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

Financial Statements
As of and for the Year Ended June 30, 2023

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
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For the Year Ended June 30, 2023

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the governmental activities and major fund of the Bay Area Housing Finance Authority (BAHFA), a component unit of the Metropolitan Transportation Commission, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the BAHFA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of the BAHFA, as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BAHFA's, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BAHFA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BAHFA’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BAHFA’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Crowe LLP

Crowe LLP

San Francisco, California
October 18, 2023

Management's Discussion and Analysis

This financial report is designed to provide a general overview of the Bay Area Housing Finance Authority (BAHFA). The Management's Discussion and Analysis (MD&A) provides an overview of BAHFA and its blended component unit BAHFA Leadership Fund'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

- BAHFA ended fiscal year 2023 with a net position of $17,799,812.
- BAHFA Leadership Fund has no activity as of June 30, 2023.

B. Overview of the Government-Wide Financial Statements

The government-wide financial statements provide an overview of BAHFA in a manner similar to a private sector business. The government-wide financial statements comprise a Statement of Net Position, a Statement of Activities and accompanying notes. The Statement of Net Position presents financial information on the government-wide net position of BAHFA at the end of the 2023 fiscal year. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "Net Position."

The Statement of Activities presents government-wide information showing the change in net position resulting from revenues earned and expenses incurred during the 2023 fiscal year. All changes in net position are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

C. Overview of the Fund Financial Statements

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

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

D. Government-Wide Financial Analysis

Statement of Net Position

The following table shows a summary of BAHFA's government-wide Statement of Net position as of June 30, 2023:

	2023	2022
ASSETS		
Cash and cash equivalents	$17,338,234	$19,841,704
Capital assets, not being amortized	929,247	-
TOTAL ASSETS	18,267,481	19,841,704
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	52,359	-
Deferred outflows from OPEB	29,704	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	82,063	-
LIABILITIES		
Current liabilities	296,462	69,133
Non-current liability	244,698	19,417
TOTAL LIABILITIES	541,160	88,550
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	2,657	-
Deferred outflows from OPEB	5,915	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,572	-
NET POSITION		
Net investment in capital assets	929,247	-
Restricted	16,870,565	19,753,154
TOTAL NET POSITION	$17,799,812	$19,753,154

Total assets decreased by $1,574,223 in fiscal year 2023. The decrease is primarily due to the use of grant funds to develop programming for BAHFA.

The current liability increased by $227,329 mainly due to the timing of vendor invoice payments.

The non-current liability consists of compensated absences, Net Pension and OPEB Liability for the year. The non-current liability increased by $225,281, primarily due to the increase in compensated absence, which is in line with the increase in salary and benefits expenditures.

Statement of Activities

The following table shows a summary of BAHFA's government-wide Statement of Activities for the fiscal year ended June 30, 2023:

	2023	2022
REVENUES		
General Revenue		
State operating grant through MTC	$ -	$ 20,000,000
Investment earnings	430,822	3,211
TOTAL REVENUES	430,822	20,003,211
EXPENSES		
General Government	2,384,164	250,057
TOTAL EXPENSES	2,384,164	250,057
CHANGE IN NET POSITION	(1,953,342)	19,753,154
NET POSITION - BEGINNING	19,753,154	-
NET POSITION - ENDING	$17,799,812	$19,753,154

The significant decrease in revenues is mainly due to a $20 million grant from the California Department of Housing and Community Development (HCD) received in fiscal year 2022 for the purpose of developing programming for BAHFA. The timing of program expenses, which is across fiscal years, created a variance in the current year balances. BAHFA's ended FY 2023 with a net change in position of $1,953,342.

E. Notes to the Financial Statements

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

F. General Fund Budget

BAHFA adopted its General Fund budget of $18,328,710 for fiscal year 2023. The General Fund operating budget is budgeted and maintained on a fiscal year basis with all appropriations lapsing at fiscal year-end. The actual revenue-to-expenditures balance for fiscal year 2023 reflects a deficit of $2,730,799.

	General Fund			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	$18,328,710	$ 18,328,710	$ 430,822	$ (17,897,888)
Expenditures (General Government)	18,328,710	18,328,710	3,161,621	15,167,089
Revenues over (under) Expenditures	-	-	(2,730,799)	(2,730,799)
Fund balance - beginning	-	-	19,772,571	19,772,571
Fund balance - ending	$ -	$ -	$17,041,772	$ 17,041,772

G. Economic Factors

While the general economic picture nationally and regionally has largely stabilized and recovered from the challenges posed by the COVID-19 pandemic, there are a number of headwinds that BAHFA must face as we consider FY 2023-24 and beyond.

