TAHOE DONNER℠

WHERE TRADITIONS BEGIN

2009 ANNUAL REPORT

TAHOE DONNER®

Dear Members,

Tahoe Donner Association continues to hold its position as one of the most desirable mountain homeowner communities in the Lake Tahoe area, and with 6,469 units, one of the largest in the United States. The Association maintains and operates a large selection of amenities for its members and guests, including a championship golf course, a downhill ski area popular with beginning skiers, a world-class cross country center, beach club marina, tennis center, fitness center with pools and spas, two restaurants, campground, equestrian center, and over 2,000 acres of common area that include numerous hiking and biking trails interspersed throughout our 6,000 acre Association community.

I joined the Tahoe Donner Team this past June and have been extremely impressed with the level of commitment from the outstanding staff, volunteer committees, and board of directors guiding the Association. While the global economic downturn presented every corner of our economy many new challenges, I was pleased to see the quick responsiveness of the Association to adopt new strategies to mitigate the potential impact on our membership. In early July last year, we were forecasting a potential loss of $500,000 off budget for the operating fund. By year's end, through aggressive staff efforts and good weather in December, we were able to cut this forecast in half, ending the fiscal year with a net operating result loss of only $235,000 or 5% of budget. Of course, with a homeowner community the size of Tahoe Donner, the real key to success of all our operations is membership, their guests and a little public participation.

Last year brought about three long overdue facility remodels: the Downhill Ski Area building ground floor, the dining space for Pizza on the Hill and an internal face lift for The Lodge restaurant. These were all carried out on time and within budget and received overwhelmingly positive reviews from our membership. We also worked with the Town of Truckee and received approval for the reimbursement of up to $275,000 to complete the paving of off-street parking for the cross country center, to be completed this summer.

Moving forward in 2010, we are developing two key guiding documents to better focus our strategy and efforts as an Association. The first is a Strategic Plan, which outlines our mission, vision, values, guiding principles, and goals moving forward. Key in this document is the principle of controlling the operating fund portion of the annual assessment by continuing the long standing practice of allowing members to pay for the amenities they desire to use. This requires consistent and quality customer service at each of our amenities and does not look to assess for the entire cost of Association operations, but instead offset cost by generating revenue at each of our amenities. This concept was important in holding the 2010 operating assessment at the 2009 level of only $695 per assessed unit. However, this does not mean we are inappropriately raising individual prices, but will continue to offer our membership pricing reasonably below market as we strive to have all our amenities eventually pay for themselves outside of our operating assessment.

To specifically address the down turn in golf participation given the current economy, we will be offering variable golf rates for membership based on tee times from $40–60 this season, with a reduced guest rate of only $15 over the membership rate booked. Additionally, we are launching a new golf website with online tee time booking capabilities, along with other social networking possibilities to enhance the golfing experience for our homeowners and their guests. However, again, the real key in the success of a user based amenity system is to have the membership and their guests utilize one of the best championship golf courses in the Tahoe region.

Currently we are conducting a detailed capital project review of all our Association facilities in order to develop the 2030 General Plan with our General Plan Committee. We are also the associated five year capital funding plan, working with our finance committee to allow for needed facility and capital modernization, but not through special assessments. Your participation in this process started with the membership survey this past fall, and continues in 2010 through a series of Association town hall meetings for each amenity.

In summary, 2009 proved to be a pivotal year for the Association, showing that we can be more nimble and flexible in our operations to meet the ever changing economy and ever evolving nature of our membership based Association. As I write this, 2010 is already shaping up to be a solid year with great winter weather and record membership participation across all our amenities. We still have many challenges ahead, but I like how we are positioned, who we are, and what we offer to our membership. It's truly an honor serving as your new general manager, so on behalf of the entire Association staff, I'd like to thank you for your continued support and participation in your homeowner community.

Best Wishes,

Robb Etnyre
General Manager

Dear Members,

The purpose of this 2009 Annual Report is to provide a comprehensive report on 2009 financial results and communicate the 2009 Audited Financial Statements and Independent Auditors Report to all members. This Annual Report provides several at-a-glance reference charts and information. However, a full read can provide you with in-depth information regarding the financial activities of your Association.

Tahoe Donner Association continues to be a valued asset to you, the members. The quality and variety of affordable recreation and other activities the Association offers is driving visitation at the Association during these challenging economic times. Overall your Association has seen strong visitations at the majority of amenities. However, the economic recession did continue in 2009 and certainly had some impacts, primarily in our golf visitation numbers and Lodge banquet events.

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

Sincerely,

John Dundas
Treasurer

Michael Salmon
Director of Finance and Accounting

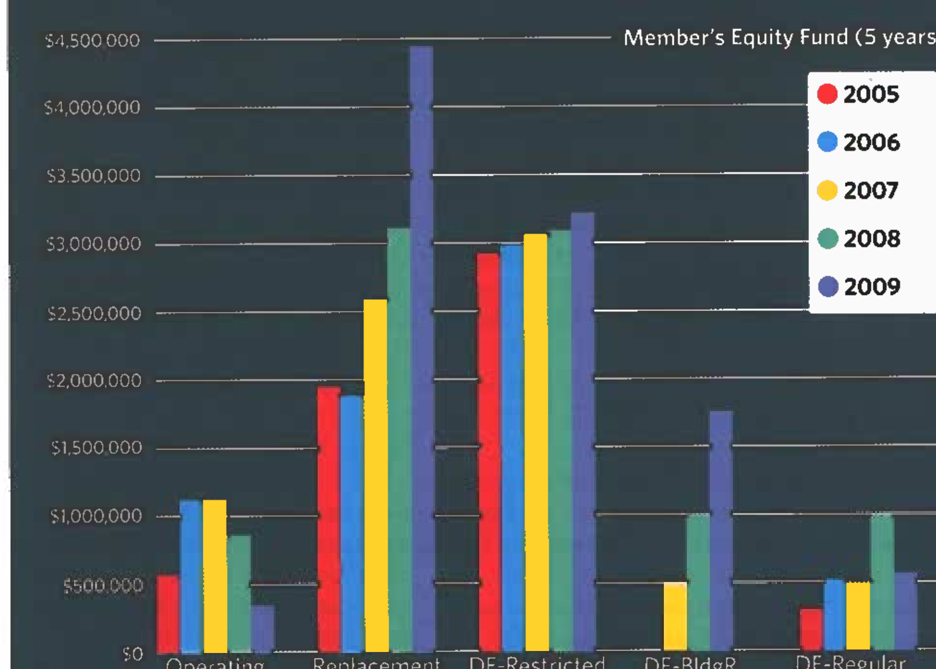
2009 Financial Highlights

All Funds Combined
- $37.4 million 12/31/2009 Ending Members Equity
  - » $5,783 per Member, an increase of 2% over prior year

Development Fund
- $5.6 million 12/31/2009 Ending Members Equity
  - » $3.2 million Restricted
  - » $1.8 million Designated Building Replacement
  - » $0.6 million Designated Regular
- $711,000 Contributed to Designated Building Replacement
- $434,000 Contributed to Designated Regular
- $577,000 Expenditure for Downhill Ski Facilities Remodel/Expansion
- $163,000 Expenditure for Cross Country/Equestrian Parking Lot Improvements

Replacement Reserve Fund
- $4.4 million 12/31/2009 Ending Members Equity
- $1.1 million Expenditures for replacement of aged building components and operating equipment

Operating Fund
- $331,000 12/31/2009 Ending Members Equity
- $8.1 million Total Operating Revenues (excludes Annual Assessment)
- $4.7 million Net Operating Loss; Unfavorable to Budget $235,000 or 5%
- $270,000 Members Equity Transfer out to capital funds
- Record Downhill and Cross Country Skier Visits
- Strong visitation across all amenities, except Golf
- Golf volume and resulting revenues not to par



DF = Development Fund Refer to Annual Report for details of each fund's purpose and activities. All amounts represent member's equity balance as of fiscal year end December 31, 20xx. Property Fund, with member's equity balance of $27.0m as of 12/31/2009, not presented in chart.

