

TAHOE DONNER ASSOCIATION

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

# TAHOE DONNER ASSOCIATION

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# McCLINTOCK ACCOUNTANCY CORPORATION

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Tahoe Donner Association

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Tahoe Donner Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenue and expenses – all funds, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Information***

The information included on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## ***Comparative Information***

Information for the year ended December 31, 2019 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unmodified opinion in our report dated April 3, 2020.

As described in Note 2, the Association changed the composition of its financial statements and allocations of certain departmental expenses in 2020, and the 2019 financial statements have been restated to conform to the composition and allocations utilized in 2020.

***McClintock Accountancy Corporation***

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
April 13, 2021

TAHOE DONNER ASSOCIATION

Exhibit A

BALANCE SHEET

December 31, 2020 (with comparative totals for 2019)

	2020						2019
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
<b>ASSETS</b>							
Cash and cash equivalents, unrestricted (Note 4)	\$ 5,491,032	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,491,032	\$ 1,541,942
Cash and cash equivalents, designated and restricted (Note 4)	238,830	222,446	262,721	1,781,283	-0-	2,505,280	449,175
Investments, unrestricted (Note 4)	1,632,827	-0-	-0-	-0-	-0-	1,632,827	4,504,145
Investments, designated and restricted (Note 4)	-0-	15,112,395	-0-	6,778,817	-0-	21,891,212	21,819,252
	7,362,689	15,334,841	262,721	8,560,100	-0-	31,520,351	28,314,514
Assessments and other member receivables, less allowance for doubtful accounts of \$75,213 in 2020 and \$88,679 in 2019	245,507	-0-	-0-	-0-	-0-	245,507	266,025
Other receivables	13,974	19	-0-	11,111	-0-	25,104	337,009
Inventory	321,967	-0-	-0-	-0-	-0-	321,967	319,342
Prepaid expenses and other assets	1,274,413	-0-	-0-	-0-	-0-	1,274,413	860,057
Due from (to) other funds	(736,898)	(353,286)	91,976	998,208	-0-	-0-	-0-
Property and equipment, net (Note 5)	-0-	-0-	-0-	-0-	42,380,585	42,380,585	41,331,406
<b>Total Assets</b>	<b>\$ 8,481,652</b>	<b>\$ 14,981,574</b>	<b>\$ 354,697</b>	<b>\$ 9,569,419</b>	<b>\$ 42,380,585</b>	<b>\$ 75,767,927</b>	<b>\$ 71,428,353</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 39,214	\$ 169,696	\$ -0-	\$ 10,461	\$ -0-	\$ 219,371	\$ 671,635
Accrued liabilities	1,074,079	34,876	41	1,005	-0-	1,110,001	1,584,663
Deferred revenue	4,121,222	1,648,928	-0-	914,013	-0-	6,684,163	5,556,495
Deposits from members	308,151	-0-	-0-	-0-	-0-	308,151	219,266
<b>Total Liabilities</b>	<b>5,542,666</b>	<b>1,853,500</b>	<b>41</b>	<b>925,479</b>	<b>-0-</b>	<b>8,321,686</b>	<b>8,032,059</b>
<b>Fund Balances - Exhibit B</b>	<b>2,938,986</b>	<b>13,128,074</b>	<b>354,656</b>	<b>\$ 8,643,940</b>	<b>42,380,585</b>	<b>67,446,241</b>	<b>63,396,294</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,481,652</b>	<b>\$ 14,981,574</b>	<b>\$ 354,697</b>	<b>\$ 9,569,419</b>	<b>\$ 42,380,585</b>	<b>\$ 75,767,927</b>	<b>\$ 71,428,353</b>

The accompanying notes are an integral part of these statements.

