

**A G E N D A**  
**REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS**  
**SEAL BEACH MUTUAL FIVE**  
**October 18, 2017**  
**9:00 a.m., Building 5, Room B**

- |   |                        |
|---|------------------------|
| 1. CALL TO ORDER/ PLEDGE OF ALLEGIANCE  | Dr. Coven              |
| 2. ROLL CALL  |                        |
| 3. INTRODUCTION OF GRF REPRESENTATIVE, GUEST(S), AND STAFF:   | Dr. Coven              |
| Mr. Rosenberger, WASH   |                        |
| Mr. Gould, GRF Representative   |                        |
| Ms. Hopkins, Mutual Administration Director   |                        |
| Ms. Miller, Finance Director  |                        |
| Mr. Alvarez, Building Inspector   |                        |
| Ms. Day, Recording Secretary  |                        |
| Mutual Five shareholders and all guests from other Mutuals  |                        |
| 4. APPROVAL OF MINUTES: <b>Regular Monthly Meeting of September 20, 2017</b><br><b>Special Meeting of October 11, 2017 (page 3)</b> | Dr. Coven              |
| 5. PRESIDENT'S ANNOUNCEMENTS  | Dr. Coven              |
| 6. SHAREHOLDERS' COMMENTS   |                        |
| 7. BUILDING INSPECTOR'S REPORT (pages 4-5)  | Mr. Alvarez            |
| 8. <b>GUEST SPEAKER – Discuss laundry room appliances</b>   | <b>Mr. Rosenberger</b> |
| 9. <b>GUEST SPEAKER – Presentation of proposed 2018 Budget</b>  | <b>Ms. Miller</b>      |
| a. <b>Approval of 2018 Budget (page 6)</b>  |                        |
| 10. GRF REPRESENTATIVE'S COMMENTS   | Mr. Gould              |
| 11. CORRESPONDENCE  | Ms. Boryta             |
| 12. CHIEF FINANCIAL OFFICER'S REPORT  | Ms. Tran               |
| 13. OFFICER(S)'REPORTS –  |                        |
| a. President  | Dr. Coven              |
| b. Vice President   | Mr. Van Wyke           |
| c. Secretary  | Ms. Boryta             |
| 14. COMMITTEES – REPORTS  | Dr. Coven              |
| a. Physical Property  | Mr. Cude               |
| b. Laundry Rooms  | Mr. Powell             |
| c. Emergency Preparedness   | Mr. Powell             |
| d. Carports   | Mr. Van Wyke           |
| e. Landscape  | Ms. Deady              |
| f. Building Captains, etc.  | Ms. Boryta             |
| g. Policy Committee   | Dr. Coven              |
| h. Architectural Review Committee   | Dr. Coven              |
| i. Special Events   |                        |

- 15. UNFINISHED BUSINESS –
  - a. Discuss Policy 7510 – Eligibility Requirements Presidents' Council version (pages 7-8)
  - b. Projects:
    - 1. Roofing – update
    - 2. Gutters – update
    - 3. Asphalt – update
    - 4. Trees
  
- 16. NEW BUSINESS –
  - a. AQMD Monitor Request Motion (page 9)
  - b. Number of Guest Passes for 2018 (pages 10-11)
  - c. Amend Policy 7510.05 – Eligibility Requirements (pages 12-14)
  - d. LA Seismic Survey – Motion (pages 15-16)
  - e. NSBN Engagement Letter – Motion (pages 17-26)
  - f. ID Card Sign Sheet Motion (page 27)

**(STAFF SECRETARY BREAK (TIME TO BE DETERMINED BY PRESIDENT))**

- 17. MUTUAL ADMINISTRATION DIRECTOR REPORT (page 28-29) Ms. Hopkins
- 18. DIRECTOR(S)' COMMENTS
- 19. SHAREHOLDERS' COMMENTS (on agenda items only)
- 20. ADJOURNMENT
- 21. EXECUTIVE SESSION (member, legal issues)

**(STAFF WILL LEAVE THE MEETING BY 12:10 P.M.)**

**NEXT REGULAR BOARD MEETING: November 15, 2017, 9:00 A.M.  
BUILDING FIVE, CONFERENCE ROOM B**

cd:10/13/17

## Mutual 5 Special Meeting, October 11, 2017

A special meeting was held by the Mutual 5 Board of Directors in Physical Property conference room (upstairs) on October 11, 2017 to open and discuss landscape bids. Three bids were received and each bidder will be interviewed end of month. Meeting opened at 1:04 pm and adjourned at 2:05pm. Board Members Present: President, Dr. Betty Coven, VP Rogell VanWyk, and Directors, Joan Boryta, Ken Cude, Kevin Powell, Connie Deady, and Physical Property Building Inspector Bruno Alvarez.

