ABAG FAN
Finance Authority for Nonprofit Corporations

Financial Statements
For the Year Ended June 30, 2018

ABAG Finance Authority for Nonprofit Corporations
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For the Year Ended June 30, 2018

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Report of Independent Auditors

To the Members of the Executive Committee of the
ABAG Finance Authority for Nonprofit Corporations:

We have audited the accompanying financial statements of the ABAG Finance Authority for Nonprofit Corporations ("FAN"), which consist of the statement of net position as of June 30, 2018, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended.

Management's Responsibility 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to FAN'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 FAN'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 the ABAG Finance Authority for Nonprofit Corporations as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The accompanying management's discussion and analysis ("MD&A") on pages 3 through 6 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise FAN's basic financial statements. The other supplementary schedules appearing on pages 19 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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, these supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
November 16, 2018

Management's Discussion and Analysis

This financial report is designed to provide a general overview of Association of Bay Area Governments Finance Authority for Nonprofit Corporations (FAN). The Management's Discussion and Analysis (MD&A) provides an overview of the FAN'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

1. The change in the net position is a deficit of $324,810 in fiscal year 2018.
2. In May 2018, FAN executive committee waived the Association of Bay Area Governments outstanding loan balance of $168,451 (see Note 1.K).
3. FAN sold an automobile which was fully depreciated for a gain of $4,577.

B. Overview of the Financial Statements

FAN'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 report 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. *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 – 9 of this report.

C. Financial Analysis

Statement of Net Position

The following table is a summary of FAN's statement of net position for the last two fiscal years:

		2018		2017
Cash and investments	$	4,346,486	$	4,308,518
Receivables		202,954		112,674
Loans receivable		-		216,000
Prepaid expense		1,596		17,028
Total assets		4,551,036		4,654,220
Current liabilities		228,431		51,805
Total liabilities		228,431		51,805
Net position				
Unrestricted		4,322,605		4,602,415
Total net position	$	4,322,605	$	4,602,415

Cash and investments increased by $37,968 compared to fiscal year 2017. The cash increased by $9,185 due to unpaid vendor invoices at the end of fiscal year 2018 and investments increased by $28,784 due to higher interest rates.

The receivables increased by $90,280 in fiscal year 2018 compared to fiscal year 2017. The increase in accounts receivable was due to higher billing in annual administration and project monitoring revenue in fiscal year 2018.

Loans receivable decreased by $216,000, compared to fiscal year 2017. The decrease was due to repayment of $47,549 and the wavier of $168,451 ABAG's outstanding loans receivable balance by FAN.

The current liabilities increased by $176,625 in fiscal year 2018 compared to fiscal year 2017. The increase in current liabilities was due to more outstanding vendor invoices at the end of fiscal year 2018.

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of FAN's statement of revenues, expenses, and changes in net position for the last two fiscal years:

	2018	2017
Operating revenues		
Annual administration fees	$ 690,868	$ 681,739
Annual project monitoring fees	221,607	217,762
Closing fees	12,500	276,425
Other operating revenues	2,000	3,500
Total operating revenues	926,975	1,179,426
Operating expenses		
Salaries and benefits	455,828	396,281
Professional fees	468,147	525,181
Other expenses	201,194	221,239
Total operating expenses	1,125,169	1,142,701
Operating income / (loss)	(198,194)	36,725
Nonoperating revenues and expenses		
Interest income	37,258	36,388
Gain on sale of capital asset	4,577	-
Contribution to Association of Bay Area Governments (ABAG)	(168,451)	-
Total nonoperating revenues / (expenses)	(126,616)	36,388
Changes in net position	(324,810)	73,113
Net position - beginning, as restated*	4,647,415	4,529,302
Net position - ending	$ 4,322,605	$ 4,602,415

* In fiscal year 2018, beginning balance was restated due to prior years administration fees collection. See note 1.J for further information.

Total operating revenues were $926,975 and $1,179,426 in fiscal year 2018 and 2017 respectively. FAN did not issue or refinance any bonds during fiscal year 2018, therefore the total operating revenue decreased when compared to fiscal year 2017.

Total operating expenses were $1,125,169 and $1,142,701 in fiscal year 2018 and 2017 respectively. The decrease in fiscal year 2018 was mainly due to lower professional fees.