## TAHOE DONNER ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES - ALL FUNDS  
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020						2019	
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total	
<b>REVENUE</b>								
Members' assessments	\$ 5,889,745	\$ 4,985,000	\$ 194,000	\$ 2,298,000	\$ -	\$ 13,366,745	\$ 12,719,445	
Downhill ski	3,461,292	-	-	-	-	3,461,292	4,770,549	
Snowplay	153,021	-	-	-	-	153,021	244,046	
The Lodge and Summer F&B	1,305,051	-	-	-	-	1,305,051	2,742,223	
Cross country center	1,265,594	-	-	-	-	1,265,594	1,381,116	
Trout Creek recreation center and aquatics	668,271	-	-	-	-	668,271	1,310,493	
Marina	464,555	-	-	-	-	464,555	680,754	
Golf course	86,618	-	-	-	-	86,618	706,522	
Alder Creek Café	349,064	-	-	-	-	349,064	490,426	
Pizza on the Hill	-	-	-	-	-	-	344,563	
Tennis	352,122	-	-	-	-	352,122	308,060	
Day Camp	1,534	-	-	-	-	1,534	247,719	
Equestrian	78,689	-	-	-	-	78,689	238,636	
Recreation	-	-	-	-	-	-	201,021	
Campground	119,887	-	-	-	-	119,887	95,813	
Bikeworks	172,179	-	-	-	-	172,179	134,638	
Trails	1,127	-	-	-	-	1,127	2,832	
Communications	240,013	-	-	-	-	240,013	227,063	
Architectural standards	325,269	-	-	-	-	325,269	174,557	
Forestry	173,372	-	-	-	-	173,372	94,975	
Interest income	62,859	166,496	2,661	119,829	-	351,845	500,921	
Late charges, handling, transfer fees, and other fees	132,908	-	-	-	-	132,908	130,614	
Miscellaneous income	43,510	-	-	-	-	43,510	54,762	
<b>Total Revenue</b>	<b>15,346,680</b>	<b>5,151,496</b>	<b>196,661</b>	<b>2,417,829</b>	<b>-</b>	<b>23,112,666</b>	<b>27,801,748</b>	
<b>OPERATING EXPENSES</b>								
Downhill ski (cost of sales of \$102,458 in 2020 and \$196,821 in 2019)	2,520,721	8,953	-	-	-	2,529,674	3,122,294	
Snowplay (cost of sales of \$198 in 2020 and \$1,911 in 2019)	101,649	-	-	-	-	101,649	131,806	
The Lodge and Summer F&B (cost of sales of \$431,666 in 2020 and \$784,377 in 2019)	1,764,219	17,018	-	-	-	1,781,237	2,866,067	
Cross country center (cost of sales of \$70,892 in 2020 and \$85,840 in 2019)	785,486	36,295	-	-	-	821,781	1,031,741	
Trout Creek recreation center and aquatics (cost of sales of \$4,975 in 2020 and \$20,016 in 2019)	810,428	63,605	-	-	-	874,033	1,221,153	
Marina (cost of sales of \$13,138 in 2020 and \$51,485 in 2019)	253,239	4,753	-	-	-	257,992	439,036	
Golf course (cost of sales of \$411 in 2020 and \$49,814 in 2019)	616,147	4,042	-	-	-	620,189	1,277,705	
Alder Creek Café (cost of sales of \$116,757 in 2020 and \$164,450 in 2019)	476,929	-	-	-	-	476,929	558,925	
Pizza on the Hill (cost of sales of \$-0- in 2020 and \$99,622 in 2019)	18,570	-	-	-	-	18,570	389,831	
Tennis (cost of sales of \$28,553 in 2020 and \$35,643 in 2019)	256,244	-	-	-	-	256,244	246,409	
Day Camp	20,905	-	-	-	-	20,905	236,927	
Equestrian (cost of sales of \$-0- in 2020 and \$7,732 in 2019)	189,975	-	-	-	-	189,975	330,228	
Recreation (cost of sales of \$24 in 2019 and \$1,469 in 2019)	38,143	-	-	-	-	38,143	201,961	
Campground	85,013	-	-	-	-	85,013	88,241	
Bikeworks (cost of sales of \$57,360 in 2020 and \$55,263 in 2019)	141,325	-	-	-	-	141,325	127,588	
Trails	105,496	38,824	-	-	-	144,320	153,406	
Communications	602,564	-	-	-	-	602,564	638,207	
Architectural standards	340,395	-	-	-	-	340,395	389,199	
Forestry	1,615,724	122,960	-	-	-	1,738,684	1,498,988	
Homeowners' association operating expenses and G&A	3,891,984	760,512	-	124,500	-	4,776,996	5,797,787	
<b>Total Operating Expenses</b>	<b>14,635,156</b>	<b>1,056,962</b>	<b>-</b>	<b>124,500</b>	<b>-</b>	<b>15,816,618</b>	<b>20,747,499</b>	
<b>FUND EXPENSES</b>								
(Gain) Loss on disposal of assets	(462)	(44,383)	-	-	29,024	(15,821)	(35,606)	
Depreciation	-	-	-	-	3,219,365	3,219,365	3,440,155	
Income tax provision (Note 6)	15,452	16,196	237	10,672	-	42,557	68,610	
<b>Total Expenses</b>	<b>14,650,146</b>	<b>1,028,775</b>	<b>237</b>	<b>135,172</b>	<b>3,248,389</b>	<b>19,062,719</b>	<b>24,220,658</b>	
Revenue Over (Under) Expenses	696,534	4,122,721	196,424	2,282,657	(3,248,389)	4,049,947	3,581,090	
Property Fund Additions, Net (Schedule 2)	-	(3,822,158)	(49,442)	(425,968)	4,297,568	-	-	
Fund Balances, Beginning of Year	2,242,452	12,827,511	207,674	6,787,251	41,331,406	63,396,294	59,815,204	
Fund Balances, End of Year	\$ 2,938,986	\$ 13,128,074	\$ 354,656	\$ 8,643,940	\$ 42,380,585	\$ 67,446,241	\$ 63,396,294	

The accompanying notes are an integral part of these statements.

