



March 22, 2016

TO : ALL MEMBERS OF THE GOLDEN RAIN FOUNDATION

SUBJECT : ANNUAL REPORT AUDITED BY THE CERTIFIED PUBLIC  
ACCOUNTING FIRM OF NSBN LLP

The Board of Directors of the Golden Rain Foundation is pleased to present the Annual Report for the year ending December 31, 2015.

The audit was conducted by the independent Certified Public Accounting Firm, NSBN LLP. The auditor's opinion, which prefaces the main body of the report, is an essential element of the report.

The auditor has issued an unmodified opinion. This means that the financial statements are fairly presented, in all material respects, and are in conformity with the accounting principles generally accepted in the United States of America. An unmodified opinion means there were no material weaknesses or problems found that would require a modified opinion to be issued.

Linda Stone  
Treasurer  
Golden Rain Foundation

**GOLDEN RAIN FOUNDATION**  
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**Golden Rain Foundation**  
Financial Statements  
December 31, 2015 and 2014  
(With Independent Auditors' Report Thereon)



February 23, 2016

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Golden Rain Foundation  
Seal Beach, California

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

We have audited the accompanying financial statements of Golden Rain Foundation (the "Foundation"), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of revenue and expenses by segment, changes in membership interest and trust equity, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 the Golden Rain Foundation as of December 31, 2015 and 2014, 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.

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

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Disclaimer of Opinion on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary budget information presented in the Statement of Operations, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*NSBN LLP*

NSBN LLP  
Los Angeles, California

**Golden Rain Foundation**  
Balance Sheets  
December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 496,961	\$ 117,241
Investments (Note 3)	81,004	104,384
Receivables	682,656	1,162,531
Inventory of maintenance supplies	381,442	349,260
Prepaid expenses	463,399	487,775
Total Current Assets	2,105,462	2,221,191
Designated Deposits (Note 3)		
Contingency Operating Fund	706,643	697,674
Replacement Reserve Fund	6,290,766	-
Trust Improvement Fund	-	920
Capital Improvement Fund	1,288,673	6,197,314
Liability Insurance Deductible Fund	202,571	1,029,125
Other Restricted Funds	-	465,045
Total Designated Deposits	8,488,653	8,390,078
Notes Receivable		
Notes Receivable - Membership Fee	14,428	701
Community Facilities Held in Trust (Note 4 and 5)	30,666,928	30,728,854
Less: Accumulated Depreciation	(20,732,698)	(19,890,115)
Net Community Facilities	9,934,230	10,838,739
Premium on Municipal Bonds		
(net of accumulated amortization of \$40,646 and \$104,883 at December 31, 2015 and 2014, respectively)	13,204	25,997
Total Assets	\$ 20,555,977	\$ 21,476,706

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements

**Golden Rain Foundation**  
Balance Sheets  
December 31, 2015 and 2014

	2015	2014
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 636,574	\$ 894,553
Accrued expense	945,286	964,362
Accrued property tax	110,647	116,770
Project commitments	795,037	-
Payable to Mutuals - excess income refund	-	700,223
Total Current Liabilities	2,487,544	2,675,908
Equity		
Equity in Contingency Operating Fund	706,643	697,674
Equity in Replacement Reserves	5,972,635	-
Equity in Capital Improvement Fund	811,767	-
Beneficial interest in Trust Assets	4,602,614	10,800,848
Total beneficial interest in trust	12,093,659	11,498,522
Membership interest		
Membership certificates of 844 shares at \$200 par value, and 5,764 shares at \$250 par value, authorized, issued and outstanding.	1,609,800	1,609,800
Additional paid in capital	20,310,455	21,137,008
Assets contributed to the Golden Rain Foundation Trust	(15,444,532)	(15,444,532)
Income before depreciation and amortization	364,007	-
Depreciation and amortization	(864,956)	-
Total Equity	18,068,433	18,800,798
Total Liabilities and Equity	\$ 20,555,977	\$ 21,476,706

