GOLDEN RAIN FOUNDATION AND TRUST

COMBINED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years Ended December 31, 2020 and 2019

GOLDEN RAIN FOUNDATION AND TRUST

December 31, 2020 and 2019

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SHEA LABAGH DOBBERSTEIN
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

<u>TO THE BOARD OF DIRECTORS OF GOLDEN RAIN FOUNDATION OF WALNUT CREEK AND GOLDEN RAIN FOUNDATION OF WALNUT CREEK TRUST</u>

We have audited the accompanying combined financial statements of Golden Rain Foundation of Walnut Creek and Golden Rain Foundation of Walnut Creek Trust (referred to herein as "Golden Rain Foundation and Trust"), which comprise the combined balance sheets as of December 31, 2020 and 2019, and the related combined statements of revenue, changes in net assets 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 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 auditor considers internal control relevant to the entities' 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 entities' 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 combined financial position of Golden Rain Foundation of Walnut Creek and Golden Rain Foundation of Walnut Creek Trust as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

San Francisco, California
April 5, 2021

GOLDEN RAIN FOUNDATION AND TRUST

COMBINED BALANCE SHEETS

ASSETS

	December 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash and Cash Equivalents	$ 12,941,390	$ 7,128,221
Accounts Receivable, Net	558,558	440,963
Deferred Rent Receivable	-	61,649
Inventories	412,555	426,073
Prepaid Expenses and Other Assets	175,308	143,948
TOTAL CURRENT ASSETS	14,087,811	8,200,854
PROPERTY AND EQUIPMENT, NET		
Cost	106,552,871	105,502,425
Less: Accumulated Depreciation and Amortization	58,973,250	55,194,459
PROPERTY AND EQUIPMENT, NET	47,579,621	50,307,966
NOTES RECEIVABLE	544,184	616,513
TOTAL ASSETS	$ 62,211,616	$ 59,125,333

LIABILITIES AND NET ASSETS

	December 31, 2020	December 31, 2019
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 1,568,167	$ 1,314,063
Accrued Payroll and Benefits	2,126,649	1,810,592
Paycheck Protection Program Loan	3,570,600	-
Notes Payable, Current Portion	1,416,596	1,372,980
TOTAL CURRENT LIABILITIES	8,682,012	4,497,635
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	12,694,399	14,111,844
Pension Liability	12,873,695	13,016,949
TOTAL LONG-TERM LIABILITIES	25,568,094	27,128,793
TOTAL LIABILITIES	34,250,106	31,626,428
COMMITMENTS AND CONTINGENCIES		
NET ASSETS FOR THE BENEFIT OF WALNUT CREEK MUTUAL ENTITIES	27,961,510	27,498,905
TOTAL LIABILITIES AND NET ASSETS	$ 62,211,616	$ 59,125,333

GOLDEN RAIN FOUNDATION AND TRUST

COMBINED STATEMENTS OF REVENUES AND EXPENSES

	Years Ended December 31, 2020	2019
REVENUES		
Property Management Services	$ 33,574,975	$ 32,828,132
OTHER REVENUES		
Community Facilities Services	1,992,000	2,433,015
Newspaper and Advertising	867,255	917,211
Lease Revenue	677,032	586,792
Noncommunity Facilities Services	228,479	390,542
Financial Income	51,874	46,896
Other Revenue	110,851	155,113
TOTAL OTHER REVENUES	3,927,491	4,529,569
TOTAL REVENUES	37,502,466	37,357,701
OPERATING EXPENSES		
Employee Compensation	21,543,072	21,114,572
Operations and Maintenance	11,851,651	12,322,757
Administrative	2,813,525	2,830,046
Depreciation and Amortization	3,869,489	3,892,790
TOTAL OPERATING EXPENSES	40,077,737	40,160,165
EXPENSES IN EXCESS OF REVENUES RELATED TO OPERATIONS	(2,575,271)	(2,802,464)
OTHER INCOME (EXPENSES)		
Interest	(772,909)	(814,857)
Gain (Loss) on Disposal of Property and Equipment	(54,585)	19,587
Other Income (Expenses), Net	2,116	(149)
TOTAL OTHER INCOME (EXPENSES)	(825,378)	(795,419)
EXPENSES IN EXCESS OF REVENUES	$ (3,400,649)	$ (3,597,883)

See accompanying notes to combined financial statements.

