REGIONAL ADMINISTRATIVE FACILITY CORPORATION FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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INTRODUCTORY SECTION

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REGIONAL ADMINISTRATIVE FACILITY CORPORATION

Financial Statements
For the Years Ended June 30, 2013 and 2012

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REGIONAL ADMINISTRATIVE FACILITY CORPORATION

BOARD OF DIRECTORS

JUNE 30, 2013

Steve Heminger, President
Ezra Rapport, Vice President
Grace Crunican, Secretary/Treasurer
Jeff Ordway, Assistant Secretary/Treasurer

FINANCIAL SECTION

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Regional Administrative Facility Corporation,
Oakland, California

Report on the Financial Statements

We have audited the accompanying statements of financial position of the Regional Administrative Facility Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Administrative Facility Corporation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Regional Administrative Facility Corporation's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the prior comparison of audited financial statements from which it has been derived.

Maze + Associates

Pleasant Hill, California
August 8, 2013

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REGIONAL ADMINISTRATIVE FACILITY CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	Totals 2013	Totals 2012
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	$2,364,775	$1,911,718
Related party receivable (Note 4)	237,785	287,087
Interest receivable	422	616
Prepaids	37,938	36,573
Total Assets	$2,640,920	$2,235,994
LIABILITIES		
Current Liabilities:		
Accounts payable	$103,948	$67,441
Related party payable (Note 6)	151,305	
Total Liabilities	255,253	67,441
NET ASSETS		
Unrestricted (Note 2)	2,385,667	2,168,553
Total Net Assets	2,385,667	2,168,553
Total Liabilities and Net Assets	$2,640,920	$2,235,994

See accompanying notes to basic financial statements.

REGIONAL ADMINISTRATIVE FACILITY CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Unrestricted Totals	
	2013	2012
REVENUES		
Assessments	$1,075,369	$1,050,722
Seismic project (Note 5)	45,459	45,459
Utility revenue	469,588	
Interest and other income	18,579	19,487
Total Support and Revenues	1,608,995	1,115,668
EXPENSES		
Management and general	384,857	381,859
Program Related:		
Facility operations and maintenance	1,007,024	414,866
Capital expenditures and transfers		102,691
Total Expenses	1,391,881	899,416
CHANGE IN NET ASSETS	217,114	216,252
Net Assets beginning of year	2,168,553	1,952,301
Net Assets, end of year	$2,385,667	$2,168,553

See accompanying notes to basic financial statements.

REGIONAL ADMINISTRATIVE FACILITY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$217,114	$216,252
Adjustments to reconcile to net cash provided by (used for) operating activities:		
(Increase) decrease in related party receivable	49,302	(66,364)
Decrease in interest receivable	194	203
(Increase) decrease in prepaids	(1,365)	2,298
Increase (decrease) in accounts payable	36,507	(41,654)
Increase in related party payable	151,305	
Cash Flows Provided by Operating Activities	453,057	110,735
Cash and cash equivalents, beginning of year	1,911,718	1,800,983
Cash and cash equivalents, end of year	$2,364,775	$1,911,718

See accompanying notes basic to financial statements.

NOTE 1 - ORGANIZATION

The Regional Administrative Facility Corporation (RAFC) was incorporated in the State of California on March 23, 1983, for the purposes of administering, operating, preserving, and controlling common areas and certain easements of the property known as the Regional Administrative Facility Project (the "Project") under the Condominium Plan (the "Plan") and Declaration of Covenants, Condition, and Restrictions (the "Declaration") established by the following three owner occupants of the Project: San Francisco Bay Area Rapid Transit District (BART), the Metropolitan Transportation Commission (MTC), and the Association of Bay Area Governments (ABAG) (through its Association of Bay Area Governments Public Office Building Corporation).

Under the above Plan and Declaration, RAFC exercises a custodial responsibility on behalf of the owner occupants to discharge operational obligations and to assess sufficient amounts to meet all required expenditures of the common areas and certain easements of the Project.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting. RAFC reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2013 and 2012, RAFC has no permanently restricted net assets. Temporarily restricted net assets consist of assets with time and purpose restrictions related to the capital campaign.

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. RAFC considers that all contributions for long-lived assets have implied time restrictions and classifies this support as temporarily restricted until the purpose restriction is met. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

B. Revenues and Assessments

Operating assessments represent funds received from the owner occupants for the purpose of meeting the obligations of the Project. Assessments are predetermined yearly, based upon budgets and agreed upon by the owner occupants.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Differences between actual expenditures and assessments made for the year are charged to the owner occupants and classified as a related party receivable to the extent that expenditures exceed assessments or refunded to the extent that assessments exceed approved operating reserves. To reserve additional funds for future non-operating costs, RAFC may transfer the excess funds received from operating assessments to the Condominium Reserve Fund with the Board's approval at the end of each fiscal year.

Assessments in the Condominium Reserve Fund have been levied by consent of the owner occupants to provide funds for certain non-operating costs. Revenues received, such as interest and rent, are used by RAFC to reduce the assessment requirements of the owner occupants of the Project.