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TAHOE DONNER ASSOCIATION

Exhibit C

STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020						2019
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
Cash Flows from Operating Activities:							
Operating Revenue Over Expenses	\$ 696,534	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 696,534	\$ 800,559
Replacement Revenue Over Expenses	-0-	4,122,721	-0-	-0-	-0-	4,122,721	3,848,912
Non-Operating Funds Revenue Over (Under) Expenses	-0-	-0-	196,424	2,282,657	(3,248,389)	(769,308)	(1,068,381)
Revenue Over (Under) Expenses	696,534	4,122,721	196,424	2,282,657	(3,248,389)	4,049,947	3,581,090
Transfers between funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Adjustments to Reconcile Operating/Replacement Revenue Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:							
Bad debt expense	67,853	9,000	-0-	4,500	-0-	81,353	24,642
Depreciation expense	-0-	-0-	-0-	-0-	3,219,365	3,219,365	3,440,155
(Gain)/Loss on disposal of assets	(462)	(44,383)	-0-	-0-	29,024	(15,821)	(35,606)
Changes in:							
Assessments receivable	(47,335)	(9,000)	-0-	(4,500)	-0-	(60,835)	(29,088)
Other receivables	201,117	84,504	871	25,413	-0-	311,905	(97,808)
Inventory	(2,625)	-0-	-0-	-0-	-0-	(2,625)	(4,419)
Prepaid expenses and other assets	(414,355)	-0-	-0-	-0-	-0-	(414,355)	(111,148)
Due to/from other funds	605,676	462,924	(84,996)	(983,604)	-0-	-0-	-0-
Accounts payable	(316,191)	(120,454)	-0-	(15,617)	-0-	(452,262)	57,643
Accrued liabilities	(491,616)	124,515	(127)	(2,943)	-0-	(370,171)	58,945
Deferred revenue	675,569	246,054	(59,197)	265,243	-0-	1,127,669	515,072
Deposits	88,885	-0-	-0-	-0-	-0-	88,885	(37,385)
Net Cash Provided by Operating Activities	1,063,050	4,875,881	52,975	1,571,149	-0-	7,563,055	7,362,093
Cash Flows from Investing Activities:							
Acquisition of property and equipment	-0-	(3,926,653)	(49,442)	(425,968)	-0-	(4,402,063)	(3,121,146)
Proceeds from sale of property and equipment	462	44,383	-0-	-0-	-0-	44,845	66,533
Purchase of investments	(4,497,871)	(22,945,302)	-0-	(7,989,212)	-0-	(35,432,385)	(52,103,064)
Maturity or redemption of investments	7,369,189	22,014,467	246,478	8,601,609	-0-	38,231,743	47,673,388
Net Cash Provided (Used) by Investing Activities	2,871,780	(4,813,105)	197,036	186,429	-0-	(1,557,860)	(7,484,289)
Net Increase (Decrease) in Cash and Cash Equivalents	3,934,830	62,776	250,011	1,757,578	-0-	6,005,195	(122,196)
Cash and cash equivalents, Beginning of Year	1,795,032	159,670	12,710	23,705	-0-	1,991,117	2,113,313
Cash and cash equivalents, End of Year	\$ 5,729,862	\$ 222,446	\$ 262,721	\$ 1,781,283	\$ -0-	\$ 7,996,312	\$ 1,991,117
Analysis of Cash and Cash Equivalents:							
Cash and cash equivalents, unrestricted	\$ 5,491,032	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,491,032	\$ 1,541,942
Cash and cash equivalents, designated and restricted	238,830	222,446	262,721	1,781,283	-0-	2,505,280	449,175
	\$ 5,729,862	\$ 222,446	\$ 262,721	\$ 1,781,283	\$ -0-	\$ 7,996,312	\$ 1,991,117
Supplemental Disclosure:							
Income taxes paid	\$ 55,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 55,000	\$ 53,970
Non-cash Investment Activities:							
Acquisition of equipment financed by trade payables	\$ -0-	\$ 21,997	\$ -0-	\$ -0-	\$ -0-	\$ 21,997	\$ 126,490

The accompanying notes are an integral part of these statements.

# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,473 membership properties within the Tahoe Donner subdivision in Truckee, California. The Association was organized to provide management services and maintenance of certain common areas owned by the Association. A significant portion of revenue is derived from the assessment of member dues.

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Development Fund - Used to account for financial resources designated for use in the acquisition and enhancement of facilities, equipment and other resources.

Property Fund - Used to account for the Association's investment in its common property and equipment, and other Association real property.



# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

**Assessment revenue** – Association members are subject to annual assessments to provide funds for the Association’s operating expenses, major repairs and replacements, development and purchase of new equipment. Accounts receivable at the balance sheet date primarily represents amounts due from unit owners. The Association’s collection policy includes, among other things, assessing a late charge and interest, filing a lien, and assessing a lien fee on payments not received within the allowable time periods. In certain instances, foreclosure may be necessary. An allowance for doubtful accounts is created when an account’s collectability is uncertain. Accounts are written off when the Association’s management determines that an account is uncollectible due to an event such as bankruptcy or foreclosure proceedings.

**Revenue recognition** – The Association’s accounting policies with regards to revenue from contracts with customers are discussed in Note 3, Revenues.

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

The Association minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. As of December 31, 2020, and 2019, cash balances exceeded federally insured limits by approximately \$5,137,000 and \$864,000, respectively. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

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

**Inventories** consist of food, beverage and retail goods and are stated at the lower of average cost or market.

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

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

**Interest income** and the related income tax expense is allocated to the operating, replacement and reserve, new machinery and equipment and development funds in proportion to the interest-bearing assets of each fund.

**Assessments paid in advance and deferred revenue** primarily represents funds received for assessments, amenity and newsletter fees received in the current fiscal year, which apply to the subsequent fiscal year.

# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

**Advertising costs** are expensed as incurred. For the year ended December 31, 2020 and 2019 advertising costs total \$50,594 and \$73,449, respectively.

**Income taxes** - For California purposes, the Association is taxed as membership organization. As such, the Association is generally taxed only on non-member income, such as investment earnings, advertising revenue and gains on sales of assets at regular state corporate tax rates. For federal purposes, the Association has tax-exempt status as a non-profit organization under Internal Revenue Code 501(c)(4). Unrelated business income earned by the Association, such as advertising revenue, is taxed net of related expenses at regular federal corporate tax rates.

The Association has applied the accounting principles related to the accounting for uncertainty in income taxes and has determined there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2016.

**Carrying amounts** of financial instruments, including cash and cash equivalent, accounts receivable and accounts payable approximate their fair value due to the short-term maturities of these instruments.

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

**Reclassifications** - Certain reclassifications have been made in the 2019 financial statements to conform to the classifications used in 2020. The reclassifications had no impact on the financial position or results of operations for 2019.

**Restatement** - in 2020, the Association changed the composition of its financial statements to eliminate allocations of certain departmental expenses (overhead) to the other departments they both directly and indirectly serve. Management concluded that the financial statements provided more reliable and relevant information without the allocations. The 2019 financial statements as presented for comparative purposes only have been restated to conform to the composition and allocations utilized in 2020. The restatements had no impact on the total financial position or results of operations for 2019.

**Revenue recognition** - The Association adopted the provisions of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, ("Topic 606" in the Accounting Standards Codification (ASC). Topic 606 superseded the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*. Under Topic 606, the Association must identify a contract with a customer, among other things, and recognize revenue as the Association satisfies a performance obligation.

# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

As described above, Association members are subject to annual assessments that provide funds for the Association's operating expenses and major repairs and replacements. Association management has considered Topic 606 and concluded that Association members are not customers as defined in the ASC. As such, all assessment revenue, including amounts allocated to the replacement fund, is recognized in the period in which it is assessed, regardless of when it is collected or expended.

**New Accounting Pronouncement** - In 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-04, Codification Improvements to Topic 825, Financial Instruments. The Association adopted the provisions of this new standard during the year ended December 31, 2020. The adoption had no impact on the balance sheets or statements of revenue and expenses and changes in fund balance. The adoption removed the requirement to disclose fair value on held-to-maturity debt securities. As a result of the new accounting pronouncement, Note 4 to the financial statements was amended in 2020 and 2019 and no longer includes information on fair value.

**COVID-19** - The COVID-19 outbreak in the United States has caused varying degrees of disruption across substantially all businesses. It is at least possible that the Association may experience adverse effects from the outbreak, including the inability to achieve consistent operational service levels historically available to members. As a result of the pandemic, the Association temporarily closed its amenities, causing a reduction in revenues and related expenses in the last three quarters of 2020. Benefits were maintained for furloughed employees in all departments. Issues may arise from disruptions in normal supply chains, slower collection of member assessments, reduction in user fees, or other factors.

The Association has considered the impact of COVID-19 on the assumptions and estimates used when preparing these financial statements including the potential impairment of long-lived assets, inventory valuation and future compliance with debt covenants, noting no adjustments to be reflected in the accompanying financial statements at this time. If the economic conditions caused by COVID-19 worsen beyond what is currently estimated by management, such future changes may have an adverse impact on the Association's result of operations, financial position, and liquidity, therefore no provisions have been reflected in the accompanying financial statements.

### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### *Revenue Recognition*

The following provides information about the Association's composition of revenue recognized from contracts with customers, the performance obligations under those contracts, and the significant judgments made in accounting for those contracts:

Downhill ski, Cross Country and Golf revenue is derived from a wide variety of sources, including, among other things: lift, trail and course access revenue, which includes sales of lift tickets, trail access, golf course access and pass products; ski school and lesson revenue, which includes the revenue derived from ski school and lesson operations; food and beverage sales; retail sales and equipment rental revenue. Revenue is recognized over time as performance obligations are satisfied as control of the goods or services (e.g. access to ski areas, trails and golf course, provision of ski school and

# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

lesson services, etc.) is transferred to the customer, except for the retail sales, rentals and food and beverage operations revenue which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer. The Association records deferred revenue primarily related to the sales of the pass products. Deferred revenue is recognized throughout the ski and golf seasons as the Association's performance obligations are satisfied as control of the service (e.g. access to the ski areas throughout the ski season) is transferred to the customer. The transfer of control is based on the number of days that have passed in the season relative to total expected season days. Total expected season days are based on historical data, and the Association believes this estimate provide a faithful depiction of its customers pass product usage.

The Association's private amenities (Trout Creek recreation center and aquatics, Snowplay, Marina and Tennis) are accessible via an annual recreation pass or daily access fees. Revenue is derived from recreation pass usage, daily access fees, lessons, classes and trainings, retail sales, equipment rentals and food and beverage sales. Revenue is recognized over time as performance obligations are satisfied as control of the goods or services (e.g. access amenities, provision of lessons, classes and training services, etc.) is transferred to the customer, except for the retail sales, rentals and food and beverage operations revenue which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer. The Association records deferred revenue primarily related to the sales of the recreation pass. Deferred revenue is recognized throughout recreation pass period as the Association's performance obligations are satisfied as control of the service (e.g. access to amenities throughout the pass period) is transferred to the customer. The transfer of control is based on an estimated number of pass holder visits relative to total expected visits. The total expected visits are estimated based on historical data, and the Association believes this estimate provides a faithful depiction of its customers' pass product usage.