These headwinds include:

- Inflation, which has been running very high for the past 2 ½ years.
- Higher interest rates, partly driven by increases in short-term interest rates by the Federal Reserve, and partly by the market reaction to both inflation generally and the Federal Reserve's actions.
- The crisis in confidence associated with regional banks and their potential failure. This issue has already caused the failure of two banks in the Bay Area (Silicon Valley Bank and First Republic Bank).

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Bay Area Housing Finance Authority, 375 Beale Street, Suite 800, San Francisco, CA 94105.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Net Position
June 30, 2023

ASSETS	
Cash and cash equivalents	$ 17,338,234
Capital assets, not being amortized	929,247
TOTAL ASSETS	18,267,481
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	52,359
Deferred outflows from OPEB	29,704
TOTAL DEFERRED OUTFLOWS OF RESOURCES	82,063
LIABILITIES	
Current liability:	
Accounts payable	296,462
Non-current liability:	
Due within one year	
Compensated absences	82,984
Due in more than one year	
Compensated absences	111,281
Net Pension Liability	39,781
Net OPEB Liability	10,652
TOTAL LIABILITIES	541,160
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	2,657
Deferred inflows from OPEB	5,915
TOTAL DEFERRED INFLOWS OF RESOURCES	8,572
NET POSITION	
Net investment in capital assets	929,247
Restricted for:	
Housing Projects	16,870,565
TOTAL NET POSITION	$ 17,799,812

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2023

		Program Revenues				Net (Expenses) Revenues and Change in Net Position — Governmental Activities
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Program Revenue**	**Total**
Functions:						
Governmental Activities:						
General Government	$2,384,164	$ -	$ -	$ -	$ -	$ (2,384,164)
Capital outlay						
Total Governmental Activities	$2,384,164	$ -	$ -	$ -	$ -	$ (2,384,164)

General Revenue:	
Investment earnings	430,822
Total General Revenue	430,822
Change in Net Position	(1,953,342)
Net Position - beginning	19,753,154
Net Position - ending	$ 17,799,812

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Balance Sheet
Governmental Fund – General Fund
June 30, 2023

ASSETS	
Cash and cash equivalents	$ 17,338,234
TOTAL ASSETS	17,338,234
LIABILITIES	
Accounts payable	296,462
TOTAL LIABILITIES	296,462
FUND BALANCES	
Restricted for:	
Housing Projects	17,041,772
TOTAL LIABILITIES AND FUND BALANCES	$ 17,338,234

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2023

Total Fund Balance - Governmental Fund	$17,041,772
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statement.	929,247
Compensated absences are not due and payable in the current period and, therefore, are not reported in fund statement	(194,265)
Net pension liability / (asset) and related accounts (deferred outflows/inflows) are not due and payable in the current period and, therefore, are not reported in the fund statement.	9,921
Net OPEB liability/ (asset) and related accounts (deferred outflows/inflows) are not due and payable in the current period and, therefore, are not reported in the fund statement.	13,137
Net position of Governmental Activities	$17,799,812

See accompanying notes to financial statements

Bay Area Housing Financing Authority
A Component Unit of Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund – General Fund
For the Year Ended June 30, 2023

REVENUES	
Investment earnings	$ 430,822
TOTAL REVENUES	430,822
EXPENDITURES	
Salaries and benefits	1,311,443
Professional fees	254,141
Committee member's stipend	5,300
Overhead	639,750
Capital outlay	929,247
Other	21,740
TOTAL EXPENDITURES	3,161,621
NET CHANGE IN FUND BALANCE	(2,730,799)
FUND BALANCE - BEGINNING	19,772,571
FUND BALANCE - ENDING	$ 17,041,772

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund balance - Total Governmental Funds (per Statement of Revenues, Expenditures and Changes in Fund Balance)	$ (2,730,799)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.	929,247
Some items do not require the use of current financial resources and, therefore, are not reported in the governmental funds:	
Change in compensated absences	(174,848)
Change in net pension liability and related accounts	9,921
Change in net OPEB liability/ (asset) and related accounts	13,137
Change in Net Position of Governmental Activities (per Statement of Activities)	$ (1,953,342)

See accompanying notes to financial statements

1. Summary of Significant Accounting Policies

A. Reporting Entity and Operations

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

MTC was established under Government Code Section 66500 et seq. of the laws of the State of California in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area. The nine counties are the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

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

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

BAHFA Leadership Fund (Fund) was created in October 2022 as a nonprofit public benefit corporation to (1) Support the mission of BAHFA to address the San Francisco Bay Area's housing crisis by providing financial support to BAHFA or BAHFA's programs or projects gained through fund raising activities as well as contributions by individuals and businesses; (2) Engage in any other activities in furtherance of the purposes for which the Fund is formed; and (3) Receive, invest, and utilize funds, property and in-kind materials or service acquired through the solicitation of contributions, donations, grants, gifts, and bequests and the like for the purposes for which the Fund is formed.

