

375 Beale Condominium Corporation

**Financial Statements
As of and for the Year Ended June 30, 2022**

[Final Draft 10202022](#)

375 Beale Condominium Corporation
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For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
375 Beale Condominium Corporation
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 375 Beale Condominium Corporation ("375 Beale Condo"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the 375 Beale Condo's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of 375 Beale Condo, as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 375 Beale Condo, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 375 Beale Condo's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 375 Beale Condo'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 375 Beale Condo'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.

Report on Partial Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with 375 Beale Condo's financial statements for the year ended June 30, 2021, from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 financial statements, and other knowledge we obtained during our audit of the basic 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 375 Beale Condo's basic financial statements. The assessment fees allocation schedule and operating expenses allocation schedule, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the assessment fees allocation schedule and operating expenses allocation schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

San Francisco, California
<>, 2022

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375 Beale Condominium Corporation

Financial Statements for the Year Ended June 30, 2022

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

This financial report is designed to provide a general overview of the 375 Beale Condominium Corporation's (375 Beale Condo) financial statements. 375 Beale Condo is a non-profit organization formed to manage the three condominium unit owners' common interest development in 375 Beale Street, San Francisco, California (the Property). This Management's Discussion and Analysis presents an overview of the financial activities of 375 Beale Condo for the year ended June 30, 2022. The discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

Bay Area Headquarters Authority (BAHA) acquired the Property in October 2011 for the purpose of establishing a Bay Area regional agency headquarters for Metropolitan Transportation Commission (MTC), Bay Area Air Quality Management District (BAAQMD), and Association of Bay Area Governments (ABAG). BAHA renovated the Property and named it Bay Area Metro Center (BAMC). In May 2016, MTC, BAAQMD and ABAG moved into BAMC and occupied level six to level eight and partial level five of the 8-level BAMC building. Rentable space on level one to level five has been rented out to commercial tenants.

In December 2016, BAHA signed the Declaration of Covenants, Conditions and Restrictions for 375 Beale Street, San Francisco (the CC&Rs) which defined the ownership of BAMC among the three owners: BAHA, BAAQMD and ABAG, the rights and responsibilities of the unit owners, and the management and operating guidance of the condominium. On June 22, 2017, 375 Beale Condominium Corporation was incorporated under the Non-profit Mutual Benefit Corporation Law (California Corporations Code section 7110 *et seq.*) to provide for the management of the association of the three agency owners in BAMC. Cushman & Wakefield of California, Inc. (C&W) was contracted to provide the day-to-day property management services on behalf of the three condominium unit owners. BAHA, in its individual capacity, is solely responsible for the management and operation of the commercial space in BAMC.

A. Financial Highlights

- 375 Beale Condo collected a total of \$6.3 million gross assessment fees and incurred \$5.2 million of operating expenses in fiscal year 2022.
- The corporation will refund approximately \$1.1 million excess assessments to the condo unit owners.

B. Overview of the 375 Beale Condo's Financial Statements

375 Beale Condo's financial statements include: (1) *Statement of Net Position*, (2) *Statement of Revenues, Expenses, and Changes in Net Position*, and (3) *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

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Financial Statements for the Year Ended June 30, 2022
Management’s Discussion and Analysis (unaudited)

The *Statement of Net Position* reports assets and liabilities and the difference as net position. The *Statement of Revenues, Expenses, and Changes in Net Position* consists of operating revenues and expenses and nonoperating revenues and expenses. The *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Position*, *Statement of Revenues, Expenses, and Changes in Net Position*, and *Statement of Cash Flows* are presented on pages 8 through 10 of this report.

C. Financial Analysis

The following table is a summary of 375 Beale Condo’s statement of net position as of June 30 for the last two fiscal years:

	2022	2021
Cash	\$ 572,481	\$ 510,438
Accounts receivable	458,268	238,041
Due from BAHA	170,174	599,307
Other assets	12,974	10,444
Total assets	<u>1,213,897</u>	<u>1,358,230</u>
Due to condominium owners	1,096,124	1,162,196
Other current liabilities	117,773	196,034
Total liabilities	<u>1,213,897</u>	<u>1,358,230</u>
Net position	<u>\$ -</u>	<u>\$ -</u>

Total assets decreased by \$144 thousand in fiscal year 2022. Cash increased by \$62 thousand as a result of higher assessment billed in fiscal year 2022. Accounts receivable increased by \$220 thousand whereas due from BAHA decreased by \$429 thousand for condominium operations in fiscal year 2022.

