



**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Consolidated Financial Statements and
Supplementary Information

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Table of Contents

	Page(s)
Independent Auditors' Report	1-2
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-18
Supplementary Information	
Schedule 1 – Consolidating Balance Sheet Information – Golden Rain Foundation and Golden Rain Foundation Trust	19
Schedule 2 – Consolidating Operation Information – Golden Rain Foundation and Golden Rain Foundation Trust	20
Schedule 3 – Future Major Repairs and Replacements (Unaudited)	21



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Independent Auditors' Report

Board of Directors
Golden Rain Foundation of Laguna Woods:

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, 2022 and 2021, 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, 2022 and 2021, 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 on page 21 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 7, 2023

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents (note 3)	\$ 4,440,915	2,581,444
Receivables from Laguna Woods Mutuals (note 10)	765,496	571,084
Accounts receivable and interest receivable	1,237,202	1,285,950
Operating supplies	946,896	906,611
Income tax receivable (note 8)	10,000	10,000
Prepaid expenses and deposits	2,170,552	1,930,904
Total current assets	9,571,061	7,285,993
Investments and restricted cash (note 3)	33,013,304	29,406,430
Property and equipment, net (note 4)	56,174,610	57,359,627
Community facilities held in trust, net (note 5)	10,257,887	10,517,803
Intangible assets, net (note 6)	85,573	143,580
Total assets	\$ 109,102,435	104,713,433
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,479,747	2,790,001
Amounts payable to VMS for accrued compensation (notes 10 and 11)	4,993,177	4,414,520
Payables to Laguna Woods Mutuals (note 10)	1,345,602	533,196
Deferred income (note 7)	622,209	556,287
Income tax payable (note 8)	—	10
Total current liabilities	10,440,735	8,294,014
Total liabilities	10,440,735	8,294,014
Equity:		
Members' equity in Golden Rain Foundation of Laguna Woods	88,229,674	85,727,477
Noncontrolling interest in consolidated trust (note 12)	10,432,026	10,691,942
Total equity	98,661,700	96,419,419
Total liabilities and equity	\$ 109,102,435	104,713,433

See accompanying notes to consolidated financial statements.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Consolidated Statements of Operations
Years ended December 31, 2022 and 2021

	2022	2021
Revenue:		
Assessments:		
Operating	\$ 29,878,656	28,518,451
Additions to restricted funds	3,362,304	2,903,808
Total assessments	33,240,960	31,422,259
Other revenue:		
Trust facilities fees	5,922,448	4,971,774
Golf	2,140,770	1,974,987
Recreational fees	493,136	288,857
Additional occupant fee	151,300	176,900
Charges for services to mutuals	2,988,483	2,775,316
Rental income	710,463	254,110
Merchandise sales	618,927	522,651
Broadband services	5,277,635	5,038,208
Interest income	447,108	201,316
Miscellaneous	408,472	193,331
Total other revenue	19,158,742	16,397,450
Total revenue	52,399,702	47,819,709
Expenses:		
Amounts paid to VMS for compensation	23,626,842	22,119,751
Operating materials and supplies	2,650,857	2,009,551
Community events	408,472	45,229
Utilities and telephone	2,815,605	2,409,894
Fuel and oil	723,392	489,252
Legal fees	82,364	737,723
Professional fees	629,637	416,867
Equipment rental	272,854	258,816
Repairs and maintenance	3,718,133	3,438,878
Property and sales taxes	33,076	43,622
Insurance	2,786,533	2,689,779
Cable programming fees	4,196,412	3,966,508
Depreciation and amortization	5,479,641	5,699,477
Merchant fees	347,860	323,830
Uniforms	103,302	106,245
Other	644,332	380,415
Total expenses	48,519,312	45,135,837
Net income before other changes	3,880,390	2,683,872
Other income (expense):		
Realized gain on available-for-sale investments	—	70,020
Unrealized loss on available-for-sale investments	(1,638,109)	(548,743)
Other income tax benefit (note 8)	—	548,927
Net income	\$ 2,242,281	2,754,076

See accompanying notes to consolidated financial statements.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Consolidated Statements of Changes in Equity