Respectfully submitted,



Joan Boryta, Secretary

# INSPECTOR MONTHLY MUTUAL REPORT

MUTUAL (05) FIVE

INSPECTOR: BRUNO ALVAREZ

MUTUAL BOARD MEETING

DATE: OCTOBER 18 ,17

PERMIT ACTIVITY							
UNIT #	DESCRIPTION OF WORK	GRF/CITY PERMIT	PERMIT ISSUE	COMP. DATE	CHANGE ORDER	RECENT INSPECTION	CONTRACTOR / COMMENTS
69-G	CARPORT CABINET	GRF	06/13/17	07/20/17	NO	NONE	HANDYMAN
69-H	FLOORING	GRF	09/01/17	10/10/17	NO	NONE	CORNERSTONE FLOORS
72-K	HEAT PUMP	BOTH	07/12/17	08/22/17	NO	NONE	ALPINE
90-I	INSTALL TILE	GRF	05/30/17	07/20/17	NO	NONE	BERGKVIST
90-I	LIGHT FIXTURE	GRF	05/30/17	07/20/17	NO	NONE	BERGKVIST
91-E	HEAT PUMP	BOTH	10/09/17	01/20/18	NO	NONE	GREENWOOD
91-L	KITCHEN REMODEL	BOTH	08/22/17	02/09/18	NO	NONE	BERGKVIST
91-L	WASHER AND DRYER	BOTH	08/22/17	01/12/17	NO	NONE	BERGKVIST
92-L	INSTALL TILE	GRF	06/28/17	09/20/18	NO	NONE	LW DÉCOR
93-H	WALKWAY	GRF	08/15/17	09/30/17	NO	NONE	LOS AL BLDRS
93-H	INSTALL CARPORT CABINET	GR	08/20/17	09/20/17	NO	NONE	HANDYMAN
94-A	KITCHEN REMODEL	BOTH	08/25/17	10/25/17	NO	NONE	LW DÉCOR
95-L	COUNTER TOP	BOTH	10/02/17	02/02/18	NO	NONE	WESTBY4HOMES
95-L	CARPORT CABINET	GRF	10/09/17	11/20/17	NO	NONE	HANDYMAN
96-H	HVAC	BOTH	06/12/17	09/30/17	NO	NONE	GREENWOOD
97-H	HEAT PUMP	BOTH	08/21/17	12/07/17	NO	NONE	GREENWOOD
100-C	EZ ACCESS TUB	BOTH	10/10/17	12/07/17	NO	NONE	NUKOTE
100-I	HEAT PUMP	BOTH	08/09/17	10/12/17	NO	FINAL 09/27/17	GREENWOOD
107-K	AC	BOTH	05/30/17	08/30/17	NO	NONE	GREENWOOD
108-K	KITCHEN REMODEL	BOTH	07/28/17	10/16/17	NO	NONE	GREAT WEST CONSTRUCT.
110-A	REMODEL	BOTH	08/28/17	12/04/17	NO	NONE	TOM JEAN CONSTRUCTION
110-D	REMODEL	BOTH	09/11/17	12/18/17	NO	NONE	ROBERTS CONSTRUCTION
110-D	LOWER CARPORT STORAGE	GRF	07/14/17	08/20/17	NO	NONE	HANDYMAN
111-F	EZ ACCESS TUB	BOTH	10/10/17	12/13/17	NO	NONE	NUKOTE
112-F	LOWER CARPORT STORAGE	GRF	10/05/17	11/15/17	NO	NONE	HANDYMAN
113-I	REMODEL	BOTH	06/28/17	11/30/17	NO	NONE	LW DÉCOR
113-G	EZ ACCESS TUB	BOTH	08/24/17	10/18/17	NO	NONE	NUKOTE
116-C	WASHER AND DRYER	BOTH	07/28/17	09/08/17	NO	NONE	JC KRESS
118-I	HVAC	BOTH	08/23/17	11/23/17	NO	NONE	GREENWOOD
119-F	DISHWASHER	BOTH	10/11/17	11/30/17	NO	NONE	LOS AL BLDRS
121-K	BATHROOM REMODEL	BOTH	10/02/17	12/15/17	NO	NONE	BERGKVIST
123-I	REMODEL	BOTH	06/13/17	11/13/17	NO	08/17/17 ROUGH.	LOS AL BLDRS
124-G	HVAC	BOTH	09/08/17	12/20/17	NO	NONE	GREENWOOD