The nonoperating expenses was $126,616 in fiscal year 2018, compared to a nonoperating revenue of $36,388 in fiscal year 2017. A net increase of $163,004 in nonoperating expenses was mainly due to the waiver of ABAG's outstanding loan balance of $168,451 (see Note 1.K).

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 (MD&A) and the financial statements.

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, ABAG Finance Authority for Nonprofit Corporations, 375 Beale Street, Suite 800, San Francisco, CA 94105.

ABAG Finance Authority for Nonprofit Corporations
Statement of Net Position
June 30, 2018

ASSETS		
Current assets:		
Cash	$	446,222
Short term investments		2,869,503
Accounts receivable		189,258
Interest receivable		13,696
Prepaid expenses		1,596
Total current assets		3,520,275
Non-current assets:		
Long term investments		1,030,761
TOTAL ASSETS		4,551,036
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued liabilities		179,806
Due to other government		48,625
TOTAL LIABILITIES		228,431
NET POSITION		
Unrestricted		4,322,605
TOTAL NET POSITION	$	4,322,605

See accompanying notes to financial statements

ABAG Finance Authority for Nonprofit Corporations
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES		
Annual administration fees	$	690,868
Annual project monitoring fees		221,607
Closing fees		12,500
Other operating revenues		2,000
TOTAL OPERATING REVENUES		926,975
OPERATING EXPENSES		
Salaries and benefits		455,828
Professional fees		468,147
Overhead		190,913
Other expenses		10,281
TOTAL OPERATING EXPENSES		1,125,169
OPERATING LOSS		(198,194)
NONOPERATING REVENUES AND (EXPENSES)		
Interest income		37,258
Gain on sale of capital asset		4,577
Contribution to ABAG		(168,451)
TOTAL NONOPERATING EXPENSES		(126,616)
CHANGE IN NET POSITION		(324,810)
Net position - Beginning of year, as restated*		4,647,415
Net position - End of year	$	4,322,605

* In fiscal year 2018, beginning balance was restated due to prior years administration fees collection. See note 1.J for further information.

See accompanying notes to financial statements

ABAG Finance Authority for Nonprofit Corporations
Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities	
Cash receipts from financial services	$ 887,765
Cash payments to consultant and employees for services	(933,111)
Net cash used in operating activities	(45,346)
Cash flows from non-capital financing activities	
Installment Sale Agreement collection	47,549
Net cash provided by non-capital financing activities	47,549
Cash flows from capital and related financing activities	
Proceed from sale of capital asset	4,577
Net cash provided by capital and related financing activities	4,577
Cash flows from investing activities	
Interest income	2,405
Net cash provided by investing activities	2,405
Net increase in cash	9,185
Balances - Beginning of year	437,037
Balances - End of year	$ 446,222

Reconciliation of operating income to net cash used in operating activities	
Operating loss	$ (198,194)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Prior period adjustment(see Note 1.J)	45,000
Net effect of changes in:	
Due to Metropolitan Transportation Commission	(3,180)
Accounts receivable	(84,210)
Prepaid expenses	15,432
Accounts payable and accrued liabilities	179,806
Net cash used in operating activities	$ (45,346)
Significant Noncash Investing, Capital, and Financing Activities	
ABAG Installment Sale Agreement Waiver	$ (168,451)

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

ABAG Finance Authority for Nonprofit Corporations (FAN) was created pursuant to Chapter 5, Division 7, and Title 1 of the Government Code section 6500 of the State of California in 1990, to provide the means to meet the capital financing needs of public agencies and their nonprofit partners serving the public interest.

FAN is a joint powers authority comprising of California municipalities. FAN is governed by a board appointed by its members.

FAN assists eligible nonprofit entities and other borrowers in obtaining tax-exempt financing. Eligible entities include nonprofit corporations organized under Internal Revenue Code 50l(c)(3) and other qualified borrowers financing projects in the public interest. Payments by these eligible borrowers are used to repay their respective debt and FAN is not liable for the repayment of debt in the event of a default by a borrower.

Prior to July 2017, the Association of Bay Area Governments (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 FAN in accordance with the ABAG-MTC Contract for Services. FAN paid MTC a total of $635,399 for these services in the fiscal year ended June 30, 2018. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as salaries and benefits and a portion of overhead costs.

