

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission

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

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
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For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Bay Area Housing Finance Authority
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and major fund of the Bay Area Housing Finance Authority (BAHFA), a component unit of the Metropolitan Transportation Commission, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BAHFA'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 respective financial position of the governmental activities and the major fund of the BAHFA, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 BAHFA's, 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 opinions.

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 BAHFA'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 opinions. 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 BAHFA'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 BAHFA'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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.

Crowe LLP

San Francisco, California

<>, 2022

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
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 Bay Area Housing Finance Authority (BAHFA). The Management's Discussion and Analysis (MD&A) provides an overview of BAHFA's financial activities in the fiscal year, and it should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

- In April 2022, Metropolitan Transportation commission (MTC) transferred a \$20 million grant from the State of California to BAHFA to be used for the operation of BAHFA.
- BAHFA ended fiscal year 2022 with a net position of \$19,753,154.
- BAHFA did not have financial activity until fiscal year 2022, therefore there are no prior year comparative balances in the MD&A.

B. Overview of the Government-Wide Financial Statements

The government-wide financial statements provide an overview of BAHFA in a manner similar to a private sector business. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of BAHFA at the end of the 2022 fiscal year. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "Net Position."

The Statement of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2022 fiscal year. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

C. Overview of the Fund Financial Statements

BAHFA is composed of one governmental fund which is presented as a general fund that is used to account for BAHFA general activities.

Governmental fund financial statements provide additional information not provided in the government-wide statements in that they focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year-end rather than the longer-term focus of governmental activities as seen in the government-wide financial statements. The governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison of the governmental fund to governmental activities. The financial statements of the governmental fund are prepared under the modified accrual basis of accounting.

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

D. Government-Wide Financial Analysis

Statement of Net Position

The following table shows a summary of BAHFA's government-wide Statement of Net position as of June 30, 2022:

	Governmental Activities
ASSETS	
Cash	\$ 19,841,704
Total Assets	19,841,704
LIABILITIES	
Current liabilities	69,133
Non-current liability	19,417
Total liabilities	88,550
NET POSITION	
Unrestricted	19,753,154
Total Net Position	\$ 19,753,154

BAHFA received a \$20,000,000 grant in cash from the State of California through MTC in fiscal year 2022.

The non-current liability of \$19,417 is an accrual of compensated absences for the year.

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Management's Discussion and Analysis (unaudited)

Statement of Activities

The following table shows a summary of BAHFA's government-wide Statement of Activities for the fiscal year ended June 30, 2022:

	Governmental Activities
Revenues	
General Revenue	
State operating grant through MTC	\$ 20,000,000
Investment earnings	3,211
Total Revenues	<u>20,003,211</u>
Expenses	
General Government	<u>250,057</u>
Total Expenses	<u>250,057</u>
Change in net position	19,753,154
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u>\$ 19,753,154</u>

BAHFA received a \$20,000,000 grant from the State of California through MTC.

BAHFA earned \$3,211 in interest in fiscal year 2022.

Total expense of \$250,057 were mainly from salaries and benefits.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2022
Management's Discussion and Analysis (unaudited)

E. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

F. General Fund Budget

BAHFA adopted its General Fund budget of \$20,000,000 for fiscal year 2022. The General Fund operating budget is budgeted and maintained on a fiscal year basis with all appropriations lapsing at fiscal year-end. The actual revenue-to-expenditures balance for fiscal year 2022 reflects a surplus of \$19,772,571.

	<u>General Fund</u>			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 20,000,000	\$ 20,000,000	\$ 20,003,211	\$ 3,211
Expenditures (General Government)	18,500,000	18,500,000	230,640	18,269,360
Revenues over (under) Expenditures	1,500,000	1,500,000	19,772,571	18,272,571
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 19,772,571</u>	<u>\$ 18,272,571</u>

Bay Area Housing Finance Authority
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Financial Statements for the Year Ended June 30, 2022
Management's Discussion and Analysis (unaudited)

G. 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 BAHFA 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, 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 BAHFA.

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, Bay Area Housing Finance Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Net Position
June 30, 2022

	Governmental Activities
ASSETS	
Cash	\$ 19,841,704
Total Assets	<u>19,841,704</u>
LIABILITIES	
Accounts payable	27,887
Due to MTC	41,246
Non-current liability	
Due within one year	
Compensated absences	7,931
Due in more than one year	
Compensated absences	11,486
Total liabilities	<u>88,550</u>
NET POSITION	
Unrestricted	19,753,154
Total Net Position	<u>\$ 19,753,154</u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Program Revenue</u>	<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>
						<u>Total</u>
Functions:						
Governmental Activities:						
General Government	\$ 250,057	\$ -	\$ -	\$ -	\$ -	\$ (250,057)
						-
Total Governmental Activities	<u>\$ 250,057</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,057)</u>
General Revenue:						
State operating grant through MTC						20,000,000
Investment earnings						3,211
Total General Revenue						<u>20,003,211</u>
Change in Net Position						19,753,154
Net Position - beginning						-
Net Position - ending						<u>\$ 19,753,154</u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Balance Sheet
Governmental Fund – General Fund
June 30, 2022