SHADED AREAS HAVE BEEN SIGNED OFF

UNIT #	ESCROW ACTIVITY						DOCUMENTS/COMMENTS
	NMI	PLI	NBO	FI	FCOEI	ROF	
72-D		07/10/17	07/17/17	07/25/17	08/08/17	08/29/17	
72-E		09/14/17	10/10/17	10/10/17	10/24/17		
93-E		06/15/17	07/05/17	07/06/17	07/20/17	08/25/17	
95-L		06/15/17	08/28/17	09/05/17	09/19/17		
97-C		07/10/17	10/03/17	10/11/17	10/25/17		
99-J				05/12/17	05/26/17		
100-A		08/23/17	10/12/17	10/12/17	10/26/17		



100-D			05/08/17	05/16/17	0526/17	08/29/17	
104-E		07/27/17	08/08/17	08/14/17	08/22/17	0927/17	
105-C		09/25/17					
106-L		06/15/17					
109-F		05/05/17					
110-F		08/23/17					
113-C		03/30/17	06/06/17	06/14/17		08/21/17	
113-F		07/10/17					
115-L		10/09/17					
116-C		05/31/17	06/19/17	06/21/17			
119-C		09/14/17	10/17/17	10/18/17	11/01/17		
121-D		09/25/17					
121-F		08/18/17	08/29/17	08/31/17	09/15/17		
123-B		08/07/17	09/19/17	09/18/17	10/02/17		
124-F		09/01/17					

SHADED AREAS HAVE BEEN SIGNED OFF

NMI = New Member Inspection PLI = Pre-Listing Inspection NBO = New Buyer Orientation

FI = Final Inspection FCOEI = Final COE Inspection ROF = Release of Funds

## CONTRACTS

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** APPROVAL OF 2018 BUDGET  
**DATE:** OCTOBER 13, 2017

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I move to accept the 2018 Operating Budget for Mutual Five of \$2,014,898, resulting in a regular monthly assessment of \$341.28 per apartment per month, for an increase of \$17.26 per month over the total regular assessment of 2017, as presented, and to adopt this budget forthwith.

MUTUAL OPERATIONS

## PRESIDENTS' COUNCIL DRAFT

## RESIDENT REGULATIONS

Eligibility Requirements – Mutual

All persons Any person or persons jointly seeking approval of the Board of Directors of Seal Beach Mutual No \_\_\_\_\_ to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following income eligibility criteria:

A. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.

B. Meet the Mutual eligibility criteria as follows:

1. Age

Minimum of 55 years, as confirmed by a birth certificate or passport. A driver's license is not acceptable as proof of age.

2. Financial Ability

a. Verified monthly income that is at least ~~(4)~~ 4.5 times or greater than the monthly carrying charge (Regular GRF and Mutual Assessment plus Property Taxes and Fees) at the time of application and have liquid assets of at least \$25,000. \$50,000 over the purchase price. Verified monthly income/assets can be verified by any combination of the following and may be in the form of:

1. Tax returns for the past two years.

2. 1099s for interest and dividends for the past two years. (assets used to purchase unit will not be included in income calculations)

3. 1099-Rs for retirement income from qualified plans and annuities for the past two years.

4. SSA-1099 Social Security Benefit Statements for the past two years.

5. Brokerage statements and current interim statement for the past two years. (assets used to purchase unit will not be included in income calculations)

6. At least the most recent six to twelve month's worth of checking/savings account statements (assets used to purchase unit will not be included in income calculations).

b. Adjusted Gross Income per 1040, 1040A, or 1040EZ; plus that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; (assets used to purchase unit will not be

included in income calculations) minus income tax, Social Security, Medicare, and self-employment taxes paid; and minus Medicare, medical insurance and prescription drug premiums; all divided by twelve (12) will equal net monthly income to be used in Paragraph 2.a. above.

c. Projected assessments will be the previous year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by twelve (12) for the new projected monthly assessment. This new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times ~~four (4)~~ **4.5** will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income/assets.)

Verification shall be done by the Escrow Company and the Stock Transfer Office **for each proposed shareholder(s)** prior to the new buyer interview **orientation** and prior to the close of escrow (the above verification will not be done by the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).

d. Only the resident shareholder's income shall be considered for qualifying.

e. If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility requirements.

### 3. Health

Have reasonably good health for a person of his/her age, as evidenced by a letter from his/her physician, so that shareholder can take care of normal living needs without calling on other members of the cooperative for an undue amount of assistance (**see individual Mutual requirements**). Leisure World is not a skilled nursing home facility or an assisted living facility.

