

ABAG FAN
Finance Authority for Nonprofit Corporations

Financial Statements
For the Year Ended June 30, 2020

ABAG Finance Authority for Nonprofit Corporations

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For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the ABAG Finance Authority for Nonprofit Corporations ("FAN"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the FAN basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ABAG Finance Authority for Nonprofit Corporations, as of June 30, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the FAN'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. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Crowe LLP

San Francisco, California
November 24, 2020

ABAG Finance Authority for Nonprofit Corporations
Financial Statements as of June 30, 2020
Management's Discussion and Analysis (unaudited)

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. FAN had an operating loss of \$134,781 before a contribution to Association of Bay Area Governments (ABAG).
2. In July 2019, FAN made a contribution of \$987,853 to ABAG (see Note 1.I and Note 7).
3. FAN's change in the net position was a decrease of \$1,065,776 in fiscal year 2020.
4. In April, 2020, FAN Executive Committee voted to transfer Administration of ABAG FAN to the Board of the Advance California Financing Authority (ACFA). ACFA Board of Directors accepted the transfer of responsibilities in May, 2020. Legal council is in the process of mailing out notices of the transfer to interested Parties. The Notice Period allows 90 days for Parties to object before the transaction is completed. The notice period is a formality and generally there are no objections. The transfer will be final following the completion of the notice period.

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* 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 7 – 9 of this report.

ABAG Finance Authority for Nonprofit Corporations
Financial Statements as of June 30, 2020
Management's Discussion and Analysis (unaudited)

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:

	<u>2020</u>	<u>2019</u>
Cash and investment	\$ 3,106,401	\$ 4,127,699
Receivables	189,442	204,112
Total assets	3,295,843	4,331,811
Current liabilities	99,014	69,206
Total liabilities	99,014	69,206
Net position		
Unrestricted	3,187,511	4,262,605
Total net position	<u>\$ 3,196,829</u>	<u>\$ 4,262,605</u>

Cash and investments decreased by \$1,021,298 in FY 2020. The decrease in cash was mainly due to a \$987,853 contribution to ABAG. The payment to ABAG also accounts for the net position decrease of \$1,065,776.

ABAG Finance Authority for Nonprofit Corporations
Financial Statements as of June 30, 2020
Management's Discussion and Analysis (unaudited)

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:

	<u>2020</u>	<u>2019</u>
Operating revenues		
Administration fees	\$ 618,963	\$ 653,838
Project monitoring fees	217,817	305,585
Closing fees	-	129,450
Other financial services revenues	<u>120,000</u>	<u>39,961</u>
Total operating revenues	956,780	1,128,834
Operating expenses		
Contracted salaries and benefits	408,975	419,430
Professional fees	439,770	297,312
Other expenses	<u>242,816</u>	<u>244,749</u>
Total operating expenses	<u>1,091,561</u>	<u>961,491</u>
Operating income / (loss)	(134,781)	167,343
Nonoperating revenues and (expenses)		
Interest income	56,858	122,657
Contribution to Association of Bay Area Governments	<u>(987,853)</u>	<u>(350,000)</u>
Total nonoperating revenues / (expenses)	<u>(930,995)</u>	<u>(227,343)</u>
Changes in net position	(1,065,776)	(60,000)
Net position - beginning	<u>4,262,605</u>	<u>4,322,605</u>
Net position - ending	<u>\$ 3,196,829</u>	<u>\$ 4,262,605</u>

Total operating revenues decreased by \$172,054 in FY2020. The decrease in operating revenues was mainly due to the decrease in financing fees caused by the end of advance refunding.

Total operating expenses increased by \$130,070 in fiscal year 2020. The increase in operating expenses was necessary to cover the transition to a contract administration under MTC.

ABAG Finance Authority for Nonprofit Corporations
Financial Statements as of June 30, 2020
Management's Discussion and Analysis (unaudited)

Interest income decreased by \$65,799 in FY 2020. The decrease was due to lower interest rate and asset balances. Nonoperating expenses increased by \$637,853 in FY 2020. The increase was due to the contribution to ABAG. (see Note 1.I and Note 7).

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.