ASSETS

Cash	\$	19,841,704
Total Assets		<u>19,841,704</u>

LIABILITIES

Accounts Payable		27,887
Due to MTC		<u>41,246</u>
Total Liabilities		<u>69,133</u>

FUND BALANCES

Unassigned		<u>19,772,571</u>
Total Liabilities and Fund Balances	\$	<u>19,841,704</u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2022

Total Fund Balance - Governmental Fund \$ 19,772,571

Amounts reported for governmental activities in the Statement of Net Position are different because:

Compensated absences are not due and payable in the current period and, therefore, are not reported in fund statement (19,417)

Net position of Governmental Activities \$ 19,753,154

See accompanying notes to financial statements

Bay Area Housing Financing Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Change in Fund Balance
Governmental Fund – General Fund
For the Year Ended June 30, 2022

REVENUES

State operating grant through MTC	\$ 20,000,000
Investment earnings	3,211
Total Revenues	<u>20,003,211</u>

EXPENDITURES

Salaries and benefits	133,334
Professional fees	31,306
Committee Member's Stipend	2,400
Overhead	63,600
Total Expenditures	<u>230,640</u>

Net Change in Fund Balance	19,772,571
Fund Balance - beginning	-
Fund Balance - ending	<u>\$ 19,772,571</u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance – Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund balance - Total Governmental Funds (per Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 19,772,571
Compensated absences which do not require the use of current financial resources and, therefore, are not reported in the governmental funds	<u>(19,417)</u>
Change in Net Position of Governmental Activities (per Statement of Activities)	<u>\$ 19,753,154</u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2022
Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

The Bay Area Housing Finance Authority (BAHFA) was established in October 2019 pursuant to the California Government Code Section 64510 (a) (1) to provide a regional financing mechanism for affordable housing production, preservation, and tenant protections in the San Francisco Bay area, including charter cities. BAHFA is authorized to raise, administer, and allocate new revenue, incur, and issue bonds and other indebtedness, and allocate funds to the various cities, counties, and other public agencies and affordable housing projects within its jurisdiction. BAHFA is authorized to raise revenue by imposing various special taxes, including a parcel tax, and certain business taxes, within its jurisdiction and to issue general obligation bonds secured by the levy of ad valorem property taxes, in accordance with applicable constitutional requirements, and revenue bonds payable from the revenues of the authority, other than revenues generated from ad valorem property taxes. Section 64510 (a)(2) of the codes states that BAHFA is governed by the same board that governs the Metropolitan Transportation Commission (MTC). Section 6411 (a)(1) states that the Association of Bay Area Governments Executive Board is to review and approve the BAHFA regional expenditures plan.

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.

Association of Bay Area Governments (ABAG) was created in 1961 and serves as the Council of Government for the 101 member cities/ towns and nine counties that make up the region with powers and responsibilities granted to it under the laws of the State of California.

BAHFA is a separate legal entity of MTC, but it is governed by the same board that governs MTC. Furthermore, Section 64510 (a) (d) states that BAHFA's staff are the existing staff of MTC with the understanding that additional staff with expertise in affordable housing finance will be needed to administer the funding authorized in this chapter. As such, BAHFA meets the blending criteria under paragraph 53 of GASB No. 14, *The Financial Reporting Entity*, as amended by GASB No. 61, and therefore, BAHFA is presented as a blended component unit of MTC.

B. Basis of Presentation

BAHFA's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2022
Notes to the Financial Statements

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display the overall financial activities of BAHFA. The Statement of Net Position reports the difference between BAHFA's total assets and total liabilities.

The Statement of Activities reports increases and decreases in BAHFA's net position. It is also prepared on the full accrual basis of accounting, which means it includes all of BAHFA's revenues and expenses, regardless of when cash changes hands.

General Fund Financial Statements

BAHFA presents its financial statements as a governmental fund. A fund is a separate set of self-balancing accounts that comprise assets, liabilities, fund balance, revenues, and expenditures. The Fund Financial Statements report increases and decreases in BAHFA's fund balance.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Under the full accrual basis of accounting method, revenues are recognized when earned, rather than when cash changes hands, and expenses are recorded when the liability is incurred.

Fund Financial Statements

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting method, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay for liabilities of the current period. BAHFA considers revenues to be available if they are collected within 270 days after year end. Expenditures generally are recorded when liabilities are incurred, as under the accrual basis of accounting.

