



2018

# ANNUAL REPORT

**\$1.4 MILLION**  
**INVESTMENT IN DOWNHILL SKI**  
**SNOWBIRD CHAIRLIFT REPLACEMENT**

Replacing a functionally obsolete 40+ year old  
ski lift at our most financially significant amenity operation

**\$5.3 MILLION**  
**IN CAPITAL FUNDS EXPENDITURES**

Reinvesting in your association, protecting your investment  
*Refer to Capital discussion starting on page 10 for details*

**\$650,000 OR 11% FAVORABLE**  
**NET OPERATING RESULTS IN OPERATING FUND**

*See next page for details*

## VISION STATEMENT

Tahoe Donner is a vibrant and desirable mountain community providing attractive and well-maintained facilities, events, programs and leading customer service to its members, guests and public, all while maintaining accessible and healthy natural surroundings.



**Dear Members,**

The purpose of this 2018 Annual Report is to provide a comprehensive report on 2018 financial results and to communicate the 2018 Audited Financial Statements and Independent Auditors Report to all members.

Management, the Finance Committee and the Board consistently monitor both operational and financial results. We are committed to both responsive and proactive management, balancing our service levels to volume and financial performance.

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

**MICHAEL SALMON**  
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**\$650,000 FAVORABLE NOR RESULTS**

Net Operating Result Loss of \$5.4 million was \$650,000 or 11% favorable to Budget and \$312,000 or 6% unfavorable to 2017

**\$13.4 MILLION OPERATING REVENUES**

Up 7% to Budget and up 2% to 2017

**\$18.8 MILLION OPERATING COSTS**

Up 1% to Budget and up 3% to 2017

**\$5.3 MILLION CAPITAL FUNDS EXPENDITURES**

Favorable \$2.6 million or 33% to Budget, primarily due to timing of projects between years

**\$6.1 MILLION | \$940 PER OWNER**

Operating Contribution by Annual Assessment in 2018

**\$6.2 MILLION | \$960 PER OWNER**

Capital Contribution by Annual Assessment in 2018

**\$67.1 MILLION TOTAL ASSETS**

Up \$2.8 million or 4% to 2017

**\$59.8 MILLION | \$9,241 PER OWNER**

Members' Equity as of 12/31/2018, up 5% to 2017

**OPERATING FUND**

NET OPERATING RESULTS - 2018 VARIANCES TO BUDGET

JAN. - APRIL

**DROUGHT CONDITIONS UNTIL MID-FEBRUARY, SNOWMAKING ENABLED CONSISTENT OPERATIONS, FINISHED A CHALLENGING SEASON STRONG DUE TO SNOWFALL AND PENT UP DEMAND**

- REVENUES OFF \$172,000 OR 4% TO BUDGET
- EXPENSES DOWN FAVORABLY \$22,000 OR 0% TO BUDGET
- NET OPERATING RESULT UNFAVORABLE \$150,000 OR 11% TO BUDGET

**-\$150,000** JAN. - APRIL

MAY - OCT.

**STRONG VISITATIONS AND FINANCIAL PERFORMANCE AT ALL AMENITIES, EXCEPT GOLF, WHICH WAS OFF BUDGET EXPECTATIONS**

- REVENUES UP \$437,000 OR 7% TO BUDGET OVERALL (GOLF OFF BUDGET \$49,000 OR 4%)
- REVENUES AT THE LODGE OF \$1.6 MILLION, UP 13% TO BUDGET AND 7% TO 2017
- EXPENSES UP \$260,000 OR 3% DUE TO TOP LINE PERFORMANCE
- NET OPERATING RESULT FAVORABLE \$177,000 OR 5% TO BUDGET

**+\$177,000** MAY - OCT.

NOV. - DEC.

**SNOWMAKING PROVIDED ENOUGH SNOW, GOOD BUSINESS LEVELS, NEW PEAK PRICING FOR GUESTS AND PUBLIC (NOT MEMBERS) PROVIDED INCREMENTAL POSITIVE RESULTS**

- SNOWMAKING PROVEN INVESTMENT, PROVIDED ENOUGH SNOW TO OPERATE FOR THE PEAK HOLIDAY PERIOD
- VERSUS BUDGET: REVENUE UP \$627,000 / 37% AND COSTS UP \$4,000 / 0%

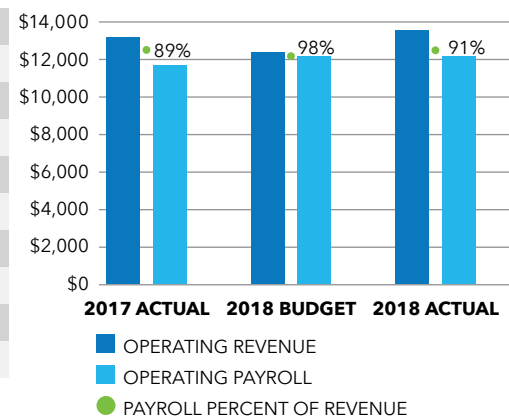
**+\$623,000** NOV. - DEC.

2018 ANNUAL  
**+\$650,000**  
NOR FAVORABLE TO BUDGET  
\$650,000 | 11% | \$100 PER OWNER

**REVENUE AND PAYROLL**

	2014	2015	2016	2017	2018
OPERATING REVENUES	\$ 7,679,146	\$ 8,681,085	\$12,771,029	\$ 13,116,553	\$13,535,047
EMPLOYEE W-2s ISSUED	735	764	897	924	958
W-2s PER \$1,000 REVENUE RATIO	10%	9%	7%	7%	7%
AVERAGE WAGES PER W-2 ISSUED	\$ 8,773	\$ 9,509	\$ 9,826	\$ 10,276	\$ 10,181
CALIFORNIA MINIMUM WAGE (1)	\$ 9.00	\$ 9.00	\$ 10.00	\$ 10.50	\$ 11.00
SEASONAL/PART-TIME FTE (3)	92.1	100.9	128.2	133.0	125.0
FULL-TIME REGULAR (2) FTE (3)	65.0	66.0	81.0	82.0	84.0
FTE (3) TOTAL	157.1	166.9	209.2	215.0	209.0
REVENUE PER FTE	\$ 48,881	\$ 52,014	\$ 61,047	\$ 61,007	\$ 64,761
W-2 TO FTE RATIO	4.7	4.6	4.3	4.3	4.6

