

GOLDEN RAIN FOUNDATION

**COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

December 31, 2014 and 2013

GOLDEN RAIN FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Golden Rain Foundation and Trust Estate
Walnut Creek, California

We have audited the accompanying combined financial statements of the Golden Rain Foundation and Trust Estate, which comprise the combined balance sheets as of December 31, 2014 and 2013, and the related combined statements of revenues, fees and expenses, changes in net assets, comprehensive (loss) income and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Golden Rain Foundation and Trust Estate as of December 31, 2014 and 2013, 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.

Burr Pilger Mayer, chrc.

E. Palo Alto, California
April 6, 2015

GOLDEN RAIN FOUNDATION

COMBINED BALANCE SHEETS

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 3,355,824	\$ 2,161,299
Accounts receivable, net	510,979	461,799
Deferred rent receivable	380,141	395,565
Inventories	517,437	543,329
Notes receivable	292,846	261,587
Property and equipment, net	49,734,696	51,761,674
Other assets, net	<u>292,561</u>	<u>141,209</u>
Total assets	<u>\$ 55,084,484</u>	<u>\$ 55,726,462</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,030,946	\$ 2,712,447
Accrued payroll and benefits	1,593,622	1,475,563
Bank loans	14,851,179	14,221,865
Pension liability	<u>9,962,618</u>	<u>6,227,160</u>
Total liabilities	<u>27,438,365</u>	<u>24,637,035</u>
Net assets for the benefit of Walnut Creek Mutual Entities:		
Contributed capital	4,718,899	4,718,899
Accumulated equity	35,647,762	35,355,612
Accumulated other comprehensive loss	<u>(12,720,542)</u>	<u>(8,985,084)</u>
Total net assets	<u>27,646,119</u>	<u>31,089,427</u>
Total liabilities and net assets	<u>\$ 55,084,484</u>	<u>\$ 55,726,462</u>

The accompanying notes are an integral
part of these combined financial statements.

GOLDEN RAIN FOUNDATION
COMBINED STATEMENTS OF REVENUES, FEES AND EXPENSES

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues from Walnut Creek Mutual Entities	<u>\$ 28,055,539</u>	<u>\$ 27,276,197</u>
Membership transfer fees	<u>3,437,000</u>	<u>3,801,000</u>
Other revenues:		
Services - community facilities	2,416,922	2,387,585
Newspaper	965,113	882,963
Medical center lease revenue	581,131	581,131
Noncommunity facilities services	439,308	362,148
Financial income	16,894	16,923
Other income	<u>83,223</u>	<u>106,503</u>
Total other revenues	<u>4,502,591</u>	<u>4,337,253</u>
Total revenues and fees	<u>35,995,130</u>	<u>35,414,450</u>
Expenses:		
Employee compensation	19,591,114	18,844,490
Operations and maintenance	10,473,156	11,380,862
Administrative	1,873,544	1,644,686
Interest	544,455	343,044
Other	177,173	56,067
Depreciation and amortization	<u>3,043,538</u>	<u>2,667,523</u>
Total expenses	<u>35,702,980</u>	<u>34,936,672</u>
Revenues and fees over expenses	<u><u>\$ 292,150</u></u>	<u><u>\$ 477,778</u></u>

The accompanying notes are an integral
part of these combined financial statements.

GOLDEN RAIN FOUNDATION
COMBINED STATEMENTS OF CHANGES IN NET ASSETS
For the years ended December 31, 2014 and 2013

	Contributed Capital	Accumulated Equity	Accumulated Other Comprehensive Loss	Total
Net assets, December 31, 2012	\$ 4,718,899	\$ 35,027,834	\$ (19,103,601)	\$ 20,643,132
Mutual distribution	-	(150,000)	-	(150,000)
Comprehensive income:				
Revenues and fees over expenses	-	477,778	-	477,778
Adjustment to pension benefit obligation	-	-	10,118,517	10,118,517
Net assets, December 31, 2013	4,718,899	35,355,612	(8,985,084)	31,089,427
Comprehensive income:				
Revenues and fees over expenses	-	292,150	-	292,150
Adjustment to pension benefit obligation	-	-	(3,735,458)	(3,735,458)
Net assets, December 31, 2014	<u>\$ 4,718,899</u>	<u>\$ 35,647,762</u>	<u>\$ (12,720,542)</u>	<u>\$ 27,646,119</u>

The accompanying notes are an integral
part of these combined financial statements.