Years ended December 31, 2022 and 2021

	<u>Members' equity</u>	<u>Noncontrolling interest</u>	<u>Total equity</u>
Balance, December 31, 2020	\$ 82,640,239	11,025,104	93,665,343
Net income (loss)	<u>3,087,238</u>	<u>(333,162)</u>	<u>2,754,076</u>
Balance, December 31, 2021	85,727,477	10,691,942	96,419,419
Net income (loss)	<u>2,502,197</u>	<u>(259,916)</u>	<u>2,242,281</u>
Balance, December 31, 2022	<u>\$ 88,229,674</u>	<u>10,432,026</u>	<u>98,661,700</u>

See accompanying notes to consolidated financial statements.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	\$ 2,242,281	2,754,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,479,641	5,699,477
Unrealized loss on available-for-sale investments	1,638,109	548,743
Amortization of investment premium and discount, net	(7,776)	—
Loss on disposition of assets	17,743	—
Change in operating assets and liabilities:		
Accounts receivable and interest receivable	48,748	433,147
Operating supplies	(40,285)	(18,461)
Prepaid expenses and deposits	(239,648)	40,315
Accounts payable and accrued expenses	689,746	767,128
Amounts payable to VMS for accrued compensation	578,657	695,498
Receivables from/payables to Laguna Woods		
Mutuals, net	617,994	(1,371,067)
Income tax receivable	—	(10,000)
Income tax payable	(10)	(546,052)
Deferred income	65,922	84,447
Net cash provided by operating activities	11,091,122	9,077,251
Cash flows from investing activities:		
Maturities of held-to-maturity investments	42,640,325	16,999,594
Purchases of held-to-maturity investments	(47,354,692)	(21,999,308)
Proceeds from sales of available-for-sale investments	—	8,620,294
Purchases of available-for-sale investments	—	(9,066,438)
Purchases of property and equipment	(3,994,443)	(3,570,468)
Net cash used in investing activities	(8,708,810)	(9,016,326)
Net increase in cash and cash equivalents and restricted cash	2,382,312	60,925
Cash and cash equivalents and restricted cash at beginning of year	4,557,742	4,496,817
Cash and cash equivalents and restricted cash at end of year (note 2 (b))	\$ 6,940,054	4,557,742

See accompanying notes to consolidated financial statements.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(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 2022 and 2021:

	Assessment per manor per month	
	2022	2021
GRF – shared operating expenses	\$ 195.50	186.60
GRF – contribution to restricted funds	22.00	19.00

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021 is \$4,440,915 and \$2,581,444, which includes \$416,560 and \$99,986, 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:

	2022	2021
Cash and cash equivalents	\$ 4,440,915	2,581,444
Restricted cash	2,499,139	1,976,298
Total cash and cash equivalents and restricted cash	\$ 6,940,054	4,557,742

(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, 2022 and 2021.

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 2022 and 2021. Additions to the funds are determined each year as outlined in the annual business plan approved by the Company.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(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 2022 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 2022 and 2021, there were no events or

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021.

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, 2022 and 2021.

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 \$4,024,355 and \$2,481,458 and restricted cash balances of \$2,499,139 and \$1,976,298 at December 31, 2022 and 2021, respectively, maintained in a commercial bank and that consist of cash on deposit. At December 31, 2022 and 2021, 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 \$416,560 and \$99,986 at December 31, 2022 and 2021, respectively, that was Securities Investor Protection Corporation insured up to a maximum of \$500,000, per institution.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(I) 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, 2022 and 2021:

	2022	2021
Restricted cash	\$ 2,499,139	1,976,298
Restricted investments:		
Available-for-sale (at fair value):		
Index funds	17,792,378	19,430,486
Held-to-maturity (at amortized cost):		
U.S. Treasury notes	12,721,787	2,492,816
Total restricted cash and restricted investments	33,013,304	23,899,600
Unrestricted investments:		
Held-to-maturity (at amortized cost):		
U.S. Treasury notes	—	5,506,830
Total unrestricted investments	—	5,506,830
Total restricted cash and investments	\$ 33,013,304	29,406,430

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.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021 are summarized as follows:

	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
	2021		
	Level 1	Level 2	Total
Cash and cash equivalents	\$ 2,581,444	—	2,581,444
Investments and restricted cash:			
Restricted cash	1,976,298	—	1,976,298
Available-for-sale:			
Index funds	19,430,486	—	19,430,486
Total available-for-sale investments and restricted cash	21,406,784	—	21,406,784
Total cash and cash equivalents, available-for-sale investments and restricted cash	\$ 23,988,228	—	23,988,228

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 \$17,792,378 and \$19,430,486 at December 31, 2022 and 2021.