C. Functional Allocation of Expenses

The costs of providing RAFC's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

D. Credit Risk

Cash in banks is insured up to $250,000 by the Federal Depository Insurance Corporation, and investments, if any, in money market accounts are insured up to $500,000.

E. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Operating Fund

The operating fund provides for general operations of RAFC. Revenues in this fund are provided from operating assessments on the owner occupants. Expenditures have been authorized by RAFC's Board of Directors (the Board) for the payment of management fees, utility and other building operation-related costs.

G. Condominium Reserve Fund

The Condominium Reserve Fund provides funds for repairs, replacements and capital outlays not associated with the current operations of RAFC. These funds have been designated by RAFC's Board and expenditure of these funds requires Board approval. The Unrestricted Net Asset balance Designated for the Condominium Reserve Fund at June 30, 2013 and June 30, 2012 was $1,823,636 and $1,547,571, respectively.

H. Income Taxes

RAFC is exempt from income tax under Section 501(c)(4) of the U.S. Internal Revenue Code. Accordingly no provision for income taxes has been provided in these financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, RAFC qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. RAFC paid taxes on unrelated business income in the years ended June 30, 2013 and 2012 in the amounts of $16,996 and $16,422, respectively.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that RAFC does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that RAFC's tax returns will not be challenges by the taxing authorities and that RAFC will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, RAFC's tax returns remain open for federal income tax examination for three years from the date of filing.

I. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels are defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect management's judgment about the assumptions that market participants would use in pricing the asset or liability.

NOTE 3 – CASH AND INVESTMENTS

Cash and cash equivalents consisted of the following:

	2013	2012
Cash on hand	$100	$100
Cash in bank	1,668,986	1,217,556
Cash equivalents	695,689	694,062
Total	$2,364,775	$1,911,718

NOTE 3 – CASH AND INVESTMENTS (Continued)

RAFC maintains its cash balance in a financial institution which insures funds up to $250,000 as required by Federal Deposit Insurance Corporation. At June 30, 2013, bank balance before reconciling items was $1,671,170 of which $1,421,170 was uninsured. It is the opinion of the management that the solvency of the financial institution is not of particular concern at this time.

RAFC's cash equivalents consist of only investments in Local Agency Investment Fund (LAIF). LAIF is duly chartered and administered by the State Treasurer's office and its portfolio consists of the following:

- U.S. Treasury Securities
- Federal Agency Securities
- Bankers Acceptances – Domestic/Foreign
- Certificates of Deposit
- Collaterized Time Deposits
- Commercial Paper of "Prime" quality
- Corporate Bonds/Notes of "Top" rating
- Repurchase Agreements

Any amount available for non-LAIF investments will be invested and reinvested in high quality securities restricted by State Government Code Section 16430.

NOTE 4 – ACCOUNTS RECEIVABLE – RELATED PARTIES

The accounts receivable-related parties are composed of the three public entities which are the unit-owners in the Project. This account consists of the following:

	2013			2012		
	Operating Fund	Condominium Reserve Fund	Total Funds	Operating Fund	Condominium Reserve Fund	Total Funds
BART	$124,458		$124,458	$118,810	$62,793	$181,603
MTC	70,854	$10,257	81,111	64,522	$10,257	74,779
ABAG	28,608	3,608	32,216	27,097	3,608	30,705
Total	$223,920	$13,865	$237,785	$210,429	$76,658	$287,087

The above balance is included under Accounts Receivable on the Statement of Financial Position.

NOTE 5 – SEISMIC RETROFIT PROJECT

The Seismic Retrofit Project was completed on August 25, 2008. The total cost of the project was $4,635,000 including $2,976,000 in FEMA funding and $1,659,000 in local match. Contributions by BART, MTC and ABAG were $408,808, $801,353 and $281,839, respectively, and a contribution of $167,000 from the condominium reserve fund.

NOTE 5 – SEISMIC RETROFIT PROJECT (Continued)

The RAFC Board authorized the payment of ABAG's share over a period of four years beginning FY07/08, of which $20,000, $40,000 and $40,000 were received in FY07/08, FY08/09, and FY09/10, respectively, and the remaining portion of $181,839 was to be funded in FY10/11. Subsequently ABAG requested RAFC Board's consideration to repay this remaining portion of $181,839 in four equal installments on June 30th annually of $45,459.

The Board agreed to extend repayment, contingent upon full payment no later than June 30, 2014 or upon the close of escrow should ABAG sell its ownership interest in the MetroCenter building, whichever is earlier.

NOTE 6 – RELATED PARTY TRANSACTIONS

With the Board's approval, MTC, one of the owner occupants of the Project, provides management and other staff functions to RAFC. For the fiscal years ended June 30, 2013 and June 30, 2012, RAFC incurred $300,000 and $300,000, respectively, in management fees.

The Board approved an amended cost sharing formula for the owner occupants in May 2013. The changes were made retroactively to Fiscal Year 2012/2013. The resulting change created an excess payment from BART resulting in a payable due in the amount of $151,305. As a result, BART has chosen to apply the excess payment to the Fiscal Year 2013/2014 cost sharing payments.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2013, the date on which the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

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