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements

**Golden Rain Foundation**  
**Statements of Revenues and Expenses By Segment**  
**For the Years Ended December 31, 2015 and 2014**

	Trust Operations		Maintenance Services		Management Services		Golden Rain News		All Segments	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Income:</b>										
Net Billings from Mutuals	\$ 9,836,253	\$ 9,394,524	\$ 1,393,409	\$ 1,240,920	\$ 44,400	\$ 44,400	\$ (142,268)	\$ (98,400)	\$ 11,131,794	\$ 10,581,444
Advertising Income	-	-	-	-	-	-	919,290	953,136	919,290	953,136
Rental - Onsite Sales Office	509,572	415,613	-	-	-	-	-	-	509,572	415,613
Rental - Health Care Center	564,000	564,000	-	-	-	-	-	-	564,000	564,000
Income From Superwire	104,355	74,721	-	-	-	-	-	-	104,355	74,721
Other Rental Income	34,587	39,482	-	-	-	-	-	-	34,587	39,482
Interest Income	55,473	65,680	-	-	-	-	-	2,625	55,473	68,305
Interest Income Allocation	(52,889)	(9,072)	-	-	-	-	-	-	(52,889)	(9,072)
SRO Labor Cost Recovery	-	-	1,409,021	1,295,911	-	-	-	-	1,409,021	1,295,911
Other Income	487,561	265,232	-	-	-	-	1,049	(572)	488,610	264,660
Sub-Total	11,538,912	10,810,180	2,802,430	2,536,831	44,400	44,400	778,071	856,789	15,163,813	14,248,200
Replacement Reserve Funding	(1,000,000)	-	-	-	-	-	-	-	(1,000,000)	-
Excess Income Transfers	-	234,169	-	(267,555)	-	-	-	33,386	-	-
Trust Assets Depreciation	-	(771,819)	-	-	-	-	-	-	-	(771,819)
Total Income	10,538,912	10,272,530	2,802,430	2,269,276	44,400	44,400	778,071	890,175	14,163,813	13,476,381
<b>Operating Expenses:</b>										
Salaries and Benefits	6,141,110	6,393,291	2,341,950	2,135,200	-	-	514,455	525,830	8,997,515	9,054,321
Retirement Plan (Note 5)	76,999	77,591	54,755	52,656	-	-	12,244	13,544	143,998	143,791
Materials and Supplies	432,726	480,134	69,204	16,202	-	-	249,616	218,614	751,546	714,950
Utilities and Trash Hauling	518,182	500,642	16,621	17,228	-	-	7,006	6,422	541,809	524,292
Insurance Premiums	445,949	383,196	-	-	-	-	17,892	18,702	463,841	401,898
Professional Services	317,504	253,786	-	-	-	-	7,660	3,426	325,164	257,212
Contract Services	169,779	166,361	1,374	1,319	-	-	99,577	94,448	270,730	262,128
Equipment Maintenance	184,543	179,468	30,768	22,901	-	-	1,589	1,520	216,900	203,889
Facility Maintenance	1,414,342	1,309,623	1,944	55	44,400	44,400	5,327	1,905	1,466,013	1,355,983
Recreation - Entertainment	265,588	213,920	-	-	-	-	-	-	265,588	213,920
Property Taxes and Licenses	28,718	33,154	737	115	-	-	-	-	29,455	33,269
Miscellaneous	229,277	281,364	90,081	12,786	-	-	7,889	2,281	327,247	296,431
Total Expenses	10,224,717	10,272,530	2,607,434	2,258,462	44,400	44,400	923,255	886,692	13,799,806	13,462,084
Excess Income (Loss) before Trust Assets Depreciation	314,195	-	194,996	10,814	-	-	(145,184)	3,483	364,007	14,297
Trust Assets Depreciation	(850,816)	-	(11,239)	(10,814)	-	-	(2,901)	(3,483)	(864,956)	(14,297)
Net Income (Loss)	\$ (536,621)	\$ -	\$ 183,757	\$ -	\$ -	\$ -	\$ (148,085)	\$ -	\$ (500,949)	\$ -

