Golden Rain Foundation and The Trust
Consolidated Financial Statements and
Supplementary Information
Year Ended December 31, 2022
(With Independent Auditors' Report Thereon)

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GOLDEN RAIN FOUNDATION AND TRUST
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YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Golden Rain Foundation
Seal Beach, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Golden Rain Foundation and the Trust (the Foundation), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of revenues and expenses by segment, changes in membership interest and trust equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis of Opinion

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

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 12 to the financial statements, certain errors regarding classification of assessments as of December 31, 2021 were discovered during the current year. Accordingly, amounts reported for project reserve and emergency reserve as of December 31, 2021 have been restated in the financial statements now presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Rain Foundation and the Trust's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Golden Rain Foundation and the Trust’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Golden Rain Foundation and the Trust’s ability to continue as a going concern for a reasonable period of time.

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

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 consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 18 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Change in Accounting Principle
As discussed in Note 2 of the consolidated financial statements, in 2022, the Company adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Irvine, California
November 22, 2023

Golden Rain Foundation and the Trust
Consolidated Balance Sheet
Year Ended December 31, 2022

Assets		
Current Assets:		
Cash	$	564,975
Money market accounts (Note 3)		8,154
Receivables		1,861,402
Inventory of maintenance supplies		553,349
Prepaid expenses (Note 2)		728,007
Total Current Assets		3,715,887
RESTRICTED DEPOSITS (Note 3)		
Restricted money market accounts and certificates of deposit		7,330,685
Restricted investments		8,698,658
Total Restricted Deposits		16,029,343
Notes Receivable - Membership Fee		42,462
Operating Right of Use Asset		194,152
Community Facilities Held in Trust, net (Note 5)		19,120,549
Total Assets	$	39,102,393

The notes are an integral part of these consolidated financial statements.

Golden Rain Foundation and the Trust
Consolidated Balance Sheet
Year Ended December 31, 2022

Liabilities and Equity	
Liabilities:	
Accounts payable	$ 2,890,599
Accrued expenses	793,820
Unearned income	47,486
Project commitments (Note 2)	827,681
Security deposits collected	95,257
Lease Liability	195,419
Deferred Reserve (Note 4)	14,591,512
Total Liabilities	19,441,774
Equity	
Beneficial Interest in Trust Assets	21,558,676
Total Beneficial Interest in Trust	21,558,676
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
Additional paid in capital	20,107,884
Assets contributed to the Golden Rain Foundation Trust	(15,466,032)
Excess income prior years	600,000
Excess loss before Trust Assets depreciation and amortization	(237,983)
Depreciation and amortization (Note 2)	(8,511,726)
Total Equity	19,660,619
Total Liabilities and Equity	$ 39,102,393

The notes are an integral part of these consolidated financial statements.

Golden Rain Foundation and the Trust
Consolidated Statement of Revenues and Expenses By Segment
Year Ended December 31, 2022

	Operations	Maintenance Services	Management Services	Golden Rain News	All Segments
Revenues:					
Net Billings from Mutuals	$ 11,672,265	$ 1,351,003	$ 44,405	$ 399,502	$ 13,467,175
Advertising Income	-	-	-	647,883	647,883
Rental - Onsite Sales Office	610,575	-	-	-	610,575
Rental - Health Care Center	660,000	-	-	-	660,000
Income From Superwire	83,328	-	-	-	83,328
Other Rental Income	72,593	-	-	-	72,593
Interest Income	105,936	-	-	-	105,936
Interest Income Allocation	(58,974)	-	-	-	(58,974)
SRO Labor Cost Recovery	-	1,297,849	-	-	1,297,849
Materials Recovery	41,363	1,238,838	-	-	1,280,201
Other Income	891,802	-	-	293	892,095
Release from project reserve	3,771,653	-	-	-	3,771,653
Subtotal	17,850,541	3,887,690	44,405	1,047,678	22,830,314
Replacement Reserve Funding	(500,000)	-	-	-	(500,000)
Total Revenues	17,350,541	3,887,690	44,405	1,047,678	22,330,314
Operating Expenses:					
Salaries and Benefits (Note 5)	7,312,542	2,686,542	-	620,367	10,619,451
Materials and Supplies	489,923	81,321	-	126,690	697,934
COVID -19 Expenses	144	-	-	-	144
Utilities and Trash Hauling	698,417	20,793	-	6,354	725,564
Insurance Premiums	677,368	-	-	17,611	694,979
Professional Services	584,066	-	-	10,708	594,774
Contract Services	145,969	1,729	-	116,455	264,153
Maintenance	2,177,476	36,811	44,405	16,982	2,275,674
Building and Land Maintenance	3,771,653	-	-	-	3,771,653
Building and Land Maintenance from Excess Income	300,000	-	-	-	300,000
Recreation - Entertainment	187,786	-	-	-	187,786
Permits and Licenses	31,551	178	-	-	31,729
Miscellaneous	1,646,247	48,359	-	818	1,695,424
Materials Pass Through Expenses	40,309	1,187,244	-	-	1,227,553
Total Expenses	18,063,451	4,062,977	44,405	915,985	23,086,818
Excess Income (Loss) before Trust Assets Depreciation	(712,910)	(175,287)	-	131,693	(756,504)
Depreciation of Assets held in Trust	(1,214,871)	(20,274)	-	(2,794)	(1,237,939)
Net Income (Loss)	$ (1,927,781)	$ (195,561)	$ -	$ 128,899	$ (1,994,443)