GOLDEN RAIN FOUNDATION
COMBINED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues and fees over expenses	\$ 292,150	\$ 477,778
Other comprehensive (loss) income:		
Adjustment to pension benefit obligation	<u>(3,735,458)</u>	<u>10,118,517</u>
Total comprehensive (loss) income	<u>\$ (3,443,308)</u>	<u>\$ 10,596,295</u>

The accompanying notes are an integral
part of these combined financial statements.

GOLDEN RAIN FOUNDATION
COMBINED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Revenues and fees over expenses	\$ 292,150	\$ 477,778
Adjustments to reconcile revenues and fees over expenses to net cash provided by operating activities:		
Depreciation and amortization	3,043,538	2,667,523
Loss (gain) on sale of property and equipment	108,204	(31,873)
Adjustment to pension benefit obligation	(3,735,458)	10,118,517
Change in operating asset and liability accounts:		
Inventories	25,892	99,992
Accounts receivable, net and deferred rent receivable	(33,756)	153,723
Other assets, net	(168,478)	(2,846)
Accounts payable and accrued expenses, accrued payroll and benefits and pension liability	<u>2,166,808</u>	<u>(8,749,826)</u>
Net cash provided by operating activities	<u>1,698,900</u>	<u>4,732,988</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,124,296)	(11,637,652)
Change in notes receivable	(31,259)	10,676
Proceeds from sale of property and equipment	<u>21,866</u>	<u>61,366</u>
Net cash used in investing activities	<u>(1,133,689)</u>	<u>(11,565,610)</u>
Cash flows from financing activities:		
Net proceeds from line of credit	1,300,000	6,800,000
Payments on bank loans	(670,686)	(381,888)
Mutual distribution	<u>-</u>	<u>(150,000)</u>
Net cash provided by financing activities	<u>629,314</u>	<u>6,268,112</u>
Net increase (decrease) in cash	1,194,525	(564,510)
Cash, beginning of year	<u>2,161,299</u>	<u>2,725,809</u>
Cash, end of year	<u><u>\$ 3,355,824</u></u>	<u><u>\$ 2,161,299</u></u>
Supplemental cash flow disclosures:		
Interest paid	<u>\$ 696,818</u>	<u>\$ 449,390</u>
Property and equipment acquisitions in accounts payable	<u><u>\$ 5,208</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral
part of these combined financial statements.

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

1. Organization

The Golden Rain Foundation of Walnut Creek is organized under California general nonprofit corporations law as a nonprofit mutual benefit corporation. The Golden Rain Foundation is the trustee of the Golden Rain Foundation of Walnut Creek Trust (the "Trust" or "Trust Estate"). The Trust was created to provide services and community facilities to the approximately 9,500 residents of the community commonly known as Rossmoor of Walnut Creek, California ("Rossmoor").

The community facilities consist of roads, on and off-site improvements and recreational and service facilities and are held in the Trust for 18 mutual corporations (the "Mutual Entities") as the beneficiaries of the Trust. The Mutual Entities consist of associations as defined by California Civil Code §4080, each of which manage common interest developments as defined by California Civil Code §4100, including 3 stock cooperatives, 14 condominium associations and 1 planned unit development. The common interest developments are owned by the Mutual Entities and their respective individual members.

Authorized occupants of the common interest developments are members of the Golden Rain Foundation. All functions of the Golden Rain Foundation are governed by a Board of Directors elected by the Golden Rain Foundation members.

2. Summary of Significant Accounting Policies

Accounting Responsibility

The Golden Rain Foundation handles all accounting functions for both the Trust and the general operating activities of Golden Rain Foundation as trustee.

Financial Statement Presentation

The financial statements include all accounts of the Golden Rain Foundation, including its Mutual Operations division and all accounts of the Trust. Accounting principles applicable to business enterprises are used to account for the Golden Rain Foundation transactions and balances. Accounting principles applicable to trusts are used to account for the transactions and balances of the Trust.