Chart dollars in thousands

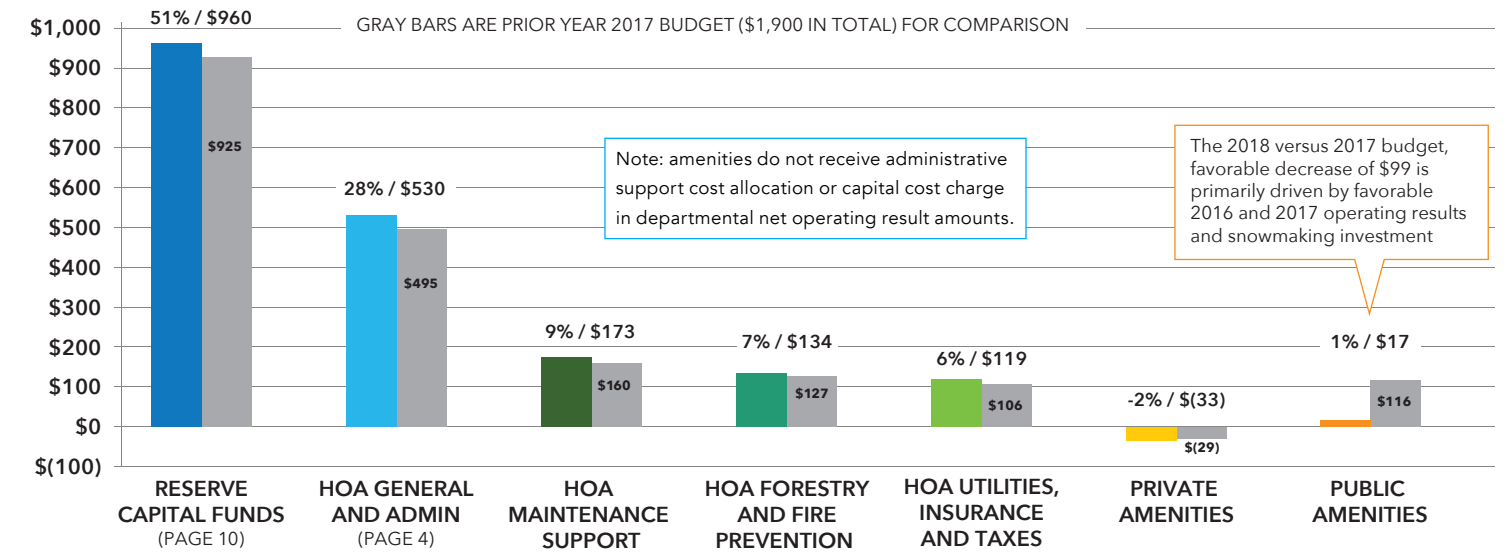


**2018 ACTUAL VERSUS BUDGET**  
REVENUE UP 7%, PAYROLL COSTS UP 0%

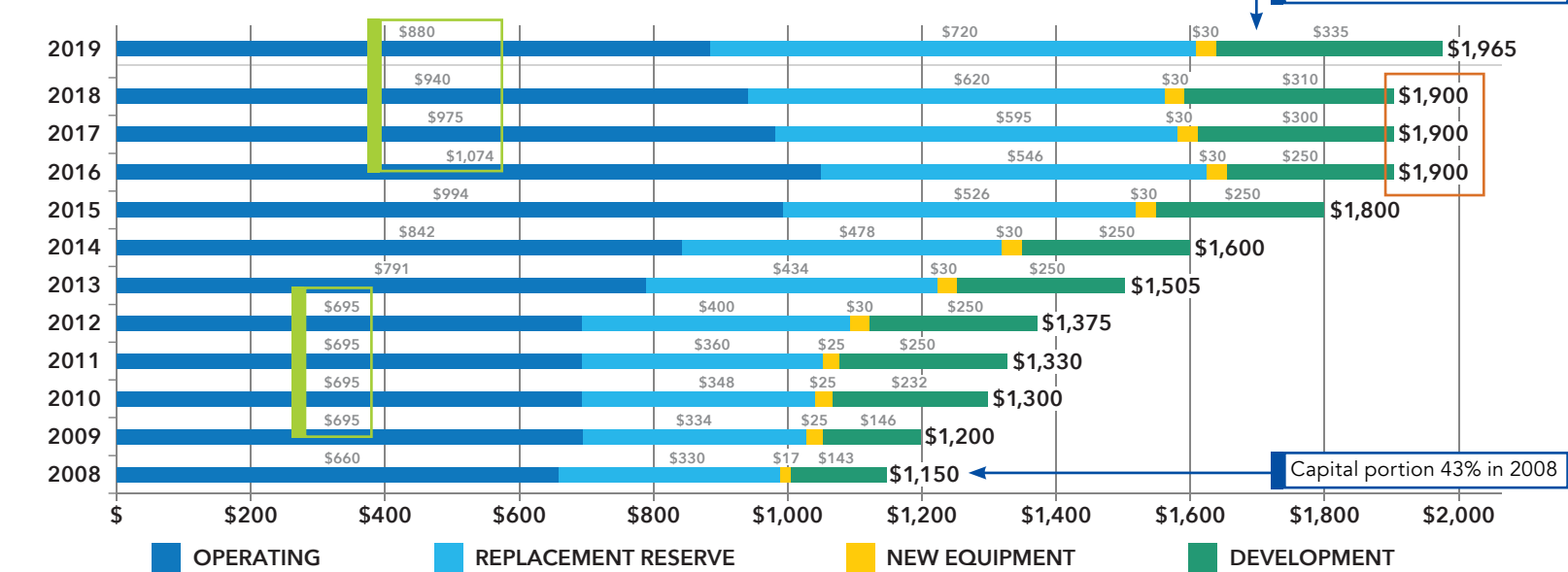
**2018 ACTUAL VERSUS PRIOR YEAR**  
REVENUE UP 2%, PAYROLL COSTS UP 4%

**ANNUAL ASSESSMENT DISTRIBUTION OF 2018 ANNUAL ASSESSMENT**

\$1,900 PER OWNER



**ANNUAL ASSESSMENT PER OWNER BY FUND**



**COMPOUND ANNUAL GROWTH RATE (CAGR) METRICS**

	2008-2018 10 YEAR	2008-2019 11 YEAR
CAPITAL FUNDS	7.0%	7.5%
OPERATING FUND	3.6%	2.6%
TOTAL ASSESSMENT	5.1%	5.0%

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

**KEY NOTES**

**Capital Funds Portion of Annual Assessment**

- The Replacement Reserve Fund portion has been deliberately increased over time to improve the reserve funding level of our over-45-year-old association. Underfunding reserves is considered the bane of many associations across the country. We adopted a reserves funding policy and recent boards have adhered to this policy. Your association's reserves are now in a much stronger financial position to handle the replacement and major maintenance needs of the association's assets.
- The Development Fund portion was held at \$250 for six years (2011-2016) and we are now increasing to recognize the known future funding requirements. This funding is for eventual building replacements due to functional obsolescence and for new facilities or other new major projects due to the changing needs of membership.
- More historical information on Capital Funds, see pages 10-11.

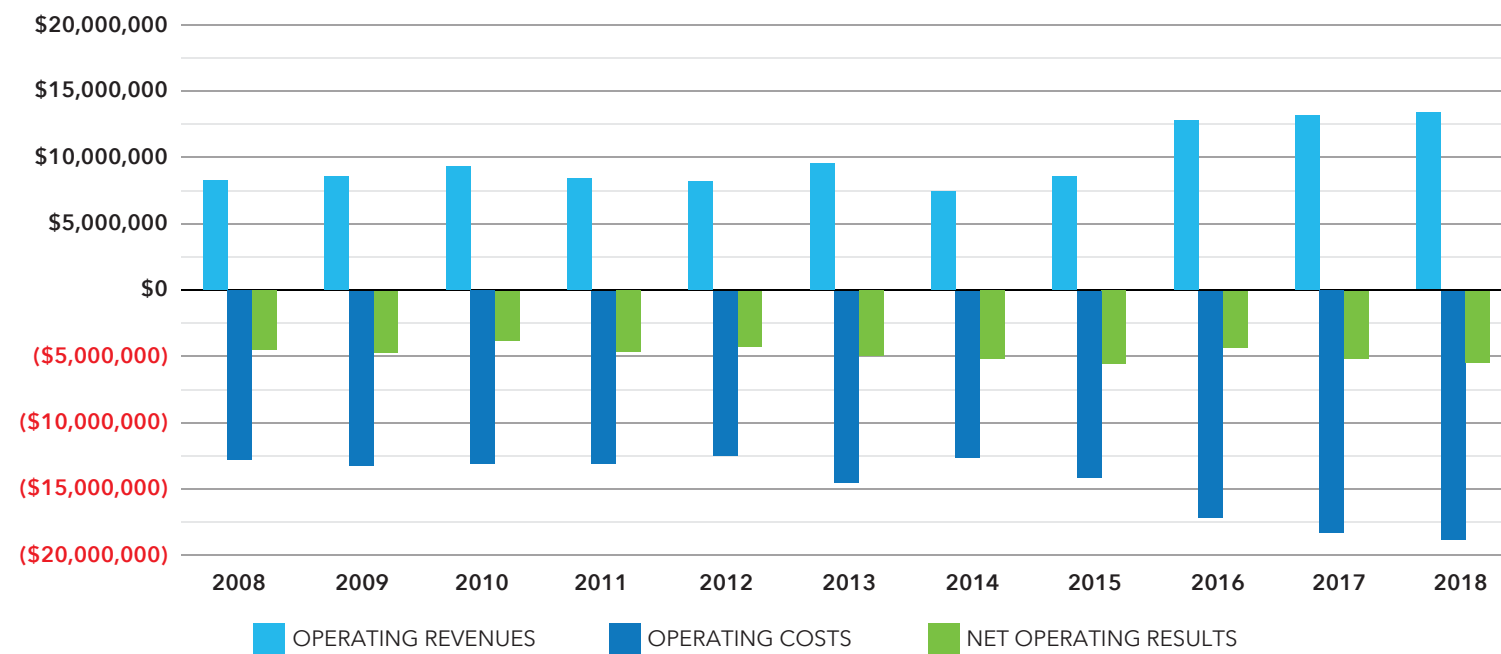
**Operating Fund Portion of Annual Assessment**

- The Operating Fund portion was held flat for four years (2009-2012), with strong visitation and revenue growth and no droughts.
- The Operating Fund portion increased from the 2013-2016 era due to the combined pressures of winter drought's impact on operating revenue expectations and payroll cost increases due to California minimum wage increases and the Federal Affordable Care Act impacts.
- For 2017, 2018 and 2019, the Operating Fund portion was *decreased* due to favorable revenue trends, our snowmaking investment, price increases, as well as a favorable decrease in workers compensation costs, all favorably offsetting the California minimum wage increases.
- More historical information on the Operating Fund, see page 4.

# OPERATING FUND

CAGR = COMPOUND ANNUAL GROWTH RATE

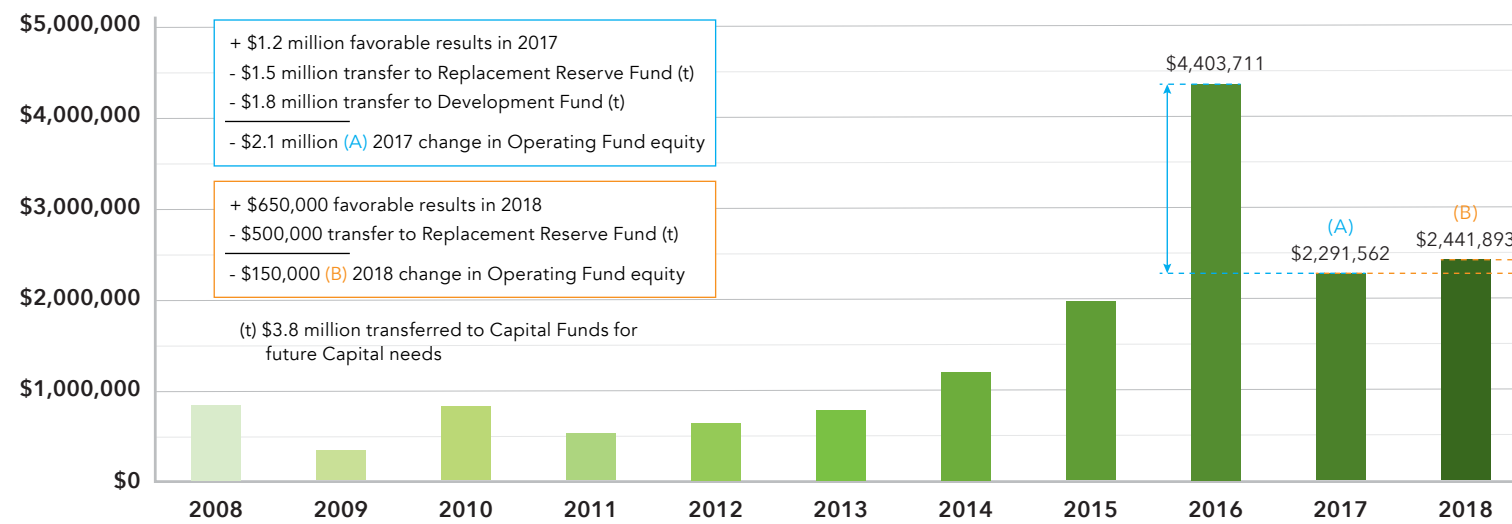
## ACTUAL RESULTS



Record revenues and record costs in 2018 (and 2017). 2018 Resulting NOR Loss of \$5.5 million compares to \$4.6 million in 2008 Actual, a **1.7% 10-year CAGR (5.4% Revenue, 4.2% Costs)**. For 2013 to 2018 Actuals, the CAGR for NOR Loss is 1.8% (7.0% Revenue, 5.3% Costs). NOTE: Each year is subject to volatility due to weather and other variables. See page 24 for Budget growth information.

# MEMBERS' EQUITY - OPERATING FUND

## ACCUMULATED NET RESULTS, CONTINGENCY



### FROM THE 2008 BUDGET TO THE 2018 BUDGET 10-YEAR CAGR

- 4.4% OPERATING REVENUE GROWTH
- 4.2% OPERATING COSTS GROWTH
- 3.6% NET OPERATING RESULT LOSS (THIS LOSS EQUATES TO THE RESULTING ANNUAL ASSESSMENT)

See page 24 for more Budget Growth Information

Costs are greater than Revenues (every year) and the Costs have grown at a slightly lower growth rate. Therefore, the resulting NOR Loss growth rate is lower than both Revenue and Costs growth rate.

### FOR 2019 BUDGET

The strong financial performance in 2016, 2017 and 2018 combined for a substantial

increase in operating revenue expectations for the 2019 Budget. (The 2017 Budget was \$11.0 million, the 2018 Budget was \$12.5 million and the 2019 Budget is \$14.1 million). This is due in large part to the snowmaking investment at Downhill Ski Resort, which favorably reduces the operating fund.

# NET RESULTS AFTER REPLACEMENT RESERVES CAPITAL CHARGE BY DEPARTMENT

Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses.

Net Results after Reserves Capital Charge is NOR plus a Replacement Reserves Capital Charge. This chart's data points.

All amenity department amounts do not have allocated overhead for administrative, accounting, human resources and IT support costs.