E. Economic Factors

The San Francisco Bay Area economy entered a recession starting in April 2020. The April recession ended the longest running economic expansion since the post WWII era. Immediate impacts include:

- Sales tax revenue that had grown for nine straight years fell 5 percent for FY 2020.
- Unemployment which was close to 3.5 percent in January, 2020 increased to about 10 percent by June, 2020.
- The impact of shelter-in-place orders on commercial values is not known at this time.

There are some indications that the worst of the recession may be behind us. The growth in retail sales and housing construction continue to increase, and paid traffic toll revenue on the 7 Bay Area bridges is now 80 percent of the FY 2019 level. FAN does not expect the current economic slump to have a direct financial impact on the agency. As a conduit borrower, FAN does not take nor have direct responsibility for the payment of the debt issued on behalf of the project. While the recession may make operating costs, including debt service payments more difficult for the project sponsors, neither the project sponsor, trustee nor bondholder has any recourse, direct or indirect, against FAN for failure to meet any bond covenant, payment or reporting obligation. In addition, the fees assessed by FAN for the administration of the debt are based on the principal outstanding and generally paid through a trustee and, as such not dependent on general economic conditions for payment.

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
For the Year Ended June 30, 2020

ASSETS

Current assets:

Cash	\$	3,106,401
Accounts receivable		179,072
Interest receivable		<u>10,370</u>
TOTAL ASSETS		<u><u>3,295,843</u></u>

LIABILITIES

Current liabilities:

Accounts payable		32,343
Due to other government		<u>66,671</u>
TOTAL LIABILITIES		<u><u>99,014</u></u>

NET POSITION

Unrestricted		<u>3,196,829</u>
TOTAL NET POSITION	\$	<u><u>3,196,829</u></u>

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, 2020

OPERATING REVENUES

Administration fees	\$ 618,963
Project monitoring fees	217,817
Other financial services revenue	<u>120,000</u>
TOTAL OPERATING REVENUES	<u>956,780</u>

OPERATING EXPENSES

Contracted salaries and benefits	408,975
Professional fees	439,770
Overhead	229,728
Other expenses	<u>13,088</u>
TOTAL OPERATING EXPENSES	<u>1,091,561</u>

OPERATING LOSS (134,781)

NONOPERATING REVENUES AND (EXPENSES)

Interest income	56,858
Contribution to ABAG	<u>(987,853)</u>
TOTAL NONOPERATING EXPENSES	<u>(930,995)</u>

CHANGE IN NET POSITION (1,065,776)

Net position - Beginning of year 4,262,605

Net position - End of year \$ 3,196,829

See accompanying notes to financial statements

ABAG Finance Authority for Nonprofit Corporations
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities	
Cash receipts from customers	\$ 950,995
Cash payments to consultants and contractors for services	<u>(1,049,553)</u>
Net cash used in operating activities	<u>(98,558)</u>
Cash flows from non-capital financing activities	
Contribution to Association of Bay Area Governments	<u>(987,853)</u>
Net cash used in non-capital financing activities	<u>(987,853)</u>
Cash flows from investing activities	
Proceeds from maturity of investments	1,077,406
Interest income	<u>60,823</u>
Net cash provided by investing activities	<u>1,138,229</u>
Net increase in cash	51,818
Balances - Beginning of year	<u>3,054,583</u>
Balances - End of year	<u>\$ 3,106,401</u>

Reconciliation of operating loss to net cash used in operating activities

Operating loss	\$ (134,781)
Adjustments to reconcile operating net cash used in operating activities:	
Net effect of changes in:	
Due to other government	20,821
Accounts receivable	(5,785)
Accounts payable and accrued liabilities	<u>21,187</u>
Net cash used in operating activities	<u>\$ (98,558)</u>

See accompanying notes to financial statements

ABAG Finance Authority for Nonprofit Corporations
Financial Statements for the Year Ended June 30, 2020
Notes to the 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 501(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 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 \$638,703 for these services in the fiscal year ended June 30, 2020. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as contracted salaries and benefits and 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.

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New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postpones the effective date of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on FAN's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 postpones the effective date of this statement by eighteen months. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by eighteen months. Management is currently evaluating the effect of this statement 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. GASB Statement No. 95 postpones the effective date of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on FAN's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improve the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postpones the effective date of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on FAN's financial statements.

