

A G E N D A

AUDIT COMMITTEE

REGULAR MEETING
FRIDAY, DECEMBER 06, 2019, AT 10:00 AM
GATEWAY BOARD ROOM

- 1) MEETING CALLED TO ORDER: Dwight Walker, Chair
- 2) ROLL CALL: Dwight Walker, John Kikuchi, Merek Lipson, Mary Neff (nonvoting), Barbara Rothway, Kathleen Stumpfel, and Christopher Yahng

INTRODUCTIONS: Tim O’Keefe, CEO; Rick Chakoff, CFO; and Bob Kelso, GRF Board President
- 3) APPROVAL OF REPORT:
 - Regular Meeting--October 04, 2019
- 4) RESIDENTS’ FORUM

The Audit Committee will follow Rossmoor custom and limit comments to 3 minutes.
- 5) ANNOUNCEMENTS
 - Thank you to John Kikuchi for attending the GRF Board Meeting and Policy Committee meeting on behalf of the Committee.
 - Next meeting scheduled for Monday, January 6, 2020, at 10:00 a.m. in **Gateway Board Room**
- 6) NEW BUSINESS
 - a) Audit Planning with Shea Labagh Dobberstein
 - i) BDO Best Practices “Audit Planning Meeting” (Attached)
 - ii) Presentation by SLD
 - b) Consideration of appointing a Committee Secretary
- 7) UNFINISHED BUSINESS
 - a) Code of Conduct DRAFT—John Kikuchi update on review by Policy Committee
 - b) Enterprise Risk Management
 - i) Rick Chakoff update on report to Board
 - ii) IIA “Top Risks for 2020 and Beyond” (Attached)
 - c) MTF Task Force—Tim O’Keefe
Background: CEO Tim O’Keefe, CFO Rick Chakoff, MOD Director Paul Donner and Business Manager Chris Preminger met with MTF Task Force members Bob Kelso, Mary Neff and Dwight Walker on October 4, 2019, to discuss a new concept to consider charging a Membership Fee to new co-occupants. The group generally agreed to move forward with the concept.

Following the meeting, the CEO had two discussions with General Counsel Tony Grafals on the concept. He did not agree with the concept per se and indicated that the Bylaws prohibit a second class of membership, but he did agree that there might be a way to change the characterization of the fee relating to registering the co-occupant.

The Task Force disagrees with his characterization of this as a second class of membership and agreed to schedule a follow up discussion with him in December.

- d) Audit Committee Goals for Upcoming Year
 - i) Review DRAFT Summary from last meeting (Attachment)
 - ii) Prioritize, assign, as appropriate, and establish a timeline for goals for the Committee.
- 8) ADJOURNMENT
- 9) EXECUTIVE SESSION—if necessary, for legal issues or contracts.

cc: GRF Board

AUDIT COMMITTEE REPORT
REGULAR MEETING
FRIDAY, OCTOBER 4, 2019, AT 1:00 P.M.

A regular meeting of the Audit Committee was convened by the Chair, Dwight Walker, at 1:00 p.m. on Friday, October 4, 2019, in the Board Room at Gateway.

Members present were Dwight Walker, Chair; John Kikuchi, Vice Chair; Merek Lipson, Mary Neff, and Chris Yahng. Barbara Rothway and Kathleen Stumpfel were excused.

Also attending were Tim O’Keefe, CEO; Rick Chakoff, CFO; Amanda Davis, Accounting Manager; Steve Martinez, Senior Manager Human Resources; Maria Melo, BPM and Jenise Gaskin, BPM Partner (via conference call).

1. APPROVAL OF REPORT: The report of the Committee’s regular meeting of September 9, 2019, was approved as written.
2. SIMBLI USE BY AUDIT COMMITTEE—The Chair reported that in order to accommodate training schedules, SIMBLI won’t be in use by the Committee until January 2020.
3. RESIDENTS’ FORUM—None.
4. GRF WHISTLEBLOWER POLICY Steve Martinez reported that the Employee Handbook has been updated in the English language to be consistent with the GRF Whistleblower Policy, along with other items. It is currently being translated into Spanish, and once completed, will be available to all employees. Steve was excused from the remainder of the meeting.
5. REVIEW OF 401K AND PENSION PLAN FINANCIAL STATEMENTS
 - a. 401K financial statements were presented by Maria Melo and Jenise Gaskin of BPM.