Food and beverage revenue (The Lodge and Summer F&B, Alder Creek Café and Pizza on the Hill) is derived from restaurants and cafes, room rentals and banquets. Revenue is recognized at a point in time when performance obligations are satisfied by transferring controls of the underlying goods to the customer.

Communications revenue is derived primarily from newsletter ad sales. Revenue is recognized over time as performance obligations are satisfied as control of the good (e.g. inclusion of ad in the monthly newsletter) is transferred to the customer. Deferred revenue relates sales of newsletter ad space for multiple monthly publications in advance.

Other revenue sources not previously mentioned provide revenue from a variety of means including other amenity access fees, lessons and camps, retail sales, equipment rentals, special events and concerts and food and beverage sales, architectural fees and forestry grants revenues. Revenue is recognized over time as performance obligations are satisfied as control of the (e.g. completions of lessons or camps) is transferred to the customer, except for retail sales, equipment rentals and food and beverage sales which are recognized at a point in time when performance obligations are satisfied by transferring control of the underlying goods to the customer.

### *Arrangements with Multiple Performance Obligations*

Some of the Association's contracts with customers include multiple performance obligations, primarily related to bundled services such as multiple events, camps, class and lesson packages. For

# TAHOE DONNER ASSOCIATION

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2020 and 2019

such contracts, revenue is allocated to each distinct and separate performance obligation based on its relative standalone selling price. The standalone selling prices are generally based on observable prices charged to customers or estimated based on historical experience and information.

### *Contract Balances*

Contract liabilities are recorded primarily as deferred revenues when payments are received or due in advance of the Association's performance, including amounts which may be refundable. The deferred revenue balance is primarily related to accounts receivable or cash payments recorded in advance of satisfying the Association's performance obligations related to advance purchase products consisting primarily of recreation passes, ski and golf passes, amenity related lessons and programs. Deferred revenue balances related to contracts was approximately \$2,071,000 and \$1,783,000 as of December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019, the Association recognized approximately \$1,592,000 and \$1,315,000 of contract revenue that was included in the deferred revenue balance as of the previous fiscal year, respectively.

Contract assets are recorded as trade receivables when the right to consideration is unconditional. Trade receivable balances were approximately \$1,900 and \$53,000 as of December 31, 2020 and 2019, respectively. Payments from customers are based on billing terms established in the contracts with customers, which vary by the type of customer, the location and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, contracts require payment before the products are delivered or services are provided to the customer. Impairment losses related to contract assets are recognized through the Association's allowance for doubtful accounts analysis. Contract asset write-offs are evaluated on an individual basis.

### *Costs to Obtain Contracts with Customers*

The Association expects that credit card fees paid in order to obtain season pass products contracts are recoverable. Accordingly, the Association recognizes these amounts as assets when they are paid prior to the start of the pass season. As of December 31, 2020, and 2019, \$6,502 and \$11,283 of costs to obtain contracts with customers were recorded within prepaid expenses and other current assets, respectively.

Utilizing the practical expedient provided for under Topic 606, the Association has elected to expense credit card fees related to non pass products and services as incurred, as the amortization period is generally one year or less for the time between customer purchase and utilization. These fees are recorded within departmental expenses on the Association's Statement of Revenue and Expenses and Changes in Fund Balances.

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**4. CASH AND INVESTMENTS**

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

	2020	2019
Replacement reserve fund - designated	\$ 15,334,841	\$ 14,341,230
Development fund - designated	8,560,100	7,414,919
New equipment fund - designated	262,721	259,188
Operating fund - undesignated and unrestricted	7,123,859	6,046,087
Operating fund - Trust - restricted 457(b)	19,500	33,813
Operating fund - Architectural standards deposits - restricted (Note 7)	219,330	219,277
Total	\$ 31,520,351	\$ 28,314,514

Board designated funds in the replacement reserve fund cannot be expended for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated to repair, restore, replace or maintain and for which the replacement reserve fund was established as mandated by state law.

Designated funds in the development fund are controlled by board-adopted policy that affords the board discretion in expenditure, except where member approval is required in connection with the intended project.

Association investments consist of certificates of deposit, municipal and corporate securities, and governmental securities, and amounted to \$23,524,039 and \$26,323,397 at December 31, 2020 and 2019, respectively. Varying types and levels of safety protection cover the various Association investments, including FDIC insurance, SIPC insurance, privately funded bank insurance, and the backing of the US Treasury and its agencies.

Municipal and corporate securities, governmental securities and certificates of deposit are carried at amortized cost as they are classified as held to maturity investments since the Association has the positive intent and ability to hold all securities until maturity.

