

**Golden Rain Foundation and The Trust**  
Consolidated Financial Statements and  
Supplementary Information  
December 31, 2020 and 2019  
(With Independent Auditors' Report Thereon)



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## 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, 2020 and 2019, and the related consolidated statements of revenues 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, 2020 and 2019, 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.

**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  
March 23, 2021

**Golden Rain Foundation and the Trust**

Consolidated Balance Sheets

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 225,784	\$ 422,587
Investments (Note 3)	79,149	28,151
Receivables	658,193	613,839
Inventory of maintenance supplies	406,894	419,310
Prepaid expenses (Note 2)	<u>664,255</u>	<u>489,771</u>
Total Current Assets	<u>2,034,275</u>	<u>1,973,658</u>
Designated Deposits (Note 3)	15,325,932	13,704,368
Notes Receivable - Membership Fee	69,517	42,384
Community Facilities Held in Trust, net (Note 4)	<u>15,292,627</u>	<u>14,014,034</u>
Total Assets	<u>\$ 32,722,351</u>	<u>\$ 29,734,444</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Equity		
Current Liabilities:		
Accounts payable	\$ 669,543	\$ 423,053
Accrued expenses	599,956	859,292
Unearned income	109,922	105,335
Accrued legal settlement (Note 8)	550,000	550,000
Accrued property tax	-	26,926
Project commitments (Note 2)	541,926	661,484
Security deposits collected	11,575	10,675
Total Liabilities	<u>2,482,922</u>	<u>2,636,765</u>
Equity		
Equity in Contingency Operating Fund	1,000,000	700,000
Equity in Replacement Reserves	10,771,397	9,866,058
Equity in Capital Improvement Fund	2,991,161	2,455,247
Beneficial Interest in Trust Assets	14,889,115	13,090,230
Total Beneficial Interest in Trust	<u>29,651,673</u>	<u>26,111,535</u>
Membership Interest		
Membership certificates of 844 shares at \$200 par value, and 5,764 shares at \$250 par value, authorized, issued and outstanding	<u>1,609,800</u>	<u>1,609,800</u>
Additional paid in capital	<u>20,107,884</u>	<u>20,107,884</u>
Assets contributed to the Golden Rain Foundation Trust	<u>(15,538,338)</u>	<u>(15,459,532)</u>
Excess income (loss) before Trust Assets depreciation and amortization	<u>602,940</u>	<u>(103,139)</u>
Depreciation and amortization (Note 2)	<u>(6,194,530)</u>	<u>(5,168,869)</u>
Total Equity	<u>30,239,429</u>	<u>27,097,679</u>
Total Liabilities and Equity	<u>\$ 32,722,351</u>	<u>\$ 29,734,444</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 Revenues and Expenses By Segment  
For the Years Ended December 31, 2020 and 2019