GOLDEN RAIN FOUNDATION AND TRUST

COMBINED STATEMENTS OF CHANGES IN NET ASSETS

Years Ended December 31, 2020 and 2019

NET ASSETS, JANUARY 1, 2019	$ 27,314,684
Membership Transfer Fees	4,286,000
Comprehensive Loss:	
Expenses in Excess of Revenues	(3,597,883)
Adjustment to Pension Benefit Obligation	(503,896)
Total Comprehensive Loss	(4,101,779)
NET ASSETS, DECEMBER 31, 2019	27,498,905
Membership Transfer Fees	3,720,000
Comprehensive Loss:	
Expenses in Excess of Revenues	(3,400,649)
Adjustment to Pension Benefit Obligation	143,254
Total Comprehensive Loss	(3,257,395)
NET ASSETS, DECEMBER 31, 2020	$ 27,961,510

GOLDEN RAIN FOUNDATION AND TRUST

COMBINED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	Years Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenses in Excess of Revenues	$ (3,400,649)	$ (3,597,883)
Adjustments to Reconcile Expenses in Excess of Revenues to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,869,489	3,892,790
Loss (Gain) on Sale and Disposal of Property and Equipment	54,585	(19,587)
Adjustment to Pension Benefit Obligation	143,254	(503,896)
Change in Operating Asset and Liability Accounts:		
Accounts Receivable, Net and Deferred Rent Receivable	(55,946)	370,962
Inventories	13,518	10,145
Prepaid Expenses and Other Assets	(42,090)	15,232
Accounts Payable and Accrued Expenses, Accrued Payroll and Benefits and Pension Liability	426,907	293,050
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,009,068	460,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,184,999)	(2,099,320)
Collection on Notes Receivable	311,329	167,006
Proceeds from Sale of Property and Equipment	-	38,839
NET CASH USED IN INVESTING ACTIVITIES	(873,670)	(1,893,475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(1,373,829)	(1,331,980)
Proceeds from Paycheck Protection Program Loan	3,570,600	-
Proceeds from Membership Transfer Fees	3,481,000	3,993,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,677,771	2,661,020
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,813,169	1,228,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,128,221	5,899,863
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,941,390	$ 7,128,221
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest Paid	$ 747,509	$ 814,857
NON-CASH FINANCING ACTIVITY:		
Membership Transfer Fees Financed with Notes Receivable	$ 239,000	$ 293,000

NOTE 1 – ORGANIZATION AND OPERATIONS

The Golden Rain Foundation of Walnut Creek ("Golden Rain Foundation") is organized under California general nonprofit corporation's 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"). The Trust was created to provide services and community facilities to the approximately 9,700 residents of the community commonly known as Rossmoor of Walnut Creek, California ("Rossmoor"). Together the Golden Rain Foundation and the Trust are referred to herein as the "Company".

The community facilities consist of roads, on and off-site improvements and recreational service facilities and are held in the Trust for 19 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, 15 condominium associations and 1 planned unit development. The common interest developments are owned by the Mutual Entities and their respective individual members.

Golden Rain Foundation has two divisions; Mutual Operations, which is the supporting division for all activity related to the Mutual Entities, and General Operations, which accounts for all other activities 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting – These combined financial statements include the accounts of the Golden Rain Foundation and the accounts of the Trust. The financial statements are presented on a combined basis due to the integrated nature and common management of these entities. Intercompany accounts and transactions have been eliminated in these combined financial statements. The combined financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Company 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations – The Company is exposed to a concentration of credit risk arising from cash deposits. The Company maintains cash deposits in one financial institution which may, at times, exceed the amounts insured by the Federal Deposit Insurance Corporation. Cash deposits are placed with a financial institution which management believes is of high credit quality and management believes cash deposits are not exposed to a significant level of credit risk. The Company has not experienced any credit losses in cash deposit accounts.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations (Continued) – The Company is exposed to labor concentration as approximately 35% of Golden Rain Foundation's employees are covered by a collective bargaining agreement which expires in July 2021.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand and cash deposited in banks, and highly liquid investments with an original maturity of three months or less at the date of purchase. As of December 31, 2020 and 2019, cash includes $255,994 and $250,877, respectively, of amounts designated by the Board as reserves.

Accounts Receivable – Accounts receivable of the Golden Rain Foundation consist primarily of amounts due from the Mutual Entities for resident services, management services, and newspaper advertising. Accounts receivable of the Trust consist primarily of amounts due from John Muir Medical Center, the lessee of the medical center premises, through January 2021.

