

AUDIT COMMITTEE REPORT

REGULAR MEETING TUESDAY, OCTOBER 23, 2018, AT 11:00 A.M.

A regular meeting of the Audit Committee was convened by the Chair, Dwight Walker, at 11:00 a.m. on Tuesday, October 23, 2018, in the Board Room at Gateway Complex.

Members present were Dwight Walker, Chair; Alan Swanson, Vice Chair; Mary Neff, GRF Board Treasurer; John Kikuchi, Barbara Rothway and Chris Yahng. Excused absence: Sheldon Solloway.

Roll Call

Representatives from BPM, external auditors, present were Scott Taylor, Partner and Bob Houston Tax Partner

Also attending were Tim O'Keefe, CEO; Rick Chakoff, CFO; Amanda Davis, Sr. Accountant; Judith Perkins, HR Manager; Merek Lipson, Resident/Committee Adviser; and GRF Board members: Bob Kelso, Sue Adams and Ken Anderson.

1. Report from the September 20, 2018, meeting were approved unanimously on a motion made by Alan Swanson and seconded by Mary Neff.
2. RESIDENTS' FORUM—Dick Locke had three comments on the draft of the Whistleblower Policy that were addressed later in the meeting.
3. Rick Chakoff presented a very brief overview of Internal Control Areas, including: purchasing/cash disbursements, revenue/cash, payroll and financial statement preparation.
4. Scott Taylor and Bob Houston reviewed the Audit Plan Presentation that was distributed at the meeting (Attachment). The plan covered the 2018 audit and tax preparation for GRF and reflected no increase in fees from 2017. An engaging discussion ensued regarding the Audit Plan and Committee members questions regarding its execution by BPM. Committee members expressed interest in learning more about the Internal Control Narratives used by the auditors during their testing of controls.

Audit
Plan
and
Proposal

A motion was made by Mary Neff, seconded by Chris Yahng, and CARRIED UNANIMOUSLY to recommend to the GRF Board that the BPM Audit Plan and Proposal at a cost of \$69,500 for the audit and \$9,200 for tax preparation be accepted.

5. AUDIT COMMITTEE CHARTER—Alan Swanson reported on the review of the draft Charter by the GRF Board Policy Committee. The Policy Committee recommended two revisions to the draft—remove the phrase “only one of whom shall be a member of the GRF Board of Directors” from the first paragraph under Organization and Membership and remove the phrase “the IRS Forms 1120 and 5500 and related documents” from the fifth paragraph under Procedures.

Draft
Charter

In addition, a legal review by GRF Counsel of the Charter was received by Rick Chakoff on October 19 with a number of comments. Due to the volume of legal comments, they have been forwarded to the Charter Task Force to review and return with a recommendation to the full Committee at its November meeting. Upon Audit Committee approval, the revised Charter will again be submitted to the GRF Board Policy Committee for review.

6. WHISTLEBLOWER POLICY—John Kikuchi reported on the revised draft that is in a very user-friendly format. Judith Perkins was able to provide some practical experience with policies of this nature, which was valuable. A number of comments by members of the Committee were made that resulted in minor revisions to the draft. John Kikuchi will take the draft back to the Task Force with these revisions and submit a new draft to the Committee at the November Audit Committee meeting.
7. DEFERRED ITEMS—Due to time constraints, the following items were deferred to the November Committee meeting:
 - Member Transfer Fee Exemption Report
 - Goals for Upcoming Year
8. ADJOURNMENT
There being no further business to come before the Committee, the meeting was recessed at 12:50 p.m.
9. NEXT MEETING: The next regular meeting of the Audit Committee TBD.



Dwight Walker, Chair
Audit Committee

Golden Rain Foundation

AUDIT PLAN PRESENTATION

FOR THE YEAR ENDED DECEMBER 31, 2018

October 23, 2018



INTRODUCTION

We have planned the scope of our audit to allow us to issue an opinion in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) on the December 31, 2018 financial statements of Golden Rain Foundation (the “Foundation”).