	Operations		Maintenance Services		Management Services		Golden Rain News		All Segments	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Income:										
Net Billings from Mutuals	\$ 11,404,241	\$ 11,270,344	\$ 1,267,015	\$ 1,308,399	\$ 44,405	\$ 44,405	\$ 262,714	\$ (34,115)	\$ 12,978,375	\$ 12,589,033
Advertising Income	-	-	-	-	-	-	569,289	900,434	569,289	900,434
Rental - Onsite Sales Office	539,841	490,980	-	-	-	-	-	-	539,841	490,980
Rental - Health Care Center	660,000	660,000	-	-	-	-	-	-	660,000	660,000
Income From Superwire	78,304	78,454	-	-	-	-	-	-	78,304	78,454
Other Rental Income	74,178	73,809	-	-	-	-	-	-	74,178	73,809
Interest Income	176,139	224,319	-	-	-	-	-	-	176,139	224,319
Interest Income Allocation	(222,211)	(140,478)	-	-	-	-	-	-	(222,211)	(140,478)
SRO Labor Cost Recovery	-	-	1,137,087	1,378,275	-	-	-	-	1,137,087	1,378,275
Materials Recovery	32,868	46,981	1,027,312	1,459,092	-	-	-	-	1,060,180	1,506,073
Other Income	687,467	789,794	-	380	-	-	23,021	5	710,488	790,179
Subtotal	13,430,827	13,494,203	3,431,414	4,146,146	44,405	44,405	855,024	866,324	17,761,670	18,551,078
Replacement Reserve Funding	(1,300,000)	(1,250,000)	-	-	-	-	-	-	(1,300,000)	(1,250,000)
Total Income	12,130,827	12,244,203	3,431,414	4,146,146	44,405	44,405	855,024	866,324	16,461,670	17,301,078
Operating Expenses:										
Salaries and Benefits (Note 6)	6,294,226	6,668,205	2,264,066	2,508,976	-	-	478,849	577,895	9,037,141	9,755,076
Materials and Supplies	318,323	416,213	59,361	65,356	-	-	177,469	238,853	555,153	720,422
COVID-19 Expenses	65,740	-	-	-	-	-	-	-	65,740	-
Utilities and Trash Hauling	484,476	579,161	16,589	15,463	-	-	5,625	5,783	506,690	600,407
Insurance Premiums	539,829	446,639	-	-	-	-	15,479	16,073	555,308	462,712
Professional Services	439,830	419,732	-	-	-	-	9,503	9,369	449,333	429,101
Contract Services	136,627	146,561	1,496	2,509	-	-	118,576	120,300	256,699	269,370
Maintenance	2,140,684	1,964,392	29,845	29,290	44,405	44,405	18,937	22,078	2,233,871	2,060,165
Recreation - Entertainment	35,398	370,273	-	-	-	-	-	-	35,398	370,273
Permits and Licenses	19,166	32,044	161	244	-	-	-	-	19,327	32,288
Income Tax	800	27,000	-	-	-	-	-	-	800	27,000
Miscellaneous	928,556	518,242	150,084	92,173	-	-	15,505	8,012	1,094,145	618,427
Materials Pass Through Expenses	32,868	47,012	1,016,257	1,461,964	-	-	-	-	1,049,125	1,508,976
Legal Settlement (Note 8)	-	550,000	-	-	-	-	-	-	-	550,000
Total Expenses	11,436,523	12,185,474	3,537,859	4,175,975	44,405	44,405	839,943	998,363	15,858,730	17,404,217
Excess Income (Loss) before Trust Assets Depreciation	694,304	58,729	(106,445)	(29,829)	-	-	15,081	(132,039)	602,940	(103,139)
Depreciation of Assets held in Trust	(1,000,938)	(1,015,100)	(20,287)	(17,161)	-	-	(4,436)	(5,053)	(1,025,661)	(1,037,314)
Net Income (Loss)	\$ (306,634)	\$ (956,371)	\$ (126,732)	\$ (46,990)	\$ -	\$ -	\$ 10,645	\$ (137,092)	\$ (422,721)	\$ (1,140,453)

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 Changes in Membership Interest and Trust Equity  
For the Years Ended December 31, 2020 and 2019

	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, 2019	\$ 1,609,800	\$ 20,107,884	\$ (15,459,532)	\$ 22,840,337	\$ 41,026	\$ (4,131,554)	\$ 25,007,961
Membership Fees	-	-	-	2,483,531	-	-	2,483,531
Fund Earnings (net of taxes)	-	-	-	140,478	-	-	140,478
Funding from Assessments	-	-	-	1,250,000	-	-	1,250,000
Expenditures from Equity Reserves	-	-	-	(2,127,464)	-	-	(2,127,464)
Trust Asset Additions	-	-	-	1,524,653	-	-	1,524,653
Excess Direct Operating Expenses over Income and Transfers	-	-	-	-	(103,139)	-	(103,139)
Depreciation	-	-	-	-	-	(1,037,314)	(1,037,314)
Excess Income Allocation to the Mutuals	-	-	-	-	(41,026)	-	(41,026)
Donation	-	-	-	-	-	-	-
Balance at December 31, 2019	1,609,800	20,107,884	(15,459,532)	26,111,535	(103,139)	(5,168,868)	27,097,679
Membership Fees	-	-	-	2,365,826	-	-	2,365,826
Fund Earnings (net of taxes)	-	-	-	222,211	-	-	222,211
Funding from Assessments	-	-	-	1,300,000	-	-	1,300,000
Expenditures from Equity Reserves	-	-	-	(2,525,590)	-	-	(2,525,590)
Trust Asset Additions	-	-	-	1,798,885	-	-	1,798,885
Transfers	-	-	-	300,000	-	-	300,000
Excess Income and Transfers over Direct Operating Expenses	-	-	-	-	602,940	-	602,940
Depreciation	-	-	-	-	-	(1,025,661)	(1,025,661)
Excess Income Allocation to the Mutuals	-	-	-	-	103,139	-	103,139
Donation	-	-	(78,806)	78,806	-	-	-
Balance at December 31, 2020	\$ 1,609,800	\$ 20,107,884	\$ (15,538,338)	\$ 29,651,673	\$ 602,940	\$ (6,194,530)	\$ 30,239,429

