KPMG

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS AND AFFILIATE

Consolidated Financial Statements and Supplementary Information

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

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Independent Auditors' Report

The Board of Directors
Golden Rain Foundation of Laguna Woods and Affiliate:

Opinion

We have audited the consolidated financial statements of Golden Rain Foundation of Laguna Woods and Affiliate (the Foundation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information included in schedule 3 on future major repairs and replacements be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Irvine, California
April 16, 2024

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

Consolidated Balance Sheets

December 31, 2023 and 2022

Assets		**2023**	**2022**
Current assets:			
Cash and cash equivalents (note 3)	$	3,266,683	4,440,915
Receivables from Laguna Woods Mutuals (note 10)		1,684,293	765,496
Accounts receivable and interest receivable		1,284,556	1,237,202
Operating supplies		1,121,802	946,896
Income tax receivable (note 8)		10,000	10,000
Prepaid expenses and deposits		2,328,973	2,170,552
Total current assets		9,696,307	9,571,061
Investments and restricted cash (note 3)		32,752,891	33,013,304
Property and equipment, net (note 4)		58,856,744	56,174,610
Community facilities held in trust, net (note 5)		10,022,865	10,257,887
Intangible assets, net (note 6)		21,195	85,573
Total assets	$	111,350,002	109,102,435
Liabilities and Equity			
Liabilities:			
Accounts payable and accrued expenses	$	3,503,204	3,479,747
Amounts payable to VMS for accrued compensation (notes 10 and 11)		5,605,724	4,993,177
Payables to Laguna Woods Mutuals (note 10)		—	1,345,602
Deferred income (note 7)		668,066	622,209
Total current liabilities		9,776,994	10,440,735
Total liabilities		9,776,994	10,440,735
Equity:			
Members’ equity in Golden Rain Foundation of Laguna Woods		91,376,004	88,229,674
Noncontrolling interest in consolidated trust (note 12)		10,197,004	10,432,026
Total equity		101,573,008	98,661,700
Total liabilities and equity	$	111,350,002	109,102,435

See accompanying notes to consolidated financial statements.

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

		2023	2022
Revenue:			
Assessments:			
Operating	$	31,225,106	29,878,656
Additions to restricted funds		2,598,144	3,362,304
Total assessments		33,823,250	33,240,960
Other revenue:			
Trust facilities fees		5,178,464	5,922,448
Golf		1,937,475	2,140,770
Recreational fees		644,984	493,136
Additional occupant fee		168,800	151,300
Charges for services to mutuals		2,780,727	2,988,483
Rental income		930,378	710,463
Merchandise sales		527,998	618,927
Broadband services		5,433,370	5,277,635
Interest income		1,395,639	447,108
Miscellaneous		472,226	408,472
Total other revenue		19,470,061	19,158,742
Total revenue		53,293,311	52,399,702
Expenses:			
Amounts paid to VMS for compensation		25,512,579	23,626,842
Operating materials and supplies		2,192,930	2,650,857
Community events		627,881	408,472
Utilities and telephone		2,842,204	2,815,605
Fuel and oil		574,186	723,392
Legal fees		233,489	82,364
Professional fees		652,128	629,637
Equipment rental		299,186	272,854
Repairs and maintenance		3,824,890	3,718,133
Property and sales taxes		29,807	33,076
Insurance		2,899,015	2,786,533
Cable programming fees		4,479,033	4,196,412
Depreciation and amortization		5,364,372	5,479,641
Merchant fees		344,950	347,860
Uniforms		102,138	103,302
Other		620,764	644,332
Total expenses		50,599,552	48,519,312
Net income before other changes		2,693,759	3,880,390
Other income (expense):			
Realized loss on available-for-sale investments		(1,531,819)	—
Unrealized gain (loss) on available-for-sale investments		1,749,368	(1,638,109)
Net income	$	2,911,308	2,242,281

See accompanying notes to consolidated financial statements.

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
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Consolidated Statements of Changes in Equity

Years ended December 31, 2023 and 2022

		Members' equity	Noncontrolling interest	Total equity
Balance, December 31, 2021	$	85,727,477	10,691,942	96,419,419
Net income (loss)		2,502,197	(259,916)	2,242,281
Balance, December 31, 2022		88,229,674	10,432,026	98,661,700
Net income (loss)		3,146,330	(235,022)	2,911,308
Balance, December 31, 2023	$	91,376,004	10,197,004	101,573,008

See accompanying notes to consolidated financial statements.

