Partner Community Capital, Inc.

Financial Report
December 31, 2024 and 2023

Contents

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partner Community Capital, Inc.

REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Partner Community Capital, Inc. ("PCAP") which comprise the statements of financial position as of December 31, 2024 and 2023 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Partner Community Capital, Inc. as of December 31, 2024 and 2023, 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.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 PCAP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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, 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 PCAP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

NASHVILLE
615-242-7351
555 Great Circle Road
Nashville, TN 37228

CHATTANOOGA
423-894-7400
6136 Shallowford Road, Suite 101
Chattanooga, TN 37421

COLUMBIA
931-388-3711
610 North Garden Street, Suite 200
Columbia, TN 38401

LEBANON
615-449-2334
105 Bay Court
Lebanon, TN 37087

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 and *Government Auditing Standards,* 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, internal 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 and *Government Auditing Standards*, 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 PCAP'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 PCAP'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.

Other Reporting Requirements by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of PCAP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCAP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCAP's internal control over financial reporting and compliance.

KraftCPAs PLLC

Nashville, Tennessee
March 27, 2025

Partner Community Capital, Inc.

Statements of Financial Position
December 31, 2024 and 2023

		2024		2023
Assets				
Current assets:				
Cash and cash equivalents	**$**	**27,085,345**	$	20,568,299
Accounts receivable		**650**		3,478
Prepaid expenses		**72,508**		57,716
Promises to give		**1,094,167**		2,325,462
Loans receivable, net of $773,066 and $373,358 at December 31, 2024 and 2023, respectively		**10,280,994**		12,603,606
Accrued interest and fees receivable		**808,943**		519,532
Total current assets		**39,342,607**		36,078,093
Noncurrent assets:				
Cash and cash equivalents – restricted		**3,472,828**		3,694,272
Intangible assets		**81,147**		27,791
Other asset		**2,620,760**		2,736,842
Operating leases, right-of-use asset		**76,505**		47,634
Loans receivable, net of $5,031,009 and $1,647,292 at December 31, 2024 and 2023, respectively		**66,659,036**		55,518,553
Total noncurrent assets		**72,910,276**		62,025,092
Total assets	**$**	**112,252,883**	$	98,103,185
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	**$**	**261,762**	$	116,803
Accrued personnel and related expenses		**650,017**		545,959
Funds held for others		**42,139**		42,139
Current maturities of operating lease liabilities		**30,179**		48,622
Current maturities of secured borrowings, participations		**1,968,935**		3,793,186
Accrued interest payable		**165,957**		185,629
Deferred revenue		**1,299,183**		1,669,843
Current maturities of notes payable		**8,334,892**		7,324,485
Current maturities of subordinated notes payable		**900,000**		400,000
Total current liabilities		**13,653,064**		14,126,666
Operating lease liabilities, less current maturities		**46,940**		-
Secured borrowings, participations		**16,797,380**		13,320,686
Notes payable, net		**32,701,706**		28,684,010
Subordinated notes payable		**4,900,000**		5,400,000
Total noncurrent liabilities		**54,446,026**		47,404,696
Total liabilities		**68,099,090**		61,531,362
Commitments and contingencies (Note 14)				
Net assets:				
Without donor restrictions		**26,061,278**		22,027,859
With donor restrictions		**18,092,515**		14,543,964
Total net assets		**44,153,793**		36,571,823
Total liabilities and net assets	**$**	**112,252,883**	$	98,103,185

Cash and cash equivalents-restricted
`

See notes to financial statements.

Partner Community Capital, Inc.

