

**GOLDEN RAIN FOUNDATION**

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**COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

# GOLDEN RAIN FOUNDATION

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Golden Rain Foundation General Fund and Trust Estate (the Foundation), which comprise the combined balance sheets as of December 31, 2013 and 2012, and the related combined statements of revenues, fees and expenses changes in net assets, comprehensive 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 Golden Rain Foundation General Fund and Trust Estate as of December 31, 2013 and 2012, 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, cba.*

Walnut Creek, California  
April 25, 2014

# GOLDEN RAIN FOUNDATION

## COMBINED BALANCE SHEETS

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 2,161,299	\$ 2,725,809
Accounts receivable, net	1,118,951	1,283,350
Inventories	543,329	643,321
Property and equipment, net	51,761,674	42,795,262
Other assets, net	141,209	164,139
	<u>55,726,462</u>	<u>47,611,881</u>
Total assets	<u>\$ 55,726,462</u>	<u>\$ 47,611,881</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Bank loans	\$ 14,221,865	\$ 7,803,753
Accounts payable and accrued expenses	2,712,447	1,424,359
Accrued payroll and benefits	1,475,563	1,394,960
Pension liability	6,227,160	16,345,677
	<u>24,637,035</u>	<u>26,968,749</u>
Total liabilities	<u>24,637,035</u>	<u>26,968,749</u>
Net assets for the benefit of Walnut Creek Mutual Entities:		
Contributed capital	4,718,899	4,718,899
Accumulated equity	35,355,612	35,027,834
Accumulated other comprehensive loss	(8,985,084)	(19,103,601)
	<u>31,089,427</u>	<u>20,643,132</u>
Total net assets	<u>31,089,427</u>	<u>20,643,132</u>
Total liabilities and net assets	<u>\$ 55,726,462</u>	<u>\$ 47,611,881</u>

The accompanying notes are an integral  
part of these financial statements

**GOLDEN RAIN FOUNDATION**  
**COMBINED STATEMENTS OF REVENUES, FEES AND EXPENSES**  
for the years ended December 31, 2013 and 2012

	2013	2012
Revenues from Walnut Creek Mutual Entities	\$ 27,276,197	\$ 26,930,896
Membership transfer fees	3,801,000	4,053,000
Other revenues:		
Services - community facilities	2,387,585	2,058,373
Newspaper	882,963	935,240
Medical center lease revenue	581,131	581,131
Noncommunity facilities services	362,148	306,200
Financial income	16,923	13,571
Other income	106,503	412,112
Total other revenues	4,337,253	4,306,627
Total revenues and fees	35,414,450	35,290,523
Expenses:		
Employee compensation	18,844,490	17,933,151
Operations and maintenance	11,380,862	10,470,993
Administrative	1,644,686	1,670,717
Interest	343,044	547,679
Other	56,067	62,249
Depreciation and amortization	2,667,523	2,632,187
Total expenses	34,936,672	33,316,976
Revenues and fees over expenses	\$ 477,778	\$ 1,973,547

The accompanying notes are an integral  
part of these financial statements

**GOLDEN RAIN FOUNDATION**  
**COMBINED STATEMENTS OF CHANGES IN NET ASSETS**  
for the years ended December 31, 2013 and 2012

	Contributed Capital	Accumulated Equity	Accumulated Other Comprehensive Loss	Total
Net assets, December 31, 2011	\$ 4,718,899	\$ 33,204,287	\$ (18,688,248)	\$ 19,234,938
Membership transfer fees	4,053,000	-	-	4,053,000
Transfer of funds to Trust Estate	(4,053,000)	-	-	(4,053,000)
Mutual distribution	-	(150,000)	-	(150,000)
Comprehensive income:				
Revenues and fees over expenses	-	1,973,547	-	1,973,547
Adjustment to pension benefit obligation	-	-	(415,353)	(415,353)
Net assets, December 31, 2012	4,718,899	35,027,834	(19,103,601)	20,643,132
Membership transfer fees	3,801,000	-	-	3,801,000
Transfer of funds to Trust Estate	(3,801,000)	-	-	(3,801,000)
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	<u>\$ 4,718,899</u>	<u>\$ 35,355,612</u>	<u>\$ (8,985,084)</u>	<u>\$ 31,089,427</u>