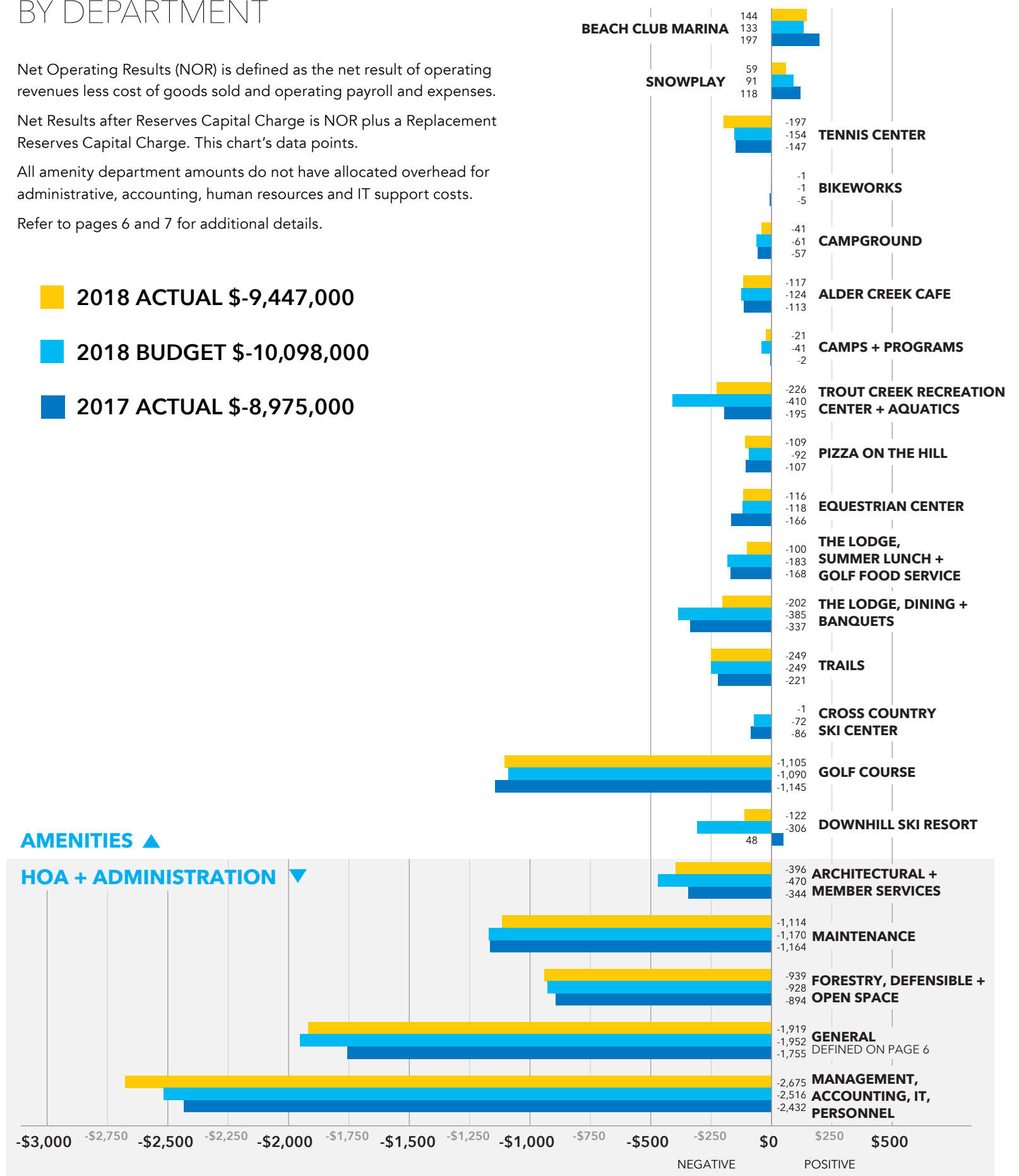
Refer to pages 6 and 7 for additional details.

2018 ACTUAL \$-9,447,000

2018 BUDGET \$-10,098,000

2017 ACTUAL \$-8,975,000

CHART DOLLARS IN THOUSANDS



# OPERATING FUND

## 2018 DEPARTMENTAL RESULTS

YEAR ENDING DECEMBER 31, 2018

	2018 ACTUAL				AMOUNTS INCLUDING MEMBERS' REPLACEMENT RESERVE CAPITAL CONTRIBUTION					2018 NOR VERSUS BUDGET		2018 NOR VERSUS PRIOR YEAR	
	GROSS REVENUE	COST OF GOODS SOLD	OPERATING EXPENSES	NET OPERATING RESULTS	CONTRIBUTION TO REPLACEMENT RESERVE FUND	2018 NET RESULTS AFTER CAPITAL	2018 PER PROPERTY 6473	2017 PER PROPERTY 6472	2018 VS 2017	2018 BUDGET	ACTUAL TO BUDGET VARIANCE	2017 ACTUAL	2018 TO 2017 VARIANCE
<b>PRIVATE AMENITIES</b>													
Trout Creek Recreation Center and Aquatics	\$ 1,302,725	\$ -27,108	\$ -1,107,316	\$ 168,301	\$ -393,812	\$ -225,511	\$ -35	\$ -30	\$ -5	\$ -15,700	\$ 184,001	\$ 115,292	\$ 53,009
Beach Club Marina	678,416	-52,259	-380,726	245,431	-101,422	144,009	22	30	-8	234,700	10,731	288,825	-43,394
Tennis Center	222,645	-31,801	-211,993	-21,149	-176,243	-197,392	-31	-23	-8	22,200	-43,349	-622	-20,527
Camps and Programs	438,312	-1,650	-441,161	-4,499	-16,290	-20,789	-3	0	-3	-25,200	20,701	13,261	-17,760
<b>TOTAL PRIVATE AMENITIES</b>	<b>\$2,642,098</b>	<b>\$ -112,818</b>	<b>\$ -2,141,196</b>	<b>\$ 388,084</b>	<b>\$ -687,767</b>	<b>\$ -299,683</b>	<b>\$ -47</b>	<b>\$ -23</b>	<b>\$ -24</b>	<b>\$ 216,000</b>	<b>\$ 172,084</b>	<b>\$ 416,756</b>	<b>\$ -28,672</b>
<b>PUBLIC AMENITIES</b>													
Golf	1,102,824	-62,154	-1,153,817	-113,147	-991,833	-1,104,980	-172	-176	4	-98,000	-15,147	-254,021	140,874
Downhill Ski	3,431,020	-172,673	-2,604,329	654,018	-776,511	-122,493	-19	7	-26	471,000	183,018	677,997	-23,979
Cross Country Ski	957,163	-72,782	-686,215	198,166	-199,269	-1,103	0	-13	13	127,000	71,166	173,024	25,142
Snowplay	201,572	-3,553	-125,452	72,567	-13,298	59,269	9	18	-9	104,200	-31,633	129,708	-57,141
Campground	86,757	0	-76,693	10,064	-51,042	-40,978	-6	-9	3	-9,900	19,964	-7,690	17,754
Equestrian	227,394	-6,040	-305,920	-84,566	-31,070	-115,636	-18	-26	8	-87,000	2,434	-103,149	18,583
Trails	504	0	-148,304	-147,800	-101,168	-248,968	-38	-34	-4	-147,600	-200	-101,467	-46,333
Bikeworks	106,887	-33,280	-72,288	1,319	-2,559	-1,240	0	-1	1	1,200	119	-2,733	4,052
The Lodge, Dining + Banquets	2,534,642	-725,279	-1,780,541	28,822	-231,194	-202,372	-31	-52	21	-154,000	182,822	-91,889	120,711
The Lodge, Lunch + Golf													
Food Service	258,217	-71,188	-247,813	-60,784	-39,048	-99,832	-15	-26	11	-143,800	83,016	-130,476	69,692
Pizza on the Hill	590,922	-175,579	-489,774	-74,431	-34,242	-108,673	-17	-16	-1	-57,800	-16,631	-71,261	-3,170
Alder Creek Cafe	387,892	-138,213	-359,208	-109,529	-7,384	-116,913	-18	-17	-1	-116,300	6,771	-104,902	-4,627
<b>TOTAL PUBLIC AMENITIES</b>	<b>\$9,885,794</b>	<b>\$ -1,460,741</b>	<b>\$ -8,050,354</b>	<b>\$ 374,699</b>	<b>\$ -2,478,618</b>	<b>\$ -2,103,919</b>	<b>\$ -325</b>	<b>\$ -345</b>	<b>\$ 20</b>	<b>\$ -111,000</b>	<b>\$ 485,699</b>	<b>\$ 113,141</b>	<b>\$ 261,558</b>
<b>TOTAL AMENITIES</b>	<b>\$12,527,892</b>	<b>\$ -1,573,559</b>	<b>\$ -10,191,550</b>	<b>\$ 762,783</b>	<b>\$ -3,166,385</b>	<b>\$ -2,403,602</b>	<b>\$ -372</b>	<b>\$ -368</b>	<b>\$ -4</b>	<b>\$ 105,000</b>	<b>\$ 657,783</b>	<b>\$ 529,897</b>	<b>\$ 232,886</b>
<b>HOMEOWNERS ASSOCIATION AND AMENITY SUPPORT SERVICES</b>													
General (g)	202,367	0	-1,858,299	-1,655,932	-264,273	-1,920,205	-297	-271	-26	-1,688,700	32,768	-1,487,390	-168,542
Management, Accounting, Human Resources, IT	251,316	0	-2,792,573	-2,541,257	-133,487	-2,674,744	-413	-376	-37	-2,382,500	-158,757	-2,295,469	-245,788
Architectural and Member Services	234,062	0	-621,236	-387,174	-8,761	-395,935	-61	-53	-8	-461,600	74,426	-335,112	-52,062
Forestry, Defensible and Open Space	137,410	0	-1,014,055	-876,645	-62,532	-939,177	-145	-138	-7	-865,200	-11,445	-809,730	-66,915
Maintenance	0	0	-736,144	-736,144	-377,562	-1,113,706	-172	-180	8	-792,000	55,856	-725,045	-11,099
<b>TOTAL HOA</b>	<b>\$ 825,155</b>	<b>\$ 0</b>	<b>\$ -7,022,307</b>	<b>\$ -6,197,152</b>	<b>\$ -846,615</b>	<b>\$ -7,043,767</b>	<b>\$ -1,088</b>	<b>\$ -1,018</b>	<b>\$ -70</b>	<b>\$ -6,190,000</b>	<b>\$ -7,152</b>	<b>\$ -5,652,746</b>	<b>\$ -544,406</b>
<b>TOTAL OPERATING RESULTS</b>	<b>\$ 13,353,047</b>	<b>\$ -1,573,559</b>	<b>\$ -17,213,857</b>	<b>\$ -5,434,369</b>	<b>\$ -4,013,000</b>	<b>\$ -9,447,369</b>	<b>\$ -1,460</b>	<b>\$ -1,386</b>	<b>\$ -74</b>	<b>\$ -6,085,000</b>	<b>\$ 650,631</b>	<b>\$ -5,122,849</b>	<b>\$ -311,520</b>
Assessment Revenues	6,084,700	0	0	6,084,700	4,013,000	10,097,700	1,560	1,570	-10	6,805,000	-300	6,310,700	-226,000
<b>TOTAL OPERATING FUND</b>	<b>\$ 19,437,747</b>	<b>\$ -1,573,559</b>	<b>\$ -17,213,857</b>	<b>\$ 650,331</b>	<b>\$ 0</b>	<b>\$ 650,331</b>	<b>\$ 100</b>	<b>\$ 184</b>	<b>\$ -84</b>	<b>\$ 0</b>	<b>\$ 650,331</b>	<b>\$ 1,187,851</b>	<b>\$ -537,520</b>

(g) General department includes Homeowner Association services costs including property and income taxes, legal fees, loss prevention, insurance, annual and board meetings, Tahoe Donner News magazine (revenue and costs), and utilities and maintenance for majority of Northwoods Clubhouse facility.  
 Net Operating Results (NOR) is defined as the net result of operating revenues less cost of goods sold and operating expenses.  
 The amenity departments costs do not have allocated overhead for administrative, accounting, human resources or IT support costs.  
 These amenities support costs are in respective departments under the Homeowners Association and Support Services section.