B. Basis of Presentation

FAN'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.

FAN's basic financial statements are prepared using the *economic resources measurement focus* and *the accrual basis of accounting*. FAN accounts for all transactions in a single enterprise fund, which is 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.

New Accounting Pronouncement

GASB Statement No. 75, Accounting *and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for other post-employment benefits (OPEB). This standard establishes new accounting and financial reporting requirements for governmental entities whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This standard was issued in June 2015 and is effective for reporting periods beginning after June 15, 2017. This standard did not have any impact on FAN’s financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. The requirements of this statement are effective for reporting periods beginning after December 15, 2016. This standard did not have any impact on FAN’s financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses requirements regarding the retirement of certain tangible assets for all state and local governments. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the effect of this standard on FAN's financial statements.

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, 2018. Management is currently evaluating the effect of this standard on FAN's financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses various practice issues including related blending component units, goodwill, fair value measurement and application, and postemployment benefits (OPEB). The requirements of this statement are effective for reporting periods beginning after June 15, 2017. This standard did not have any impact on FAN’s financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. This standard did not have any impact on FAN’s financial statements.

GASB Statement No. 87, *Leases*, better meets the information needs of financial statement users by improving accounting and financial reporting, enhancing the comparability of financial statements between governments, and also enhancing the relevance, reliability, and consistency of information about the leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of this standard on FAN's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, provides additional essential information related to the debt disclosure in notes to financial statements. This statement clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the effect of this standard on FAN'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, 2019. Management is currently evaluating the effect of this standard on FAN's financial statements.

D. Cash and Investments

FAN 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 FAN 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 FAN a broad spectrum of investment opportunities as long as 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 FAN 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.

FAN 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. Investments are stated at fair value based upon quoted market prices. FAN reports its money market securities and short term investments at amortized cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments are not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position.

FAN considers all balances in demand deposit accounts to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investment 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. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

F. Due to Other Governments

The due to other government consists of the amount due to MTC for services provided in fiscal year 2018.

G. Operating and Nonoperating Revenues and Expenses

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

H. Revenue Recognition

Revenue is comprised of application fees, closing fees, housing monitoring fees, interest, and annual administration fees earned by assisting other governments to issue conduit debts on behalf of eligible borrowers. Application and closing fees are recognized in the period in which the related financing package is completed. Monitoring and administration fees are recognized as the service is provided.

I. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consists of amount due to vendors at the end of fiscal year.

J. Restatement of Net Position Beginning Balance

The net position beginning balance has been revised to correctly reflect the collection of prior year administration fees of $45,000 from Sharp HealthCare Series 2014A bond.

Restatement of beginning net position:

Net Position at July 1, 2017 as previously reported	$	4,602,415
Prior year revenue	$	45,000
Net Position at July 1, 2017 as restated	$	4,647,415

K. Contribution to Association of Bay Area Governments (ABAG)

In January 2010, FAN entered into an installment sale agreement with the Association of Bay Area Governments (ABAG) in the amount of $700,000 for the acquisition of business furniture for ABAG's former office. The building in Oakland housing ABAG's former office has been sold and ABAG no longer owns the furniture that was subject to the installment sale agreement. Since ABAG staff responsibilities have been consolidated to MTC, there was no need for replacement furniture. In May 2018, FAN executive board decided to waive, forgive and cancel the outstanding balances of the installment sale loan in the amount of $168,451. This transaction was recorded as a contribution to ABAG.

L. Use of Estimates

FAN's management has made a number of 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 INVESTMENTS

A. A summary of Cash and Investments as shown on the Statement of Net Position at June 30, 2018 is as follows:

Cash at banks	$	446,222
Investments	$	3,900,264
Total Cash and Investments	$	4,346,486

B. The composition of cash and investments at June 30, 2018 is as follows:

Cash

Cash at banks	$ 446,222
Total Cash	$ 446,222

Investments

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value at June 30, 2018:

Local Agency Investment Fund: The position in the California State Local Agency Investment Fund is determined by the fair value of the pool's underlying portfolio.