The accompanying notes are an integral  
part of these financial statements

**GOLDEN RAIN FOUNDATION**  
**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**  
for the years ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
Revenues and fees over expenses	\$ 477,778	\$ 1,973,547
Other comprehensive income (loss):		
Adjustment to pension benefit obligation	<u>10,118,517</u>	<u>(415,353)</u>
 Total comprehensive income	 <u><u>\$ 10,596,295</u></u>	 <u><u>\$ 1,558,194</u></u>

The accompanying notes are an integral  
part of these financial statements

**GOLDEN RAIN FOUNDATION**  
**COMBINED STATEMENTS OF CASH FLOWS**  
for the years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Revenues and fees over expenses	\$ 477,778	\$ 1,973,547
Adjustments to reconcile revenues and fees over expenses to net cash provided by operating activities:		
Depreciation	2,641,747	2,637,191
Gain on sale of property and equipment	(31,873)	(9,621)
Adjustment to pension benefit obligation	10,118,517	(415,353)
Change in operating asset and liability accounts:		
Accounts receivable, net	164,399	115,409
Inventories	99,992	(623)
Other assets, net	22,930	45,632
Accounts payable and accrued expenses, and accrued payroll and benefits	(8,749,826)	771,727
Net cash provided by operating activities	4,743,664	5,117,909
Cash flows provided by investing activities:		
Purchases of property and equipment	(11,637,652)	(4,643,000)
Proceeds from sale of property and equipment	61,366	-
Net cash used in financing activities	(11,576,286)	(4,643,000)
Cash flows from financing activities:		
Net proceeds from line of credit	6,800,000	-
Payments on bank loans	(381,888)	(120,862)
Mutual distribution	(150,000)	(150,000)
Proceeds from membership transfer fees	3,801,000	4,053,000
Transfer of membership transfer fees to Trust Estate	(3,801,000)	(4,053,000)
Net cash provided by (used in) financing activities	6,268,112	(270,862)
Net (decrease) increase in cash	(564,510)	204,047
Cash, beginning of year	2,725,809	2,521,762
Cash, end of year	\$ 2,161,299	\$ 2,725,809
Supplemental cash flow disclosures:		
Interest paid	\$ 449,390	\$ 410,911

The accompanying notes are an integral  
part of these financial statements



**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**1. Organization**

The Golden Rain Foundation of Walnut Creek (Golden Rain Foundation or the Organization) 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 with 18 mutual corporations (the Mutual Entities) as the beneficiaries of the Trust. The Mutual Entities consist of associations as defined by California Civil Code §1351(a), each of which manage common interest developments as defined by California Civil Code §1351(b), 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 (the Golden Rain Foundation General Fund or General Fund), and all accounts of the Trust. Accounting principles applicable to business enterprises are used to account for the Golden Rain Foundation General Fund transactions and balances. Accounting principles applicable to trusts are used to account for the transactions and balances of the Trust.

***Operating and Board Designated Funds***

Disbursements for day-to-day operations are subject to the control of the Golden Rain Foundation Board, which generally delegates approval and discretion to the employee management of the Golden Rain Foundation through establishment of an annual budget. Disbursements for capital improvements or from Board designated funds of the Trust generally require direct approval of the Board of Directors. The Board of Directors has ultimate responsibility for all funds.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**2. Summary of Significant Accounting Policies, continued**

***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.

***Accounts Receivable***

Accounts receivable of the General Fund 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 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, 2013 and 2012, the General Fund had an allowance for doubtful accounts of \$1,000. During the years ended December 31, 2013 and 2012, the General Fund had bad debt expenses of \$0 and \$6,000, respectively. 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. Additionally, the Golden Rain Foundation has receivables from financed transfer fees.

***Inventories***

Inventories of the General Fund 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 General Fund 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 General Fund 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 General Fund 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.

***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.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**2. Summary of Significant Accounting Policies, continued**

***Reclassifications***

Certain reclassifications have been made to the 2012 combined financial statement presentation to correspond to the current year's format. Total members' equity, 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 member fees of the 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 at rates based on annual budgets. 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 General Fund are derived from service fees to members and sales of newspaper advertising, and are recognized as revenue as work is completed and advertisements are published.

