CMFA SPECIAL FINANCE AGENCY I

Independent Auditor's Reports
and Basic Financial Statements

For the Year Ended June 30, 2022

MGO Certified Public Accountants

CMFA SPECIAL FINANCE AGENCY I
For the Year Ended June 30, 2022

Table of Contents

NOTE 1 - ORGANIZATION, OPERATIONS, AND REPORTING ENTITY

The CMFA Special Finance Agency I (the Agency) was organized on March 1, 2021 under the provisions of the Joint Exercise of Powers Act (Act) of the Government Code of the State of California. The Agency is a joint exercise of powers authority and public entity formed pursuant to a Joint Exercise of Powers Agreement (Agreement) between the California Municipal Finance Authority (the Authority) and the City of Anaheim, California (City) as charter members, to which certain other cities and counties may in the future join as additional members. The Agency is authorized and empowered under the Act and the Agreement to issue bonds to undertake the financing and/or refinancing of any purpose or activity permitted under the Act or any other law, including projects that provide affordable local housing for low-income, median-income and moderate-income families and individuals.

The Agency is governed by the Board of Directors consisting of, ex officio, the board of directors of the Authority.

The Mix at the CTR City, Anaheim, California (the Mix)

On March 30, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021A-1 (Social Bonds), Essential Housing Revenue Bonds Series 2021A-2 (Social Bonds), Essential Housing Revenue Bonds Series 2021A-T (Federally Taxable) and Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds). The Series 2021B Bonds was directly issued to, or at the direction of, Manatt Housing Solutions LLC, a California limited liability company (MHS) in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the project, a business plan for the Agency, and certain intellectual property created by MHS for the Agency. Bonds, with an aggregate principal amount of $135,775,000, were issued to finance the acquisition of a 276-unit multifamily rental housing facility that also contains approximately 23,350 square feet of ground floor retail space and related improvements, personal property and equipment known as The Mix at CTR City (The Mix) located at 184 W. Center Street Promenade, Anaheim, California 92805.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Agency's accounting policies and financial statements conform to accounting principles generally accepted in the United States of America (GAAP) and are based upon the Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies:

Basis of Accounting

The financial statements report information on all of the enterprise activities of the Agency. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Change in Net Position presents increases (revenues) and decreases (expenses) in the Agency's total net position. Under the accrual basis of accounting, the Agency recognizes revenue when earned while expenses are recognized when the liability is incurred, regardless of the timing of related cash flows.

Operating revenues are those revenues that are generated from the Agency's primary operations. Operating expenses are those expenses that are essential to the primary operations of the Agency. All other revenues and expenses not meeting these definitions, and which are not capital in nature, are reported as nonoperating revenues and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Substantially all the Agency's cash is invested in interest bearing depository accounts. Investments with original maturities of three months or less when purchased and money market mutual funds that can be withdrawn on demand, are considered to be cash equivalents.

Restricted Cash and Investments

Except for certain investments in funds held by fiscal agents as disclosed in Note 3, section "Fair Value of Measurement", all other investments are reported at fair value (the price that would be received to sell an asset in an orderly transaction between market participants acting in their economic best interest at the measurement date). Changes in fair value that occur during the fiscal year would be reported as part of investment/interest income. Investment/interest income include interest earnings and realized and unrealized gains or losses in fair value. Investment/interest income are recorded as revenues and receivables when earned and realized gains or losses are recorded when the investment is sold.

Amounts shown as restricted cash and investments are to be used for specified purposes, such as refundable deposits to tenants, servicing of the Agency's outstanding debt obligations, and the construction of capital assets. Such assets have been restricted by either the bond indenture, law or through contractual obligations.

Tenant Accounts Receivable

Tenant accounts receivable are uncollateralized residential and commercial rents, which are due at the beginning of each month. Payments of tenant receivables are allocated to the specific charges identified on the tenant's remittance or, if unspecified, are applied to past due balances first, then the current unpaid charges. Management individually reviews all tenant receivables and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that could be uncollectible. Any amounts that remain outstanding after management has used reasonable collection efforts are deemed uncollectible and written-off through a charge to the valuation allowance and elimination of the tenant accounts receivable. There is no valuation allowance recorded as of June 30, 2022, as all accounts receivable are deemed collectible.

Prepaid Expenses

Prepaid expenses consist of amounts paid by the Agency that will benefit future periods. Prepaid expenses are recorded at cost and are amortized over the related periods.

