



**RED HOUSING FUND
ANNUAL REPORT**

FY 2021

FOR THE PERIOD FROM JANUARY 1 – DECEMBER 31, 2021



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REPORT SUMMARY AND KEY FUND UPDATES

June 21, 2022

To the Stakeholders of the RED Housing Fund:

This Report (the “Report”) on the operations of the RED Housing Fund (the “Fund”) has been prepared to satisfy the reporting requirements set forth in the Fund’s various agreements with its stakeholders. The Reporting Period for this Report is the Fund’s first fiscal year (January 1, 2021, through December 31, 2021).

With its inaugural fiscal year completed in December, 2021, the RED Housing Fund took the necessary steps to ready itself for lending shortly after fiscal year end. Over the course of 2021, the RED Housing Fund’s creators and supporters, led by the Renewal Enterprise District (“RED”), a joint powers authority with the County of Sonoma and City of Santa Rosa as members, as well as representatives from the City and County, worked to provide developers in Sonoma County with an alternative source of financing to help advance their urban, infill projects. The RED Housing Fund was created to further the goals of the RED and provide an additional source of funding for housing projects that align with the RED’s priorities – broadly, projects located in infill areas outside of wildfire hazard zones and are of higher density to support economic development in appropriately planned areas within Sonoma County.

In July, 2021, after roughly 18 months of planning and feasibility testing, the Fund’s legal counsel filed its Articles of Incorporation with the Secretary of State for the State of California, officially incorporating the RED Housing Fund as a legal entity. Shortly thereafter, the Fund’s initial Board members (Veronica Ferguson, acting as Chair of the Board, as well as Todd Sheffield and Michelle Whitman, acting as the RED’s representative to the Fund’s Board) approved the Fund’s governing documents and authorized the submission of the Fund’s Form 1023 Application for nonprofit tax exemption with the IRS. The Fund was certified as a tax-exempt 501(c)(3) nonprofit by the IRS in September, 2021.

In October and November of the Reporting Period, the Fund closed on its capital through which it can launch its lending program. The City of Santa Rosa provided a \$10 million loan, and the County of Sonoma provided a \$10 million forgivable loan, both of which the Fund will use to make loans to affordable and market-rate housing developers. In addition, the Fund received several grants used to support its operations, principally from Kaiser Permanente and the Community Foundation of Sonoma County.

By the close of the Reporting Period, the Fund had created and adopted the infrastructure required to support its lending program. The Fund’s Board of Directors, listed below, approved contracts with third-party service providers required to support the Fund’s management, fiscal operations, loan origination, and underwriting, and distributed its first Notice of Funding Availability (NOFA) in December. Interested applicants were required to submit their responses in January, with the Fund offering its first round of commitments to selected projects in Q1, 2022.



RED Housing Fund: Board of Directors Membership as of December 31, 2021¹

Board of Directors:

- 1) Veronica Ferguson – President
- 2) Todd Sheffield – Vice President
- 3) Amanda Ruch – Treasurer; Representative of the County of Sonoma
- 4) Michelle Whitman – Secretary; Representative of the Renewal Enterprise District
- 5) Betzy Chavez
- 6) Jen Klose

Advisors to the Board of Directors:

- 1) Chris Coursey – Third District Supervisor of the County of Sonoma

¹ Note that subsequent to the Reporting Period, the City of Santa Rosa appointed their representative, David Gouin, to the Fund's Board of Directors. The City of Santa Rosa also recommended that Council Member Victoria Fleming, current RED Board Member, serve as an advisory member to the Fund's Board.



PIPELINE AND PORTFOLIO UPDATE

The RED Housing Fund will support projects that are located within the RED’s jurisdiction and adhere to the RED Project Criteria, adopted by the Fund’s Board during the Reporting Period. These criteria outline four threshold criteria that all projects applying for funding from the Fund must meet. Additionally, projects must meet a minimum of one of the Evaluation Criteria as well, designed to help differentiate projects and outline additional RED priorities.

The four Threshold Criteria are:

- The project must be located on an infill site;
- The project must provide mid- to high-density housing development;
- The project must be located entirely within a Transit Priority Area, Priority Development Area, Rural Community Investment Area, Specific Plan Area, High-Quality Transit Corridor or Qualified Opportunity Zone; and
- The project must be residential or mixed-use residential.

