

TAHOE DONNER ASSOCIATION

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

December 31, 2022 and 2021

TAHOE DONNER ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tahoe Donner Association

Opinion

We have audited the accompanying financial statements of Tahoe Donner Association, which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tahoe Donner Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tahoe Donner Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tahoe Donner Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tahoe Donner Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Required Supplementary Information on Future Major Repairs and Replacements on pages 18 and 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, 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 16 and 17 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, 2021 is presented for comparative purposes only and was extracted from the financial statements presented for that year, on which we expressed an unmodified opinion on our report dated April 13, 2022.

McCLINTOCK ACCOUNTANCY CORPORATION
Tahoe City, California
April 14, 2023

DRAFT

TAHOE DONNER ASSOCIATION

Exhibit A

BALANCE SHEETS
December 31, 2022 (with comparative totals for 2021)

	2022						2021
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
ASSETS							
Cash and cash equivalents, unrestricted (Note 4)	\$ 8,481,306	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,481,306	\$ 8,575,802
Cash and cash equivalents, designated and restricted (Note 4)	210,005	606,423	269,669	243,047	-0-	1,329,144	20,031,519
Investments, unrestricted (Note 4)	2,230,403	-0-	-0-	-0-	-0-	2,230,403	499,989
Investments, designated and restricted (Note 4)	-0-	16,298,003	-0-	12,546,690	-0-	28,844,693	6,758,585
	10,921,714	16,904,426	269,669	12,789,737	-0-	40,885,546	35,865,895
Assessments and other member receivables, less allowance for doubtful accounts of \$158,049 in 2022 and \$104,373 in 2021	235,223	-0-	-0-	-0-	-0-	235,223	288,547
Other receivables	372,999	47,233	-0-	61,250	-0-	481,481	124,108
Inventory	422,559	-0-	-0-	-0-	-0-	422,559	342,115
Prepaid expenses and other assets	1,595,790	36,667	-0-	-0-	-0-	1,632,457	1,463,241
Due from (to) other funds	1,048,477	(912,842)	(10,165)	(125,470)	-0-	-0-	-0-
Property and equipment, net (Note 5)	-0-	-0-	-0-	-0-	45,199,170	45,199,170	43,098,937
Total Assets	\$ 14,596,762	\$ 16,075,483	\$ 259,504	\$ 12,725,517	\$ 45,199,170	\$ 88,856,436	\$ 81,182,843
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 886,688	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 886,688	\$ 596,298
Accrued liabilities	1,973,372	-0-	-0-	-0-	-0-	1,973,372	1,260,186
Deferred revenue	8,483,279	-0-	-0-	-0-	-0-	8,483,279	6,613,883
Deposits from members	394,600	-0-	-0-	-0-	-0-	394,600	392,760
Total Liabilities	11,737,939	-0-	-0-	-0-	-0-	11,737,939	8,863,127
Fund Balances - Exhibit B	2,858,823	16,075,483	259,504	\$ 12,725,517	45,199,170	77,118,497	72,319,716
Total Liabilities and Fund Balances	\$ 14,596,762	\$ 16,075,483	\$ 259,504	\$ 12,725,517	\$ 45,199,170	\$ 88,856,436	\$ 81,182,843

The accompanying notes are an integral part of these statements.

TAHOE DONNER ASSOCIATION

Exhibit B

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2022 (with comparative totals for 2021)