**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 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 \$43,013,685 and \$41,069,000 at December 31, 2013 and 2012, respectively. Membership transfer fees are treated as contributions to capital, thus are not taxable revenues.

The Foundation has evaluated its current tax positions and has concluded that as of December 31, 2013 and 2012, the Foundation does not have any 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 statement of revenues and expenses. A number of the organization's tax returns remain subject to examination by taxing authorities. These open tax returns include December 31, 2011 and later years.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**5. Property and Equipment**

Property and equipment at December 31, 2013 and 2012 consist of:

	2013	2012
General Fund:		
Building improvements	\$ 27,608	\$ 27,606
Furniture and equipment	1,224,782	1,350,224
Transportation equipment	658,989	728,282
Computer equipment	203,625	224,135
	2,115,004	2,330,247
Accumulated depreciation	(2,109,152)	(2,307,790)
Property and equipment, net	\$ 5,852	\$ 22,457
Depreciation expense	\$ 15,227	\$ 20,357
Trust Estate:		
Land and land improvements	\$ 26,523,736	\$ 26,968,829
Buildings	11,745,254	11,745,254
Building improvements	30,796,086	30,295,234
Furniture and equipment	4,332,792	3,903,234
Construction in progress	15,405,733	4,322,805
	88,803,601	77,235,356
Accumulated depreciation	(37,047,779)	(34,462,551)
Property and equipment, net	\$ 51,755,822	\$ 42,772,805
Depreciation expense	2,626,520	\$ 2,616,834

**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 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 organization's fiscal year-end. The Foundation's adjustment to its minimum liability at December 31, 2013 and 2012 is (\$10,118,517) and \$415,353, respectively, and is reported in the combined statements of comprehensive 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.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**6. Retirement Plans, continued**

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 Foundation's funding policy is to make the minimum annual contributions recommended by the plan's actuary. Expected contributions in 2014 are \$2,053,582. The plan's funded status, assumptions, and cost at December 31, 2013 and 2012 are as follows:

	2013	2012
Obligations and funded status:		
Projected benefit obligation	\$ 47,552,071	\$ 50,770,012
Plan assets at fair value	41,324,911	34,424,335
Funded status	\$ (6,227,160)	\$ (16,345,677)
Accumulated benefit obligation	\$ 45,362,251	\$ 48,073,979
Employer contributions	\$ 2,419,870	\$ 2,416,111
Benefits paid	\$ 2,238,807	\$ 2,012,325
Amounts recognized in the balance sheet consist of:		
Pension liability	\$ (6,227,160)	\$ (16,345,677)
Amounts recognized in the statement of revenues and expenses consist of:		
Net periodic pension cost per actuary	\$ 2,085,106	\$ 2,325,944

***Components of Net Periodic Pension Cost***

The net periodic pension cost for pension benefits for 2013 and 2012 includes the following components:

	2013	2012
Service cost	\$ 1,067,655	\$ 1,001,221
Interest cost	1,872,785	1,946,256
Expected return on plan assets	(2,761,189)	(2,442,666)
Amortization of net loss	1,905,855	1,821,133
Net periodic benefit cost	\$ 2,085,106	\$ 2,325,944

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**6. Retirement Plans**, continued

*Components of Net Periodic Pension Cost*, continued

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

	2013	2012
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.50%	3.75%
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	3.75%	4.25%
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 earning 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.

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.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

**6. Retirement Plans, continued**

*Components of Net Periodic Pension Cost, continued*

The percentage of the fair value of total plan assets held as of December 31, 2013 and 2012 (the measurement date) by asset category is as follows:

	2013		2012	
Equity securities	\$ 29,278,604	71%	\$ 20,635,471	60%
Debt securities	12,046,307	29%	13,788,864	40%
Total	\$ 41,324,911	100%	\$ 34,424,335	100%

The plan assets consisted of \$34,876,417 and \$26,947,821 level 2 assets and \$6,448,494 and \$7,476,514 level 3 assets for the years ended December 31, 2013 and 2012, 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 General Fund during 2014.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**6. Retirement Plans, continued**

*Components of Net Periodic Pension Cost, continued*

Estimated future annual benefit payments consist of:

2014	\$ 2,581,470
2015	2,557,264
2016	2,697,020
2017	2,776,962
2018	2,876,392
2019 - 2023	14,765,505

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 2013 was \$68,742 and for 2012 was \$51,850.