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  
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net (Loss)	\$ (422,721)	\$ (1,140,453)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities		
Depreciation	1,025,661	1,037,314
Loss on sale of fixed assets	26,665	368
(Increase) decrease in receivables	(44,354)	109,779
Decrease (increase) in inventory of maintenance supplies	12,416	(41,075)
(Increase) in prepaid expenses	(174,484)	(59,673)
(Increase) in notes receivable	(27,133)	(16,419)
Increase (decrease) in accounts payable	246,490	(275,866)
(Decrease) in accrued expenses	(268,663)	(19,373)
(Decrease) increase in unearned income	4,587	65,327
Increase in accrued legal settlement	-	550,000
Increase (decrease) in security deposits collected	900	(175)
(Decrease) in payable to Mutuals	-	(6,966)
Net cash provided by (used in) operating activities	379,365	202,788
Cash flows from investing activities:		
(Increase) of investments and designated deposits	(1,672,562)	(1,781,044)
Proceeds from the sale of fixed assets	8,000	-
Acquisition of fixed assets, excluding construction in progress	(1,841,795)	(1,282,388)
Construction in progress for community facilities	(514,724)	(245,406)
Net cash (used in) investing activities	(4,021,081)	(3,308,838)
Cash flows from financing activities:		
Funding of equity reserves	4,188,037	3,874,009
Release from reserve funds	(846,263)	(481,323)
Excess income allocation to Mutuals	103,139	(41,026)
Net cash provided by financing activities	3,444,913	3,351,660
(Decrease) increase in cash and cash equivalents	(196,803)	245,610
Cash and cash equivalents at beginning of year	422,587	176,977
Cash and cash equivalents at end of year	\$ 225,784	\$ 422,587
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for income taxes	\$ 17,750	\$ -

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, 2020 and 2019

**(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 Mutuals 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 was 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 has 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 consolidated financial statements (page 4) is cumulative from year 2015 and forward.

**C. Revenue Recognition**

The Foundation has adopted Accounting Standards Update No. 2014-09, *Revenues from Contracts with Customers* ("ASC 606") effective January 2019, refer to Note 9. The Foundation disaggregates its revenue streams by type of service into three major categories that depict the nature, amount, timing, and uncertainty of revenues and related cash flows. The following depicts each revenue stream:

- Net billings from Mutuals represents the monthly assessment that the Foundation charges to the Mutuals for providing the bundled services of operating and maintaining the Foundation and the community facilities. The Foundation recognizes this revenue stream on a monthly basis as the Mutuals are assessed amounts based on approved budgets.
- Advertising income represents revenues earned from advertising and promotion in the Foundation's publications and/or from displays throughout the community or at community events. The Foundation provides advertising services either as a standalone service or as a bundled product with different deliverable obligations.
- Rental revenues from Onsite Sales and Health Care Center represent rental revenue for space pursuant to lease agreements with unrelated service providers to the community. Depending on lease specifications, rental revenue is either fixed or variable based on volume of activity.
- Maintenance service revenue relates to revenues recognized for providing services directly to the Mutuals' shareholders such as repairs and replacement of shareholders' appliances or services provided to a Mutual specific property.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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

**C. Revenue Recognition**

- Other income relates to incidental revenue earned by the Foundation as part of services provided to the Mutuals or community shareholders, such as recovered costs from stock certificate preparation, utility payment processing, purchasing processing and community entertainment events, parking fines, guest pass income, copy fees, membership identification card replacement fees, notary fees, passport photo fees, library fines, permit fees, donations, cafe commissions and revenue from the sale of extra cable services over the basic cable service. Additionally, the Foundation derives certain revenues such as interest income and facilitation income from a telecom provider.

Generally, due to the nature of its revenues, the Foundation recognizes revenues as services are provided over time and its obligations are complete from express or implied contracts. Unearned income and prepaid deposits are contract liabilities consisting of advance payments on account by shareholders.