	2022						Total	2021
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total		
REVENUE								
Members' assessments	\$ 6,120,956	\$ 5,489,104	\$ -	\$ 3,592,515	\$ -	\$ 15,202,575	\$ 14,505,993	
Downhill ski	5,530,646	-	-	-	-	5,530,646	3,731,124	
Snowplay	266,372	-	-	-	-	266,372	311,594	
The Lodge and Summer F&B	2,174,156	-	-	-	-	2,174,156	1,851,959	
Cross country center	2,065,399	-	-	-	-	2,065,399	1,590,310	
Trout Creek recreation center and aquatics	1,596,967	-	-	-	-	1,596,967	1,250,858	
Marina	710,293	-	-	-	-	710,293	748,130	
Golf course	1,641,041	-	-	-	-	1,641,041	1,536,980	
Alder Creek Café	382,229	-	-	-	-	382,229	197,118	
Pizza on the Hill	496,871	-	-	-	-	496,871	19,240	
Tennis	497,220	-	-	-	-	497,220	402,909	
Day Camp	354,797	-	-	-	-	354,797	309,645	
Equestrian	152,553	-	-	-	-	152,553	140,341	
Recreation	199,491	-	-	-	-	199,491	32,206	
Campground	100,079	-	-	-	-	100,079	116,461	
Bikeworks	142,527	-	-	-	-	142,527	143,339	
Trails	87	-	-	-	-	87	396	
Communications	300,135	-	-	-	-	300,135	267,066	
Architectural standards	247,164	-	-	-	-	247,164	283,675	
Forestry	502,626	-	-	-	-	502,626	141,248	
Interest income	26,835	210,108	3,321	186,477	-	426,741	177,184	
Late charges, handling, transfer fees, and other fees	101,028	-	-	-	-	101,028	114,055	
Miscellaneous income	82,970	-	-	-	-	82,970	56,952	
Total Revenue	23,692,442	5,699,212	3,321	3,778,992	-	33,173,967	27,928,783	
OPERATING EXPENSES								
Downhill ski (cost of sales of \$209,195 in 2022 and \$111,714 in 2021)	3,664,651	2,860	-	-	-	3,667,511	2,567,926	
Snowplay (cost of sales of \$458 in 2022 and \$685 in 2021)	151,383	-	-	-	-	151,383	133,537	
The Lodge and Summer F&B (cost of sales of \$762,762 in 2022 and \$611,957 in 2021)	3,058,033	12,203	-	-	-	3,070,236	2,502,131	
Cross country center (cost of sales of \$127,981 in 2022 and \$103,497 in 2021)	1,169,088	56,786	-	-	-	1,225,874	944,035	
Trout Creek recreation center and aquatics (cost of sales of \$20,492 in 2022 and \$17,348 in 2021)	1,253,709	57,001	-	-	-	1,310,710	1,114,709	
Marina (cost of sales of \$73,455 in 2022 and \$54,585 in 2021)	536,384	25,834	-	-	-	562,218	452,463	
Golf course (cost of sales of \$85,288 in 2022 and \$57,805 in 2021)	1,877,400	72,152	-	-	-	1,949,552	1,549,156	
Alder Creek Café (cost of sales of \$122,389 in 2022 and \$66,181 in 2021)	455,805	-	-	-	-	455,805	308,898	
Pizza on the Hill (cost of sales of \$159,540 in 2022 and \$18,592 in 2021)	669,235	-	-	-	-	669,235	177,190	
Tennis (cost of sales of \$32,450 in 2022 and \$28,830 in 2021)	446,194	9,636	-	-	-	455,830	387,609	
Day camp	247,807	-	-	-	-	247,807	240,413	
Equestrian (cost of sales of \$1,242 in 2022 and \$1,165 in 2021)	344,051	-	-	-	-	344,051	300,697	
Recreation (cost of sales of \$2,149 in 2022 and \$1,107 in 2021)	258,536	-	-	-	-	258,536	94,616	
Campground	104,508	-	-	-	-	104,508	111,261	
Bikeworks (cost of sales of \$39,461 in 2022 and \$30,592 in 2021)	182,225	-	-	-	-	182,225	160,457	
Trails	77,015	12,524	-	-	-	89,539	175,094	
Communications	784,663	-	-	-	-	784,663	755,903	
Architectural standards	420,118	11,400	-	-	-	431,518	405,730	
Forestry	2,029,494	101,988	-	-	-	2,131,482	1,536,664	
Homeowners' association operating expenses and G&A	6,168,150	599,177	-	190,284	-	6,957,611	5,982,486	
Total Operating Expenses	23,898,448	961,561	-	190,284	-	25,050,293	19,900,975	
FUND EXPENSES								
(Gain) Loss on disposal of assets	-	(47,554)	-	-	822	(46,732)	(53,644)	
Depreciation	-	-	-	-	3,322,358	3,322,358	3,176,324	
Income tax provision (Note 6)	27,836	11,930	229	9,272	-	49,267	31,653	
Total Expenses	23,926,284	925,937	229	199,556	3,323,180	28,375,186	23,055,308	
Revenue Over (Under) Expenses	(233,842)	4,773,275	3,092	3,579,436	(3,323,180)	4,798,781	4,873,475	
Property Fund Additions, Net (Schedule 2)	-	(3,495,601)	(42,109)	(1,885,700)	5,423,410	-	-	
Fund Balances, Beginning of Year	3,092,665	14,797,809	298,521	11,031,781	43,098,940	72,319,716	67,446,241	
Fund Balances, End of Year	\$ 2,858,823	\$ 16,075,483	\$ 259,504	\$ 12,725,517	\$ 45,199,170	\$ 77,118,497	\$ 72,319,716	