The total due to condominium owners decreased by \$66 thousand in fiscal year 2022. The decrease is mainly due to higher operating costs spent on building repair and maintenance and information technology. The higher operating costs also resulted in a decrease of assessment fee refund in fiscal year 2022. Other current liabilities decreased by \$78 thousand in fiscal year 2022. The decrease is mainly due to less invoices received from vendors at end of fiscal year 2022.

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Financial Statements for the Year Ended June 30, 2022
Management’s Discussion and Analysis (unaudited)

The following table is a summary of 375 Beale Condo’s statement of revenues, expenses, and changes in net position for the last two fiscal years ended June 30:

	2022	2021
Total operating revenues	\$ 5,215,278	\$ 4,658,288
Operating expenses		
Common area	3,446,842	3,201,540
Shared services	1,768,580	1,456,860
Total operating expenses	5,215,422	4,658,400
Operating loss	(144)	(112)
Total nonoperating revenues	144	112
Change in net position	-	-
Net position - beginning	-	-
Net position - ending	\$ -	\$ -

The increase in operating revenue in fiscal year 2022 was due to higher assessment fees billed to condo owners to cover the increase in operating expenses. The overall operating expenses increased by \$557 thousand during fiscal year 2022. The building was going through a series of upgrades and improvements during the low occupancy period. The increases were mainly in repair and maintenance, computer and information network expenses, as well as building janitorial and security costs.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 11, provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis as well as the financial statements.

E. Economic Factors

While the general economic picture nationally and regionally has stabilized over the past eighteen months from the challenges posed by the COVID-19 pandemic and ensuing “flash” recession, there are new challenges that MTC and associated agencies must face over FY 2022-23 and beyond.

Inflation has been running very high since early 2021. Inflationary pressures have included supply chain challenges, extremely low unemployment (driven in part by low labor force participation), and the war in Ukraine. For the first several months of this inflationary trend,

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Management’s Discussion and Analysis (unaudited)

the Federal Reserve believed these inflationary pressures to be “transitory” (that is, short-term in nature). As it has become clear that these increases are not, in fact, transitory, the Federal Reserve has initiated an assertive campaign of unwinding its monetary stimulus by increasing short-term interest rates and reducing its balance sheet. In pursuing this campaign, the Federal Reserve is attempting to navigate to an economic “soft landing,” in which inflation is reduced, unemployment levels remain acceptable (if somewhat higher than current), and the national economy avoids recession.

Unfortunately, steering the economy to a soft landing is an uncertain enterprise, and it is possible that the Federal Reserve may overshoot, increasing interest rates to a point that the economy goes into recession, or that today’s inflationary pressures are such that increases in interest rates are insufficient to address them. Either of these could significantly increase financial risk to 375 Beale Condo.

In the San Francisco Bay Area, the overall economy continues to be strong, with robust growth in sales tax revenue, unemployment rates notably lower than national and statewide rates, and inflation which, while high, is lower than national averages as well as other major metropolitan areas in California.

Pandemic related effects in the Bay Area continue, primarily with respect to the issue of “return-to-office”. Office occupancy is down sharply and vacancy rates are up relative to pre-pandemic levels. These trends are likely to have uneven effects across the area, with San Francisco facing significant headwinds on this issue.

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 375 Beale Condominium Corporation, 375 Beale Street, Suite 800, San Francisco, CA 94105.