Accounts receivable are stated at the amount which management expects to collect. Management provides an allowance for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. The allowance is based on management's assessment of the current status of individual accounts. Accounts receivable which are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance reflects management's analysis of receivables and the probability of collecting those accounts. As of December 31, 2020 and 2019, the allowance for doubtful accounts is $1,000. During the years ended December 31, 2020 and 2019, the Company incurred no bad debt expenses.

Inventories – Inventories consist of primarily repair materials and retail merchandise. Inventories are stated at the lower of cost, or net realizable value. Cost is generally determined on the first-in, first-out method.

Property and Equipment – Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful life of the related asset, which range from five to forty years. Costs of capital additions and improvements that enhance or extend the useful life of an asset are capitalized; whereas costs of repairs and maintenance are charged to expense as incurred. The Company's management evaluates long-lived assets for indicators of possible impairment whenever events or circumstances indicate the value may be impaired. Should impairment exist, an impairment loss would be measured and recognized based on the excess carrying value of the asset over the asset's estimated fair value. Management has not identified any such impairment losses as of December 31, 2020 and 2019.

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

Notes Receivable – Notes receivable arise from new residents who wish to finance the payment of their membership transfer fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership Transfer Fees – Membership transfer fees arise as a result of a change of membership in the Golden Rain Foundation. Typically this occurs upon the change of ownership of a residence, subject to certain exceptions. Membership transfer fees are recorded as additions to unrestricted net assets in the combined statements of changes in net assets.

Fair Value Measurements – The Company applies the *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board ("FASB"). This guidance establishes a framework for measuring fair value and includes 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 l measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair 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 used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Income Taxes – 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 $59,000,000 and $55,000,000 as of December 31, 2020 and 2019, respectively. Membership transfer fees are treated as contributions to capital, thus are not taxable revenues.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by the Golden Rain Foundation in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Golden Rain Foundation in the federal and state tax returns are more likely than not to be sustained upon examination.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues – The Company accounts for revenues in accordance with FASB Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. The majority of the Company's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The Golden Rain Foundation operates, improves and maintains the Trust's facilities and assists management of various Mutual Entities in the operation and maintenance of their residential properties. The majority of the Mutual Entities contract with the Golden Rain Foundation for property management services, which includes accounting services. An operating budget and operating fees of the Golden Rain Foundation are approved annually by the Board of Directors. For performance obligations related to management services of the Mutual Entities, control transfers to the customer over time. The Company recognizes the revenue from management services on a monthly basis as the Company has rendered the services. The Board of Directors may periodically approve distributions to Mutual Entities of accumulated revenues in excess of expenses. Such distributions are accounted for as a charge to net assets in the combined statements of changes in net assets.

Other revenues of the Golden Rain Foundation are derived from service fees charged to members and nonmembers and golf course revenue, which are included in community facilities services and noncommunity facilities services on the combined statements of revenues and expenses. These revenues are recognized as work is completed. For performance obligations related to services provided to members and nonmembers and golf course revenue, control transfers to the customer at a point in time. Certain revenues of the Golden Rain Foundation are derived from sales of the newspaper and related newspaper advertising. For performance obligations related to the sale of newspaper advertising, control transfers to the customer over time. The Company recognizes the revenue from newspaper advertising on a weekly basis as the Company has rendered the services. Financial income associated with notes receivable arising from membership transfer fees (Note 3) are recognized as incurred in accordance with the promissory agreement.

Lease revenue is derived primarily from contracts related to the medical center (Note 8), café and recreational vehicle space rentals. Lease revenue is carved out of the guidance provided under ASC 606.

In addition, the Company's contracts do not contain variable consideration and contract modifications are generally minimal. The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements – In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("ASU 2016-02"), which requires, among other things, lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained the current dual model whereby leases are classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. This is similar to the current statement of activities treatment for leases. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842) Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 for nonpublic entities for annual reporting periods beginning after December 15, 2019 to December 15, 2021. ASU 2016-02 is effective for the Company for the year ended December 31, 2022. The new standard must be adopted using a modified retrospective transition (with the initial application date of either the beginning of the earliest comparative year presented or the beginning of the year of adoption) and provides for certain practical expedients. Management is currently evaluating the impact of adopting this guidance on the Company's combined financial statements.

Risks and Uncertainties – The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption which may be caused by the outbreak is uncertain; however it may result in a material adverse impact on the Company's combined financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, reduction in membership transfer fees, disruption to the Company's labor workforce and capital spending, unavailability of products and supplies used in operations, and the decline in value of assets held by the Company, including, inventories, property and equipment and the value of marketable securities held in the Company's defined benefit pension plan (Note 8).