Statements of Activities
Years ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Financial activity:						
Financial income:						
Loan interest revenue	**$ 5,403,968**	**$ -**	**$ 5,403,968**	$ 4,465,045	$ -	$ 4,465,045
Fee income on loans, net	**378,852**	**-**	**378,852**	303,560	-	303,560
Interest income	**884,309**	**-**	**884,309**	676,791	-	676,791
Total financial income	**6,667,129**	**-**	**6,667,129**	5,445,396	-	5,445,396
Financial expenses:						
Provision for credit losses	**5,190,360**	**-**	**5,190,360**	442,634	-	442,634
Interest expense	**2,211,555**	**-**	**2,211,555**	1,733,786	-	1,733,786
Total financial expenses	**7,401,915**	**-**	**7,401,915**	2,176,420	-	2,176,420
Net financial income	**(734,786)**	**-**	**(734,786)**	3,268,976	-	3,268,976
Revenue and support:						
Grants and contributions	**7,347,433**	**4,360,750**	**11,708,183**	128,691	4,430,354	4,559,045
In-kind services - Forgiven interest	**29,673**	**-**	**29,673**	43,063	-	43,063
Government grants	**1,014,018**	**2,226,652**	**3,240,670**	4,530,694	3,000,474	7,531,168
Project income	**62,587**	**-**	**62,587**	53,211	-	53,211
Net assets released from restriction	**3,038,851**	**(3,038,851)**	**-**	3,366,363	(3,366,363)	-
Total revenue and support	**11,492,562**	**3,548,551**	**15,041,113**	8,122,022	4,064,465	12,186,487
Expenses:						
Program services:						
Lending	**3,150,318**	**-**	**3,150,318**	2,449,658	-	2,449,658
Strategic initiatives	**2,913,223**	**-**	**2,913,223**	2,124,134	-	2,124,134
Total program services	**6,063,541**	**-**	**6,063,541**	4,573,792	-	4,573,792
Supporting services:						
Management and general	**610,275**	**-**	**610,275**	388,035	-	388,035
Fundraising	**50,541**	**-**	**50,541**	38,034	-	38,034
Total supporting services	**660,816**	**-**	**660,816**	426,069	-	426,069
Total expenses	**6,724,357**	**-**	**6,724,357**	4,999,861	-	4,999,861
Change in net assets	**4,033,419**	**3,548,551**	**7,581,970**	6,391,137	4,064,465	10,455,602
Net assets:						
Beginning of year	**22,027,859**	**14,543,964**	**36,571,823**	15,636,722	10,479,499	26,116,221
End of year	**$ 26,061,278**	**$ 18,092,515**	**$ 44,153,793**	$ 22,027,859	$ 14,543,964	$ 36,571,823

See notes to financial statements.

Partner Community Capital, Inc.

Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services			Supporting Services		
	Lending	Strategic Initiatives	Total Program	Management and General	Fundraising	Total
Personnel and related expenses, net	$ 2,286,373	$ 1,240,067	$ 3,526,440	$ 310,016	$ 38,752	$ 3,875,208
Provision for credit loss	5,190,360	-	5,190,360	-	-	5,190,360
Interest expense	2,181,882	-	2,181,882	-	-	2,181,882
In-kind services - Interest expense	29,673	-	29,673	-	-	29,673
Technical assistance	-	1,365,329	1,365,329	-	-	1,365,329
Loan workout expense - Non-legal	20,418	-	20,418	-	-	20,418
Legal fees	64,553	-	64,553	31,703	-	96,256
Professional fees	174,205	81,461	255,666	157,272	4,825	417,763
Employee travel	56,446	30,615	87,061	7,654	957	95,672
Loan origination expense, net	70,945	-	70,945	-	-	70,945
Office expense	65,165	35,344	100,509	8,836	1,104	110,449
Computer software maintenance services	116,323	63,091	179,414	15,772	1,972	197,158
Rent	96,256	52,206	148,462	13,052	1,631	163,145
Amortization expense	7,722	4,188	11,910	1,047	131	13,088
Conference, convention, meeting	16,735	9,077	25,812	2,269	284	28,365
Insurance	-	-	-	33,766	-	33,766
Reporting and filing fees	11,481	-	11,481	-	-	11,481
Bad debt expense	63,868	-	63,868	-	-	63,868
Bank charges	-	-	-	21,810	-	21,810
Marketing	37,160	23,680	60,840	5,038	630	66,508
Employee training and development	15,055	8,165	23,220	2,040	255	25,515
Other lending costs	47,613	-	47,613	-	-	47,613
Total expense	$ 10,552,233	$ 2,913,223	$ 13,465,456	$ 610,275	$ 50,541	$ 14,126,272
Less expenses included with financial activity on the statement of activities	(7,401,915)	-	(7,401,915)	-	-	(7,401,915)
Total expense included with expenses on the statement of activities	$ 3,150,318	$ 2,913,223	$ 6,063,541	$ 610,275	$ 50,541	$ 6,724,357

See notes to financial statements.