Cash

For purposes of the combined statements of cash flows, cash includes all cash balances and highly liquid investments with an original maturity of three months or less at the date of purchase.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivable of the Golden Rain Foundation are stated at the amount management expects to collect from balances outstanding at year-end, and consist of amounts due from the Mutual Entities for resident services, management services, newspaper advertising, and from John Muir Medical Center. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. As of December 31, 2014 and 2013, the Golden Rain Foundation had an allowance for doubtful accounts of \$1,000. During the years ended December 31, 2014 and 2013, the Golden Rain Foundation had bad debt expenses of \$0. Accounts receivable of the Trust Estate are stated at the amount management expects to collect from balances outstanding at year-end, and consist primarily of amounts due from John Muir Medical Center.

Notes Receivable

The Golden Rain Foundation has notes receivable related to the financing of membership transfer fees (see additional information in Note 9).

Inventories

Inventories of the Golden Rain Foundation consist of operating supplies and are stated at cost, as determined on the first-in, first-out method, or market.

Property and Equipment

Purchased property and equipment of both the Golden Rain Foundation and the Trust Estate are stated at cost, net of accumulated depreciation, and are depreciated on the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. Contributed assets are recorded at their fair value at the date of contribution. Capital additions and improvements that enhance or extend the useful life of an asset are capitalized, whereas repairs and maintenance expenses are expensed as incurred. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Golden Rain Foundation and the Trust Estate, using their best estimates and projections, review for impairment the carrying value of long-lived identifiable assets to be held and used in the future. The Golden Rain Foundation and the Trust Estate will record impairment losses when determined. Capital assets that have not been placed into service are reflected in construction in progress and depreciation does not begin until the date the asset is placed into service.

Other Assets

Other assets includes prepaid expenses, deposits on purchases, and capitalized loan and contract costs. Prepaid expenses are expensed when used and capitalized loan and contract costs are amortized over the life of the loan or contract.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, Golden Rain Foundation uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is broken down into three levels based on observability of valuation inputs as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs are obtained from readily available pricing sources for comparable instruments.

Level 3—Valuation inputs are obtained without observable market value and require a high level of judgment to determine fair value.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the 2013 combined financial statement presentation to correspond to the current year's format. Total net assets and revenues over expenses are unchanged due to these reclassifications.

3. Revenue

The Golden Rain Foundation operates, improves and maintains the Trust Estate's facilities and assists management of various Mutual Entities in the operation and maintenance of their residential properties. An operating budget and operation fees of the Golden Rain Foundation trustee are approved annually by the Board of Directors. Operations fees are recognized as revenue monthly as the fees are earned. The Mutual Entities contract with the Golden Rain Foundation to provide management services. The Board of Directors periodically approves distributions to Mutual Entities of accumulated revenues in excess of expenses and such distributions are accounted for as a charge to accumulated equity. Other revenues of the Golden Rain Foundation are derived from service fees to members, golf revenues and sales of newspaper advertising, and are recognized as revenue as work is completed and advertisements are published.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

4. Income Tax Status

The Golden Rain Foundation is a California nonprofit, nonstock, corporation which is treated as a taxable corporation for federal and California state income tax purposes. However, because it is a membership organization, it is subject to the special rules of Section 277 of the Internal Revenue Code. Under Section 277, the Golden Rain Foundation is subject to federal and state income taxes whenever its nonmember revenue, consisting primarily of investment income, exceeds nonmember expenses and also when its membership revenue exceeds membership expenses. Net membership losses cannot be used to reduce net nonmember income; however, such losses may be carried over indefinitely to reduce future net membership income and amounted to approximately \$46,213,000 and \$43,014,000 at December 31, 2014 and 2013, respectively. Membership transfer fees are treated as contributions to capital, thus are not taxable revenues.

The Golden Rain Foundation has evaluated its current tax positions and has concluded that as of December 31, 2014 and 2013, the Golden Rain Foundation does not have significant uncertain tax positions for which a reserve would be necessary. There have been no related tax penalties or interest related to uncertain tax positions, which would be classified as tax expense in the combined statements of revenues, fees and expenses. A number of the Golden Rain Foundation's tax returns remain subject to examination by taxing authorities. These open tax returns include December 31, 2011 and later years.