GASB Statement No. 91, *Conduit Debt Obligation*, 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, 2020. GASB Statement No. 95 postpones the effective date of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on FAN'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

ABAG Finance Authority for Nonprofit Corporations
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follows: (a) The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2020. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2020. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. GASB Statement No. 95 postpones all the effective dates of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on FAN'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 paragraph 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. GASB Statement No. 95 postpones the effective date of paragraphs 13 and 14 of this statement by one year. FAN adopted GASB Statement No. 95 which postponed the implementation of paragraphs 13 and 14 of this statement by one year. Management is currently evaluating the effect of this statement on FAN'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 FAN's financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The requirements of this Statement are effective immediately. FAN adopted this standard for fiscal year ended June 30, 2020. The adoption of the standard has no impact on FAN'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 FAN'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. FAN adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any impact

ABAG Finance Authority for Nonprofit Corporations
Financial Statements for the Year Ended June 30, 2020
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on FAN's financial statements. Management is currently evaluating the effect of the remainder paragraphs of this statement 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. FAN 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.

FAN considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investments 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 2020.

ABAG Finance Authority for Nonprofit Corporations
Financial Statements for the Year Ended June 30, 2020
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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 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. Contribution to Association of Bay Area Governments (ABAG)

Contribution to ABAG consists of the contribution amount approved by ABAG FAN Executive Committee.

J. 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.

K. Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order. The statewide shelter-in-place order had no appreciable effect on the operations and business results of the FAN business operations. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

2. NET POSITION

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

ABAG Finance Authority for Nonprofit Corporations
Financial Statements for the Year Ended June 30, 2020
Notes to the Financial Statements

3. CASH

A. The composition of cash at June 30, 2020 is as follows:

Cash at banks	\$	264,800
Government Pools		
Local Agency Investment Fund*	\$	<u>2,841,601</u>
Total Cash	\$	<u><u>3,106,401</u></u>

*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, 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 Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of FAN's cash on deposit.

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's books.

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).

ABAG Finance Authority for Nonprofit Corporations
Financial Statements for the Year Ended June 30, 2020
Notes to the Financial Statements

A summary of outstanding balances for Conduit Financing Programs as of June 30, 2020 is as follows:

<u>Business Type Activities by Sectors</u>	<u>Ending Balance June 30, 2020</u>
Community Facilities District (CFDs)	\$ 96,270,000
Education	108,688,444
Health Care	890,062,769
Housing	392,889,559
Others	118,453,672
	<hr/>
Principal balance of financing programs as of June 30, 2020	<u>\$ 1,606,364,444</u>

5. COMMITMENTS AND CONTINGENCIES

FAN has no commitments and contingencies as of June 30, 2020.

6. RISK MANAGEMENT

FAN is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. FAN purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by FAN from insurance companies. To date, there have been no significant reductions in any of FAN’s insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

7. RELATED PARTY TRANSACTIONS

On April 4, 2019 ABAG FAN Executive Committee approved up to \$1,000,000 contribution to ABAG for retiring ABAG’s remaining OPEB costs. In July 2019 a contribution of \$987,853 was made toward ABAG’s fiscal year 2019 net OPEB liability.

8. SUBSEQUENT EVENTS

FAN has evaluated subsequent events for the period from June 30, 2020 through xxx xx , 2020, the date the financial statements were available to be issued, and no subsequent events have been identified.

OTHER SUPPLEMENTARY INFORMATION

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (CFDs)
As of June 30, 2020

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.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/20
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	\$9,500,000
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	2,905,000
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	5,105,000
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	53,430,000
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	25,330,000
Total 5 Transactions			<u>\$110,580,000</u>	<u>\$96,270,000</u>

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Education)
As of June 30, 2020