Revenue
$127,000 | 1%
Unfavorable
to budget

$244,000 The Lodge revenues under Budget
$232,000 Downhill Ski revenues over Budget
$ 231,000 Golf Course revenues under Budget
$ 56,000 Cross Country revenues over Budget
$ 44,000 Marina revenues over Budget
$ 16,000 All other operating revenues, net over Budget

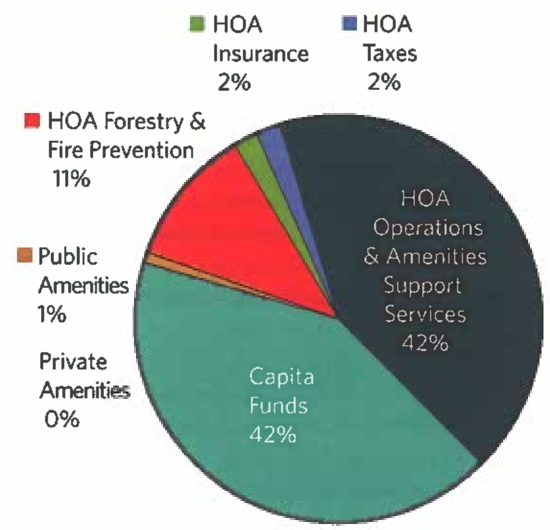
Expense
$108,000 | 1%
Unfavorable
to budget

$ 165,000 Payroll over Budget
$ 71,000 Forestry costs under Budget
$ 66,000 Bad Debt Expense over Budget
$ 47,000 Supplies, Repair & Maintenance under Budget
$ 5,000 All other operating costs, net under Budget

NOR

2009 Net Operating Results - Operating Fund Variance
$235,000 or 5% off Budget

2009 Budget Annual Assessment of $1,200 - Distribution



2009 OPERATING FUND RESULTS - as compared to Budget:
Tahoe Donner Association's consolidated Operating Fund Net Operating Result for 2009 was a loss of $234,820 which represents a 5% variance to Budget. Amenity operations NOR loss of $62,000 was unfavorable to budget $6,000 or 11% and HOA operations NOR loss of $4.7 million was unfavorable to budget $223,000 or 5%. The Operating Fund portion of Annual Assessment revenues of $4.5 million was favorable to budget $6,000 or less than 1%.

2009 ANNUAL ASSESSMENT
The annual assessment for 2009 consisted of the following fund contributions per member:

$695 / 58%	Operating Fund
$334 / 28%	Replacement Reserve Fund
$79 / 7%	Development Fund - Building Replacement designated
$67 / 5%	Development Fund - Regular designated
$25 / 2%	New Machinery and Equipment Fund
$1,200/ 100%	**Annual Assessment per unit for 2009**

For 2009, 58% of the annual assessment was contributed to the Operating Fund and 42% of the annual assessment was contributed to capital funds. Total assessment revenue for 2009 of $7,763,000 was $6,000 or 0% unfavorable to budget and increased $317,000 or 4% over prior year. The Association records and reports its financial activities through fund accounting, utilizing five funds - Operating Fund, Replacement Reserve Fund, New Machinery and Equipment Fund, Development Fund, and Property Fund. The annual results of activities in each fund are discussed below and in charts provided herein.

The balance of this report provides an analysis of the Operating Fund's results, as well as the financial results and position of all the funds of your Association.

2009 Operating Fund Financial Results
The Operating Fund is used to account for financial resources available for the general operations of the Association. The revenues and expenses for daily operation of the amenities and Association administration are recorded in this fund.

- $8,099,000 consolidated operating gross revenues, before assessment revenues:
  - $121,000/1% unfavorable to Budget 2009
  - $235,000/3% favorable to Actual 2008
- $4,729,000 consolidated net operating result loss, before assessment revenues:
  - $229,000/5% unfavorable to Budget 2009
  - $119,000/3% unfavorable to Actual 2008

Amenities

Downhill Ski and Cross Country Ski snow conditions were average to above average for both the first quarter and fourth quarter winter periods of operations. Both of these operations had great financial results and are proving to have a competitive advantage in the current recession.

Downhill Ski visits were 14% over budget and 1% over prior year. Downhill Ski revenue of $2.3 million was $232,000 or 11% favorable to budget and $76,000 or 3% favorable to prior year. *Downhill Ski NOR of $524,000 was $276,000 or 112% favorable to budget and $133,000 or 34% favorable to prior year.*

Cross Country Ski revenues of $676,000 were favorable 56,000 or 9% to budget and $39,000 or 6% favorable to prior year. *Cross Country Ski NOR of $161,000 was $101,000 or 167% favorable to budget and $79,000 or 95% favorable to prior year.*

Golf Course summer of 2009 continued to show latent demand attributed principally to economic conditions. Golf rounds were 15% off budget and 3% off prior year. Golf revenues of $1.1 million for 2009 were unfavorable $231,000 or 17% to budget and unfavorable $97,000 or 8% to prior year. Management was able to mitigate a portion of the revenue shortfall through operating cost savings totaling $83,000 or 5% to budget and savings of $93,000 or 6% to prior year. *Golf NOR loss of ($326,000) was $148,000 or 84% unfavorable to budget and $4,000 or 1% unfavorable to prior year.* The primary driver of unfavorable variance was golf volume not achieving budget expectations, as discussed above. Further, while there is some opportunity to flex/reduce operating costs, the majority of operating costs are relatively fixed in nature. We have a high quality course that provides significant value to the Association and property values. We are assessing all options to improve the financial performance of golf, while maintaining the quality of course conditions and service levels that market conditions demand.

The Lodge revenues of $1.2 million were unfavorable $244,000 or 17% to budget and unfavorable $4,000 or 0% to prior year. *Guest covers of 31,816 increased 26% over 2008.* The Lodge had a net operating result loss of ($128,000) which came in unfavorable to a break-even budget. However, *this loss was improved to 2008 by $34,000 or 21%.* The Lodge was certainly impacted by the continued economic recession in 2009, particularly in banquet events off 40% to budget. We continue to refine the operations, brand, and marketing strategies of The Lodge to improve our restaurant's success and to provide a quality dining facility for Association property owners and their guests. Frequent member dining as well as increased banquet event business remain keys to achieving break-even results.

Summer Lunch and Golfer F&B at The Lodge had revenue of $148,000 which was favorable to budget $30,000 or 26% and favorable to prior year $43,000 or 41%. Table service lunch was offered during the majority of the summer and the snack and liquor bar at a minimum operated all periods the golf course was open. Further, we started offering pool-side lunch at Trout Creek Recreation Center during the peak of summer. Unfortunately, our expanded offerings increased costs greater than revenues. The NOR loss of ($105,000) was unfavorable to budget $64,000 and unfavorable to prior year $38,000 or 57%. More volume is the key to improving results, while we will continue to look for ways to operate with better margins.