The notes are an integral part of these consolidated financial statements.

Golden Rain Foundation and the Trust
Consolidated Statements of
Consolidated Statement of Changes in Membership Interest and Trust Equity
Year Ended December 31, 2022

	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, 2022, as restated	$ 1,609,800	$ 20,107,884	$ (15,466,032)	$ 17,857,696	$ 1,118,521	$ (7,273,787)	$ 17,954,082
Trust Asset Additions	-	-	-	3,700,980	-	-	3,700,980
Excess Direct Operating Expenses over Income and Transfers	-	-	-	-	(756,504)	-	(756,504)
Depreciation and Amortization	-	-	-	-	-	(1,237,939)	(1,237,939)
Balance at December 31, 2022	$ 1,609,800	$ 20,107,884	$ (15,466,032)	$ 21,558,676	$ 362,017	$ (8,511,726)	$ 19,660,619

The notes are an integral part of these consolidated financial statements.

Golden Rain Foundation and The Trust
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

		2022
Cash flows from operating activities:		
Net Income (Loss)	$	(1,994,443)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Funding of replacement reserves		3,438,038
Building and land maintenance paid from reserve funds		(3,771,653)
Beneficial interest in trust assets increase		3,700,980
Depreciation and amortization		1,237,939
Loss on sale of fixed assets		4,470
Noncash lease expense		1,267
(Increase) decrease in receivables		(1,285,730)
(Increase) decrease in inventory of maintenance supplies		(104,307)
(Increase) decrease in prepaid expenses		(22,696)
(Increase) decrease in notes receivable		33,542
Increase (decrease) increase in accounts payable		2,355,126
Increase (decrease) in accrued expenses		188,973
Increase (decrease) increase in unearned income		10,990
Increase (decrease) in project commitment reserve		(136,135)
Increase (decrease) in security deposits collected		42,161
Net cash provided by (used in) operating activities		3,698,522
Cash flows from investing activities:		
Purchase of investments		(327,739)
Proceeds from the sale of fixed assets		2,190
Acquisition of fixed assets, excluding construction in progress		(3,538,572)
Construction in progress for community facilities		(241,035)
Net cash (used in) investing activities		(4,105,156)
Decrease in cash and cash equivalents and restricted cash		(406,634)
Cash and cash equivalents and restricted cash at beginning of year		8,310,448
Cash and cash equivalents and restricted cash at end of year	$	7,903,814

The notes are an integral part of these consolidated financial statements.

(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 (collectively 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 ("FASB").

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. 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.
- 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.
- The release from project reserve represents the satisfaction of performance obligations for replacement fund assessments. Performance obligations are satisfied when the funds are expended for their intended purposes, at which time, revenue is recognized by the Foundation.
- 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. Effective January 1, 2022, rental revenue is accounted for under ASC 842, *Leases* .

(2) Summary of Significant Accounting Policies (Continued)

C. Revenue Recognition (Continued)

- 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. Notes receivable for membership fees at December 31, 2022 and 2021, were $42,462 and $76,004, respectively. Other accounts receivable at December 31, 2022 and 2021, were $590,908 and $247,159, respectively.