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
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Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Net income	$	2,911,308	2,242,281
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		5,364,372	5,479,641
Unrealized (gain) loss on available-for-sale investments		(1,749,368)	1,638,109
Amortization of investment premium and discount, net		(341,994)	(7,776)
Loss (gain) on disposition of assets		(34,769)	17,743
Change in operating assets and liabilities:			
Accounts receivable and interest receivable		(47,354)	48,748
Operating supplies		(174,906)	(40,285)
Prepaid expenses and deposits		(158,421)	(239,648)
Accounts payable and accrued expenses		(564,976)	689,746
Amounts payable to VMS for accrued compensation		612,547	578,657
Receivables from (payables to) Laguna Woods Mutuals, net		(2,264,399)	617,994
Income tax payable		—	(10)
Deferred income		45,856	65,922
Net cash provided by operating activities		3,597,896	11,091,122
Cash flows from investing activities:			
Maturities of held-to-maturity investments		51,628,662	42,640,325
Purchases of held-to-maturity investments		(68,066,531)	(47,354,692)
Proceeds from sales of available-for-sale investments		19,541,746	—
Purchases of property and equipment		(7,123,903)	(3,994,443)
Net cash used in investing activities		(4,020,026)	(8,708,810)
Net (decrease) increase in cash and cash equivalents and restricted cash		(422,130)	2,382,312
Cash and cash equivalents and restricted cash at beginning of year		6,940,054	4,557,742
Cash and cash equivalents and restricted cash at end of year (note 2 (b))	$	6,517,924	6,940,054

See accompanying notes to consolidated financial statements.

(1) Organization

(a) General

Golden Rain Foundation of Laguna Woods (the Foundation or GRF), a nonprofit mutual benefit corporation, operates and maintains certain community and corporate facilities within Laguna Woods Village, Laguna Woods, California (the Village), a housing development consisting of 12,736 residential units (manors), and various community facilities. There are three corporate members of the Foundation: United Laguna Woods Mutual (6,323 manors), Third Laguna Hills Mutual (6,102 manors), and Laguna Woods Mutual No. Fifty (311 manors), collectively, the Laguna Woods Village housing mutuals (the Mutuals). The individual Mutuals' members have a right appurtenant to their membership in the Mutuals to the use of facilities owned or held in trust by the Foundation.

Golden Rain Foundation of Laguna Hills Trust (the Trust) was established to hold title to various community facilities for the benefit of the Mutuals. Each Mutual owns a beneficial interest in the Trust in proportion to the amount originally contributed to the Trust by the Mutual (trusteed sums). The Foundation is the trustee for the Trust and operates and maintains the community facilities held by the Trust. As the Foundation administers the Trust, its assets and activities, and the Mutuals own a beneficial interest in the Trust, without voting control, such beneficial interests represent a noncontrolling interest in the equity of the Trust, and are presented separately in the accompanying consolidated financial statements. See further disclosures at note 12.

The consolidated financial statements include the accounts of the Foundation and the Trust (collectively referred to herein as the Company).

GRF is a member of Village Management Services, Inc. (VMS), an affiliated California nonprofit mutual benefit corporation. VMS was formed to provide management services under contract for GRF and the Mutuals. No management fee is paid to VMS (note 10).

(b) Assessments

The Foundation receives monthly assessments from the Mutuals for certain services. It charges the individual owners directly for other specific services. The members of the Mutuals were assessed the following amounts for their proportionate share of GRF's costs during 2023 and 2022:

		Assessment per manor per month	
		2023	**2022**
GRF – shared operating expenses	$	204.31	195.50
GRF – contribution to restricted funds		17.00	22.00

(Continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting. All significant transactions and balances among the consolidated entities have been eliminated in the accompanying consolidated financial statements.

(b) Cash and Cash Equivalents and Restricted Cash

For purposes of reporting cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. The total balance of cash and cash equivalents at December 31, 2023 and 2022 is $3,266,683 and $4,440,915, which includes $20,271 and $416,560, respectively, of money market funds.