Partner Community Capital, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Lending	Strategic Initiatives	Total Program	Management and General	Fundraising	Total
Personnel and related expenses, net	$ 1,905,197	$ 1,065,619	$ 2,970,816	$ 226,040	$ 32,291	$ 3,229,147
Provision for credit loss	442,634	-	442,634	-	-	442,634
Interest expense	1,690,723	-	1,690,723	-	-	1,690,723
In-kind services - Interest expense	43,063	-	43,063	-	-	43,063
Technical assistance	-	868,914	868,914	-	-	868,914
Loan workout expense - Non-legal	19,313	-	19,313	-	-	19,313
Legal fees	74,980	-	74,980	21,946	-	96,926
Professional fees	1,466	-	1,466	50,123	-	51,589
Employee travel	46,578	26,052	72,630	5,526	789	78,945
Loan origination expense, net	40,950	-	40,950	-	-	40,950
Office expense	59,324	33,181	92,505	7,039	1,005	100,549
Computer software maintenance services	102,206	57,166	159,372	12,127	1,732	173,231
Rent	79,671	44,562	124,233	9,452	1,350	135,035
Conference, convention, meeting	11,523	6,445	17,968	1,367	195	19,530
Insurance	-	-	-	34,560	-	34,560
Reporting and filing fees	14,903	-	14,903	-	-	14,903
Bank charges	-	-	-	15,146	-	15,146
Marketing	37,662	21,065	58,727	4,469	638	63,834
Employee training and development	2,021	1,130	3,151	240	34	3,425
Other lending costs	53,864	-	53,864	-	-	53,864
Total expense	$ 4,626,078	$ 2,124,134	$ 6,750,212	$ 388,035	$ 38,034	$ 7,176,281
Less expenses included with financial activity on the statement of activities	(2,176,420)	-	(2,176,420)	-	-	(2,176,420)
Total expense included with expenses on the statement of activities	$ 2,449,658	$ 2,124,134	$ 4,573,792	$ 388,035	$ 38,034	$ 4,999,861

See notes to financial statements.

Partner Community Capital, Inc.

Statements of Cash Flows
Years Ended December 31, 2024 and 2023

		2024		2023
Cash flows from operating activities:				
Change in net assets	**$**	**7,581,970**	$	10,455,602
Adjustments to reconcile increase in net assets to				
net cash provided by operating activities:				
Provision for credit losses - loans receivable		**6,299,502**		548,172
Provision for credit losses - secured borrowings participations		**(1,109,142)**		(105,538)
Implied interest expense		**4,240**		4,522
Contributions restricted for long-term purposes		**(110,000)**		(704,599)
Amortization of debt acquisition costs		**47,613**		54,739
Amortization of deferred loan (fees)		**(53,948)**		(68,486)
Amortization of intangible asset		**13,088**		-
Capitalization of interest expense		**96,100**		37,858
Changes in operating assets and liabilities:				
Accounts receivable		**2,828**		21,867
Prepaid expenses		**(14,792)**		(3,361)
Promises to give		**1,231,295**		(1,192,672)
Accrued interest and fees receivable		**(289,411)**		(223,527)
Operating leases, right-of-use assets		**62,152**		64,321
Accounts payable		**144,959**		49,120
Accrued personnel and related expenses		**104,058**		123,546
Funds held for others		**-**		(1,427)
Accrued interest payable		**(19,672)**		51,443
Deferred revenue		**(370,660)**		375,634
Operating lease liabilities		**(62,526)**		(64,429)
Net cash provided by operating activities		**13,557,654**		9,422,785
Cash flows from investing activities:				
Cash disbursements on loans receivable		**(24,984,949)**		(17,955,931)
Principal collections on loans receivable		**9,144,463**		9,389,989
Proceeds from the sale of loans receivable		**1,000,000**		-
Repayment on the sale of loans receivable		**(222,939)**		(290,608)
Purchase of other asset		**(284,297)**		(1,934,247)
Redemption of other asset		**400,379**		-
Purchase of intangible asset		**(66,444)**		(27,791)
Net cash used in investing activities		**(15,013,787)**		**(10,818,588)**
Cash flows from financing activities:				
Proceeds from issuance of notes payable		**6,066,173**		7,387,995
Repayments of notes payable		**(1,153,825)**		(2,055,419)
Payment of debt acquisition costs		**(32,198)**		(51,128)
Advances on secured borrowings, participations		**5,595,861**		4,262,944
Repayments on secured borrowings, participations		**(2,834,276)**		(1,413,944)
Contributions restricted for long-term purposes		**110,000**		704,599
Net cash provided by financing activities		**7,751,735**		8,835,047
Net increase in cash and cash equivalents		**6,295,602**		7,439,244
Cash and cash equivalents:				
Beginning of year		**24,262,571**		16,823,327
End of year	**$**	**30,558,173**	$	24,262,571
Cash and cash equivalents–unrestricted	**$**	**27,085,345**	$	20,568,299
Cash and cash equivalents-restricted		**3,472,828**		3,694,272
	$	**30,558,173**	$	24,262,571
Supplemental disclosure of cash flow information:				
Cash paid for interest	**$**	**2,231,227**	$	1,682,343
Cash payment on operating leases	**$**	**81,015**	$	71,219
Supplemental schedule of noncash operating activities				
ROU asset obtained in exchange for new operating lease liability	**$**	**91,023**	$	-