The Fund is organized and operated exclusively for charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code"). The Fund shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c)(3) of the Code, or (b) by a corporation contribution to which are deductible under section 170(c)(2) of the Code.

The Fund is a legal entity separate of BAHFA but was created to provide service entirely for BAHFA by providing financial support to BAHFA or BAHFA's programs or projects gained through fund raising activities as well as contributions by individuals and businesses. As such, the Fund meets the blending criteria under paragraph 53 of GASB No. 14, *The Financial Reporting Entity*, as amended by GASB No. 61, and therefore, the Fund is presented as a blended component of BAHFA.

The Fund has no activities as of June 30, 2023.

B. Basis of Presentation

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

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

Government-wide Financial Statements

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

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

General Fund Financial Statements

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. BAHFA adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on BAHFA's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. BAHFA adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on BAHFA's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, provides guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. BAHFA adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on BAHFA's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The requirements of this statement are effective as follows: (a) The requirements in paragraphs 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. BAHFA adopted paragraphs 26-32 in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on BAHFA's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on BAHFA's financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on BAHFA's financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on BAHFA's financial statements.

D. Net Position

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

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position represents net position of BAHFA that is not included in the determination of net investment in capital assets or the restricted component of net position.

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

E. Fund Balance

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

- Nonspendable Fund Balance – includes amounts that are (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories, prepaid amounts, and long-term interfund advances and receivables. There is no nonspendable fund balance at year end.

- Restricted Fund Balance – includes amounts that can be spent only for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – represents amounts that can only be used for specific purposes through resolutions authorized by BAHFA's Board of Directors. Commitments can only be modified or lifted through Board resolutions. There is no committed fund balance at year end.
- Assigned Fund Balance – comprises amounts that are constrained by the BAHFA Governing Board's intent to use them for specific purposes that are neither restricted nor committed. There is no assigned fund balance at year end.
- Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications.

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

F. Cash and cash equivalents

BAHFA considers all balances in demand deposit accounts, and the funds in the California Asset Management Program (CAMP) to be cash.

G. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, right-to-use leased assets, automobiles and software, are reported in the Statement of Net Position. Capital asset acquisitions are recorded at historical cost. BAHFA's intangible assets consist of purchased and licensed commercially available computer software and internally developed software. Depreciation and amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined by BAHFA as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. BAHFA follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* for recording capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized.

Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets.

The estimated useful lives of capital assets are as follows:

	Years
Buildings and improvements	7 - 45
Furniture and equipment	3 - 25
Intangible assets	5 - 10
Automobiles	5
Right-to-use leased building	Lease term

H. Net Pension Liabilities/(Assets)

The net pension liabilities/(assets) are the liabilities employers have for the employee benefits provided through the defined benefit pension plan. BAHFA net pension liabilities/(assets) are derived from BAHFA's proportional share of MTC's payroll costs for the relevant measurement year.

I. Net OPEB Liabilities/(Assets)

Net OPEB liabilities/assets are the liabilities/assets employers have for the other post-employment benefits provided through the defined benefit plan. BAHFA net OPEB liabilities/assets are derived from BAHFA's proportional share of MTC's payroll cost for the relevant measurement year.

J. Deferred Outflows / Inflows of Resources from Pensions and Other Post-Employment Benefits

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liabilities arising from differences between expected and actual experience with regard to economic or demographic factors. *
- The effects of changes of assumptions about future economic or demographic factors or of other inputs. *
- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments.**

*The balances on these accounts are recognized in pension and OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

**This amount is recognized in pension and OPEB expense using a systematic and rational method over a closed five-year period.

2. Net Position

BAHFA has a positive net position of $17,799,812. The positive position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted assets, if applicable. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. Unrestricted net position is the net amount of the residual value that is not included in the restricted categories of net position. It is BAHFA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

3. Cash and Cash Equivalents

The summary and composition of cash and cash equivalents as shown on the Statement of Net Position at June 30, 2023 is as follows:

Cash at bank	$ 1,011,517
CAMP	16,326,717
Total Cash	$ 17,338,234

The CAMP fund is a joint powers authority and common law trust. The Trust's Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity, and earn a high level of income consistent with its objectives of preserving principal. CAMP funds are available for immediate withdrawal. Therefore, the position in CAMP is classified as cash. CAMP's money market portfolio is rated "AAA" by Standard & Poor's.