5. Property and Equipment

Property and equipment at December 31, 2014 and 2013 consist of the following:

	2014	2013
Golden Rain Foundation:		
Building improvements	\$ 27,606	\$ 27,608
Furniture and equipment	1,155,488	1,224,782
Transportation equipment	608,269	658,989
Computer equipment	203,625	203,625
	1,994,988	2,115,004
Less: accumulated depreciation	(1,991,078)	(2,109,152)
Property and equipment, net	\$ 3,910	\$ 5,852
Depreciation expense	\$ 1,940	\$ 15,227
Trust Estate:		
Land and land improvements	\$ 28,823,580	\$ 26,523,736
Buildings	22,331,996	11,745,254
Building improvements	30,380,934	30,796,086
Furniture and equipment	6,638,220	4,332,792
Construction in progress	205,691	15,405,733
	88,380,421	88,803,601
Less: accumulated depreciation	(38,649,635)	(37,047,779)
Property and equipment, net	\$ 49,730,786	\$ 51,755,822
Depreciation expense	\$ 3,024,472	\$ 2,626,520

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

6. Retirement Plans

The Golden Rain Foundation sponsors a noncontributory (employer-sponsored) defined benefit pension plan and one defined contribution pension plan and contributes to a multi-employer union-sponsored retirement benefit plan.

Under the provisions of Accounting Standards Codification ("ASC") 715, *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*, the projected benefit obligation is also required to be valued as of the Golden Rain Foundation's fiscal year-end. The Golden Rain Foundation's adjustment to its minimum liability at December 31, 2014 and 2013 is \$3,935,908 and \$(10,118,517), respectively, and is reported in the combined statements of comprehensive (loss) income. By definition, the adjustment is not an income or expense but rather represents the gains or losses and prior service costs or credits that arose during the period.

The defined benefit plan is noncontributory and provides benefits based on each covered employee's years of service and highest five-year average compensation out of the last ten years of employment. The Golden Rain Foundation's funding policy is to make at least the minimum annual contributions recommended by the plan's actuary. Expected contributions in 2015 are \$1,025,000. The plan's funded status, assumptions, and cost at December 31, 2014 and 2013 are as follows:

	2014	2013
Obligations and funded status:		
Projected benefit obligation	\$ 53,049,241	\$ 47,552,071
Plan assets at fair value	43,086,623	41,324,911
Funded status	<u>\$ (9,962,618)</u>	<u>\$ (6,227,160)</u>
Accumulated benefit obligation	<u>\$ 50,591,517</u>	<u>\$ 45,362,251</u>
Employer contributions	<u>\$ 2,415,800</u>	<u>\$ 2,419,870</u>
Benefits paid	<u>\$ 2,247,452</u>	<u>\$ 2,238,807</u>
Amounts recognized in the balance sheet consist of:		
Pension liability	<u>\$ (9,962,618)</u>	<u>\$ (6,227,160)</u>
Amounts recognized in the combined statements of revenues, fees and expenses consist of:		
Net periodic pension cost per actuary	<u>\$ 573,699</u>	<u>\$ 2,085,106</u>

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2014 and 2013

6. Retirement Plans, continued

Components of Net Periodic Pension Cost

The net periodic pension cost for pension benefits for 2014 and 2013 includes the following components:

	<u>2014</u>	<u>2013</u>
Service cost	\$ 859,555	\$ 1,067,655
Interest cost	2,097,350	1,872,785
Expected return on plan assets	(3,263,606)	(2,761,189)
Amortization of net loss	<u>880,400</u>	<u>1,905,855</u>
Net periodic benefit cost	<u>\$ 573,699</u>	<u>\$ 2,085,106</u>

The following actuarial assumptions were used in accounting for the plan:

	<u>2014</u>	<u>2013</u>
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	3.75%	4.50%
Rate of compensation increase	3.00%	3.00%
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	4.50%	3.75%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	3.00%	3.00%

The expected long-term rate of return on plan assets reflects the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In estimating that rate, appropriate consideration is given to the returns being earned by the plan assets in the fund and rates of return expected to be available for reinvestment, and a building block method. The expected rate of return on each asset class is broken down into three components: (1) inflation, (2) the real risk-free rate of return (i.e., the long-term estimate of future returns on default-free U.S. government securities), and (3) the risk premium for each asset class (i.e., the expected return in excess of the risk-free rate).

