

Bay Area Housing Finance Authority

A Component Unit of Metropolitan Transportation Commission

Financial Statements

As of and for the Year Ended June 30, 2026

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Table of Contents
For the Year Ended June 30, 2026

	<i>Page</i>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet - Governmental Fund - General Fund	9
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund - General Fund	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities	12
Notes to Financial Statements	
Summary of Significant Accounting Policies	13-18
Net Position	18
Cash and Cash Equivalents	18-19
Loans and Related Interest Receivable	19
Capital Assets	19-20
Employee's Retirement Plan	20
Other Post Employment Benefits	21-22
Compensated Absences	22
Risk Management	22
Commitments and Contingencies	22
Required Supplementary Information (unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	24
Note to Budgetary Comparison Schedules (unaudited)	25
Schedule of Proportionate Share of Net Pension Liability / (Asset)	26
Schedule of Pension Contributions	27
Schedule of Proportionate Share of Net OPEB Liability / (Asset)	28
Schedule of OPEB Contributions	29

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, 2026, 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, 2026, 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

San Francisco, California
October 13, 2026

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.

Overview of the Financial Statements

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 2026 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 2026 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.

Governmental Funds

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.

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.

Financial Highlights

- BAHFA received \$6,959 thousand in contributions from MTC in fiscal year 2026 for supporting BAHFA's housing programs.
- BAHFA disbursed \$25,025 thousand in new loans in fiscal year 2026 and recorded a related allowance of \$11,106 thousand.
- BAHFA ended fiscal year 2026 with a net position of \$46,966 thousand.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the year ended June 30, 2026
Management's Discussion and Analysis

Financial Summary and Detailed Analysis

Statement of Net Position

The following table shows a summary of BAHFA's government-wide Statement of Net position as of June 30, 2026:

(\$ in thousands)	2026	2025
ASSETS		
Cash and cash equivalents	\$ 27,942	\$ 47,828
Loans and related interest receivable, net	15,482	1,337
Intergovernmental and other receivables	674	842
Prepaid items & other assets	500	506
Capital assets, not being amortized	42	360
Capital assets net of accumulated amortization	3,379	3,224
TOTAL ASSETS	48,019	54,097
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension	403	492
Deferred outflows from OPEB	424	393
TOTAL DEFERRED OUTFLOWS OF RESOURCES	827	885
LIABILITIES		
Current liabilities	1,106	1,143
Non-current liabilities	359	957
TOTAL LIABILITIES	1,465	2,100
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension	129	5
Deferred inflows from OPEB	286	92
TOTAL DEFERRED INFLOWS OF RESOURCES	415	97
NET POSITION		
Net investment in capital assets	3,421	3,584
Restricted	43,545	49,201
TOTAL NET POSITION	\$ 46,966	\$ 52,785

Total assets decreased by \$6,078 thousand in fiscal year 2026. This decrease is mostly due to loan related expenses of \$11,106 thousand, offset by \$6,959 thousand in contributions from MTC for supporting BAHFA's housing programs.

The current liability decreased by \$37 thousand mainly due to the timing of vendor invoice payments.

The non-current liability consists of net pension and net OPEB liability for the year. Non-current liabilities decreased by \$598 thousand, primarily due to a decrease in the net pension liability, which was affected by reduced BAHFA staffing levels, and payments of outstanding compensated absences during the current year.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the year ended June 30, 2026
Management's Discussion and Analysis

Statement of Activities

The following table shows a summary of BAHFA's government-wide Statement of Activities for the fiscal year ended June 30, 2026:

(\$ in thousands)	2026	2025
REVENUES		
Program revenues		
Operating grants and contributions	\$ 7,057	\$ 27,187
Charges for Services	226	1
General revenue		
Investment earnings	1,545	1,964
TOTAL REVENUES	8,828	29,152
EXPENSES		
General government	14,647	17,500
TOTAL EXPENSES	14,647	17,500
CHANGE IN NET POSITION	(5,819)	11,652
NET POSITION - BEGINNING	52,785	41,133
NET POSITION - ENDING	\$ 46,966	\$ 52,785

The decrease in revenues is mainly due to a decrease of \$19,682 thousand in contributions from MTC received in the fiscal year 2026 for supporting BAHFA's housing programs, as well as a decrease of \$419 in investment earnings, offset by an increase in charges for services related to the Priority Sites Predevelopment Loans Program.

