ACFA
ADVANCING CALIFORNIA FINANCE AUTHORITY

Financial Statements
For the Year Ended June 30, 2022

Advancing California Finance Authority
Table of Contents
For the Year Ended June 30, 2022

INDEPENDENT AUDITOR'S REPORT

Members of the Governing Board
Advancing California Finance Authority
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Advancing California Finance Authority ("ACFA"), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise ACFA'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 ACFA, 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 ACFA, 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 ACFA'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 ACFA'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 ACFA'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, 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 ACFA's basic financial statements. The other supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is 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. The 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Crowe LLP

Crowe LLP

San Francisco, California
November 17, 2022

Management's Discussion and Analysis

This financial report is designed to provide a general overview of Advancing California Finance Authority (ACFA). The Management's Discussion and Analysis (MD&A) provides an overview of ACFA and its blended component unit ABAG Finance Authority for Nonprofit Corporations (ABAG FAN), 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

1. ACFA reported operating income of $166,043 in fiscal year 2022.

2. ACFA net position decreased by $122,631 in fiscal year 2022.

B. Overview of the Financial Statements

ACFA's financial statements include *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets, 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 – 10 of this report.

C. Financial Analysis

Statement of Net Position

ACFA's financial transactions in fiscal year 2021 and 2022 are attributed to ABAG FAN. The following table shows a summary of ABAG FAN’s statement of net position as of June 30, for the last two fiscal years.

	2022	2021
Cash and cash equivalents	$ 3,148,416	$ 3,276,481
Receivables	188,350	190,338
Total assets	3,336,766	3,466,819
Current liabilities	56,957	64,379
Total liabilities	56,957	64,379
Net position		
Unrestricted	3,279,809	3,402,440
Total net position	$ 3,279,809	$ 3,402,440

Total assets decreased by $130,053 in FY 2022. The decrease is primarily due to a decrease in cash receipts as there were no new financial services provided in FY 2022 and a decrease in administration fees revenue due to conduit debt bond redemption in the fiscal year 2022.

Statement of Revenues, Expenses, and Changes in Net Position

Due to the inactivity of ACFA the following table is a summary of the blended component unit ABAG FAN's statement of revenues, expenses, and changes in net position for the last two fiscal years:

	2022	2021
Operating revenues		
Administration fees	$ 506,199	$ 611,549
Project monitoring fees	197,608	188,855
Other financial services revenue	10,000	110,994
Total operating revenues	713,807	911,398
Operating expenses		
Contracted salaries and benefits	169,950	180,090
Professional fees	291,617	429,666
Other expenses	86,197	112,073
Total operating expenses	547,764	721,829
Operating income	166,043	189,569
Nonoperating revenues and expenses		
Interest income	11,326	16,042
Contribution to Association of Bay Area Government	(300,000)	-
Total nonoperating revenues/(expenses)	(288,674)	16,042
Changes in net position	(122,631)	205,611
Net position - beginning	3,402,440	3,196,829
Net position - ending	$ 3,279,809	$ 3,402,440

Total operating revenues decreased by $197,591 in FY 2022. The decrease in operating revenues was mainly due to a decrease in administration fees as a result of bond redemptions for conduit debt in FY 2022. In addition, there were no new conduit bonds being issued in FY 2022, which resulted in the decrease in other financial services revenue.

Total operating expenses decreased by $174,065 in FY 2022. The decrease in operating expenses was primarily due to a decrease in professional fees as a result of no new financing activities in FY 2022.

Total non-operating expense increased by $300,000 in FY22. The increase in non-operating expense was due to a contribution to Association of Bay Area Government (ABAG) to support ABAG'S administration 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 (MD&A) and 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 ACFA 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 ACFA.

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.