See pages 8-9 for Results by Department Highlights



# OPERATING FUND 2018 HIGHLIGHTS VERSUS BUDGET

■ FAVORABLE VARIANCE TO BUDGET
 ■ UNFAVORABLE VARIANCE TO BUDGET

NOR = Net Operating Results. NOR is defined as the net result of operating revenues less cost of goods sold and operating payroll and expenses. NOR does not include any allocated overhead or capital costs.

## PUBLIC AMENITIES

### EQUESTRIAN

**NOR LOSS (\$84,566)**

FAVORABLE \$2,434 / 3% TO BUDGET

Boarding not meeting expectations. Camps and special events business strong. Trail rides volume still room for growth; pricing increases offset volume declines. Costs of herd care continue to rise.

**ANNUAL:** Visits down 19%; Revenue up \$5,000/2%; Costs up \$3,000/1%

### TRAILS

**NOR LOSS (\$147,800)**

UNFAVORABLE -\$200 / 0% TO BUDGET

Good cost controls and focus on Trails Master Plan execution, as well as consistent and effective trails maintenance.

### BIKEWORKS

**NOR \$1,319**

FAVORABLE \$119 / 10% TO BUDGET

Rental sales up, retail sales down. Payroll up to improve service levels.

**ANNUAL:** Visits up 20%; Revenue down \$2,000/2%; Costs down \$2,000/2%

### SUMMER F+B

**NOR LOSS (\$60,784)**

FAVORABLE \$83,016 / 58% TO BUDGET

Focused cost controls including reducing shoulder season service levels produced net improvement of \$83,000/58% to Budget and \$70,000/53% to last year.

**ANNUAL:** Visits down 9%; Revenue up \$16,000/7%; Costs down \$67,000/17%

### CAMPGROUND

**NOR \$10,064**

FAVORABLE \$19,964 / 202% TO BUDGET

Early opening, new reservation software and raise in prices contribute to the rise in visitation and revenues.

**ANNUAL:** Visits up 23%; Revenue up \$26,000/42%; Costs down \$6,000/8%

### DOWNHILL SKI

**NOR \$654,018**

FAVORABLE \$183,018 / 39% TO BUDGET

Minimal snow from January through mid-February; snowmaking maintained conditions until the snow fell. Snowmaking and new peak pricing contribute to strong positive results in December 2018.

**ANNUAL:** Visits down 3%; Revenue up \$279,000/9%; Costs up \$96,000/4%

### CROSS COUNTRY SKI

**NOR \$198,166**

FAVORABLE \$71,166 / 56% TO BUDGET

17/18 end of season impacted by lack of snow, December 2018 open 31 days with new implementation of peak pricing contribute to positive results.

**ANNUAL:** Visits up 6%; Revenue up \$32,000/3%; Costs down \$39,000/5%

### SNOWPLAY

**NOR \$72,567**

UNFAVORABLE -\$31,633 / 30% TO BUDGET

Low snow volume.

**ANNUAL:** Visits down 36%; Revenue down \$67,000/25%; Costs down \$36,000/22%

### GOLF

**NOR LOSS (\$113,147)**

UNFAVORABLE -\$15,147 / 15% TO BUDGET

Despite opening seven days earlier than 2017, average business levels were impacted by cold temps in June and smoke impacts in July and August.

**ANNUAL:** Rounds down 10%; Revenue down \$47,000/4% (up \$32,000/3% to last year); Costs down \$32,000/3%

### ALDER CREEK CAFE

**NOR LOSS (\$109,529)**

FAVORABLE \$6,771 / 6% TO BUDGET

**ANNUAL:** Visits up 19%; Revenue up \$75,000/24%; Costs up \$68,000/16%

### PIZZA ON THE HILL

**NOR LOSS (\$74,431)**

UNFAVORABLE -\$16,631 / 29% TO BUDGET

Cost increase due primarily to volume increase, as well as CA minimum wage increase and service levels increase.

**ANNUAL:** Visits up 11%; Revenue up \$67,000/13%; Costs up \$84,000/14%

### THE LODGE

**NOR \$28,822**

FAVORABLE \$182,822 / 119% TO BUDGET

Banquet events pricing increases and menu pricing increases favorably offset cost increases driven primarily by CA minimum wage increase.

**ANNUAL:** Visits of 53,550, down 2% to budget and down 11% to last year; Revenue of \$2.53 million (record) up \$235,000/10% (up \$90,000/4% to last year); Costs of \$2.51 million up \$51,000/2% (down 1% to last year)

## PRIVATE AMENITIES

### TROUT CREEK RECREATION + AQUATICS

**NOR \$168,301**

FAVORABLE \$184,001 / 1,172% TO BUDGET

**TROUT CREEK:** Visitation down 1%; Revenue up \$83,000/8% (Recreation Fee Sales +\$59k); Costs down \$20,000/2%. Increased pricing for Members, Guests and Unaccompanied Guests.

**AQUATICS:** Revenue up \$8,000/4%; Costs down \$73,515/26%. Costs down due to staff restructuring and utilities under budget due to mild Q1 winter.

### BEACH CLUB MARINA

**NOR \$245,431**

FAVORABLE \$10,731 / 5% TO BUDGET

Visits up 1% to budget and down 5% to 2017; Revenue down \$7,600/1%; Costs down \$18,000/4%

### TENNIS

**NOR LOSS (\$21,149)**

UNFAVORABLE -\$43,349 / 195% TO BUDGET

Visits up 12%; Revenues down 5%; Costs up 15%. Recreation Fee portion shift to Trout Creek impacted Tennis unfavorably \$40,000, relates to 2017 primarily.

### DAY CAMPS + RECREATION PROGRAMS

**NOR LOSS (\$4,499)**

FAVORABLE \$20,701 / 82% TO BUDGET

**DAY CAMPS:** Visits up 2%; Revenues up \$23,000/10% (\$32,000/14% to last year); Costs up \$31,000/15%. Costs impacted by CA minimum wage increase.

**RECREATION:** Revenue up \$7,000/4%; Costs down \$13,000/5%

## SUPPORT SERVICES

### GENERAL

**NOR LOSS (\$1,655,932)**

FAVORABLE \$32,764 / 2% TO BUDGET

General HOA costs and communications. Costs of HOA property taxes, annual meeting, legal fees, magazine and website operations.

### MANAGEMENT, ACCOUNTING, PERSONNEL + I.T.

**NOR LOSS (\$2,541,257)**

UNFAVORABLE -\$158,757 / 7% TO BUDGET

Cost increase of \$242,000 due to favorable NOR to Budget of \$892,000 funding incentive program which is only partially funded in Budget to not increase Assessment. This cost increase partially offset by favorable \$102,000 savings in various other cost line.

### ARCHITECTURAL STANDARDS + MEMBER SERVICES

**NOR LOSS (\$387,174)**

FAVORABLE \$74,426 / 16% TO BUDGET

Revenues up 5% due to volume. Significant cost savings due to vacant positions and the continued difficulties of maintaining adequate staffing levels.

### FORESTRY, DEFENSIBLE SPACE + OPEN SPACE

**NOR LOSS (\$876,645)**

UNFAVORABLE -\$11,445 / 1% TO BUDGET

Forest health, defensible space and open space management. Increased efforts in all areas to Budget, drove incremental revenues of \$132,000 (including \$96,000 in grants) and Costs up \$143,000. To last year, net increase of \$67,000 or 8%.

### MAINTENANCE

**NOR LOSS (\$736,144)**

FAVORABLE \$55,856 / 7% TO BUDGET

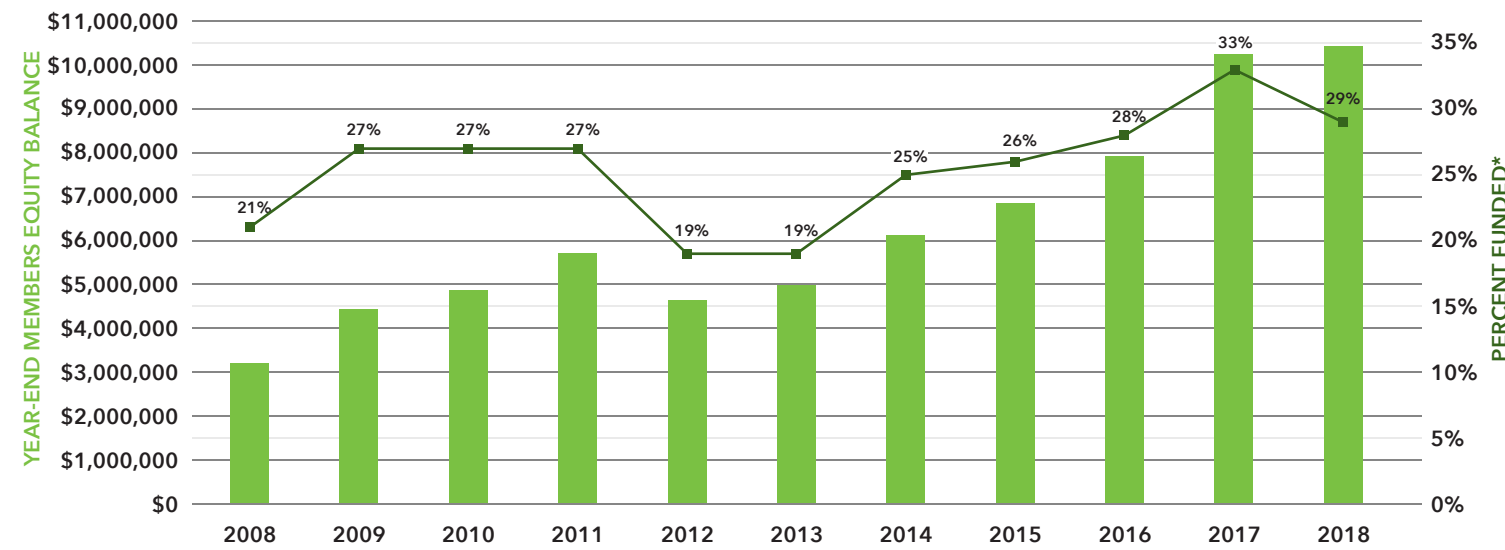
Common area properties, buildings and vehicles maintenance. Cost savings due to various factors including utilities and interdepartment service charges.