All three components are based primarily on historical data, with modest adjustments to take into account additional relevant information that is currently available. For the inflation and risk-free return components, the most significant additional information is that provided by the market for nominal and inflation-indexed U.S. Treasury securities. That market provides implied forecasts of both the inflation rate and risk-free rate for the period over which currently available securities mature. The historical data on risk premiums for each asset class is adjusted to reflect any systemic changes that have occurred in the relevant markets; e.g., the higher current valuations for equities, as a multiple of earnings, relative to the longer-term average for such valuations.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

6. Retirement Plans, continued

Components of Net Periodic Pension Cost, continued

The exact expected return derived using the building block method will vary from year to year; however, as the rate is a long-term assumption, it remains constant as long as it remains within a reasonable range.

The percentage of the fair value of total plan assets held as of December 31, 2014 and 2013 (the measurement date) by asset category is as follows:

	2014		2013	
Equity securities	\$ 30,643,345	71%	\$ 29,278,604	71%
Debt securities	12,443,278	29%	12,046,307	29%
Total	<u>\$ 43,086,623</u>	<u>100%</u>	<u>\$ 41,324,911</u>	<u>100%</u>

The plan assets consisted of \$37,777,936 and \$34,876,417 Level 2 assets and \$5,308,687 and \$6,448,494 Level 3 assets for the years ended December 31, 2014 and 2013, respectively.

The plan's investment strategy utilizes several different asset classes with varying risk/return characteristics. The returns of the asset classes are not expected to move in tandem, which allow the plan to take part in different parts of the global economic cycle. The following guidelines are used to determine the asset mix with respect to plan assets:

Account	Range
Mid-Cap Growth	4% to 7%
Mid-Cap Value	4% to 7%
Small Growth	4% to 7%
Small Value	4% to 7%
Foreign Large Blend	13% to 19%
Intermediate Term Bond	15% to 25%
Large Growth	16% to 25%
Large Value	16% to 25%
Stable Value	15% to 25%

Prohibited investments include those specifically prohibited by the Employee Retirement Income Security Act of 1974. In addition, investment activity in the following is prohibited: municipal or tax exempt securities, short sales, margin purchases, commodities, securities of the trustee of investment manager, its parents or subsidiaries, and unregistered or restricted stock.

No plan assets are expected to be returned to the Golden Rain Foundation during 2015.

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GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2014 and 2013

6. Retirement Plans, continued

Components of Net Periodic Pension Cost, continued

Estimated future annual benefit payments consist of:

2015	\$ 2,636,897
2016	2,780,910
2017	2,856,468
2018	2,966,602
2019	3,056,947
2012 - 2024	15,406,520

The defined contribution plan is a 401(k) profit sharing plan. Substantially all employees, other than those covered by a collective bargaining unit, which has not negotiated inclusion, are eligible to participate. The Golden Rain Foundation provides a certain level of matching contributions on salary deferrals. Expense under these plans for 2014 was \$89,170 and for 2013 was \$68,742.

Multi-Employer Plan

Golden Rain Foundation contributes to a multi-employer defined benefit pension plan under a collective bargaining agreement that covers its union-represented employees. This plan is not administered by the Golden Rain Foundation. The risks of participating in this multi-employer plan differ from those of single-employer plans in that assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. The Multi-employer Pension Plan Amendments Act of 1980 (the "Act") significantly increased the pension responsibilities of participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers. If Golden Rain Foundation chooses to stop participating in the multiemployer plan, then it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The term of the current collective bargaining agreement covers the period between August 1, 2009 through July 31, 2018, with a provision to continue in successive years unless affirmatively terminated or amended. Golden Rain Foundation's maximum contribution exposure is limited to no more than 80% of the total pension contribution rate, with any excess being borne by the employee. As of January 1, 2014, Golden Rain Foundation's per employee pension contribution was \$6.76/hour. That amount increased to \$7.26/hour as of July 1, 2014. The pension plan trustee has informed Golden Rain Foundation that the plan status for the 2014 plan year, which runs from June 1, 2014 through May 31, 2015, was endangered which equates to a Pension Protection Act zone status of yellow. Plans in the yellow zone are between 65% and 80% funded. A Funding Improvement Plan has been adopted by the trustee.

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GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

7. Concentrations

The Golden Rain Foundation maintains cash with one major financial institution. The balances held by the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash on deposit occasionally exceeds federally insured limits. The Golden Rain Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Approximately 40% of the Golden Rain Foundation's employees are covered by a multi-year collective bargaining agreement which expires in July 2018.