The table below provides a reconciliation of cash, cash equivalents, and restricted cash reported on the balance sheet that sum to the total of those same amounts shown in the statement of cash flows:

		2023	2022
Cash and cash equivalents	$	3,266,683	4,440,915
Restricted cash		3,251,241	2,499,139
Total cash and cash equivalents and restricted cash	$	6,517,924	6,940,054

(c) Investments and Restricted Cash and Investments

Investments are accounted for under the provisions of ASC Topic 320, *Investments – Debt and Equity Securities*. This standard requires the Company to classify and account for investments in equity securities that have readily determinable fair values and for all debt securities into three categories: (1) debt securities that the Company has the positive intent and the ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost; (2) debt and equity securities that are bought and held principally for the purpose of selling them in the near-term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; and (3) debt securities not classified as held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported as a component of comprehensive income. Equity securities including mutual funds not classified as held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses included in earnings during the year ended December 31, 2023 and 2022.

The Company restricts a portion of monthly assessments to finance reserves set aside and reported as restricted funds on the accompanying consolidated balance sheets. Disbursements from these funds may be made only in accordance with the purpose established. Interest income earned on these funds was generally retained within the respective fund in 2023 and 2022. Additions to the funds are determined each year as outlined in the annual business plan approved by the Company.

(Continued)

(d) Fair Value Measurements

The Company applies the provisions of ASC Topic 820, *Fair Value Measurement* (ASC 820), for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized at fair value or disclosed at fair value in the consolidated financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 3).

(e) Future Major Repairs and Replacements

A study was conducted by the Company in 2023 to estimate the remaining useful lives and current replacement costs of certain major components of corporate and community facilities. This study also considered future replacement costs of these certain major components of corporate and community facilities based on the estimated useful lives, assuming a 3.0% inflation factor. The board of directors has a policy to plan additional reserve contributions over the remaining useful lives of those assets based on an annual analysis of the adequacy of the reserve funds. Under the assumption that certain buildings would not be completely replaced within the next 30 years, replacement funds also provide for major repair of those corporate and community facilities. Actual replacement costs when expended may vary from the estimated future expenditures considered in the reserve analysis, and the variations may be material. If additional monies are needed, the Company has the right to adjust the monthly assessment, impose special assessments, or delay expenditures, as appropriate.

(f) Operating Supplies

Operating supplies are stated at cost on an average-cost basis, which is not in excess of market value. Operating supplies include materials for landscape, plumbing, paint, maintenance, and other supplies necessary to operate and maintain services for the Village.

(g) Property and Equipment

Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	2–40 years
Furniture, vehicles, and other equipment	1–33 years
Cable television system	10–11 years

(h) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. During 2023 and 2022, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

(i) Interest Income

Interest earned on investments, if any, held by the Foundation is allocated to the reserve and contingency fund balances based on their respective proportion of the equity balance in each fund.

Interest earned on investments, if any, held by the Trust is allocated to the individual Mutuals based on their respective proportion of the equity balance in the Trust.

(j) Income Taxes

The Foundation files as a homeowners' association in accordance with Internal Revenue Code Section 528. As such, federal and state income taxes were provided on the excess of nonexempt function revenue over nonexempt function expenses for the years ended December 31, 2023 and 2022.

The Foundation provides for income taxes in accordance with ASC Topic 740, *Income Taxes* (ASC 740). ASC 740 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. ASC 740 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. Management believes that no uncertain tax positions requiring further accrual or disclosure existed at December 31, 2023 and 2022.

The Trust is treated as a grantor trust for income tax purposes. Grantor trusts are not taxed at the trust level, rather the trust's income and deductions flow through to the grantor and are included on the grantor's income tax return. The Foundation is the Trustee of the Trust and the Mutuals are the grantors. The Trust generates depreciation expense which is then included on the income tax returns for the Mutuals each year.

(k) Concentration of Credit Risk

The Company had cash balances of $3,246,412 and $4,024,355 and restricted cash balances of $3,251,241 and $2,499,139 at December 31, 2023 and 2022, respectively, maintained in a commercial bank and that consist of cash on deposit. At December 31, 2023 and 2022, all non-interest-bearing deposit transaction accounts are Federal Deposit Insurance Corporation insured up to a maximum of $250,000 per depositor, per insured bank, for each account ownership category.