A motion was made by Mr. Lipson, seconded by Mr. Kikuchi, and CARRIED UNANIMOUSLY to accept the statements as presented.

- b. Pension plan financial statements were presented by Maria Melo and Jenise Gaskin of BPM. It was noted that, as in the past, BPM does not provide an audit opinion because the custodian, Massachusetts Mutual Life Insurance Company, certifies the investment information. There was a discussion about Massachusetts Mutual internal audit procedures and assurances from them that the plan is operating in accordance with regulatory requirements.

A motion was made by Mr. Yahng, seconded by Mr. Lipson, and CARRIED UNANIMOUSLY to accept the statements, as presented.

6. **CODE OF CONDUCT**—John Kikuchi reported that the Task Force worked with Tim O’Keefe and legal counsel to address legal concerns.

A motion made by Mr. Lipson, seconded by Mr. Kikuchi, and CARRIED UNANIMOUSLY to accept the draft of the updated Policy as presented by the Task Force (attached); and the draft Policy to be forwarded to the GRF Policy Committee for its review.

7. **MEMBER TRANSFER FEE TASK FORCE**—Tim O’Keefe reported that the Task Force met this morning to review a policy revision draft before it is forwarded to legal counsel for review. The Task Force endorsed the draft for legal review as a part of a multi-pronged effort to ensure that all membership fees are collected.
8. **ENTERPRISE RISK MANAGEMENT (ERM)**—Tim O’Keefe reported that the GRF Board will dedicate a part of its November 15 retreat to identify risks/opportunities to the organization. Management will then develop plans, as appropriate, to address those issues and report to the Board at a later date.
9. **AUDIT COMMITTEE SELF ASSESSMENT**—The Chair presented updated charts and graphs of Committee and management feedback from the self-assessment questionnaire. A vigorous discussion about the meaning of the feedback for the Committee resulted in the (attached) draft summary of priorities and questionnaire customization for the future. This will be reviewed at the next regular Committee meeting in December.
10. **ADJOURNMENT**
There being no further business to come before the Committee, the meeting was adjourned at 2:50 p.m.
11. **NEXT MEETING:**
The next regular meeting of the Audit Committee will be coordinated by Rick Chakoff with SLD, the new auditors. A tentative date of Friday, December 6 was identified.

Dwight Walker, Chair
Audit Committee

Subject: Code of Conduct and Ethics

Purpose: To Establish a Code of Conduct for Directors and Committee Members

Background:

Board and committee members are expected to adhere to standards of conduct which serve the best interests of Golden Rain Foundation (“GRF”) and are consistent with the exercise of the duties of care and loyalty, which require the following:

- Directors and committee members shall perform their duties in good faith, in a manner they believe to be in the best interests of GRF, and with appropriate care, including reasonable inquiry, under the circumstances.
- In relying on the opinions or reports of others, directors and committee members must act in good faith and conduct reasonable inquiry when the need for such inquiry is indicated by the circumstances.
- Before making any decision, directors and committee members should request and obtain all necessary background information and reports to promote informed decisions. They should use their own judgment in voting, and not simply follow the lead of others, or adopt the recommendations of management or staff.

The Mutuals and the members of GRF are entitled to fair, ethical, and accountable GRF leadership. Effective governance requires that members of the GRF’s Board and committee members:

- Comply with both the letter and the spirit of the rules and policies affecting the operations of GRF;
- Be independent, impartial, and fair in their judgments and actions;
- Use their positions for the good of GRF and not for personal gain; and
- Conduct meetings and deliberations openly, unless legally confidential, in an atmosphere of respect and civility.

The Board therefore adopts the following Code of Conduct for its members and for members of all committees, whether Board, advisory, standing, or ad hoc, to assure community confidence in the integrity of GRF and its effective and fair operation.