CalTRUST Medium-Term Fund: The position in the CalTRUST Medium-Term Fund is determined by the fair value of the fund's underlying portfolio.

The following table set forth by level, within the fair value hierarchy, FAN's investments at fair value.

Investments by fair value level at June 30, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Mutual Funds				
CalTRUST Medium-Term Fund	$ -	$ 1,030,761	$ -	$ 1,030,761
Government Pool Investments:				
Local Agency Investment Fund*	$ -	$ 2,869,503	$ -	$ 2,869,503
Total investments measured at fair value	$ -	$ 3,900,264	$ -	$ 3,900,264

*LAIF is a program created by state statute as an investment alternative for California's local governments and special districts. LAIF funds are available for immediate withdrawal.

C. Deposit and Investment Risk Factors

There are many factors that can affect the value of deposits and investments such as credit risk, custodial credit risk, concentration of credit risk and interest rate risk.

i.) Credit Risk

Generally, credit risk is the risk that an issuer of an investment fails to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. CalTRUST is rated "A+" by Standard and Poor's and LAIF is unrated.

ii.) Custodial Credit Risk

Custodial credit risk is the risk that securities held by the custodian and in the custodian's name may be lost and not be recovered.

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

iii.) Concentration of Credit Risk

Concentration of credit risk is the risk associated with lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory or credit developments. Investments in issuers that represent 5 percent or more of total cash and investments at June 30, 2018 are as follows:

	2018
Mutual Funds	
CalTRUST Medium-Term Fund	24%
Government Pool Investments:	
Local Agency Investment Fund	66%

iv.) Interest Rate Risk

Interest rate risk is the potential adverse effect resulting from changes in market interest rates on the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The weighted average maturity of the investments in the LAIF investment pool and CalTRUST Medium-Term is 0.53 years and 2.19 years respectively.

4. CONDUIT FINANCING PROGRAMS FOR ELIGIBLE ORGANIZATIONS

FAN is a conduit finance issuer. Debt obligations issued through FAN are those of the governments, non-profit organizations and private companies who utilize 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. 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 FAN has no ongoing debt servicing responsibility and does not record the outstanding debt liability on FAN books.

FAN has issued bonds for various borrowers. They include but 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, 2018 is as follows:

Business Type Activities by Sectors	Ending Balance June 30, 2018
Community Facilities District (CFDs)	$ 106,345,000
Education	$ 176,567,780
Health Care	$ 1,012,807,176
Housing	$ 515,255,342
Others	$ 128,706,220
Net conduit financing programs as of June 30, 2018	$ 1,939,681,518

5. COMMITMENTS AND CONTINGENCIES

FAN does not have any pending litigation.

6. SUBSEQUENT EVENTS

In August 2018, FAN issued the Community Facilities District (CFD) No. 2004-1 (Seismic Safety Improvements - 690 And 942 Market Street Project) refunding Bonds in the amount of $9,795,000. The Bonds were issued to (i) refund and defease the outstanding FAN CFD No. 2004-1 (Seismic Safety Improvements - 690 and 942 Market Street Project) Special Tax Bonds, Series 2007A (Taxable), (ii) fund a debt service reserve fund for the Bonds, and (iii) pay the costs of issuing the Bonds.

OTHER SUPPLEMENTARY INFORMATION

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (CFDs)
As of June 30, 2018

Community Facilities and Assessment Districts (CFDs)

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.

Borrowers	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/18
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SAN FRANCISCO RINCON HILL) SPECIAL TAX BONDS, SERIES 2006A[1]	6/8/2006	9/1/2036	5,825,000	5,330,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2004-1 (SEISMIC SAFETY IMPROVEMENTS - 690 AND 942 MARKET STREET PROJECT) SPECIAL TAX BONDS, SERIES 2007A (TAXABLE)[2]	10/31/2007	9/1/2038	11,000,000	9,795,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS COMMUNITY FACILITIES DISTRICT NO. 2006-2 (SAN FRANCISCO MINT PLAZA AREA) SPECIAL TAX BONDS, SERIES 2007A[3]	11/1/2007	9/1/2037	3,270,000	3,015,000
ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS REFUNDING REVENUE BONDS, SENIOR SERIES 2014-A (WINDEMERE RANCH INFRASTRUCTURE FINANCING PROGRAM)[4]	8/28/2014	9/2/2034	31,805,000	28,395,000
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)[5]	6/29/2017	9/2/2034	59,885,000	59,810,000
Total 5 Transactions			111,785,000	106,345,000