Capital Assets

Capital assets are defined by the Agency as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than one year. Capital assets are recorded at historical cost or estimated historical cost, if actual cost is not available, and when placed in service. Capital assets are depreciated on a straight-line basis over the estimated useful lives of the assets (3 - 35 years). Deprecation of capital assets is recorded as an expense against operations. Repairs and maintenance costs are charged to expense as incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires the recognition of impairment of capital assets in the event an asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates its assets' utility annually or when an event occurs that may impair recoverability of the asset.

Noncurrent Liabilities

Long-term outstanding debt is reported as noncurrent liabilities in the statement of net position. Debt issuance costs include all costs incurred to issue debt. Debt issuance costs are expensed in the period the debt is issued.

Original issue discounts and premiums represent the difference between the face value of the bonds and the consideration received. Original issue discounts and premiums are deferred and amortized over the life of the bonds using the effective interest method. Amortization of the premium is recorded as a decrease to interest expense in the statement of revenues, expenses and change in net position.

Net Position

Net position represents the difference between the Agency’s assets and deferred outflows of resources less its liabilities and deferred inflows of resources, and is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that is attributed to the acquisition, construction or improvement of those assets and excludes unspent bond proceeds. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets are included in this component of net position. As of June 30, 2022, there was a deficit of $7,656,366 of net investment in capital assets.

Restricted – This component of net position consists of assets that have limitations imposed on their use through external restrictions imposed by creditors or other state and federal government regulatory agencies. These are then reduced by liabilities related to those assets. As of June 30, 2022, there was no restricted net position.

Unrestricted – This component of net position is the residual amount that does not meet the definition of Net Investment in Capital Assets or Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the Agency’s policy to use restricted resources first, and then use unrestricted resources as needed.

Use of Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Pronouncements

During 2022, the Agency implemented the following GASB pronouncements:

- GASB Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments, including the business-type activities of such governments.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

- GASB Statement No. 92, *Omnibus 2020*. The objective of this statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to establish accounting and financial reporting requirements related to the replacement of an interbank offered rate in hedging derivative instruments and leases.

Implementation of these statements did not have a significant impact on the Agency's financial statements for the year ended June 30, 2022.

The following GASB Statements have been issued, but are not yet effective for the year ended June 30, 2022:

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local governments issuers. GASB Statement No. 91 becomes effective for the Agency for the year ending June 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. GASB Statement No. 94 becomes effective for the Agency for the year ending June 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. GASB Statement No. 96 becomes effective for the Agency for the year ending June 30, 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Pronouncements (Continued)

In May 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objective of this statement is to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. GASB Statement No. 99 becomes effective for the Agency for the years June 30, 2022 through 2024.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for changes and error corrections. GASB Statement No. 100 becomes effective for the Agency for the year ending June 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to enhance accounting and financial reporting requirements for compensated absences. GASB Statement No. 101 becomes effective for the Agency for the year ending June 30, 2025.

The effect of the future adoption of GASB Statements No. 91, No. 94, No. 96, No. 99, No. 100 and No. 101 on the Agency's financial statements have not been evaluated as of the date of this report.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022, consist of the following:

Cash on hand	$ 50,725
Deposits with financial institutions	1,003,120
Deposits with fiscal agent	13,305,819
Total cash and investments	$ 14,359,664

Cash and investments are classified in the statement of net position as follows, as of June 30, 2022:

Cash and cash equivalents	$ 659,007
Restricted cash and investments	13,700,657
Total cash and investments	$ 14,359,664

Fair Value Measurement

The Agency categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, which includes quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active, or inputs other than quoted prices that are observable for the asset such as, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads; and Level 3 inputs are significant unobservable inputs.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

The Agency applies the Authority's investment policy, including a credit risk policy. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the actual rating as of June 30, 2022, for each investment type:

		Ratings	
Investment Type	Amount	AA+	Not Rated
Held by Fiscal Agent:			
Money market mutual funds	$ 1,404,710	$ 1,404,710	$ -
Nonparticipating interest–earning investment contracts	11,901,109	-	11,901,109
Total	$ 13,305,819	$ 1,404,710	$ 11,901,109

The nonparticipating interest-earning investment contracts do not have a credit rating by a Nationally Recognized Statistical Organization (NRSRO). However, the investment contract has a guaranty by an AA+ rated entity and quality of performance.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the relative size of an investment in a single issuer. GAAP requires disclosure of certain investments in any one issuer that represent 5% or more of total investments. Investments explicitly guaranteed by the U.S. government and investments in money market mutual funds, external investment pools, and other pooled investments are exempt from such disclosure requirements. As of June 30, 2022, $11,901,109 of nonparticipating interest-earning investment contracts with Mass Mutual exceeds 5% of total investments.