The decrease in expenses is primarily attributed to a decrease in loan allowances recognized for the Housing Preservation and Priority Sites affordable housing programs in FY 2026. There was also a decrease in capital outlay due to the winding down of the Doorway Housing Portal project, and a decrease in salaries and benefits due to a reduction in staff time allocated to BAHFA programs.

BAHFA ended FY 2026 with a decrease in net position of \$5,819 thousand.

Significant Capital Asset

BAHFA's capital asset is the Doorway Housing Portal. BAHFA reports its capital assets on an accrual basis. BAHFA's investment in capital assets decreased from \$3,584 thousand in FY 2025 to \$3,421 thousand in FY 2026, primarily due to asset amortization expense of \$406 thousand, partially offset by \$243 thousand of additions. For additional information on BAHFA's capital assets, refer to Note 5.

Currently Known Facts, Decisions, or Conditions

Next Year's Budget

BAHFA fiscal year 2026-27 budget incorporates the following key assumptions:

- Interest Earnings: A net interest yield of 3.6% is assumed, reflecting expectations for higher interest rates based on recent economic trends.
- Grant Funding: A decrease in state Regional Early Action Planning 2.0 (REAP 2.0) grant funding is anticipated. Carryover projects remain on schedule to meet the December 30, 2026 expenditure deadline, which will substantially draw down BAHFA's existing programmatic funding.
- Regional Measure Costs: No costs are assumed for a regional ballot measure in FY 2026-27. However, limited funding is included for stakeholder engagement activities to evaluate potential amendments to BAHFA's enabling statute in advance of a possible 2028 affordable housing measure.
- Staffing: The budget assumes an 8% vacancy rate across authorized positions.
- Compensation Adjustments: A 3.8% cost-of-living adjustment (COLA) is included, consistent with MTC labor agreements and recent Consumer Price Index (CPI) projections.
- Indirect Costs: The FY 2026-27 Indirect Cost Allocation Plan (ICAP) reflects an increased indirect cost rate compared to FY 2025-26, resulting in a projected rise in overhead costs.

The fiscal year 2026-27 revenue is projected to decline primarily due to the planned expenditure of one-time state grant funding, particularly REAP 2.0. Remaining operations will be supported by existing carryover balances, local funding, General Fund resources, and \$1.0 million in philanthropic support from foundations. This funding will advance key priorities, including the development of the Mixed-Income Financing Program, the Doorway Housing Portal, and continued regional coordination, technical assistance, and strategic initiatives.

The fiscal year 2026-27 expenses are projected to decrease primarily due to the wind-down of one-time grant-funded pilot activities as existing resources are expended.

Requests for information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Metropolitan Transportation Commission (MTC) Finance Department, Bay Area Housing Finance Authority, at 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, 2026

	(\$ in thousands)
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 27,942
Loans and related interest receivable, net	15,482
Intergovernmental and other receivables	674
Prepaid items and other assets	500
Non-current assets:	
Capital assets, not being amortized	42
Capital assets net of accumulated amortization	3,379
TOTAL ASSETS	<u>48,019</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension	403
Deferred outflows from OPEB	424
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>827</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	596
Unearned revenue	510
Non-current liabilities:	
Due in more than one year	
Net pension liability	339
Net OPEB liability	20
TOTAL LIABILITIES	<u>1,465</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension	129
Deferred inflows from OPEB	286
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>415</u>
NET POSITION	
Net Investment in Capital Assets	3,421
Restricted for:	
Housing Projects	43,545
TOTAL NET POSITION	<u><u>\$ 46,966</u></u>

