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**Golden Rain Foundation and the Trust**  
Consolidated Financial Statements and  
Supplementary Information  
December 31, 2017 and 2016  
(With Independent Auditors' Report Thereon)



March 27, 2018

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Golden Rain Foundation  
Seal Beach, California

***Report on the Financial Statements***

We have audited the accompanying consolidated financial statements of Golden Rain Foundation and the Trust (the "Foundation"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated 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 consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Golden Rain Foundation and the Trust as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Correction of Error***

As discussed in Note 5 to the consolidated financial statements, certain asset additions to Community Facilities Assets Held in Trust were recorded in error and certain fixed assets were misclassified. Management has therefore restated and reclassified the Community Facilities Held in Trust, Beneficial Interest in Trust Assets, and related depreciation account balances as of January 1, 2017 to correct such errors. Our opinion is not modified with respect to that matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The by segment information on Consolidated Statement of Revenues and Expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property on page 16 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, 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP  
Los Angeles, California

**Golden Rain Foundation and the Trust**

Consolidated Balance Sheets

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 443,825	\$ 308,091
Investments (Note 3)	922	279,851
Receivables	732,026	609,022
Inventory of maintenance supplies	410,764	339,319
Prepaid expenses (Note 2)	471,005	431,436
Total Current Assets	<u>2,058,542</u>	<u>1,967,719</u>
Designated Deposits (Note 3)	11,733,605	10,142,285
Notes Receivable		
Notes Receivable - Membership Fee	26,835	32,296
Community Facilities Held in Trust, net (Note 5, 2016 as restated)	<u>12,714,746</u>	<u>11,195,487</u>
Total Assets	<u>\$ 26,533,728</u>	<u>\$ 23,337,787</u>

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

## Golden Rain Foundation and the Trust

Consolidated Balance Sheets

December 31, 2017 and 2016

	2017	2016
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 868,132	\$ 486,793
Accrued expenses	901,380	909,856
Unearned income	48,560	63,798
Accrued property tax	100,323	105,392
Project commitments (Note 2)	1,018,945	1,088,450
Prepaid deposits	9,450	-
Total Liabilities	2,946,790	2,654,289
Equity		
Equity in Contingency Operating Fund	500,000	500,000
Equity in Replacement Reserves	8,319,121	7,394,944
Equity in Capital Improvement Fund	1,585,193	954,888
Beneficial Interest in Trust Assets (Note 5, 2016 as restated)	9,719,868	7,251,448
Total Beneficial Interest in Trust	20,124,182	16,101,280
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	20,312,171	20,311,887
Assets Contributed to the Golden Rain Foundation Trust	(15,444,532)	(15,444,532)
Income before depreciation and amortization	128,128	325,451
Depreciation and amortization (Note 2, 2016 as restated)	(3,142,811)	(2,220,388)
Total Equity	23,586,938	20,683,498
Total Liabilities and Equity	\$ 26,533,728	\$ 23,337,787

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

**Golden Rain Foundation and the Trust**  
Consolidated Statements of Revenues and Expenses By Segment  
December 31, 2017 and 2016