8. Restricted Cash

Included in cash at December 31, 2013 is approximately \$141,000 of restricted cash. This amount relates to a tree bond that earns interest at a rate of .05%.

9. Notes Receivable

Notes receivable are for membership transfer fees that have been financed over seven years with an annual interest rate of 5% and 4.75% for the years ended December 31, 2014 and 2013, respectively. The notes receivable balances as of December 31, 2014 and 2013 are \$292,846 and \$261,587, respectively.

10. Contingencies

The Golden Rain Foundation is subject to certain legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any liability with respect to these actions will not materially affect the combined financial statements. Also, refer to contingent liability of multi-employer plan in Note 6.

11. Commitments

Purchase commitments related to various Trust Estate renovation and expansion projects approximated \$30,597 and \$620,789 at December 31, 2014 and 2013, respectively. Additionally, see Note 12 for outstanding bank loan commitments.

12. Bank Loans

At December 31, 2013, the Golden Rain Foundation was obligated under a non-revolving line of credit with a balance payable of \$6,800,000. This line of credit matured in 2014 and in July 2014, the Golden Rain Foundation refinanced this line of credit with the bank, converting the obligation into a term loan. The new term loan requires monthly principal payments of \$45,000 plus interest at a fixed interest rate equal to 4.94%. The term loan matures on June 10, 2029. At December 31, 2014, \$7,830,000 of principal is payable on the loan. Interest of \$152,391 and loan fees of \$45,380 were capitalized during the year ended December 31, 2014. Interest of \$87,911 was capitalized in the year ended December 31, 2013. The loan fees are being amortized over the term of the loan.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2014 and 2013

12. Bank Loans, continued

Additionally, the Golden Rain Foundation is obligated under a term note, which requires monthly payments of \$62,446, including interest at a fixed interest rate equal to 4.75%. The note matures on June 7, 2027. At December 31, 2014 and 2013, \$7,021,179 and \$7,421,865, respectively, are payable on the note.

The Golden Rain Foundation's term notes mature as follows:

Years ending December 31:	
2015	\$ 960,440
2016	980,248
2017	1,002,818
2018	1,025,605
2019	1,049,515
Thereafter	<u>9,832,553</u>
	<u>\$ 14,851,179</u>

These bank loans call for the Golden Rain Foundation to maintain certain financial covenants. The Golden Rain Foundation was in compliance with those financial covenants at December 31, 2014 and 2013. Repayment of the bank loans will be primarily from Golden Rain Foundation membership transfer fees. The notes are collateralized by a Blanket UCC securities agreement, which includes all inventory, chattel paper, accounts receivable, equipment, and general intangible assets of the Golden Rain Foundation. In addition, the 2013 line of credit and 2014 term loans are secured by a mortgage on the medical center (see Note 13).

13. Medical Center

In August 2005, the Golden Rain Foundation entered into a non-cancelable operating lease with a third party to lease the medical center premises that expires in July 2020. The lease includes one 5-year renewal term and purchase options at fair market value during the fifth and tenth years of the lease term. The lease requires the lessee to pay all executory costs such as property taxes, maintenance and insurance. The lease has a base rent of \$40,490 per month for the first full year with stated annual increases of 2.5% each August through the end of the lease term. ASC 840, *Accounting for Leases*, requires that leases with such stated increases record rents under a straight-line method. Total rental income under the straight-line and cash basis methods was \$581,131 and \$598,157, respectively, in 2014, and \$581,131 and \$583,568, respectively, in 2013.

In addition, during 2005, the Golden Rain Foundation incurred initial direct costs related to the origination of the lease of \$223,897, which has been capitalized and included in other assets on the balance sheet. The costs are to be amortized straight-line over the life of the lease. Accumulated amortization as of December 31, 2014 and 2013 was \$156,477 and \$124,497, respectively, and amortization expense for the years ended December 31, 2014 and 2013 was \$31,980 and \$17,026, respectively. The Golden Rain Foundation had deferred rent receivable of \$380,141 as of December 31, 2014.