TAHOE DONNER ASSOCIATION

Exhibit C

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2022 (with comparative totals for 2021)

	2022						2021
	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total	Total
Cash Flows from Operating Activities:							
Operating Revenue Over (Under) Expenses	\$ (233,842)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ (233,842)	\$ 850,215
Replacement Revenue Over Expenses	-0-	4,773,275	-0-	-0-	-0-	4,773,275	4,402,596
Non-Operating Funds Revenue Over (Under) Expenses	-0-	-0-	3,092	3,579,436	(3,323,180)	259,348	(379,336)
Revenue Over (Under) Expenses	(233,842)	4,773,275	3,092	3,579,436	(3,323,180)	4,798,782	4,873,475
Adjustments to Reconcile Operating/Replacement Revenue Over (Under) Expenses to Net Cash Provided (Used) by Operating Activities:							
Bad debt expense	28,043	3,297	-0-	2,231	-0-	33,571	33,200
Depreciation expense	-0-	-0-	-0-	-0-	3,322,358	3,322,358	3,176,324
(Gain)/Loss on disposal of assets	-0-	(47,554)	-0-	-0-	822	(46,732)	(53,644)
Investment amortization	(13,532)	37,414	-0-	33,890	-0-	57,772	63,727
Changes in:							
Assessments receivable	25,281	(3,297)	-0-	(2,231)	-0-	19,753	(75,741)
Other receivables	(305,050)	(9,376)	-0-	(42,947)	-0-	(357,372)	(99,960)
Inventory	(80,444)	-0-	-0-	-0-	-0-	(80,444)	(20,148)
Prepaid expenses and other assets	(177,128)	5,855	-0-	2,056	-0-	(169,217)	(188,371)
Due to/from other funds	(3,006,864)	1,543,999	(7,138)	1,470,003	-0-	-0-	-0-
Accounts payable	407,075	(115,333)	-0-	(1,352)	-0-	290,390	398,925
Accrued liabilities	713,186	-0-	-0-	-0-	-0-	713,186	150,184
Deferred revenue	4,229,974	(1,427,418)	-0-	(933,160)	-0-	1,869,396	(70,280)
Deposits	1,840	-0-	-0-	-0-	-0-	1,840	84,609
Net Cash Provided (Used) by Operating Activities	1,588,539	4,760,863	(4,046)	4,107,926	-0-	10,453,282	8,272,300
Cash Flows from Investing Activities:							
Acquisition of property and equipment	-0-	(3,495,601)	(42,109)	(1,885,700)	-0-	(5,423,410)	(3,922,939)
Proceeds from sale of property and equipment	-0-	47,554	-0-	-0-	-0-	47,554	59,910
Purchase of investments	(2,216,871)	(22,415,887)	-0-	(21,302,528)	-0-	(45,935,286)	(31,683,772)
Maturity or redemption of investments	499,989	10,691,000	-0-	10,870,000	-0-	22,060,989	47,885,510
Net Cash Provided (Used) by Investing Activities	(1,716,882)	(15,172,934)	(42,109)	(12,318,228)	-0-	(29,250,153)	12,338,709
Net Increase (Decrease) in Cash and Cash Equivalents	(128,343)	(10,412,071)	(46,155)	(8,210,302)	-0-	(18,796,871)	20,611,009
Cash and cash equivalents, Beginning of Year	8,819,654	11,018,494	315,824	8,453,349	-0-	28,607,321	7,996,312
Cash and cash equivalents, End of Year (Note 4)	\$ 8,691,311	\$ 606,423	\$ 269,669	\$ 243,047	\$ -0-	\$ 9,810,450	\$ 28,607,321
Analysis of Cash and Cash Equivalents:							
Cash and cash equivalents, unrestricted	\$ 8,481,306	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,481,306	\$ 8,575,802
Cash and cash equivalents, designated and restricted	210,005	606,423	269,669	243,047	-0-	1,329,144	20,031,519
Cash and cash equivalents, End of Year (Note 4)	\$ 8,691,311	\$ 606,423	\$ 269,669	\$ 243,047	\$ -0-	\$ 9,810,450	\$ 28,607,321
Supplemental Disclosure:							
Income taxes paid	\$ 20,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 20,000	\$ 55,000

The accompanying notes are an integral part of these statements.

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022 and 2021

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.

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, 2022 and 2021, cash balances exceeded federally insured limits by approximately \$7,815,000 and \$3,428,000, 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, 2022 and 2021

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, 2022 and 2021 advertising costs total \$46,979 and \$37,776, 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 2017.