Custodial Credit Risk and Investment Policy

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency applies the Authority's investment policies, including a custodial credit risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk and Investment Policy (Continued)

Custodial credit risk generally applies only to direct investment in marketable securities. Custodial credit risk does not apply to a local government's indirect investment securities through the use of mutual funds or government investment pools. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, or investments other than the following provisions for deposits:

- The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

- The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies for all deposits not covered by federal depository insurance (FDIC) if obligations of the State or its municipalities, school districts and district corporations are pledged.

- California law also allows financial institutions to secure the deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

The carrying amount of the Agency's cash held in demand deposit accounts with financial institutions was $1,003,120 at June 30, 2022, while the related bank balance was $935,002, of which $399,364 is federally insured. The carrying amount and the related bank balance of the Agency deposits held with fiscal agent in institutional cash accounts was $13,305,819. Deposits in institutional cash accounts are not insured by the FDIC or any other government agency. The remaining bank balance of deposits with financial institutions and institutional cash accounts totaling $13,841,457 was uncollateralized and uninsured as of June 30, 2022.

For investments held by fiscal agent, the fiscal agent selects the investments under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the Agency in a third-party safekeeping account.

In July 2013, the Board of Directors of the Authority formally adopted a deposit and investment policy that limits its allowable deposits and investments and addresses the types of risk to which the Authority is exposed.

NOTE 4 - CAPITAL ASSETS

The capital assets balance at June 30, 2022, consists of the following activity:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not depreciated:				
Land	$ 23,490,615	$ -	$ -	$ 23,490,615
Capital assets depreciable:				
Building and improvements	93,962,460	-	-	93,962,460
Intellectual assets	4,125,000	-	-	4,125,000
Total depreciable capital assets	98,087,460	-	-	98,087,460
Less accumulated depreciation:				
Building and improvements	(671,161)	(2,555,556)	-	(3,226,717)
Intellectual assets	(29,464)	(91,668)	-	(121,132)
Total accumulated depreciation	(700,625)	(2,647,224)	-	(3,347,849)
Total capital assets, depreciable (net)	97,386,835	(2,647,224)	-	94,739,611
Capital assets, net	$ 120,877,450	$ (2,647,224)	$ -	$ 118,230,226

Depreciation expense for the year ended June 30, 2022 was $2,647,224.

NOTE 5 - LONG-TERM DEBT

On March 30, 2021, the Agency issued Essential Housing Revenue Bonds Series 2021 A-1 (Social Bonds) (Series 2021 A-1 Bonds) in the amount of $25,000,000, Essential Housing Revenue Bonds Series 2021 A-2 (Social Bonds) (Series 2021 A -2 Bonds) in the amount of $98,775,000, and Essential Housing Revenue Bonds Series 2021 A-T (Federally Taxable) (Series 2021 A-T Bonds) in the amount of $7,875,000, collectively, the Series 2021A Bonds. The proceeds of the Series 2021A Bonds were used for the financing the cost of the acquisition of a multifamily rental housing facility and related improvements known as The Mix at CTR City and the costs of issuance of the Series 2021A Bonds.

Concurrently with the issuance of the Series 2021A Bonds, the Agency directly issued Subordinate Essential Housing Revenue Bonds Series 2021B (Series 2021B Bonds) in the amount of $4,125,000 to Manatt Housing Solutions LLC (MHS), a California limited liability company, in exchange for the sale and assignment of certain assets to the Agency, including its purchase rights to the Mix at CTR City, a business plan and certain intellectual property created by MHS.