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements

**Golden Rain Foundation**  
Changes in Membership Interest and Trust Equity  
For the Years Ended December 31, 2015 and 2014

	Membership Interest	Additional Net Paid-In Capital	Transfers to Trust	Mutuals' Beneficial Interest In Trust Assets	Excess Income Before Depreciation and Amortization	Accumulated Depreciation and Amortization	Total
Balance at January 1, 2014	\$ 1,609,800	\$ 20,377,326	\$ (14,547,195)	10,590,987	\$ -	-	\$ 18,030,918
Membership Fees	-	746,244	-	-	-	-	746,244
Fund Earnings (net of taxes)	-	9,072	-	145	-	-	9,218
Funding From Excess Income	-	-	-	12,627	-	-	12,627
Transfers	-	-	(897,338)	897,338	-	-	-
Excess income and transfers over direct operating expenses	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-
Claims Paid	-	1,792	-	-	-	-	1,792
Municipal Bonds Premium Allocation	-	2,575	-	(2,575)	-	-	-
Balance at December 31, 2014	1,609,800	21,137,008	(15,444,532)	11,498,522	-	-	18,800,798
Membership Fees	-	-	-	1,201,016	-	-	1,201,016
Fund Earnings (net of taxes)	-	2,570	-	50,318	-	-	52,888
Funding From Assessments	-	-	-	1,000,000	-	-	1,000,000
Expenditures from equity reserves	-	-	-	(2,485,322)	-	-	(2,485,322)
Transfers	-	(829,125)	-	829,125	-	-	-
Excess income and transfers over direct operating expenses	-	-	-	-	364,007	-	364,007
Depreciation and amortization	-	-	-	-	-	(864,956)	(864,956)
Balance at December 31, 2015	\$ 1,609,800	\$ 20,310,455	\$ (15,444,532)	12,093,659	\$ 364,007	\$ (864,956)	\$ 18,068,433

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements

**Golden Rain Foundation**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
(Decrease) increase in members' equity	\$ (732,365)	\$ 769,880
Adjustments to reconcile (decrease) increase in members' equity to net cash provided by operating activities		
Depreciation	864,956	786,116
Decrease in other receivables and accrued interest	479,875	143,100
(Increase) decrease in inventory of maintenance supplies	(32,182)	35,919
Decrease (increase) in prepaid expenses	24,376	(95,315)
Decrease in other assets	12,793	22,164
(Increase) decrease in notes receivable	(13,727)	2,338
(Decrease) in accounts payable	(257,979)	(458,522)
Increase in project commitments	795,037	-
(Decrease) in due to contingency operating fund	-	(122,060)
(Decrease) in accrued expenses	13,080	153,896
(Decrease) increase in payable to mutuals	(700,223)	399,099
(Decrease) increase in deposits held in trust	-	(6,516)
(Decrease) in mutuals' self insurance reserve	-	(192,832)
Net cash provided by operating activities	453,641	1,437,267
Cash flows from investing activities:		
Proceeds for the sale of investments	705,000	455,000
(Costs) of the investments sold	(705,000)	(455,000)
(Increase) Decrease of investments and designated deposits	(75,195)	207,600
Proceeds for the sale of fixed assets	1,274	-
Acquisition of fixed assets (excluding construction in progress)	(843,104)	(2,561,596)
Dispositions in construction in progress for community facilities	843,104	937,983
Net cash (used in) investing activities	(73,921)	(1,416,013)
Net cash provided by (used in) financing activities	-	-
Increase in cash and cash equivalents	379,720	21,254
Cash and equivalents at beginning of year	117,241	95,987
Cash and equivalents at end of year	\$ 496,961	\$ 117,241