Continued

GOLDEN RAIN FOUNDATION
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014 and 2013

13. Medical Center, continued

Future minimum annual rental income on a cash and straight-line basis required under the lease and future amortization for the years ending December 31, are as follows:

	<u>Cash Basis</u>	<u>Straight-Line</u>	<u>Amortization</u>
2015	\$ 613,111	\$ 581,131	\$ 31,980
2016	628,439	581,131	47,308
2017	644,150	581,131	63,019
2018	660,253	581,131	79,122
2019	676,760	581,131	95,629
Thereafter	400,474	338,993	61,481
	<u>\$ 3,623,187</u>	<u>\$ 3,244,648</u>	<u>\$ 378,539</u>

As of December 31, 2014, the cost (including land, building and other capitalized costs) and accumulated depreciation of the leased medical center consist of:

Cost	\$ 2,374,123
Accumulated depreciation	<u>(2,059,240)</u>
	<u>\$ 314,883</u>

14. Related Party Transactions

The Golden Rain Foundation maintains accounting records and performs administrative work for the Walnut Creek Mutual Entities (the "Mutuals"), related parties. As of December 31, 2014 and 2013, the Trust Estate had \$334,472 and \$309,955 of accounts receivable from the Mutuals, respectively. Revenues from the Mutuals were \$28,055,539 and \$27,276,197 for the years ended December 31, 2014 and 2013, respectively. Additionally, the Golden Rain Foundation made distributions to the Mutuals of \$0 and \$150,000 during the years ended December 31, 2014 and 2013, respectively.

15. Subsequent Events

The Golden Rain Foundation has evaluated subsequent events through April 6, 2015, the date the combined financial statements were available to be issued, and there were no subsequent events requiring recognition or disclosure.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Golden Rain Foundation and Trust Estate
Walnut Creek, California

We have audited the combined financial statements of the Golden Rain Foundation and Trust Estate as of and for the year ended December 31, 2014, and our report thereon dated April 6, 2015, which expressed an unmodified opinion on those combined financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining balance sheet and statement of revenues, fees and expenses and the divisional balance sheet and statement of revenues, fees and expenses are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Burr Pilger Mayer, Char.

E. Palo Alto, California
April 6, 2015

GOLDEN RAIN FOUNDATION

COMBINING BALANCE SHEET

December 31, 2014

	Golden Rain Foundation	Trust Estate	Combined
ASSETS			
Cash	\$ 2,408,809	\$ 947,015	\$ 3,355,824
Accounts receivable, net	469,353	41,626	510,979
Deferred rent receivable	323,061	57,080	380,141
Due from/(to) related party	251,023	(251,023)	-
Inventories	517,437	-	517,437
Notes receivable	-	292,846	292,846
Property and equipment, net	3,910	49,730,786	49,734,696
Other assets, net	110,899	181,662	292,561
	<u>\$ 4,084,492</u>	<u>\$ 50,999,992</u>	<u>\$ 55,084,484</u>
Total assets			
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 822,955	\$ 207,991	\$ 1,030,946
Accrued payroll and benefits	1,593,622	-	1,593,622
Bank loans	-	14,851,179	14,851,179
Pension liability	9,962,618	-	9,962,618
	<u>12,379,195</u>	<u>15,059,170</u>	<u>27,438,365</u>
Total liabilities			
Net assets for the benefit of Walnut Creek Mutual Entities:			
Contributed capital	4,718,899	-	4,718,899
Accumulated (deficit) equity	(293,060)	35,940,822	35,647,762
Accumulated other comprehensive loss	(12,720,542)	-	(12,720,542)
	<u>(8,294,703)</u>	<u>35,940,822</u>	<u>27,646,119</u>
Total net assets			
Total liabilities and net assets	<u>\$ 4,084,492</u>	<u>\$ 50,999,992</u>	<u>\$ 55,084,484</u>

See Independent Auditors' Report on Supplementary Information.