	Operations		Maintenance Services		Management Services		Golden Rain News		All Segments	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Income:										
Net Billings from Mutuals	\$ 10,282,956	\$ 10,087,260	\$ 1,201,246	\$ 1,307,916	\$ 44,405	\$ 44,400	\$ (10,863)	\$ 35,352	\$ 11,517,744	\$ 11,474,928
Advertising Income	-	-	-	-	-	-	883,571	865,648	883,571	865,648
Rental - Onsite Sales Office	609,175	546,943	-	-	-	-	-	-	609,175	546,943
Rental - Health Care Center	564,000	564,000	-	-	-	-	-	-	564,000	564,000
Income From Superwire	88,951	90,659	-	-	-	-	-	-	88,951	90,659
Other Rental Income	19,809	34,581	-	-	-	-	-	-	19,809	34,581
Interest Income	38,883	44,650	-	-	-	-	-	-	38,883	44,650
Interest Income Allocation	(43,483)	(37,802)	-	-	-	-	-	-	(43,483)	(37,802)
SRO Labor Cost Recovery	-	-	1,423,636	1,442,171	-	-	-	-	1,423,636	1,442,171
Other Income	730,869	663,969	-	-	-	-	983	535	731,852	664,504
Sub-Total	12,291,160	11,994,260	2,624,882	2,750,087	44,405	44,400	873,691	901,535	15,834,138	15,690,282
Replacement Reserve Funding	(1,150,000)	(900,000)	-	-	-	-	-	-	(1,150,000)	(900,000)
Total Income	11,141,160	11,094,260	2,624,882	2,750,087	44,405	44,400	873,691	901,535	14,684,138	14,790,282
Operating Expenses:										
Salaries and Benefits (Note 6)	6,481,208	6,464,436	2,449,905	2,429,317	-	-	507,132	524,196	9,438,245	9,417,949
Materials and Supplies	507,955	459,767	68,106	89,701	-	-	248,078	251,827	824,139	801,295
Utilities and Trash Hauling	537,850	503,849	17,154	15,160	-	-	7,341	6,145	562,345	525,154
Insurance Premiums	489,603	489,089	-	-	-	-	16,350	16,974	505,953	506,063
Professional Services	416,101	427,642	-	-	-	-	9,857	9,358	425,958	437,000
Contract Services	169,746	177,406	2,290	2,040	-	-	127,046	135,278	299,082	314,724
Maintenance	1,742,098	1,659,313	26,741	35,738	44,405	44,400	8,525	13,480	1,821,769	1,752,931
Recreation - Entertainment	328,599	318,010	-	-	-	-	-	-	328,599	318,010
Permits and Licenses	28,932	34,146	-	115	-	-	-	-	28,932	34,261
Miscellaneous	279,647	238,567	31,473	116,404	-	-	9,868	2,473	320,988	357,444
Total Expenses	10,981,739	10,772,225	2,595,669	2,688,475	44,405	44,400	934,197	959,731	14,556,010	14,464,831
Excess Income (Loss) before Trust Assets Depreciation	159,421	322,035	29,213	61,612	-	-	(60,506)	(58,196)	128,128	325,451
Depreciation of assets held in Trust (2016 as restated)	(902,937)	(1,307,008)	(13,994)	(12,225)	-	-	(5,492)	(5,398)	(922,423)	(1,324,631)
Net Income (Loss)	\$ (743,516)	\$ (984,973)	\$ 15,219	\$ 49,387	\$ -	\$ -	\$ (65,998)	\$ (63,594)	\$ (794,295)	\$ (999,180)

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

**Golden Rain Foundation and the Trust**  
Changes in Membership Interest and Trust Equity  
December 31, 2017 and 2016

	Membership Interest	Additional Net Paid-In Capital	Transfers to Trust	Total Mutuals' Beneficial Interest In Trust Assets	Excess Income Before Depreciation and Amortization	Accumulated Depreciation and Amortization	Total
Balance at January 1, 2016	\$ 1,609,800	\$ 20,310,455	\$ (15,444,532)	\$ 12,696,872	\$ 364,007	\$ (895,757)	\$ 18,640,844
Membership Fees	-	-	-	1,883,473	-	-	1,883,473
Fund Earnings (net of taxes)	-	1,432	-	36,370	-	-	37,802
Funding From Assessments	-	-	-	900,000	-	-	900,000
Expenditures from equity reserves	-	-	-	(1,825,062)	-	-	(1,825,062)
Trust Asset Additions	-	-	-	2,519,035	-	-	2,519,035
Transfers	-	-	-	364,007	(364,007)	-	-
Excess income and transfers over direct operating expenses	-	-	-	-	325,451	-	325,451
Depreciation and amortization	-	-	-	-	-	(1,411,689)	(1,411,689)
Balance at December 31, 2016	1,609,800	20,311,887	(15,444,532)	16,574,694	325,451	(2,307,446)	21,069,854
Prior Period Adjustment	-	-	-	(473,414)	-	87,058	(386,356)
Balance at December 31, 2016, as restated	1,609,800	20,311,887	(15,444,532)	16,101,280	325,451	(2,220,388)	20,683,498
Membership Fees	-	-	-	2,074,784	-	-	2,074,784
Fund Earnings (net of taxes)	-	284	-	43,199	-	-	43,483
Funding From Assessments	-	-	-	1,150,000	-	-	1,150,000
Expenditures from equity reserves	-	-	-	(2,038,952)	-	-	(2,038,952)
Trust Asset Additions	-	-	-	2,468,420	-	-	2,468,420
Transfers	-	-	-	325,451	(325,451)	-	-
Excess income and transfers over direct operating expenses	-	-	-	-	128,128	-	128,128
Depreciation and amortization	-	-	-	-	-	(922,423)	(922,423)
Balance at December 31, 2017	<u>\$ 1,609,800</u>	<u>\$ 20,312,171</u>	<u>\$ (15,444,532)</u>	<u>\$ 20,124,182</u>	<u>\$ 128,128</u>	<u>\$ (3,142,811)</u>	<u>\$ 23,586,938</u>