The Evaluation Criteria include the project’s incorporation of:

- On-site affordable units;
- On-site workforce housing;
- On-site “Affordable by Design” units (units that are typically smaller than market-rate units, more efficient, or have fewer amenities);
- Proximity to transit;
- Energy-efficient features;
- Water-efficient features;
- Excellent and innovative design;
- On-site childcare;
- Prevailing wage;
- Public outdoor space;
- Bicycle or pedestrian connectivity and/or pedestrian access;
- Location within a disadvantaged community;
- Off-site construction of affordable housing, workforce housing, or units that are “affordable by design”; and
- Mixed-door housing.

Projects that meet the four Threshold Criteria and at least one of the Evaluation Criteria will have access to two types of financing, depending on whether the project is classified as “affordable” (for projects with units primarily restricted to up to 80% of area median income) or “middle income/market” (for projects with units restricted to 80-120% of area median income, market rate units, or projects with a mix of income levels).



For **affordable projects**, the Fund offers financing that may be used as a subordinate loan during all phases of the development process, from construction through permanent phase. For **middle income/market projects**, the Fund offers financing that may be used for construction financing that is subordinate to a conventional construction loan. When necessary, this loan may also convert to permanent financing, sized to a project's available cash flow after payment of required, first-position debt.

PIPELINE UPDATE

The Fund issued its first NOFA on December 21, 2021. With \$20 million in funding contributed by the City of Santa Rosa and the County of Sonoma, the Fund intends to collect applications in the following quarter that adhere to the RED Project Criteria, and review and score applications based on:

- The project's feasibility and competitiveness when compared to its peer applicants, as well as its ability to repay the Fund's loan;
- The project's readiness (whether the project has all required entitlements and approvals in hand and the project's readiness to begin construction);
- The completeness of the application; and
- Any other criteria related to the project's projected impact and community benefit, its promotion of racial, social, and economic equity, and its incorporation of multiple RED Evaluation Criteria, reviewed and scored at the Fund's discretion.

Responses to the NOFA were due January 31, 2022. Shortly thereafter, the Fund began a close review of the ten applications received from a mix of both affordable and market-rate developers. Across the ten applications received by the Fund, over \$32 million in financing was requested to support the development of 830 units. Based on the criteria described above, the Fund decided to offer preliminary term sheets to six projects (four affordable projects and two market-rate projects) by the close of Q1 2022. The Fund anticipates its first loans closing in the second and third quarters of FY 2022.

This Report is intended to provide an overview of the economic and community benefits the Fund provides to the City and County. As described above, while the Fund does not currently have a portfolio as of the close of the 2021 fiscal year, the projects it eventually intends to support will be located in close proximity to transit, retail, and other amenities, thereby offering safe, stable, and accessible housing to residents and promoting their greater overall wellbeing in their communities. The Fund will support these projects by providing loan products that project developers are otherwise unable to secure in the financing market – by providing these products, the Fund not only allows these projects to move forward, but also provides critical gap-filling capital that activates additional sources without burdening the projects' overall financial feasibility.



LENDING AND PORTFOLIO OVERVIEW:

Note that as of the close of the Reporting Period, the Fund had no loans in its portfolio.

Affordable Loans: Loans for projects in which units are restricted to incomes up to 80% AMI. Fund proceeds may be used to fund all phases of a project’s development process, from construction through permanent phase.

Loan	Address	Borrower	Total Units	Affordability Level(s)	Total Committed	Total Outstanding	Closing Date	Anticipated Maturity	Risk Rating
1									
Total:					\$0	\$0			

Middle Income/Market Loans: Loans for projects in which units are restricted to incomes up to 80-120% AMI, and market rate (or for a mix of income levels). Fund proceeds may be used for construction financing that is subordinate to a conventional construction loan, and if necessary, may convert to permanent financing.

Loan	Address	Borrower	Total Units	Affordability Level(s)	Total Committed	Total Outstanding	Closing Date	Anticipated Maturity	Risk Rating
1									
Total:					\$0	\$0			

Note: For subsequent quarterly reports, the Fund will include additional details related to specific project loans in an appendix.



FINANCIAL SUMMARY AND COVENANT COMPLIANCE

FINANCIAL SUMMARY

As a newly-formed start-up organization, the Fund had minimal revenue and expenses, and by the close of the Reporting Period the RED Housing Fund had just issued its first NOFA and commenced its lending program. Over time, the Fund anticipates generating revenue and incurring expenses related to the ongoing administration and management of its lending program.

The Fund’s Statement of Activities reflects the receipt of grant revenue from two of the Fund’s mission-motivated supporters – Kaiser Permanente, a local healthcare provider, and the Community Foundation of Sonoma County. These grants are intended to support the Fund’s operating expenses before the Fund’s lending program begins to generate revenue. In addition, the value of the Fund’s discounted debt is represented as contribution income on the Fund’s Statement of Activities, in accordance with the required accounting treatment. The Fund’s expenses during the Reporting Period were primarily related to payments for insurance and fees related to third-party services providers.

