

375 Beale Condominium Corporation

**Financial Statements
As of and for the Year Ended June 30, 2021**

Draft 10112021

375 Beale Condominium Corporation

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For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
375 Beale Condominium Corporation
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of 375 Beale Condominium Corporation ("375 Beale Condo"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 375 Beale Condo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 375 Beale Condo, as of June 30, 2021, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 2020, 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, although not a part of the basic financial statements, is required by 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.

The assessment fees allocation schedule and operating expenses allocation schedule are the responsibility of management and were derived from and relate 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.

Crowe LLP

San Francisco, California

<> 2021

375 Beale Condominium Corporation

Financial Statements for the Year Ended June 30, 2021

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, 2021. 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

For the fiscal year 2021, 375 Beale Condo collected a total of \$5.8 million assessment fees, incurred \$4.6 million of operating expenses, and will refund approximately \$1.2 million 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.

375 Beale Condominium Corporation
Financial Statements for the Year Ended June 30, 2021
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 7 through 9 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:

	2021	2020
Cash	\$ 510,438	\$ 332,004
Accounts receivable	238,041	401,801
Due from BAHA	599,307	-
Other assets	10,444	-
Total assets	1,358,230	733,805
Due to condominium owners	1,162,196	494,233
Due to BAHA	-	151,957
Other current liabilities	196,034	87,615
Total liabilities	1,358,230	733,805
Net position	\$ -	\$ -

Total assets increased by \$624 thousand in fiscal year 2021. Cash increased by \$178 thousand as a result of lower operating costs. Accounts receivable decreased by \$164 thousand offset by an increase in due from BAHA in the amount of \$599 thousand for condominium operation for FY 2021.

The total due to condominium owners increased by \$668 thousand in fiscal year 2021. The increase is a result of lower occupancy levels which helped lower overall operating costs. The result of the lower operating costs will be an increase to the refund of FY 2021 assessment fees. Other current liabilities increased by \$108 thousand in fiscal year 2021. The increase is mainly due to an increase in invoices received from vendors at year-end.

375 Beale Condominium Corporation
Financial Statements for the Year Ended June 30, 2021
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:

	2021	2020
Total operating revenues	\$ 4,658,288	\$ 4,968,967
Operating expenses		
Common area	3,201,540	3,250,943
Shared services	1,456,860	1,720,071
Total operating expenses	4,658,400	4,971,014
Operating loss	(112)	(2,047)
Total nonoperating revenues	112	2,047
Change in net position	-	-
Net position - beginning	-	-
Net position - ending	\$ -	\$ -

Total operating revenue decreased by \$311 thousand in fiscal year 2021. Actual assessment fees increased from \$5,462 thousand to \$5,816 thousand for FY 2020 and FY 2021 respectively. The higher assessment fees were to cover an expected return to full occupancy which, as a result of the continuing health restrictions, did not occur in FY 2021. The decline in overall operating revenue is the result of the increased refund of excess assessment fees owed to the condominium owners as a result of the lower overall occupancy level and costs. Overall expenses decreased by \$313 thousand during FY 2021, with the main reduction in operating costs reflected in the shared services reduction of almost 15%.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 10, 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

The Bay Area economy ended a nine-year expansion during FY 2020 with sudden "crash" at the end of FY 2020 but quickly recovered during FY 2021. In fact, the "crash" was the steepest drop in GDP since the Great Depression. The recovery was just as rapid with GDP surpassing the January 2020 level by December 2020. The change in economic conditions had significant impact on 375 Beale Condo's operations, including:

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Financial Statements for the Year Ended June 30, 2021
Management's Discussion and Analysis (unaudited)

