

EXPENDITURE RESPONSIBILITY REPORT

Program-Related Investment Annual Report

Civic Engine Guaranty Fund, LLC

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Report Period	Calendar Year [YEAR]
Report Date	[DATE]
Foundation Investor	[FOUNDATION NAME]
PRI Commitment	[\$[AMOUNT]]
Report Prepared By	Arnold Holdings LLC

Purpose of This Report

This Expenditure Responsibility Report is provided to [FOUNDATION NAME] (the "Foundation") pursuant to the Foundation's expenditure responsibility requirements under Internal Revenue Code Section 4945(h) and Treasury Regulations Section 53.4945-5(c).

The Foundation made a Program-Related Investment ("PRI") in Civic Engine Guaranty Fund, LLC (the "Fund") in the amount of \$[AMOUNT] on [DATE]. This report provides information on the use of PRI funds and progress toward the charitable purposes for which the PRI was made.

Section 1: PRI Investment Summary

Investment Details

Item	Details
PRI Amount	[\$AMOUNT]
Investment Date	[DATE]
Investment Type	LLC Membership Interest
Current Capital Account Balance	[\$AMOUNT]
Accumulated Returns (Retained)	[\$AMOUNT]
Distributions Received to Date	[\$AMOUNT]
Return Rate (Net, Annualized)	[X]%

Charitable Purposes of the PRI

The PRI was made to accomplish the following charitable purposes:

1. **Affordable Housing Production** — Enable construction of ~1,600 LIHTC-qualified affordable housing units serving households at 30-60% of Area Median Income in Kansas City, Missouri
1. **Environmental Sustainability** — Reduce carbon emissions through Passive House construction (70% energy reduction) and a 52 MW Thermal Energy Network (geothermal system providing \$2.4M annual resident energy savings)
1. **Community Economic Development** — Support economic development in a designated Energy Community (North Loop district in Downtown Kansas City) through creation of jobs and housing

Section 2: Use of PRI Funds

Fund-Level Deployment

Category	Amount	% of PRI
U.S. Treasury Securities	[\$AMOUNT]	[X]%
Operating Reserves	[\$AMOUNT]	[X]%
Fund Expenses (cumulative)	[\$AMOUNT]	[X]%
Total	[\$AMOUNT]	100%

Treasury Portfolio Composition

All PRI funds not held in operating reserves are invested in U.S. Treasury securities as follows:

Security Type	Amount	Yield	Purpose
Treasury Bills	[\$X]	[X]%	Short-term liquidity
Treasury Notes	[\$X]	[X]%	Guarantee backing
Total	[\$X]	[X]%	

Guarantee Deployment

The Fund's Treasury holdings provide collateral for construction loan guarantees:

Project	Construction Loan	Guarantee Amount	Status
Civic Engine	[\$X]	[\$X]	[Active]
Total Guarantees Outstanding	[\$X]		

Guarantee Performance: No draws have been made on Fund guarantees. No loss events have occurred.

Section 3: Progress Toward Charitable Purposes

3.1 Affordable Housing Production

Metric	Target	Progress	Status
Total Housing Units	2,000	[X]	[On Track / % Complete]
LIHTC Affordable Units	800	[X]	[On Track / % Complete]
Units at 30% AMI	240	[X]	[On Track / % Complete]
Units at 50% AMI	320	[X]	[On Track / % Complete]
Units at 60% AMI	240	[X]	[On Track / % Complete]

Narrative Update:

[Description of construction progress, lease-up status, and any material developments related to affordable housing production]

3.2 Environmental Impact

Metric	Annual Target	Progress	Status
CO ₂ Emissions Avoided	4,000 tons	[X] tons	[On Track / Projected]
Passive House Energy Reduction	70%	[X]%	[On Track / In Design]
Thermal Energy Network	52 MW	[X] MW	[On Track / Under Construction]

Narrative Update:

[Description of environmental impact progress, Passive House construction, Thermal Energy Network installation]

3.3 Community Economic Development

Metric	Target	Progress	Status
Construction Jobs	[X]	[X]	[X]%
Permanent Jobs	[X]	[X]	[X]%
Local/MBE Contracting	[X]%	[X]%	[On Track]

Energy Community Designation:

The North Loop district qualifies as an Energy Community under the Inflation Reduction Act, providing enhanced Investment Tax Credits of up to 50% for clean energy investments.

Section 4: Compliance Certifications

4.1 Primary Purpose Test

The Fund confirms that the primary purpose of the PRI investment continues to be the accomplishment of charitable purposes rather than the production of income or appreciation of property.