See notes to financial statements.

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Partner Community Capital, Inc. (PCAP) is a certified community development financial institution that provides financing for and technical assistance to triple-bottom line small businesses and critical community infrastructure. PCAP is headquartered in West Virginia, but it also conducts business activities in North Carolina, portions of South Carolina, and the Appalachian counties in Maryland, Virginia, Tennessee, Ohio and Kentucky.

PCAP's activities include the following two program areas:

Lending program: PCAP is a specialized, niche lender for start-up and early stage small businesses in underserved markets. The primary goal of its loan programs is to create or retain full-time private sector jobs. PCAP provides microloans in amounts from $1,000 to $50,000 and business loans sized from $50,000 to $1.5 million. PCAP is approved as a United States Department of Agriculture (USDA) Business & Industry (B&I) Guaranteed Lender, giving it the ability to participate in transactions up to $2.5 million.

PCAP's business clients are predominantly located in economically distressed rural communities that are unable to access capital from traditional sources. Target sectors include, but are not limited to: environmental services, local food system infrastructure, heritage and recreation-based tourism, value-added agriculture, renewable energy, energy efficiency, recycling, water conservation and treatment, secondary forest products, natural medicines, green building and critical community services.

Strategic initiatives program: PCAP's strategic initiatives use targeted funding and partnerships with small business-related or sector-specific community partners to devote added resources to particular sectors or constituencies within PCAP's stated mission. These initiatives frequently combine PCAP's loan capital with a) targeted business advisory services and/or b) grant funding from partners in order to ensure borrower success and "buy down" the cost of critical infrastructure or services for the constituencies PCAP seeks to serve.

Basis of presentation: PCAP prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which have been applied on a consistent basis and follow general practices within the nonprofit industry. A description of the net asset classes is as follows:

Net assets without donor restrictions: All resources over which the governing board has discretionary control. The governing board of PCAP may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Restriction will be released when the requirements of the donor or grantor have been satisfied through expenditure for the specified purpose of the program or through the passage of time.

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor contributions to be used for loan capital are recorded by PCAP in its loan capital revolving fund as perpetual in nature. The funds are used to provide financing capital to qualifying businesses. The loan capital revolving fund is replenished as the loan principal is repaid. In the event that a note receivable funded by contributions that are perpetual in nature, becomes uncollectible, PCAP writes off the uncollectible amount (loss) against the net assets.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents: PCAP classifies cash and money market funds with original maturities of 90 days or less as cash and cash equivalents. Money market funds consist of US treasury obligations, which are recorded at cost which approximates fair value.

Restricted cash: In order to secure its obligations in existing loan agreements, PCAP is required to maintain certain bank accounts and balances, wherein the proceeds of the loans shall be held in separate custodial accounts established at a mutually acceptable financial institution. This requirement includes three federal programs and two financial institution lenders. For the EDA Revolving Loan Funds (RLF) and Intermediary Relending Program (IRP), which includes the Rural Microentrepreneur Assistance Program (RMAP), PCAP agrees to deposit in a custodial account on the closing date the full amount of the proceeds of the loan and thereafter, principal or proceeds received by the ultimate recipient, and all interest, dividends or other earnings. The amounts deposited in the account shall not be commingled with any other funds. In addition, IRP, RMAP, and the Small Business Administration (SBA) require cash to be restricted for loan loss reserves. Refer to *Note 2 – Cash and cash equivalents*.