C. Assume, in writing, the obligations of the "Occupancy Agreement" in use by the Mutual Corporation.

Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

MUTUAL

ADOPTION

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** AQMD (NEW BUSINESS ITEM A)  
**DATE:** OCTOBER 18, 2017  
**CC:** MUTUAL FILE

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I move that Mutual 5 grant permission to Purple Air to install their equipment to monitor the air quality at no risk to the Mutual or any shareholder .

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## Board Resolution

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In accordance with GRF Policy 5536.1-33, up to four (4) additional guest passes may be issued to a Shareholder/Member per Policy terms and conditions. The GRF Executive Director and Mutual Administration Director, as agents for the Mutual Board, does hereby see approval to issue up to four (4) Guest Passes or a lesser number of Guest Passes, as duly approved by the Mutual Board.

I move to authorize the GRF Executive Director Mutual Administration Director to issue \_\_\_\_\_ **ADDITIONAL** Guest Passes, in accordance with GRF Policy 5536.1-33. Each Guest pass shall carry a unique identification number with a monthly report provided by the GRF Stock Transfer Office to the Mutual Board of Guest Passes issued noting the Shareholder/Member name as responsible party for the Guest, effective 2017-2018.

Date Board Approved: \_\_\_\_\_, 2017

Signed: \_\_\_\_\_, Print Name: \_\_\_\_\_  
*Board President or Secretary*

Mutual:

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** MOTION TO ISSUE ADDITIONAL GUEST PASSES  
**DATE:** OCTOBER 12, 2017

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I move to authorize the GRF Executive Director and/or Mutual Administration Director to issue ADDITIONAL Guest Passes, in accordance with GRF Policy 5536.1-33. Each guest pass shall carry a unique identification number with a monthly report provided by the GRF Stock Transfer Office to the Mutual Board of guest passes issued noting the Shareholder/Member name as responsible party for the Guest, effective 2018-2019.



## MUTUAL OPERATIONS

### RESIDENT REGULATIONS

#### Eligibility Requirements – Mutual Five

All persons seeking approval of the Board of Directors of Seal Beach Mutual No. Five to purchase a share of stock in the Mutual, and to reside in the Mutual, shall meet the following eligibility criteria:

- A. Apply for and be accepted as a member of the Golden Rain Foundation, Seal Beach, California.
- B. Meet the Mutual eligibility criteria as follows:
  1. Age
 

Minimum of 55 years, as confirmed by a birth certificate or passport. A driver's license is not acceptable as proof of age.
  2. Financial Ability
    - a. Verified monthly income that is at least four (4) **(4.5)** times or greater the monthly carrying charge (Regular Assessment plus Property Tax and Fees) at the time of application, and have liquid assets of at least ~~\$25,000~~ **\$50,000**. Verified monthly income/assets may be in the form of the past two years of:
      1. Tax returns;
      2. 1099s for interest and dividends;
      3. 1099-Rs for retirement income from qualified plans and annuities;
      4. SSA-1099 Social Security Benefit Statement;
      5. Brokerage statements and current interim statement.
      6. Six to twelve months of checking/savings account statements.
      7. **A credit check will be performed by the escrow company, with the results included in the financial package.**
    - b. Adjusted Gross Income per 1040, 1040A, or 1040EZ; plus that portion of Social Security, IRA distributions, and pensions and annuities not included in adjusted gross income; plus tax exempt interest; minus income tax, Social Security, Medicare, and self-employment taxes paid; and minus Medicare medical insurance and prescription drug premiums; all divided by twelve (12) will equal net monthly income to be used in Paragraph 2.a. above.
    - c. Projected assessments will be the previous year's assessment (total of carrying charge less any cable charge, less Orange County Property Taxes and Fees), and the addition of the new property tax at 1.2% of the sales price plus Orange County District fees divided by twelve (12) for the new projected monthly assessment. This

**MUTUAL OPERATIONS**

**RESIDENT REGULATIONS**

**Eligibility Requirements – Mutual Five**

new figure (Regular Assessment plus Orange County Property Taxes and District Fees) times four (4) will be the monthly income required. This will be verified by the escrow company and the Stock Transfer Office. Stock Transfer shall have the final say in establishing verifiable income/assets.<sup>1</sup>

Verification shall be done by the Escrow Company and the Stock Transfer Office prior to the new buyer interview and prior to the close of escrow (the above verification will not be done by the individual Mutual Directors; Directors will not be required to study or understand the financial requirements).

- d. Only the resident shareholder’s income shall be considered for qualifying.
- e. If moving within Leisure World, or if there are any additions/changes to the title, the proposed shareholder(s) must meet these eligibility requirements.

3. Health

Have reasonably good health for a person of his/her age, so that shareholder can take care of normal living needs without calling on other members for an undue amount of assistance. Leisure World is not an assisted living or skilled nursing home facility.