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, 2026

						Net (Expenses) Revenues and Change in Net Position
	Program Revenues					Governmental Activities
(\$ in thousands)	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenue	Total
Functions:						
Government Activities:						
General Government	\$ 14,647	\$ 226	\$ 7,057	\$ —	\$ 7,283	\$ (7,364)
Total Governmental Activities	<u>\$ 14,647</u>	<u>\$ 226</u>	<u>\$ 7,057</u>	<u>\$ —</u>	<u>\$ 7,283</u>	<u>(7,364)</u>
General Revenue:						
Investment earnings						1,545
Total General Revenue						<u>1,545</u>
Change in Net Position						<u>(5,819)</u>
Net Position - Beginning						<u>52,785</u>
Net Position - Ending						<u>\$ 46,966</u>

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, 2026

	(\$ in thousands)
ASSETS	
Cash and cash equivalents	\$ 27,942
Intergovernmental and other receivables	674
Loans and related interest receivable, net	15,482
Prepaid items and other assets	500
TOTAL ASSETS	<u><u>\$ 44,598</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 596
Unearned revenue	510
TOTAL LIABILITIES	<u>1,106</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - interest on loans receivable	227
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>227</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	500
Restricted for:	
Housing Projects	42,765
TOTAL FUND BALANCES	<u>43,265</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u><u>\$ 44,598</u></u>

See accompanying notes to financial statements

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Reconciliation of the Balance Sheet
Governmental Fund to the Statement of Net Position
June 30, 2026

	(\$ in thousands)
Total Fund Balance - Governmental Fund	\$ 43,265
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. These assets consist of:	
Intangible assets not being amortized	\$ 42
Intangible assets	4,227
Accumulated amortization	<u>(848)</u>
Total capital assets	3,421
Deferred inflow - interest on loans receivable is not available to pay for current period expenditures and, therefore, is reported as deferred inflows of resources in governmental fund.	227
Net pension liability and related accounts (deferred outflows/inflows) are not due and payable in the current period and, therefore, are not reported in the fund statement.	(65)
Net OPEB liability and related accounts (deferred outflows/inflows) are not due and payable in the current period and, therefore, are not reported in the fund statement.	118
Net position of Governmental Activities	<u><u>\$ 46,966</u></u>

See accompanying notes to financial statements

Bay Area Housing Finance 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, 2026

	(\$ in thousands)
REVENUES	
Contributions from MTC	\$ 6,959
Local grants	98
Investment earnings	1,545
TOTAL REVENUES	<u>8,602</u>
EXPENDITURES	
Salaries and benefits	407
Payment of compensated absences	301
Allocations to other agencies	992
Professional fees	1,481
Overhead	183
Loan allowance	11,106
Capital outlay	243
Other	92
TOTAL EXPENDITURES	<u>14,805</u>
NET CHANGE IN FUND BALANCES	(6,203)
FUND BALANCE - BEGINNING	<u>49,468</u>
FUND BALANCES - ENDING	<u><u>\$ 43,265</u></u>

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 Change
in Fund Balance - Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2026

	(\$ in thousands)
Net Change in Fund balance - Total Governmental Fund (per Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ (6,203)
Governmental fund 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.	243
Current year amortization expense reported in the Statement of Activities	(406)
Governmental fund report payments on compensated absences as expenditures. These payments reduce long term liabilities in the Statement of Net Position and have no effect on the Statement of Activities.	301
Housing loan interest revenues will not be collected for several years after the fiscal year end, they are not considered "available revenues" and are reported as deferred inflows of resources in the governmental fund.	226
Some items do not require the use of current financial resources and, therefore, are not reported in the governmental fund:	
Change in net pension liability and related accounts	34
Change in net OPEB liability and related accounts	(14)
Change in Net Position of Governmental Activities (per Statement of Activities)	<u><u>\$ (5,819)</u></u>

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 code states that BAHFA is governed by the same board that governs the Metropolitan Transportation Commission (MTC). Section 64511 (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.

The 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.

These standalone financial statements are for the benefit of the users of BAHFA's financial statements who need more disclosure of information and prefer reviewing the financial information segregated for the BAHFA.

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 financial transactions as of or for the year ended June 30, 2026.