Cash equivalents held as collateral: In order to meet certain private lenders' requirements for loans receivable, PCAP records certificates of deposit as collateral. The certificates of deposit are held at cost and have long-term maturities. Cash equivalents held as collateral are presented with other assets on the statements of financial position.

Promises to give and contribution revenue: Unconditional contributions, including unconditional promises to give, are recognized at fair value as support in the period received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering the prior history of the donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. There was no allowance for doubtful promises to give at December 31, 2024 or 2023.

Loans receivable: PCAP makes small business loans to customers. These loans are made in West Virginia, North Carolina and the Appalachian and rural areas of Maryland, Ohio, Kentucky, Virginia, Tennessee, and South Carolina. The ability of PCAP's debtors to honor their contracts is dependent upon general economic conditions in the respective area.

PCAP uses the following loan segments for financial reporting purposes: Real Estate – First Position, Real Estate – Subordinated, Other Collateral, Non Risk Rated (NC COVID-19 Rapid Recovery and WV Emergency), and Unsecured. Loans receivable are stated at the principal amount outstanding, net of allowance for losses and deferred loan origination fees. Interest income on loans is accrued on the principal outstanding at the loans' stated interest rate unless the loan is in default. Direct origination fees, net of direct costs, are deferred and amortized using the effective interest method over the respective lives of the related and are recorded as an adjustment to fee income on loans. Fees relating to expired commitments are recognized as non-interest income. If a commitment is exercised during the commitment period, the fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Loans are considered past due if the required principal and interest payments have not been received 30 days from the date such payments were due. If it otherwise appears doubtful that the loan will be repaid or if the cash flow of the business can only support a principal payment, management may place the loan on nonaccrual status. Generally, loans on non-accrual status are 90 days or more past due and are moving toward foreclosure/liquidation.

Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Allowance for loan losses: PCAP adheres to Financial Accounting Standards Board (FASB) ASC 326 which requires the estimation of an allowance for credit losses in accordance with the current expected credit loss (CECL) methodology. PCAP's management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management's evaluation of historical default and loss experience, current and projected general economic outlook, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations and analysis of key lending staff. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exists. PCAP has identified the following portfolio segments for analysis and measurement of allowance for credit losses: Startup, Non-Startup High Credit Risk as measured by credit score, Non-Startup Acceptable Credit Risk as measured by credit score, and NC COVID-19 Rapid Recovery loans.

Startup, Non-Startup High Credit Risk as measured by credit score, and Non-Startup Acceptable Credit Risk as measured by credit score portfolio segments measure utilize the Vintage model approach for estimation of an allowance for credit losses. The vintage model utilizes historical indications to develop future loss expectations. Portfolio loans are grouped by calendar year of origination (vintage) and a pattern of credit loss information is developed by averaging relevant historical indications. This loss pattern is applied on a forward looking basis to active vintages to develop loss expectations. All loan segments under the vintage model consider changes in the economic outlook obtained from an independent third party. The following qualitative adjustments are utilized in the analysis and estimation of allowance for credit losses: Changes in average term of portfolio loans, changes in volume and severity of past due loans, and analysis of key lending staff.

NC COVID-19 Rapid Recovery loans are considered standalone segments as there are no lifetime expected losses attributable to PCAP. NC COVID-19 Rapid Recovery loans are participation loans sold in full to third parties as described in *Transfers of financial assets in Note 1. Nature of Activities and Summary of Significant Accounting Policies.*

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Individual evaluations are performed for loans which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, PCAP has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans for which terms have been modified in a loan modification are evaluated using these same individual evaluation methods. In the event the discounted cash flow method is used for a loan modification, the original interest rate is used to discount expected cash flows.

In accordance with CECL, losses are estimated over the remaining contractual terms of loans, adjusted for prepayments. The contractual term excludes expected extensions, renewals and modifications unless management has a reasonable expectation at the reporting date that a loan modification will be executed or such renewals, extensions or modifications are included in the original loan agreement and are not unconditionally cancellable by PCAP.

Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, deferred origination fees and costs and accrued interest receivable.

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

The SBA 7A program requires the establishment of cash loan reserves equal to 1.8% or 3%, respectively, of the unguaranteed and guaranteed portion of the SBA 7A portfolio. The required balance of cash loan reserves at December 31, 2024 and 2023, was $6,924 and $23,087. The SBA 7A program reserve was reduced by the SBA during the year ended December 31, 2024. The balance of the SBA loan reserve was $29,999 at December 31, 2024 and 2023, which is reported with cash and cash equivalents - restricted.