The Company also maintained a money market fund in the amount of $20,271 and $416,560 at December 31, 2023 and 2022, respectively, that was Securities Investor Protection Corporation insured up to a maximum of $500,000, per institution.

(l) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements. Actual results could differ from those estimates.

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

The Company's investments and restricted cash are presented as follows on the accompanying consolidated balance sheet at December 31, 2023 and 2022:

		2023	2022
Restricted cash	$	3,251,241	2,499,139
Restricted investments:			
Available-for-sale (at fair value):			
Index funds		—	17,792,378
Held-to-maturity (at amortized cost):			
U.S. Treasury notes		29,501,650	12,721,787
Total restricted cash and restricted investments	$	32,752,891	33,013,304

The Company follows the provisions of ASC 820 for fair value measurements of assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Company has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement.

The Company's cash and cash equivalents and investments that are measured at fair value on a recurring basis as reflected on the accompanying consolidated balance sheet at December 31, 2023 and 2022 are summarized as follows:

		2023		
		Level 1	**Level 2**	**Total**
Cash and cash equivalents	$	3,266,683	—	3,266,683
Investments and restricted cash:				
Restricted cash		3,251,241	—	3,251,241
Available-for-sale:				
Index funds		—	—	—
Total available-for-sale investments and restricted cash		3,251,241	—	3,251,241
Total cash and cash equivalents, available-for-sale investments and restricted cash	$	6,517,924	—	6,517,924

		2022		
		Level 1	**Level 2**	**Total**
Cash and cash equivalents	$	4,440,915	—	4,440,915
Investments and restricted cash:				
Restricted cash		2,499,139	—	2,499,139
Available-for-sale:				
Index funds		17,792,378	—	17,792,378
Total available-for-sale investments and restricted cash		20,291,517	—	20,291,517
Total cash and cash equivalents, available-for-sale investments and restricted cash	$	24,732,432	—	24,732,432

Investments available-for-sale comprise index funds whose valuation used quoted prices in active markets for identical investments and are classified as Level 1 in the fair value hierarchy. Fair value of such investments totaled $0 and $17,792,378 at December 31, 2023 and 2022.

Investments held-to-maturity comprise U.S. Treasury notes maturing one year from date of purchase, totaling $29,501,650 and $12,721,787 were carried at amortized cost at December 31, 2023 and 2022. Fair value of such investments totaled $29,504,460 and $12,710,462 at December 31, 2023 and 2022.

The Company's investments are classified as either available-for-sale or held-to-maturity and are summarized as follows:

		Purchase/ amortized cost	Gross unrealized gains	Gross unrealized loss	Estimated fair value
At December 31, 2023:					
Held-to-maturity	$	29,501,650	7,206	(4,396)	29,504,460

		Purchase/ amortized cost	Gross unrealized gains	Gross unrealized loss	Estimated fair value
At December 31, 2022:					
Available-for-sale	$	19,541,746	—	(1,749,368)	17,792,378
Held-to-maturity		12,721,787	236	(11,561)	12,710,462

The Company determines realized gains and losses based on the specific-identification method. The realized gain and realized loss were as follows in 2023 and 2022:

Available-for-sale		2023	2022
Realized gain	$	—	—
Realized loss		1,531,819	—
Realized loss on available-for-sale, net	$	1,531,819	—

(4) Property and Equipment

Property and equipment are recorded at cost and consist of the following at December 31, 2023 and 2022:

		2023	2022
Land	$	3,236,749	3,236,749
Land improvements		27,818,665	27,479,090
Buildings and improvements		50,548,522	50,057,205
Furniture, vehicles, and other equipment		46,766,864	44,645,908
Cable television system		17,614,436	17,614,436
		145,985,236	143,033,388
Less accumulated depreciation and amortization		(95,298,960)	(90,406,950)
		50,686,276	52,626,438
Construction in progress		8,170,468	3,548,172
Total property and equipment, net	$	58,856,744	56,174,610

During the year, the Company acquired property and equipment, of which, $588,433 remained in accounts payable at December 31, 2023. This amount in accounts payable resulted in noncash investment activity in purchases of property and equipment in the Statement of Cash Flows as of December 31, 2023.