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.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/20
Berkeley Montessori School 2013	6/27/2013	1/1/2041	\$7,150,000	\$5,014,148
Drew School Series 2014	6/20/2014	8/1/2034	12,325,000	7,842,202
Drew School Series 2015	6/20/2015	11/1/2035	2,160,000	1,760,000
Ecole Bilingue	4/25/2012	5/1/2037	11,350,000	9,688,019
Grauer Foundation for Education	1/19/2006	1/1/2031	4,000,000	1,920,000
Harker School 2013 (Remarketed from 1998)	1/1/1998	1/1/2023	18,230,000	3,415,000
Harker School 2013 (Remarketed from 2007)	8/1/2007	1/1/2037	20,000,000	9,551,000
La Jolla Country Day School 2010	10/14/2010	9/1/2037	30,000,000	25,463,320
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	3,569,642
Park Day School	4/10/2014	4/1/2044	9,000,000	7,835,949
San Francisco Friends School 2012	12/17/2012	1/1/2043	27,325,000	22,170,655
San Francisco University High School 2005 ⁽¹⁾	7/21/2005	4/1/2035	8,315,000	-
San Francisco University High School 2006 ⁽¹⁾	5/11/2006	4/1/2036	7,170,000	-
Santa Cruz Montessori School	7/2/2013	7/1/2043	5,660,000	4,758,835
St. Helena Montessori School	7/30/2014	8/1/2044	6,000,000	4,699,674
St. Paul's Day School of Oakland ⁽²⁾	3/14/2013	2/1/2043	8,000,000	-
Valley Montessori School 2012 ⁽³⁾	9/21/2012	10/1/2042	7,180,000	-
Total 18 Transactions			\$188,965,000	\$108,688,444

⁽¹⁾ This bond issue was fully redeemed on May 20, 2020.

⁽²⁾ This bond issue was fully redeemed on June 18, 2020.

⁽³⁾ This bond issue was fully redeemed on March 26, 2020.

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Health Care)
As of June 30, 2020

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.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/20
Acacia Creek at Union City, Series 2013 A	10/29/2013	7/1/2038	\$99,423,319	\$87,235,533
Air Force Village West, Inc. ⁽¹⁾	4/14/2005	5/15/2035	23,000,000	-
Casa de las Campanas, Inc.	1/28/2010	9/1/2037	54,310,000	43,305,000
Episcopal Senior Communities 2011 (Changed name to Covia Communities)	10/27/2011	7/1/2041	62,200,000	54,200,000
Episcopal Senior Communities 2012A & B (Changed name to Covia Communities)	12/20/2012	7/1/2047	88,705,000	77,700,000
Eskaton Properties Inc. 2013	6/6/2013	11/15/2035	51,875,000	42,740,000
Eskaton Properties Series 2008 (Remarketed to 2013)	4/10/2008	5/15/2029	23,500,000	11,025,000
Eskaton Village - Roseville 2012 (Remarketed from 2006)	12/14/2006	12/1/2037	22,000,000	16,040,000
Insured Nonprofit Program Financing #1: The Asian Americans for Community et al	10/28/1992	10/1/2022	5,800,000	210,000
Insured Nonprofit Program Financing #2: Big Valley Medical Services et al	3/24/1993	3/1/2023	3,190,000	170,000
La Clinica de La Raza	12/30/2010	12/1/2030	3,855,000	2,475,000
NorthBay Healthcare Group 2013	9/26/2013	9/26/2029	2,163,521	1,064,271
O'Connor Woods	6/12/2013	1/1/2043	49,115,000	43,275,000
Odd Fellows Home of California 2012 A	10/25/2012	4/1/2042	98,550,000	76,125,000
Odd Fellows Home of California 2016 A & B	7/27/2016	8/1/2021	71,429,000	19,952,965
On Lok Senior Health Services, Series 2014	7/31/2014	8/1/2044	25,530,000	23,060,000
Pathways Home Health & Hospice	10/19/2004	10/1/2034	6,070,000	4,160,000
Sharp HealthCare Series 2009 A	2/1/2009	8/1/2024	60,000,000	21,625,000
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	21,440,000
Sharp HealthCare Series 2011 A	2/10/2011	8/1/2030	77,710,000	54,735,000
Sharp HealthCare Series 2012 A	1/24/2012	8/1/2028	46,665,000	37,855,000
Sharp HealthCare Series 2014 A	2/12/2014	8/1/2043	159,485,000	151,790,000
Total 23 Transactions			\$1,164,455,840	\$890,062,769

(1) This bond issue was called in full on March 7, 2017.

ABAG Finance Authority for Nonprofit Corporations

Summary of Conduit Financings (Housing)

As of June 30, 2020

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.