- C. Assume, in writing, the obligations of the “Occupancy Agreement” in use by the Mutual Corporation.

Officers or Committees of the Board of Directors designated to approve new applicants are responsible that the eligibility criteria of this corporation is equitably applied to all applicants. Approval or disapproval of buyer(s) must be received by the Stock Transfer Office at least ten (10) working days prior to the close of escrow.

**MUTUAL ADOPTION**

**AMENDMENT DATES**

<b>FIVE</b>	04-15-70	09-15-93, 04-19-06, 09-17-08, 09-20-17
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1 If major remodeling, expansion, or addition of a bathroom is being considered, the increase in taxes over the 1.2% of the purchase price must be taken into consideration.

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** AMEND POLICY 7510.05 – ELIGIBILITY REQUIREMENTS  
**DATE:** OCTOBER 13, 2017

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I move to amend Policy 7510.05 – Eligibility Requirements on a preliminary basis until the 30-day posting period is completed.



**Seismic Survey 2017  
Leisure World  
Project Description**

**General Overview**

Geologic mapping is a highly-interpretive, scientific process which produces a range of map products for many different uses. A key component in the construction of geologic maps is the acquisition of seismic data. Data created by this project will allow for scientific studies on the behavior of geological strata in the area. This data plays an important role in creating a clear picture of the subsurface. The density of sensors (nodes) will also allow us to look at the microseismicity on how deformation is taking place on a small-scale and how it changes with time.

This particular project, 'Seismic Survey 2017' is being performed over a larger area than any previous subsurface geological surveys in the LA Basin. The Survey Area will encompass a large portion of Long Beach, Seal Beach, Rossmoor, Los Alamitos and the Seal Beach Naval Weapons Station.

Breakthroughs in technology have revolutionized the analysis of the data to make this map the clearest picture ever made in this very important area of the LA Basin.

**How is the Survey Performed?**

Imaging of subsurface strata is accomplished by using state of the art technology to input acoustical energy into the ground by using specialized trucks and very sensitive passive wireless GPS listening devices called nodes. Nodes record the reflections of sound bouncing off layers of rock strata. The recorded data is downloaded and processed by highly-dimensional image of the earth's layers.

Small holes about 8 inches in diameter by 11 inches in depth are dug, in which the nodes are buried to record data; in fact, they cannot be seen at all during operations. The nodes are completely passive and emit no energy. They strictly record and store data. Upon project completion, the nodes are removed, and any disturbed areas will be restored to their previous condition or better. Survey trucks are used during this project to create a minor surface vibration which will emit acoustical energy into the ground. The energy levels are very similar to recycling trucks. Technicians monitor surface ground vibration levels with digital recording meters at every location. Survey trucks will be at any one location between 3 and 5 minutes.

**Leisure World Request**

LA Seismic is requesting permission from the Leisure World Master Association and the 16 Mutuals to place the nodes in Leisure World common areas. More detailed information will be presented by LA Seismic at the September 7, 2017 meeting

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** LA SEISMIC SURVEY  
**DATE:** OCTOBER 13, 2017

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I move that Mutual Five will \_\_\_\_\_ permit LA Seismic to place the nodes in Mutual Five common areas.



September 7, 2017

Linda Stone, GRF Board President  
Golden Rain Foundation  
Post Office Box 2069  
Seal Beach, California 90740

Dear Linda:

We are pleased to confirm our understanding of the services we are to provide for Golden Rain Foundation (the "Company") and the 16 Seal Beach Mutual Corporations (the "Mutual Corporations") for the year ended December 31, 2017.

The Board of Directors of the Company and the Mutual Corporations (the "Boards") have requested that we audit the financial statements of the Company and the Mutual Corporations, which comprise the balance sheets as of December 31, 2017, and the related statements of operations/revenue and expenses, changes in stockholders' equity/changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements. Also, the financial statements we submit to you will include supplementary information about future major repairs and replacements required by the Financial Accounting Standards Board ("FASB"). Although we will apply certain limited procedures with respect to the required supplementary information, we will not audit the information and will not express an opinion on it.

### **Audit Objective**

The objective of our audits is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the Company's and the Mutual Corporations' accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audits of the Company's and the Mutual Corporations' financial statements. Our reports will be addressed to the Boards and Members of the Company and to each of the Mutual Corporations. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audits or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.



### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. However, our procedures will not determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because such a determination is outside the scope of the engagement. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audits, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audits will involve judgment about the number of transactions to be examined and the areas to be tested. 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 financial statements. We will plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Company and the Mutual Corporations or to acts by management or employees acting on behalf of the Company and the Mutual Corporations.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audits and does not extend to any later periods for which we are not engaged as auditors.