F. Request 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, Advancing California Finance Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

Advancing California Finance Authority
Statement of Net Position
For the Year Ended June 30, 2022

	ABAG FAN
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 3,148,416
Accounts receivable	182,724
Interest receivable	5,626
TOTAL ASSETS	3,336,766
LIABILITIES	
Current Liabilities:	
Accounts payable	34,637
Due to other government	22,320
TOTAL LIABILITIES	56,957
NET POSITION	
Unrestricted	3,279,809
TOTAL NET POSITION	$ 3,279,809

See accompanying notes to the basic financials statements

Advancing California Finance Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

		ABAG FAN
OPERATING REVENUES		
Administration fees	$	506,199
Project monitoring fees		197,608
Other financial services revenue		10,000
TOTAL OPERATING REVENUE		713,807
OPERATING EXPENSES		
Contracted salaries and benefits		169,950
Professional fees		291,617
Overhead		81,066
Other expenses		5,131
TOTAL OPERATING EXPENSES		547,764
OPERATING INCOME		166,043
NONOPERATING REVENUES AND (EXPENSES)		
Interest income		11,326
Contribution to Association of Bay Area Government		(300,000)
TOTAL NONOPERATING REVENUES (EXPENSES)		(288,674)
CHANGE IN NET POSITION		(122,631)
Net Position - Beginning of year		3,402,440
Net position - End of year	$	3,279,809

See accompanying notes to the basic financials statements

Advancing California Finance Authority
Statement of Cash Flows
For the Year Ended June 30, 2021

	ABAG FAN
Cash flows from operating activities	
Cash receipts from financial services	$ 719,080
Cash payments to consultant and employees for services	(555,186)
Net cash provided by operating activities	163,894
Cash flows from non-capital financing activities	
Contribution to Association of Bay Area Governments	(300,000)
Net cash used in non-capital financing activities	(300,000)
Cash flows from investing activities	
Interest income	8,041
Net cash provided by investing activities	8,041
Net change in cash	(128,065)
Balances - beginning of year	3,276,481
Balances - end of year	$ 3,148,416

Reconciliation of operating income to net cash used in operating activities	
Operating income	$ 166,043
Net effect of changes in:	
Due to Metropolitan Transportation Commission	(20,490)
Accounts receivable	5,273
Accounts payable and accrued liabilities	13,068
Net cash provided by operating activities	$ 163,894

See accompanying notes to the basic financials statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

The Advancing California Finance Authority ("ACFA") was created on January 1, 2018, as a joint exercise of powers agency established by the Association of Bay Area Governments ("ABAG") and the ABAG Finance Authority for Nonprofit Corporation ("ABAG FAN") pursuant to the Chapter 5, Division 7 and Title I of the Government Code Section 6500 of the State of California. ABAG and ABAG FAN are also joint exercise of powers agencies created and existing under the California Joint Exercise of Powers Act, Sections 6500 through 6599.3 ("Joint Powers Act").

ABAG was established in 1961 pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq by agreement among its member counties and cities of the San Francisco Bay Area. ABAG's purpose is to serve as a permanent forum to study and discuss matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters. ABAG is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions and approve the annual budget.

ABAG FAN was established in 1990 pursuant to Chapter 5, Division 7, and Title 1 of the Government Code section 6500 of the State of California. ABAG FAN's purpose is to provide the means to meet the capital financing needs of public agencies and their non-profit partners serving the public interest. ABAG FAN is a joint powers authority comprising of California municipalities and is governed by a board appointed by its members.

In April 2020, ABAG FAN Executive Committee voted to transfer Administration of ABAG FAN to the Board of ACFA. The transfer provides power for ACFA Board to act as the ABAG FAN's Board. The ACFA Board of Directors accepted the transfer of responsibilities in May 2020. The notice was sent out and approved by interested Parties at the end of December 2020. Governmental Accounting Standard Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended, stipulates that since the ABAG FAN and ACFA Board are substantially the same, and the nature and the significance of the relationship of the two entities are so close, therefore it warrants the inclusion of ABAG FAN to be reported as a blended component unit of ACFA.

Prior to July 2017, ABAG provided administrative support for ABAG FAN. In July 2017, ABAG staff was consolidated into the Metropolitan Transportation Commission (MTC) and MTC staff will continue to provide administrative support to ABAG FAN in accordance with the ABAG-MTC Contract for Services.

B. Basis of Presentation

ACFA'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.

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. ACFA's basic financial statements are prepared using the *economic resources measurement focus* and *the accrual basis of accounting*.