**D. 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 40-5528-1. Total consolidated operating income exceeded total operating costs by \$602,940 in 2020, and total consolidated operating cost exceeded total operating income by \$103,139 in 2019 (before Trust assets depreciation). Consolidated excess income before Trust assets depreciation for 2020 was \$694,304 for Trust operations and a net loss of (\$91,364) for Golden Rain Foundation operations.

In 2020, all of the 2019 consolidated excess income before Trust assets depreciation was transferred to the Mutuals.

**E. 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 market value.

**F. Prepaid Expenses**

Prepaid expenses include insurance premiums paid in advance for future period coverage of \$595,611 and other prepaid expenses.

**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, 2020, project commitments were \$541,926.

**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.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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

***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.

***L. Concentration of Credit Risk***

The Foundation's cash is maintained in two commercial banks. Cash maintained at US Bank consists of demand deposits, certificates of deposit ("CD"), 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 at Morgan Stanley Bank consists of money market and certificates of deposit ("CD") from other financial institutions. Cash in the money market and CDs totals \$5,087,419 which is fully covered by FDIC insurance.

***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, 2020 and 2019.

***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, 2020.

The Foundation recognizes deferred taxes for refundable payments and tax credits that are available to offset future taxable income. As of December 31, 2020, the Foundation has recognized a deferred tax asset of \$13,127 which is grouped with prepaid expenses on the consolidated balance sheet.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

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

**O. Subsequent Events**

Date of Management's Review - Subsequent events have been evaluated through March 23, 2021, the date that these consolidated financial statements were available to be issued.

**(3) Designated Deposits and Investments**

Investments and deposits are recorded on the consolidated balance sheets at December 31, 2020 and 2019 as follows:

	<b>2020</b>	<b>2019</b>
Investments	\$ 79,149	\$ 28,151
Designated deposits and investments	15,325,932	13,704,368
	\$ 15,405,081	\$ 13,732,519

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 at December 31, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</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 40-5528-1.	\$ 1,000,000	\$ 700,000
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 40-5520-1. The Replacement Reserve Fund is funded by contributions collected through monthly assessment and from a percentage of the Membership Fee and Renter Fee (Mutual 17 only) in accordance with Policy 40-5061-2. Additional funding may result through surplus operational funds from the preceding fiscal year in accordance with Policy 40-5528-1 and in accordance with the Civil Code.	11,238,577	10,526,625
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. The Capital Improvement Fund is funded from a percentage of the Membership Fee and Renter Fee (Mutual 17 only) in accordance with Policy 40-5061-2. The Membership or Renter fees are charged one time upon the closing or rental of a unit to allow for access and use of Trust facilities and Foundation activities.	3,087,355	2,477,743
	\$ 15,325,932	\$ 13,704,368

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

**(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, land parcels, utilities, streets, and 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 999,091	\$ 999,091
Infrastructure	17,155,804	16,474,225
Building and improvements	12,637,497	12,439,743
Fixtures and equipment	<u>6,883,307</u>	<u>6,875,859</u>
Subtotal	37,675,699	36,788,918
Less accumulated depreciation	(23,478,895)	(23,355,983)
Construction in progress	<u>1,095,823</u>	<u>581,099</u>
Community Facilities Held in Trust, net	<u>\$ 15,292,627</u>	<u>\$ 14,014,034</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 that 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 compared to all units in the project.

**(5) 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 \$147,483 and \$145,625 in 2020 and 2019, respectively.

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

**A. Commitments**

The Foundation has three operating lease agreements for equipment expiring August 2022, September 2022, and June 2024. Future minimum payments under these non-cancelable leases are as follows:

Year ending December 31,		
2021	\$	61,485
2022		52,916
2023		38,243
2024		19,836
2025		-
	<u>\$</u>	<u>172,480</u>

Rent expense under the operating lease was \$61,611 for the year ended December 31, 2020.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

**(6) Commitments and Other Rental Activity (Continued)**

**B. Other rental activity**

The Foundation, as Trustee, leases the onsite real estate sales office to an unrelated service provider. Rental income is calculated based on a percentage of onsite sales generated by the service provider, with a minimum guaranteed \$10,300 per month. The lease agreement expires on December 31, 2024. Either party can terminate the lease upon 180 days notice without penalty.

The Foundation, as Trustee, rents the health care center to OptumCare. Rental income received from the health care center equals \$55,000 per month. The lease agreement expires on September 30, 2023. Either party can terminate the lease upon 180 days notice without penalty.