Pizza on the Hill revenues of $178,000 were favorable to budget $18,000 or 11% and favorable to prior year $47,000 or 36%. The operation was closed from mid-April to mid-June for a much needed and well received interior décor facelift. We added a salad bar, rotisserie chicken and tri-tip plates to the menu offerings. We offer fresh quality pizza and other food at the lowest prices of any pizza restaurant in town. Pizza's NOR loss of ($89,000) was unfavorable to budget $64,000 and unfavorable to prior year $22,000 or 32%. Volume continues to gain momentum and is a key to improving the financial performance.

Improving labor margins is another area for operational improvement as we move forward. We are committed to improving the financial performance of this operation, as the restaurant provides a great family oriented low cost dining experience.

Equestrian revenue of $164,000 was unfavorable to budget $24,000 or 13% and unfavorable to prior year $10,000 or 6%. The declines are attributed primarily to the economic recession impacting this discretionary activity. Equestrian NOR loss of ($115,000) was unfavorable to budget $9,000 or 9%, however was favorable to prior year $15,000 or 12%.

Trout Creek revenue of $980,000 was favorable to budget $34,000 or 4% and favorable to prior year $33,000 or 3%. With over 136,000 visits in 2009, this popular amenity's volume increased 17% over prior year. Trout Creek NOR loss of ($30,000) was unfavorable to budget $21,000 and was unfavorable to prior year $89,000. The unfavorable results to budget were driven primarily by increased costs in program offerings, not fully offset by revenues. The unfavorable results to prior year were driven by these same increased program offerings, as well as, stable staffing levels in 2009, as opposed to under-staffed levels in prior year.

Marina revenue of $353,000 was favorable to budget $44,000 or 14% and favorable to prior year $33,000 or 10%. Marina had strong visitation, attributed to great summer weather and being an excellent low cost activity for members and their guests. Marina NOR of $113,000 was favorable to budget $34,000 or 43% favorable to prior year $25,000 or 28%.

Tennis revenue of $185,000 was favorable to budget $15,000 or 9% and favorable to prior year $10,000 or 6%. Tennis had strong visitation, attributed to great summer weather, a new tennis pro and program offerings, as well as being an excellent low cost activity for members and their guests. Tennis NOR loss of ($8,000) was unfavorable to budget $5,000 and favorable to prior year $2,000 or 18%.

Homeowner Association and Amenities Support Services

General revenue of $179,000 was unfavorable to budget $16,000 or 8% and unfavorable to prior year $4,000 or 2%. General revenue consists of Tahoe Donner News advertising revenues and the variances are due to a decline in ad sales. General operating costs of $1.3 million were unfavorable to budget $182,000 or 16% and unfavorable to prior year $120,000 or 10%. General NOR loss of ($1,109,000) was unfavorable to budget $197,000 or 22% and unfavorable to prior year $123,000 or 12%.

Vs Budget	Vs Prior Year	Notable variances, Favorable (Unfavorable) include:
($65,000)	($40,000)	Bad Debt expense due to foreclosures and accounting reserve increase
($54,000)	($54,000)	Employee recruiting costs increase
($53,000)	($55,000)	Business Property Tax increase
($44,000)	($29,000)	Legal services increase
($16,000)	($4,000)	TDNews advertising sales decrease
$12,000	$30,000	Consulting services expense
$23,000	$29,000	All other expense items, net favorable variances

Management, Accounting, MIS, and HR revenue of $223,000 was unfavorable to budget $44,000 or 17% and favorable to prior year $1,000 or 0%. Revenue consists of interest income, late charges, and delinquency, lien, & transfer fees. Operating costs of $2 million were unfavorable to budget $211,000 or 12% and unfavorable to prior year $185,000 or 10%. NOR loss of ($1,792,000) was unfavorable to budget $253,000 or 16% and unfavorable to prior year $183,000 or 11%.

Vs Budget	Vs Prior Year	Notable variances, Favorable (Unfavorable) include:
($135,000)	($57,000)	Incentive payroll costs increase due primarily to change in incentive plans
($54,000)	($47,000)	Salaries and Wages costs increase due primarily to personnel changes
($40,000)	($25,000)	Payroll burden increase associated with above payroll variances
($44,000)	($46,000)	Revenue decrease due to CD interest rate decline
$16,000	$39,000	Transfer Fee income sales increase
$4,000	($47,000)	All other expense items, net favorable variances

Architectural & Member Services revenue of $111,000 was unfavorable to budget $15,000 or 12% and favorable to prior year $1,000 or 1%. Revenue consists of interest income, architectural inspection, fines, service fees, boat/RV storage fees and other miscellaneous revenues. Operating costs of $471,000 were favorable to budget $14,000 or 3% and favorable to prior year $2,000 or 0%. NOR loss of ($360,000) was unfavorable to budget $1,000 or 0% and favorable to prior year $4,000 or 1%.

» Tahoe Donner Association had a total of 6,469 property membership properties at year-end. The nationwide slowdown in construction activity continued in 2009. In 2009, the Architectural Standards Office processed 10 new house submittals, 12 addition submittals, 8 garage submittals and 10 miscellaneous plan submittals. New houses were down from 14 in 2008, 39 in 2007 and 51 in 2006. There were 831 vacant residential lots remaining as of December 31, 2009, which equates to an approximate 87% build-out. Architectural Standards Office also continued the focus on Fire Safe inspections and compliance, a joint effort with our Forestry Department.

Forestry revenue of $101,000 was favorable to budget $32,000 or 47% and favorable to prior year $35,000 or 53%. Revenues consist of grant revenues, chip sales and firewood sales. Grant funds earned were $20,000 over budget and $43,000 over prior year. Chip sales were $12,000 over budget and $20,000 over prior year. Operating costs of $823,000 were favorable to budget $136,000 or 14% and favorable to prior year $2,000 or 0%. NOR loss of ($722,000) was favorable to budget $168,000 or 19% and favorable to prior year $132,000 or 15%. Cost savings were driven by efficiency gains in the chipping operation, as well as operational changes in forestry activities.

Maintenance comprises the general building and grounds (non-golf) maintenance efforts, as well as, fleet (rolling and over-the-snow) maintenance operations. Operating costs/NOR Loss of ($683,000) was favorable to budget $62,000 or 8% and unfavorable to prior year $60,000 or 10%. Excluding an internal labor cost charging accounting change, for adequate comparability, costs were $101,000 or 12% favorable to budget and $68,000 or 8% favorable to prior year. The favorable cost savings is attributable primarily to operational efficiencies.

Operating Fund Totals

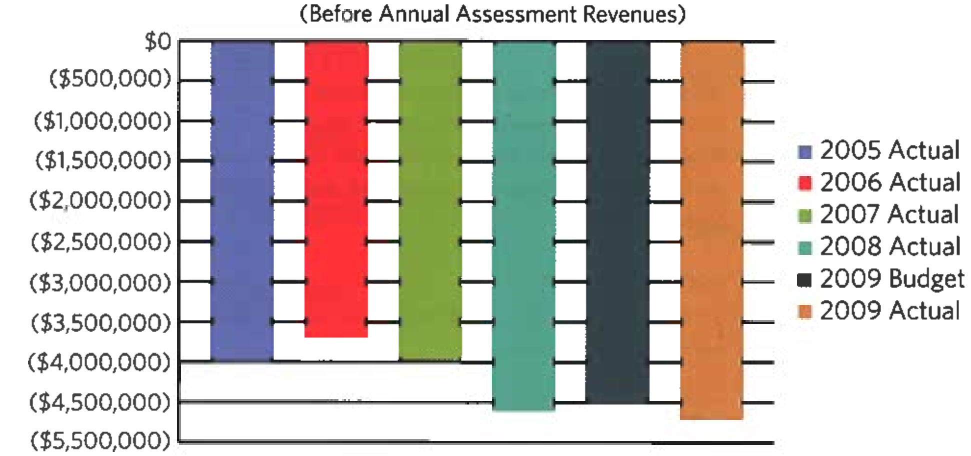
Total net operating results loss, before assessment revenue allocation, was unfavorable to budget $229,000 or 5% and a 3% increase to 2008.