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

**Golden Rain Foundation and the Trust**  
Consolidated Statements of Cash Flows  
December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Net Income (Loss)	\$ (794,295)	\$ (999,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	922,423	1,324,631
(Gain) on sale of investments	(177)	-
Increase (decrease) in other receivables and accrued interest	(123,004)	73,634
Increase (decrease) in inventory of maintenance supplies	(71,445)	42,123
Increase (decrease) in prepaid expenses	(39,569)	45,167
Decrease (increase) in notes receivable	5,461	(17,868)
Increase (decrease) in accounts payable	381,339	(149,781)
Increase (decrease) in project commitments	(69,505)	293,413
Increase in prepaid deposits	9,450	-
Decrease in accrued expenses	13,148	48,205
Decrease (increase) in unearned income	(15,238)	6,821
Net cash provided by operating activities	218,588	667,165
Cash flows from investing activities:		
Proceeds from the sale of investments	54,835	325,000
Purchases of investments	(54,658)	(325,000)
Increase of investments and designated deposits	(1,312,391)	(1,852,479)
Proceeds from the sale of fixed assets	44	232
Acquisition of fixed assets (excluding construction in progress)	(1,656,628)	(2,519,035)
Additions to construction in progress for community facilities	(338,377)	-
Net cash (used in) investing activities	(3,307,175)	(4,371,282)
Cash flows from financing activities:		
Transfers (to) from equity reserves	3,224,321	3,515,247
Increase (decrease) in cash and cash equivalents	135,734	(188,870)
Cash and equivalents at beginning of year	308,091	496,961
Cash and equivalents at end of year	\$ 443,825	\$ 308,091
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for income taxes	\$ -	\$ -

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



**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(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. The Foundation's Board of Directors (the "Board") consists of representatives from each of the Mutuals.

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

**A. Basis of Presentation**

The consolidated financial statements include the accounts of the Foundation and the Golden Rain Foundation Trust (the "Trust"). The Trust holds all the Community Facilities Held in Trust for the benefit of the Mutuals and is managed by the Foundation. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the standards promulgated by the Financial Accounting Standards Board.

**B. Transfer of Foundation Assets**

Beginning with 2015, the Foundation's assets were transferred into the Trust and have been consolidated for financial reporting purposes. The intention of this change is to provide reporting that accurately represents the Foundation's operations. Prior to 2015, depreciation expense was incorporated in the annual operating budget. Consequently, the funding amount set aside for the replacement of fixed assets had been based on historical cost. Beginning in 2015, the Foundation established a replacement reserve fund (reserves) to finance future major repairs and replacements of major components and fixed assets. Funding is achieved through shareholder contributions through monthly assessments specifically designated for reserve funding as determined by the annual operating budget. The funding amount is based on current replacement cost. Consequently, the balance in depreciation and amortization in the equity component of these financial statements (page 5) is cumulative from year 2015 and forward.

**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 Mutuals on the basis of the number of units 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 Foundation Policy 5528-31. Total consolidated operating income exceeded total operating costs by \$128,128 in 2017 and \$325,451 in 2016 (before Trust assets depreciation). Consolidated excess income before Trust assets depreciation for 2017 was \$159,421 for Trust operations and a net loss of (\$31,293) for Golden Rain Foundation operations.

In 2017, all of the 2016 consolidated excess income before Trust assets depreciation 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 Trust holds for the Mutuals. Inventory is stated at cost, determined on a first-in, first-out basis, which approximates net realizable value.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

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

***E. Prepaid expenses***

Prepaid expenses include insurance premiums paid in advance for future period coverage of \$465,773.

***F. 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.

***G. Fixed Assets and Community Facilities***

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

***H. Project Commitments***

Project commitments represent outstanding balances due to contractors for reserve and replacement work or for capital improvement work that is in process or has been completed, but not paid in full as of the balance sheet date. The total cost of these project commitments have been reflected in the current year's reserve activities.

