	680,824	1,115,290
Total operating expenses	7,615,392	5,693,212	13,308,604
NET OPERATING INCOME (LOSS)	112,877	(5,090,000)	(4,977,123)
CAPITAL ACTIVITIES:			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
ASSESSMENTS:			
Assessment revenues		5,117,855	5,117,855
INCREASE (DECREASE) IN MEMBERS' EQUITY	\$ 112,877	\$ 27,855	140,732
MEMBERS' EQUITY, December 31, 2012			635,667
MEMBERS' EQUITY, December 31, 2013			\$ 776,399

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

Tahoe Donner Association

Statement of Revenues, Expenses And Changes in Members' Equity December 31, 2013 And 2012

CAPITAL				TOTALS	
Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2013	Total 2012
				\$ 3,609,173	\$ 3,304,043
				3,174,624	2,767,519
				1,868,543	1,459,620
				847,414	664,576
				23,788	34,469
\$ 11,366	\$ 39	\$ 7,131		9,523,542	8,230,227
11,366	39	7,131		(1,173,525)	(1,024,717)
				8,350,017	7,205,510
				7,377,004	6,665,009
				1,864,770	1,679,048
				1,510,239	1,042,503
				788,616	759,834
				406,943	305,843
				229,464	186,589
				16,278	(33,176)
14,876		10,081		1,140,247	981,327
14,876		10,081		13,333,561	11,586,977
(3,510)	39	(2,950)		(4,983,544)	(4,381,467)
(2,246,069)	(265,555)	(2,511,663)	\$ 5,023,287		
125,088			(39,095)	85,993	43,192
(343,687)		(2,818)		(346,505)	(444,795)
			(2,527,024)	(2,527,024)	(2,156,221)
(2,464,668)	(265,555)	(2,514,481)	2,457,168	(2,787,536)	(2,557,824)
2,809,000	194,000	1,618,000		9,738,855	8,899,000
340,822	(71,516)	(899,431)	2,457,168	1,967,775	1,959,709
4,629,816	119,978	4,167,239	32,997,990	42,550,690	40,590,981
\$ 4,970,638	\$ 48,462	\$ 3,267,808	\$ 35,455,158	\$ 44,518,465	\$ 42,550,690

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

Tahoe Donner Association

Statement of Financial Position

December 31, 2013 And 2012

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2013	Total 2012
ASSETS							
Cash	\$ 608,997					\$ 608,997	\$ 1,583,023
Cash, designated and restricted	245,556	\$ 972,680	\$ 140,064	\$ 328,690		1,686,990	787,384
Investments	538,154					538,154	535,090
Investments, designated and restricted	1,999,200	5,014,912		3,500,979		10,515,091	10,997,739
Assessments and other member receivables, net of allowance for doubtful accounts of \$104,230 in 2013 and \$98,440 in 2012	312,695					312,695	293,946
Other receivables	158,753	10,789		4,794		174,336	73,582
Inventory	304,435					304,435	237,474
Prepaid expenses and other assets	608,507					608,507	254,042
Due from (to) other funds	(69,915)	66,041	1,017	2,857			
Net property and equipment					\$ 35,455,158	35,455,158	32,997,990
TOTAL ASSETS	<u>\$ 4,706,382</u>	<u>\$ 6,064,422</u>	<u>\$ 141,081</u>	<u>\$ 3,837,320</u>	<u>\$ 35,455,158</u>	<u>\$ 50,204,363</u>	<u>\$ 47,760,270</u>
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	\$ 341,738	\$ 100,660	\$ 30,289	\$ 50,096		\$ 522,783	\$ 442,169
Deferred revenues	2,639,371	993,124	62,330	519,416		4,214,241	3,865,049
Deposits from members	164,820					164,820	96,925
Accrued liabilities	<u>784,054</u>					<u>784,054</u>	<u>805,437</u>
TOTAL LIABILITIES	3,929,983	1,093,784	92,619	569,512		5,685,898	5,209,580
MEMBERS' EQUITY	<u>776,399</u>	<u>4,970,638</u>	<u>48,462</u>	<u>3,267,808</u>	<u>\$ 35,455,158</u>	<u>44,518,465</u>	<u>42,550,690</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 4,706,382</u>	<u>\$ 6,064,422</u>	<u>\$ 141,081</u>	<u>\$ 3,837,320</u>	<u>\$ 35,455,158</u>	<u>\$ 50,204,363</u>	<u>\$ 47,760,270</u>