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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

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, deferred inflows of resources, 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. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The financial statement improvements include: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; major component unit information; budgetary comparison information; and financial trends information in the statistical section. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The adoption of the standard has resulted in updates to the disclosures required under the new standard, which have been incorporated throughout the relevant sections of this report.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, provides users of governmental financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures by major class including lease assets, intangible right-to-use assets, subscription assets, and other intangible assets. This statement also

requires additional disclosures for capital assets held for sale. The adoption of this standard has no impact 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.
- 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 has assigned its management of cash and investments to MTC and adopted MTC's investment policy. Accordingly MTC, on behalf of BAHFA invests BAHFA's available funds under the prudent investor rule. The

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

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 BAHFA 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. Allowable investments 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 - Rated "A1" or "P1" or better
- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

BAHFA 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. BAHFA reports its money market securities at cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Fund Balance as investment earnings.

BAHFA considers all balances in demand deposit accounts and associated sweep money market mutual funds to be cash. Deposits in Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) are presented as cash and cash equivalents as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of loss of principal.

G. Loans and Related Interest Receivable

BAHFA receives resources from the California Department of Housing and Community Development through MTC. BAHFA uses these resources to give loans to developers for various affordable housing projects.

BAHFA maintains a valuation allowance against loans receivable comprised of an allowance for risk. The allowance for risk is maintained to provide for losses that can be reasonably anticipated. The allowance is based upon continuing consideration of changes in the character of the portfolio, evaluation of current economic conditions, and such other factors that, in BAHFA’s judgment, deserve recognition in estimating potential loan losses. The allowance for risk also takes into consideration maturity dates, interest rates, and other relevant factors.

H. Capital Assets

Capital assets 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. Amortization expenses for the governmental activities are charged against general government function.

Capital assets are defined by BAHFA as assets with an initial, individual or aggregate cost of more than \$10,000 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*

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

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.

Amortization is 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:

	<u>Years</u>
Intangible assets	5-10

I. Net Pension Liabilities

The net pension liabilities are the liability employers have for the employee benefits provided through the defined benefit pension plan.

BAHFA's staff are employees of MTC. MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS).

BAHFA net pension liabilities are derived from BAHFA's proportional share of MTC's payroll costs for the relevant measurement year.

For additional information on the Plan, refer to Note 6.

J. Net OPEB Liabilities

MTC allocates the net OPEB liability, deferred outflows and deferred inflows from OPEB, and OPEB expenses to its blended and discretely presented component units and funds based on their share of MTC's payroll cost of the measurement year.

Net OPEB liabilities are the liabilities employers have for the other post-employment benefits provided through the defined benefit plan.

BAHFA's staff are employees of MTC. MTC provides post employment medical coverage to all eligible retired employees and their eligible dependents. MTC post employment medical plan is the same medical plan as for its active employees. MTC established a Section 115 irrevocable benefit trust fund for its post employment benefit plan with Public Agency Retirement Services (PARS).

BAHFA net OPEB liabilities are derived from BAHFA's proportional share of MTC's payroll cost for the relevant measurement year.

For additional information on the Plan, refer to Note 7.

K. 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.**

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

*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.

L. Operating and Nonoperating Revenues and Expenses

BAHFA distinguishes operating revenues and expenses from noncapital subsidies, and other nonoperating revenues and expenses. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses. Subsidies are defined as (i) resources received from another party or fund for which a BAHFA does not provide goods and services to the other party or fund and that directly or indirectly keep the BAHFA's current or future fees and charges lower than they would be otherwise, and (ii) resources provided to another party or fund for which the other party or fund does not provide goods and services to the BAHFA and that are recoverable through the BAHFA's current or future pricing policies. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

2. Net Position

BAHFA has a positive net position of \$46,966 thousand. 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

A. The composition of cash and cash equivalents at June 30, 2026 is as follows (\$ in thousands):

Cash at bank ⁽¹⁾	\$	(26)
Government Pools		
Local Agency Investment Fund		3,462
California Asset Management Program		24,506
Total cash and cash equivalents	\$	<u>27,942</u>

⁽¹⁾ Negative balance reflects timing difference between payments and receipts.