NOTE 3 – NOTES RECEIVABLE

Notes receivable arise from membership transfer fees that have been financed. The repayment term is over seven (7) years and borrowings bear interest at an annual rate of 5.00% for the years ended December 31, 2020 and 2019. These unsecured notes receivable amounted to $544,184 and $616,513 as of December 31, 2020 and 2019, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	2020	2019
Golden Rain Foundation:		
Building Improvements	$ 27,606	$ 27,606
Furniture and Equipment	543,803	543,803
Transportation Equipment	67,926	67,926
Computer Equipment	110,284	110,284
	749,619	749,619
Trust:		
Land and Land Improvements	33,103,705	32,476,035
Buildings	21,728,742	21,728,742
Building Improvements	38,528,817	38,321,368
Furniture and Equipment	6,533,337	6,340,180
Transportation Equipment	3,431,633	3,431,633
Computer Equipment	1,155,148	1,053,767
Construction in Progress	1,321,870	1,401,081
	105,803,252	104,752,806
Less: Accumulated Depreciation and Amortization	(58,973,250)	(55,194,459)
Property and Equipment, Net	$ 47,579,621	$ 50,307,966

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $3,875,886 and $3,892,790, respectively, including amortization of deferred lease organization costs of $10,730 and $15,353 for the years then ended, respectively (see Note 7).

NOTE 5 – NOTES PAYABLE

The Trust is obligated under three separate promissory notes payable to a bank as follows.

The Trust has borrowed under a note payable agreement having an outstanding principal balance as of December 31, 2020 and 2019, of $4,162,830 and $4,696,391, respectively. This note requires monthly payments of $62,446, including interest at a fixed interest rate equal to 4.75%. The note matures on June 7, 2027. Interest expense on this note payable amounted to $215,387 and $239,843 for the years ended December 31, 2020 and 2019, respectively.

The Trust has borrowed under a second note payable agreement having an outstanding principal balance as of December 31, 2020 and 2019, of $4,590,000 and $5,130,000, respectively. This note requires monthly payments of $45,000, plus interest at a fixed interest rate equal to 4.94%. The note matures on June 10, 2029. Interest expense on this note payable amounted to $245,221 and $271,577 for the years ended December 31, 2020 and 2019, respectively.

The Trust has borrowed under a third note payable agreement having an outstanding principal balance as of December 31, 2020 and 2019, of $5,358,165 and $5,658,433, respectively. This note requires monthly payments of $48,826, including interest at a fixed interest rate equal to 5.11%. The note matures on May 10, 2033. Interest expense on this note payable amounted to $286,901 and $301,180 for the years ended December 31, 2020 and 2019, respectively.

All of the above notes are subject to certain financial covenants which include, among other things, a minimum debt service ratio. In addition, one of the notes requires the medical center (see Note 7) to be occupied by a tenant. As of December 31, 2020, the Company believes it is compliance with these covenants. The term loans are collateralized by certain assets of the Trust and secured by a lien on the medical center. Future minimum payments are as follows:

Years Ending December 31,		
2021	$	1,416,596
2022		1,460,963
2023		1,507,578
2024		1,555,608
2025		1,607,968
Thereafter		6,562,282
	$	14,110,995

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020, the Company was granted a loan with its primary bank in the amount of $3,570,600, pursuant to the Paycheck Protection Program (the "PPP") set forth in the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") which was enacted on March 27, 2020.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN (Continued)

The loan accrues interest at a rate of 1% per annum and has an original maturity date of April 20, 2022. Under the terms of the loan, a portion or all of the loan is forgivable to the extent the loan proceeds are used to fund qualified expenses, primarily related to payroll costs during a specified period, as further defined by the U.S. Small Business Administration ("SBA"). Repayment of the loan is deferred until the SBA determines the amount to be forgiven. As of the date these financial statements were available to be issued, the Company has not received formal notification of loan forgiveness and, accordingly, the loan is recorded as a liability on the balance sheet as of December 31, 2020. Management expects the loan will be repaid, or forgiven, during 2021 and therefore has presented it as a current liability as of December 31, 2020. The Company incurred $24,847 of interest expense on this loan during 2020.