GOLDEN RAIN FOUNDATION
COMBINING STATEMENT OF REVENUES, FEES AND EXPENSES

For the year ended December 31, 2014

	Golden Rain Foundation	Trust Estate	Eliminations	Combined
Revenues from Walnut Creek				
Mutual Entities	\$ 28,055,539	\$ -	\$ -	\$ 28,055,539
Membership transfer fees	-	3,437,000	-	3,437,000
Other revenues:				
Services - community facilities	2,416,922	124,953	(124,953)	2,416,922
Newspaper	965,113	-	-	965,113
Medical center lease revenue	-	581,131	-	581,131
Noncommunity facilities services	439,308	-	-	439,308
Financial income	29,458	16,894	(29,458)	16,894
Other income	63,556	19,667	-	83,223
Total other revenues	3,914,357	742,645	(154,411)	4,502,591
Total revenues and fees	31,969,896	4,179,645	(154,411)	35,995,130
Expenses:				
Employee compensation	19,591,114	-	-	19,591,114
Operations and maintenance	10,470,573	2,583	-	10,473,156
Administrative	1,998,443	54	(124,953)	1,873,544
Interest	-	573,913	(29,458)	544,455
Other	66,243	110,930	-	177,173
Depreciation and amortization	17,292	3,026,246	-	3,043,538
Total expenses	32,143,665	3,713,726	(154,411)	35,702,980
Revenues and fees (under) over expenses	\$ (173,769)	\$ 465,919	\$ -	\$ 292,150

See Independent Auditors' Report on Supplementary Information.

GOLDEN RAIN FOUNDATION

DIVISIONAL BALANCE SHEET

December 31, 2014

	<u>General Operations</u>	<u>Mutual Operations</u>	<u>Golden Rain Foundation</u>
ASSETS			
Cash	\$ 2,179,619	\$ 229,190	\$ 2,408,809
Accounts receivable, net	192,046	277,307	469,353
Deferred rent receivable	323,061	-	323,061
Due from/(to) related party	426,538	(175,515)	251,023
Inventories	208,276	309,161	517,437
Property and equipment, net	-	3,910	3,910
Other assets	<u>93,697</u>	<u>17,202</u>	<u>110,899</u>
Total assets	<u>\$ 3,423,237</u>	<u>\$ 661,255</u>	<u>\$ 4,084,492</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and accrued expenses	\$ 759,231	\$ 63,724	\$ 822,955
Accrued payroll and benefits	1,308,076	285,546	1,593,622
Pension liability	<u>9,762,168</u>	<u>200,450</u>	<u>9,962,618</u>
Total liabilities	<u>11,829,475</u>	<u>549,720</u>	<u>12,379,195</u>
Net assets:			
Contributed capital	4,718,899	-	4,718,899
Accumulated (deficit) equity	(404,595)	111,535	(293,060)
Accumulated other comprehensive loss	<u>(12,720,542)</u>	<u>-</u>	<u>(12,720,542)</u>
Total net assets	<u>(8,406,238)</u>	<u>111,535</u>	<u>(8,294,703)</u>
Total liabilities and net assets	<u>\$ 3,423,237</u>	<u>\$ 661,255</u>	<u>\$ 4,084,492</u>

See Independent Auditors' Report on Supplementary Information.

GOLDEN RAIN FOUNDATION
DIVISIONAL STATEMENT OF REVENUES, FEES AND EXPENSES

For the year ended December 31, 2014

	<u>General Operations</u>	<u>Mutual Operations</u>	<u>Golden Rain Foundation</u>
Revenues from Walnut Creek Mutual Entities	<u>\$ 18,847,296</u>	<u>\$ 9,208,243</u>	<u>\$ 28,055,539</u>
Other revenues:			
Services - community facilities	2,416,922	-	2,416,922
Newspaper	965,113	-	965,113
Medical center lease revenue	-	-	-
Noncommunity facilities services	439,308	-	439,308
Financial income	29,458	-	29,458
Other income	<u>63,556</u>	<u>-</u>	<u>63,556</u>
Total other revenue	<u>3,914,357</u>	<u>-</u>	<u>3,914,357</u>
Total revenues and fees	<u>22,761,653</u>	<u>9,208,243</u>	<u>31,969,896</u>
Expenses:			
Employee compensation	12,069,571	7,521,543	19,591,114
Operations and maintenance	9,141,055	1,329,518	10,470,573
Administrative	1,611,449	386,994	1,998,443
Other	66,243	-	66,243
Depreciation and amortization	<u>15,912</u>	<u>1,380</u>	<u>17,292</u>
Total expenses	<u>22,904,230</u>	<u>9,239,435</u>	<u>32,143,665</u>
Expenses over revenues and fees	<u><u>\$ (142,577)</u></u>	<u><u>\$ (31,192)</u></u>	<u><u>\$ (173,769)</u></u>

See Independent Auditors' Report on Supplementary Information.