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. BAHFA adopted this statement in fiscal year 2022. The adoption of this standard has no impact on BAHFA'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

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2022
Notes to the Financial Statements

borrowing for a reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. BAHFA adopted this statement in fiscal year 2022. The adoption of this standard has no impact on BAHFA'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 BAHFA's financial statements.

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. BAHFA adopted this statement in fiscal year 2022. The adoption of this standard has no impact on BAHFA'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. BAHFA adopted this standard in fiscal year 2022. The adoption of this standard has no impact on BAHFA'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 BAHFA'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 BAHFA'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

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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 June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. BAHFA adopted this statement in fiscal year 2022. The adoption of this statement has no impact on BAHFA'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. BAHFA adopted this standard for fiscal year ended June 30, 2022. The adoption of this standard has no impact on BAHFA'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. BAHFA adopted paragraphs 26-32 in fiscal year 2022. The adoption of paragraphs 26-32 has no impact on BAHFA's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on BAHFA'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 BAHFA'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 BAHFA's financial statements.

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

D. Net Position

The government-wide financial statements utilize a net position presentation. Net Position is the excess of an entity's assets and deferred outflows of resources over its liabilities and deferred inflows of resources and is categorized as follows:

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. There is no net investment in capital assets at year end.
- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. There is no restricted net position at year end.
- Unrestricted Net Position represents net position of BAHFA that is not included in the determination of net investment in capital assets or the restricted component of net position.

Sometimes BAHFA will fund outlays for a particular purpose from both restricted and unrestricted resources. To determine the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are applied. BAHFA considers restricted net position to have been depleted before unrestricted net position is applied.

E. Fund Balance

Fund balance of governmental funds is reported in the following categories based on the nature of limitations confining the use of resources for specific purposes:

- Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories, prepaid amounts, and long-term interfund advances and receivables. There is no nonspendable fund balance at year end.
- Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. There is no restricted fund balance at year end.
- Committed Fund Balance – represents amounts that can only be used for specific purposes through resolutions authorized by BAHFA's Board of Directors. Commitments can only be modified or lifted through Board resolutions. There is no committed fund balance at year end.
- Assigned Fund Balance – comprises amounts that are constrained by the BAHFA Governing Board's intended to be used for specific purposes that are neither restricted nor committed. There is no assigned fund balance at year end.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2022
Notes to the Financial Statements

Sometimes BAHFA will fund outlays for a particular purpose from both restricted and unrestricted resources (committed, assigned, and unassigned fund balances). To determine the amounts to report as restricted, committed, assigned, and unassigned fund balances in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. BAHFA fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

F. Cash

BAHFA 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, BAHFA 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 Section 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 BAHFA's cash on deposit.

G. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method. There are no prepaid items at year end.

2. NET POSITION

BAHFA has a positive net position of \$19,753,154. The positive position is mainly the result of the grant received from the State of California through MTC.

3. CASH

A. A summary of cash as shown on the Statement of Net Position at June 30, 2022 is as follows:

Cash - unrestricted	\$ 19,841,704
Total Cash	<u>\$ 19,841,704</u>

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B. The composition of cash and investments at June 30, 2022 is as follows:

Cash at bank	\$ 19,841,704
Total Cash	<u>\$ 19,841,704</u>

Deposit Risk Factors

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, BAHFA 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 BAHFA's cash on deposit.

4. RISK MANAGEMENT

BAHFA is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BAHFA has commercial insurance coverages, which include general liability, crime, cyber, employed attorney, public officials, and automobile liability policies. Insurance coverages are subject to market volatility. BAHFA management is of the opinion that no lawsuits or claims will have a material adverse effect on BAHFA's financial statements this year. There was no settlement that exceeded insurance coverage since the creation of BAHFA.

5. COMMITMENTS AND CONTINGENCIES

As of June 30, 2022, there are no future expenditure commitments.

REQUIRED SUPPLEMENTARY INFORMATION

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and
Actual (unaudited)
For the Year Ended June 30, 2022

	Original Budget ⁽¹⁾	Final Budget ⁽¹⁾	Actual	Variance from Final Budget
Revenues				
Revenue - State of California through MTC	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ -
Interest income	-	-	3,211	3,211
Total Revenues	20,000,000	20,000,000	20,003,211	3,211
Expenditures				
Salaries & benefits	6,275,793	6,275,793	133,334	6,142,459
Consultant/Professional fees	9,052,660	9,052,660	21,868	9,030,792
Committee Member Stipend	-	-	2,400	(2,400)
Audit	33,650	33,650	9,438	24,212
Indirect Cost	3,137,897	3,137,897	63,600	3,074,297
Total Expenditures	18,500,000	18,500,000	230,640	18,269,360
Net Change in Fund Balances	1,500,000	1,500,000	19,772,571	18,272,571
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ 1,500,000	\$ 1,500,000	\$ 19,772,571	\$ 18,272,571

⁽¹⁾ Budget Prepared in accordance with GAAP