Investments held-to-maturity comprise U.S. Treasury notes maturing one year from date of purchase, totaling \$12,721,787 and \$7,999,646 were carried at amortized cost at December 31, 2022 and 2021. Fair value of such investments totaled \$12,710,462 and \$7,999,273 at December 31, 2022 and 2021.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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, 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
	Purchase/ amortized cost	Gross unrealized gains	Gross unrealized loss	Estimated fair value
At December 31, 2021:				
Available-for-sale	\$ 19,541,746	12,515	(123,775)	19,430,486
Held-to-maturity	7,999,646	—	(373)	7,999,273

The Company determines realized gains and losses based on the specific-identification method. The realized gain and realized loss were as follows in 2022 and 2021:

Available-for-sale	2022	2021
Realized gain	\$ —	172,763
Realized loss	—	(102,743)
Realized gain on available-for-sale, net	\$ —	70,020

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(4) Property and Equipment

Property and equipment are recorded at cost and consist of the following at December 31, 2022 and 2021:

	2022	2021
Land	\$ 3,236,749	3,236,749
Land improvements	27,479,090	25,737,599
Buildings and improvements	50,057,205	49,829,679
Furniture, vehicles, and other equipment	44,645,908	45,880,795
Cable television system	17,614,436	17,420,062
	143,033,388	142,104,884
Less accumulated depreciation and amortization	(90,406,950)	(86,845,991)
	52,626,438	55,258,893
Construction in progress	3,548,172	2,100,734
Total property and equipment, net	\$ 56,174,610	57,359,627

(5) Community Facilities Held in Trust

Community facilities held in trust are recorded at cost and consist of the following at December 31, 2022 and 2021:

	2022	2021
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	(25,613,658)	(25,353,742)
Total community facilities held in trust, net	\$ 10,257,887	10,517,803

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(6) Intangible Assets

Intangible assets consist of the following as of December 31, 2022 and 2021:

	2022	2021
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	(577,980)	(519,973)
Total intangible assets, net	\$ 85,573	143,580

(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, 2022 and 2021, the Company had a deferred income liability of \$622,209 and \$556,287, 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.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(8) Income Taxes

The provision for income taxes for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
State taxes – current	\$ —	(118,789)
Federal taxes – current	—	(430,138)
Total tax benefit	\$ —	(548,927)

At December 31, 2022 and 2021, 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, 2021 the Company had an increase to income of \$548,927 due to a reduction of the prior year income tax provision.

At December 31, 2022, the estimated state income tax receivable was \$10,000 and the estimated federal income tax payable was \$0. At December 31, 2021, the estimated state income tax receivable was \$10,000 and the estimated federal income tax payable was \$10.

(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, 2022.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(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, 2022 and 2021, respectively, the Company had related party receivable balances of \$765,496 and \$571,084 and related party payable balances of \$1,345,602 and \$533,196. The accompanying consolidated balance sheets also include amounts owed to VMS for compensation and related costs of \$4,993,177 and \$4,414,520 at December 31, 2022 and 2021, 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, 2022 and 2021, the estimated workers' compensation insurance obligation was \$3,200,000 and \$2,632,207, 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, 2022 and 2021, the Mutuals own an undivided interest in the Trust as follows, which is recorded in the respective Mutual financial statements:

	<u>United Laguna Woods Mutual</u>	<u>Third Laguna Hills Mutual</u>	<u>Laguna Woods Mutual No. Fifty</u>	<u>Total</u>
Trust's equity, December 31, 2020	\$ 5,603,705	5,189,637	231,762	11,025,104
Change in net assets of the Trust	<u>(192,701)</u>	<u>(134,497)</u>	<u>(5,964)</u>	<u>(333,162)</u>
Trust's equity, December 31, 2021	5,411,004	5,055,140	225,798	10,691,942
Change in net assets of the Trust	<u>(150,335)</u>	<u>(104,929)</u>	<u>(4,652)</u>	<u>(259,916)</u>
Trust's equity, December 31, 2022	<u>\$ 5,260,669</u>	<u>4,950,211</u>	<u>221,146</u>	<u>10,432,026</u>

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(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 2022 and 2021, VMS sponsored a 401(k) plan covering all eligible employees. Employee contributions to the plan are at the participants' discretion. In 2022 and 2021, 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 2022 and 2021 and reimbursed by the Foundation were \$268,703 and \$252,742 for the defined-benefit pension plans and \$344,755 and \$268,394, respectively, for the 401(k) plan.