# CAPITAL RESERVES

## REPLACEMENT RESERVE FUND

MEMBERS' EQUITY (YEAR-END FUND BALANCE) + PERCENT FUNDED

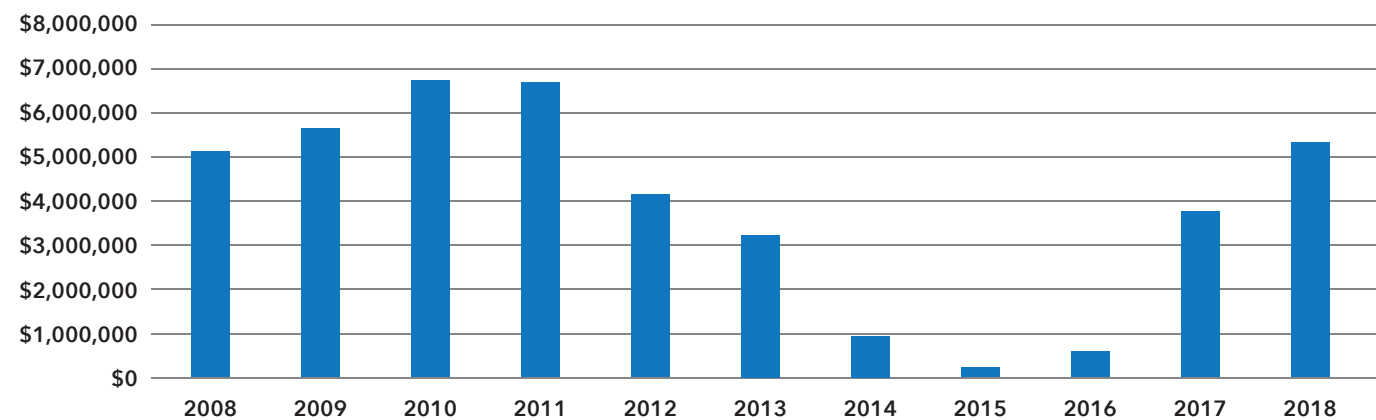


- The Replacement Reserve Fund is the capital reserve fund for existing asset components of the Association. This is a savings fund utilized to replace and preserve assets of the Association as they depreciate over time. There are over 2,000 components in the reserve study, which is updated every year, and a complete physical inspection of all components is performed every three years.
- The Association has a Replacement Reserve Fund policy which provides for a target minimum of 25% funded.\*
- The reserve study does not include the replacement of existing buildings, see Development Fund below.
- The funding level from the annual assessment generally needs to increase each year to keep pace with inflation.
- The Association has a fiduciary duty to adequately reserve for the preservation of assets, which ultimately protects property values.
- The board of directors approved \$1,500,000 (2017) and \$500,000 (2018) transfers from Operating Fund members' equity to this fund.
- The 2018 assessment funding level was \$620 per owner or \$4,013,000, an increase of 4% over 2017.
- The 2019 assessment funding level was \$720 per owner or \$4,661,000, an increase of 16% over 2018.

\*Percent (%) Funded is the measure of the fund balance to the Fully Funded – 100% funded reserve study amount. The Fully Funded – 100% balance is total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. The direct proportion of the fraction of life "used up" of the current repair or replacement cost. This number is calculated for each component and summed together for the Association in total. Refer to the 2019 Budget Report for more information on the reserve study.

# DEVELOPMENT FUND

MEMBERS' EQUITY (YEAR-END FUND BALANCE)



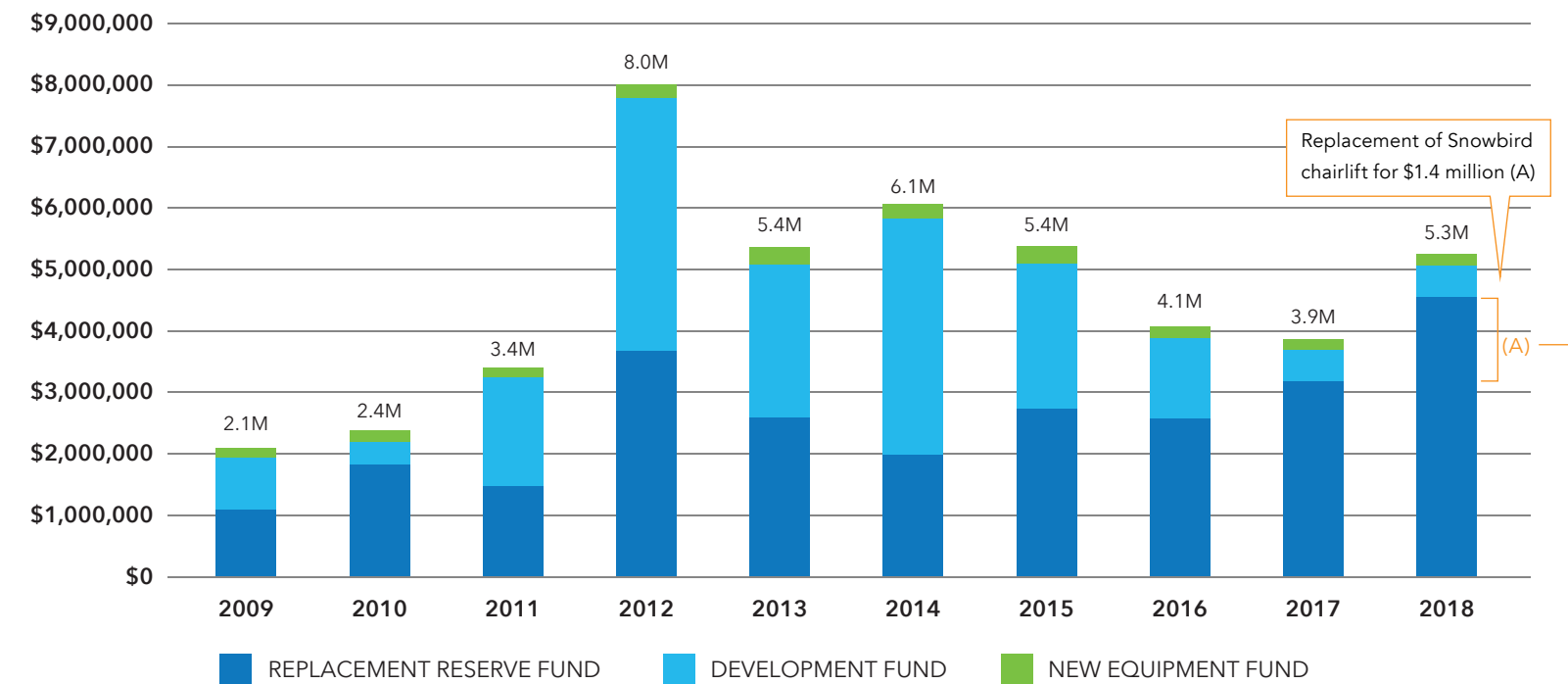
- The Development Fund was established as authorized in the governing documents of the Association to accumulate funds for large-scale projects identified as necessary due to the new capacity requirements or changing needs of the Association.
- The Association Master Plan guides the prioritization of the numerous projects identified for Development Fund expenditure. This Plan is actively being updated, led by the board and the General Plan Committee, including numerous member open meetings on this subject, articles in *Tahoe Donner News* magazine and on our website, [tahoedonner.com](http://tahoedonner.com).
- In 2017, the board of directors approved a \$1,800,000 transfer from Operating Fund members' equity to this fund.
- The 2018 assessment funding level was \$310 per owner or \$2,007,000, an increase of 3% over 2017.
- The 2019 assessment funding level was \$335 per owner or \$2,168,000, an increase of 8% over 2018.

# CAPITAL EXPENDITURES

## CAPITAL FUNDS

EXPENDITURES BY YEAR

10 YEAR TOTAL = \$46.0 MILLION



Ten-year total spend of \$46.0 million equates to an average of \$4.6 million in capital fund expenditures per year. The 10-year average of depreciation expense is \$2.6 million per year for a total of \$26 million. Note that many high-age assets are fully depreciated and now have no annual depreciation expense. The net effect is a growth in net fixed assets; over the 10 years the CAGR of 4.2% in net fixed assets.

Net fixed assets grew from \$28 million at the end of 2008 to \$42 million at the end of 2018. Bottom line – reinvesting in the association, the net fixed assets value grew at a 4.2% growth rate.

This, as opposed to limited or less capital spend, would have equated to flat or a decline in net fixed assets.

**THE BOARD HAS A FIDUCIARY RESPONSIBILITY (BY LAW) TO DO WHAT IS BEST FOR THE ASSOCIATION, BOTH NOW AND FOR THE FUTURE. CURRENT OWNERS HAVE THE RESPONSIBILITY TO PAY FOR THE DEPRECIATION OF ASSOCIATION ASSETS, NOT TO DEFER THE BURDEN TO FUTURE OWNERS. PROPERLY MAINTAINING OUR ASSETS PROTECTS OWNERS' PROPERTY VALUES.**

### CAPITAL INVESTMENT OVER THE 10 YEARS INCLUDES: \$25.9 million in replacement and major repairs of existing assets (per reserve study plan)

- \$2.6 million per year 10-year average, maintaining existing asset components (depreciation average is \$2.6 million)
- \$2.2 million per year 1st 5 years average, maintaining existing asset components
- \$3.0 million per year 2nd 5 years average, maintaining existing asset components
- The increase from 2008-2012 to the 2013-2017 average is due to the overall aging of assets, the impact of Development Fund projects on related reserve components, and the 2018 replacement of Snowbird chairlift for \$1.4 million (A).

### \$18.3 million in Development Fund capital investments, including:

- Euer Valley land 482 acres (2012)
- Forestry building and 20 acres (2012)
- The Lodge expansion – kitchen, covered porch and pro shop (2013)
- Alder Creek Adventure Center building (2014-2015)
- Downhill Ski Area snowmaking investment (2014)
- Solar projects at three locations (2015-2016)
- Equestrian campus relocation and upgrades (2015-2016-2017)
- Crabtree Canyon land 640 acres (2016)
- Alder Creek Adventure Center exterior storage building (2017)
- Equestrian campus improvements, Eagle Rock Chairlift building improvements (2018)

### \$1.7 million in New Equipment Fund capital investments

\$173,000 per year average

# CAPITAL FUNDS

## REPLACEMENT RESERVE FUND

**29% FUNDED**

Replacement Reserve Funds as of 12/31/2018 ratio to Replacement Reserve Component total costs on 100% Funded Method calculation. See page 10 for by-year trends.