Our audits will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

### **Other Services**

We will prepare the Company's and the Mutual Corporations' 2017 federal and California tax returns for the year ended December 31, 2017 based on information provided by you. We will also assist in preparing the financial statements of the Company and the Mutual Corporations in conformity with U.S. generally accepted accounting principles based on information provided by you.



We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

### **Management Responsibilities**

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; for the preparation and fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles; and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence.

Management's responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entities involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management's responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entities received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entities comply with applicable laws and regulations. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically, management understands that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities for the financial statement preparation services, tax services, and any other non-attest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

## Engagement Administration, Fees, and Other

We understand that your employees will prepare all confirmations we request and will locate any documents selected by us for testing.

Johnny H. Minassian is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our audit engagement ends on delivery of our audit reports. Any follow-up services required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

As part of our audit process, we will request from management and, when appropriate, from those charged with governance, written confirmation concerning representations made to us in connection with the audits.

We also will issue a written report communicating either Auditor's Communication with Those Charged with Governance or Communicating Internal Control Related Matters Identified in an Audit, upon completion of our audits.

As part of our engagement, we will also prepare the 2017 federal and California tax returns for the year ended December 31, 2017. We will use our professional judgment in preparing your returns. Whenever we are aware that a possibly applicable tax law is unclear or that there are conflicting interpretations of the law by authorities (e.g., tax agencies and courts), we will explain the possible positions that may be taken on your return. In accordance with our professional standards, we will follow whatever position you request, as long as it is consistent with the codes, regulations, and interpretations that have been promulgated. If the Internal Revenue Service should later contest the position taken, there may be an assessment of additional tax plus interest and penalties. We assume no liability for any such additional tax, interest, or penalties.

In the event, however, that you ask us to take a tax position that, in our professional judgment, will not meet the applicable laws and standards as promulgated, we reserve the right to stop work and shall not be liable to you for any damages that occur as a result of ceasing to render services.

Any travel, entertainment and gifts, as well as charitable contributions, must be supported by the necessary records required by the Internal Revenue Code. It is your responsibility to insure that all such documents are properly maintained and that the documents in your possession support the deductions taken on the tax return. We will not audit or otherwise review the information maintained by you to insure the adequacy thereof.

You may have reportable state use tax if the corporation purchased goods outside of California for use, storage, or consumption in California and did not pay California sales or use tax on the purchase. You may now elect to pay use tax with your corporation income tax return, rather than on a separate use tax form filed with the Board of Equalization. Please inform us if management's position on this election has changed from the previous year.

Please note that any person or entity subject to the jurisdiction of the United States (includes individuals, corporations, partnerships, trusts, and estates) having a financial interest in, or signature or other authority over, bank accounts, securities, or other financial accounts having an aggregate value

exceeding \$10,000 at any time during the calendar year in a foreign country, shall report such a relationship. Although there are some limited exceptions, filing requirements also apply to taxpayers that have direct or indirect control over a foreign or domestic entity with foreign financial accounts, even if the taxpayer does not have foreign account(s).

For example, a corporate-owned foreign account would require filings by the corporation *and* by the individual corporate officers with signature authority. Failure to disclose the required information to the U.S. Department of the Treasury may result in substantial civil and/or criminal penalties.

If you and/or your entity have a financial interest in, or signature authority over, any foreign accounts, you are responsible for providing our firm with all the information necessary to prepare the Report of Foreign Bank and Financial Accounts (FBAR) required by the U.S. Department of the Treasury in order for the FBAR to be **received by the Department on or before June 30<sup>th</sup>** of each tax year. Effective July 1, 2013, electronic filing of FBAR reports is mandatory using the Bank Secrecy Act (BSA) e-filing system for the Financial Crimes Enforcement Network (FinCEN). If you would like our firm to submit your electronic FBAR report (FinCEN Form 114) on your behalf, we must receive a signed consent form (FinCEN Form 114a) from you prior to submitting the foreign reporting form. If you do not provide our firm with information regarding any interest you may have in a foreign account, or if we do not receive your signed authorization to file your foreign reporting form, we will not be able to prepare and file any of the required disclosure statements.

In addition, the Internal Revenue Service also requires information reporting under applicable Internal Revenue Code sections and related regulations, and the respective IRS tax forms are due when your income tax return is due, including extensions. The IRS reporting requirements are in addition to the U.S. Department of the Treasury reporting requirements stated above. Therefore, if you fall into one of the below categories, or if you have any direct or indirect foreign interests, you may be required to file applicable IRS forms:

- You are an individual or entity with ownership of foreign financial assets and meet the specified criteria (Form 8938);
- You are an officer, director or shareholder with respect to certain foreign corporations (Form 5471);
- You are a foreign-owned U.S. corporation or foreign corporation engaged in a U.S. trade or business (Form 5472);
- You are a U.S. transferor of property to a foreign corporation (Form 926);
- You are a U.S. person with an interest in a foreign trust (Forms 3520 and 3520-A); or
- You are a U.S. person with interests in a foreign partnership (Form 8865).