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for income taxes	\$ 62,960	\$ -
Cash paid for interest	\$ -	\$ -

See accompanying independent auditors' report.  
The notes are an integral part of these financial statements

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
December 31, 2015

**(1) Nature of Operations**

The Golden Rain Foundation (the "Foundation"), a Non Profit Mutual Benefit Corporation, operates and maintains the community facilities within a cooperative housing project consisting of 6,482 cooperative units and 126 condominium units known as Seal Beach Leisure World. The housing project is owned by sixteen corporations (the "Mutuals") whose stockholders are also members of the Foundation. The sole purpose for the existence of the Foundation is to provide management, accounting and maintenance services to the sixteen mutual corporations and to care for the community facilities.

**(2) Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the standards promulgated by the Financial Accounting Standards Board. Beginning with 2006, the financial statements have been expanded to reflect the various functions of the Golden Rain Foundation. The assets, liabilities and members' equity of the Foundation as a corporation had been separated from the trust assets which the Foundation controls, and is responsible for, as trustee for the Golden Rain Foundation Trust. The accountability for these trust assets had been re-characterized as the Mutuals' Beneficial Interest in the Trust through 2014. In addition to the changes in the Balance Sheet, the Statement of Revenues and Expenses has been segmented to separate trust from non-trust activities.

**B. Transfer of Foundation Assets**

Beginning with 2015, the Foundation's assets were transferred into the Trust and have been combined for financial reporting. The intention of this change is to provide reporting that accurately represents the Foundation's operations.

**C. Operating Costs**

The Foundation is a non profit corporation and it is intended that all of its operating costs be recovered from the Mutuals. All operating costs are charged to the Mutuals by the Foundation in the year incurred. Budgeted costs are apportioned and billed monthly to the Mutual Corporations on the basis of the number of units available for occupancy in each Mutual. Should the actual operating expenses exceed the actual operating income, the net excess expenses will be billed to the Mutuals based on the number of units per Mutual. Net excess income shall be eliminated in accordance with Policy 5528-31. Total operating income exceeded total operating costs by \$364,007 in 2015 and \$712,850 in 2014. Excess Income from Trust Operations for 2015 was \$314,195 and from the Golden Rain Foundation operations was \$49,812.

In 2015, \$364,007 was transferred to the Foundation's Replacement Reserve Fund.

**D. Inventory of Maintenance Supplies**

Inventory consists primarily of maintenance supplies to repair or replace property held by the Mutuals and the community facilities that the Foundation holds in trust for the Sixteen Mutuals. Inventory is stated at cost, determined on a first-in, first-out basis, which approximates market value.

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
December 31, 2015

**(2) Summary of Significant Accounting Policies (Continued)**

***E. Investments***

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC Number 320-10) "Accounting for Certain Investments in Debt and Equity Securities" requires that investments be classified as , "held to maturity," "available for sale" or "trading securities." The standard defines investments in securities as held to maturity based upon a positive intent and ability to hold those securities to maturity. Investments held to maturity are reported at amortized cost. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses included in operations. Debt and equity securities not classified as held to maturity or trading securities are classified as available for sale and are recorded at fair value, with unrealized gains and losses excluded from operations and reported as a separate component of members' equity. The Foundation has classified its entire investment portfolio as held to maturity and thus has recorded its investment securities at amortized cost.

***F. Fixed Assets and Community Facilities***

Fixed assets and community facilities held in trust by the Foundation are recorded at cost and are being depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 30 years.

***G. Other Assets***

Other assets consist of premiums paid for municipal bonds. Amounts are being amortized using the effective yield method over the life of the assets, which range from one to nine years.

***H. Future Major Repairs and Replacements***

The Foundation's governing documents require that funds be set aside for the addition, replacement and repair of Trust property. The Foundation also maintains and funds reserves for disasters and for the cost of liability insurance deductibles. These reserves are reported on the accompanying balance sheets as Designated Deposits. Funds held on behalf of the Mutuals are offset by a liability to the Mutuals.