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 2021 financial statements to conform to the classifications used in 2022. The reclassifications had no impact on the financial position or results of operations for 2021.

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.

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.

TAHOE DONNER ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 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

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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, 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 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 \$2,455,000 and \$2,648,000 as of December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, the Association recognized approximately \$2,602,000 and \$1,784,000 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 \$-0- as of December 31, 2022 and 2021, 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, 2022 and 2021, approximately \$-0- of costs

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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.

4. CASH AND INVESTMENTS

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

	2022		
	Cash	Investments	Total
Replacement reserve fund - designated	\$ 606,423	\$ 16,298,003	\$ 16,904,426
Development fund - designated	243,047	12,546,690	12,789,737
New equipment fund - designated	269,669	-0-	269,669
Operating fund - undesignated and unrestricted	8,481,306	2,230,403	10,711,709
Operating fund - Trust - restricted 457(b)	24,500	-0-	24,500
Operating fund - Architectural standards deposits - restricted	185,505	-0-	185,505
Total	\$ 9,810,450	\$ 31,075,096	\$ 40,885,546

	2021		
	Cash	Investments	Total
Replacement reserve fund - designated	\$ 11,018,494	\$ 4,610,531	\$ 15,629,025
Development fund - designated	8,453,349	2,148,054	10,601,403
New equipment fund - designated	315,824	-0-	315,824
Operating fund - undesignated and unrestricted	8,575,802	499,989	9,075,791
Operating fund - Trust - restricted 457(b)	24,500	-0-	24,500
Operating fund - Architectural standards deposits - restricted	219,352	-0-	219,352
Total	\$ 28,607,321	\$ 7,258,574	\$ 35,865,895

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.

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

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Association investments consist of municipal and corporate securities, and governmental securities. 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.

The amortized cost of held-to-maturity investment securities at December 31, 2022 and 2021 are as follows:

	2022	2021
	Amortized Cost/Net Carrying Value	Amortized Cost/Net Carrying Value
Held to maturity:		
Corporate Notes	\$ 5,088,020	\$ -0-
Corporate Bonds	2,837,978	2,797,163
Municipal Bonds	2,114,610	2,960,167
U.S. Treasury	21,034,488	1,501,244
Total held to maturity	<u>\$ 31,075,096</u>	<u>\$ 7,258,574</u>

The maturities of the held to maturity securities at December 31, 2022 and 2021 are all within one to five years.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Buildings	\$ 35,155,668	\$ 34,551,323
Fixtures and facility improvements	19,257,339	19,273,380
Equipment	22,889,428	21,318,699
Land and land improvements	12,941,316	12,821,058
Furnishings	1,189,722	1,120,596
Total	91,433,473	89,085,056
Less accumulated depreciation	<u>(50,426,468)</u>	<u>(47,505,073)</u>
	41,007,005	41,579,983
Construction in progress	4,192,165	1,518,954
Total	<u>\$ 45,199,170</u>	<u>\$ 43,098,937</u>

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6. INCOME TAXES

The provision for income taxes for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
State	\$ 45,444	\$ 30,697
Federal	3,823	956
	<u>\$ 49,267</u>	<u>\$ 31,653</u>

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 2022, 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.

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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.

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 \$165,991 and \$108,090 for December 31, 2022 and 2021, 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 \$50,000 and \$25,000 for the years ended December 31 2022 and 2021, respectively.

10. COMMITMENT

During 2021, the Association entered into a contract for The Lodge at Downhill Ski design services for \$1,234,082. As of December 31, 2022, approximately \$432,000 remains to be spent on the project.

During 2021, the Association entered into a contract for snowmaking infrastructure at the Cross Country Center for \$893,709. As of December 31, 2022, \$140,808 remains to be spent on the project.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 14, 2023, the date the financial statements were issued.