ACFA and its blended component unit ABAG FAN account for all transactions as individual enterprise funds. These funds are a separate set of self-balancing accounts that comprise assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands. From ACFA's inception on January 1, 2018, through June 30, 2022, there were no financial transactions pertaining to ACFA. Since there were no transactions pertaining to ACFA, for fiscal year end June 30, 2022, this report shows only the transactions of ACFA's blended component, ABAG FAN.

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. ACFA adopted this statement for fiscal year ended June 30, 2022. The adoption of the standard has no impact on ACFA'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. ACFA adopted this statement for fiscal year ended June 30, 2022. The adoption of the standard has no impact on ACFA'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 ACFA'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. ACFA adopted paragraphs 4, 5, 11 and 13 of this statement in fiscal year 2020. ACFA adopted the remaining paragraphs of this standard for fiscal year ended June 30, 2022. The adoption of the standard has no impact on ACFA'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. ACFA adopted this statement for fiscal year ended June 30, 2022. The adoption of the remaining paragraphs has no impact on ACFA'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 ACFA'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 ACFA'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 June 15, 2021. (c) All other requirements of this statement are effective for reporting periods beginning after June 15, 2021. ACFA 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 ACFA'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. ACFA adopted this statement for fiscal year ended June 30, 2022. The adoption of the standard has no impact on ACFA'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. ACFA adopted paragraphs 26-32 in fiscal year 2022. The adoption of the paragraphs 26-32 requirements has no impact on ACFA's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on ACFA’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 ACFA’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 ACFA's financial statements.

D. Cash and Cash Equivalents

ACFA has assigned its management of cash and investments to MTC under the contract for services and adopted MTC’s investment policy. Accordingly, MTC, on behalf of ACFA invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that “in investing property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords ACFA a broad spectrum of investment opportunities if the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC's investment policy adopted by ACFA include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state-chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

ACFA applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. ACFA reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position as interest income.

ACFA considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash and classifies all other highly liquid short-term investments as cash equivalents. Highly liquid short-term investments are cash equivalents that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Due to Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2022.

F. Operating and Nonoperating Revenues and Expenses

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

G. Revenue Recognition

Revenue is comprised of housing project monitoring fees, interest, and annual administration fees earned by assisting other governments to issue conduit debts on behalf of eligible borrowers, and other financial services fees. Monitoring fees, administration fees and other financial services fees are recognized as the service is provided.

H. Accounts Payable

Accounts payable consists of amounts due to vendors at the end of the fiscal year.

I. Use of Estimates

ACFA's management has made several estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from those estimates.

2. NET POSITION

Net position represents residual interest in assets after liabilities are deducted.

3. CASH AND CASH EQUIVALENTS

A. The composition of cash and cash equivalents as of June 30, 2022 is as follows:

Cash in banks	$ 174,702
Government Pools	
Local Agency Investment Fund	2,973,714
Total cash and cash equivalents	$ 3,148,416

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. LAIF is unrated.

B. Deposit Risk Factor

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, ACFA 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 53651and 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 ACFA's cash on deposit.

4. CONDUIT FINANCING PROGRAMS FOR ELIGIBLE ORGANIZATIONS

ACFA's blended component unit, ABAG FAN, is a conduit debt finance issuer. Debt obligations issued through ABAG FAN are those of the governments, non-profit organizations and private companies who utilize ABAG FAN's governmental status to access the tax-exempt and taxable municipal bond market. Debt service on these issuances are the obligations of the related borrowers. ABAG FAN, as a conduit issuer, is only obligated to make debt service payments on the bonds or loans to the extent it receives funds for that purpose from the conduit borrower, thus ABAG FAN has no ongoing debt servicing responsibility and does not record the outstanding debt liability on ABAG FAN's books.

ABAG FAN has issued bonds for various borrowers. They include but are not limited to developers creating new neighborhoods (Community Facilities and Assessment Districts), private primary and secondary schools and private higher education (Education), hospitals and/or healthcare systems (Health Care), multifamily rental housing (Housing), cultural institutions, charitable organizations and other for-profit businesses involved in certain public benefit projects (Others).