[1] San Francisco Rincon Hill Series 2006A was issued on 06/08/2006. The bonds were issued to finance the infrastructure and construction of residential building.
[2] 690 & 942 Market Street Project Series 2007A was issued on 10/31/2007. The bonds were issued to finance the seismic safety and improvements of the building to convert it from office space to residential use.
[3] San Francisco Mint Plaza Series 2007A was issued on 11/01/2007. The bonds were issued to finance improvements associated with the cosmetic enhancement of two alleys known as Mint Plaza.
[4] Windemere Ranch Series 2014A was issued on 08/28/2014. The bonds were issued to fund infrastructure improvements as part of the development of residential housing in the district.
[5] Windemere Ranch Series 2017 A and B were issued on 08/28/2014. The bonds were issued to fund infrastructure improvements as part of the development of residential housing in the district.

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Education)
As of June 30, 2018

Education

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.

Borrowers	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/18
Berkeley Montessori School 2013	6/27/2013	7/1/2041	7,150,000	5,420,785
Branson School	7/17/2008	7/1/2038	22,500,000	-
Crean Lutheran High School	10/4/2016	10/1/2046	40,000,000	34,861,713
Drew School Series 2014	6/20/2014	8/1/2034	12,325,000	8,900,773
Drew School Series 2015	6/20/2014	8/1/2034	2,160,000	1,936,000
Ecole Bilingue	4/25/2012	5/1/2037	11,350,000	10,187,423
Grauer Foundation for Education	1/19/2006	1/1/2031	4,000,000	2,240,000
Harker School 2013 (Remarketed from 1998)	1/1/1998	1/1/2023	18,230,000	5,375,000
Harker School 2013 (Remarketed from 2007)	8/1/2007	1/1/2037	20,000,000	12,313,000
La Jolla Country Day School 2010	10/14/2010	9/1/2036	30,000,000	27,409,266
Oakland School of Arts	12/9/2004	12/9/2020	1,000,000	1,000,000
Pacific Primary School 2013	12/19/2013	12/1/2043	4,100,000	3,750,598
Park Day School	4/10/2014	4/1/2044	9,000,000	8,058,998
Presidio Knolls School 2015	1/27/2015	4/14/2021	9,600,000	-
Presidio Knolls School 2016	11/9/2016	4/14/2021	4,915,000	-
Sacramento Country Day	8/8/2013	8/15/2033	11,200,000	-
San Francisco Friends School 2012	12/17/2012	1/1/2043	27,325,000	23,502,531
San Francisco University High School 2005	5/11/2006	4/1/2036	8,315,000	2,350,000
San Francisco University High School 2006	5/11/2006	4/1/2036	7,170,000	5,245,000
Santa Cruz Montessori School	7/2/2013	7/1/2043	5,660,000	5,038,497
Sonoma Country Day School	4/14/2015	5/1/2045	17,000,000	-
St. Helena Montessori School	7/30/2014	8/1/2044	6,000,000	5,210,369
St. Paul's Day School of Oakland	3/14/2013	2/1/2043	8,000,000	7,207,827
Valley Montessori School 2012	9/21/2012	10/1/2042	7,180,000	6,560,000
Total 24 Transactions			294,180,000	176,567,780

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Health Care)
As of June 30, 2018

Health Care

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.