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

The amortized cost of held-to-maturity investment securities at December 31, 2020 and 2019 are as follows:

	2020	2019
	Amortized Cost/Net Carrying Value	Amortized Cost/Net Carrying Value
Held to maturity:		
Certificates of Deposit	\$ 382,988	\$ 1,129,197
Corporate Bonds	2,219,307	3,220,976
Municipal Securities	2,176,130	2,262,597
US Treasury Securities	18,745,614	19,710,627
Total held to maturity	<u>\$ 23,524,039</u>	<u>\$ 26,323,397</u>

The maturities of the held to maturity securities at December 31, 2020 and 2019 are as follows:

	2020		
Investment	Within 1 Year	1-5 Years	Total
Certificates of Deposit	\$ 382,988	\$ -0-	\$ 382,988
Corporate Bonds	400,949	1,818,358	2,219,307
Municipal Bonds	465,375	1,710,755	2,176,130
U.S. Treasury	18,745,614	-0-	18,745,614
Total	<u>\$ 19,994,926</u>	<u>\$ 3,529,118</u>	<u>\$ 23,524,039</u>

  

	2019		
Investment	Within 1 Year	1-5 Years	Total
Certificates of Deposit	\$ 379,197	\$ 750,000	\$ 1,129,197
Corporate Bonds	1,054,765	2,166,211	3,220,976
Municipal Bonds	320,200	1,942,397	2,262,597
U.S. Treasury	19,215,128	495,499	19,710,627
Total	<u>\$ 20,969,290</u>	<u>\$ 5,354,107</u>	<u>\$ 26,323,397</u>

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2020 and 2019

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2020	2019
Buildings	\$ 33,368,213	\$ 33,141,996
Fixtures and facility improvements	19,146,350	18,633,568
Equipment	19,970,825	19,642,739
Land and land improvements	9,308,808	9,269,730
Furnishings	997,281	992,033
Total	82,791,477	81,680,066
Less accumulated depreciation	(44,460,617)	(41,424,804)
	38,330,860	40,255,262
Construction in progress	4,049,725	1,076,144
Total	\$ 42,380,585	\$ 41,331,406

**6. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2020 and 2019 is as follows:

	2020	2019
State	\$ 43,403	\$ 55,935
Federal	(846)	12,675
	\$ 42,557	\$ 68,610

The 2020 federal tax benefit is due to over accruing for federal tax in a prior year.

**7. REPLACEMENT RESERVE FUND**

The Association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Fund for replacement of common area property and equipment is accounted for through a replacement reserve fund. The funds are designated for major repairs and replacement. When major repairs or replacement occur, the expenditures are charged against the fund balance or, if certain conditions are met, a transfer is made for property and equipment to the property fund and the expenditures are capitalized.

Replacement funding levels, as determined by a study updated in 2020, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. The percent funded level is to exceed 25% and the replacement reserve fund balance is to equal or exceed 10% of net replacement reserve assets (total property and equipment less land and land improvements). The annual assessment allocation to the replacement reserve fund is determined by the Board of Directors with input from management. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.



TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

**8. INTERFUND ACTIVITY**

The Association maintains five funds. The reserve fund portion of the overall assessment are deposited first to the operating fund and transferred to the reserve fund. All fund expenses are paid first by the operating fund and subsequently paid back by cash transfer. At various times during the year there is a receivable/payable (due to/from) among the funds.

During 2019, the Board of Directors approved a \$1,000,000 fund balance transfer from the operating fund to the replacement reserve fund.

**9. RETIREMENT PLANS**

The Association maintains a salary savings plan for all eligible employees. The Association matches 50% of the first 6% of the participant's contribution. Matching contributions are 20% vested after the third year of service and vest at the rate of 20% per year thereafter. Matching contributions expense was \$70,108 and \$105,493 for December 31, 2020 and 2019, respectively.

The Association maintains two defined contribution plans which qualify under Section 457(b) and Section 457(f) of the Internal Revenue Code, respectively (the 457 Plans). The 457 Plans allow for additional Association contributions and salary deferrals subject to limitations for eligible executive employees. Contributions to the 457 Plans funds are considered deferred compensation until certain future date conditions are met. The Association's contribution to the 457 Plans was \$-0- and \$57,009 for the years ended December 31 2020 and 2019, respectively.

**10. OPERATING LEASE OBLIGATIONS**

The Association has non-cancelable operating leases for copiers and computer equipment. Rental expense under all operating leases was \$22,185 and \$40,190 for 2020 and 2019, respectively.

Future minimum lease payments under these leases are as follows:

<u>Year ending December 31:</u>	
2021	\$ 5,752
2022	5,752
2023	<u>1,917</u>
Total	<u>\$ 13,421</u>

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

**11. COMMITMENT**

During 2020, the Association entered into a contract for a consultant for The Lodge at Downhill Ski Community Engagement and Business Plan for \$57,170. As of December 31, 2020, \$44,670 remains to be spent on the project.