The First American Government Obligations Fund is part of the overnight sweep fund utilized by U.S. Bank demand deposit accounts. The fund invests in U.S. government securities and repurchase agreements collateralized by such obligations. The fund is rated "AAA/Aaa" by Standard and Poor's and Moody's, respectively.

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 and cash equivalents 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.

The California Asset Management Program (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.

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

State law and MTC policy do not limit investments in joint powers authority funds, county or state investment pools as a percentage of the portfolio Securities of the U.S. Government or its agencies.

B. Deposit Risk Factors

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. Loans and Related Interest Receivable

The composition of BAHFA's loans receivable balance, net of the allowance for uncollectible accounts, as of June 30, 2026 is as follows (\$ in thousands):

Loan Type	Interest Rates	Maturity	Balance	Allowance	Net Receivable
Preservation Loans	3%	55 years or more	\$ 17,442	\$ 17,442	\$ —
Priority Sites Loans - Permanent	3%	55 years or more	8,212	8,212	—
Priority Sites Loans - Predevelopment	3%	3-5 years	15,255	—	15,255
Interest Receivable			1,075	848	227
Loans and related interest receivables, net			<u>\$ 41,984</u>	<u>\$ 26,502</u>	<u>\$ 15,482</u>

5. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2026 is as follows (\$ in thousands):

	Beginning Balance				Ending balances
Governmental activities	<u>7/1/2025</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>6/30/2026</u>
Capital assets, not being amortized:					
Work In Progress	\$ 360	\$ 243	\$ —	\$ (561)	\$ 42
Total capital assets, not being amortized	<u>360</u>	<u>243</u>	<u>—</u>	<u>(561)</u>	<u>42</u>
Capital assets, being amortized:					
Doorway Housing Portal	3,666	—	—	561	4,227
Total capital assets being amortized	<u>3,666</u>	<u>—</u>	<u>—</u>	<u>561</u>	<u>4,227</u>
Less accumulated amortization for:					
Doorway Housing Portal	442	406	—	—	848
Total accumulated amortization	<u>442</u>	<u>406</u>	<u>—</u>	<u>—</u>	<u>848</u>
Total capital assets, being amortized, net	<u>3,224</u>	<u>(406)</u>	<u>—</u>	<u>561</u>	<u>3,379</u>
Governmental activities capital asset, net	<u>\$ 3,584</u>	<u>\$ (163)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,421</u>

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

Amortization expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$406
Total amortization expense - governmental activities	<u>\$406</u>

6. Employee's Retirement Plan

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the "Plan"), which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans*, and amendment to GASB Statement No. 27, requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2025
Measurement Period (MP)	July 1, 2024 to June 30, 2025

GASB Statement No. 68 requires the actuarial valuations to be performed at least every two years. If a valuation is not performed as of the measurement date, the total pension liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation performed within 30 months and 1 day prior to the employer's fiscal year end. Accordingly, for financial reporting purposes, MTC's total pension liability was determined by CalPERS using a valuation date of June 30, 2024. CalPERS then rolled forward the total pension liability to June 30, 2025, and this is the basis for reporting MTC's net pension liability at June 30, 2026.

For purposes of measuring the net pension liability/asset, deferred outflows and deferred inflows of resources related to pensions, pension expense, information about MTC's fiduciary net position of the Plan and additions to / deletions from the Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 2026 is 1.76%, which was based on the fiscal year 2025 measurement year.

In fiscal year 2026, BAHFA has a debit balance in pension expense of \$142 thousand, net pension liability of \$339 thousand, deferred outflows of resources from pension of \$403 thousand and deferred inflows of resources of \$129 thousand. Total contribution made for this fiscal year is \$162 thousand and it is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a decrease to the net pension liability in the year ended June 30, 2027.

For additional information on employees' retirement plan, refer to MTC's Annual Comprehensive Financial Report Note 11. A copy of MTC's Annual Comprehensive Financial Report may be obtained by writing to the Metropolitan Transportation Commission (MTC) Finance Department, Bay Area Housing Finance Authority 375 Beale Street, Suite 800, San Francisco, CA 94105.