***I. Statement of Cash Flows***

For purposes of reporting cash flows, cash and cash equivalents include cash, demand and savings deposits in banks, and securities and certificates of deposit maturing within 90 days of the original purchase date. Amounts reported as deposits and investments designated for a specific purpose do not meet the definition of cash and cash equivalents.

***J. Concentration of Credit Risk***

The Foundation's cash is maintained in three commercial banks. Cash maintained in US Bank consists of demand deposits and money market accounts. US Bank has a "Secured Deposit" program that provides insurance in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Foundation's US Bank accounts are fully covered by this program. Cash maintained in First Foundation Bank consists of money market and CDAR accounts. Cash in the money market account totals \$489,189 which exceeds the FDIC insured amount by \$239,189. Cash in CDAR accounts total \$5,450,000. CDAR funds are insured by the FDIC up to \$50 million. Cash maintained in BNY Mellon consist of a money market account. Cash in the money market totals \$149,207 which is fully covered by FDIC Insurance.

The Foundation has \$375,000 invested in municipal bonds, which it closely monitors with its investment advisor.

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
December 31, 2015

**(2) Summary of Significant Accounting Policies (Continued)**

**K. 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. These assumptions and estimates can affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of changes in members' equity during the reporting period. Actual results could differ from those estimates.

**L. Advertising**

Advertising costs are charged to operations when incurred and are included in operating expenses. The Foundation did not incur any advertising expense for the years ended December 31, 2015 and 2014.

**M. Income Taxes**

For reporting purposes, the Foundation may file under the general corporation rules, which uses a graduated rate or under Internal Revenue Code Section 528 that provide for a single tax rate. The option that produces the most favorable return is the one ultimately selected for filing. Under both methodologies, the taxable income is based on nonmember income and interest from invested funds. Provision has been made for the 2015 tax liability.

The Foundation adopted the provisions of FASB ASC Number 740-10, Accounting for Uncertainty in Income Taxes. FASB ASC Number 740-10 changes the accounting for uncertainty in income taxes by creating a new framework for how organizations should recognize, measure, present and disclose uncertain tax positions in their financial statements. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax positions will more likely than not (>50%) be sustained upon the technical merits of the position. In accordance with FASB ASC Number 740-10, the Foundation adopted a policy to recognize penalties and interest resulting from these uncertainties in the period in which they are incurred as operating expenses.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and the California Franchise Tax Board. The Foundation believes that income tax filing positions will be sustained upon examination, and does not anticipate any adjustments that would result in a material adverse affect on the Foundation's financial condition, results of operation, or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2015.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to Federal income tax examinations for the years prior to 2012, and to California tax examinations for the years prior to 2011.

**N. Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current-year financial statements.

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
December 31, 2015

**(2) Summary of Significant Accounting Policies (Continued)**

**O. Subsequent Events**

Date of Management's Review - Subsequent events have been evaluated through February 23, 2016, the date that these financial statements were available to be issued.

**(3) Designated Deposits and Investments**

The Foundation adopted the provisions of FASB ASC 820 for fair value measurement that are recognized at fair value in the financial statements on a reoccurring basis. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction, prioritizes the use of market based information over entity specific information and establishes a three level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset. Cash, cash equivalents and money market accounts are Level 1 inputs. Municipal bonds and Government National Mortgage Association securities are Level 2 inputs. There are no Level 3 inputs.

The Foundation further adopted the provisions of ASC 820-10 for disclosure requirements related to transfers in and out of Levels 1 and 2 inputs. For the year ended December 31, 2015, there were no significant transfers from Level 1 to 2; there were \$705,000 transfers from Level 2 to 1 inputs.

The \$705,000 represents the Proceeds from the Sale of Investments as disclosed on the Statement of Cash Flows.