- **CONFIRMED:** The Fund's activities remain focused on enabling affordable housing and clean energy development
- **CONFIRMED:** No change in fund strategy that would affect charitable purpose qualification

4.2 No Significant Purpose Test

The Fund confirms that no significant purpose of the PRI investment is:

- **CONFIRMED:** No lobbying activities conducted
- **CONFIRMED:** No electioneering or political campaign activities
- **CONFIRMED:** No grants to individuals for travel, study, or similar purposes

4.3 Investment Restrictions

- **CONFIRMED:** Fund has not made investments that would constitute jeopardizing investments under IRC 4944 if made directly by the Foundation
- **CONFIRMED:** All investments are consistent with PRI qualification standards

4.4 Use of Funds Certification

- **CONFIRMED:** All PRI funds have been used exclusively for the charitable purposes specified
- **CONFIRMED:** No diversion of funds to non-charitable purposes
- **CONFIRMED:** No personal benefit to disqualified persons

Section 5: Financial Summary

Investment Performance

Period	Gross Return	Net Return (to Foundation)
Current Year	[X]%	[X]%
Cumulative (Since Investment)	[X]%	[X]%
Target	4.5%	~4.35%

Capital Account Growth (Retained Earnings Model)

The Fund retains net Treasury interest income within the Fund, compounding the capital base to support the capital recycling mechanism. Distributions are made at Fund termination or upon partial redemption events.

Component	Amount
Original PRI Investment	[\$AMOUNT]
Accumulated Retained Returns	[\$AMOUNT]
Distributions Received to Date	[\$AMOUNT]
Current Capital Account Value	[\$AMOUNT]

Metric	Current Year	Cumulative
Net Return Rate (Annualized)	[X]%	[X]%
Capital Account Growth	[\$X]	[\$X]

Section 6: Material Changes and Developments

Changes in Fund Operations

- No material changes in fund operations during the reporting period

OR

- Material changes occurred as follows: [DESCRIPTION]

Changes in Project Status

[Description of any material changes to the Civic Engine project, construction status, or other factors affecting charitable purpose achievement]

Regulatory or Legal Developments

- No material regulatory or legal developments affecting the Fund or PRI qualification

OR

- Material developments as follows: [DESCRIPTION]

Section 7: Risk Assessment

Current Risk Factors

Risk	Status	Mitigation
Construction Risk	[Low/Medium/High]	[Description]
Lease-Up Risk	[Low/Medium/High]	[Description]
Interest Rate Risk	[Low/Medium/High]	[Description]
Regulatory Risk	[Low/Medium/High]	[Description]

PRI Qualification Risk

Assessment: [Low/Medium/High]

The Fund continues to qualify as a PRI under IRC 4944(c) based on:

- Primary purpose remains charitable (affordable housing, environmental benefit)
- Investment structure provides below-market risk-adjusted returns
- No significant non-charitable purposes

Section 8: Looking Ahead

Next Year Milestones

Milestone	Target Date	Impact on Charitable Purpose
[Milestone 1]	[DATE]	[Description]
[Milestone 2]	[DATE]	[Description]
[Milestone 3]	[DATE]	[Description]

Projected Charitable Impact (Next 12 Months)

- Housing units expected to reach construction completion: [X]
- Projected CO₂ avoided (once operational): [X] tons
- Projected rent savings for affordable unit residents: \$[X]

Certification

I, Jonathan Arnold, as authorized representative of Arnold Holdings LLC, the Manager of Civic Engine Guaranty Fund, LLC, hereby certify that:

1. The information contained in this Expenditure Responsibility Report is true and accurate to the best of my knowledge
1. The Fund has complied with all terms and conditions of the Foundation's PRI investment
1. PRI funds have been used exclusively for the charitable purposes specified
1. The Fund continues to operate in a manner consistent with its qualification as a Program-Related Investment under IRC 4944(c)
1. There are no material facts or circumstances that would affect the Foundation's decision to maintain its PRI investment that have not been disclosed in this report

CIVIC ENGINE GUARANTY FUND, LLC

By: Arnold Holdings LLC, its Manager

Jonathan Arnold

Managing Member

Date: [DATE]

Attachments

- Attachment A: Audited Financial Statements (if available)
- Attachment B: Quarterly Investor Reports for [YEAR]
- Attachment C: Project Construction Progress Report
- Attachment D: Impact Metrics Supporting Documentation

Contact Information

For questions regarding this Expenditure Responsibility Report:

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This report is provided solely for the Foundation's expenditure responsibility compliance purposes and should not be shared without prior written consent from the Fund.

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