### \$4.6 MILLION | 2018 Expenditures

- \$1,425,000 DOWNHILL SKI Snowbird Chairlift replacement
- \$370,000 DOWNHILL SKI grooming snowcat replacement
- \$361,000 INFORMATION TECHNOLOGY equipment and software
- \$325,000 CROSS COUNTRY SKI grooming snowcat replacement
- \$321,000 FORESTRY defensible space and equipment
- \$269,000 AQUATICS pools and spas surface/tile replacement and equipment
- \$152,000 GOLF COURSE cart path asphalt, range and course maintenance equipment
- \$121,000 TRAILS summer maintenance
- \$120,000 ADMINISTRATION fund direct payroll allocation
- \$94,000 ADMINISTRATION vehicle replacements
- \$76,000 DOWNHILL SKI rental shop fleet replacements

The Replacement Reserve Fund is used to account for financial resources designated for the repair, restoration, replacement, or maintenance of, or litigation involving repair, restoration, replacement or maintenance of, major components which the Association is obligated by state law and sound business practices to repair, restore, replace or maintain. A 30-year reserve funding and expenditure plan is produced every three years, and updated annually, to schedule and analyze the funding and expenditure needs. Over 2,000 individual items are tracked in this plan, with a current replacement value of \$56 million. A

### REPLACEMENT RESERVE FUND CONTINUED

complete study and plan was performed in 2016 and is updated annually.

The year-end fund balance increased by \$162,000 or 2%. In 2018 \$500,000 was transferred in from the Operating Fund. These transferred in funds were generated by favorable net operating results by the Operating Fund. The transfer amount to this fund was due primarily to the planned large expenditure to replace the Snowbird Chairlift in 2018.

## DEVELOPMENT FUND

### \$533,000 | 2018 Expenditures

- \$62,000 DOWNHILL SKI Eagle Rock Chairlift shrouding and teaching zone improvements
- \$99,000 EQUESTRIAN campus improvements
- \$185,000 ADMINISTRATION fund direct payroll allocation
- \$79,000 TROUT CREEK RECREATION CENTER expansion

The Development Fund is specifically intended for and authorized in the governing documents of the Association. 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 the changing needs of the community.

The Development Fund includes funds accumulated for the specific purpose of replacing existing buildings, as only certain components of buildings are in the Replacement Reserve study.

The year-end fund balance increased by \$1.6 million or 41%. Savings in this fund are primarily for the anticipated known need to address the aging (48 years old) Downhill Ski Lodge skier services building.

## NEW EQUIPMENT FUND

### \$184,000 | 2018 Expenditures

- \$29,000 NORTHWOODS CLUBHOUSE HVAC
- \$27,000 ALDER CREEK ADVENTURE CENTER cellphone signal booster
- \$27,000 TRAILS 4x4 ATV with specialty attachments
- \$19,000 IT hardware and software
- \$8,000 THE LODGE RESTAURANT & PUB EMV compliant hardware
- \$7,000 AQUATICS UV Disinfection system
- \$6,000 BEACH CLUB MARINA asphalt/gate improvements
- \$4,000 SECURITY equipment

The New 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 year-end fund balance increased by \$13,000 or 13%.

## PROPERTY FUND

The Property Fund is used to account for the Association's investment (by other capital funds) in its fixed assets once they are placed into service. Capital additions to fixed assets totaled \$4,319,000 (in 2017 \$2,851,000). Depreciation expense for the year totaled \$3,284,000 (in 2016 \$3,118,000).

Total gross fixed asset value of \$79.8m equates to \$12,328 per owner and net book value of fixed assets and construction in progress of \$41.5m equates to \$6,420 per owner (an increase of 2% to 2017).

# CAPITAL FUNDS SUMMARY

YEAR ENDING DECEMBER 31, 2018

	2018 ACTUAL	2018 BUDGET	2018 ACTUAL VS 2018 BUDGET	2017 ACTUAL	2018 ACTUAL VS 2017 ACTUAL
<b>REPLACEMENT RESERVE FUND</b>					
Beginning Fund Balance	\$ 10,238,311	\$ 10,006,000	\$ 232,311	\$ 7,903,234	\$ 2,335,077
Assessment Contribution	4,013,000	4,013,000	-	3,852,000	161,000
Interest Revenue	211,998	155,000	56,998	137,726	74,272
Operating Fund Transfer In	500,000	-	500,000	1,500,000	(1,000,000)
Other Revenue + Expense, Net	56,916	6,000	50,916	19,927	36,989
Major Maintenance Expenses	(1,017,764)	(935,000)	(82,764)	(1,003,845)	(13,919)
Expenditures for Capital Additions	(3,601,813)	(5,419,000)	1,817,187	(2,170,731)	(1,431,082)
Change in Fund Balance	162,337	(2,180,000)	2,342,337	2,335,077	(2,172,740)
<b>ENDING FUND BALANCE</b>	<b>\$ 10,400,648</b>	<b>\$ 7,826,000</b>	<b>\$ 2,574,648</b>	<b>\$ 10,238,311</b>	<b>\$ 162,337</b>
<b>NEW EQUIPMENT FUND</b>					
Beginning Fund Balance	100,423	64,000	36,423	75,788	24,635
Assessment Contribution	194,000	194,000	-	194,000	-
Interest Revenue	3,005	2,000	1,005	848	2,157
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(184,406)	(213,000)	28,594	(170,213)	(14,193)
Change in Fund Balance	12,599	17,000	29,599	24,635	(12,036)
<b>ENDING FUND BALANCE</b>	<b>\$ 113,022</b>	<b>\$ 47,000</b>	<b>\$ 66,022</b>	<b>\$ 100,423</b>	<b>\$ 12,599</b>
<b>DEVELOPMENT FUND</b>					
Beginning Fund Balance	3,753,013	3,600,000	153,013	499,052	3,253,961
Assessment Contribution	2,007,000	2,007,000	-	1,942,000	65,000
Interest Revenue	91,945	80,000	11,945	26,848	65,097
Operating Fund Transfer In	-	-	-	1,800,000	(1,800,000)
Other Revenue + Expense, Net	(13,938)	(14,000)	62	(4,972)	(8,966)
Major Maintenance Expenses	-	-	-	-	-
Expenditures for Capital Additions	(533,231)	(1,408,000)	874,769	(509,915)	(23,316)
Change in Fund Balance	1,551,776	665,000	886,776	3,253,961	(1,702,185)
<b>ENDING FUND BALANCE</b>	<b>\$ 5,304,789</b>	<b>\$ 4,265,000</b>	<b>\$ 1,039,789</b>	<b>\$ 3,753,013</b>	<b>\$ 1,551,776</b>
<b>CAPITAL FUND TOTALS</b> SEE NEXT PAGE FOR SCHEDULE OF SPEND BY DEPARTMENT					
Major Maintenance Expenses	(1,017,764)	(935,000)	(82,764)	(1,003,845)	(13,919)
Expenditures for Capital Additions	(4,319,450)	(7,040,000)	2,720,550	(2,850,859)	(1,468,591)
<b>TOTAL</b>	<b>\$ (5,337,214)</b>	<b>\$ (7,975,000)</b>	<b>\$ 2,637,786</b>	<b>\$ (3,854,704)</b>	<b>\$ (1,482,510)</b>

The variance between Actual and Budget capital expenditures is primarily driven by the timing of projects between years.

The Board has a **fiduciary responsibility** (by law) to do what is best for the Association both now and for the future. Current owners have the responsibility to pay for the depreciation of Association assets, not defer the burden to future owners. Properly maintaining our assets protects owners' **property values**.

# CAPITAL FUNDS EXPENDITURES

BY DEPARTMENT – YEAR ENDING DECEMBER 31, 2018

	REPLACEMENT RESERVE FUND		NEW EQUIPMENT FUND		DEVELOPMENT FUND		CAPITAL FUNDS TOTAL	
	CAPITAL ADDITIONS	MAJOR MAINTENANCE EXPENSES	CAPITAL ADDITIONS	MAJOR MAINTENANCE EXPENSES	CAPITAL ADDITIONS	MAJOR MAINTENANCE EXPENSES	CAPITAL ADDITIONS	MAJOR MAINTENANCE EXPENSES
<b>PRIVATE AMENITIES</b>								
Trout Creek Recreation Center	\$ 35,301	\$ -	\$ 9,156	\$ -	\$ 95,151	\$ -	\$ 139,608	\$ -
Beach Club Marina	48,915	15,791	26,223	-	-	-	75,138	15,791
Tennis Center	20,277	27,715	1,931	-	-	-	22,208	27,715
Northwoods Pool / Aquatics	316,822 (c)	12,848	7,352	-	-	-	324,174	12,848
Camps + Recreation Programs	8,103	-	-	-	-	-	8,103	-
<b>TOTAL PRIVATE AMENITIES</b>	<b>\$ 429,418</b>	<b>\$ 56,354</b>	<b>\$ 44,662</b>	<b>-</b>	<b>\$ 95,151</b>	<b>\$ -</b>	<b>\$569,231</b>	<b>\$ 56,354</b>
<b>PUBLIC AMENITIES</b>								
Golf	124,568	78,174	4,189	-	-	-	128,757	78,174
Downhill Ski	1,996,945 (b)	43,519	5,674	-	71,554	-	2,074,173	43,519
Cross Country Ski	407,309 (g)	36,041	-	-	-	-	407,309	36,041
Campground	1,396	1,203	-	-	-	-	1,396	1,203
Equestrian	13,068	13,618	-	-	98,533	-	111,601	13,618
Trails	50,218	70,569	33,605	-	26,211	-	110,034	70,569
Bikeworks	18,654	-	-	-	-	-	18,654	-
The Lodge	80,512	15,808	-	-	-	-	80,512	15,808
The Lodge, Summer Lunch/Golf F&B	-	-	-	-	-	-	-	-
Pizza on the Hill	18,725	1,721	2,991	-	-	-	21,716	1,721
Alder Creek Cafe	-	-	2,200	-	-	-	2,200	-
Snowplay	-	-	-	-	-	-	-	-
<b>TOTAL PUBLIC AMENITIES</b>	<b>\$2,711,395</b>	<b>\$260,653</b>	<b>\$ 48,659</b>	<b>-</b>	<b>\$196,298</b>	<b>\$ -</b>	<b>\$2,956,352</b>	<b>\$260,653</b>
<b>TOTAL AMENITIES</b>	<b>\$3,140,813</b>	<b>\$317,007</b>	<b>\$ 93,321</b>	<b>-</b>	<b>\$291,449</b>	<b>\$ -</b>	<b>\$3,525,583</b>	<b>\$317,007</b>
<b>HOMEOWNERS ASSOCIATION</b>								
General	-	37,607	-	-	29,925	-	29,925	37,607
Marketing + Communications	-	-	-	-	-	-	-	-
Facility Administration	-	130,000 (e)	-	-	185,000 (e)	-	185,000	130,000
Administration	73,891	62,321	34,876	-	26,857	-	135,624	62,321
Information Technology	186,915 (d)	178,584 (d)	52,354	-	-	-	239,269	178,584
Accounting	-	-	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-	-	-
Architectural Standards Office	-	-	-	-	-	-	-	-
Member Services	-	-	-	-	-	-	-	-
Forestry	62,787	257,926 (a)	3,855	-	-	-	66,642	257,926
Maintenance	137,407 (f)	34,319	-	-	-	-	137,407	34,319
<b>TOTAL HOMEOWNERS ASSOC</b>	<b>\$ 461,000</b>	<b>\$ 700,757</b>	<b>\$ 91,085</b>	<b>\$ -</b>	<b>\$241,782</b>	<b>\$ -</b>	<b>\$ 793,867</b>	<b>\$ 700,757</b>
<b>TOTAL</b>	<b>\$3,601,813</b>	<b>\$1,017,764</b>	<b>\$184,406</b>	<b>\$ -</b>	<b>\$533,231</b>	<b>\$ -</b>	<b>\$4,319,450</b>	<b>\$1,017,764</b>

(a) Winter storm damage of \$192,000 across various common property area locations.