The Bonds are summarized below:

Obligations	Original Amount	Interest Rate	Final Maturity Date	Balance Outstanding June 30, 2022
The Mix Essential Housing Revenue Bonds Series 2021 A-1	$ 25,000,000	3.30%	April 1, 2051	$ 25,000,000
The Mix Essential Housing Revenue Bonds Series 2021 A-2	98,775,000	4.00%	April 1, 2056	98,775,000
The Mix Essential Housing Revenue Bonds Series 2021 A-T	7,875,000	5.00%	April 1, 2041	7,750,000
The Mix Subordinate Essential Housing Revenue Bonds Series 2021B	4,125,000	8.00%	April 1, 2056	4,125,000

NOTE 6 - RELATED PARTY TRANSACTIONS

The Agency signed a Project Administration Agreement (PAA) with a third-party administrator on March 1, 2021, for the Mix rental housing facility (the project) that establishes the terms and conditions upon which the third-party administrator shall, as an independent contractor, monitor, supervise, coordinate, analyze and report to the Agency with respect to the project and the project manager's performance under the PAA. The PAA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PAA. Project administration fees incurred and paid to the project administrator under the PAA during the year ended June 30, 2022, was $125,004. All project administration fees were paid by June 30, 2022, as such, there was no accrued expense at June 30, 2022.

The Agency also signed a Property Management Agreement (PMA) with a third-party property manager on March 1, 2021, for the project that establishes the terms and conditions for the operation and maintenance of the project including preparing annual operating budgets, marketing and leasing the project, collecting rents, managing the payment of operating expenses for the project, maintenance and repair of the project and management of on-site employees. The PMA renews automatically on its anniversary date unless terminated as a result of circumstances as defined by the PMA. Fees incurred and paid to the project manager under the PMA during the year ended June 30, 2022, was $165,428. Accrued property management fees at June 30, 2022, was $14,128.

The project is subject to a Public Benefit Agreement, which the Agency signed with the City, and is dated as of March 1, 2021. Pursuant to the Public Benefit Agreement, commencing 15 years after the date of issuance of the Series 2021A Bonds (the sale right exercise date or March 1, 2036), and for a period of time thereafter terminating on the date that is the earlier of 14 years from the sale right exercise date, or the date on which there is no debt outstanding, the City shall have the right to cause the Agency to sell all of the Agency's right, title and interest, including the fee simple title to the real property, in and to all property and assets used in or related to the project to the City, or the City's designee, at a sales price at least equal to the sum of an amount sufficient to prepay any debt secured by the project and any expenses associated with effecting the sale.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Agency may be subject to various claims, investigations, proceedings, and legal actions from time to time arising out of the conduct of the Agency's business. Management believes that, based on current knowledge, there are no such pending matters.

The Agency does not have any major contractual commitments or contingencies as of June 30, 2022.

The Agency is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; and errors and omissions. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 8 - SUBSEQUENT EVENTS

The Agency elected to terminate its PAA with the current third-party property administrator. The current PAA expires on October 20, 2022, and a new PAA with the new third-party property administrator commenced on that date.

NOTE 9 – COMBINING FINANCIAL STATEMENT INFORMATION

Combining financial statements of the Agency and The Mix as of and for the year ended June 30, 2022 is as follows:

Combining Statement of Fund Net Position
June 30, 2022

	SFA I Administration	The Mix	Eliminations	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 149,364	$ 509,643	$ -	$ 659,007
Restricted cash and investments	-	13,700,657	-	13,700,657
Tenants accounts receivable, net	-	324,310	-	324,310
Prepaid expenses	-	131,400	-	131,400
Total current assets	149,364	14,666,010	-	14,815,374
Noncurrent Assets:				
Capital assets not depreciable	-	23,490,615	-	23,490,615
Capital assets being depreciated, net	-	94,739,611	-	94,739,611
Total noncurrent assets	-	118,230,226	-	118,230,226
Total assets	149,364	132,896,236	-	133,045,600
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	-	153,202	-	153,202
Interest payable	-	1,533,786	-	1,533,786
Security deposits	-	229,641	-	229,641
Unearned income	-	144,351	-	144,351
Current portion of long-term debt	-	587,549	-	587,549
Total current liabilities	-	2,648,529	-	2,648,529
Noncurrent Liabilities:				
Long-term debt	-	138,604,449	-	138,604,449
Total liabilities	-	141,252,978	-	141,252,978
NET POSITION				
Net deficit in capital assets	-	(7,656,366)	-	(7,656,366)
Restricted for Debt Service		-		-
Unrestricted (deficit)	149,364	(700,376)	-	(551,012)
Total net position (deficit)	$ 149,364	$ (8,356,742)	$ -	$ (8,207,378)