Members' equity in the Operating Fund totaled $331,000 at year-end 2009, reflecting a decrease of $505,000 from the prior year end:

- $229,000 NOR results variance to Budget
- $6,000 Assessment Revenues variance to Budget
- $270,000 Transfer to other funds
  - » ($200,000) Development Fund
  - » ($70,000) Replacement Reserve Fund
- $505,000 Total Change in Operating Fund Members' Equity

This $331,000 equity equates to $51 per unit or 4% of 2009 Budget operating revenues.

Operating Fund - Net Operating Results
(Before Annual Assessment Revenues)



Operating Fund: Net Operating Results
(before Annual Assessment Revenues)

The chart above provides a historical perspective of operating fund net losses. The NOR loss before annual assessment revenues, has increased 4.1% since 2005 to 2009, as calculated on a Compounded Annual Growth Rate (CAGR) over the four years.

REPLACEMENT RESERVE FUND

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated by state law and sound business practices to repair, restore, replace or maintain. A thirty-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 1,000 individual items are tracked in this plan, with a current replacement value of over $27 million. The 2009 fund activities are summarized below:

Revenues

- Assessment allocation to the Replacement Reserve Fund totaled $2,162,000
- Gain on sale of assets totaled $78,000
- Transfer in from Operating Fund $70,000
- Earnings on investments were $63,000

Expenditures

- Fund expenditures for capital asset replacements totaled $840,000
- Fund expenses related to maintenance and repair of capital assets totaled $294,000
- Fund expense for income taxes totaled $11,000

Golf capital projects included $147,000 in replacement of aged operating equipment, $14,000 for driving mats replacement, $19,000 in greens covers and $18,000 in irrigation well pump replacement costs. Downhill Ski Area capital projects included $16,000 for surface lift belt, $10,000 in ski school and race equipment, $11,000 for snowmobile and $60,000 for replacement of aged rental equipment. Cross Country projects included $39,000 for new deck, $11,000 for new snowmobile, $24,000 for groomer tiller rebuild and $68,000 for replacement of aged rental equipment. Pizza on the Hill remodel of furniture, fixtures and equipment replacements totaled $117,000. Other asset repairs and replacements were completed as necessary and included computer system replacements totaling $85,000. Fund expense consists of $129,000 in leases of capital equipment, $87,000 in painting and staining of buildings, $58,000 in asphalt sealing and repairs and $20,000 in other capital component major repairs. Replacement Reserve Fund expenditures by department are outlined in the chart on page 13.

As identified and discussed in 2006, complete building replacements have not been included in the Association's capital funding plans to-date, as anticipated demolition and complete reconstruction of existing structures was thought to be outside the 30 year capital plan. After a preliminary review of existing buildings and their potential dates of replacement, the Board of Directors now recognizes a need to establish a plan for future funding of building replacements. As a result, $496,000 in 2007 and $511,000 in 2008 and 2009 of assessment contribution were made to the Development Fund to establish funding for this requirement. *The 2010 Budget includes an assessment contribution to building replacement of $1,048,000.* A detailed analysis of structure replacements is being performed and it is anticipated that a policy will be developed to include building replacements in capital reserve plans (see Development Fund section of report).

Members' equity of $4.4 million in the Replacement Reserve Fund at year end reflected an increase of $1,227,000 from the prior year.

NEW MACHINERY AND EQUIPMENT FUND

The New Machinery and Equipment Fund is used to account for financial resources designated for the acquisition of new assets identified as necessary for the Association to be more efficient in operations or to provide new services to the membership.
The 2009 fund activities are summarized below:

Revenues

Assessment revenue totaled $162,000

Expenditures

Purchases of new capital assets totaled $117,000; notables include:

- The Lodge furniture and fixtures, $45,000
- Bear-proof trash containers, $18,000
- Golf starter gazebo, $12,000
- Golf electric carry-all cart, $9,000
- Golf ninth hole call box, $6,000

Members' equity in the New Machinery and Equipment Fund totaled $40,000 at year-end, an increase of $45,000 from the prior year end.

DEVELOPMENT FUND

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 2009 fund activities are summarized below:

Revenues

Assessment allocation to the Development Fund totaled $945,000

- $511,000 Building Replacement Designated
- $434,000 Designated Regular
- Transfer in from Operating Fund $200,000
- Budget 2009 anticipated a $530,000 transfer in; however, the transfer amount was reduced based on 2008 actual operating fund results below initially forecasted in mid-summer 2008
- Earnings on investments totaled $126,000

Expenditures

- Fund expenditures for capital additions totaled $823,000
- Fund expense for income taxes totaled $11,000
- Loss on disposal of assets $5,000

Fund expenditures for capital asset additions include $577,000 for Downhill Ski first floor skier services expansion, $53,000 in MIS for Downhill Ski expansion related computer equipment and rental software, and $163,000 in cross country/equestrian parking lot improvements.

The Association owned a 32-acre parcel, adjacent to but outside the subdivision borders, that was held in the Development Fund. The parcel sold in 2004 and the net proceeds of $2.8 million from that sale are retained in the Development Fund. In 2009, $5,000 was net expended from these funds related to disk golf planned activity, which has been cancelled. No current formal plans have been approved by the board for expenditure of these funds; which can only be used for recreational projects.

Members' equity in the Development Fund increased $432,000 in 2009, for a year-end balance of $5.6 million. This balance is segregated as follows: $3,245,000 Restricted, $1,761,000 Building Replacement Designated, and $562,000 Regular Designated.

PROPERTY FUND

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

- Capital additions totaled $1.8 million for the year, $840,000 from expenditures in the Replacement Reserve Fund, $116,000 from New Machinery and Equipment Fund capital purchases, and $823,000 from Development Fund projects.
- Loss on asset disposals amounted to $160,000 due to the write-off of prior years' capital expenditure in golf well head development costs deemed to have no future value.
- Depreciation expense for the year totaled $2,225,000.

Members' equity in the Property Fund decreased $606,000 in 2009, for a year-end balance of $27 million.

TOTAL MEMBERS' EQUITY

Tahoe Donner Association's total members' equity was $37.4 million at the end of fiscal year 2009, or $5,783 per member property; a 2% increase from $5,691 per property in 2008.