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 expenses exceeded total operating income by $756,504 in 2022 (before Trust assets depreciation).Consolidated excess loss before Trust assets depreciation for 2022 was $712,910 for Trust operations and a net loss of $43,594 for Golden Rain Foundation operations.

In 2022, $218,521 and $300,000 of the 2021 consolidated excess income before Trust assets depreciation and amortization were transferred to the Mutuals & the Foundation's Replacement Reserve Fund, respectively.

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 $656,266 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 50 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, 2022, project commitments were $827,681.

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 sheet as Restricted Deposits.

(2) Summary of Significant Accounting Policies (Continued)

J. Consolidated Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash, demand and savings deposits in banks, money market accounts, and securities and certificates of deposit maturing within 90 days of the original purchase date. Amounts reported as investments 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") with maturities of three months or less, 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 demand deposits, CD's with maturities of three months or less, and money market accounts at various institutions. Cash in these accounts totals $5,122,045 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 year ended December 31, 2022.

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 740-10, *Accounting for Uncertainty in Income Taxes* . FASB ASC 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 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, 2022.

The Foundation recognizes deferred taxes for refundable payments and tax credits that are available to offset future taxable income. As of December 31, 2022, the Foundation has recognized a deferred tax asset of $10,000 which is grouped with prepaid expenses on the consolidated balance sheet.

(2) Summary of Significant Accounting Policies (Continued)

O. Accounting Pronouncements - Adopted

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASC 842"). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available.

The Foundation has elected to adopt the package of practical expedients available in the year of adoption. This adoption allows the Foundation to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Foundation has also elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Foundation’s ROU assets.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, a lease liability of $86,072, which represents the present value of the remaining operating lease payments of approximately $86,904, discounted using the risk-free rate of 0.78% and a ROU asset of $86,072 which represents the operating lease liability.

The standard had a material impact on the consolidated balance sheet but did not have an impact on the consolidated statements of income or cash flows. The most significant impact was the recognition of ROU asset and lease liability for operating leases on the consolidated balance sheet while the Foundation’s accounting for its finance leases remained substantially unchanged.

(2) Summary of Significant Accounting Policies (Continued)

P. Leases

The Foundation leases its facilities under noncancelable leases arrangements. The Foundation determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if the Foundation has obtained substantially all of the rights to the underlying asset through exclusivity, if the Foundation can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Operating leases are included in operating lease ROU assets and operating lease liabilities on the accompanying consolidated balance sheet. ROU assets represent the Foundation’s right to use an underlying asset for the lease term and lease liabilities represent the Foundation’s obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. For leases that do not provide an implicit rate, the Foundation has elected to use a risk-free discount rate of a period comparable with that of the lease term for computing the present value of lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the accompanying balance sheet.

The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component. The Foundation’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. Additionally, the individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Foundation has elected to use the risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liabilities.

Q. Subsequent Events

Date of Management's Review - Subsequent events have been evaluated through November 22, 2023, the date that these consolidated financial statements were available to be issued.

(3) Cash and Cash Equivalents, Restricted Cash, and Investments

Cash and cash equivalents and restricted cash at December 31, 2022, are as follows:

Cash	$	564,975
Money market accounts - cash equivalents		8,154
Restricted money market accounts - cash equivalents		7,330,685
	$	7,903,814

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

(3) Cash and Cash Equivalents, Restricted Cash, and Investments (Continued)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments are comprised of certificates of deposits with maturities greater than three months. Investments in certificates of deposit are valued based on fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit worthiness of the issuer. Certificates of deposits are measured using level 2 inputs within the fair value hierarchy.

A summary of investments at December 31, 2022 follows:

Investments	$	8,154
Restricted investments		8,698,658
	$	8,706,812

The Foundation restricts a portion of monthly assessments to finance reserves set aside and report as restricted funds on the accompanying consolidated balance sheet. Disbursements from these funds may be made only in accordance with the purpose established. Interest income earned on these funds was generally retained within the respected funds in 2022. Additions to the funds are determined each year as outlined in the annual budget approved by the Board.