- Sales tax revenue was projected to fall 14% from the FY 2019 total, falling for the second consecutive year, after nine straight fiscal years of growth. Instead, the increase in internet sales combined with a federal court decision that removed the federal prohibition on the assessment of state sales tax, produced revenue of over \$14 million, almost exactly the level of FY 2020 and only \$600 thousand below FY 2019. 375 Beale Condo projects strong sales tax revenue growth for FY 2022 with the combination of the reopening economy and state sales tax assessments on internet sales.
- Unemployment in the Bay Area dipped below 3% in June 2019 and increased to over 9.6% by June 2020. Unemployment remains stubbornly high in California at 7.7%, and well above the national trend of 5.2%.
- Office occupancy is down 20% from pre-pandemic levels with an uncertain future given the level of remote workers in the Bay Area. As such, the impact of the current economic slowdown may not be known for some time.
- Signs of an improving economy include strength in housing prices and construction. However, the short recession did nothing to improve the critically low supply of affordable housing in the San Francisco Bay Area.

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, 2021
(With comparative information for the prior year)

	2021	2020
Assets		
Current assets		
Cash	\$ 510,438	\$ 332,004
Accounts receivable	238,041	401,801
Due from BAHA	599,307	-
Prepaid expenses	10,444	-
Total assets	<u>1,358,230</u>	<u>733,805</u>
Liabilities		
Current liabilities		
Accounts payable	132,778	41,881
Accrued liabilities	62,834	45,312
Due to condominium owners	1,162,196	494,233
Due to BAHA	-	151,957
Unearned revenue	422	422
Total liabilities	<u>1,358,230</u>	<u>733,805</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, 2021
(With comparative information for the prior year)

	2021	2020
Operating Revenues		
Assessment fees	\$ 5,816,458	\$ 5,461,872
Refund of excess assessment fees	(1,162,196)	(494,233)
Other operating revenue	<u>4,026</u>	<u>1,328</u>
Total operating revenues	<u>4,658,288</u>	<u>4,968,967</u>
Operating Expenses		
Common area	3,201,540	3,250,943
Shared services	<u>1,456,860</u>	<u>1,720,071</u>
Total operating expenses	<u>4,658,400</u>	<u>4,971,014</u>
Operating loss	<u>(112)</u>	<u>(2,047)</u>
Nonoperating Revenues		
Interest income	<u>112</u>	<u>2,047</u>
Total nonoperating revenues	<u>112</u>	<u>2,047</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, 2021
(With comparative information for the prior year)

	2021	2020
Cash flows from operating activities		
Cash receipts from condominium owners for assessment fees	\$ 5,482,494	\$ 4,672,391
Other cash receipts	7,517	388,058 *
Cash payments to suppliers for goods and services	(4,560,425)	(4,941,295)
Other cash payments	(751,264)	- *
Net cash provided by operating activities	178,322	119,154
Cash flows from investing activities		
Interest received	112	2,047
Net cash provided by investing activities	112	2,047
Net increase in cash	178,434	121,201
Cash - Beginning of year	332,004	210,803
Cash - End of year	\$ 510,438	\$ 332,004

Reconciliation of operating loss to net cash provided by / (used in) operating activities

	2021	2020
Operating loss	\$ (112)	\$ (2,047)
Adjustments to reconcile operating loss to net cash provided by / (used in) operating activities:		
Net effect of changes in:		
Accounts receivable	163,760	(301,811)
Due from BAHA	(599,307)	651,615
Prepaid expenses	(10,444)	1,055
Accounts payable and accrued expenses	108,419	(58,475)
Due to condominium owners	667,963	(323,513)
Due to BAHA	(151,957)	151,957
Unearned revenue	-	373
Net cash provided by operating activities	\$ 178,322	\$ 119,154

* Fiscal year 2020 positive balance of other cash payments has been reclassified to other cash receipts.

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, 2021

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.

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.

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

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Notes to Financial Statements
For the Year Ended June 30, 2021

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. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. 375 Beale Condo adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 87, *Leases*, is 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. Management is currently evaluating the effect of this statement 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. Management is currently evaluating the effect of this statement on 375 Beale Condo's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improves the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 375 Beale Condo adopted this standard for fiscal year

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Notes to Financial Statements
For the Year Ended June 30, 2021

ended June 30, 2021. The adoption of the standard has no impact on 375 Beale Condo's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides 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.