(b) Downhill Ski Snowbird chairlift replacement \$1,425,000 and grooming snowcat replacement \$370,000.

(c) Pool replastering/tile replacement and pool regulatory upgrades \$269,000.

(d) Information Technology; includes replacements of VOIP system, networking & wireless systems, SAN, workstations, webcams, and other.

(e) Personnel cost allocations, consistent with Budget and prior years.

(f) Maintenance two vehicle replacements, loader blow blade and chains \$123,000.

(g) Cross Country Ski grooming snowcat replacement \$325,000.

## STATEMENT OF LEGAL COMPLIANCE

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

## INDEPENDENT AUDITOR'S REPORT

An independent auditor's report, prepared by Gilbert Associates, and associated financial statements are on pages 15–23 of this Annual Report.

# INDEPENDENT AUDITOR'S REPORT

## BOARD OF DIRECTORS

### TAHOE DONNER ASSOCIATION

#### TRUCKEE, CALIFORNIA

We have audited the accompanying financial statements of Tahoe Donner Association (Association), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in members' equity, and of cash flows for the years then ended.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

## OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Donner Association as of December 31, 2018 and 2017, and the changes in its members' equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by generally accepted accounting principles, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

GILBERT ASSOCIATES, INC.

SACRAMENTO, CALIFORNIA

MARCH 15, 2019



# TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN MEMBERS' EQUITY - DECEMBER 31, 2018 AND 2017

## OPERATIONS

Amenities Homeowners Association Total Operating Fund

	Amenities	Homeowners Association	Total Operating Fund
<b>OPERATING REVENUES:</b>			
Access and use fees	\$ 4,848,968		\$ 4,848,968
Retail sales	4,813,451		4,813,451
Lessons and rental revenue	2,435,474		2,435,474
Other revenues	429,999	\$ 761,294	1,191,293
Interest income		63,861	63,861
Gross operating revenues	12,527,892	825,155	13,353,047
Cost of goods sold	(1,573,559)		(1,573,559)
Net operating revenues	10,954,333	825,155	11,779,488
<b>OPERATING EXPENSES:</b>			
Salaries and wages	5,748,744	4,004,531	9,753,275
Payroll taxes and employee benefits	1,445,210	943,168	2,388,378
Supplies and maintenance	1,156,627	653,634	1,810,261
Utilities	629,233	208,830	838,063
Other employee expenses	241,583	207,420	449,003
Insurance	306,000	170,875	476,875
Income tax exposure		10,732	10,732
Other expenses	664,153	823,117	1,487,270
Total operating expenses	10,191,550	7,022,307	17,213,857
<b>NET OPERATING INCOME (LOSS)</b>	<b>762,783</b>	<b>(6,197,152)</b>	<b>(5,434,369)</b>
<b>CAPITAL ACTIVITIES:</b>			
Capital additions and transfers			
Gain (loss) on sale or disposal of assets			
Fund expenses			
Depreciation expense			
Total capital activities			
<b>ASSESSMENTS:</b>			
Assessment revenues		6,084,700	6,084,700
<b>INCREASE (DECREASE) IN MEMBERS' EQUITY</b>	<b>\$ 762,783</b>	<b>\$ (112,452)</b>	<b>650,331</b>
<b>TRANSFERS BETWEEN FUNDS</b>			<b>(500,000)</b>
<b>MEMBERS' EQUITY, December 31, 2017</b>			<b>2,291,562</b>
<b>MEMBERS' EQUITY, December 31, 2018</b>			<b>\$ 2,441,893</b>

# TAHOE DONNER ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN MEMBERS' EQUITY - DECEMBER 31, 2018 AND 2017

## CAPITAL

Replacement Reserve Fund New Equipment Fund Development Fund Property Fund

## TOTALS

Total 2018 Total 2017

	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total 2018	Total 2017
Access and use fees					\$ 4,848,968	\$ 4,887,280
Retail sales					4,813,451	4,720,197
Lessons and rental revenue					2,435,474	2,446,622
Other revenues					1,191,293	1,012,021
Interest income	\$ 211,998	\$ 3,005	\$ 91,945		370,809	215,855
Gross operating revenues	211,998	3,005	91,945		13,659,995	13,281,975
Cost of goods sold					(1,573,559)	(1,634,609)
Net operating revenues	211,998	3,005	91,945		12,086,436	11,647,366
Salaries and wages					9,753,275	9,188,779
Payroll taxes and employee benefits					2,388,378	2,533,491
Supplies and maintenance					1,810,261	1,654,033
Utilities					838,063	857,446
Other employee expenses					449,003	447,028
Insurance					476,875	432,535
Income tax exposure	27,010		8,128		45,870	18,601
Other expenses	6,611		5,810		1,499,691	1,492,805
Total operating expenses	33,621		13,938		17,261,416	16,624,718
<b>NET OPERATING INCOME (LOSS)</b>	<b>178,377</b>	<b>3,005</b>	<b>78,007</b>		<b>(5,174,980)</b>	<b>(4,977,352)</b>
Capital additions and transfers	(3,601,813)	(184,406)	(533,231)	\$ 4,319,450		
Gain (loss) on sale or disposal of assets	90,537			(202,503)	(111,966)	18,264
Fund expenses	(1,017,764)				(1,017,764)	(1,003,845)
Depreciation expense				(3,284,227)	(3,284,227)	(3,118,291)
Total capital activities	(4,529,040)	(184,406)	(533,231)	832,720	(4,413,957)	(4,103,872)
Assessment revenues	4,013,000	194,000	2,007,000		12,298,700	12,298,700
<b>INCREASE (DECREASE) IN MEMBERS' EQUITY</b>	<b>(337,663)</b>	<b>12,599</b>	<b>1,551,776</b>	<b>832,720</b>	<b>2,709,763</b>	<b>3,217,476</b>
<b>TRANSFERS BETWEEN FUNDS</b>	<b>500,000</b>					
<b>MEMBERS' EQUITY, December 31, 2017</b>	<b>10,238,311</b>	<b>100,423</b>	<b>3,753,013</b>	<b>40,722,132</b>	<b>57,105,441</b>	<b>53,887,965</b>
<b>MEMBERS' EQUITY, December 31, 2018</b>	<b>\$ 10,400,648</b>	<b>\$ 113,022</b>	<b>\$ 5,304,789</b>	<b>\$ 41,554,852</b>	<b>\$ 59,815,204</b>	<b>\$ 57,105,441</b>

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

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**TAHOE DONNER ASSOCIATION**  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017

	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total 2018	Total 2017
<b>ASSETS</b>							
Cash	\$ 1,488,059					\$ 1,488,059	\$ 812,527
Cash, designated and restricted	354,039	\$ 131,460	\$ 28,697	\$ 111,058		625,254	753,822
Investments	4,114,816					4,114,816	5,057,220
Investments, designated and restricted		11,748,443	149,785	5,880,677		17,778,905	15,487,397
Assessments and other member receivables, net of allowance for doubtful accounts of \$87,193 in 2018 and \$81,135 in 2017	261,580					261,580	243,407
Other receivables	145,196	68,988	765	24,250		239,199	301,317
Inventory	314,922					314,922	346,432
Prepaid expenses and other assets	748,911					748,911	575,053
Due from (to) other funds	130,684	(23,640)	(29,695)	(77,349)			
Net property and equipment					\$ 41,554,852	41,554,852	40,722,132
<b>TOTAL ASSETS</b>	<b>\$ 7,558,207</b>	<b>\$ 11,925,251</b>	<b>\$ 149,552</b>	<b>\$ 5,938,636</b>	<b>\$ 41,554,852</b>	<b>\$67,126,498</b>	<b>\$64,299,307</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>							
Accounts payable	\$ 315,280	\$ 162,533		\$ 9,689		\$ 487,502	\$ 680,252
Deferred revenues	3,032,263	1,351,616	\$ 36,530	621,013		5,041,422	4,940,393
Deposits from members	256,651					256,651	232,316
Accrued liabilities	1,512,120	10,454		3,145		1,525,719	1,340,905
<b>TOTAL LIABILITIES</b>	<b>5,116,314</b>	<b>1,524,603</b>	<b>36,530</b>	<b>633,847</b>		<b>7,311,294</b>	<b>7,193,866</b>
<b>MEMBERS' EQUITY</b>	<b>2,441,893</b>	<b>10,400,648</b>	<b>113,022</b>	<b>5,304,789</b>	<b>41,554,852</b>	<b>59,815,204</b>	<b>57,105,441</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 7,558,207</b>	<b>\$ 11,925,251</b>	<b>\$ 149,552</b>	<b>\$ 5,938,636</b>	<b>\$ 41,554,852</b>	<b>\$67,126,498</b>	<b>\$64,299,307</b>

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

**TAHOE DONNER ASSOCIATION**  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	Operating Fund	Replacement Reserve Fund	New Equipment Fund	Development Fund	Property Fund	Total 2018	Total 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Increase (decrease) in Members' Equity	\$ 650,331	\$ (337,663)	\$ 12,599	\$ 1,551,776	\$ 832,720	\$ 2,709,763	\$ 3,217,476
Reconciliation to net cash provided by operating activities:							
Depreciation expense					3,284,227	3,284,227	3,118,291
Capital additions and transfers		3,601,813	184,406	533,231	(4,319,450)		
(Gain) loss on sale or disposal of property and equipment		(90,537)			202,503	111,966	(18,264)
Changes in:							
Assessments receivable	(18,173)					(18,173)	45,741
Other receivables	(33,417)	110,535	(390)	(14,610)		62,118	(172,475)
Inventory	31,510					31,510	(11,095)
Prepaid expenses and other assets	(173,858)					(173,858)	112,066
Due from (to) other funds	(268,822)	153,745	40,972	74,105			
Accounts payable	(129,117)	(61,905)	(5,868)	4,140		(192,750)	(62,740)
Deferred revenues	(15,313)	126,852	(37,698)	27,188		101,029	46,091
Deposits from members	24,335					24,335	17,070
Accrued liabilities	174,295	7,782		2,737		184,814	46,358
Net cash provided by operating activities	241,771	3,510,622	194,021	2,178,567		6,124,981	6,338,519
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchases of property and equipment		(3,601,813)	(184,406)	(533,231)		(4,319,450)	(2,850,859)
Proceeds from sale of property and equipment		90,537				90,537	34,880
Purchases of investments	(5,636,235)	(9,200,319)	(289,785)	(5,878,726)		(21,005,065)	(23,732,720)
Proceeds from sale of investments	6,578,639	8,550,474	240,000	4,286,848		19,655,961	19,955,193
Net cash provided (used) by investing activities	942,404	(4,161,121)	(234,191)	(2,125,109)		(5,578,017)	(6,593,506)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Transfers between funds	(500,000)	500,000					
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>684,175</b>	<b>(150,499)</b>	<b>(40,170)</b>	<b>53,458</b>		<b>546,964</b>	<b>(254,987)</b>
<b>CASH, Beginning of Year</b>	<b>1,157,923</b>	<b>281,959</b>	<b>68,867</b>	<b>57,600</b>		<b>1,566,349</b>	<b>1,821,336</b>
<b>CASH, End of Year</b>	<b>\$ 1,842,098</b>	<b>\$ 131,460</b>	<b>\$ 28,697</b>	<b>\$ 111,058</b>		<b>\$ 2,113,313</b>	<b>\$ 1,566,349</b>
<b>OTHER CASH FLOW INFORMATION:</b>							
Income taxes paid	\$ 15,541	\$ 62,280	\$	\$ 18,742	\$	\$ 96,563	\$ 46,817