375 Beale Condominium Corporation
Statement of Net Position
June 30, 2022
(With comparative information for the prior year)

	2022	2021
Assets		
Current assets		
Cash	\$ 572,481	\$ 510,438
Accounts receivable	458,268	238,041
Due from BAHA	170,174	599,307
Prepaid expenses	12,974	10,444
Total assets	<u>1,213,897</u>	<u>1,358,230</u>
Liabilities		
Current liabilities		
Accounts payable	55,529	132,778
Accrued liabilities	61,959	62,834
Due to condominium owners	1,096,124	1,162,196
Unearned revenue	285	422
Total liabilities	<u>1,213,897</u>	<u>1,358,230</u>
Net Position	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022
(With comparative information for the prior year)

	2022	2021
Operating Revenues		
Assessment fees	\$ 6,311,371	\$ 5,816,458
Refund of excess assessment fees	(1,096,124)	(1,162,196)
Other operating revenue	<u>31</u>	<u>4,026</u>
Total operating revenues	<u>5,215,278</u>	<u>4,658,288</u>
Operating Expenses		
Common area	3,446,842	3,201,540
Shared services	<u>1,768,580</u>	<u>1,456,860</u>
Total operating expenses	<u>5,215,422</u>	<u>4,658,400</u>
Operating loss	<u>(144)</u>	<u>(112)</u>
Nonoperating Revenues		
Interest income	<u>144</u>	<u>112</u>
Total nonoperating revenues	<u>144</u>	<u>112</u>
Change in Net Position	<u>-</u>	<u>-</u>
Net Position - Beginning of Year	<u>-</u>	<u>-</u>
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation
Statement of Cash Flows
For the Year Ended June 30, 2022
(With comparative information for the prior year)

	2022	2021
Cash flows from operating activities		
Cash receipts from condominium owners for assessment fees	\$ 5,362,503	\$ 4,748,864 *
Other cash receipts	-	7,517
Cash payments to suppliers for goods and services	<u>(5,300,604)</u>	<u>(4,578,059) *</u>
Net cash provided by operating activities	<u>61,899</u>	<u>178,322</u>
Cash flows from investing activities		
Interest received	<u>144</u>	<u>112</u>
Net cash provided by investing activities	<u>144</u>	<u>112</u>
Net increase in cash	62,043	178,434
Cash - Beginning of year	<u>510,438</u>	<u>332,004</u>
Cash - End of year	<u>\$ 572,481</u>	<u>\$ 510,438</u>

Reconciliation of operating loss to net cash provided by operating activities

	2022	2021
Operating loss	\$ (144)	\$ (112)
Adjustments to reconcile operating loss to net cash provided by / (used in) operating activities:		
Net effect of changes in:		
Accounts receivable	(220,227)	163,760
Due from BAHA	429,133	(599,307)
Prepaid expenses	(2,530)	(10,444)
Accounts payable and accrued expenses	(78,124)	108,419
Due to condominium owners	(66,072)	667,963
Due to BAHA	-	(151,957)
Unearned revenue	<u>(137)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 61,899</u>	<u>\$ 178,322</u>

* Fiscal year 2021 cash flows from operating activities have been reclassified for due from BAHA.

The accompanying notes are an integral part of these financial statements.

375 Beale Condominium Corporation

Notes to Financial Statements

For the Year Ended June 30, 2022

1. Organization

The 375 Beale Condominium Corporation (“375 Beale Condo”) was incorporated on June 22, 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law (California Corporations Code section 7110 *et seq.*). 375 Beale Condo is an association of the three condominium unit owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California (the Property). The Property has been subdivided into four condominium units: two units are owned by BAHA, one unit is owned by BAAQMD, and one unit is owned by ABAG. 375 Beale Condo is formed to manage the common interest development in the Property under the Commercial and Industrial Common Interest Development Act and within the meaning of Section 501 (c)(4) of the Internal Revenue Code. 375 Beale Condo’s governing board consists of four directors appointed by the owners of each unit.

BAHA was established in September 2011 pursuant to the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.2 of the California Government Code to provide for the joint exercise of powers common to Metropolitan Transportation Commission (MTC) and the Bay Area Toll Authority (BATA). BAHA is authorized to plan, acquire and develop BAHA’s office space and facilities; to employ agents and employees; to acquire, construct, provide for maintenance and operation of, or maintain and operate, any buildings, works or improvements; to acquire, hold or dispose of property wherever located, including the lease or rental of property; and to receive gifts, contributions and donations of property, funds, services and other forms of assistance from persons, firms, corporations and any governmental entities.