(5) Community Facilities Held in Trust

Community facilities held in trust are recorded at cost and consist of the following at December 31, 2023 and 2022:

		2023	2022
Land	$	7,535,113	7,535,113
Land improvements		9,001,706	9,001,706
Buildings and improvements		19,334,726	19,334,726
		35,871,545	35,871,545
Less accumulated depreciation and amortization		(25,848,680)	(25,613,658)
Total community facilities held in trust, net	$	10,022,865	10,257,887

(6) Intangible Assets

Intangible assets consist of the following as of December 31, 2023 and 2022:

		2023	2022
Water reclamation facility	$	87,967	87,967
Cable television system – management rights		557,506	557,506
Logo		18,080	18,080
		663,553	663,553
Less accumulated depreciation and amortization		(642,358)	(577,980)
Total intangible assets, net	$	21,195	85,573

(a) Water Reclamation Facility

During 2012, the El Toro Water District (ETWD) agreed to reimburse the Company for the net book value of the water reclamation facility that was originally constructed for the exclusive use of the Village with funds from its facilities fund. At the end of 2012, the net book value of the reclamation facility was $432,565 and the Company received a payment from ETWD of $344,598, which resulted in a remaining asset value of $87,967 at December 31, 2012. This reclamation facility asset was used until the end of 2019, the projected completion date of the ETWD Recycled Water System Expansion Project, and was amortized until then. At the end of 2019, this remaining reclamation facility asset was fully amortized with the exception of a recycled water discharge pipe, which will continue to serve only the Village and will be amortized over its remaining useful life.

(b) Cable Television System – Management Rights

During 2012, Connexion Technologies, the company that has provided cable management services since December 31, 2009, for the Company's cable television system servicing the Laguna Woods Village community, filed for bankruptcy in the United States Bankruptcy Court for the District of Delaware. As part of the bankruptcy, management rights per the December 31, 2009 agreement were to be sold through the bankruptcy court via auction. On June 13, 2012, the Company was the highest bidder and reacquired the management contract. The Company paid a total of $598,773 for the Cable Television System contract and recorded $557,506 of the purchase price as an intangible asset at December 31, 2012. The Cable Television System contract is being amortized over the remaining life of the contract, which is scheduled to end in 2024.

(7) Deferred Income

Deferred income represents advance payments for products or services that are to be delivered in the future. At December 31, 2023 and 2022, the Company had a deferred income liability of $668,066 and $622,209, respectively, relating to items such as prepaid cable services and advertising, clubhouse rental reservations, ticket sales for future events, and funds on deposit for resale corrections not yet completed.

(8) Income Taxes

The provision for income taxes is zero at both the federal and state levels for the years ended December 31, 2023 and 2022.

At December 31, 2023 and 2022, the Company has no net operating loss carry forwards available to offset future federal unrelated business taxable income. The Company is considered a homeowner's association (HOA) for federal and state tax purposes and is taxed on its nonexempt function net income at a rate of 30% for federal taxes and 8.84% for state taxes. The Company's nonexempt function income is from commercial and other services provided to nonmembers.

At December 31, 2023 and 2022, the estimated state income tax receivable was $10,000 and the estimated federal income tax payable was $0, respectively.

(9) Commitments and Contingencies

The Company is involved in various legal matters arising in the normal course of business. Although the results of these legal matters cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on the Company's consolidated financial position.

The Company holds letters of credit from Bank of America, totaling $2,325,000, in relation to the Company's workers' compensation policy. The Company has not utilized any advances relating to these letters of credit for year ending December 31, 2023.

(10) Related Parties

As discussed in note 1, the Mutuals are corporate members of GRF and GRF is a member of VMS, all related entities. The accompanying consolidated financial statements include assessments from the Mutuals for operating expenses and reserve contributions as well as both receivables and payables due from and due to the Laguna Woods Mutuals. At December 31, 2023 and 2022, respectively, the Company had related party receivable balances of $1,684,293 and $765,496 and related party payable balances of $0 and $1,345,602. The accompanying consolidated balance sheets also include amounts owed to VMS for compensation and related costs of $5,605,724 and $4,993,177 at December 31, 2023 and 2022, respectively.