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



**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.

**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 equipment. Assessment revenue is recognized in the assessment period. Assessments received in advance are deferred until earned. The Association has the right to suspend certain membership rights and pursue collection through foreclosure action. Bad debts are recognized when an account's collectability is uncertain.

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

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

The Association minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. As of December 31, 2018 and 2017, cash balances exceeded federally insured limits by approximately \$825,000 and \$548,000, 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 and retail goods and are stated at the lower of average cost or market.

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

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

**INTEREST INCOME** is allocated to the operating, replacement and

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reserve, new machinery and equipment and development funds in proportion to the interest-bearing assets of each fund.

**DEFERRED REVENUE** represents funds received for assessments and recreation passes during the current year, which are applicable to the following year.

**INCOME TAXES** – The Association is generally exempt from federal income taxes under Internal Revenue Code 501(c)(4). For California purposes, the Association is taxed as a regular corporation. As a membership organization, the Association is generally taxed only on non-member income, such as advertising revenue and golf and ski ticket sales to the public, at regular federal corporate tax rates. The Association has applied the accounting principles related to the accounting for uncertainty in income taxes and has determined there is

no material impact on the financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2014.

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

**SUBSEQUENT EVENTS** have been evaluated through March 15, 2019, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2018 that require recognition or disclosure in the financial statements.

**3 CASH AND INVESTMENTS**

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

	2018	2017
Replacement Reserve Fund - designated	\$ 11,879,903	\$ 11,380,557
Development Fund - designated	5,991,735	4,346,399
New Equipment Fund - designated	178,482	168,867
Operating Fund - undesignated and unrestricted	5,619,298	5,869,747
Operating Fund – Trust – restricted (note 7)	81,051	110,257
Operating Fund - Architectural standards deposits - restricted (note 5)	256,565	235,139
<b>TOTAL</b>	<b>\$ 24,007,034</b>	<b>\$ 22,110,966</b>

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.

Since the Association has the positive intent and ability to hold investments until maturity, they are carried at amortized costs determined by specific identification. Unrecognized holding gains and losses are deemed immaterial.

Investments at December 31, 2018 mature as follows:

INVESTMENT	WITHIN 1 YEAR	1-5 YEARS	TOTAL
U.S. Treasury	\$ 12,423,139	\$ 1,342,069	\$ 13,765,208
Certificates of deposit	2,381,540	10,476	2,392,016
Municipal bonds		2,257,067	2,257,067
Corporate bonds	246,100	3,233,330	3,479,430
<b>TOTAL</b>	<b>\$ 15,050,779</b>	<b>\$ 6,842,942</b>	<b>\$ 21,893,721</b>

**4 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2018	2017
Buildings	\$ 32,406,312	\$ 32,025,984
Fixtures and facility improvements	18,231,578	16,338,817
Equipment	18,953,625	17,817,425
Land and land improvements	9,269,730	9,239,805
Furnishings	939,813	921,019
<b>TOTAL</b>	<b>79,801,058</b>	<b>76,343,050</b>
Less accumulated depreciation	(38,264,353)	(35,663,909)
	41,536,705	40,679,141
Construction in progress	18,147	42,991
<b>TOTAL</b>	<b>\$ 41,554,852</b>	<b>\$ 40,722,132</b>

**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 2018, 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 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 \$95,180 and \$88,685 for 2018 and 2017, 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 \$56,307 and \$54,894 for the years ended December 31, 2018 and 2017, respectively.

**8 OPERATING LEASE OBLIGATIONS**

The Association has non-cancelable operating leases for copiers, land usage and computer equipment. Rental expense under all operating leases was \$93,000 and \$116,709 for 2018 and 2017, respectively. Future minimum lease payments under these leases are as follows:

YEAR ENDING DECEMBER 31:	
2019	\$ 35,230
2020	18,297
2021	5,752
2022	5,752
2023	1,917
<b>TOTAL</b>	<b>\$ 66,948</b>

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2018 (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 2018 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, 2018, was \$10,400,000. The 2019 lot assessments include \$4,661,000 to be allocated to the replacement fund.

The Association has not included the replacement of building structures as a component of the replacement study. These structures generally have an estimated useful life greater than 30 years. The Association is accumulating funds in the Development Fund for building replacement.

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

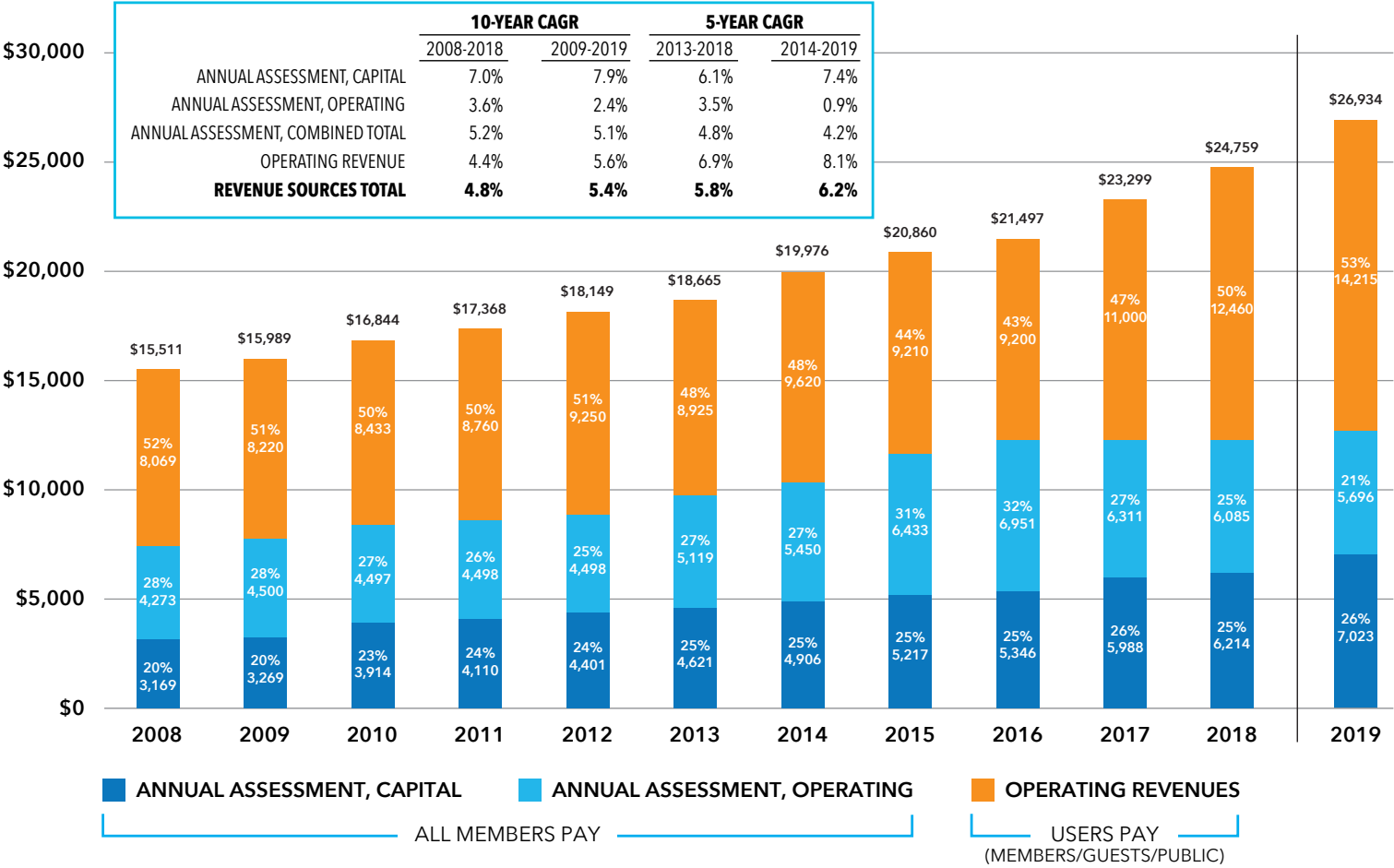
COMPONENT GROUP	RANGE OF REMAINING LIVES (YEARS)	ESTIMATED LIFE AFTER REPLACEMENT (YEARS)	CURRENT REPLACEMENT COSTS
Trout Creek Recreation Center	0-30	1-30	\$ 3,458,635
Aquatics	0-30	1-30	1,863,606
Beach Club Marina	0-30	1-30	1,210,614
Tennis Complex	0-30	1-30	1,936,516
Downhill Ski Resort	0-30	1-30	10,711,557
Cross Country Ski Center	0-30	1-30	3,744,281
Equestrian	0-30	1-30	928,426
Golf Complex	0-30	1-30	11,334,231
Campground	0-30	1-30	634,425
Recreation Programs	0-30	1-30	570,385
The Lodge Restaurant & Pub	0-30	1-30	3,781,328
Pizza on the Hill	0-30	1-30	480,691
Alder Creek Cafe	0-30	1-30	161,889
Administration/MIS	0-30	1-30	6,053,041
Information Technology	0-30	1-30	1,863,256
Forestry	0-30	1-30	1,717,563
General + Building Maintenance	0-30	1-30	3,604,792
Trails	0-30	1-30	1,924,393
Snowplay	0-30	1-30	210,655
Bikeworks	0-30	1-30	30,712
<b>TOTAL</b>			<b>\$ 56,220,996</b>

See independent auditor's report on required supplementary information.



# ANNUAL BUDGET - SOURCE OF FUNDS

## DOLLARS IN THOUSANDS



# ANNUAL BUDGET - USE OF FUNDS

## DOLLARS IN THOUSANDS