A summary of outstanding balances for Conduit Financing Programs as of June 30, 2022, is as follows:

Business Type Activities by Sector	Ending Balance June 30, 2022
Community Facilities and Assessments District (CFDs)	$ 84,915,000
Education	52,912,587
Health Care	466,639,140
Housing	343,936,128
Other	104,635,000
Principal balance of financing programs as of June 30, 2022	$ 1,053,037,855

5. COMMITMENTS AND CONTINGENCIES

ACFA has no commitments and contingencies as of June 30, 2022.

6. RISK MANAGEMENT

ACFA is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ACFA purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by ACFA from insurance companies. Insurance coverages are subject to market volatility, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

7. RELATED PARTY TRANSACTIONS

ABAG FAN paid MTC a total of $251,016 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 reflected as contracted salaries and benefits and overhead costs.

On May 20, 2021, ACFA Board of Directors approved ABAG FAN's Operating Budget for Fiscal Year 2022, which includes a contribution to ABAG in the amount of $300,000 to support ABAG's administration costs. The contribution was made in April 2022.

OTHER SUPPLEMENTARY INFORMATION

Advancing California Finance Authority
Summary of Conduit Financings (CFDs)
As of June 30, 2022

Community Facilities and Assessment Districts (CFDs) for ABAG FAN

The Mello-Roos Community Facilities Act of 1982 enables ABAG Finance Authority for Non-Profit Corporation to establish a Mello-Roos Community Facilities Districts (CFD) which enables issuance of tax-exempt and taxable bonds to finance public improvements and services. The services and improvements include streets, sewer systems and other basic infrastructures. Debt services on the bonds are funded by parcel taxes that are levied on the properties.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/2022
ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) Special Tax Bonds, 2018 Special Tax Refunding Bonds	8/30/2018	9/1/2038	$ 9,795,000	$ 8,870,000
ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2006-2 (San Francisco Mint Plaza Area) Special Tax Bonds, Series 2007A	11/1/2007	9/1/2037	3,270,000	2,765,000
ABAG Finance Authority for Nonprofit Corporations Community Facilities District No. 2006-1 (San Francisco Rincon Hill) Special Tax Bonds, Series 2006A	6/8/2006	9/1/2036	5,825,000	4,820,000
ABAG Finance Authority for Nonprofit Corporations Refunding Revenue Bonds, Subordinate Series 2017-A (Windemere Ranch Infrastructure Financing Program). Taxable Refunding Revenue Bonds, Subordinate Series 2017-B (Windemere Ranch Infrastructure Financing Program)	6/29/2017	9/2/2034	59,885,000	46,425,000
ABAG Finance Authority for Nonprofit Corporations Refunding Revenue Bonds, Senior Series 2014-A (Windemere Ranch Infrastructure Financing Program)	8/28/2014	9/2/2034	31,805,000	22,035,000
Total 5 Transactions			$ 110,580,000	$ 84,915,000

Advancing California Finance Authority
Summary of Conduit Financings (Education)
As of June 30, 2022

Education Conduit Financings for ABAG FAN

ABAG Finance Authority for Non-Profit Corporations (Authority) provides access to tax-exempt bond financings for eligible 501(C) (3) nonprofit organizations. Borrowers can typically enjoy lower interest costs compared to conventional financings. Interests paid are generally exempt from federal income tax.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/2022
Berkeley Montessori School 2013 [1]	6/27/2013	1/1/2041	$ 7,150,000	$ -
Drew School Series 2014	6/20/2014	8/1/2034	12,325,000	6,728,681
Drew School Series 2015	10/1/2015	11/1/2035	2,160,000	1,568,000
Grauer Foundation for Education	1/19/2006	1/1/2031	4,000,000	1,600,000
Harker School 2013 (Remarketed from 1998)	1/1/1998	1/1/2023	18,230,000	1,210,000
Harker School 2013 (Remarketed from 2007)	8/1/2007	1/1/2037	20,000,000	6,585,000
La Jolla Country Day School 2010	10/14/2010	9/1/2037	30,000,000	23,355,212
Park Day School	4/10/2014	4/1/2044	9,000,000	7,403,829
Santa Cruz Montessori School	7/2/2013	7/1/2043	5,660,000	4,461,865
St. Helena Montessori School[2]	7/30/2014	8/1/2044	6,000,000	-
Total 10 Transactions			$ 114,525,000	$ 52,912,587

[1] This bond issue was fully redeemed on June 1, 2022.