Loan Modification: A loan that was restructured where the lender granted a concession that otherwise it would not consider due to the borrower's financial difficulties. The concession would allow for continued albeit lower or less frequent payments.

Other real estate owned (OREO): Real estate acquired through foreclosure is carried at estimated fair value, less estimated costs of disposal. Costs of improving OREO are capitalized to the extent that the carrying value does not exceed its fair value less estimated selling costs. Holding costs are charged to period expense. Gains and losses on sales, if any, are recognized in financial income (loss) as they occur. PCAP had no OREO at December 31, 2024 and 2023.

Notes payable: PCAP uses debt primarily for financing for financing for triple-bottom line small businesses and critical community infrastructure. Most debt is in the form of notes payable to foundations, financial institutions, impact investors and various government agencies. PCAP records a discount and contribution revenue when note interest rates are considered below-market and amortizes the discount to interest expense over the term of the related notes. Debt acquisition costs are capitalized and amortized using the effective interest method over the term of the debt.

Transfers of financial assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from PCAP, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor and (3) the transferor does not maintain effective control over the transferred assets through either: (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call. The outstanding balance of sales is $2,069,615 and $1,519,668 as of December 31, 2024 and 2023, respectively.

PCAP sells participation loans to third parties that do not meet the criteria to be accounted for as sales as PCAP has not surrendered control of the participation loans sold. As a result the participation loans are accounted for as secured borrowings, whereby PCAP records cash received from the transferee and records a liability to repay the cash to the transferee. The transferees have no recourse to PCAP for failure of the underlying borrowers to pay amounts contractually due. The outstanding balance of participation loans sold accounted for as secured borrowings is $18,766,315 and $17,113,872 as of December 31, 2024 and 2023, respectively.

Revenue recognition: PCAP's primary revenues come from interest and fees earned on loans originated in connection with the execution of loans to third parties. These revenues are without donor restrictions and are an integral part of the funding of PCAP operations. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

PCAP also receives funding for its programs from federal grants and from corporations and foundations in the form of operating grants. PCAP recognizes contributions and grants received, including unconditional promises to give, as support in the period received. Contributions and grants received are reported as support with or without donor restrictions.

Promises to contribute and grants that stipulate conditions to be met before the contribution or grant is made to PCAP are not recognized until the conditions are met.

Note 1. Nature of Activities and 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 benefited. Management and general expenses, such as the management fee, rent, employee travel and training and other office expenses that support programs are allocated to the programs based on full-time employee salaries and a percentage of time worked on program-specific duties.

Leases: PCAP made an accounting policy election available under Topic 842 not to recognize right-of-use ("ROU") assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2023, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, PCAP used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, PCAP made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

PCAP has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset class. The non-lease components typically represent additional services transferred to PCAP, such as common area maintenance for office space), which are variable in nature and recorded in variable lease expense in the period incurred.

Income taxes: PCAP is organized as a Maryland nonstock corporation and has received a determination letter from the U.S. Internal Revenue Services (IRS) granting it tax-exempt status as a charitable non-provide organization under Internal Revenue Code Sections 501(c)(3) and 170(b)(1)(A)(vi). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. PCAP had no net unrelated business income tax for the years ended December 31, 2024 and 2023.

Management evaluated PCAP's tax positions and concluded that PCAP had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. PCAP files income tax returns in the U.S. federal jurisdiction. Generally, PCAP is no longer subject to income tax examinations for the U.S. federal, state or local tax authorities for the years before 2021.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the allowance for loan losses. Actual results could materially differ from those estimates.

Reclassifications: Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Such reclassifications had no effect on the net assets or change in net assets as previously reported.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents held by PCAP at December 31, 2024 and 2023, consist of the following:

	2024	2023
Cash	$ 4,391,167	$ 4,670,471
U.S. government money market fund	26,143,249	19,568,346
Certificates of deposit	23,757	23,754
	$ 30,558,173	$ 24,262,571
Unrestricted cash and cash equivalents	$ 27,085,345	$ 20,568,299
Restricted cash	3,449,071	3,670,518
Restricted cash equivalents	23,757	23,754
	$ 30,558,173	$ 24,262,571

Restricted cash balances at December 31, 2024 and 2023, are held for the following purposes:

	2024	2023
Revolving loan funds:		
Intermediary Relending Program	$ 1,433,742	$ 1,348,927
Economic Development Authority	529,229	398,281
Rural Microentrepreneur Assistance Program	3,199	329,928
	1,966,170	2,077,136
Cash required to be segregated by lender:		
Financial institution lenders	1,316,273	1,426,754
Cash loan loss reserves:		
Intermediary Relending Program	117,171	117,171
Rural Microentrepreneur Assistance Program	19,458	19,458
Small Business Administration	29,999	29,999
	166,628	166,628
Total restricted cash	$ 3,449,071	$ 3,670,518

Note 3. Intangible Assets

PCAP capitalizes the development of a grant and donation software as an intangible asset with a carrying value of $94,235 as of December 31, 2024, which is being amortized over its estimated useful life of three years, resulting in an amortization expense of $13,088 for the year ended December 31, 2024. The software was under development as of December 31, 2023.

Note 4. Other Asset

At December 31, 2024, PCAP held 21 certificate of deposits (CDs) that are associated with a third-party. The CDs range in amount from $17,200 to $500,000. The CDs are in the name of PCAP but are assigned as collateral to a financial institution that holds 21 loans totaling approximately $13,400,000 with the third-party. In the event of default in the financial institution's loans, the financial institution would cash in the CDs and apply the balance towards the balance of the outstanding loans. Then, PCAP would have 21 loans with the third-party ranging from $17,200 to $500,000.

Note 4. Other Asset (Continued)

At December 31, 2023, PCAP held 17 CDs that are associated with a third-party. The CDs range in amount from $17,200 to $500,000. The CDs are in the name of PCAP but are assigned as collateral to a financial institution that holds 17 loans totaling approximately $14,000,000 with the third-party. In the event of default in the financial institution's loans, the financial institution would cash in the CDs and apply the balance towards the balance of the outstanding loans. Then, PCAP would have 17 loans with the third-party ranging from $17,200 to $500,000.

Note 5. Promises to Give

As of December 31, 2024 and 2023, unconditional promises to give totaling $1,094,167 and $2,325,462, respectively, are due in less than one year. At December 31, 2024 and 2023, PCAP also had eight and ten conditional promises to give totaling $6,221,600 and $6,398,630, respectively.

Note 6. Loans Receivable

Loans receivable by category at December 31, 2024 and 2023, as follows:

	2024	2023
Real Estate - First Position	$ 48,913,334	$ 38,270,887
Real Estate - Subordinated	15,668,381	10,592,124
Other Collateral	13,006,877	14,633,170
Non Risk Rated		
North Carolina COVID 19		
Rapid Recovery	3,906,475	5,036,754
West Virginia Emergency	988,471	1,379,626
Unsecured	260,567	230,248
Subtotal	82,744,105	70,142,809
Allowance for credit losses	(5,804,075)	(2,020,650)
Loans receivable, net	$ 76,940,030	$ 68,122,159

Loans carry remaining terms of less than one year to 26 years and carry interest rates of 0% to 12%. The loans are generally payable in monthly or quarterly installments of either interest-only (non-amortizing) or principal and interest (amortizing) over the term of each loan.

Loans are primarily secured by the underlying assets financed, such as real estate, equipment and inventory.

Loans receivable totaling $2,518,760 and $2,836,084 and restricted cash of $1,433,742 and $1,348,927 serve as collateral on IRP notes payable at December 31, 2024 and 2023, respectively. Loans receivable totaling $316,026 and $27,790 and restricted cash of $3,199 and $329,928 serve as collateral on RMAP notes payable at December 31, 2024 and 2023, respectively.

Accrued interest receivable amounted to $787,874 and $510,407 at December 31, 2024 and 2023, respectively.

Nonaccrual loans totaled $1,394,568 as of December 31, 2024. There were no non-accrual loans at December 31, 2023.

Note 6. Loans Receivable (Continued)

COVID-19 Response: With the support of the Appalachian Regional Commission (ARC) and the U.S. Department of Commerce's Economic Development Administration (EDA), PCAP launched the West Virginia Emergency Relief Lending Program to support West Virginia small businesses affected by the COVID-19 pandemic. The intent of the fund is to assist with the working capital needs of the affected businesses. Proceeds from the loan may not be used to refinance existing debts. Repayment of the loan is expected and personal guarantees are required. Under the West Virginia Emergency Relief Lending Program, through December 31, 2024, PCAP funded $1,991,290 in loans to 39 borrowers and deferred approximately $3,990 of net origination costs as of December 31, 2024 ($7,305 as of December 31, 2023), that will be recognized as origination expense over the term of the loans. As of December 31, 2024 and 2023, $984,481 and $1,372,321 of principal remained outstanding on the WV Emergency loans, respectively.