Contingency Operating Fund - Reserved 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
Replacement Reserve Fund - Reserved 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.		11,666,942
Capital Improvement Fund - Reserved 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.		3,362,401
	$	16,029,343

(4) Deferred Reserve

The Foundation recognizes revenue from members as the related performance obligations are satisfied. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purposes. A contract liability in the form of a deferred reserve is recorded when the Foundation has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. Deferred reserve for the year ended December 31, 2022 is as follows:

Deferred reserve - beginning of year - as restated	$	14,925,127
Collection of reserve		3,376,327
Fund Earnings (net of taxes)		61,711
Repair and maintenance expenditures		(3,771,653)
Deferred reserve - end of year	$	14,591,512

(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, 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, 2022 are as follows:

Land	$	999,091
Infrastructure		18,556,332
Building and improvements		15,068,073
Fixtures and equipment		7,501,429
Subtotal		42,124,925
Less accumulated depreciation		(25,550,792)
Construction in progress		2,546,416
Community Facilities Held in Trust, net	$	19,120,549

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.

(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 $160,324 in 2022.

(7) Commitments and Other Rental Activities

A. Other rental activities

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, leases 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, leases 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 $12 for the year ended December 31, 2022. The leases expire at various dates, including two multi-year leases expiring December 31, 2024 and April 30, 2025. The income received from NuVision Credit Union was $19,000 for the same period. The lease agreement expires on November 7, 2027. 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 December 31, 2022. The income received from Care Ambulance was $36,631 for the year ended 2022. The lease agreement expires on May 31, 2025.

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

Year ending December 31,		
2023	$	680,331
2024		182,041
2025		41,944
2026		28,015
	$	932,331

Income received from the rental of community facilities was $1,518,660 in 2022.

(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, 2022 and 2021, receivables from the Mutuals for services and various reimbursed expenses totaled $1,270,494 and $328,513. respectively.

(9) 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.

(10) Income Taxes

The Foundation's effective income tax rate differs from the statutory federal income tax rate due to IRC Subchapter T adjustments and state income taxes, net of federal tax benefit. Subchapter T prohibits the use of losses generated from tenant activities against income from non-tenant activities. The Foundation's non-tenant activities for 2022 generated no taxable income.

At December 31, 2022, there were no temporary differences that gave rise to significant portions of deferred tax assets and deferred tax liabilities.

(11) Leases - ASC 842

The Company leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments defined by the lease agreement, subject to certain minimum increases. Additionally, the agreements generally require the Company to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Foundation's leases:

Lease Cost:		
Operating lease cost:	$	37,441
Total lease cost:	$	37,441
Other Information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	36,174
Right-of-Use assets obtained in exchange for new operating lease liabilities	$	230,580
Weighted-average remaining lease term - operating leases		4.0 years
Weighted-average discount rate - operating leases		3.39%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

Year ending December 31,		
2023	$	67,317
2024		50,388
2025		32,147
2026		32,147
2027		29,469
Total Lease Payments		211,468
Less: Interest		(16,049)
Present Value of Lease Liabiltiies	$	195,419

(12) Prior Period Adjustment

ASC 606, *Revenue from Contracts with Customers* , requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or 'services, and the deferral of incremental costs of obtaining a contract with a customers.

The following are the line items from the consolidated balance sheet and the consolidated statement of changes in membership interest and trust equityfor the year ended December 31, 2021, that were affected, and restated:

	As Originally Reported	Prior Period Adjustment	As Restated
Consolidated Balance Sheet			
Deferred Reserve	$ -	$ 14,925,127	$ 14,925,127
Consolidated Statement of Changes in Membership Interest and Trust Equity			
Total Mutuals' Beneficial Interest In Trust Assets	$ 32,782,823	$ (14,925,127)	$ 17,857,696

Golden Rain Foundation and the Trust
Supplementary Information Regarding Funds for Future Repairs
(Unaudited)
December 31, 2022

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+	$ 23,215,900	$ 11,583,475	$ 12,888,547	$ 500,000	$ 6.31

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
12/31/2023	$ 11,888,722	$ 9,224,775	77.60%
12/31/2024	$ 11,587,237	$ 7,575,735	65.40%
12/31/2025	$ 11,330,189	$ 5,988,078	52.90%
12/31/2026	$ 9,633,215	$ 3,274,947	34.00%
12/31/2027	$ 11,170,013	$ 3,828,018	34.30%

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.