As of December 31, 2017, project commitments were \$1,018,945.

***I. 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 consolidated balance sheets as Designated Deposits. Funds held on behalf of the Mutuals are offset by a liability to the Mutuals.

***J. 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.

***K. Use of Estimates***

The preparation of consolidated 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 consolidated assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the amounts of changes in members' equity during the reporting period. Actual results could differ from those estimates.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

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

**L. Concentration of Credit Risk**

The Foundation's cash is maintained in two 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 Certificate of Deposit Account Registry ("CDAR") accounts. Cash in the money market account totals \$1,261,111 which exceeds the FDIC insured amount by \$1,011,111. Cash in CDAR accounts total \$7,300,000. CDAR funds are insured by the FDIC up to \$50 million.

**M. 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, 2017 and 2016.

**N. 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 is made, if necessary, for any applicable 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, 2017.

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 2014, and to California tax examinations for the years prior to 2013.

**O. Reclassifications**

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to confirm with the presentation in the current-year financial statements. Also, the presentation of the consolidated statements of cash flows was modified from prior years' presentation.

**P. Subsequent Events**

Date of Management's Review - Subsequent events have been evaluated through March 27, 2018, the date that these financial statements were available to be issued.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(3) Designated Deposits and Investments**

Investments and deposits are recorded on the consolidated balance sheets at December 31, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Investments	\$ 922	\$ 279,851
Designated deposits and investments	11,733,605	10,142,285
	\$ 11,734,527	\$ 10,422,136

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, 2017 and 2016 are as follows:

	<b>2017</b>	<b>2016</b>
Contingency Operating Fund - 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.	\$ 500,000	\$ 500,000
Replacement Reserve Fund - 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.	9,385,260	8,427,893
Capital Improvement Fund - 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.	1,644,058	1,010,389
Liability Insurance Deductible Fund - 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.	204,287	204,003
	\$ 11,733,605	\$ 10,142,285

During the year ended December 31, 2017, bonds with a par value of \$50,000 matured and bonds with a par value of \$4,561 were sold.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(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, 2017 and 2016 are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Cash, cash equivalents and money markets	\$ 4,434,527	\$ 4,434,527	\$ 3,762,258	\$ 3,762,258
Certificates of deposits	7,300,000	7,300,000	6,605,000	6,605,000
Municipal bonds	-	-	50,040	50,357
Government National Mortgage Association securities	-	-	14,948	5,317
Total	<u>\$ 11,734,527</u>	<u>\$ 11,734,527</u>	<u>\$ 10,432,246</u>	<u>\$ 10,422,932</u>

The amortized cost and estimated fair value of designated deposits and investments at December 31, 2017 and 2016 by contractual maturity, are shown below:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Due one year or less	\$ 11,734,527	\$ 11,734,527	\$ 10,417,299	\$ 10,417,615
Due after one year through five years	-	-	-	-
Due after five years through ten years	-	-	4,719	3,918
Due after ten years	-	-	10,228	1,399
	<u>\$ 11,734,527</u>	<u>\$ 11,734,527</u>	<u>\$ 10,432,246</u>	<u>\$ 10,422,932</u>

**(4) 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 by the Trust for the benefit of the Mutuals.

A summary of the community facilities held by the Trust at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 999,091	\$ 999,091
Infrastructure	14,450,461	12,982,368
Building and improvements	12,195,057	11,813,870
Fixtures and equipment	7,623,671	7,431,618
Sub-total	<u>35,268,280</u>	<u>33,226,947</u>
Less accumulated depreciation	(22,891,911)	(22,031,460)
Construction in progress	<u>338,377</u>	<u>-</u>
Net community facilities	<u>\$ 12,714,746</u>	<u>\$ 11,195,487</u>

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(4) Community Facilities Held in Trust (Continued)**

Total community facilities represent amounts invested in the community facilities by the Mutuels, which are equal, except for Mutuels 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 that mutual. The future interests of the Mutuels 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.