During the Reporting Period, the Fund closed on its primary sources of lending capital – a \$10 million loan from the City of Santa Rosa, and a \$10 million forgivable loan from the County of Sonoma. Note that the capital from the County of Sonoma is represented as a loan payable on the Fund’s balance sheet as the Fund is required to adhere to specific financial covenants as a condition for its forgiveness. This loan will be forgiven in equal, annual installments over the loan’s twenty-year term if the Fund abides by the covenants set forth in its loan agreement. In addition, due to the nature of these loans, the required accounting treatment dictates that they be treated as “below market interest rate loans” and therefore be discounted from face value based on the Fund’s imputed interest rate. This results in the Fund incurring an interest expense as the debt discount amortizes over time. For additional information, please see the Notes to Financial Statements in the Fund’s audited financials.

Financial Statements Summary	Revenue	\$6,760,926	Assets	\$20,342,322
	Expenses	\$209,454	Liabilities	\$13,790,850
	Net Income	\$6,551,472	Net Assets	\$6,551,472

Gross Capital Commitments from Investors	
Total Capital Committed	\$20,000,000
Undrawn	\$0
Total Capital Drawn	\$20,000,000

The Fund’s audited financial statements, completed by Pisenti & Brinker LLP, are included as Appendix 1 of this report.



COVENANT COMPLIANCE

The Fund is required to adhere to certain covenants as detailed in its respective loan agreements. These covenants, as well as the Fund's compliance with each, are further detailed below based on the specific lender agreement.

Note that while the types of covenants required by the Fund's investors are described below, as of the close of the Reporting Period, the Fund did not have any loans in its portfolio. Therefore, the Fund remains in compliance with the covenants outlined in its loan agreements with the City of Santa Rosa and the County of Sonoma.

County of Sonoma – Loan Agreement

Covenants:

- **Geographic Location:** Projects financed or otherwise assisted with Loan Proceeds must be consistent with RED Project Criteria.
- **Affordability Criteria:** On an aggregate basis over the term of the Loan, at least 25% of residential units in projects financed or otherwise assisted with Loan Proceeds must be affordable to households of low- or moderate-income as defined in the California Health & Safety Code or applicable federal law or regulation.
- **Limitation on Short-Term Rental:** In the documentation for loans, credit enhancements, loan guarantees, and other financial assistance the Fund provides to projects supported with Loan Proceeds, the Fund shall include a requirement that for a period of 5 years following initial occupancy, the project may not provide short-term rentals. For the purpose of this requirement "short-term rental" means a stay of 30 days or less that is not subject to transient occupancy tax, or a substantially similar definition as set forth in the County's regulations.
- **Limitation on Soft Cost Financing:** On an aggregate basis over the term of the Loan, no more than 15% of Loan Proceeds may be used to pay for soft costs for any project that does not include Affordable Units.

City of Santa Rosa – Loan Agreement

Covenants:

- **Geographic Location:** Projects financed or otherwise assisted with Loan Proceeds must be consistent with RED Project Criteria. Loan Proceeds are initially only eligible to fund projects located within the City's geographic borders. Once a project has repaid its loan and capital is returned to the Fund, the Fund will be able to recycle the proceeds and support projects throughout Sonoma County, provided



that the Fund must continue to provide financing to projects in Santa Rosa in proportion to the share of the Fund's total available investable capital that is attributable to the City of Santa Rosa's loan to the Fund.

- **Limitation on Soft Cost Financing:** For projects containing no Affordable Units (units affordable to households of low- or moderate-income as defined in the California Health & Safety Code or applicable law or federal regulation), no more than 15% of the Loan Proceeds used to fund that project may be used to fund soft costs for that project. For projects restricting at least 10% of the project as Affordable Units, no more than 25% of Loan Proceeds used to fund that project may be used to fund soft costs for that project.
- **Limitation on Short-term Rentals:** Any project funded by the Lender's Loan Proceeds must include clear and express language in the project loan documents prohibiting short term rentals for the term of the project loan. Short Term Rentals shall mean a rental stay of 30 days or less.



APPENDIX 1: FUND FINANCIAL DETAILS



*For the period from July 7, 2021 (commencement of operations)
through December 31, 2021*

**Financial Statements
and
Independent Auditor's Report**



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Auditor's Report

The Board of Directors
RED Housing Fund
Santa Rosa, California

Opinion

We have audited the accompanying financial statements of RED Housing Fund (the “Organization”), which comprise the statement of financial position for the period from July 7, 2021 (commencement of operations) through December 31, 2021, the related statements of activities, functional expenses, and cash flows for the period then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization for the period from July 7, 2021 through December 31, 2021, and the changes in its net assets and its cash flows for the period 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 the Organization 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 these financial statements in accordance with accounting principles generally accepted in the United States of America. This responsibility 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.