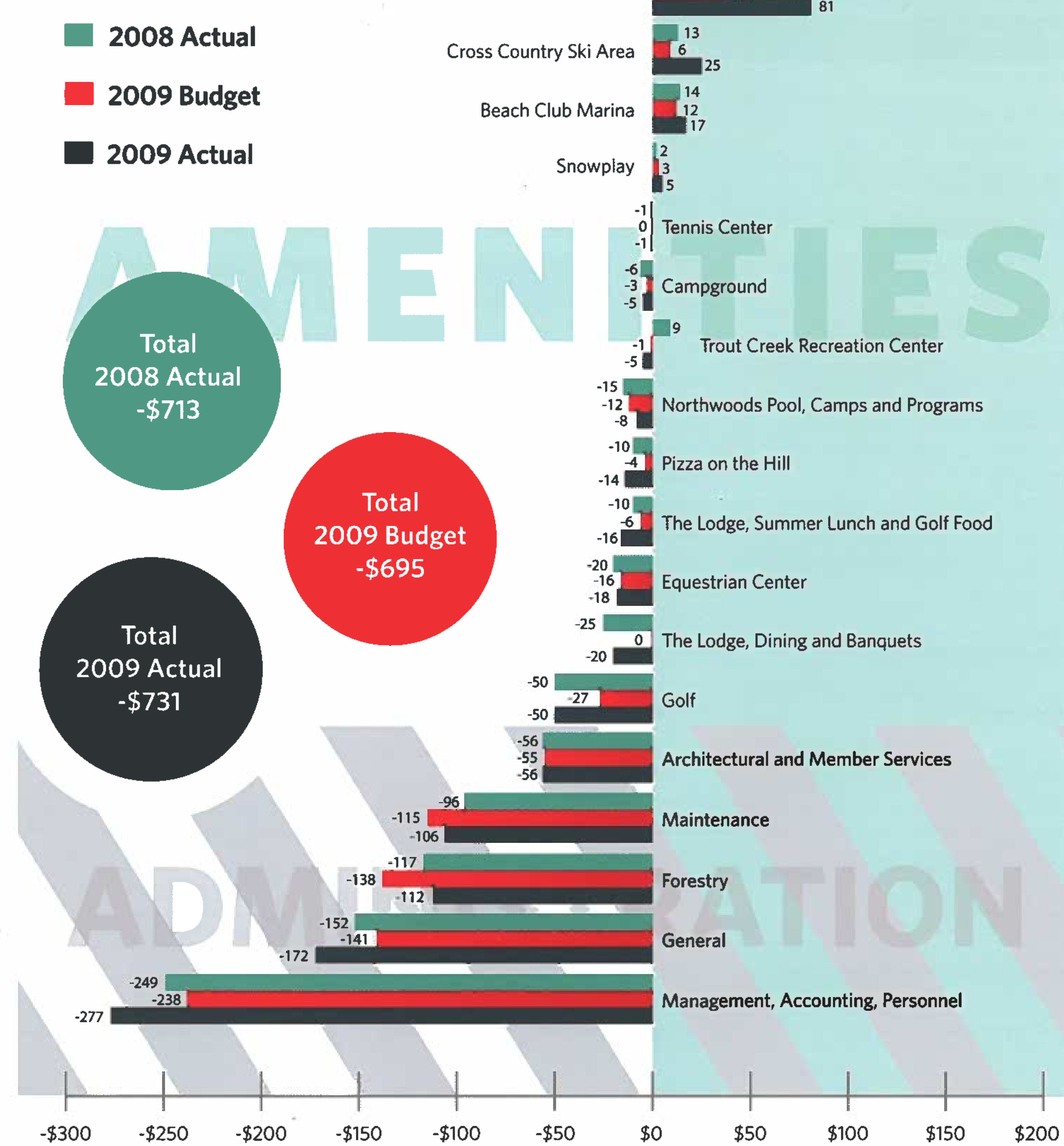
STATEMENT OF LEGAL COMPLIANCE

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

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report, prepared by Gilbert Associates and associated financial statements begin on page 14 of this 2009 Annual Report.

Net Operating Results (NOR) per Member Property



Net Operating Results (NOR) equates to operating revenues less operating expenses. NOR excludes capital costs.

OPERATING FUND ACTIVITIES >> << OPERATING FUND ACTIVITIES

	2009						<< NET OPERATING RESULTS (NOR) >>			<< AMOUNTS INCLUDING REPLACEMENT RESERVE CAPITAL CONTRIBUTION >>					
TAHOE DONNER ASSOCIATION DEPARTMENTAL RESULTS, YEAR ENDING DECEMBER 31	Gross Revenue	Cost of Goods Sold	Gross Margin	Operating Expenses	Net Operating Results (NOR) 2009 Actual	NOR 2009 Budget	2009Actual vs Budget	2008 Actual	2009 vs 2008	2009 NOR	Contribution to Replacement Reserve Fund	2009 Net Results After Capital	2009 per Property 6469	2008 per Property 6469	2009 vs 2008
PRIVATE AMENITIES															
Trout Creek Recreation Center	$ 979,611	$ -36,890	$ 942,721	$ -973,197	$ -30,476	$ -9,448	$ -21,028	$ 58,283	$ -88,759	$ -30,476	$ -144,303	$ -174,779	$ -27	$ -14	$ -13
Beach Club Marina	353,012	-23,577	329,435	-216,322	113,113	79,243	33,870	88,365	24,748	113,113	-62,617	50,496	8	6	2
Tennis Center	184,530	-28,277	156,253	-163,932	-7,679	-2,739	-4,940	-9,409	1,730	-7,679	-60,194	-67,873	-11	-10	-1
Northwoods Pool, Camps, and Programs	133,796	-1,706	132,090	-185,224	-53,134	-80,835	27,701	-100,085	46,951	-53,134	-18,093	-71,227	-11	-19	8
TOTAL PRIVATE AMENITIES	**1,650,949**	**-90,450**	**1,560,499**	**-1,538,675**	**21,824**	**-13,779**	**35,603**	**37,154**	**-15,330**	**21,824**	**-285,207**	**-263,383**	**-41**	**-37**	**-4**
PUBLIC AMENITIES															
Golf	1,128,572	-73,066	1,055,506	-1,381,386	-325,880	-177,513	-148,367	-321,891	-3,989	-325,880	-642,113	-967,993	-150	-125	-25
Downhill Ski Area	2,304,451	-197,073	2,107,378	-1,584,340	523,038	247,624	275,414	390,452	132,586	523,038	-311,934	211,104	33	14	19
Cross Country Ski Center	676,427	-45,223	631,204	-470,004	161,200	60,331	100,869	82,633	78,567	161,200	-75,403	85,797	13	-5	18
Snowplay	45,773	0	45,773	-16,421	29,352	20,960	8,392	11,096	18,256	29,352	-1,250	28,102	4	2	2
Campground	31,268	0	31,268	-65,673	-34,405	-21,913	-12,492	-41,196	6,791	-34,405	-39,638	-74,043	-11	-8	-3
Equestrian	164,138	-5,572	158,566	-273,188	-114,622	-105,580	-9,042	-129,698	15,067	-114,622	-33,921	-148,543	-23	-26	3
The Lodge, Dining & Banquets	1,155,945	-370,987	784,958	-912,644	-127,686	1,000	-128,686	-162,086	34,400	-127,686	-175,101	-302,787	-47	-54	7
The Lodge, Lunch & Golf Food Service	148,316	-57,646	90,670	-196,146	-105,476	-41,230	-64,246	-67,097	-38,379	-105,476	0	-105,476	-16	-10	-6
Pizza On The Hill	178,548	-67,807	110,741	-199,737	-88,996	-24,689	-64,307	-67,332	-21,664	-88,996	-23,862	-112,858	-17	-14	-3
TOTAL PUBLIC AMENITIES	**5,833,438**	**-817,374**	**5,016,064**	**-5,099,539**	**-83,475**	**-41,010**	**-42,465**	**-305,119**	**221,644**	**-83,475**	**-1,303,222**	**-1,386,697**	**-214**	**-226**	**12**
TOTAL AMENITIES	**7,484,387**	**-907,824**	**6,576,563**	**-6,638,214**	**-61,651**	**-54,789**	**-6,862**	**-267,965**	**206,314**	**-61,651**	**-1,588,429**	**-1,650,080**	**-255**	**-263**	**8**
HOMEOWNERS ASSOCIATION AND AMENITIES SUPPORT SERVICES															
General	178,831	0	178,831	-1,288,329	-1,109,498	-912,348	-197,150	-986,180	-123,318	-1,109,498	-124,988	-1,234,486	-191	-204	13
Management, Accounting, Personnel	223,009	0	223,009	-2,015,486	-1,792,477	-1,539,138	-253,339	-1,609,404	-183,073	-1,792,477	-73,907	-1,866,384	-288	-273	-15
Architectural & Member Services	111,147	0	111,147	-471,194	-360,047	-358,727	-1,320	-363,668	3,621	-360,047	-2,800	-362,847	-56	-57	1
Forestry	101,326	0	101,326	-823,202	-721,876	-890,283	168,407	-759,186	37,310	-721,876	-100,700	-822,576	-127	-127	0
Maintenance	0	0	0	-683,071	-683,071	-744,715	61,644	-622,954	-60,117	-683,071	-271,176	-954,247	-148	-119	-29
TOTAL HOMEOWNERS ASSOCIATION	**614,313**	**0**	**614,313**	**-5,281,282**	**-4,666,969**	**-4,445,211**	**-221,758**	**-4,341,392**	**-325,577**	**-4,666,969**	**-573,571**	**-5,240,540**	**-810**	**-780**	**-30**
TOTAL OPERATING RESULTS	**8,098,700**	**-907,824**	**7,190,876**	**-11,919,496**	**-4,728,620**	**-4,500,000**	**-228,620**	**-4,609,357**	**-119,263**	**-4,728,620**	**-2,162,000**	**-6,890,620**	**-1,065**	**-1,043**	**-22**
Assessment Revenue	**4,493,800**	**0**	**4,493,800**	**0**	**4,493,800**	**4,500,000**	-6,200	4,276,339	217,461	4,493,800	2,162,000	6,655,800	1,029	992	37
Total Operating Fund	**$ 12,592,500**	**$-907,824**	**$ 11,684,676**	**$ -11,919,496**	**$ -234,820**	**$ 0**	**$ -234,820**	**$ -333,018**	**$ 98,198**	**$ -234,820**	**$ 0**	**$ -234,820**	**$ -36**	**$ -51**	**$ 15**