NOTE 7 – MEDICAL CENTER

In August 2005, the Trust entered into a noncancelable operating lease agreement with a third-party to lease the medical center premises. The lease agreement had an original expiration date in July 2020 and had a base rent of $40,490 per month for the first full year with stated annual increases of 2.50% through the end of the lease term. In September 2019, the parties agreed to a six-month extension of the lease term to January 2021 with base rent of $58,641 per month. The lease requires the lessee to pay all executory costs such as property taxes, maintenance and insurance. ASC 840, *Accounting for Leases,* requires that leases with such scheduled rent increases recognize rentals on a straight-line basis. Total lease revenue under the straight-line and cash basis methods was $632,030 and $693,679, respectively, in 2020, and was $580,844 and $676,760, respectively, in 2019. The Golden Rain Foundation has a deferred rent receivable of nil and $61,649 as of December 31, 2020 and 2019, respectively.

During 2005, related to the origination of the lease, the Trust incurred initial direct costs of $223,897, which have been capitalized and included in other assets on the combined balance sheet. The costs are to be amortized straight-line over the life of the lease, which terminates July 2020. Amortization expense was $10,730 and $15,353 for the years ended December 31, 2020 and 2019, respectively. Future minimum rental income for the year ending December 31, 2021 is $58,641.

NOTE 8 – RETIREMENT PLANS

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

Defined Benefit Pension Plan – 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. Employees hired or re-hired after May 1, 2009 are not eligible to participate in the defined benefit plan, as the participation under the Plan was frozen May 1, 2009. The Golden Rain Foundation's funding policy is to make at least the minimum annual contributions recommended by the plan's actuary.

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued) – The following table presents information about the pension plan's funded status as of December 31:

	2020	2019
Projected Benefit Obligation	$ 68,414,135	$ 65,008,616
Fair Value of Plan Assets	55,540,440	51,991,667
Unfunded Status	$ (12,873,695)	$ (13,016,949)

The unfunded status is recognized in the accompanying combined balance sheets as a noncurrent pension liability. The accumulated benefit obligation amounted to $65,807,647 and $62,739,466 as of December 31, 2020 and 2019, respectively.

The net adjustment to increase (decrease) the pension liability amounted to $(143,254) and $503,896 for the years ended December 31, 2020 and 2019, respectively. This adjustment to the pension liability is reported in the combined statements of changes in net assets as it represents the net gains or losses and prior service costs or credits that arose during the year. The accumulated adjustment to the pension benefit obligation recorded in accumulated other comprehensive loss in the combined statements of changes in net assets at December 31, 2020 and 2019 is $(15,631,493) and $(15,774,747), respectively.

The changes in benefit obligations recognized in other comprehensive loss during the years ended December 31 are as follows:

	2020	2019
Net Gain	$ (111,337)	$ (733,175)
Net Periodic Benefit Cost	943,083	2,212,071
Employer Contributions	(975,000)	(975,000)
Other Comprehensive (Gain) Loss	$ (143,254)	$ 503,896

The net periodic pension costs for pension benefits for 2020 and 2019 includes the following components:

	2020	2019
Service Cost	$ 790,335	$ 671,168
Interest Cost	2,008,728	2,349,135
Expected Return on Plan Assets	(3,821,007)	(3,171,008)
Amortization of Net Loss	1,965,027	2,362,776
Net Periodic Benefit Cost	$ 943,083	$ 2,212,071

The estimated net loss and prior service cost that will be amortized from the accumulated other comprehensive loss into net periodic benefit cost during the year ended December 31, 2021 is $2,161,950 and nil, respectively.

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued) – Amounts recorded for the years ended December 31 are as follows:

	2020	2019
Net Periodic Benefit Cost	$ 943,083	$ 2,212,071
Employer Contributions	$ 975,000	$ 975,000
Benefits Paid	$ 4,564,135	$ 2,889,585

The following actuarial assumptions were used to determine the net periodic benefit cost and benefit obligation for the years ended December 31:

	2020	2019
Discount Rate – Net Periodic Benefit Cost	3.25%	4.20%
Discount Rate – Accumulated Benefit Obligation	2.40%	3.25%
Expected Long-term Return on Plan Assets	7.50%	7.50%
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, using 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.

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 fair value of the plan's assets held as of December 31, 2020, consisted 80% of equity securities and 20% debt securities. The fair value of the plan's assets as of December 31, 2019, consisted 77% of equity securities and 23% debt securities.