*Multiemployer Plan*

The Golden Rain Foundation contributed \$1,633,778 in 2013 and \$1,408,487 in 2012 to a union-sponsored retirement benefit plan. This plan is not administered by the Golden Rain Foundation and contributions are determined in accordance with the provisions of the negotiated labor contract. Contributions are based on the hours worked by employees covered under these agreements and are charged to income on a current basis. The Multi-employer Pension Plan Amendments Act of 1980 (the Act) significantly increased the pension responsibilities of participating employers. Under the provisions of the Act, if the plan terminates or the Foundation withdraws, the Foundation could be subjected to a substantial "withdrawal liability." Based on the most recent information available to it, the Foundation believes that the present value of actuarial accrued liabilities in most or all of these multi-employer plans substantially exceeds the value of the assets held in trust to pay benefits. If the Foundation were to exit certain markets or otherwise cease making contributions to these funds, the Foundation could trigger a substantial withdrawal liability.

Golden Rain Foundation contributes to a multiemployer defined benefit pension plan under a collective bargaining agreement that covers its union-represented employees. The risks of participating in this multiemployer plan differ from those of single-employer plans in the following respects: assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other 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 Plan's prior estimated employer contingent withdrawal liability was \$424,425.

Continued



**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**6. Retirement Plans**, continued

*Multiemployer Plan*, continued

The term of the current collective bargaining agreement covers the period between August 1, 2009 through July 31, 2014. 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, 2013, Golden Rain Foundation's per employee pension contribution was \$5.80/hour. That amount increased to \$6.76/hr as of July 1, 2013. The pension plan trustee has informed Golden Rain Foundation that the plan status for the 2012 plan year, which runs from June 1, 2011 through May 31, 2012, was endangered which equates to a Pension Protection Act zone status of yellow. Plans in the yellow zone are between 65-80% funded. A Funding Improvement Plan has been adopted by the trustee. At the beginning of the 2012 Plan year, there were 1,385 employers participating in the Plan, none of which contribute 5% or more to the Plan.

**7. Concentrations**

Cash is maintained in bank deposit accounts at financial institutions which generally exceed federally insured limits.

Approximately 40% of the Golden Rain Foundation's employees are covered by a multi-year collective bargaining agreement which expires in July 2014.

**8. Restricted Cash**

Included in cash is approximately \$141,000 of restricted cash. This amount relates to a tree bond that earns interest at a rate of .05% and is renewed every year.

**9. 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.

**10. Commitments**

Purchase commitments related to various Trust Estate renovation and expansion projects approximated \$620,789 and \$7,846,690 at December 31, 2013 and 2012, respectively. Additionally, see Note 11 for outstanding bank loan commitments.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**11. Bank Loans**

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, 2013 and 2012, \$7,421,865 and \$7,803,753, respectively, are payable on the note. The note is collateralized by a Blanket UCC securities agreement, which includes all inventory, chattel paper, accounts receivable, equipment, and general intangible assets of the General Fund.

The Golden Rain Foundation's term note matures as follows:

Years ending December 31:	
2014	\$ 400,710
2015	420,440
2016	440,248
2017	462,818
2018	485,605
Thereafter	<u>5,212,026</u>
	<u><u>\$ 7,421,847</u></u>

The Golden Rain Foundation also is obligated under a non-revolving line of credit with a bank with a total credit amount available of \$11,000,000. This line of credit matures and is payable in full on September 10, 2014. Interest on borrowing is payable monthly and accrues at a variable rate equal to the higher of the bank's reference rate or 4%. At December 31, 2013 \$6,800,000 was payable on the line of credit. Interest of \$87,911 was capitalized during the year ended December 31, 2013 in connection with the construction of the Event Center. At December 31, 2012, there were no outstanding borrowings against the line of credit.