Deposit Risk Factors

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, BAHFA may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of $250,000. Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of BAHFA's cash on deposit.

4. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2023 is as follows:

Governmental activities	Beginning Balance 7/1/2022	Increases	Decreases	Ending balances 6/30/2023
Capital assets, not being amortized:				
Intangible assets	$ -	$ 929,247	$ -	$ 929,247
Total capital assets, not being amortized	$ -	$ 929,247	$ -	$ 929,247

As of June 30, 2023, BAHFA has completed the Doorway Housing Portal website and there are no future capital expenditure commitments. There was no amortization expense charged to programs because the asset was placed in service in June 2023.

5. Employee's Retirement Plan

MTC, the primary government, provides a defined benefit pension plan, the Miscellaneous Employee Pension Plan (the Plan). The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. An agent multiple-employer plan is one in which the assets of multiple employers are pooled for investment purposes, but separate accounts are maintained for each individual employer. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance.

BAHFA reports its participation in the Plan under the cost-sharing plan requirements of GASB Statement No. 68. MTC allocated BAHFA's pension related balances based on BAHFA's proportional share of payroll costs. The percentage of the allocation for the fiscal year 2023 is 0.25%, which was based on the fiscal year 2022 measurement year.

In fiscal year 2023, BAHFA has a debit balance in pension expense of $6,780, net pension liability of $39,781, deferred outflows of resources from pension of $52,359 and deferred inflows of resources of $2,657.

For additional information on employees' retirement plan, refer to MTC's Annual Comprehensive Financial Report Note 9. A copy of MTC's Annual Comprehensive Financial Report may be obtained by writing to the Chief Financial Officer, Metropolitan Transportation Commission, 375 Beale Street, Suite 800, San Francisco, CA 94105.

6. Other Post Employment Benefits (OPEB)

MTC, the primary government, provides post-employment medical coverage to all eligible retired employees and their eligible dependents. MTC established Section 115 irrevocable benefit trust fund for its OPEB plan with Public Agency Retirement Services (PARS). The trust is a public agency agent multiple-employer post-retirement health benefit trust which provides public agencies of administration in the funding of each agency's respective other post-employment benefit obligation.

MTC contracts its health benefit program with the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for both active and retired employees.

MTC's defined benefit OPEB plan provides medical coverage to all eligible retired employees and their eligible dependents. MTC maintains the same medical plans for its retirees as for its active employees. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. The costs of the medical benefit are shared between the employer (95%) and retiree (5%) with a cap.

Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 with 5 years of service with CalPERS agency. Benefits are paid for the lifetime of the retiree, spouse or surviving spouse, and dependents up to the age of 26.

Detailed information about the OPEB plan fiduciary net position is available in the separately issued PARS financial report. Copies of the PARS report may be obtained by writing to PARS, 4350 Von Karman Avenue, Newport Beach, CA 92660, or from PARs' website at www.pars.org.

BAHFA reports its participation in the OPEB plan under the cost-sharing plan requirements of GASB Statement No. 75. MTC allocated the OPEB related balances to BAHFA based on BAHFA's proportional share of payroll costs. The percentage of the allocation for fiscal year 2022 is 0.25%, which was based on the fiscal year 2022 measurement year.

In fiscal year 2023, BAHFA has a credit in OPEB expense of $4,542, net OPEB liability of $10,652, deferred outflows of resources from OPEB of $29,704, and deferred inflows of resources of $5,915.

For additional information on employees' OPEB plan, refer to MTC's Annual Comprehensive Financial Report Note 10.

7. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers–Milias–Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 240 hours for sick leave.

MTC allocated the compensated absences liability related balance to BAHFA based on BAHFA's proportional share of payroll costs for the relevant year. In fiscal year 2023, BAHFA has a compensated absences liability of $194,265. For additional information on compensated absences, refer to MTC's Annual Comprehensive Financial Report Note 11.

8. Risk Management

BAHFA is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. BAHFA transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by BAHFA from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverage is subject to market volatility. Therefore, where it makes financial sense, BAHFA retains part or all its risk but only after diligent executive review of any risk retention decision.

9. Commitments and Contingencies

As of June 30, 2023, there are no future expenditure commitments.