Failure to timely file the appropriate forms with the U.S. Department of the Treasury and the Internal Revenue Service may result in substantial monetary penalties. By your signature below, you accept responsibility for informing us if you believe that you may have foreign reporting requirements with the U.S. Department of the Treasury and/or Internal Revenue Service and you agree to timely provide us with the information necessary to prepare the appropriate form(s). We assume no liability for penalties associated with the failure to file, or untimely filing, of any of these forms.

The IRS and U.S. Treasury issued final tangible property regulations (TPRs) that govern when taxpayers must capitalize and when they can deduct expenditures for acquiring, producing or improving tangible property. These regulations were fully effective for tax years beginning on or after January 1, 2014. The final regulations created new annual elections, and while certain safe harbors and elections are implemented through filing statements or treatment of an item on a timely filed federal tax return, the IRS considers the remaining provisions to be a change in accounting method, which may require the filing of Form 3115, *Application for Change in Accounting Method*.

If we become aware that you may be using an accounting method not in accordance with the final TPR regulations, our firm may need additional time to analyze your current and prior acquisitions and improvements to properly complete Form 3115. By your signature below, you accept ultimate responsibility for your capitalization analyses and decisions, and you agree to provide us with the information necessary to prepare the appropriate elections and/or method change IRS form(s). Please ask us for advice if you have any questions regarding your company's application of these regulations.

Management is responsible for the design, implementation and administration of applicable policies that may be required under the Affordable Care Act. As NSBN LLP is not rendering any legal services as part of our engagement, we will not be responsible for advising you with respect to the legal or regulatory aspects of your company's compliance with the Affordable Care Act.

Professional standards now require us to electronically file all federal and state income tax returns. Please note that, although e-filing will require both you and our firm to complete additional steps, the same filing deadlines will apply. You must therefore ensure that you complete the additional requirements before the due dates in order for our firm to be able to timely transmit your return. Our firm must transmit your return to the taxing authorities (rather than you). We will provide you with a copy of the income tax returns for your review prior to electronic transmission. After you have reviewed the returns, you must provide us with a signed authorization indicating that you have reviewed the return and that, to the best of your knowledge, you feel it is correct. **We cannot transmit the returns to the taxing authorities until we have your authorization.** Therefore, if you have not provided our firm with your authorization, we will place your return on extension, even though it might already have been completed. In that event, you will be responsible for ensuring that any payment due with the extension is timely sent to the appropriate taxing authorities. You will also be responsible for any additional costs our firm incurs arising from the extension preparation.

Finally, please note that, although our firm will use our best efforts to ensure that your returns are successfully transmitted to the appropriate taxing authorities, we will not be financially responsible for electronic transmission or other errors arising after your return has been successfully submitted from our office.

Our fees for these services will not exceed \$131,000. The fee estimate is based on anticipated cooperation from the Company's and the Mutual Corporations' personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation.

Your returns, of course, are subject to review by the taxing authorities. Any items which may be resolved against you by the examining agent are subject to certain rights of appeal. In the event of

such government tax examination, we will be available upon request to represent you and will render additional invoices for the time and expenses involved.

If, during the engagement, any extraordinary matters come to our attention for which additional services not specified in this letter are required, we will, of course, consult with you and receive your approval before expanding our services. These services will be billed at the standard billing rates of the personnel performing the services plus any direct costs incurred.

If any dispute arises among the parties, they agree to first try in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under Rules for Professional Accounting and Related Services Disputes. All unresolved disputes shall then be decided by final and binding arbitration in accordance with the Arbitration Rules for Professional Accounting and Related Services Disputes of the AAA. Fees charged by any mediators, arbitrators, or the AAA shall be shared equally by all parties. In agreeing to arbitration, we both acknowledge that, in the event of a dispute charged by the accountant, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us in the envelope provided.