[2] This bond issue was fully redeemed on May 3, 2022.

Advancing California Finance Authority
Summary of Conduit Financings (Health Care)
As of June 30, 2022

Health Care Conduit Financings for ABAG FAN

ABAG Finance Authority for Non-Profit Corporations (Authority) provides access to tax-exempt bond financings for eligible 501(C) (3) nonprofit organizations. Borrowers can typically enjoy lower interest costs compared to conventional financings. Interests paid are generally exempt from federal income tax.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/2022
Acacia Creek at Union City, Series 2013 A	10/29/2013	7/1/2038	$ 99,423,319	$ 80,501,827
Episcopal Senior Communities 2011 (Changed name to Covia Communities)[1]	10/27/2011	7/1/2041	62,200,000	-
Episcopal Senior Communities 2012A & B (Changed name to Covia Communities)[1]	12/20/2012	7/1/2047	88,705,000	-
Eskaton Properties Inc. 2013	6/6/2013	11/15/2035	51,875,000	39,815,000
Eskaton Properties Series 2008 (Remarketed to 2013)	4/10/2008	5/15/2029	23,500,000	8,775,000
Eskaton Village - Roseville 2012 (Remarketed from 2006)	12/14/2006	12/1/2037	22,000,000	14,850,000
La Clinica de La Raza	12/30/2010	12/1/2030	3,855,000	2,080,000
NorthBay Healthcare Group 2013	9/26/2013	9/26/2029	2,163,521	892,313
O'Connor Woods	6/12/2013	1/1/2043	49,115,000	41,135,000
Odd Fellows Home of California 2012 A[2]	10/25/2012	4/1/2042	98,550,000	-
Odd Fellows Home of California 2016 A & B[3]	7/27/2016	8/1/2021	71,429,000	-
Pathways Home Health & Hospice	10/19/2004	10/1/2034	6,070,000	3,750,000
Sharp HealthCare Series 2009 A	2/1/2009	8/1/2024	60,000,000	15,555,000
Sharp HealthCare Series 2009 C & D	9/2/2009	8/1/2035	99,880,000	99,880,000
Sharp HealthCare Series 2010 A	12/16/2010	12/1/2035	30,000,000	19,285,000
Sharp HealthCare Series 2012 A[4]	1/24/2012	8/1/2028	46,665,000	-
Sharp HealthCare Series 2014 A	2/12/2014	8/1/2043	159,485,000	140,120,000
Total 17 Transactions			$ 974,915,840	$ 466,639,140

(1) This bond issue was fully redeemed on September 9, 2021.

(2) This bond issue was fully redeemed on April 1, 2022.

(3) This bond issue was fully paid off on July 29, 2021.

(4) This bond issue was fully paid off on August 1, 2021.

Advancing California Finance Authority
Summary of Conduit Financings (Housing)
As of June 30, 2022