Investments and deposits are recorded on the balance sheets at December 31, 2015 and 2014 as follows:

	<b>2015</b>	<b>2014</b>
Investments	\$ 81,004	\$ 104,384
Designated deposits and investments	8,488,653	8,390,078
	\$ 8,569,657	\$ 8,494,462

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
December 31, 2015

**(3) Designated Deposits and Investments (Continued)**

The Board, at its discretion, has designated resources to be set aside to provide for the activities indicated below. The cost of these designated deposits and investments at December 31, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
<u>Contingency Operating Fund</u> – Designated for unbudgeted or unanticipated events or shortfalls in anticipated revenues. Deposits to the Trust Contingency Operating Fund are made from excess income in accordance with Policy 5528-31.	\$ 706,643	\$ 697,674
<u>Replacement Reserve Fund</u> - Designated for future maintenance and replacement of major components/assets that the Foundation is required to maintain in accordance with California Civil Code. Use and expenditures of reserve funds are governed by Policy 5520-31. The Reserve fund is funded by contributions collected through monthly assessments and from a percentage of the Membership Fee and Renter Fee (Mutual 17 only) in accordance with Policy 5061-31. Additional funding may result through surplus operational funds from the preceding fiscal year in accordance with Policy 5528-31 and in accordance with the Civil Code.	6,290,766	-
<u>Trust Improvement Fund</u> - Designated for the replacement of the community facility properties. This fund was closed to the Replacement Reserve Fund in 2015.	-	920
<u>Capital Improvement Fund</u> - Designated for new purchases (not replacement) of equipment and/or assets upon Trust property or used in the maintenance of Trust property or in the performance of Foundation duties under the management agreement with the Mutual Corporations. The Capital Improvement fund is funded from a percentage of the Membership Fee and Renter Fee (Mutual 17 only) in accordance with Policy 5061-31.	1,288,673	6,197,314
<u>Liability Insurance Deductible Fund</u> - Designated for payment of the deductible portion of any liability claims and expenses that may occur as a result of a disaster not covered by insurance. Deposits to the liability insurance deductible and disaster fund are made from interest earned on that fund's investments less any applicable income taxes.	202,571	1,029,125
<u>Other Restricted Funds</u> - Designated for payment of repairs and taxes, payment of insurance proceeds for repairs resulting from a fire, and deposits being held in trust. In 2015, these funds were transferred to each respective Mutual Corporation's balance sheet.	-	465,045
	\$ 8,488,653	\$ 8,390,078

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**(3) Designated Deposits and Investments (Continued)**

A comparison of amortized cost and approximate fair value of deposits and investments held to maturity at December 31, 2015 follows:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Cash, cash equivalents and money markets	\$ 2,737,518	\$ 2,737,518	\$ 3,452,807	\$ 3,452,807
Certificates of deposits	5,450,000	5,450,000	3,950,000	3,950,000
Municipal bonds	377,124	386,607	1,093,907	1,127,094
Government National Mortgage Association securities	7,139	7,851	11,655	12,990
Total	<u>\$ 8,571,781</u>	<u>\$ 8,581,976</u>	<u>\$ 8,508,369</u>	<u>\$ 8,542,891</u>

The amortized cost and estimated fair value of designated deposits and investments at December 31, 2015 and 2014 by contractual maturity, are shown below:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Due one year or less	\$ 8,514,333	\$ 8,521,581	\$ 8,116,271	\$ 8,126,271
Due after one year through five years	50,309	52,544	380,443	403,630
Due after five years through ten years	5,581	6,312	7,371	8,314
Due after ten years	1,558	1,539	4,284	4,676
	<u>\$ 8,571,781</u>	<u>\$ 8,581,976</u>	<u>\$ 8,508,369</u>	<u>\$ 8,542,891</u>

**(4) Fixed Assets**

At December 31, 2015 and 2014, fixed assets, at cost after transfers, consisted of the following:

	2015	2014
Furniture and equipment	\$ -	\$ 874,276
Less: accumulated depreciation	-	(835,465)
Net fixed assets	<u>\$ -</u>	<u>\$ 38,811</u>

In January 2015, the Foundation's assets were transferred into the Trust and have been combined for financial reporting. The intention of this change is to provide financial reporting that accurately represents the Foundation's operations Note 2(B).