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 are 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. Management is currently evaluating the effect of this statement 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 are 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. Management is currently evaluating the effect of paragraphs 11b, 13, and 14. The adoption of the remaining paragraphs 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.

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Notes to Financial Statements

For the Year Ended June 30, 2021

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 follow: (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. 375 Beale Condo adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any material impact on 375 Beale Condo's financial statements. Management is evaluating the effect of the remaining paragraphs of this statement on 375 Beale Condo's financial statements.

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.

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

375 Beale Condominium Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

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 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.

Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which included strict limitations on entrance to the 375 Beale office site. The restrictions remained in place for all of FY 2021 which resulted in significantly lower occupancy and resulting operating costs. Operating revenue, particularly assessment and lease revenue were not impacted. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

375 Beale Condominium Corporation
Notes to Financial Statements
For the Year Ended June 30, 2021

3. Accounts Receivable

As of June 30, 2021, 375 Beale Condo accounts receivable consists of \$235,758 shared services assessment fee due from one condominium unit owner and \$2,283 common area operating receivables.

4. Due from BAHA

BAHA is the facility operator responsible for daily operations of 375 Beale Condo. As of June 30, 2021, as a result of the lower overall occupancy level and costs, 375 Beale Condo has \$599,307 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, 2021 are as follows:

MTC / BATA *	\$ 634,786
BAAQMD	<u>527,410</u>
Total Due to Condominium Owners	<u>\$ 1,162,196</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 2021, the agency owners' RSF and the percentage to the total are as the following:

	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, 2021

For the fiscal year ended June 30, 2021, total assessment fees collected by 375 Beale Condo are as follows:

	BAHA*	BAAQMD	ABAG	375 Beale Condo Total
Assessment fees	\$ 2,817,950	\$ 2,639,508	\$ 359,000	\$ 5,816,458
Refund of excess assessment fees	(634,786)	(527,410)	-	(1,162,196)
Total assessment fees	\$ 2,183,164	\$ 2,112,098	\$ 359,000	\$ 4,654,262

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

375 Beale Condominium Corporation
Operating Expenses Allocation Schedule
For the Year Ended June 30, 2021

For the fiscal year 2021, the total common area expenses for the condominium unit owners are as follows:

	375 Beale Condo			
	BAHA	BAAQMD	ABAG	Total
Cleaning service	\$ 324,642	\$ 323,215	\$ 64,387	\$ 712,244
Repairs and maintenance	292,661	291,374	58,045	642,080
Utilities	256,058	254,932	50,785	561,775
Security	202,789	201,897	40,220	444,906
Property management service	91,117	90,717	18,072	199,906
Professional fees	41,618	41,435	8,254	91,307
Computer maintenance and services	74,754	74,426	14,826	164,006
Parking service	57,798	57,544	11,463	126,805
Taxes / licenses / permits	8,584	8,546	1,702	18,832
Insurance	69,650	69,344	13,814	152,808
Other expenses	39,597	39,422	7,852	86,871
Total common area expenses	\$ 1,459,268	\$ 1,452,852	\$ 289,420	\$ 3,201,540

For the fiscal year 2021, the total shared services expenses for the condominium unit owners are as follows:

	375 Beale Condo			
	BAHA	BAAQMD	ABAG	Total
Salaries and benefits	\$ 244,838	\$ 243,764	\$ 48,559	\$ 537,161
Communication charges	13,977	13,915	2,772	30,664
Professional fees	26,957	26,838	5,346	59,141
Computer maintenance and services	210,650	209,727	41,779	462,156
Supplies and equipment rental	20,224	20,135	4,011	44,370
Overhead	141,348	140,729	28,034	310,111
Other expenses	6,043	6,016	1,198	13,257
Total shared services expenses	\$ 664,037	\$ 661,124	\$ 131,699	\$ 1,456,860