REQUIRED SUPPLEMENTARY INFORMATION

Bay Area Housing Finance Authority

A Component Unit of Metropolitan Transportation Commission
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (unaudited)
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
State of California through MTC	$18,328,710	$18,328,710	$ -	$ (18,328,710)
Interest income	-	-	430,822	430,822
TOTAL REVENUES	18,328,710	18,328,710	430,822	(17,897,888)
EXPENDITURES				
Salaries & benefits	6,169,786	6,169,786	1,311,443	4,858,343
Consultant/Professional fees	9,000,110	9,000,110	242,231	8,757,879
Committee Member Stipend	18,900	18,900	5,300	13,600
Audit	33,650	33,650	33,650	-
Indirect Cost	3,106,264	3,106,264	639,750	2,466,514
Capital Outlay	-	-	929,247	(929,247)
TOTAL EXPENDITURES	18,328,710	18,328,710	3,161,621	15,167,089
NET CHANGE IN FUND BALANCES	-	-	(2,730,799)	(2,730,799)
FUND BALANCE - BEGINNING	-	-	19,772,571	19,772,571
FUND BALANCE - ENDING	-	-	17,041,772	17,041,772

Note: No difference between budgetary basis of accounting and GAAP.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Proportionate Share of Net Pension Liability / Asset (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years *

Measurement Date	Miscellaneous Plan Tier I & II 2022
Plan's Proportion of the Net Pension Liability/(Asset)	0.25%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 39,781
Plan's Covered Payroll	$ 101,406
Plan's Proportionate Share of the Net Pension Liability/(Asset) as of Percentage of its Covered Payroll	39.23%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability	94.44%

Notes to Schedule:

Benefit Changes: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the measurement date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

* Only one years' data is available.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Pension Contributions (unaudited)
For the Fiscal Years Ended June 30
Last Ten Years *

		Miscellaneous Plan Tier I & II
Fiscal Year		2023
Actuarially determined contribution		$ 132,409
Contributions in relation to the actuarially determined contributions		(132,409)
Contribution deficiency (excess)		$ -
Covered Payroll	(1)	$ 918,316
Actual contributions as a percentage of covered payroll		14.42%

(1) Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022.

Notes to Schedule of Plan Contribution:

The actuarial methods and assumptions used to set the actuarially determined contributions for the fiscal year 2021-22 were derived from the June 30, 2019, funding valuation report.

Actuarial Cost Method	Entry Age actuarial Cost Method
Amortization Method / Period	For details, see June 30, 2019 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2019 Funding Valuation Report.
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.75%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative expenses; includes Inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study or the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Only one years' data is available.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of Proportionate Share of Net OPEB Liability / Asset (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years *

Measurement Date	Miscellaneous Plan Tier I & II 2022
Plan's Proportion of the Net OPEB Liability/(Asset)	0.25%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	$ 10,652
Plan's Covered Payroll	$ 101,406
Plan's Proportionate Share of the Net Pension Liability/(Asset) as of Percentage of its Covered Payroll	10.50%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability	91.92%

Notes to Schedule:

Benefit Changes: None in 2022.

Changes of Assumptions: There were no changes of assumptions in 2022. In 2021, discount rate changed from 4.5% to 3.75%, medical trend rate for Kaiser Senior Advantage was decreased, mortality improvement scale was updated to Scale MP-2020, and new claims costs and senior advantage age costs were removed. There were no changes in demographic assumptions, the discount rate, or the inflation rate in 2020. In 2019, the demographic assumptions were updated to the CalPERS 1997-2015 Experience Study. Discount rate was decreased from 4.5% in 2020 to 3.75% in 2021.

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Schedule of OPEB Contributions (unaudited)
For the Fiscal Years Ended June 30
Last Ten Years *

		Miscellaneous Plan Tier I & II
Fiscal Year		2023
Actuarially determined contribution		$ 70,369
Contributions in relation to the actuarially determined contributions		(68,104)
Contribution deficiency (excess)		$ 2,266
Covered Payroll	(1)	$ 918,316
Actual contributions as a percentage of covered payroll		7.42%

(1) Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, 2021, two years prior to the end of fiscal year in which contributions are reported.

Actuarial cost method	Entry Age Normal. Level percentage of pay
Amortization method	Level percentage of pay
Amortization period	17-year fixed period for 2022/23
Asset valuation method	Investment gains and losses spread over 5-year rolling period
Inflation	2.75 percent
Healthcare cost trend rates	Non-Medicare - 7% for 2022, decreasing to an ultimate rate of 4% in 2076
	Medicare (Non-Kaiser) - 6.1% for 2022, decreasing to an ultimate rate of 4% in 2076
	Medicare (Kaiser) - 5% for 2022, decreasing to an ultimate rate of 4% in 2077
Investment rate of return	3.75 percent
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Mortality projected fully generational with Scale MP-2020

* Future years' information will be displayed up to 10 years as information becomes available.