Transactions	Original Issued Date	Final Maturity	Original Issuance	Balance at 6/30/20
Acton Courtyard Apartments Project	3/1/2010	4/1/2037	\$9,920,000	\$9,920,000
Artech Apartments Refunding ⁽¹⁾	3/1/2010	5/1/2029	3,200,000	-
Belovida Santa Clara Apartments	8/8/2008	8/1/2040	5,526,000	675,000
Berkeleyan Project ⁽¹⁾	5/29/2003	5/15/2033	8,290,000	-
Citrus Commons (Divine Senior) Apartments	8/23/2005	8/1/2035	3,720,000	615,960
Darling Florist Building Apartment (Touriel) ⁽¹⁾	12/12/2002	7/15/2035	6,210,000	-
Fair Plaza Senior Apartments	4/10/2008	4/1/2038	3,700,000	3,175,000
Fine Arts Building Apartments ⁽¹⁾	12/12/2002	7/15/2035	18,000,000	-
Gaia Building ⁽¹⁾	7/26/2000	9/15/2032	15,365,000	-
Hampton Place Apartments (Gateway Village)	8/24/2001	4/1/2028	4,840,000	661,000
Hayward Senior Apartments	4/8/2005	10/1/2036	15,000,000	11,316,745
Heritage Park Apartments	6/28/2007	6/1/2042	6,400,000	3,983,916
Kings Garden Apartments	7/28/2006	2/1/2038	6,701,500	4,560,491
La Terrazza Apartments (FKA Colma Bart Family Apts)	10/8/2002	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	8/26/2004	3/1/2036	9,500,000	728,283
Oak Park Apartments	10/7/2002	2/1/2030	4,450,000	437,791
Orchard Glen Apartments	1/13/2006	3/1/2039	30,600,000	26,527,649
Palo Alto Gardens Apartments	4/29/1999	4/1/2039	11,435,000	8,495,000
Potrero Launch Apartments 2009A	12/9/2010	1/1/2044	57,585,000	53,160,000
Presidio El Camino Apartments	9/15/2011	3/1/2044	7,700,000	1,948,383
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	4,978,455
Sage Canyon Apartments	10/20/2005	10/1/2038	12,500,000	1,151,618
Shiraz Senior Apartments	11/15/2001	1/1/2034	4,080,000	2,937,963
Spring Villa Apartments	6/27/2006	6/1/2038	12,533,000	9,938,304
Tara Village Apartments ⁽²⁾	11/30/2004	12/1/2035	13,000,000	-
Terracina at Elk Grove	9/30/2008	5/1/2041	7,600,000	4,225,218
Terracina at Springlake Family Apartments	9/14/2006	9/1/2038	17,000,000	7,476,168
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	3,138,074
Tracy Village Apartments ⁽³⁾	6/10/2005	6/1/2036	3,701,300	-
Unity Estates Apartments ⁽³⁾	4/8/2005	4/1/2036	4,000,000	-
Villa Serena Apartments	4/28/1998	4/1/2030	11,000,000	5,801,000
Vintage Laguna II City of Elk Grove	9/16/2011	1/1/2044	7,250,000	2,920,000
Vintage at Laguna Apartments	12/19/2003	12/1/2035	9,800,000	7,213,339
Vintage Chateau II	7/8/2011	1/1/2044	8,100,000	5,250,000
Vintage Oaks Senior Apartments	12/23/2009	1/1/2040	15,520,000	12,610,000
Vintage Square at Westpark Senior Apartments	6/27/2008	6/1/2040	13,500,000	7,455,872
Wildhorse Family Apartments	6/3/1999	6/1/2031	5,230,000	3,056,000
Yuba Garden Apartments	9/1/2005	2/1/2045	4,800,000	3,407,330
Total 41 Transactions			\$580,716,800	\$392,889,559

⁽¹⁾ This bond issue was fully redeemed on September 16, 2019.

⁽²⁾ This bond issue was fully redeemed on November 27, 2019.

⁽³⁾ This bond issue was fully redeemed on December 24, 2019.

ABAG Finance Authority for Nonprofit Corporations
Summary of Conduit Financings (Others)
As of June 30, 2020

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 6/30/20
California Alumni Association Project	12/21/2004	4/1/2034	\$8,300,000	\$5,655,000
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	2,010,000
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	50,300,000
Kingsbury IDB	4/8/2014	4/1/2025	3,400,000	1,615,000
Morgan Autism Center	5/31/2016	1/29/2040	9,750,000	8,433,672
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 9 Transactions			<u>\$135,990,000</u>	<u>\$118,453,672</u>