Borrowers	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/18
Acacia Creek at Union City, Series 2013 A	10/29/2013	7/1/2038	99,423,319	93,533,848
Air Force Village West, Inc. (1)	4/8/2005	5/15/2035	23,000,000	18,020,000
Casa de las Campanas, Inc.	1/28/2010	9/1/2037	54,310,000	45,990,000
Children's Hospital & Research Center at Oakland 2007	10/16/2007	12/1/2037	60,100,000	-
Episcopal Senior Communities 2011 (Changed name to Covia Communities)	10/27/2011	7/1/2041	62,200,000	56,570,000
Episcopal Senior Communities 2012A & B (Changed name to Covia Communities)	12/20/2012	7/1/2041	88,705,000	80,810,000
Eskaton Properties Inc. 2013	6/6/2013	11/15/2035	51,875,000	45,390,000
Eskaton Properties Series 2008 (Remarketed to 2013)	4/10/2008	5/15/2029	23,500,000	13,075,000
Eskaton Village - Roseville 2012 (Remarketed	12/14/2006	12/1/2037	22,000,000	17,125,000
Insured Nonprofit Program Financing #1: The Asian Americans for Community et al	10/28/1992	10/1/2022	5,800,000	325,000
Insured Nonprofit Program Financing #2: Big Valley Medical Services et al	3/24/1993	3/1/2023	3,190,000	270,000
Insured Nonprofit Program Financing #3: Comprehensive Drug and Alcohol Abuse et al	11/18/1993	11/1/2023	4,545,000	600,000
La Clinica de La Raza	12/30/2010	12/1/2030	3,855,000	2,850,000
NorthBay Healthcare Group 2013	9/1/2013	9/26/2029	2,163,521	1,218,714
O'Connor Woods	6/12/2013	1/1/2043	49,115,000	45,225,000
Odd Fellows Home of California 2012 A	10/25/2012	4/1/2042	98,550,000	82,905,000
Odd Fellows Home of California 2016 A & B	7/27/2016	8/1/2031	71,429,000	39,324,614
On Lok Senior Health Services, Series 2014	7/31/2014	8/1/2044	25,530,000	24,105,000
Pathways Home Health & Hospice	10/19/2004	10/1/2034	6,070,000	4,530,000
Sharp HealthCare Series 2009 A	2/12/2009	8/1/2024	60,000,000	29,670,000
Sharp HealthCare Series 2009 B	7/22/2009	8/1/2039	140,000,000	-
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	23,410,000
Sharp HealthCare Series 2011 A	2/10/2011	8/1/2030	77,710,000	60,240,000
Sharp HealthCare Series 2012 A	1/24/2012	8/1/2028	46,665,000	42,935,000
Sharp HealthCare Series 2014 A	2/12/2014	8/1/2043	159,485,000	155,535,000
St. Rose Hospital	5/28/2009	5/15/2029	42,100,000	29,270,000
West Oakland Health Council	7/22/2003	10/1/2020	2,225,000	-
Total 28 Transactions			1,413,425,840	1,012,807,176

(1) In April 2005, ABAG Finance Authority for Non Profit Corporations (Authority) participated in the issuance of $23,000,000 variable rate demand revenue bonds on behalf of Air Force Village West, Inc. (Borrower). On March 1, 2017, the Borrower suspended debt service payments. The non-payments triggered an event of default on the Bonds. The Bonds subsequently became bank bonds and held by the Letter of Credit Provider.

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Housing)
As of June 30, 2018

Housing

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.