(14) Subsequent Events

Subsequent events have been evaluated through April 7, 2023, which is the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

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

December 31, 2022

Assets	Foundation	Trust	Total
Cash and cash equivalents	\$ 4,440,915	—	4,440,915
Receivables from Laguna Woods Mutuals	765,496	—	765,496
Accounts receivable and interest receivable	1,237,202	—	1,237,202
Operating supplies	946,896	—	946,896
Income tax receivable	10,000	—	10,000
Prepaid expenses and deposits	2,170,552	—	2,170,552
Investments and restricted cash	32,839,165	174,139	33,013,304
Property and equipment, net	56,174,610	—	56,174,610
Community facilities, net	—	10,257,887	10,257,887
Intangible assets, net	85,573	—	85,573
Total assets	<u>\$ 98,670,409</u>	<u>10,432,026</u>	<u>109,102,435</u>
Liabilities and Equity			
Liabilities:			
Accounts payable and accrued expenses	\$ 3,479,747	—	3,479,747
Amounts payable to VMS for accrued compensation	4,993,177	—	4,993,177
Payables to Laguna Woods Mutuals	1,345,602	—	1,345,602
Deferred income	622,209	—	622,209
Total liabilities	<u>10,440,735</u>	<u>—</u>	<u>10,440,735</u>
Equity:			
Members' equity in Golden Rain Foundation of Laguna Woods	88,229,674	—	88,229,674
Noncontrolling interests in consolidated trust	—	10,432,026	10,432,026
Total equity	<u>88,229,674</u>	<u>10,432,026</u>	<u>98,661,700</u>
Total liabilities and equity	<u>\$ 98,670,409</u>	<u>10,432,026</u>	<u>109,102,435</u>

See accompanying independent auditors' report.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

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

Year ended December 31, 2022

	<u>Foundation</u>	<u>Trust</u>	<u>Total</u>
Revenue:			
Assessments:			
Operating	\$ 29,878,656	—	29,878,656
Additions to restricted funds	3,362,304	—	3,362,304
Total assessments	33,240,960	—	33,240,960
Other revenue	19,158,742	—	19,158,742
Total revenue	<u>52,399,702</u>	<u>—</u>	<u>52,399,702</u>
Expenses:			
Amounts paid to VMS for compensation	23,626,842	—	23,626,842
Operating materials and supplies	2,650,857	—	2,650,857
Community events	408,472	—	408,472
Utilities and telephone	2,815,605	—	2,815,605
Fuel and oil	723,392	—	723,392
Legal fees	82,364	—	82,364
Professional fees	629,637	—	629,637
Equipment rental	272,854	—	272,854
Repairs and maintenance	3,718,133	—	3,718,133
Property and sales taxes	33,076	—	33,076
Insurance	2,786,533	—	2,786,533
Cable programming/copyright/franchise	4,196,412	—	4,196,412
Depreciation and amortization	5,219,725	259,916	5,479,641
Merchant fees	347,860	—	347,860
Uniforms	103,302	—	103,302
Other	644,332	—	644,332
Total expenses	48,259,396	259,916	48,519,312
Other income (expense):			
Unrealized loss on available-for-sale investment	<u>(1,638,109)</u>	<u>—</u>	<u>(1,638,109)</u>
Net income (loss)	<u>\$ 2,502,197</u>	<u>(259,916)</u>	<u>2,242,281</u>

See accompanying independent auditors' report.

**GOLDEN RAIN FOUNDATION OF LAGUNA WOODS
AND AFFILIATE**

Future Major Repairs and Replacements

December 31, 2022

(Unaudited)

The Company conducted a study in 2022 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:

Major components	Consolidated reserve funds of the Foundation and the Trust			
	Estimated useful lives (years)	Estimated remaining useful lives (years)	Estimated current replacement costs	Estimated funding requirement, December 31, 2022
Land, buildings, and improvements	1-50	0-39	\$ 46,423,730	25,385,060
Equipment	1-40	0-27	27,370,470	16,994,176
			<u>\$ 73,794,200</u>	<u>42,379,236</u>
Balances as of December 31, 2022:				
Facilities fund (a)				\$ 18,675,306
Equipment fund (b)				6,456,741
Trust facilities fee fund (c)				9,983,528
Trust improvement fund (d)				174,139
Total reserve fund balances				<u>\$ 35,289,714</u>

(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.