7. Other Post Employment Benefits (OPEB)

MTC provides post employment medical coverage to all eligible retired employees and their eligible dependents. MTC post employment medical plan is the same medical plan as for its active employees. MTC established a Section 115 irrevocable benefit trust fund for its post employment benefit 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. The benefit trust fund is reported as OPEB plan fiduciary net position in the Net OPEB Liability on the Statement of Net Position. The annual determined contribution to the trust fund is recorded in salaries and benefits expense.

For purposes of measuring the net OPEB liability / asset, deferred outflows and deferred inflows of resources related to OPEB, OPEB expense, information about fiduciary net position of MTC's OPEB Plan and additions to / deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Valuation Date (VD)	June 30, 2025
Measurement Date (MD)	June 30, 2025
Measurement Period (MP)	July 1, 2024 to June 30, 2025

GASB Statement No. 75 requires the actuarial valuations to be performed at least every two years. If a valuation is not performed as of the measurement date, the total OPEB liability is required to be based on update procedures to roll forward amounts from an earlier actuarial valuation performed within 30 months and 1 day prior to the employer's fiscal year end. Accordingly, for financial reporting purposes, MTC's net OPEB liability/asset at June 30, 2026 was determined using the actuarial valuation of June 30, 2025 and measurement date of June 30, 2025.

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 2026 is 1.76%, which was based on the fiscal year 2025 measurement year.

In fiscal year 2026, BAHFA has a debit in OPEB expense of \$145 thousand, net OPEB liability of \$20 thousand, deferred outflows of resources from OPEB of \$424 thousand, and deferred inflows of resources of \$286 thousand. Total contribution made for this fiscal year is \$131 thousand and it is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a decrease to the net OPEB liability in the year ended June 30, 2027.

For additional information on employees' OPEB plan, refer to MTC's Annual Comprehensive Financial Report Note 12. A copy of MTC's Annual Comprehensive Financial Report may be obtained by writing to the Metropolitan

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Financial Statements for the Year Ended June 30, 2026
Notes to Financial Statements

Transportation Commission (MTC) Finance Department, Bay Area Housing Finance Authority 375 Beale Street, Suite 800, San Francisco, CA 94105.

8. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay according to the agreement with the Committee for Staff Representation, Confidential, and Specific Executive Employees pursuant to the Meyers–Milius–Brown Act. A liability for compensated absences is recognized when leave time: (1) has been earned for services previously rendered by employees, (2) accumulates and may be carried over into subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee) during employment or upon separation from employment. The liability for compensated absences includes salary-related benefits, where applicable.

In estimating the portion of the liability that is due within one year, MTC applies a first-in, first-out (FIFO) flows assumption, meaning that payments of leave are considered to reduce the oldest accumulated leave balances first. This approach provides consistency in measurement and reflects the expected pattern of leave usage.

Starting in fiscal year 2026, MTC allocated current year's compensated absences expenses related to vacation and sick leave to BAHFA based on BAHFA's proportional share of payroll costs for the current year. In fiscal year 2026, BAHFA paid off the beginning balance of compensated absence liabilities of \$301.

Vacation

MTC's policy permits employees to accumulate earned but unused vacation benefits. Accumulated vacation is payable at the employee's current pay rate upon separation from employment, and the balance of accrued vacation leave is recognized as a liability up to a maximum of 500 hours.

Sick Leave

MTC's policy permits employees to accumulate sick leave without limit. While no more than 240 hours of unused sick leave may be cashed out upon separation, the liability for compensated absences also includes the estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability, in accordance with the applicable accounting standards.

For additional information on compensated absences, refer to MTC's Annual Comprehensive Financial Report Note 13. A copy of MTC's Annual Comprehensive Financial Report may be obtained by writing to the Metropolitan Transportation Commission (MTC) Finance Department, Bay Area Housing Finance Authority 375 Beale Street, Suite 800, San Francisco, CA 94105.

9. 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.