**GOLDEN RAIN FOUNDATION**  
Notes to Financial Statements  
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**(5) Community Facilities Held in Trust**

Fixed assets, which are made up of property and equipment required to manage the Foundation's operations, also include the community facilities, including land parcels, utilities, streets, medical and recreational buildings which are held in trust by the Foundation for the benefit of the Mutuals.

A summary of the community facilities held in trust at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 999,091	\$ 999,091
Infrastructure	8,648,040	8,648,040
Building and improvements	11,328,030	11,320,722
Fixtures and equipment	<u>9,691,767</u>	<u>8,043,621</u>
Sub-total	30,666,928	29,011,474
Less accumulated depreciation	(20,732,698)	(19,054,650)
Construction in progress	<u>-</u>	<u>843,104</u>
Net community facilities	<u>\$ 9,934,230</u>	<u>\$ 10,799,928</u>

Total community facilities represent amounts invested in the community facilities by the Mutuals, which are equal, except for Mutuals Nos. Sixteen and Seventeen, to values attributed to the community facilities by the Federal Housing Administration historically. The original contribution of Mutual Sixteen to the trust was based on the cost of its off-site improvements and utilities, plus an allocated share of the cost of recreational and other community facilities. The original contribution of Mutual Seventeen to the Trust was based on its allocated share of the then current fair market value, as determined by the Foundation, attributed to the original community facilities purchased by the Mutual. The future interests of the Mutuals in the subsequent Trust additions have been allocated to each Mutual in proportion to the Mutual's number of units as compared to all units in the project.

**(6) Employees' Retirement Plan**

Effective January 1, 2000, the Employees' Retirement Plan was amended from a defined contribution money purchase plan to a 401(k) plan. Employees with 1,000 hours of service with the Foundation continue to be eligible. Participants are able to contribute from 1% to 100% of their compensation. Employer matching is 50% of the employees' contribution up to 8% of their compensation. The vesting period for the employer's match is set by statute at 100% after three years of service. Contributions made to the Plan by the Foundation amounted to \$143,998 and \$143,791 in 2015 and 2014, respectively.

**GOLDEN RAIN FOUNDATION**  
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**(7) Commitments**

- A.** The Foundation has an operating lease agreement for equipment expiring October 2018. Future minimum payments under these non-cancelable leases are as follows:

Year ending December 31:

2016	\$		24,564
2017			24,564
2018			18,423
	\$		<u>67,551</u>

Rent expense under the operating lease was \$28,861 for the year ended December 31, 2015.

- B.** The Foundation, as Trustee, rents the on-site sales office to outside services. The tenant calculates income received from the lease of the on-site sales office at a fixed percentage of the total monthly sales income generated by the tenant. The minimum guaranteed payment is \$10,000 per month. The lease agreement expires on December 31, 2017. Either party can terminate the lease upon 180 days notice without penalty.

The Foundation, as Trustee, rents the health care center to Tenet. Income received from the health care center is based on \$47,000 a month. The lease agreement expires in November 30, 2018. Either party can terminate the lease upon 180 days notice without penalty.

The Foundation, as Trustee, rents land for an RV storage center, and to NuVision Credit Union and Superwire Telecom Inc. The income received on land for the RV storage center is based on \$14,778 for the year ending December 31, 2015, and \$14,778 per year for the succeeding three years ending December 31. The income received from NuVision Credit Union is \$1,500 per month. The lease agreement expires in November 2017.

The Foundation, as Trustee, receives income from Superwire Telecom Inc. based on \$1,500 per month plus 5% of the gross revenues collected by Superwire Telecom Inc. from members of Leisure World, Seal Beach. This agreement expires February 18, 2019. The rental income of \$1,500 per month is included in the future minimum rental income schedule below.