TAHOE DONNER ASSOCIATION

Schedule 1

SCHEDULE OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
BY NATURAL CLASSIFICATION

For the Year Ended December 31, 2022 (with comparative totals for 2021)

	2022							2021	
	OPERATIONS			CAPITAL				Total	Total
	Amenities	Homeowners' Association	Total Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund		
Revenue									
Assessments	\$ -0-	\$ 6,120,956	\$ 6,120,956	\$ 5,489,104	\$ -0-	\$ 3,592,515	\$ -0-	\$ 15,202,575	\$ 14,505,993
Access and use fees	8,147,982	-0-	8,147,982	-0-	-0-	-0-	-0-	8,147,982	6,695,186
Retail sales	4,419,797	-0-	4,419,797	-0-	-0-	-0-	-0-	4,419,797	2,955,885
Lessons and rental revenue	3,126,891	35,765	3,162,656	-0-	-0-	-0-	-0-	3,162,656	2,285,604
Late charges, fines and fees	-0-	391,399	391,399	-0-	-0-	-0-	-0-	391,399	452,303
Other revenues	616,060	806,757	1,422,817	-0-	-0-	-0-	-0-	1,422,817	856,628
Interest income	-0-	26,835	26,835	210,108	3,321	186,477	-0-	426,741	177,184
Total Revenue	16,310,730	7,381,712	23,692,442	5,699,212	3,321	3,778,992	-0-	33,173,967	27,928,783
Operating Expenses									
Salaries and wages	7,040,476	4,819,356	11,859,832	-0-	-0-	-0-	-0-	11,859,832	9,749,970
Cost of good sold	1,636,867	-0-	1,636,867	-0-	-0-	-0-	-0-	1,636,867	1,103,997
Payroll taxes and employee benefits	1,753,797	1,318,141	3,071,938	-0-	-0-	-0-	-0-	3,071,938	2,423,612
Supplies and maintenance	1,227,390	1,349,460	2,576,850	-0-	-0-	-0-	-0-	2,576,850	1,861,512
Utilities	946,367	174,206	1,120,573	-0-	-0-	-0-	-0-	1,120,573	871,943
Other employee expenses	303,708	208,184	511,892	-0-	-0-	-0-	-0-	511,892	321,447
Insurance	766,582	589,185	1,355,767	-0-	-0-	-0-	-0-	1,355,767	1,112,481
Income tax	-0-	27,836	27,836	11,930	229	9,272	-0-	49,267	31,653
Other expenses (recovery)	829,213	935,516	1,764,729	(3,297)	-0-	(2,231)	-0-	1,759,201	1,605,019
Total Operating Expenses	14,504,400	9,421,884	23,926,284	8,633	229	7,041	-0-	23,942,187	19,081,635
Fund Expenses									
(Gain) Loss on disposal of assets	-0-	-0-	-0-	(47,554)	-0-	-0-	822	(46,732)	(53,644)
Depreciation	-0-	-0-	-0-	-0-	-0-	-0-	3,322,358	3,322,358	3,176,324
Fund expenses	-0-	-0-	-0-	964,858	-0-	192,515	-0-	1,157,373	850,993
Total Expenses	14,504,400	9,421,884	23,926,284	925,937	229	199,556	3,323,180	28,375,186	23,055,308
Revenue Over (Under) Expenses	\$ 1,806,330	\$ (2,040,172)	\$ (233,842)	\$ 4,773,275	\$ 3,092	\$ 3,579,436	\$ (3,323,180)	\$ 4,798,781	\$ 4,873,475
Property Fund Additions, Net	-0-	-0-	-0-	(3,495,601)	(42,109)	(1,885,700)	5,423,410	-0-	-0-
Fund Balances, Beginning of Year	-0-	-0-	3,092,665	14,797,809	298,521	11,031,781	43,098,940	72,319,716	67,446,241
Fund Balances, End of Year	\$ -0-	\$ -0-	\$ 2,858,823	\$ 16,075,483	\$ 259,504	\$ 12,725,517	\$ 45,199,170	\$ 77,118,497	\$ 72,319,716