The Foundation, as Trustee, rents land or office space to various Foundation clubs and organizations, NuVision Credit Union, Superwire Telecom Inc. and Care Ambulance under separate agreements. The income received from the clubs and organizations, at \$1 per term, was \$10 for the year ending December 31, 2020. The leases expire at various dates, including one multi-year lease expiring July 26, 2021. The income received from NuVision Credit Union was \$18,000 for the same period. The lease agreement expires on November 7, 2022. The income received from Superwire Telecom Inc. was \$1,500 per month plus 5% of the gross revenues collected by Superwire Telecom Inc. from project shareholders. This agreement expires on June 30, 2021. The income received from Care Ambulance was \$36,368 for the year ended 2020. The lease agreement expires on May 31, 2025.

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

Year ending December 31,		
2021	\$	843,643
2022		831,631
2023		651,631
2024		156,631
2025		<u>15,263</u>
	\$	<u>2,498,799</u>

Income received from the rental of community facilities was \$1,414,115 and \$1,349,103 in 2020 and 2019, respectively.

**(7) 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, 2020, receivables from the Mutuals for services and various reimbursed expenses totals \$417,361.

**(8) Contingencies**

The Foundation may be party to various claims and legal proceedings from a range of matters that arise in the normal course of business operations. Management has evaluated all such claims and has determined that these matters would not have a material adverse effect on these consolidated financial statements.

In November 2017, an employee class action wage hour complaint was filed alleging various wage hour violations by the Foundation. As of the release date of these consolidated financial statements, the Foundation estimates a settlement amount of \$550,000 to end, settle, resolve and conclude the class action complaint. The Foundation has accrued for the full legal settlement as of December 31, 2019.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

**(9) Adoption of ASC 606**

The Foundation has adopted ASC 606. The adoption of this standard has not had a significant impact on the Foundation's revenue recognition, operations or beginning equity.

Net billings from Mutuals, which represents fees assessed on a monthly basis to the Mutuals, are fixed and determinable based on the Foundation's operating budget approved by the Foundation's and Mutuals' board of directors. Net billings are earned as the Foundation satisfies its performance obligations by transferring the promised services or deliverables to the Mutuals and their shareholders. A service or deliverable is transferred to the Mutual or its shareholders when, or as, the Mutuals and/or shareholder obtains control of that service or deliverable. In the case of Net billings, the Mutual and/or shareholder obtains control of the Foundation's bundle of services provided on a monthly basis as the Foundation operates and maintains the Foundation and the community facilities. Generally, the Foundation does not have remaining performance obligations related to occupancy income or does not incur costs to obtain or fulfill its contractual obligations with the shareholders.

The Foundation fulfills its obligations under advertising contracts by varying deliverables and over different time spans depending on the express terms of its contracts. Based on management's analysis, the Foundation's past revenue recognition policies were consistent with the Foundation policies effective January 1, 2019 of bifurcating bundled services, determining a fair value for each deliverable, and recognizing revenues as the different deliverables are fulfilled by the Foundation. Typically, the different deliverables relate to providing advertising outlets to its customers across different channels such as print, billboard, display, etc. Advertising revenues are recognized as services are delivered across the channels using the relative fair value of such services over total contract consideration.

The Foundation earns rental revenues pursuant to lease agreements which specify space utilization as the sole obligation of the Foundation. Onsite Sales revenues are earned based on volume of sales generated from an unrelated realtor group, while Health Care Center revenues are fixed. Onsite rental revenues are calculated on a monthly basis and are constrained through the end of that time period as sales could be generated throughout the month. At month end, the amount earned from Onsite Sales is fixed, determinable and collectible, and therefore recognized by the Foundation. Health Care Center revenues are fixed and earned over time and are recognized on a monthly basis.

Maintenance service revenues are recognized as services of maintenance and repairs are provided to either the Mutual owned property or shareholders of Mutuals for services specifically provided to the shareholders. The Foundation recognizes revenues as service orders are completed and there is evidence of order signoff by the service recipient. Warranty costs associated with services provided are negligible.

Based on management's analysis, the Foundation's past revenue recognition policies were consistent with Foundation policies effective January 1, 2019 of recognizing revenue from each stream over time, typically monthly, as services are provided to shareholders pursuant to Foundation obligations. Except as noted for advertising contracts, the Foundation does not have remaining performance obligations related to its revenues as of December 31, 2020 or 2019.