(a) In 2009, allocation of overhead charge to amenities was eliminated. 2008 amounts have been restated for comparability with 2009. All amenities amounts above do not have any allocated overhead amounts.

TAHOE DONNER ASSOCIATION CAPITAL FUNDS SUMMARY – YEAR ENDING DECEMBER 31, 2009

	2009 Actual	2009 Budget	2009 Actual vs Budget	2008 Actual	2009 vs 2008
Replacement Reserve Fund					
Beginning Fund Balance	**$3,197,358**	**$3,197,358**	**-**	**$2,609,095**	**$588,263**
Assessment Contribution	2,162,000	2,162,000	-	2,138,289	23,711
Interest Revenue	62,680	120,000	$(57,320)	128,613	(65,933)
Operating Fund Transfer In	70,000	70,000	–	–	70,000
Other Revenue & Expense – Net	66,630	10,000	56,630	28,982	37,648
Major Maintenance Expenses	(294,197)	(339,000)	44,804	(206,227)	(87,970)
Expenditures for Capital Additions	(839,822)	(1,200,000)	360,178	(1,501,395)	661,573
Change in Fund Balance	1,227,291	823,000	404,291	588,262	639,029
Ending Fund Balance	**4,424,649**	**4,020,358**	**404,291**	**3,197,357**	**1,227,292**
New Machinery & Equipment Fund					
Beginning Fund Balance	**(5,291)**	**(5,291)**	**-**	**57,984**	**(63,275)**
Assessment Contribution	162,000	162,000	-	107,700	54,300
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(116,589)	(60,000)	(56,589)	(170,975)	54,386
Change in Fund Balance	45,411	102,000	(56,589)	(63,275)	108,686
Ending Fund Balance	**40,120**	**96,709**	**(56,589)**	**(5,291)**	**45,411**
Development Fund (includes Restricted, Designated Building Replacement, and Regular)					
Beginning Fund Balance	**5,136,012**	**5,136,012**	**-**	**4,074,240**	**1,061,722**
Assessment Contribution	945,000	945,000	-	923,011	21,989
Interest Revenue	125,862	160,000	(34,138)	163,994	(38,132)
Operating Fund Transfer In	200,000	530,000	(330,000)	–	200,000
Other Revenue & Expense, Net	(16,162)	(13,000)	(3,162)	(14,497)	(1,665)
Expenditures for Capital Additions	(822,894)	(330,000)	(492,894)	(10,736)	(812,158)
Change in Fund Balance	431,806	1,292,000	(860,194)	1,061,772	(629,966)
Ending Fund Balance	**5,567,818 A**	**6,428,012**	**(860,194)**	**5,136,012**	**431,806**
Capital Funds Totals	see next page				
Major Maintenance Expenses	(294,197)	(339,000)	44,804	(206,227)	(87,970)
Expenditures for Capital Additions	(1,779,305)	(1,590,000)	(189,305)	(1,683,106)	(96,199)
Total	**$(2,073,502)**	**$(1,929,000)**	**$(144,502)**	**$(1,889,333)**	**$(184,169)**

A. Development Fund 12/31/09 Ending Balance Components: $3,244,606 Restricted, $1,761,000 Designated Building Replacement, and $562,212 Regular.

The Replacement Reserve expenditures variance between Actual and Budget is primarily driven by the timing of projects between years. The Development Fund expenditures variance between Actual and Budget is primarily driven by the Downhill Ski Area first floor remodel/expansion project which was not budgeted for in 2009.

TAHOE DONNER ASSOCIATION CAPITAL FUNDS EXPENDITURES BY DEPARTMENT – YEAR ENDING DECEMBER 31, 2009

	Replacement Reserve Fund		New Machinery & Equipment Fund		Development Fund		Capital Funds Total	
	Capital Additions	Major Maint.	Capital Additions	Major Maint.	Capital Additions	Major Maint.	Capital Additions	Major Maint.
PRIVATE AMENITIES								
Trout Creek Recreation Center	$18,384	$18,890	$13,346	-	-	-	$31,730	$18,890
Beach Club Marina	10,760	4,750	18,049	-	-	-	28,809	4,750
Tennis Center	27,445	6,125	-	-	-	-	27,445	6,125
Northwoods Pool	9,768	-	-	-	-	-	9,768	-
Camps & Recreation Programs	-	-	-	-	-	-	-	-
TOTAL PRIVATE AMENITIES	**66,357**	**29,765**	**31,395**	**-**	**-**	**-**	**97,753**	**29,765**
PUBLIC AMENITIES								
Golf	197,529	80,869	26,588	-	-	-	224,177	80,869
Downhill Ski Area	126,478	39,846	-	-	$577,324	-	703,802	39,846
Cross Country Ski Center	151,263	-	-	-	182,609	-	333,871	-
Campground	2,500	-	-	-	-	-	2,500	-
Equestrian	42,207	-	-	-	-	-	42,207	-
The Lodge	6,088	17,000	51,146	-	-	-	57,243	17,000
Pizza On The Hill	116,725	-	-	-	-	-	116,725	-
Snowplay	-	-	-	-	-	-	-	-
TOTAL PUBLIC AMENITIES	**642,791**	**137,716**	**77,734**	**-**	**759,933**	**-**	**1,480,457**	**137,716**
TOTAL AMENITIES	**709,148**	**167,481**	**109,129**	**-**	**759,933**	**-**	**1,578,210**	**167,481**
HOMEOWNERS ASSOCIATION								
General	17,270	60,559	-	-	-	-	17,270	60,559
Communications	-	-	-	-	-	-	-	-
Facility Administration	6,908	-	-	-	-	-	6,098	-
Administration	-	-	-	-	-	-	-	-
Management Information Systems	85,236	-	4,194	-	52,837	-	142,267	-
Accounting	3,092	-	3,266	-	-	-	6,358	-
Human Resources	-	-	-	-	-	-	-	-
Architectural Standards Office	-	-	-	-	-	-	-	-
Member Services	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Maintenance	12,617	66,157	-	-	10,124	-	22,742	66,157
Vehicle Maintenance	5,551	-	-	-	-	-	5,551	-
TOTAL HOMEOWNERS ASSOCIATION	**130,674**	**126,716**	**7,461**	**-**	**62,961**	**-**	**201,096**	**126,716**
TOTAL	**$839,822**	**$294,197**	**$116,589**	**-**	**$822,894**	**-**	**$1,779,305**	**$294,197**