TAHOE DONNER ASSOCIATION

Schedule 2

SCHEDULE OF CAPITAL FUNDS' EXPENDITURES
BY DEPARTMENT

For the Year Ended December 31, 2022

	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
PRIVATE AMENITIES								
Trout Creek Recreation Center	\$ 389,230	\$ 57,001	\$ -0-	\$ -0-	\$ 1,101	\$ -0-	\$ 390,331	\$ 57,001
Beach Club Marina	-0-	25,834	-0-	-0-	47,349	-0-	47,349	25,834
Tennis Center	72,385	9,636	5,749	-0-	-0-	-0-	78,134	9,636
Northwoods Pool / Aquatics	-0-	27,420	-0-	-0-	-0-	-0-	-0-	27,420
Camps & Recreation Programs	28,589	-0-	5,100	-0-	-0-	-0-	33,689	-0-
TOTAL PRIVATE AMENITIES	490,204	119,891	10,849	-0-	48,450	-0-	549,503	119,891
PUBLIC AMENITIES								
Golf	892,785	72,152	-0-	-0-	-0-	-0-	892,785	72,152
Downhill Ski	686,680	2,860	1,478	-0-	931,702	-0-	1,619,860	2,860
Cross Country Ski	469,244	56,786	5,489	-0-	554,899	-0-	1,029,632	56,786
Campground	7,271	-0-	-0-	-0-	-0-	-0-	7,271	-0-
Equestrian	41,728	-0-	-0-	-0-	-0-	-0-	41,728	-0-
Trails	107,738	12,524	-0-	-0-	300,530	-0-	408,268	12,524
Bikeworks	30,956	-0-	-0-	-0-	-0-	-0-	30,956	-0-
The Lodge	208,898	12,203	6,407	-0-	50,119	-0-	265,424	12,203
The Lodge, Summer Lunch/Golf F&B	-0-	-0-	33	-0-	-0-	-0-	33	-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-	-0-	-0-	-0-	-0-
TOTAL PUBLIC AMENITIES	2,445,300	156,525	13,407	-0-	1,837,250	-0-	4,295,957	156,525
TOTAL AMENITIES	2,935,504	276,416	24,256	-0-	1,885,700	-0-	4,845,460	276,416
HOMEOWNERS ASSOCIATION and G&A								
General HOA	48,862	32,172	-0-	-0-	-0-	-0-	48,862	32,172
Marketing & Communications	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Facility Administration	-0-	190,752	-0-	-0-	-0-	183,904	-0-	374,656
Administration	23,211	45,406	-0-	-0-	-0-	1,831	23,211	47,237
Information Technology	292,137	276,380	17,853	-0-	-0-	6,780	309,990	283,160
Accounting	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Human Resources	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Architectural Standards Office	-0-	11,400	-0-	-0-	-0-	-0-	-0-	11,400
Member Services	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Forestry	15,715	101,988	-0-	-0-	-0-	-0-	15,715	101,988
Maintenance	180,172	30,344	-0-	-0-	-0-	-0-	180,172	30,344
TOTAL HOMEOWNERS ASSOCIATION and G&A	560,097	688,442	17,853	-0-	-0-	192,515	577,950	880,957
TOTAL	\$ 3,495,601	\$ 964,858	\$ 42,109	\$ -0-	\$ 1,885,700	\$ 192,515	\$ 5,423,410	\$ 1,157,373

The accompanying notes are an integral part of these statements.

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

December 31, 2021

(Unaudited)

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 and a consultant updated the study in 2022 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 3.5% inflation factor, 1% investment 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, 2022 is \$16,075,484. The 2023 budget includes \$5,598,886 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 has defined a DRAFT building replacement schedule and beginning in 2024 will commence funding for those projects in a fund to be determined. The Downhill Ski Lodge will remain funded from the current Development Fund with an additional \$3.5M from the replacement reserve fund.

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	0-47	\$ 2,412,830
Alder Creek Café	0-32	164,989
Bikeworks	0-3	69,000
Campground	0-38	480,838
Capital projects	0-5	246,650
Chalet house	2-22	349,519
Cross country	0-36	3,611,906
Equestrian center	0-26	903,679
Food trailer	5-8	65,500
Forestry	0-36	2,452,948
General maintenance	0-14	676,157
Golf complex	0-15	1,000,753
Golf course	0-47	13,902,324
IT	0-39	2,320,989
Maintenance	0-50	3,558,028
Marina	0-36	1,353,770
Northwoods pool building	0-20	437,323
Northwoods	0-36	3,426,448
Pizza	0-36	535,714

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

December 31, 2022

(Unaudited)

<i>Reserve Component (continued)</i>	<i>Range of Service Life Remaining (Years)</i>	<i>Current Replacement Costs</i>
Recreation	0-21	656,797
Ski area - mountain operations	0-36	6,375,024
Ski area - mountain operations - all areas	1	165,000
Ski area - mountain operations - lift maintenance	0-36	4,088,183
Ski area - mountain operations - rental-retail	0-17	1,123,173
Ski area - mountain operations - snowmaking	0-18	1,060,213
Ski area - mountain operations - top shop	0-18	302,874
Ski area - mountain operations - winter food-beverage	0-1	502,812
Snowplay	0-5	148,730
Tennis complex	1-20	2,146,266
The Lodge	0-50	3,723,727
Trails	0-34	3,471,576
Trout Creek building	0-29	2,464,125
Trout Creek pool and spa	0-15	1,468,357
		<u>\$ 65,656,222</u>

DRAFT