Borrowers	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/18
Acton Courtyard Apartments Project	3/1/2010	4/1/2037	9,920,000	9,920,000
Arc Light Co	8/13/2010	3/20/2052	32,462,900	38,241,218
ARTech Apartments Refunding	3/1/2010	5/1/2029	3,200,000	3,200,000
Belovida Santa Clara Apartments	8/8/2008	8/1/2040	5,526,000	710,000
Berkeleyan Project	5/29/2003	5/15/2033	8,290,000	8,290,000
Bryte Gardens Apartments Project, Series 2002	4/30/2002	3/1/2039	5,358,800	4,489,834
Citrus Commons (Divine Senior) Apartments	8/23/2005	8/1/2035	3,720,000	662,960
Darling Florist Building Apartment (Touriel)	12/12/2002	7/15/2035	6,210,000	5,050,000
Fair Plaza Senior Apartments	4/10/2008	4/1/2038	3,700,000	3,295,000
Fine Arts Building Apartments	12/12/2002	7/15/2035	18,000,000	16,015,000
Gaia Building	7/26/2000	9/15/2032	15,365,000	14,530,000
Hampton Place Apartments (Gateway Village)	8/24/2001	4/1/2028	4,840,000	779,000
Hayward Senior Apartments	4/8/2005	3/1/2022	15,000,000	12,061,972
Heritage Park Apartments	6/28/2007	6/1/2042	6,400,000	4,096,892
Heritage Plaza Apartments	10/3/2002	10/1/2032	4,500,000	3,300,321
Kings Garden Apartments	7/28/2006	2/1/2038	6,701,500	4,966,115
La Terrazza Apartments (FKA Colma Bart Family Apts)	10/4/2011	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	8/26/2004	3/1/2036	9,500,000	779,360
Mountain View (Shorebreeze) Apartments	7/25/1997	8/1/2027	6,700,000	3,975,000
Oak Park Apartments	10/4/2002	2/1/2030	4,450,000	499,791
Orchard Glen Apartments	1/13/2006	3/1/2039	30,600,000	27,386,422
Palo Alto Gardens Apartments	4/22/1999	4/1/2039	11,435,000	8,945,000
Potrero Launch Apartments (2009A & 2010B)	12/10/2010	1/1/2044	57,585,000	54,890,000
Presidio El Camino Apartments	9/15/2011	3/1/2044	7,700,000	2,010,074
Reardon Heights Apartments 2008	6/2/2008	5/15/2038	4,500,000	4,500,000
Rivers Senior Apartments	3/20/2007	4/1/2040	8,585,000	5,176,674
Sage Canyon Apartments	10/20/2005	10/1/2038	12,500,000	1,750,000
Shiraz Senior Apartments	11/15/2001	7/1/2033	4,080,000	3,094,426
Spring Villa Apartments	6/27/2006	6/1/2038	12,533,000	10,367,407
Tara Village Apartments	11/30/2004	12/1/2035	13,000,000	9,949,695
Terracina at Elk Grove	9/30/2008	5/1/2041	7,600,000	4,444,981
Terracina at Springlake Family Apartments	9/14/2006	9/1/2038	17,000,000	7,783,000
The Crossing Apartments (Changed name to: ASN Tanforan Crossing I, LLC)	12/17/2002	12/15/2037	68,700,000	64,450,000
Tracy Garden Village Apartments	12/20/2007	9/1/2049	5,000,000	3,346,117
Tracy Village Apartments	6/10/2005	6/1/2032	3,701,300	2,578,533
Unity Estates Apartments	4/8/2005	4/1/2036	4,000,000	2,691,967
Villa Serena Apartments	4/28/1998	4/1/2030	11,000,000	6,619,000
Vintage at Laguna Apartments	12/19/2003	12/1/2035	9,800,000	7,725,760
Vintage Chateau II	7/8/2011	1/1/2044	8,100,000	5,420,000
Vintage Laguna II City of Elk Grove	9/16/2011	1/1/2044	7,250,000	3,030,000
Vintage Oaks Senior Apartments	12/23/2009	1/1/2040	15,520,000	13,315,000
Vintage Square at Westpark Senior Apartments	6/27/2008	6/1/2040	13,500,000	7,645,742
Wildhorse Family Apartments	6/3/1999	6/1/2031	5,230,000	3,421,000
Yuba Garden Apartments	9/1/2005	2/1/2045	4,800,000	3,677,080
Woodcreek Oaks Apartments	4/28/1998	4/1/2030	4,250,000	-
Total 46 Transactions			633,988,500	515,255,342

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Others)
As of June 30, 2018

Others

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.

Borrowers	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/18
California Alumni Association Project	12/21/2004	4/1/2034	8,300,000	6,185,000
Computer History Museum	12/22/2010	10/1/2032	7,000,000	7,000,000
De Young Museum Series 2002A	6/20/2002	6/1/2032	71,500,000	-
De Young Museum Series 2002B	6/20/2002	6/1/2032	71,500,000	-
Ecology Action	12/16/2010	12/11/2030	3,000,000	2,265,000
Institute for Defense Analyses	12/2/2015	10/1/2035	11,945,000	10,750,000
Jackson Laboratory 2012	10/24/2012	7/1/2037	60,290,000	53,775,000
Kingsbury IDB	4/8/2014	4/1/2025	3,400,000	2,334,792
Morgan Autism Center	5/31/2016	5/31/2041	9,750,000	9,217,115
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
United Cerebral Palsy of the North Bay	2/11/2014	2/1/2039	5,110,000	4,489,313
Total 12 Transactions			285,295,000	128,706,220