Financial statements with independent auditor's report

years ended December 31, 2009 and 2008

Board of Directors
Tahoe Donner Association
Truckee, California

We have audited the accompanying statements of financial position of Tahoe Donner Association (Association) as of December 31, 2009 and 2008, and the related statements of revenue, expenses and changes in members' equity, and of cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2009 and 2008, and the changes in its members' equity and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements on page 23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

GILBERT ASSOCIATES, INC.
Sacramento, California
March 17, 2010

TAHOE DONNER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2009	Total 2008
ASSETS							
Cash	$1,735,711					$1,735,711	$1,966,692
Cash, designated and restricted	8,964	$2,004		$663,367		674,335	438,755
Investments	768,448					768,448	1,065,858
Investments, designated and restricted	875,000	4,798,147		5,209,526		10,882,673	9,251,866
Assessments and other member receivables, net of allowance for doubtful accounts of $82,520 in 2009 and $54,130 in 2008	239,751					239,351	160,860
Other receivables	50,857	3,678		17,389		71,924	123,604
Inventory	307,066					307,066	387,232
Prepaid expenses and other assets	261,780	118,143				379,923	132,842
Due from (to) other funds	(750,564)	339,473	$110,545	257,397	$43,149		
Net property and equipment					27,004,033	27,004,033	27,609,696
TOTAL ASSETS	$3,496,613	$5,261,445	$110,545	$6,147,679	$27,047,182	$42,063,464	$41,137,405
LIABILITIES AND MEMBERS' EQUITY							
Accounts payable	$145,276	$129,717	$18,049	$108,475		$401,517	$336,319
Deferred revenues	2,064,821	707,079	52,376	471,386		3,295,662	3,170,013
Deposits from members	143,445					143,445	204,140
Accrued liabilities	812,480					812,480	610,599
TOTAL LIABILITIES	3,166,022	836,796	70,425	579,861		4,653,104	4,321,071
MEMBERS' EQUITY	330,591	4,424,649	40,120	5,567,818	$27,047,182	37,410,360	36,816,334
TOTAL LIABILITIES AND MEMBERS' EQUITY	$3,496,613	$5,261,445	$110,545	$6,147,679	$27,047,182	$42,063,464	$41,137,405

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

TAHOE DONNER ASSOCIATION	OPERATIONS			CAPITAL				TOTALS	
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY – DECEMBER 31, 2009 AND 2008	Amenities	Homeowners' Association	Total Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2009	Total 2008
OPERATING REVENUES:									
Access and use fees	$3,539,180		$3,539,180					$3,539,180	$3,545,841
Retail sales	2,332,359		2,332,359					2,332,359	2,262,121
Lessons and rental revenue	1,520,622		1,520,622					1,520,622	1,417,194
Other revenues	92,226	$566,752	658,978					658,978	539,260
Interest income		47,561	47,561	$62,680		$125,862		236,103	392,136
Gross operating revenues	**7,484,387**	**614,313**	**8,098,700**	**62,680**		**125,862**		**8,287,242**	**8,156,552**
Cost of goods sold	(907,824)		(907,824)					(907,824)	(904,360)
Net operating revenues	6,576,563	614,313	7,190,876	62,680		125,862		7,379,418	7,252,192
OPERATING EXPENSES:									
Salaries and wages	3,631,957	2,734,241	6,366,198					6,366,198	6,055,805
Payroll taxes and employee benefits	873,070	779,232	1,652,302					1,652,302	1,504,961
Supplies and maintenance	895,315	516,906	1,412,221					1,412,221	1,641,167
Utilities	582,869	180,388	763,257					763,257	824,277
Insurance	252,600	159,335	411,935					411,935	402,908
Other employee expenses	87,335	192,498	279,833					279,833	214,615
Income taxes		28,956	28,956	11,061		11,124		51,141	79,571
Other expenses	315,068	689,726	1,004,794					1,004,794	871,504
Total operating expenses	6,638,214	5,281,282	11,919,496	11,061		11,124		11,941,681	11,594,808
NET OPERATING INCOME (LOSS)	**(61,651)**	**(4,666,969)**	**(4,728,620)**	**51,619**		**114,738**		**(4,562,263)**	**(4,342,616)**
CAPITAL ACTIVITIES:									
Capital additions and transfers				(839,822)	$(116,589)	(822,894)	$1,779,305		
Gain (loss) on sale of or disposal of assets				77,692		(5,038)	(159,960)	(87,306)	35,388
Fund expenses				(294,197)				(294,197)	(206,227)
Depreciation expense							(2,225,008)	(2,225,008)	(2,164,347)
Total capital activities				(1,056,327)	(116,589)	(827,932)	(605,663)	(2,606,511)	(2,335,186)
ASSESSMENTS:									
Assessment revenues	54,714	4,439,086	4,493,800	2,162,000	162,000	945,000		7,762,800	7,445,339
INCREASE (DECREASE) IN MEMBERS' EQUITY	$(6,937)	$(227,883)	(234,820)	1,157,292	45,411	231,806	(605,663)	594,026	767,537
TRANSFERS BETWEEN FUNDS			(270,000)	70,000		200,000			
MEMBERS' EQUITY, December 31, 2008			835,411	3,197,357	(5,291)	5,136,012	27,652,845	36,816,334	36,048,797
MEMBERS' EQUITY, December 31, 2009			$330,591	$4,424,649	$40,120	$5,567,818	$27,047,182	$37,410,360	$36,816,334