Policy:

All Board and committee members are expected to:

- Perform their duties in accordance with the established processes and rules of order;
- Respect and support majority decisions of the Board and/or their respective committees;
- Refrain from using Board or committee service for their own personal advantage or for the advantage of their family, friends, and/or associates;
- Keep confidential, all GRF confidential information;
- Disclose immediately to the Board, any perceived or real conflict of interest as soon as they have knowledge of the potential conflict, in accordance with Policy 201.2;
- Approach all issues with an open mind, prepared to make the best decision for GRF;
- Refuse cash, gifts, favors, or promises of future benefits offered in connection with Board or committee service, which might compromise independence of judgment or action or give the appearance of such a compromise;
- Refrain from using for private gain or personal benefit, GRF resources unavailable to the community in general such as staff time, equipment, supplies, or facilities;
- Support the maintenance of a positive and constructive work environment for GRF employees and for residents and businesses dealing with GRF;
- Refrain from abusive conduct and personal attacks upon the character or motives of other Board/committee members, the staff, or the community;
- Make every effort to attend all regular, special, and executive Board meetings and/or committee meetings;
- Prepare appropriately before all meetings, listen courteously and attentively during all meetings, and focus on the business before the Board/committee;

Policy 201.5

- Refrain from interrupting other speakers, making personal comments, or otherwise interfering with the orderly conduct of meetings;
- Comply with all applicable laws in the performance of their duties, including but not limited to the United States and California Constitutions, Codes and regulations, and any applicable local ordinances;
- Exercise authority only as a Board/committee member when acting at a Board or Committee meeting, or as delegated by the Board/committee or Board President;
- Refrain from retaliation, harassment or adverse consequences against persons making good faith allegations of wrongdoing;
- Refrain from using social media to harass, threaten, disparage, or discriminate against any individual.
- Do not use Social media to share any GRF confidential, privileged, or copyrighted information or documents; and
- Provide a harassment, and discrimination free environment for everyone, regardless of gender, sexual orientation, disability, race, age, religion, physical appearance, or other legally protected status.

While conducting GRF business or affairs, sexual harassment is strictly prohibited. Such conduct includes but is not limited to the following behaviors:

- Unwelcomed physical contact of a sexual nature such as patting, pinching, or unnecessary touching;
- Overt or implied threats against an individual to induce him or her to perform sexual favors or engage in unwelcomed sexual relationships;
- Verbal harassment or abuse of a sexual nature, including intimating suggestions, making jokes or remarks of a sexual nature to, or in the presence of, an individual who finds them offensive;
- Use of sexually suggestive terms or gestures to describe an individual's body, clothing, or sexual activities; and
- Displaying, printing, or transmitting offensive sexually suggestive pictures or materials.

Enforcement:

The GRF Code of Conduct expresses standards of ethical conduct expected for members of the Board and GRF committees. Each Board and committee member shall receive a copy of this Code of Conduct annually and will be expected to abide by it.

Board and committee members are primarily responsible for assuring that ethical standards are understood and met, and that the community can continue to have full confidence in the integrity of GRF leadership.

Chairs of committees and the Board President are additionally responsible for intervening when actions of members are brought to their attention that appear to be in violation of the Code of Conduct.

If any member of the Board or any member of any GRF committee has reason to believe that a violation of the Code of Conduct that would adversely affect the best interests of GRF has occurred, he/she shall inform the accused Board/committee member of the basis for such belief at a meeting of the Board and/or committee and afford the accused Board/committee member an opportunity to respond to the allegation. Where warranted by the allegations, a hearing shall take place with the Board of Directors in executive session. A decision as to whether executive session is appropriate, shall be made in consultation with the Chief Executive Officer and if necessary, counsel.

After hearing the accused Board/committee member's response and after making further investigation as warranted by the circumstances, if a majority of the Directors/committee members determine that the accused has committed a serious violation of the Code of Conduct, the Board/committee shall take appropriate disciplinary and corrective action. In the case of a violation by a committee member such appropriate corrective action shall be limited to referring the matter for consideration by the Board.

The Board may impose sanctions on Board/committee members when their conduct does not comply with the Board's Code of Conduct, such as a reprimand, censure, loss of committee assignment or loss of Board Office.

A violation of this Code of Conduct will not be considered a basis for challenging the validity of a Board or committee decision.