MTC was established under Government Code Section 66500 *et seq.* of the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area. The nine counties are the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma. MTC provided administrative support for 375 Beale Condo. 375 Beale Condo incurred total \$1,103,838 for these services in the fiscal year ended June 30, 2022. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is included in shared services operating expenses.

BATA was established pursuant to Chapter 4.3 of Division 17 of the California Streets and Highways Code Section 30950 *et seq* with the power under California Streets and Highways Code section 30951 to apply for, accept, receive, and disburse grants, loans, and other assistance from any agency of the United States or of the State and to plan projects within its jurisdiction under California Streets and Highways Code Section 30950.3.

BAAQMD was created by the California Legislature in 1955 as the first regional agency to deal with air pollution in California. BAAQMD is authorized to regulate stationary sources of air pollution and agricultural burning and enact certain transportation and mobile source measures. BAAQMD’s jurisdiction includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, south-western Solano County, and southern Sonoma County.

375 Beale Condominium Corporation

Notes to Financial Statements

For the Year Ended June 30, 2022

ABAG was established in 1961 by an agreement among its members – counties and cities of the San Francisco Bay Area pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500 *et seq.* As the regional council of governments, ABAG serves as a permanent forum to discuss and study matters of interest and concerns, develop policies and action plans, as well as provide services that members need. On July 1, 2017 ABAG's staff and functions were consolidated to MTC under a Contract for Services agreement signed on May 30, 2017.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements for 375 Beale Condo have been prepared in accordance with accounting principles generally accepted in the United States of America using the economic resources measurement focus and the accrual basis of accounting. 375 Beale Condo follows standards of Governmental Accounting Standard Board (GASB) for financial statements presentation.

New Accounting Pronouncements

GASB Statement No. 87, *Leases*, has an objective to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. 375 Beale Condo adopted this standard for fiscal year ended June 30, 2022. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. 375 Beale Condo adopted this standard for fiscal year ended June 30, 2022. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

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Notes to Financial Statements
For the Year Ended June 30, 2022

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this statement are effective as follows: (a) The requirements in paragraphs 4, 5, 11, and 13 were effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. 375 Beale Condo adopted paragraphs 4, 5, 11 and 13 of this statement in fiscal year 2020. 375 Beale Condo adopted the remaining paragraphs of this standard for fiscal year ended June 30, 2022. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14 were effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The adoption of the remaining paragraphs 11b, 13, and 14 has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follows: (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b) The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after

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Notes to Financial Statements
For the Year Ended June 30, 2022

June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. 375 Beale Condo adopted paragraphs 4 and 5 of this statement in fiscal year 2020 and the remaining paragraphs of this statement in fiscal year 2022. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, establishes the new term *annual comprehensive financial report* and its acronym *ACFR* and replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for reporting periods ending after December 15, 2021. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraph 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The adoption of paragraphs 26-32 in fiscal year 2022 has no impact on 375 Beale Condo's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on 375 Beale Condo's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statements are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

375 Beale Condominium Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

Cash

375 Beale Condo considers all balances held on deposit at banks to be cash.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, 375 Beale Condo may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of \$250,000. Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of 375 Beale Condo's cash on deposit.

Assessment Fees

Assessment fees represent charges levied and collected from the condominium unit owners for the purpose of meeting the operations and maintenance obligations incurred by 375 Beale Condo. 375 Beale Condo collects two types of assessment fees: common area assessment fee and shared services assessment fees. Assessment fees are predetermined annually by the budget approved by the board. Any year-end surplus from the condominium operations will be credited to the three condominium unit owners and paid the following fiscal year. Any expenses that are not included in the budget need to be approved by the board, and the board will provide each condominium unit owner with an updated notice of assessments based on the amended budget.

Allocation of Common Area Expenses

The Declaration of Covenants, Conditions and Restrictions (CC&Rs) summarizes the operating, maintenance, and management expenses incurred by 375 Beale Condo in the common area of the Property into two categories: facility common expenses and agency common expenses. Facility common expenses are the expenses that are incurred for the benefit of both the agency space and the commercial space; whereas agency common expenses are the expenses that are incurred solely for the benefit of the three agency owners, excluding BAHA's commercial space. Common area expenses are allocated to the three agency owners based on the percentage ownership interest set forth in the CC&Rs.