The note and line of credit agreements 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, 2013 and 2012. Repayment of the bank loans will be primarily from Golden Rain Foundation membership transfer fees. The line of credit is collateralized by a Blanket UCC securities agreement, which includes all inventory, chattel paper, accounts receivable, equipment, and general intangible assets of the General Fund. In addition, the revolving line of credit is secured by a mortgage on the Medical Center (see Note 12).

**12. 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 \$583,568, respectively, in 2013, and \$581,131 and \$569,334, respectively, in 2012.

Continued

**GOLDEN RAIN FOUNDATION**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**12. Medical Center, continued**

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 General Fund balance sheet. The costs are to be amortized straight-line over the life of the lease. Accumulated amortization as of December 31, 2013 and 2012 was \$124,497 and \$107,471, respectively, and amortization expense for the years ended December 31, 2013 and 2012 was \$17,026 and \$15,353, respectively. The Foundation had deferred rent receivable of \$395,565 as of December 31, 2013, which is included as part of accounts receivable.

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:

	Cash Basis	Straight-Line	Amortization
2014	\$ 598,157	\$ 581,131	\$ 17,026
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
Thereafter	1,077,234	920,124	157,110
	\$ 4,221,344	\$ 3,825,779	\$ 395,565

As of December 31, 2013, 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	(2,041,650)
	\$ 332,473

**13. 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, 2013 and 2012 the Trust Estate had \$309,955 and \$272,263 of accounts receivable from the Mutuals, respectively. Revenues from the Mutuals were \$27,276,197 and \$26,930,896 for the years ended December 31, 2013 and 2012, respectively. Additionally, the Golden Rain Foundation made distributions to the Mutuals of \$150,000 and \$150,000 during the years ended December 31, 2013 and 2012, respectively.

**14. Subsequent Events**

The Golden Rain Foundation has evaluated subsequent events through April 25, 2014, the date the 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  
General Fund and Trust Estate  
Walnut Creek, California

**Report on Supplementary Information**

We have audited the combined financial statements of the Golden Rain Foundation as of and for the year ended December 31, 2013, and our report thereon dated April 25, 2014 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, cba.*

Walnut Creek, California  
April 25, 2014

**GOLDEN RAIN FOUNDATION**  
**COMBINING BALANCE SHEET**  
December 31, 2013

	General Fund	Trust Estate	Combined
<b>ASSETS</b>			
Cash	\$ 1,890,316	\$ 270,983	\$ 2,161,299
Accounts receivable, net	784,035	334,916	1,118,951
Due from/(to) related party	991,162	(991,162)	-
Inventories	543,329	-	543,329
Property and equipment, net	5,852	51,755,822	51,761,674
Other assets, net	115,153	26,056	141,209
	<b>\$ 4,329,847</b>	<b>\$ 51,396,615</b>	<b>\$ 55,726,462</b>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Bank loans	\$ -	\$ 14,221,865	\$ 14,221,865
Accounts payable and accrued expenses	1,012,600	1,699,847	2,712,447
Accrued payroll and benefits	1,475,563	-	1,475,563
Pension liability	6,227,160	-	6,227,160
	8,715,323	15,921,712	24,637,035
Net assets for the benefit of Walnut Creek Mutual Entities:			
Contributed capital	4,718,899	-	4,718,899
Accumulated (deficit) equity	(119,291)	35,474,903	35,355,612
Accumulated other comprehensive loss	(8,985,084)	-	(8,985,084)
	(4,385,476)	35,474,903	31,089,427
	<b>\$ 4,329,847</b>	<b>\$ 51,396,615</b>	<b>\$ 55,726,462</b>

See Independent Auditors' Report on Supplementary Information.

**GOLDEN RAIN FOUNDATION**  
**COMBINING STATEMENT OF REVENUES, FEES AND EXPENSES**  
for the year ended December 31, 2013