Authority: Policy

4/29/10

To: Audit Committee Members
Rick Chakoff

From: Dwight Walker

Date: October 4, 2019

Re: **DRAFT** of Summary of Self-Assessment Exercise

This memo is an attempt to capture the vigorous discussion that we had today regarding the results of the Self-Assessment for the Audit Committee in which all members of the committee participated, as well as, Tim O'Keefe and Rick Chakoff. There are two areas I hope the following summarizes for the committee's review at its next meeting:

1. Priorities for the upcoming year and
2. Customization of the questionnaire for future self-assessments.

I also think it's important to state up front that there were several goals achieved over the past year based on Audit Committee best practices and a cursory review of the self-assessment questionnaire a year ago. The committee should be proud of some very important accomplishments over the past year that were tackled with the full support of management:

- Updated committee charter clarifying its role with the Board and Management
- Whistleblower policy for GRF
- Code of Conduct policy update (in process)
- New auditors with a fresh perspective

Priorities for the committee resulting from the self-assessment for the upcoming year include:

1. Committee members need to have a good understanding of the internal controls of the organization.
 - a. Annual review of risk assessments developed by management and the auditors.
 - b. Assessment of the effectiveness of internal controls to minimize risks.
 - c. Awareness of fraud risk factors and any potential for management override of internal controls.
2. Work with auditors, SLD, to assist members to stay current on accounting and reporting matters.
3. Receive annual assurances from management of continued communication of core values and code of conduct within the organization.
4. Receive quarterly review of internal financial statements from financial management team.
5. Provide an annual assessment of the committee's activities to the Board.

The following is a list of self-assessment questionnaire items that need to be customized for the future (item number is associated with the order of questions on the BDO questionnaire:

7. Background checks on committee members achieved through interview process

10. Full Committee and not just Chair have the ability to hold independent meetings with management and auditors
19. Able to effect change/preventative measures by recommendations to the board.
36. Experts/advisers engaged as needed by recommendations to the board
41. Succession plan for financial management is the responsibility of the CEO and not the Audit Committee
57. Status of litigation and compliance matters are limited to the Audit Committee based on a review of the legal representation letter during the audit.
60. Authority/resources to retain auditors by recommendations to the board.

► MODEL AUDIT COMMITTEE MEETING AGENDAS

The following Model Audit Committee Meeting Agendas suggest the timing, objectives, specific actions to be performed, and communications to be made to the board for certain audit committee meetings. The agendas were prepared assuming a two- or three-meeting schedule, and are not intended to be all-inclusive. Rather, meetings should reflect the organization's specific circumstances and the audit committee's particular concerns. Meetings typically begin with a discussion of matters of mutual interest among the audit committee, management, and external and internal auditors, if applicable. The audit committee may then meet privately with each to candidly discuss sensitive or confidential matters. It may also be appropriate for organization counsel and/or outside counsel to attend certain meetings. Material to be discussed at meetings should be clearly prepared and sent to the committee members in sufficient time for them to digest it, so the actual meeting time can be used most productively. While the audit committee's activities should be carefully planned, its operating structure should not be immutable. Even if the organization's business has not changed recently, the audit committee should re-examine its duties and performance level over the last year. This regular self-assessment and review of the audit committee charter¹ should be built into the meeting calendar.

AUDIT PLANNING MEETING

Timing

Several weeks or months before the start of the audit.

Meeting Objectives

To review the external auditors' audit plan and anticipated non-audit services, and the scope and activities of the internal auditors for the past year. Consider the following:

Risks and Internal Controls

- Operational business and financial risks identified by management and the auditors
- Management overview
- Industry conditions
- External auditors' most recent management letter
- Problem areas noted in prior year's audit
- Sensitive matters
- Internal auditors' reports

Audit Scope in Light of Current Business Circumstances

- Accounting and auditing developments
- Significant changes in the organization's activities
- Changes in accounting policies
- Audit timing
- Locations to be examined
- Personnel being assigned to the audit
- Assistance to be provided by the internal auditors
- Involvement of other auditors
- Planned reliance on internal accounting controls (including computer security programs) to be used in conjunction with the integrated audit
- Use of computer assisted auditing techniques
- Areas for special procedures (i.e., senior staff and volunteer travel and expense reports)
- Review for fraud or other improprieties
- Rotation of audit procedures
- Estimated audit fees
- Proposed non-audit services
- Comparison of operating results with prior year

¹ Refer to the BDO Audit Committee Self-Assessment and Illustrative Audit Committee Charter practice aids.

▶ **MODEL AUDIT COMMITTEE MEETING AGENDAS** continued**AUDIT PLANNING MEETING****Action**

Approve external auditors' audit plan, the scope of the internal audit plan and non-audit services.