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 the Organization’s ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Independent Auditor's Report (continued)

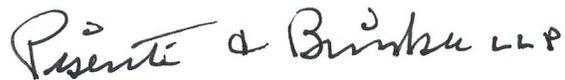
Auditor's Responsibilities for the Audit of the Financial Statements

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 the Organization'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 the Organization'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.

A handwritten signature in black ink that reads "Presenti & Brinku LLP". The signature is written in a cursive, flowing style.

Santa Rosa, California
June 17, 2022

RED Housing Fund
Statement of Financial Position

December 31, 2021

Assets

Current assets

Cash and cash equivalents \$ 20,342,322

Liabilities and net assets

Current liabilities

Accounts payable \$ 25,836

Noncurrent liabilities

Long-term loans, net of debt discount on below market rate loans 13,765,014

Total liabilities 13,790,850

Net assets

Without donor restrictions 316,486

With donor restrictions 6,234,986

Total net assets 6,551,472

Total liabilities and net assets \$ 20,342,322

See accompanying notes

**RED Housing Fund
Statement of Activities**

For the period from July 7, 2021 through December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Grant and contribution income	\$ 487,000	\$ 6,273,926	\$ 6,760,926
Net assets released from time restrictions	38,940	(38,940)	-
Total revenue	525,940	6,234,986	6,760,926
Expenses			
Program	143,940	-	143,940
Management and general	65,514	-	65,514
Total expenses	209,454	-	209,454
Changes in net assets	316,486	6,234,986	6,551,472
Net assets at beginning of period	-	-	-
Net assets at end of period	\$ 316,486	\$ 6,234,986	\$ 6,551,472

See accompanying notes

RED Housing Fund
Statement of Functional Expenses

For the period from July 7, 2021 through December 31, 2021

	Program	Management and General	Total
Consulting	\$ 105,000	\$ 45,000	\$ 150,000
Interest	38,940	-	38,940
Management fees	-	12,500	12,500
Legal	-	7,586	7,586
Other	-	428	428
Total expenses	\$ 143,940	\$ 65,514	\$ 209,454

See accompanying notes

RED Housing Fund
Statement of Cash Flows

For the period from July 7, 2021 through December 31, 2021

	Increase in cash and cash equivalents
Cash flows from operating activities	
Change in net assets	\$ 6,551,472
Adjustments to reconcile net assets to cash provided by operating liabilities:	
Debt discount on below market rate loans	(6,273,926)
Amortization of debt discount on below market rate loans	38,940
Increase in operating liabilities:	
Accounts payable	25,836
<hr/>	
Net cash provided by operating activities	342,322
<hr/>	
Cash flows from financing activities	
Proceeds from loan-term loans	20,000,000
<hr/>	
Net increase in cash and cash equivalents	20,342,322
<hr/>	
Cash and cash equivalents at beginning of period	-
<hr/>	
Cash and cash equivalents at end of period	\$ 20,342,322

See accompanying notes

For the period from July 7, 2021 through December 31, 2021

Note A. Nature of the Organization

RED Housing Fund (the “Organization”) is a not-for-profit organization that proposes building not just homes, but communities to support sustainable living in a rapidly changing world. The Organization intends to offer flexible financing to support the development of housing across income levels by offering subordinate loans to developers in Sonoma County that have projects meeting the Organization’s criteria: located on an infill site, mid to high-density development, residential or mixed-use residential, and situated within a transit-rich or planned area. The Organization is structured to be an efficient, effective, and a sustainable organization prepared to facilitate creation of housing that meets shared public policy and community-wide goals including increased density, transit-oriented development, protection of open space and community separators, improved energy efficiency, climate resilience and affordability, and equity. The Organization will jump-start the shared vision of the City of Santa Rosa and the County of Sonoma to harness regional action to meet our community’s diverse housing needs and to protect the environment, support economic vitality, and improve the quality of life for all the region’s residents.

Note B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets, revenues and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor or net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Net Assets Released From Restriction – Net assets with donor restrictions are released to net assets without donor restrictions when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Net Assets

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization.

Net assets with donor restrictions represent amounts received or committed with donor restrictions, which have not been expended for their designated purpose (purpose restricted) or amounts for general use in future periods (time restricted) or both.