- ♦ We are independent within the meaning of Rule 1.200 of the AICPA Code of Professional Conduct.
- ♦ We will communicate our Audit Plan and related audit risk areas to the Audit Committee.
- ♦ We will provide responses to Audit Committee inquiries and assist in discharging corporate governance and compliance responsibilities.
- ♦ We will hold pre-audit planning, update, and exit conferences with the Audit Committee and/or management, as appropriate.
- ♦ We will collaborate with the finance department during the year, prior to fieldwork, regarding proper accounting treatment(s).
- ♦ We will provide observations and advice on financial reporting, tax, business issues and related controls, including sharing experience on best practices.
- ♦ The performance and discussion of the annual audit does not relieve those charged with governance of their ongoing responsibilities.
- ♦ *Nonaudit Services* – Tax return preparation of Golden Rain Foundation federal and state information returns. Such nonaudit services do not constitute an audit under U.S. GAAS.
- ♦ *Nonaudit Services* – Assist the Foundation with drafting and completion of the financial statements, where management has identified at least one individual who has suitable skills, knowledge, and experience to oversee this process, as well as the ability to accept responsibility for the financial statements.

BPM ENGAGEMENT TEAM



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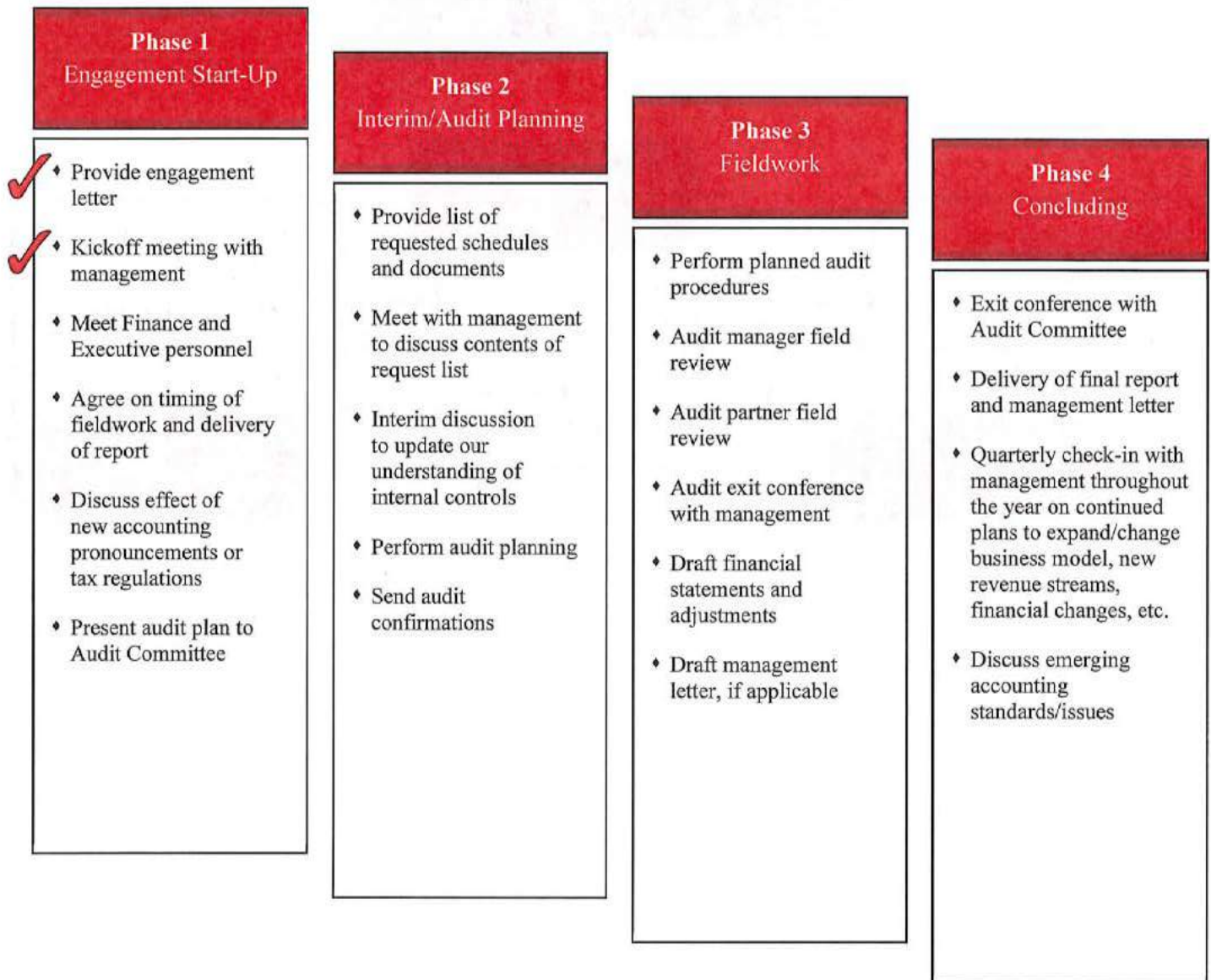
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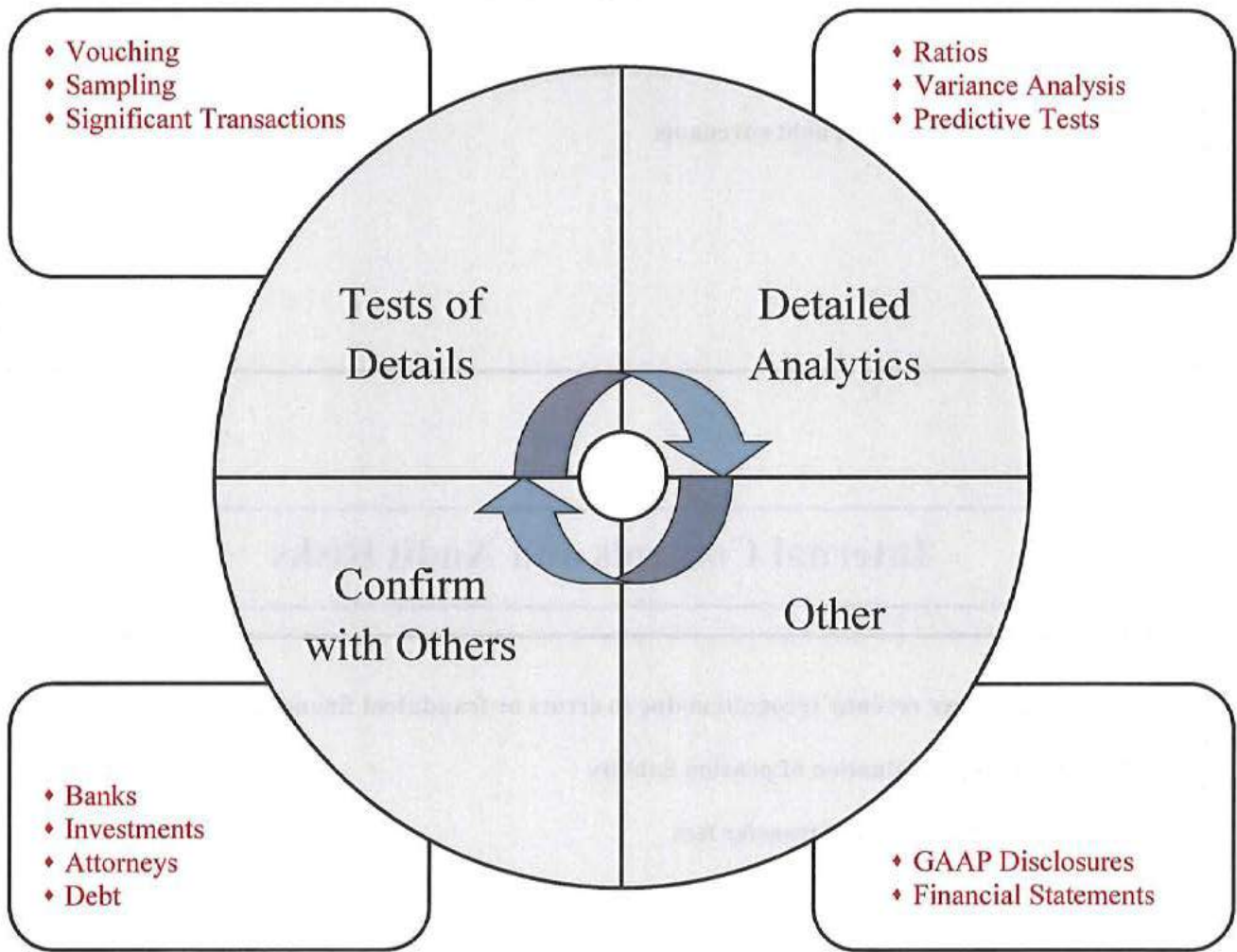
PROGRESS REPORT