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued) – The plan assets consisted of $54,276,166 and $48,752,077 Level 2 assets, and $1,264,274 and $3,239,590 Level 3 assets as of December 31, 2020 and 2019, respectively. Level 3 assets consist of Immediate Participation Guarantee Contracts and are valued based on a market value formula approach that uses the Barclays Capital U.S. Aggregate Index. The change in value of Level 3 assets was $(1,975,316) and $67,611 for the years ended December 31, 2020 and 2019, respectively, and represented the net cash flows activity at contract settlement. Significant unobservable inputs primarily consisted of the assumed interest rate of 1.25% and the experience rate of 3.74%.

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
Foreign Large Blend	13% to 17%
Intermediate Core-Plus Bond	17% to 24%
Large Growth	16% to 24%
Large Value	16% to 24%
Mid-Cap Growth	5% to 7%
Mid-Cap Value	5% to 7%
Small Blend	5% to 7%
Small Growth	5% to 7%
Small Value	None specified

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.

The estimated future benefit payments for the next 10 years, which reflect future service, are expected to be paid as follows:

Years Ending December 31,		
2021	$	3,487,876
2022	$	3,688,273
2023	$	3,750,547
2024	$	3,891,359
2025	$	3,965,821
2026 to 2030	$	19,598,026

No plan assets are expected to be returned to Golden Rain Foundation during 2021. Golden Rain Foundation is expected to make employer contributions to the pension plan totaling approximately $1,025,000 during the year ending December 31, 2021.

NOTE 8 – RETIREMENT PLANS (Continued)

Defined Contribution Plan – The Company also sponsors a defined contribution plan designed in accordance with Internal Revenue Code 401(k). Substantially all employees, other than those covered by a collective bargaining agreement which has not negotiated inclusion, are eligible to participate. The Golden Rain Foundation provides a certain level of matching contributions on salary deferrals. The Company's contributions are recorded as operating expenses when paid or declared. The Company's contribution to this plan for 2020 and 2019 amounted to $224,626 and $200,897, respectively.

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 participation in this multi-employer plan differ from single-employer plans in the following aspects:

- Assets contributed to the plans by a company may be used to provide benefits to participants of other companies,
- If a participating company discontinues contributions to a plan, other participating employers may be required to cover any unfunded liability that may exist, and
- If the Company stops participating in the multi-employer pension plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table provides information about the status of the multi-employer plan as of December 31:

			Funding Improvement		Company Contributions		
Name of Pension Plan	EIN / Pension Plan Number	Pension Protection Act Zone Status	Plan / Rehabilitation Plan Implemented	Surcharge Imposed	Year Ended December 31, 2020	Year Ended December 31, 2019	Expiration Date of Collective Bargaining Agreement
Laborers Pension Trust Fund for Northern California	94-6277608/001	Green	No	No	$ 1,634,038	$ 1,699,271	July 31, 2021

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. Since July 1, 2016, Golden Rain Foundation's per employee pension contribution was $8.96/hour. If the employer's pension contribution is less than 80% of the total required pension contribution, Golden Rain Foundation agrees to increase its pension contribution by up to a maximum of $0.50/hour.

The Company's total contributions to the multi-employer plan were less than 5% of the total contributions received by the Plan from all sources in the Plan years ended May 31, 2020 and 2019.

NOTE 9 – RELATED PARTY TRANSACTIONS

Golden Rain Foundation provides recurring accounting and administrative services for most of the Mutual Entities. Revenues from services provided to the Mutual Entities amounted to $32,521,840 and $31,742,540 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, accounts receivable from the Mutual Entities amounted to $403,181 and $381,492, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Lawsuits – From time to time, the Company may be engaged in lawsuits, generally in the ordinary course of business. In the opinion of management, based on advice of counsel, the ultimate outcome of these lawsuits will not have a material impact on the Company' combined financial statements.

Solar Agreement – On December 1, 2016, the Company entered into a solar power services agreement to purchase electricity generated from a solar system. The system has been installed on Rossmoor's community property by the service provider who owns the equipment and is responsible for operating and maintaining the system. The term of the agreement is for 25 years starting on the date the system begins operations and may be extended for additional one year periods thereafter. The system began operating on October 14, 2019. Under the terms of the agreement the Company is required to pay the service provider for all electricity actually produced by the system at annual rates per kWh as specified in the agreement. The Company has the option of purchasing the equipment over the life of the agreement at the greater of a specified purchase price or its then fair market value. The agreement is subject to early termination penalties and certain reporting covenants.