Report to Board

Discuss any issues carried over from the prior year; describe scope and timing of the audit which includes internal control over financial reporting; highlight all significant matters affecting the financial statements; describe non-audit services to be provided by the external auditors; and conclude whether such services could impair independence.

POST-AUDIT MEETING**Timing**

At completion of the audit and receipt of draft financial reports and the external auditors' management letter.

Meeting Objectives

To review the audit findings, the drafts of the financial statements and, if applicable, the management letter. To review the year's work and recommended improvements in internal controls not otherwise communicated; approve internal audit plan for coming year; and recommend external auditors for the coming year.

Review of Audit

- Deviations from audit plan
- Accounting, auditing and tax developments
- Difficulties or delays
- Auditors' judgment about the quality of the accounting policies and financial disclosure practices
- Significant matters and discoveries
- Restrictions encountered
- Unresolved matters
- Disagreements with management
- Significant audit adjustments and those waived because of immateriality
- Significant deficiencies and material weaknesses identified
- Independence issues

Review of Preliminary Draft of Financial Statements

- The auditors' responsibility under generally accepted auditing standards
- Management's significant judgments and accounting estimates
- Significant audit adjustments made or waived
- Consistency of other information in documents containing the audited financial statements
- Timing of release
- Completeness and transparency of disclosures, including risks and uncertainties
- Consistency of annual report text with financial statements
- Wording of auditors' report – qualifications or modifications
- Management's assessment of internal controls and suggested changes
- External auditors' management letter recommendations
- Internal auditors' recommendations and audit plan for next year
- Review of Form 990 (if responsibility of the audit committee)

TOP RISKS FOR 2020 AND BEYOND

The 11 risks below were carefully selected from a vast assortment that are likely to affect organizations in 2020 and were vetted through in-depth interviews with board members, executive management, and CAEs.

CYBERSECURITY: The growing sophistication and variety of cyberattacks continue to wreak havoc on organizations' brands and reputations, often resulting in disastrous financial impacts. This risk examines whether organizations are sufficiently prepared to manage cyber threats that could cause disruption and reputational harm.

DATA PROTECTION: Beyond regulatory compliance, data privacy concerns are growing as investors and the general public demand greater control and increased security over personal data. This risk examines how organizations protect sensitive data in their care.

REGULATORY CHANGE: A variety of regulatory issues, from tariffs to new data privacy laws, drive interest in this risk. This risk examines the challenges organizations face in a dynamic and sometimes volatile regulatory environment.

BUSINESS CONTINUITY/CRISIS RESPONSE: Organizations face significant existential challenges, from cyber breaches and natural disasters to reputational scandals and succession planning. This risk examines organizations' abilities to prepare, react, respond, and recover.

DATA AND NEW TECHNOLOGY: Organizations face significant disruption driven by the accelerating pace of technology and the growing ease of mass data collection. Consider traditional versus born-digital business models. This risk examines organizations' abilities to leverage data and new technology to thrive in the fourth industrial revolution.

THIRD PARTY: Increasing reliance on third parties for services, especially around IT, demands greater oversight and improved processes. This risk examines organizations' abilities to select and monitor third-party contracts.

TALENT MANAGEMENT: Historically low unemployment, a growing gig economy, and the continuing impact of digitalization are redefining how work gets done. This risk examines challenges organizations face in identifying, acquiring, and retaining the right talent to achieve their objectives.

CULTURE: "The way things get done around here" has been at the core of a number of corporate scandals. This risk examines whether organizations understand, monitor, and manage the tone, incentives, and actions that drive behavior.

BOARD INFORMATION: As regulators, investors, and the public demand stronger board oversight, boards place greater reliance on the information they are provided for decision-making. This risk examines whether boards are receiving complete, timely, transparent, accurate, and relevant information.

DATA ETHICS: Sophistication of the collection, analysis, and use of data is expanding exponentially, complicated by artificial intelligence. This risk examines organizational conduct and the potential associated reputational and financial damages for failure to establish proper data governance.

SUSTAINABILITY: The growth of environmental, social, and governance (ESG) awareness increasingly influences organizational decision-making. This risk examines organizations' abilities to establish strategies to address long-term sustainability issues.