Housing Conduit Financings for ABAG FAN

For-profit and nonprofit developers can access tax-exempt bonds for the financing of low-income multifamily and senior housing projects. The Bonds may be used to finance or refinance the acquisition and rehabilitation of an existing project or for the construction of a new project, provided the developer agrees to set aside all, or a portion, of the units in a project for individuals and families of very low, low, or moderate income.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/2022
Acton Courtyard Apartments Project[1]	3/1/2010	4/1/2037	$ 9,920,000	$ -
Belovida Santa Clara Apartments	8/8/2008	8/1/2040	5,526,000	635,000
Citrus Commons (Divine Senior) Apartments	8/23/2005	8/1/2035	3,720,000	576,960
Fair Plaza Senior Apartments	4/10/2008	4/1/2038	3,700,000	3,045,000
Hampton Place Apartments (Gateway Village)	8/24/2001	4/1/2028	4,840,000	527,000
Heritage Park Apartments	6/28/2007	6/1/2042	6,400,000	3,858,087
Kings Garden Apartments	7/28/2006	2/1/2038	6,701,500	4,121,034
La Terrazza Apartments (FKA Colma Bart Family Apts)	10/18/2002	11/15/2035	25,175,000	25,175,000
Lakeside Village Apartments	10/28/2011	10/1/2046	91,000,000	91,000,000
Lincoln Court Senior Apartments[2]	8/26/2004	3/1/2036	9,500,000	-
Oak Park Apartments	10/7/2002	2/1/2030	4,450,000	369,791
Orchard Glen Apartments	1/13/2006	3/1/2039	30,600,000	25,519,207
Potrero Launch Apartments 2009A	12/9/2010	1/1/2044	57,585,000	51,270,000
Presidio El Camino Apartments	9/15/2011	3/1/2044	7,700,000	1,880,285
Reardon Heights Apartments 2008	6/3/2008	5/15/2038	4,500,000	4,500,000
Rivers Senior Apartments	3/20/2007	4/1/2040	8,585,000	4,757,732
Sage Canyon Apartments	10/20/2005	10/1/2038	12,500,000	1,065,845
Shiraz Senior Apartments	11/15/2001	1/1/2034	4,080,000	2,756,094
Spring Villa Apartments	6/27/2006	6/1/2038	12,533,000	9,460,664
Terracina at Elk Grove	9/30/2008	5/1/2041	7,600,000	3,980,451
Terracina at Springlake Family Apartments	9/14/2006	9/1/2038	17,000,000	7,134,472
The Crossing Apartments (Changed name to: ASN Tanforan Crossing I, LLC)	12/17/2002	12/15/2037	68,700,000	61,850,000
Tracy Garden Village Apartments	12/20/2007	9/1/2049	5,000,000	2,905,898
Villa Serena Apartments	4/28/1998	4/1/2030	11,000,000	4,885,000
Vintage Laguna II City of Elk Grove	9/16/2011	1/1/2044	7,250,000	2,810,000
Vintage Chateau II	7/8/2011	1/1/2044	8,100,000	5,030,000
Vintage Oaks Senior Apartments	12/23/2009	1/1/2040	15,520,000	11,830,000
Vintage Square at Westpark Senior Apartments	6/27/2008	6/1/2040	13,500,000	7,244,820
Wildhorse Family Apartments	6/3/1999	6/1/2031	5,230,000	2,643,000
Yuba Garden Apartments	9/1/2005	2/1/2045	4,800,000	3,104,788
Total 30 Transactions			$ 472,715,500	$ 343,936,128

(1) This bond issue was fully paid off on July 1, 2021.

(2) This bond issue was fully paid off on January 1, 2022.

Advancing California Finance Authority
Summary of Conduit Financings (Others)
As of June 30, 2022

Others for ABAG FAN

ABAG Finance Authority for Non-Profit Corporations (Authority) provides access to tax-exempt bond financings for eligible 501(c) (3) nonprofit organizations. Borrowers can typically enjoy lower interest costs compared to conventional financings. Interests paid are generally exempt from federal income tax.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/2022
California Alumni Association Project	12/21/2004	4/1/2034	$ 8,300,000	$ 5,070,000
Computer History Museum	12/22/2010	10/1/2032	7,000,000	7,000,000
Ecology Action	12/16/2010	12/1/2030	3,000,000	1,715,000
Institute for Defense Analyses Reissuance	6/10/2019	10/1/2035	10,750,000	10,750,000
Jackson Laboratory 2012	10/24/2012	7/1/2037	60,290,000	46,475,000
Kingsbury IDB	4/8/2014	4/1/2025	3,400,000	935,000
Public Policy Institute of California Series 2001A	11/15/2001	11/1/2031	13,065,000	12,705,000
Public Policy Institute of California Series 2001B	11/15/2001	11/1/2031	20,435,000	19,985,000
Total 8 Transactions			$ 126,240,000	$ 104,635,000