(11) Workers' Compensation Insurance

The Company has a workers' compensation insurance policy under a deductible based program. In addition to the basic premium, the Company is responsible for the first $200,000 of each loss. At December 31, 2023 and 2022, the estimated workers' compensation insurance obligation was $3,800,000 and $3,200,000, respectively, and is included in amounts payable to VMS for accrued compensation in the accompanying consolidated balance sheets.

(12) Noncontrolling Interests in Consolidated Trust

The Mutuals have a beneficial interest in the Trust, which holds certain community facilities in trust for the Mutuals. The Mutuals' beneficial interest is calculated based on the Mutuals' "trusteed sums," defined as the original contribution amounts adjusted for their share of earnings as stated in the trust agreement.

As of and for the years ended December 31, 2023 and 2022, the Mutuals own an undivided interest in the Trust as follows, which is recorded in the respective Mutual financial statements:

		United Laguna Woods Mutual	Third Laguna Hills Mutual	Laguna Woods Mutual No. Fifty	Total
Trust's equity, December 31, 2021	$	5,411,004	5,055,140	225,798	10,691,942
Change in net assets of the Trust		(150,335)	(104,929)	(4,652)	(259,916)
Trust's equity, December 31, 2022		5,260,669	4,950,211	221,146	10,432,026
Change in net assets of the Trust		(135,937)	(94,878)	(4,207)	(235,022)
Trust's equity, December 31, 2023	$	5,124,732	4,855,333	216,939	10,197,004

(13) Pension Plans

Village Management Services, Inc. makes contributions to two union-sponsored, multiemployer defined-benefit pension plans (covering most union employees) in accordance with a negotiated labor contract between VMS and the labor union. In the event that these plans are either terminated, or VMS withdraws from the plans, VMS may be required to contribute additional amounts under the provisions of the Employee Retirement Income Security Act of 1974. Such amounts would be reimbursed by the Foundation and the Mutuals. However, no such termination of or withdrawal from the plans is currently contemplated.

During 2023 and 2022, VMS sponsored a 401(k) plan covering all eligible employees. Employee contributions to the plan are at the participants' discretion. In 2023 and 2022, VMS made matching contributions into the plan for eligible nonunion employee participants. The Mutuals and the Foundation are not responsible for the management or ultimate funding of the 401(k) plan beyond the agreed-upon matching contributions.

Amounts contributed by VMS to these plans in 2023 and 2022 and reimbursed by the Foundation were $288,952 and $268,703 for the defined-benefit pension plans and $382,115 and $344,755, respectively, for the 401(k) plan.

(14) Subsequent Events

Subsequent events have been evaluated through April 16, 2024, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Schedule 1

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

Consolidating Balance Sheet Information – Golden Rain Foundation and
Golden Rain Foundation Trust

December 31, 2023

Assets		**Foundation**	**Trust**	**Total**
Cash and cash equivalents	$	3,266,683	—	3,266,683
Receivables from Laguna Woods Mutuals		1,684,293	—	1,684,293
Accounts receivable and interest receivable		1,284,556	—	1,284,556
Operating supplies		1,121,802	—	1,121,802
Income tax receivable		10,000	—	10,000
Prepaid expenses and deposits		2,328,973	—	2,328,973
Investments and restricted cash		32,578,752	174,139	32,752,891
Property and equipment, net		58,856,744	—	58,856,744
Community facilities, net		—	10,022,865	10,022,865
Intangible assets, net		21,195	—	21,195
Total assets	$	101,152,998	10,197,004	111,350,002
Liabilities and Equity				
Liabilities:				
Accounts payable and accrued expenses	$	3,503,204	—	3,503,204
Amounts payable to VMS for accrued compensation		5,605,724	—	5,605,724
Deferred income		668,066	—	668,066
Total liabilities		9,776,994	—	9,776,994
Equity:				
Members’ equity in Golden Rain Foundation of Laguna Woods		91,376,004	—	91,376,004
Noncontrolling interests in consolidated trust		—	10,197,004	10,197,004
Total equity		91,376,004	10,197,004	101,573,008
Total liabilities and equity	$	101,152,998	10,197,004	111,350,002

See accompanying independent auditors’ report.