The Foundation typically does not have obligations for returns or refunds, or has negligible obligations associated with warranties. The timing of the Foundation's revenue recognition may differ from the timing of payment by its customers. The Foundation records a receivable when revenue is recognized prior to receipt of fees and the Foundation has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Foundation records prepaid monthly dues revenue until the performance obligations are satisfied.

**Golden Rain Foundation and the Trust**  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

**(10) COVID-19 Impact**

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. There have been mandates from Federal, State, and local authorities requiring forced closures of non-essential businesses and limited person-to-person contact. Management continuously evaluates the impact of this outbreak on their daily operations and their community, noting the services they provide are generally not impacted. Management of the Foundation has taken steps in response to COVID-19 events.

Safety measures have been implemented to reduce the spread of COVID-19. All staff and members of the community have been instructed to practice social distancing and to wear face coverings where people are gathered. Personal protection equipment (PPE) is made available to staff and guests. Staff reporting to work remain in their respective work groups and conduct business with other departments via telephone, email, Zoom and interoffice mail. Business offices have been closed to walk-in visitors except for appointments only to control the number of individuals in the buildings at one time. Guests visiting any office building must wear a face covering and answer favorably to a self-assessment questionnaire relating to their exposure to COVID-19 before admittance. Signs encouraging everyone to wear face coverings, wash hands often and practice social distancing have been placed around the community to bring awareness of the severity of COVID-19. The Foundation staff may not report to work if they experience COVID-19 symptoms or have been exposed to someone who tested positive. the Foundation provides accommodations to staff in the event they are required to work from home. Staff who identify themselves as "at-risk" are given the option to take a leave of absence from work to shelter in place based on the guidelines set forth by the Centers of Disease Control (CDC) and local healthcare authorities. Dedicated custodial staff disinfect daily, touch areas of office buildings and community facilities throughout the day. Office buildings are thoroughly disinfected in the evenings. Custodians are also available on demand, as requested by staff.

All Board, committee and other types of meetings have been held virtually, allowing attendees to participate or observe the meetings in a safe environment. Community amenities have been closed, such as the clubhouses, golf course, fitness center, amphitheater, Mission Park and Veteran's Plaza, with certain intermittent reopenings and closures. All amenities were closed on March 18, 2020. The active outdoor activity of golf was opened under strict public health and safety guidelines from May 25, 2020 through June 26, 2020, then closed on June 27, 2020. Active outdoor amenities of golf, Mission Park (pickleball) and Veterans plaza (outdoor exercise and dance) were opened under strict public health and safety policies as approved by Orange County Health Authority from August 3, 2020 through November 25, 2020, then closed on November 26 2020. Subsequent to year-end, these outdoor active areas were reopened once again on January 27, 2021 per the approved action of the Board. All areas are under strict use restrictions and being monitored for compliance to health and safety policies. The Foundation provides daily communication to its members via LW Live emails and weekly via *LW Weekly* newspaper.

The Foundation is working with OptumCare and the County of Orange to assist in the administration of the COVID-19 vaccination.

Equipment and software subscriptions were purchased to implement video conferencing and virtual meetings. Plexiglass partitions, wash stations, signs, stickers, PPE, disinfectant, hand sanitizer and other materials were purchased to provide safety in the community. Total expenses incurred for these items were \$65,740.

COVID-19 has affected businesses such as consultants, manufacturers, suppliers, and carriers whose services the Foundation relies upon. As a result, the pool renovation project was delayed due to additional efforts in obtaining architectural designs. Additionally, lead times have become longer for replacement appliance orders, thus maintaining replacement stock has been a major challenge.

The Foundation will continue to monitor the fluid situation and make further changes as the need arises.



**Golden Rain Foundation and the Trust**  
 Supplementary Information Regarding Funds for Future Repairs  
 (Unaudited)  
 December 31, 2020

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 Required	Balance Est Beg Bal	Annual Contribution	Per Unit Per Month
Replacement Reserves	1 - 30+	\$ 19,213,750	\$ 9,937,639	\$ 9,311,663	\$ 1,300,000	\$ 16.39

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
12/31/2021	\$ 10,114,199	\$ 9,260,113	91.60%
12/31/2022	\$ 10,754,748	\$ 9,651,466	89.70%
12/31/2023	\$ 9,730,763	\$ 8,428,740	86.60%
12/31/2024	\$ 10,657,412	\$ 9,114,261	85.50%
12/31/2025	\$ 9,939,695	\$ 8,158,062	82.10%

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.

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