Operating and Nonoperating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to condominium service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to condominium service activities.

Use of Estimates

The preparation of these financial statements 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 financial statements and the reported amounts

375 Beale Condominium Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Comparative Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with 375 Beale Condo's prior year financial statements, from which this selected financial data was derived.

3. Accounts Receivable

As of June 30, 2022, 375 Beale Condo accounts receivable consists of \$455,775 common area assessment fee due from one condominium unit owner and \$2,493 operating receivables.

4. Due from BAHA

BAHA is the facility operator responsible for daily operations of 375 Beale Condo. As of June 30, 2022, 375 Beale Condo has \$170,174 due from BAHA for the condo's portion of common area operations.

5. Due to Condominium Owners

Any surplus from 375 Beale Condo operations at the year-end will be refunded to the condominium unit owners. The excess assessment fees to be refunded to MTC / BATA and BAAQMD at June 30, 2022 are as follows:

MTC / BATA *	\$	598,695
BAAQMD		<u>497,429</u>
Total Due to Condominium Owners	\$	<u>1,096,124</u>

* BAHA's assessment fees are paid by MTC and BATA.

6. Allocation of Assessment Fees / Common Area Expenses

Assessment fees and Common area expenses are allocated based on the percentage of each agency owner's rentable square footage (RSF) to the total RSF of the three agency owners excluding the BAHA commercial portion. For fiscal year 2022, the agency owners' RSF and the percentage to the total are as the following:

375 Beale Condominium Corporation
Notes to Financial Statements
For the Year Ended June 30, 2022

	BAHA	BAAQMD	ABAG	Total
Total Agency Space RSF	89,154	88,741	17,687	195,582
% of Total	45.58%	45.38%	9.04%	100.00%

Other Supplementary Information

375 Beale Condominium Corporation
Assessment Fees Allocation Schedule
For the Year Ended June 30, 2022

For the fiscal year ended June 30, 2022, total assessment fees collected by 375 Beale Condo are as follows:

	BAHA*	BAAQMD	ABAG	375 Beale Condo Total
Assessment fees	\$ 3,080,470	\$ 2,864,101	\$ 366,800	\$ 6,311,371
Refund of excess assessment fees	(598,695)	(497,429)	-	(1,096,124)
Total assessment fees	\$ 2,481,775	\$ 2,366,672	\$ 366,800	\$ 5,215,247

* BAHA's assessment fees are paid by MTC and BATA.

375 Beale Condominium Corporation
Operating Expenses Allocation Schedule
For the Year Ended June 30, 2022

For the fiscal year 2022, the total common area expenses for the condominium unit owners are as follows:

	375 Beale Condo			
	BAHA	BAAQMD	ABAG	Total
Cleaning service	\$ 352,848	\$ 351,298	\$ 69,982	\$ 774,128
Repairs and maintenance	333,295	331,829	66,104	731,228
Utilities	260,444	259,300	51,655	571,399
Security	230,896	229,881	45,795	506,572
Property management service	96,736	96,311	19,186	212,233
Professional fees	42,867	42,678	8,502	94,047
Computer maintenance and services	71,335	71,022	14,148	156,505
Parking service	58,554	58,297	11,613	128,464
Taxes / licenses / permits	10,832	10,784	2,148	23,764
Insurance	62,460	62,186	12,388	137,034
Other expenses	50,808	50,584	10,076	111,468
Total common area expenses	\$ 1,571,075	\$ 1,564,170	\$ 311,597	\$ 3,446,842

For the fiscal year 2022, the total shared services expenses for the condominium unit owners are as follows:

	375 Beale Condo			
	BAHA	BAAQMD	ABAG	Total
Salaries and benefits	\$ 340,711	\$ 339,216	\$ 67,574	\$ 747,501
Communication charges	7,772	7,738	1,542	17,052
Professional fees	25,163	25,053	4,991	55,207
Computer maintenance and services	251,108	250,006	49,803	550,917
Supplies and equipment rental	15,028	14,961	2,980	32,969
Overhead	163,008	162,293	32,330	357,631
Other expenses	3,328	3,314	661	7,303
Total shared services expenses	\$ 806,118	\$ 802,581	\$ 159,881	\$ 1,768,580