**12. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 13, 2021, the date the financial statements were issued.

TAHOE DONNER ASSOCIATION

Schedule 1

SCHEDULE OF REVENUE AND EXPENSES  
BY NATURAL CLASSIFICATION  
For the Year Ended December 31, 2020 (with comparative totals for 2019)

	2020								2019	
	OPERATIONS			CAPITAL					Total	Total
	Amenities	Homeowners' Association	Total Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund			
Revenue										
Assessments	\$ -0-	\$ 5,889,745	\$ 5,889,745	\$ 4,985,000	\$ 194,000	\$ 2,298,000	\$ -0-	\$ 13,366,745	\$ 12,719,445	
Access and use fees	4,004,090	-0-	4,004,090	-0-	-0-	-0-	-0-	4,004,090	5,724,281	
Retail sales	2,301,729	-0-	2,301,729	-0-	-0-	-0-	-0-	2,301,729	4,772,930	
Lessons and rental revenue	2,042,232	14,335	2,056,567	-0-	-0-	-0-	-0-	2,056,567	2,954,280	
Other revenues	131,248	900,442	1,031,690	-0-	-0-	-0-	-0-	1,031,690	1,129,890	
Interest income	-0-	62,859	62,859	166,496	2,661	119,829	-0-	351,845	500,921	
Total Revenue	8,479,299	6,867,381	15,346,680	5,151,496	196,661	2,417,829	-0-	23,112,666	27,801,748	
Operating Expenses										
Salaries and wages	3,915,882	3,214,565	7,130,447	-0-	-0-	-0-	-0-	7,130,447	10,279,266	
Cost of good sold	826,102	-0-	826,102	-0-	-0-	-0-	-0-	826,102	1,554,443	
Payroll taxes and employee benefits	977,651	856,941	1,834,592	-0-	-0-	-0-	-0-	1,834,592	2,450,699	
Supplies and maintenance	740,474	1,067,044	1,807,518	-0-	-0-	-0-	-0-	1,807,518	1,799,269	
Utilities	674,895	199,131	874,026	-0-	-0-	-0-	-0-	874,026	933,786	
Other employee expenses	186,698	202,538	389,236	-0-	-0-	-0-	-0-	389,236	432,981	
Insurance	445,000	296,020	741,020	-0-	-0-	-0-	-0-	741,020	610,514	
Income tax	-0-	15,452	15,452	16,196	237	10,672	-0-	42,557	68,610	
Other expenses	421,624	807,591	1,229,215	9,000	-0-	4,500	-0-	1,242,715	1,686,820	
Overhead allocation	0	(197,000)	(197,000)	77,000	-0-	120,000	-0-	-0-	-0-	
Total Operating Expenses	8,188,326	6,462,282	14,650,608	102,196	237	135,172	-0-	14,888,213	19,816,388	
Fund Expenses										
(Gain) Loss on disposal of assets	-0-	(462)	(462)	(44,383)	-0-	-0-	29,024	(15,821)	(35,606)	
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	3,219,365	3,219,365	3,440,155	
Fund expenses	-0-	-0-	-0-	970,962	-0-	0	-0-	970,962	999,721	
Total Expenses	8,188,326	6,461,820	14,650,146	1,028,775	237	135,172	3,248,389	19,062,719	24,220,658	
Revenue Over (Under) Expenses	\$ 290,973	\$ 405,561	\$ 696,534	\$ 4,122,721	\$ 196,424	\$ 2,282,657	\$ (3,248,389)	\$ 4,049,947	\$ 3,581,090	
Property Fund Additions, Net	-0-	-0-	-0-	(3,822,158)	(49,442)	(425,968)	4,297,568	-0-	-0-	
Fund Balances, Beginning of Year	-0-	-0-	2,242,452	12,827,511	207,674	6,787,251	41,331,406	63,396,294	59,815,204	
Fund Balances, End of Year	\$ 290,973	\$ 405,561	\$ 2,938,986	\$ 13,128,074	\$ 354,636	\$ 8,643,940	\$ 42,380,585	\$ 67,446,241	\$ 63,396,294	

The accompanying notes are an integral part of these statements.