10. Commitments and Contingencies

BAHFA's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be absorbed by BAHFA.

As of June 30, 2026, there are approximately \$9,798 thousand in future loan/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, 2026**

	Budgeted Amounts			General Fund	
	Original Budget	Final Budget	Variance with Original Budget - over (under) Final Budget	Actual Amounts Budgetary (and GAAP Basis)	Variance with Final Budget - over (under) Actual Amounts
REVENUES					
Contributions from MTC	\$ 44,390	\$ 56,315	\$ 11,925	\$ 6,959	\$ (49,356)
Local grants	529	729	200	98	(631)
Investment earnings	1,000	1,000	—	1,545	545
TOTAL REVENUES	45,919	58,044	12,125	8,602	(49,442)
EXPENDITURES					
Salaries and benefits	1,657	1,622	(35)	407	(1,215)
Payment of compensated absences	—	—	—	301	301
Allocation to other agencies	—	—	—	992	992
Professional fees	9,998	12,172	2,174	1,481	(10,691)
Loan allowance	33,471	43,471	10,000	11,106	(32,365)
Overhead	643	629	(14)	183	(446)
Capital outlay	—	—	—	243	243
Other	150	150	—	92	(58)
TOTAL EXPENDITURES	45,919	58,044	12,125	14,805	(43,239)
NET CHANGE IN FUND BALANCES	—	—	—	(6,203)	(6,203)
FUND BALANCE - BEGINNING	49,468	49,468	—	49,468	—
FUND BALANCE - ENDING	\$ 49,468	\$ 49,468	\$ —	\$ 43,265	\$ (6,203)

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

Bay Area Housing Finance Authority
A Component Unit of Metropolitan Transportation Commission
Note to Budgetary Comparison Schedules (unaudited)
For the Year Ended June 30, 2026

(\$ in thousands)

General Fund

BUDGETARY REVENUES

Differences - original budget to final budget:

The increase in Contributions from MTC includes a \$6.0 million donation from the Chan Zuckerberg Initiative and \$5.0 million in Exchange Funds reprogrammed to support the Mixed-Income Financing Program, resulting in expanded programmatic activities. In addition, the changes reflect projected updates to State grant allocations.

\$ 11,925

Differences - final budget to actual:

The variance in contributions from MTC is primarily due to the timing of revenues for REAP 2.0 Priority Sites Predevelopment Loans and REAP 2.0 Preservation Loans programs where the full project funding was appropriated in the budget, while actual revenues are recognized and disbursed over multiple periods as projects advance.

\$ (49,356)

BUDGETARY EXPENDITURES

Differences - original budget to final budget:

The increase in consultant and professional fees in the final budget primarily reflects the implementation of the Mixed-Income Financing Program startup costs, which support expanded BAHFA operating and program activities.

\$ 2,174

The increase in loan allowance in the final budget primarily reflects the implementation of the Mixed-Income Financing Program which support expanded BAHFA operating and program activities.

\$ 10,000

Differences - final budget to actual:

The variance in consultant and professional fees is primarily due to the timing of expenditures for programs. The full project funding was appropriated in the budget, while actual costs are incurred and disbursed over multiple periods as projects advance.

\$ (10,691)

The variance in loan allowance is primarily due to the timing of expenditures for the REAP 2.0 Priority Sites Predevelopment Loans and REAP 2.0 Preservation Loans programs. The full project funding was appropriated in the budget, while actual costs are incurred and disbursed over multiple periods as projects advance.

\$ (32,365)

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			
	2025	2024	2023	2022
Plan's Proportion of the Net Pension Liability/(Asset)	1.76%	2.25%	1.95%	0.25%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 339	\$ 586	\$ 412	\$ 40
Plan's Covered Payroll (1)	\$ 1,075	\$ 1,226	\$ 918	\$ 101
Plan's Proportionate Share of the Net Pension Liability/(Asset) as of Percentage of its Covered Payroll	31.53%	47.80%	44.88%	39.60%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability	94.86%	91.97%	92.89%	94.44%

Notes to Schedule:

⁽¹⁾ Fiscal year 2023 (measurement period ended June 30, 2022) was BAHFA's first year in making payroll contributions.