	General Fund	Trust Estate	Eliminations	Combined
Revenues from Walnut Creek Mutual Entities	<u>\$ 27,276,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,276,197</u>
Membership transfer fees	<u>-</u>	<u>3,801,000</u>	<u>-</u>	<u>3,801,000</u>
Other revenues:				
Services - community facilities	2,387,585	105,572	(105,572)	2,387,585
Newspaper	882,963	-	-	882,963
Medical center lease revenue	99,164	481,967	-	581,131
Noncommunity facilities services	362,148	-	-	362,148
Financial income	71,263	16,923	(71,263)	16,923
Other income	<u>62,763</u>	<u>43,740</u>	<u>-</u>	<u>106,503</u>
Total other revenues	<u>3,865,886</u>	<u>648,202</u>	<u>(176,835)</u>	<u>4,337,253</u>
Total revenues and fees	<u>31,142,083</u>	<u>4,449,202</u>	<u>(176,835)</u>	<u>35,414,450</u>
Expenses:				
Employee compensation	18,844,490	-	-	18,844,490
Operations and maintenance	11,380,862	-	-	11,380,862
Administrative	1,750,258	-	(105,572)	1,644,686
Interest	-	414,307	(71,263)	343,044
Other	56,067	-	-	56,067
Depreciation and amortization	<u>39,229</u>	<u>2,628,294</u>	<u>-</u>	<u>2,667,523</u>
Total expenses	<u>32,070,906</u>	<u>3,042,601</u>	<u>(176,835)</u>	<u>34,936,672</u>
Revenues and fees over expenses	<u><u>\$ (928,823)</u></u>	<u><u>\$ 1,406,601</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 477,778</u></u>

See Independent Auditors' Report on Supplementary Information.

**GOLDEN RAIN FOUNDATION**  
**GENERAL FUND DIVISIONAL BALANCE SHEET**

December 31, 2013

	<u>General Operations</u>	<u>Mutual Operations</u>	<u>General Fund</u>
<b>ASSETS</b>			
Cash	\$ 1,642,054	\$ 248,262	\$ 1,890,316
Accounts receivable, net	484,513	299,522	784,035
Due from/(to) related party	1,167,644	(176,482)	991,162
Inventories	241,800	301,529	543,329
Property and equipment, net	561	5,291	5,852
Other assets	103,830	11,323	115,153
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 3,640,402</u>	<u>\$ 689,445</u>	<u>\$ 4,329,847</u>
<b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 910,082	\$ 102,518	\$ 1,012,600
Accrued payroll and benefits	1,231,813	243,750	1,475,563
Pension liability	6,026,710	200,450	6,227,160
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>8,168,605</u>	<u>546,718</u>	<u>8,715,323</u>
Net assets:			
Contributed capital	4,718,899	-	4,718,899
Accumulated (deficit) equity	(262,018)	142,727	(119,291)
Accumulated other comprehensive loss	(8,985,084)	-	(8,985,084)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total net assets	<u>(4,528,203)</u>	<u>142,727</u>	<u>(4,385,476)</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 3,640,402</u>	<u>\$ 689,445</u>	<u>\$ 4,329,847</u>

See Independent Auditors' Report on Supplementary Information.



**GOLDEN RAIN FOUNDATION**  
**GENERAL FUND DIVISIONAL STATEMENT OF REVENUES, FEES AND EXPENSES**  
for the year ended December 31, 2013

	<u>General Operations</u>	<u>Mutual Operations</u>	<u>General Fund</u>
Revenues from Walnut Creek			
Mutual Entities	\$ 18,285,087	\$ 8,991,110	\$ 27,276,197
Other revenues:			
Services - community facilities	2,387,585	-	2,387,585
Newspaper	882,963	-	882,963
Medical center lease revenue	99,164	-	99,164
Noncommunity facilities services	362,148	-	362,148
Financial income	71,263	-	71,263
Other income	62,763	-	62,763
Total other revenue	<u>3,865,886</u>	<u>-</u>	<u>3,865,886</u>
Total revenues and fees	<u>22,150,973</u>	<u>8,991,110</u>	<u>31,142,083</u>
Expenses:			
Employee compensation	11,604,443	7,240,047	18,844,490
Operations and maintenance	9,974,179	1,406,683	11,380,862
Administrative	1,402,685	347,573	1,750,258
Other	56,067	-	56,067
Depreciation and amortization	30,567	8,662	39,229
Total expenses	<u>23,067,941</u>	<u>9,002,965</u>	<u>32,070,906</u>
Expenses over revenues and fees	<u>\$ (916,968)</u>	<u>\$ (11,855)</u>	<u>\$ (928,823)</u>

See Independent Auditors' Report on Supplementary Information.