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

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

TAHOE DONNER ASSOCIATION							
STATEMENTS OF CASH FLOWS – YEARS ENDING DECEMBER 31, 2009 AND 2008	Operating Fund	Replacement Reserve Fund	New Machinery & Equipment Fund	Development Fund	Property Fund	Total 2009	Total 2008
CASH FLOWS FROM OPERATING ACTIVITIES:							
Increase (decrease) in Members' Equity	$(234,820)	$1,157,292	$45,411	$231,806	$(605,663)	$594,026	$767,537
Reconciliation to net cash provided (used) by operating activities:							
Depreciation expense					2,225,008	2,225,008	2,164,347
Capital additions and transfers		839,822	116,589	822,894	(1,779,305)		
Loss (gain) on sale or disposal of property and equipment		(77,692)		5,038	159,960	87,306	(35,388)
Changes in:							
Assessments receivable	(78,491)					(78,491)	(62,669)
Other receivables	8,901	13,981		29,608		51,680	226,295
Inventory	80,166					80,166	(41,729)
Prepaid expenses and other assets	(128,938)	(118,143)				(247,081)	78,561
Due from (to) other funds	(314,502)	337,015	(64,030)	41,517			
Accounts payable	(80,296)	19,970	18,049	108,475		65,198	(54,273)
Deferred revenues	(58,717)	14,955	570	168,841		125,649	90,622
Deposits from members	(60,695)					(60,695)	(60,046)
Accrued liabilities	227,747	(11,369)		(14,497)		201,881	129,527
Net cash provided by operating activities	**(640,455)**	**2,174,831**	**116,589**	**1,393,682**		**3,044,647**	**3,202,784**
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchases of property and equipment		(839,822)	(116,589)	(827,932)		(1,784,343)	(1,683,106)
Proceeds from sale of property and equipment		77,692				77,692	40,351
Purchases of investments	(3,457,590)	(6,877,694)		(6,509,698)		(16,844,982)	(19,858,399)
Proceeds from sale of investments	4,080,000	5,131,413		6,300,172		15,511,585	15,233,331
Net cash provided (used) by investing activities	**622,410**	**(2,508,411)**	**(116,589)**	**(1,037,458)**		**(3,040,048)**	**(6,267,823)**
CASH FLOWS FROM FINANCIAL ACTIVITIES:							
Transfers between funds	(270,000)	70,000		200,000			
Principal payments on note payable							(285,000)
Net cash provided (used) by financing activities	**(270,000)**	**70,000**		**200,000**			**(285,000)**
Net increase (decrease) in cash	**(288,045)**	**(263,580)**		**556,224**		**4,599**	**(3,350,039)**
Cash, beginning of year	2,032,720	265,584		107,143		2,405,477	5,755,486
Cash, end of year	$1,744,675	$2,004		$663,367		$2,410,046	$2,405,447
Other cash flow information:							
Income taxes paid	$50,403					$50,403	$64,902

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

Notes to Audited Financial Statements

1. OPERATIONS

Tahoe Donner Association (Association) is a California nonprofit mutual benefit corporation. The Association's members own the 6,469 membership properties within the Tahoe Donner subdivision in Truckee, California. The Association was organized to provide management services and maintenance of certain common areas owned by the Association. A significant portion of revenue is derived from the assessment of member dues.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

Property and equipment of the Association includes certain facilities and land contributed by Dart in prior years. These assets are reflected in the accounts at the developers' cost basis. Purchases of equipment and construction of facilities are recorded at cost and depreciated using the straight-line method over estimated useful lives of 3 to 60 years. The Association's policy is to capitalize such items with a cost of $2,000 or more. These assets are recorded directly in the property fund.

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

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

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

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

The Association has implemented Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, Accounting for Uncertainty in Income Taxes, and has determined there is no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and California income tax examinations by tax authorities for years prior to 2006 and 2005, respectively

Subsequent events have been reviewed through the issuance date of the audit report.

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 2008 amounts have been reclassified to conform to the 2009 financial statement presentation.

Recent accounting pronouncements – The FASB issued Accounting Standards Codification effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative U.S. generally accepted accounting principles (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates

3. CASH AND INVESTMENTS

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

	2009	2008
Replacement reserve fund-designated	$ 4,800,151	$ 3,317,450
Development fund-restricted	3,244,606	2,780,395
Development fund-designated	2,628,287	2,326,748
Operating fund-undesignated and unrestricted	2,504,159	3,032,550
Operating fund-designated	750,564	1,065,066
Operating fund-Architectural standards deposits - restricted (note 5)	133,400	200,962
Total	**$ 14,061,167**	**$ 12,723,171**

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.

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. Investments are comprised of U.S. Treasury securities, corporate debt securities, and certificates of deposit.

Investments at December 31, 2009 mature as follows:

Investment	**Within 1 Year**	**1-2 Years**	**Total**
U.S. Treasury	$ 4,048,089		$ 4,048,089
Certificates of deposit	4,733,731	$ 2,869,301	7,603,032
Total	**$ 8,781,820**	**$ 2,869,301**	**$ 11,651,121**

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

	2009	2008
U.S. Treasury securities		
Fair value	4,048,362	
Unrecognized holding gains	(273)	
Amortized cost	**$ 4,048,089**	**$**
Corporate debt securities		
Fair value		$ 398,360
Unrecognized holding losses		3,506
Amortized cost	**$**	**$ 401,866**
Certificates of deposit		
Fair value	$ 7,579,334	$ 9,983,148
Unrecognized holding (gains) losses	23,698	(67,290)
Amortized cost	**$ 7,603,032**	**$ 9,915,858**

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009	2008
Buildings	$ 20,913,032	$ 20,627,420
Fixtures and facility improvements	10,993,234	10,600,044
Equipment	8,564,033	7,964,531
Land and land improvements	4,699,778	4,699,778
Furnishings	662,066	604,964
Total	45,832,143	44,496,737
Less accumulated depreciation	(18,950,262)	(17,102,499)
	26,881,881	27,394,238
Construction in progress	122,152	215,458
Total	**$ 27,004,033**	**$ 27,609,696**

5. DEPOSITS FROM MEMBERS

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

6. REPLACEMENT RESERVE FUND

The Association's policy is to maintain replacement funding levels sufficient to pay for capital replacements, refurbishments and repairs. Replacement funding levels, as determined by a study updated in 2009, are forecast on a 30-year basis with annual updates to replacement schedules, as they become known. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. If additional funds are needed, the Association has the right, subject to any necessary member approval, to increase regular dues, to levy special assessments, or modify and adjust the scheduled major repairs and replacements as necessary.

7. SALARY SAVINGS PLAN

The Association maintains a salary savings plan for all eligible employees. The Association matches 50% of the first 6% of the participant's contribution. Matching contributions are 20% vested after the third year of service and vest at the rate of 20% per year thereafter. Matching contributions expense was $47,321 and $52,799 for 2009 and 2008, respectively.

8. OPERATING LEASE OBLIGATIONS

The Association has non-cancelable operating leases for copiers, golf carts and computer equipment. Rental expense under all operating leases was $154,868 and $143,323 for 2009 and 2008, respectively. Future minimum lease payments under these leases are as follows:

Year ending December 31:

2010	$ 115,289
2011	95,661
2012	81,641
2013	12,779
2014	5,807
Total	**$ 311,177**

TAHOE DONNER ASSOCIATION
REQUIRED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2009 (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 2009 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, 2009, was $4,425,000. The 2010 lot assessments include $2,251,000 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 impacts of these exclusions on estimated current replacement costs has not been determined.

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

Component Group	Range of Remaining Lives (Years)	Estimated Life After Replacement (Years)	Current Replacement Costs
Trout Creek, pools & recreation	0-26	1-30	$ 1,842,756
Marina	0-15	1-30	430,728
Tennis complex	0-15	1-30	642,755
Downhill ski area	0-22	1-30	3,579,007
Cross country/equestrian	0-26	1-30	1,078,523
Golf complex	0-25	1-30	6,100,100
Campground	0-17	1-25	201,747
The Lodge	0-26	1-30	2,673,674
Pizza On the Hill	0-17	1-30	317,412
Administration	0-30	1-30	1,037,740
Asphalt Maintenance	0-27	1-30	3,875,227
General & Building Maintenance	0-30	1-30	4,978,698
Total			**$ 26,758,367**

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