Future minimum rental income based on the existing leases is estimated as follows:

Year ending December 31:

2016	\$		734,778
2017			718,500
2018			535,000
2019			3,000
	\$		<u>1,991,278</u>

Income received from the rental of community facilities was \$1,226,305 and \$1,089,126 in 2015 and 2014, respectively. The net book values of the resale's office and health care center are \$2,195 and \$1,311,012, respectively.

**GOLDEN RAIN FOUNDATION**  
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**(8) Contingencies**

The Foundation was a named defendant in a lawsuit brought by their former Executive Director for termination of an employment contract. This lawsuit alleged violation of the California Fair employment and Housing Act. The Foundation has asserted a defense that the termination was based on performance. The lawsuit was settled during the year ended December 31, 2014.

During the year ended December 31, 2015, the Foundation was involved in contingencies through the normal course of its business operations.

**(9) Foundation's Operations Correction**

The Foundation provides administrative and facilities services for the related Mutuals for which the Mutuals reimburse the Foundation monthly. As of December 31, 2014, the Foundation determined that \$216,250 related to these services rendered had been provided during previous periods but had not been reimbursed through the monthly collection process. Accordingly, the Foundation's management ("Management") had determined to write off this receivable balance and charge it as a current year's operating expense in 2014.

Management had determined that certain liabilities totaling \$175,369, specifically, repair and tax deposits held in trust, collections for cable services and purchases of repair and maintenance supplies were overstated and no longer represents valid Foundation liabilities. GRF management had determined to write off this balance and reduce the 2014 year's operating expense.

The net effect of adjustments made to receivables and payables to net income for 2014 was:

		<b>Effect on Excess Inc.</b>
Mutual receivable write-off	\$	(216,250)
Repair & tax deposit liability write-off		49,155
Cable services liability write-off		53,416
Inventory supplies payable write-off		72,788
<b>Adjustment to net income</b>	<b>\$</b>	<b>(40,891)</b>

As of and for the year ended December 31, 2015, management determined no such corrections are needed.

**Golden Rain Foundation**

Supplemental Information Regarding Funds for Future Repairs

(Unaudited)

December 31, 2015

While preparing the annual operating budget, the Board reviews the conditions and assumptions regarding the common interest of the Foundation. This review consists of updating the replacement cost and remaining useful life of the Foundation's common interest property. This data is used to develop reserve requirements using the formula set forth in Civil Code 5570 (b) (4). Except as noted below the Board expects to finance all replacements through regular assessments to the shareholders. Accordingly, the Board does not plan any special assessments.

<b>Fund</b>	<b>Estimated Remaining Life</b>	<b>Current Replacement Cost</b>	<b>Reserve Balance</b>		<b>Annual Contribution</b>	<b>Per Unit Per Month</b>
			<b>Required</b>	<b>Est Beg Bal</b>		
Replacement Reserves	1 - 40	\$ 15,444,719	\$ 5,442,330	\$ 5,644,915	\$ 1,000,000	\$ 12.61

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated required amount to be in the reserve fund, the projected fund balance of those years, taking into account only assessments approved and the other known revenues, and the percentage funded at the end of each of the next five years is:

<b>Year</b>	<b>Required Funding</b>	<b>Projected Fund Bal.</b>	<b>% Funded</b>
2015	\$ 8,162,173	\$ 4,967,109	\$ 1
2016	\$ 9,054,879	\$ 4,650,043	\$ 1
2017	\$ 8,310,706	\$ 5,344,472	\$ 1
2018	\$ 8,485,873	\$ 6,502,937	\$ 1
2019	\$ 9,160,071	\$ 7,684,589	\$ 1

This financial representation set forth in this summary is based on the best estimates of the Board at this time and is further predicated on the Board maintaining the current Reserve Funding Plan.