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

Tahoe Donner Association

Statement of Cash Flows

Years ended December 31, 2013 And 2012

	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2013	Total 2012
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	\$ 140,732	\$ 340,822	\$ (71,516)	\$ (899,431)	\$ 2,457,168	\$ 1,967,775	\$ 1,959,709
Reconciliation to net cash provided by operating activities:							
Fund transfer							
Depreciation expense					2,527,024	2,527,024	2,156,221
Capital additions and transfers		2,246,069	265,555	2,511,663	(5,023,287)		
(Gain) loss on sale or disposal of property and equipment		(125,088)			39,095	(85,993)	(43,192)
Changes in:							
Assessments receivable	(18,749)					(18,749)	(1,621)
Other receivables	(106,772)	1,728		4,290		(100,754)	(28,731)
Inventory	(66,961)					(66,961)	31,020
Prepaid expenses and other assets	(354,465)					(354,465)	6,906
Due from (to) other funds	183	158,001	813	(158,997)			
Accounts payable	82,473	(14,027)	25,726	(13,558)		80,614	110,937
Deferred revenues	210,262	120,298	1,996	16,636		349,192	274,047
Deposits from members	67,895					67,895	(22,810)
Accrued liabilities	(21,383)					(21,383)	303,555
Net cash provided by operating activities	<u>(66,785)</u>	<u>2,727,803</u>	<u>222,574</u>	<u>1,460,603</u>		<u>4,344,195</u>	<u>4,746,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(3,297,062)	(159,056)	(4,133,758)		(7,589,876)	(2,972,740)
Proceeds from sale of property and equipment		125,088				125,088	49,131
Purchases of investments	(5,502,314)	(7,016,044)	(140,064)	(3,502,058)		(16,160,480)	(19,097,338)
Proceeds from sale of investments	4,750,000	7,250,000	140,064	4,500,000		16,640,064	22,794,625
Transfers between funds							
Net cash used by investing activities	<u>(752,314)</u>	<u>(1,887,025)</u>	<u>(265,555)</u>	<u>(1,513,721)</u>		<u>(4,418,615)</u>	<u>(3,843,458)</u>
NET INCREASE (DECREASE) IN CASH	(819,099)	840,778	(42,981)	(53,118)		(74,420)	902,583
CASH, Beginning of Year	<u>1,673,652</u>	<u>131,902</u>	<u>183,045</u>	<u>381,808</u>		<u>2,370,407</u>	<u>1,467,824</u>
CASH, End of Year	<u>\$ 854,553</u>	<u>\$ 972,680</u>	<u>\$ 140,064</u>	<u>\$ 328,690</u>	<u>\$</u>	<u>\$ 2,295,987</u>	<u>\$ 2,370,407</u>
OTHER CASH FLOW INFORMATION:							
Income taxes refunded (paid)	<u>\$ 3,437</u>	<u>\$ 11,721</u>	<u>\$</u>	<u>\$ 858</u>	<u>\$</u>	<u>\$ 16,016</u>	<u>\$ 17,873</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

NOTES TO FINANCIAL STATEMENTS

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 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 2009.

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 18, 2014, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2013 that require recognition or disclosure in the financial statements.

3. Cash and Investments

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

	2013	2012
replacement reserve fund - designated	\$5,987,592	\$5,380,770
development fund - restricted (RAE fund)	328,690	381,808
development fund - designated	3,500,979	4,498,921
new machinery and equipment fund - designated	140,064	183,045
Operating fund - undesignated and unrestricted	1,147,151	2,118,113
Operating fund - designated	1,999,200	1,249,950
Operating fund - trust - restricted (note 7)	80,737	
Operating fund - Architectural standards deposits - restricted (note 5)	164,819	90,629
Total	\$13,349,232	\$13,903,236

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, 2013 mature as follows:

Investment	within 1 year	1 to 2 years	Total
U.S. TREASURY	\$9,014,920		\$9,014,920
CERTIFICATES OF DEPOSIT	\$1,560,142	\$478,183	\$2,038,325
TOTAL	\$10,575,062	\$478,183	\$11,053,245

NOTES TO FINANCIAL STATEMENTS

4. pr Oper t y a n d eQuipm e n t

Property and equipment consist of the following:

	2013	2012
buildings	\$25,632,003	\$22,921,978
f i x t u r e s a n d f a c i l i t y i m p r o v e m e n t s	13,580,913	12,820,420
e q u i p m e n t	12,340,711	11,276,609
l a n d a n d l a n d i m p r o v e m e n t s	8,666,697	8,666,697
f u r n i s h i n g s	937,230	871,862
t O t a l	61,157,554	56,557,566
l e s s a c c u m u l a t e d d e p r e c i a t i o n	(26,288,326)	(24,192,466)
	34,869,228	32,365,100
Construction in progress	585,930	632,890
t O t a l	\$35,455,158	\$32,997,990

5. d e p o s i t s F r o m m e m b e r s

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. r e p l a c e m e n t r e s e r v e F u n d

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 2013, 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. r e t i r e m e n t p l a n s

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 \$73,362 and \$66,289 for 2013 and 2012, respectively.

The Association started two defined contribution plans on September 15, 2012, 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 \$43,259 and \$7,175 for the years ended December 31, 2013 and 2012, respectively.

8. O p e r a t i n g l e a s e O b l i g a t i o n s

The Association has non-cancelable operating leases for copiers, golf carts, land usage and computer equipment. Rental expense under all operating leases was \$153,396 and \$140,646 for 2013 and 2012, respectively. Future minimum lease payments under these leases are as follows:

Year ending December 31:

2014	\$110,230
2015	100,602
2016	98,446
2017	22,852
2018	13,402
THEREAFTER	28,760
t O t a l	\$374,292

Required supplementary information on future major repairs and replacements | December 31, 2013 (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 2013 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, 2013, was \$4,970,000. The 2014 lot assessments include \$3,094,000 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	\$3,783,144
Marina	0-30	1-30	1,122,725
Tennis Complex	0-30	1-30	1,820,548
Downhill ski Area	0-30	1-30	6,060,649
Cross Country ski Center	0-30	1-30	1,425,169
Equestrian	0-30	1-30	416,625
Golf Complex	0-30	1-30	9,876,541
Campground	0-30	1-30	639,374
The Lodge restaurant & pub	0-30	1-30	3,504,650
Pizza On the Hill	0-30	1-30	410,951
Administration/mis	0-30	1-30	5,205,737
Forestry	0-30	1-30	1,043,541
General & building maintenance	0-30	1-30	2,676,948
Trails	0-30	1-30	1,580,690
Vehicle maintenance	0-30	1-30	1,422,108
		Total	\$ 40,989,400

See independent auditor's report on required supplementary information.