Sincerely,

NSBN LLP

NSBN LLP

**Approved by:**

***This letter correctly sets forth the understanding of Golden Rain Foundation***

\_\_\_\_\_  
**Linda Stone, GRF Board President**

**Date:** \_\_\_\_\_



Appendix A

Acknowledgement of services to be performed by NSBN LLP for each Mutual Corporation as documented in the engagement letter dated September 7, 2017:

Mutual 1	_____	Date: _____
	<i>Board President</i>	
Mutual 2	_____	Date: _____
	<i>Board President</i>	
Mutual 3	_____	Date: _____
	<i>Board President</i>	
Mutual 4	_____	Date: _____
	<i>Board President</i>	
Mutual 5	_____	Date: _____
	<i>Board President</i>	
Mutual 6	_____	Date: _____
	<i>Board President</i>	
Mutual 7	_____	Date: _____
	<i>Board President</i>	
Mutual 8	_____	Date: _____
	<i>Board President</i>	
Mutual 9	_____	Date: _____
	<i>Board President</i>	
Mutual 10	_____	Date: _____
	<i>Board President</i>	

Mutual 11	_____	Date: _____
	<i>Board President</i>	
Mutual 12	_____	Date: _____
	<i>Board President</i>	
Mutual 14	_____	Date: _____
	<i>Board President</i>	
Mutual 15	_____	Date: _____
	<i>Board President</i>	
Mutual 16	_____	Date: _____
	<i>Board President</i>	
Mutual 17	_____	Date: _____
	<i>Board President</i>	



# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** ACCEPT OF NSBN ENGAGEMENT LETTER  
**DATE:** OCTOBER 13, 2017

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I move to accept the NSBN Engagement Letter from the 2017 Audit and authorize the President to sign the letter.

# *Mutual Corporation No. Five*

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## MEMO

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**TO:** MUTUAL FIVE BOARD OF DIRECTORS  
**FROM:** MUTUAL ADMINISTRATION  
**SUBJECT:** MOTION TO USE ID CARD SIGN SHEET  
**DATE:** OCTOBER 13, 2017

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I move that Mutual Five will use the ID Card Sign Sheet to track the pickup of ID cards from the Stock Transfer Office, drop-off the ID cards to the shareholder, and return the ID cards to the Stock Transfer Office allowing the staff and the Mutual to keep an account of the ID cards released to the Directors.

# Mutual Administration Director's Report October 2017

## Candle Fire Safety

Don't let this



turn into this



With the holiday season rapidly arriving and with cooler fall temperatures here, many of us enjoy the warmth and light offered by a candle. Candles are decorative, come in many pleasing aromas, and can offer ready and simple light during power outages and emergencies. BUT the use of candles has also resulted in the following statistics (as provided by the U.S. Fire Administration):

- On average, 42 home candle fires are reported every day.
- More than half of all candle fires start when something that could burn, such as furniture, mattresses or bedding, curtains, or decorations too close to the candle.
- In one-fifth (20%) of candle fires, the candles are unattended or abandoned.
- Over one-third (36%) of home candle fires begin in the bedroom.
- Falling asleep is a factor in 12% of home candle fires and 36% of the associated deaths.
- December is the peak time of year for home candle fires. In December, 13% of home candle fires begin with decorations compared to 4% the rest of the year.
- One-half of home candle fire deaths occur between 12:00 midnight and 6:00 a.m.
- Young children and older adults have the highest death risk from candle fires.
- The risk of fatal candle fires appears higher when candles are used for light.

**If you use a candle, please make sure to follow the following candle safety tips:**

- Consider using battery-operated or electric flameless candles and fragrance warmers, which can look, smell, and feel like real candles – without the flame.
- If you do use candles, ensure they are in sturdy metal, glass, or ceramic holders, and placed where they cannot be easily knocked over.
- Avoid using candles in bedrooms and sleeping areas.
- Extinguish candles after use and before going to bed.
- Keep candles at least 12 inches from anything that can burn.
- Keep candles out of the reach of children and pets.
- Set a good example by using matches, lighters, and fire carefully.
- Never use a candle where medical oxygen is being used. The two can combine to create a large, unexpected fire.
- **Always use a flashlight – not a candle – for emergency lighting.**
- Never put candles on a Christmas tree.
- When using in-home worship, do not place lit candles in windows where blinds and curtains can close over them, or pass handheld candles from one person to another. To lower the risk of fire, candles should be used by only a few designated adults.
- **And NEVER leave burning candles unattended!**

❄ **Remember! Candle fires are PREVENTABLE. The top six days for home candle fires are:**

- Halloween
- Thanksgiving
- December 23
- Christmas Eve
- Christmas Day
- New Year's Day

In the event of a fire, remember time is the biggest enemy and every second counts!

Escape first, and then call 911 for help. Develop a home fire escape plan and practice it frequently, and do not forget about that important emergency “grab-and-go bag”. Never stand up in a fire, always crawl low under the smoke, and try to keep your mouth covered. Never return to a burning building for any reason: it may cost you your life.