Changes of Benefit Terms: 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 (June 30, 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. In addition, demographic assumptions was changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2016.

* Only four 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 *

Fiscal Year	Miscellaneous Plan			
	2026	2025	2024	2023
Actuarially determined contributions	\$ 162	\$ 119	\$ 143	\$ 132
Contributions in relation to the actuarially determined contributions	\$ (162)	\$ (119)	\$ (143)	\$ (132)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Covered Payroll ⁽¹⁾	\$ 325	\$ 1,075	\$ 1,226	\$ 918
Actual contributions as a percentage of covered payroll	49.85%	11.07%	11.66%	14.38%

⁽¹⁾ Fiscal year 2023 (measurement period ended June 30, 2022) was BAHFA's first year in making payroll contributions.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2025-26 were derived from the June 30, 2023 funding valuation report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/ Period	For details, see June 30, 2023 Funding Valuation Report
Asset Valuation Method	Fair Value of Assets. For details see June 30, 2023 Funding Valuation Report
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.80%
Investment Rate or Return	6.80% net of pension plan investment and administrative expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

* 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 Proportionate Share of Net OPEB Liability / (Asset) (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years *

Measurement Date	Miscellaneous Plan			
	2025	2024	2023	2022
Plan's Proportion of the Net OPEB Liability/(Asset)	1.76 %	2.25 %	1.95 %	0.25 %
Plan's Proportionate Share of the Net OPEB Liability/(Asset)	\$ 20	\$ 169	\$ 157	\$ 11
Plan's Covered Employee Payroll (1)	\$ 1,125	\$ 1,269	\$ 970	\$ 107
Plan's Proportionate Share of the Net OPEB Liability/(Asset) as of Percentage of its Covered Payroll	1.78 %	13.32 %	16.19 %	10.28 %
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total OPEB Liability	98.26 %	88.04 %	86.27 %	91.92 %

Notes to Schedule:

⁽¹⁾ Fiscal year 2023 (measurement period ended June 30, 2022) was BAHFA's first year in making payroll contributions.

Changes of Assumptions: The general inflation rate decreased from 2.75% in FY 2023 to 2.5% in FY 2024-26. The long-term expected rate of return on investments used to measure the total OPEB liability was 5% in FY2026 and 3.75% in FY 2023-2025. Medical trend rate for Kaiser Senior Advantage was decreased; mortality improvement scale was updated to Scale MP-2021. The demographic assumptions were updated to the CalPERS 2000-2019 Experience Study. The participation at retirement decreased from 98% in FY2025 to 95% in FY2026 for people before age 65, and from 95% in FY2025 to 90% in FY2026 for people on and after age 65.

* 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 Measurement Periods Ended June 30
Last Ten Years *

Fiscal Year	Miscellaneous Plan			
	2026	2025	2024	2023
Actuarially determined contributions	\$ 89	\$ 88	\$ 84	\$ 70
Contributions in relation to the actuarially determined contributions	\$ (131)	\$ (128)	\$ (130)	\$ (68)
Contribution deficiency (excess)	\$ (42)	\$ (40)	\$ (46)	\$ 2
Covered Employee Payroll (1)	\$ 341	\$ 1,125	\$ 1,269	\$ 970
Actual contributions as a percentage of covered payroll	38.42%	11.38%	10.24%	7.01%

Notes to Schedule:

(1) Fiscal year 2023 (measurement period ended June 30, 2022) was BAHFA's first year in making payroll contributions.

The following actuarial methods and assumptions from the June 30, 2023 actuarial valuation were used to determine the 2025/26 Actuarially Determined Contribution:

Actuarial cost method	Entry Age Normal, Level percentage of pay
Amortization method	Level percentage of pay
Amortization period	14-year fixed period for 2025/26
Asset valuation method	Market value of assets
Inflation	2.50% annually
Healthcare cost trend rates	Non-Medicare - 8.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 7.50% for 2025, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Investment rate of return	3.75% annually
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

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