TAHOE DONNER ASSOCIATION

Schedule 2

SCHEDULE OF CAPITAL FUNDS' EXPENDITURES  
BY DEPARTMENT

For the Year Ended December 31, 2020

	Replacement Reserve Fund		New Equipment Fund		Development Fund		Capital Funds Total	
	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance	Capital Additions	Major Maintenance
<b>PRIVATE AMENITIES</b>								
Trout Creek Recreation Center	\$ 432,216	\$ 59,422	\$ 5,248	\$ -0-	\$ 18,016	\$ -0-	\$ 455,480	\$ 59,422
Beach Club Marina	10,084	4,753	-0-	-0-	-0-	-0-	10,084	4,753
Tennis Center	16,990	-0-	-0-	-0-	-0-	-0-	16,990	-0-
Northwoods Pool / Aquatics	12,643	4,183	-0-	-0-	-0-	-0-	12,643	4,183
Camps & Recreation Programs	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL PRIVATE AMENITIES</b>	<b>471,933</b>	<b>68,358</b>	<b>5,248</b>	<b>-0-</b>	<b>18,016</b>	<b>-0-</b>	<b>495,197</b>	<b>68,358</b>
<b>PUBLIC AMENITIES</b>								
Golf	2,047,207	4,042	-0-	-0-	-0-	-0-	2,047,207	4,042
Downhill Ski	131,102	8,953	9,880	-0-	55,088	-0-	196,070	8,953
Cross Country Ski	24,056	36,295	8,175	-0-	27,564	-0-	59,795	36,295
Campground	2,470	-0-	-0-	-0-	-0-	-0-	2,470	-0-
Equestrian	2,957	-0-	-0-	-0-	-0-	-0-	2,957	-0-
Trails	833,827	38,824	-0-	-0-	69,252	-0-	903,079	38,824
Bikeworks	20,632	-0-	-0-	-0-	-0-	-0-	20,632	-0-
The Lodge	9,261	17,018	2,371	-0-	5,116	-0-	16,748	17,018
The Lodge, Summer Lunch/Golf F&B	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Pizza on the Hill	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Alder Creek Café	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Snowplay	-0-	-0-	-0-	-0-	53,929	-0-	53,929	-0-
<b>TOTAL PUBLIC AMENITIES</b>	<b>3,071,512</b>	<b>105,132</b>	<b>20,426</b>	<b>-0-</b>	<b>210,949</b>	<b>-0-</b>	<b>3,302,887</b>	<b>105,132</b>
<b>TOTAL AMENITIES</b>	<b>3,543,445</b>	<b>173,490</b>	<b>25,674</b>	<b>-0-</b>	<b>228,965</b>	<b>-0-</b>	<b>3,798,084</b>	<b>173,490</b>
<b>HOMEOWNERS ASSOCIATION and G&amp;A</b>								
General HOA	14,564	47,304	-0-	-0-	-0-	-0-	14,564	47,304
Marketing & Communications	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Facility Administration	-0-	138,000	-0-	-0-	197,003	-0-	197,003	138,000
Administration	7,653	30,979	1,818	-0-	-0-	-0-	9,471	30,979
Information Technology	104,397	450,266	21,950	-0-	-0-	-0-	126,347	450,266
Accounting	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Human Resources	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Architectural Standards Office	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Member Services	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Forestry	137,757	122,960	-0-	-0-	-0-	-0-	137,757	122,960
Maintenance	14,342	7,963	-0-	-0-	-0-	-0-	14,342	7,963
<b>TOTAL HOMEOWNERS ASSOCIATION and G&amp;A</b>	<b>278,718</b>	<b>797,472</b>	<b>23,768</b>	<b>-0-</b>	<b>197,003</b>	<b>-0-</b>	<b>499,484</b>	<b>797,472</b>
<b>TOTAL</b>	<b>\$ 3,822,158</b>	<b>\$ 970,962</b>	<b>\$ 49,442</b>	<b>\$ -0-</b>	<b>\$ 425,968</b>	<b>\$ -0-</b>	<b>\$ 4,297,568</b>	<b>\$ 970,962</b>

Replacement Reserve Fund - General HOA - Major Maintenance also includes overhead (\$77,000) and bad debt expense (\$9,000) cost allocations.  
Development Fund - General HOA - Major Maintenance also includes overhead (\$120,000) and bad debt expense (\$4,500) cost allocations.

**REQUIRED SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

December 31, 2020

(Unaudited)

(See Independent Auditors' Report)

It is the policy of the Association to fund a reserve program that will adequately provide for repair and replacement of existing Association-owned assets. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding needs. The Association updated a study in 2020 to estimate the remaining useful lives, the lives after replacement, and the replacement costs of the components of common property. The estimates were based on estimates from management, contractors and historical costs. Estimated current replacement costs have been adjusted to reflect a 3% inflation factor, 2% interest rate, and an 8% tax provision on investment income.

The Association does not designate the balance of the replacement fund by component. The total available for major repairs and replacements as of December 31, 2020 is \$13,128,074. The 2021 budget includes \$5,184,873 of dues allocated to the replacement fund.

The Association has not included the replacement of building structures as a component of the replacement study. These structures generally have an original useful life greater than 30 years. The Association is accumulating funds in the Development fund for specific building structure replacements, and not currently accumulating funds over time for all building structure replacements.

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

<i>Reserve Component</i>	<i>Range of Service Life Remaining (Years)</i>	<i>Current Replacement Costs</i>
Administration	0-49	\$ 2,352,553
Alder Creek Café	1-34	164,989
Bikeworks	0-2	73,618
Campground	0-40	638,582
Capital projects	-0-	215,609
Chalet house	0-24	349,619
Cross country	0-38	3,919,985
Equestrian center	0-28	978,839
Food trailer	3-10	65,500
Forestry	0-38	2,218,415
General maintenance	0-14	611,451
Golf complex	0-17	988,539
Golf course	0-49	11,290,260
IT	0-39	2,283,374
Maintenance	0-52	2,991,850
Marina	0-38	1,363,521
Northwoods pool building	0-22	435,775
Northwoods	0-38	3,993,543
Pizza	1-25	493,118
Recreation	0-23	593,780

**REQUIRED SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

December 31, 2020

(Unaudited)

<i>Reserve Component</i>	<i>Range of Service Life Remaining (Years)</i>	<i>Current Replacement Costs</i>
Ski area - mountain operations	0-38	5,270,969
Ski area - mountain operations - lift maintenance	0-38	4,053,129
Ski area - mountain operations - rental-retail	0-19	1,090,310
Ski area - mountain operations - snowmaking	0-20	1,060,213
Ski area - mountain operations - top shop	0-16	289,049
Ski area - mountain operations - winter food-beverage	2-14	453,275
Snowplay	1-7	145,230
Tennis complex	0-22	2,019,210
The Lodge	0-53	3,669,979
Trails	0-36	3,227,759
Trout Creek building	0-40	3,538,759
Trout Creek pool and spa	0-1	1,434,737
		<u>\$ 62,455,303</u>