Schedule 2

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

Consolidating Operation Information – Golden Rain Foundation and Golden Rain Foundation Trust

Year ended December 31, 2023

	Foundation	Trust	Total
Revenue:			
Assessments:			
Operating	$ 31,225,106	—	31,225,106
Additions to restricted funds	2,598,144	—	2,598,144
Total assessments	33,823,250	—	33,823,250
Other revenue	19,470,061	—	19,470,061
Total revenue	53,293,311	—	53,293,311
Expenses:			
Amounts paid to VMS for compensation	25,512,579	—	25,512,579
Operating materials and supplies	2,192,930	—	2,192,930
Community events	627,881	—	627,881
Utilities and telephone	2,842,204	—	2,842,204
Fuel and oil	574,186	—	574,186
Legal fees	233,489	—	233,489
Professional fees	652,128	—	652,128
Equipment rental	299,186	—	299,186
Repairs and maintenance	3,824,890	—	3,824,890
Property and sales taxes	29,807	—	29,807
Insurance	2,899,015	—	2,899,015
Cable programming/copyright/franchise	4,479,033	—	4,479,033
Depreciation and amortization	5,129,350	235,022	5,364,372
Merchant fees	344,950	—	344,950
Uniforms	102,138	—	102,138
Other	620,764	—	620,764
Total expenses	50,364,530	235,022	50,599,552
Other income (expense):			
Realized loss on available-for-sale investment	(1,531,819)	—	(1,531,819)
Unrealized gain on available-for-sale investment	1,749,368	—	1,749,368
Net income (loss)	$ 3,146,330	(235,022)	2,911,308

See accompanying independent auditors’ report.

GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE

Future Major Repairs and Replacements

December 31, 2023

(Unaudited)

The Company conducted a study in 2023 to estimate the remaining useful lives and current replacement costs of major components of corporate and community facilities of the Foundation and the Trust, respectively. The estimates were determined from past experience and from information obtained from certain contractors. Certain land improvements, buildings, and building improvements were excluded from the study and are excluded from the table, as these items are expected to last the life of the community or to be maintained from operating funds. The assumption is that certain buildings would not be completely replaced within the next 30 years.

The following table is based on the Company's study of common property:

	Consolidated reserve funds of the Foundation and the Trust			
Major components	**Estimated useful lives (years)**	**Estimated remaining useful lives (years)**	**Estimated current replacement costs**	**Estimated funding requirement, December 31, 2023**
Land, buildings, and improvements	1–50	0–38	$ 75,701,650	37,819,249
Equipment	1–40	0-26	31,332,100	15,133,662
			$ 107,033,750	52,952,911
Balances as of December 31, 2023:				
Facilities fund (a)				$ 16,043,040
Equipment fund (b)				1,122,271
Trust facilities fee fund (c)				15,413,441
Trust improvement fund (d)				174,139
Total reserve fund balances				$ 32,752,891

(a) Facilities reserve fund
The Facilities Reserve Fund is used for the acquisition, addition, replacement or improvement of Foundation and Trust facilities and their components. This fund receives monies through assessments, interest earnings, and a transfer of operating surplus if directed by the Board. Balances are used to fund the 30 year reserves plan.

(b) Equipment reserve fund
The Equipment Reserve Fund is used for the purchase of new and replacement equipment, including but not limited to vehicles, machinery, office equipment, and furniture. This fund receives monies through assessments, interest earnings, and a transfer of operating surplus if directed by the Board.

(c) Trust facilities fee fund
The Trust Facilities Fee Fund was established in 2012 to maintain and improve the recreational and other amenities available to all residents of Laguna Woods Village. A fee, allowed under Civil Code 4580, is imposed on all transactions involving the purchase of a separate interest in any of the Community's common interest developments (United Mutual, Third Mutual and Mutual Fifty).

(d) Trust improvement fund
Established in 1974, this fund was established in the Trust to provide for improvement to certain existing community facilities. Contributions to this fund were discontinued in 1985 and improvements to GRF and Trust assets are funded through the funds mentioned above.

Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as (i) future inflation rates, (ii) levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, remaining useful lives, etc. As a result, some components may cost less at the time of replacement while others may cost more. To adequately plan for future expenditures, the Board has adopted via resolution a 30-Year Funding Plan that projects contributions to and disbursements from the reserves over the next thirty years, without falling below a minimum threshold in the reserve balance.

Reserves receive monies through assessments, net interest earned on invested fund balances, and through a fee charged at the close of each escrow, where applicable.

See accompanying independent auditors' report.