✓ Step Completed

BPM AUDIT PLAN

FIELDWORK



BPM AUDIT PLAN

PLANNED AUDIT PROCEDURES

Cash	Review year-end bank reconciliations and send confirmations
Accounts Receivable	Review aging and bad debt balances
Property and Equipment	Review activities, vouch significant additions and deletions, and test depreciation reasonableness
✓ Accounts Payable and Accrued Expenses	Perform a search for unrecorded liabilities, test retirement plan and payroll accruals, and inquiries to ascertain completeness of accruals
✓ Notes Payable	Send confirmations, review compliance with covenants, and review loan documentation
Net Assets	Review accounting for net assets and current year activity
Expenses	Test for proper expense coding, review expense through predictive analytics, and review for unusual transactions
Journal Entries	Test supporting documentation for reasonableness and proper authorization of nonrecurring journal entries
Revenue and Deferred Revenue	Vouch transactions, review trends, perform predictive analytics, and test amortization of deferred balances

✓ Key Risk Areas

2018 AUDIT FEES

2018 Combined Financial Statement Audit	\$ 69,500
2017 Financial Statement Audit Actual	\$ 69,500
2018 Retirement Plan Audits	\$ 26,500
2017 Retirement Plan Audits Actual	\$ 26,500
2018 C Corporation Income Tax Returns (2 returns)	\$ 9,200
2017 C Corporation Income Tax Returns	\$ 9,200

Note: These fees above do not include indirect out of pocket expenses which are billed at 7% of professional fees and direct out of pocket expenses.

NEW AND PROPOSED ACCOUNTING STANDARDS FOR NONPROFITS

Status	Effective Date	Topic
Effective Continued	Years beginning after December 15, 2017 (early adoption permitted) Continued	<p>ASU 2016-14, <i>Financial Statements of Not-for-Profit Entities</i> – Continued</p> <ul style="list-style-type: none"> • <i>Net Assets</i> – <ul style="list-style-type: none"> ○ Replacing the traditional three classes of net assets with only two classes (those with donor-imposed restrictions and those without). ○ Modifying disclosure requirements about the nature and timing of restricted net assets. ○ More disclosures about Board-designated net assets. ○ Modified classification of underwater endowments. ○ Continue with placed-in-service option and eliminate over-time option for expirations of capital restrictions. • <i>Cash Flows</i> – Reaffirmation of existing methods of presenting operating cash flows. NFP’s are no longer required to provide the indirect reconciliation when choosing the direct method of cash flows. • <i>Liquidity</i> – Provide disclosures useful in assessing a nonprofit’s liquidity position.
Not Yet Effective	Year beginning after December 15, 2018	<p>ASU 2014-09, <i>Revenue from Contracts with Customers</i> – Affects all entities and industries for contracts with customers to transfer goods or services. The new standard eliminates current revenue recognition guidance and industry standards and replaces them with a principles-based 5-step framework. Revenue recognition will be focused on when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Contracts with multiple elements will need to break out the separate revenue streams.</p>

*We would like to thank management for their cooperation. We are excited for the opportunity to provide professional services and consider it a privilege to work with **Golden Rain Foundation.***

BPM