**(5) Prior Period Adjustment**

During 2017, management determined that certain fixed asset additions in 2016 to Community Facilities Assets Held in Trust, which accounts for assets held in Trust for the beneficial interests of the Mutuels, were capitalized in error. Concurrently, management discovered misclassifications within the fixed asset classifications. Accordingly, the applicable 2016 account balances have been restated and reclassified in these financial statements to correct the account balance of the Community Facilities Assets Held in Trust Account and to correct depreciation related to years 2016 and prior. The total of corrections to additions was \$386,356 (including an \$87,058 depreciation adjustment) and the total of reclassifications was \$2,286,214. Following is a summary of items from the 2016 financial statements that were restated.

	Previously Reported	Adjustment	Restated Amount
Land	\$ 999,091	\$ -	\$ 999,091
Infrastructure	11,431,569	1,550,799	12,982,368
Building and improvements	11,703,827	110,043	11,813,870
Fixtures and equipment	9,565,874	(2,134,256)	7,431,618
Accumulated depreciation	<u>(22,118,518)</u>	<u>87,058</u>	<u>(22,031,460)</u>
Community Facilities Held in Trust, Net	\$ 11,581,843	\$ (386,356)	\$ 11,195,487
Beneficial Interest in Trust Assets	\$ 7,724,862	\$ (473,414)	\$ 7,251,448
Depreciation and amortization	\$ (1,411,689)	\$ 87,058	\$ (1,324,631)

**(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 \$125,479 and \$138,657 in 2017 and 2016, respectively.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(7) Commitments and Other Rental Activity**

**A. Commitments**

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:		
2018	\$	39,696
2019		19,226
2020		15,132
2021		15,132
2022		8,827
	\$	<u>98,013</u>

Rent expense under the operating lease was \$32,988 for the year ended December 31, 2017.

**B. Other rental activity**

The Foundation, as Trustee, rents the on-site real estate 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 to the Foundation is \$10,000 per month. The lease agreement expires on December 31, 2018. Either party can terminate the lease upon 180 days notice without penalty.

The Foundation, as Trustee, rents the health care center to Los Alamitos Medical Center, Inc. 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 or office space for an RV storage center, NuVision Credit Union, and Superwire Telecom Inc under separate agreements. The income received for the RV storage center was \$1 for the year ending December 31, 2017. The lease agreement expires in May 31, 2018. The income received from NuVision Credit Union was \$18,000 for the same period. The lease agreement expires in November 7, 2022. The Foundation, as Trustee, receives income from Superwire Telecom Inc. of \$1,500 per month plus 5% of the gross revenues collected by Superwire Telecom Inc. from members of Seal Beach Leisure World. This agreement expires February 18, 2019.

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

Year ending December 31:		
2018	\$	673,000
2019		21,000
2020		18,000
2021		18,000
2022		15,000
	\$	<u>745,000</u>

Income received from the rental of community facilities was \$1,330,892 and \$1,248,780 in 2017 and 2016, respectively. The net book values of the resale office and health care center are \$0 and \$990,180, respectively.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2017

**(8) Related party transactions**

The board of the Foundation consists of members that are also members of the Mutuals. A significant portion of the revenues are derived from assessments and other billings from the Mutuals.

At December 31, 2017, receivables from the Mutuals for services and various reimbursed expenses equal \$494,129.

**(9) Contingencies**

During the year ended December 31, 2017, the Foundation was involved in legal proceedings through the normal course of its business operations. Management has evaluated all such contingencies and has determined none of these matters would have a material adverse effect on these financial statements.



**Golden Rain Foundation and the Trust**  
 Supplementary Information Regarding Funds for Future Repairs  
 (Unaudited)  
 December 31, 2017

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.

Fund	Estimated Remaining Life	Current Replacement Cost	Reserve Balance Required	Est Beg Bal	Annual Contribution	Per Unit Per Month
Replacement Reserves	1 - 30+	\$ 14,011,490	\$ 8,773,855	\$ 6,953,940	\$ 1,150,000	\$ 14.50

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:

Year	Required Funding	Projected Fund Bal.	% Funded
12/31/2017	\$ 9,096,712	\$ 6,972,570	76.65%
12/31/2018	\$ 8,883,838	\$ 6,682,248	75.22%
12/31/2019	\$ 9,096,022	\$ 6,942,650	76.33%
12/31/2020	\$ 8,522,895	\$ 6,505,678	76.33%
12/31/2021	\$ 8,712,181	\$ 7,394,601	84.88%

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.

See accompanying independent auditors' report.