Fitness Center – In 2020, the Company entered into an agreement with a local university to make available space and equipment within the Company's fitness center in relation to a medical study from April 1, 2020 through June 30, 2024. In consideration for the use of space, the local university will pay the Company an annual fee. The Company received $70,000 for the use of the space during the year ended December 31, 2020. The Company will receive $175,000 annually through June 30, 2024.

NOTE 11 – SUBSEQUENT EVENTS

The Company's management has evaluated the impact of subsequent events on these combined financial statements, including disclosures, through April 5, 2021, the date the combined financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SHEA LABAGH DOBBERSTEIN

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

BOARD OF DIRECTORS OF GOLDEN RAIN FOUNDATION OF WALNUT CREEK
AND GOLDEN RAIN FOUNDATION OF WALNUT CREEK TRUST

We have audited the combined financial statements of Golden Rain Foundation of Walnut Creek and Golden Rain Foundation of Walnut Creek Trust (referred to herein as "Golden Rain Foundation and Trust"), as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 5, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information presented on the Combining Balance Sheet, Combining Statement of Revenues and Expenses, Divisional Balance Sheet, and Divisional Statement of Revenues and Expenses, is presented for the purpose of additional analysis and is 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 audits 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.

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

Shea Labagh Dobberstein

San Francisco, California
April 5, 2021

GOLDEN RAIN FOUNDATION AND TRUST

COMBINING BALANCE SHEET

December 31, 2020

	Golden Rain Foundation	Trust	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 7,543,931	$ 5,397,459	$ -	$ 12,941,390
Accounts Receivable, Net	558,002	556	-	558,558
Inventories	412,555	-	-	412,555
Prepaid Expenses and Other Assets	51,241	124,067	-	175,308
TOTAL CURRENT ASSETS	8,565,729	5,522,082	-	14,087,811
PROPERTY AND EQUIPMENT				
Cost	749,619	105,803,252	-	106,552,871
Less: Accumulated Depreciation and Amortization	749,619	58,223,631	-	58,973,250
NET PROPERTY AND EQUIPMENT	-	47,579,621	-	47,579,621
NOTES RECEIVABLE	-	544,184	-	544,184
TOTAL ASSETS	$ 8,565,729	$ 53,645,887	$ -	$ 62,211,616
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 1,320,841	$ 247,326	$ -	$ 1,568,167
Accrued Payroll and Benefits	2,126,649	-	-	2,126,649
Paycheck Protection Program Loan	3,570,600	-	-	3,570,600
Notes Payable, Current Portion	-	1,416,596	-	1,416,596
TOTAL CURRENT LIABILITIES	7,018,090	1,663,922	-	8,682,012
LONG-TERM LIABILITIES				
Notes Payable, Net of Current Portion	-	12,694,399	-	12,694,399
Pension Liability	12,873,695	-	-	12,873,695
TOTAL LONG-TERM LIABILITIES	12,873,695	12,694,399	-	25,568,094
TOTAL LIABILITIES	19,891,785	14,358,321	-	34,250,106
COMMITMENTS AND CONTINGENCIES				
NET ASSETS (DEFICIT) FOR THE BENEFIT OF WALNUT CREEK MUTUAL ENTITIES	(11,326,056)	39,287,566	-	27,961,510
TOTAL LIABILITIES AND NET ASSETS	$ 8,565,729	$ 53,645,887	$ -	$ 62,211,616

GOLDEN RAIN FOUNDATION AND TRUST

COMBINING STATEMENT OF REVENUES AND EXPENSES

Year Ended December 31, 2020

	Golden Rain Foundation	Trust	Eliminations	Total
REVENUES				
Property Management Services	$ 33,574,975	$ -	$ -	$ 33,574,975
OTHER REVENUES				
Community Facilities Services	1,992,000	190,851	(190,851)	1,992,000
Newspaper and Advertising	867,255	-	-	867,255
Lease Revenue	44,910	632,122	-	677,032
Noncommunity Facilities Services	212,801	15,678	-	228,479
Financial Income	8,838	43,036	-	51,874
Other Revenue	109,966	885	-	110,851
TOTAL OTHER REVENUES	3,235,770	882,572	(190,851)	3,927,491
TOTAL REVENUES	36,810,745	882,572	(190,851)	37,502,466
OPERATING EXPENSES				
Employee Compensation	21,543,072	-	-	21,543,072
Operations and Maintenance	11,851,651	-	-	11,851,651
Administrative	3,000,778	3,598	(190,851)	2,813,525
Depreciation and Amortization	-	3,869,489	-	3,869,489
TOTAL OPERATING EXPENSES	36,395,501	3,873,087	(190,851)	40,077,737
REVENUES IN EXCESS OF EXPENSES (EXPENSES IN EXCESS OF REVENUES) RELATED TO OPERATIONS	415,244	(2,990,515)	-	(2,575,271)
OTHER INCOME (EXPENSES)				
Interest	(24,847)	(748,062)	-	(772,909)
Loss on Disposal of Property and Equipment	-	(54,585)	-	(54,585)
Other Income	1,944	172	-	2,116
TOTAL OTHER INCOME (EXPENSES)	(22,903)	(802,475)	-	(825,378)
REVENUES IN EXCESS OF EXPENSES, (EXPENSES IN EXCESS OF REVENUES)	$ 392,341	$ (3,792,990)	$ -	$ (3,400,649)