For the period from July 7, 2021 through December 31, 2021

Note B. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization maintains cash balances with financial institutions. Funds are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Through the ordinary course of business, the Organization may have cash balances in excess of FDIC limits. Management has not experienced any losses related to these balances and believes the risk to be minimal.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support, and expenses. Actual results could differ from those estimates.

Grants and Contributions

Grants and contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. The Organization reports gifts and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are fulfilled or expire within the same reporting period are reported as contributions without donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current year or is received with permanent donor restrictions. Conditional promises are not recognized until all conditions on which they depend are substantially met.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d). However, the Organization is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption, commonly referred to as unrelated business income. No income tax provision has been recorded for the period from July 7, 2021 through December 31, 2021, since management determined that the Organization had no unrelated business income.

Imputed Interest Expense

The Organization uses the long-term Applicable Federal Rate to determine the imputed interest on below market interest rate loans.

For the period from July 7, 2021 through December 31, 2021

Note B. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. These expenses are allocated on the basis of estimates of time and effort.

Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. This standard requires entities that lease assets to recognize on the statement of financial position, the assets and liabilities for the rights and obligations created by those leases. For nonpublic companies the new guidance will be required for annual reporting periods beginning after December 15, 2021, and interim and annual reporting periods after those reporting periods. Nonpublic companies and organizations may elect early application, but no earlier than the effective date for public entities. The Organization is currently evaluating the impact of this new guidance on its financial statements.

New Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which distinguishes the difference between contributions and exchange transactions. This ASU is effective for fiscal years beginning after December 15, 2019, with early application permitted. The Organization adopted this standard during the year ended December 31, 2021, which did not have a significant impact on the financial statements.

Note C. Liquidity

Financial assets are considered unavailable due to donor-imposed restrictions or the governing board has set aside funds for internal designations. Amounts available include donor-restricted amounts that will meet purpose restrictions within the next twelve months from the statement of financial position date. The Organization operates with a balanced budget and anticipates covering its general expenditures with existing working capital and by maintaining and expanding existing programs and relationships with funders who have provided donations without restrictions and are willing to provide multi-year grants. The Organization does not have any donor-imposed restrictions that affect liquidity for the period July 7, 2021 through December 31, 2021.

Note D. Long-Term Loan Payables

The Organization received a loan at a 0.00% interest rate from a municipal corporation for \$10,000,000 on October 29, 2021. The outstanding principal balance is payable in full in one lump-sum payment on October 29, 2041. The loan proceeds shall be used solely to provide financing to support the development of housing projects that are consistent with project criteria adopted by the Board of Directors of Renewal Enterprise District (“RED”) and consistent with the lender’s requirements.

For the period from July 7, 2021 through December 31, 2021

Note D. Long-Term Loan Payables (continued)

The Organization received a loan at a 0.00% interest rate from another municipal corporation for \$10,000,000 on November 4, 2021. The outstanding principal balance is payable in full in one lump-sum payment on November 4, 2041. The loan proceeds shall be used solely to provide financing to support the development of housing projects that are consistent with project criteria adopted by the Board of Directors of Renewal Enterprise District (“RED”) and consistent with the lender’s requirements. All or a portion of the loan may be forgiven in accordance with the loan requirements, however, it is uncertain how much, if any, will be forgiven at the time these financial statements were available to be issued.

Both loans received were at below market interest rates. Debt discount and donor restricted contributions of \$3,136,963 were recorded for each loan based on management’s estimated imputed interest rate of 1.9%. During the period from July 7, 2021 through December 31, 2021, \$20,363 and \$18,577 of debt discount was amortized to interest expense, respectively.

Note E. Net Assets

Net assets with donor restrictions represent amounts received or committed with donor restrictions, which have not yet been expended for their designated purpose (purpose-restricted) or amounts for general use in future periods (time restricted). Net assets consisted of the following:

For the period from July 7, 2021 through December 31, 2021

With donor restrictions:	
Implicit time restriction	\$ 6,234,986
<hr/>	
Total net assets with donor restrictions	6,234,986
Without donor restrictions:	
Undesignated	316,486
<hr/>	
Total net assets without donor restrictions	316,486
<hr/>	
Net assets	\$ 6,551,472

Net assets were released from donor restrictions by incurring expenses that satisfy the restricted purpose or by occurrence of the passage of time or other events specified by the donor. During the period from July 7, 2021 through December 31, 2021, \$38,940 were released from restrictions as the passage of time restrictions were met.

Note F. Subsequent Events

The Organization has evaluated subsequent events through June 17, 2022, the date on which the financial statements were available to be issued.