GOLDEN RAIN FOUNDATION AND TRUST

DIVISIONAL BALANCE SHEET

December 31, 2020

	General Operations	Mutual Operations	Eliminations	Golden Rain Foundation
ASSETS				
CURRENT ASSETS				
Cash	$ 7,383,146	$ 160,785	$ -	$ 7,543,931
Accounts Receivable, Net	154,821	403,181	-	558,002
Inventories	162,666	249,889	-	412,555
Due from (to) Related Party	266,514	(351,335)	-	(84,821)
Prepaid Expenses and Other Assets	122,588	13,474	-	136,062
TOTAL CURRENT ASSETS	8,089,735	475,994	-	8,565,729
PROPERTY AND EQUIPMENT				
Cost	652,644	96,975	-	749,619
Less: Accumulated Depreciation and Amortization	652,644	96,975	-	749,619
NET PROPERTY AND EQUIPMENT	-	-	-	-
TOTAL ASSETS	$ 8,089,735	$ 475,994	$ -	$ 8,565,729
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	$ 1,253,404	$ 67,437	$ -	$ 1,320,841
Accrued Payroll and Benefits	1,691,172	435,477	-	2,126,649
Paycheck Protection Program Loan	3,570,600	-	-	3,570,600
TOTAL CURRENT LIABILITIES	6,515,176	502,914	-	7,018,090
LONG-TERM LIABILITIES				
Pension Liability	12,673,245	200,450	-	12,873,695
TOTAL LONG-TERM LIABILITIES	12,673,245	200,450	-	12,873,695
TOTAL LIABILITIES	19,188,421	703,364	-	19,891,785
COMMITMENTS AND CONTINGENCIES				
NET ASSETS (DEFICIT) FOR THE BENEFIT OF WALNUT CREEK MUTUAL ENTITIES	(11,098,686)	(227,370)	-	(11,326,056)
TOTAL LIABILITIES AND NET ASSETS	$ 8,089,735	$ 475,994	$ -	$ 8,565,729

GOLDEN RAIN FOUNDATION AND TRUST

DIVISIONAL STATEMENT OF REVENUES AND EXPENSES

Year Ended December 31, 2020

	General Operations	Mutual Operations	Eliminations	Golden Rain Foundation
REVENUES				
Property Management Services	$ 23,520,883	$ 10,054,092	$ -	$ 33,574,975
OTHER REVENUES				
Community Facilities Services	1,992,000	-	-	1,992,000
Newspaper and Advertising	867,255	-	-	867,255
Lease Revenue	44,910	-	-	44,910
Noncommunity Facilities Services	212,801	-	-	212,801
Financial Income	8,838	-	-	8,838
Other Revenue	109,966	-	-	109,966
TOTAL OTHER REVENUES	3,235,770	-	-	3,235,770
TOTAL REVENUES	26,756,653	10,054,092	-	36,810,745
OPERATING EXPENSES				
Employee Compensation	12,741,171	8,801,901	-	21,543,072
Operations and Maintenance	10,632,219	1,219,432	-	11,851,651
Administrative	2,564,762	436,016	-	3,000,778
TOTAL OPERATING EXPENSES	25,938,152	10,457,349	-	36,395,501
REVENUES IN EXCESS OF EXPENSES (EXPENSES IN EXCESS OF REVENUES) RELATED TO OPERATIONS	818,501	(403,257)	-	415,244
OTHER INCOME (EXPENSES)				
Interest	(24,847)	-	-	(24,847)
Other Income	1,940	4	-	1,944
TOTAL OTHER INCOME (EXPENSES)	(22,907)	4	-	(22,903)
REVENUES IN EXCESS OF EXPENSES	$ 795,594	$ (403,253)	$ -	$ 392,341