PCAP participated in the North Carolina Rapid Recovery (NCRR) loan program, an emergency loan program designed for NC borrowers affected by the COVID-19 pandemic. It was administered by the NC Rural Center. Capital for the NCRR was provided by the Golden LEAF Foundation initially, supplemented by a $125 million appropriation from the State of North Carolina. NCRR served as a central point of contact for potential NCRR borrowers; it then distributed applications to PCAP and other participating Community Development Financial Institutions and community lenders, which reviewed the applications, determined borrower eligibility, and underwrote loans. Repayment of the loans is expected and personal guarantees are required. This program is also a part of PCAP secured borrowings. Repayments of principal at 100% and interest at 50% are returned to NC Rural Center. Under the NCRR program, PCAP funded $6,691,620 in loans to 73 borrowers and deferred approximately $7,417 of net origination costs as of December 31, 2024 ($16,304 as of December 31, 2023), that will be recognized as origination expense over the term of the loans. As of December 31, 2024 and 2023, $3,899,058 and $5,020,450 of principal remained outstanding on the NCRR loans, respectively.

Aging: The following table represent an aging of loans as of December 31, 2024 and 2023. The table presents the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

	2024							
	31 - 60 Days Past Due	61 - 90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans	Nonaccrual Loans	91+ Days Past Due Accruing
Real Estate - First Position	$ 450,500	$ 505,616	$ 805,316	$ 1,761,432	$ 47,151,902	$ 48,913,334	$ 536,540	$ 268,776
Real Estate - Subordinated	-	244,890	498,145	743,035	14,925,346	15,668,381	303,571	450,500
Other Collateral	453,200	-	50,689	503,889	12,502,988	13,006,877	225,383	13,205
Non Risk Rated								
North Carolina COVID 19 Rapid Recovery	191,301	-	72,481	263,782	3,642,693	3,906,475	276,650	-
West Virginia Emergency	-	-	-	-	988,471	988,471	52,424	-
Unsecured	-	-	-	-	260,567	260,567	-	-
Total	$ 1,095,001	$ 750,506	$ 1,426,631	$ 3,272,138	$ 79,471,967	$ 82,744,105	$ 1,394,568	$ 732,481

	2023							
	30 - 60 Days Past Due	61 - 90 Days Past Due	91+ Days Past Due	Total Past Due	Current	Total Loans	Nonaccrual Loans	91+ Days Past Due Accruing
Real Estate - First Position	$ 489,219	$ 555,811	$ 1,762,162	$ 2,807,192	$ 35,463,695	$ 38,270,887	$ -	$ 1,762,162
Real Estate - Subordinated	-	-	234,444	234,444	10,357,680	10,592,124	-	234,444
Other Collateral	419,103	44,438	516,016	979,557	13,653,613	14,633,170	-	516,016
Non Risk Rated								
North Carolina COVID 19 Rapid Recovery	17,227	-	421,652	438,879	4,597,875	5,036,754	-	421,652
West Virginia Emergency	50,208	-	185,331	235,539	1,144,087	1,379,626	-	185,331
Unsecured	-	-	32,569	32,569	197,679	230,248	-	32,569
Total	$ 975,757	$ 600,249	$ 3,152,174	$ 4,728,180	$ 65,414,629	$ 70,142,809	$ -	$ 3,152,174

Note 6. Loans Receivable (Continued)

Credit quality: Management uses internally assigned risk ratings as indicators of credit quality. Each loan's risk rating is assigned at origination and updated at least annually and more frequently if circumstances warrant a change in risk rating. PCAP uses a loan grading system that follows its loan policy.

In evaluating the credit risk of the PCAP's loan portfolio, management has developed an internal credit risk rating system based on a variety of risk factors that they believe represent leading indicators of credit quality. The PCAP's internal credit risk ratings are categorized as one through seven, with the lowest credit risk rating representing the highest quality financing receivables.

RR 1 – Strong: Loans categorized as RR 1 exhibit extremely high credit quality, with virtually no perceived credit risk, as evidenced by very strong cash flow, net worth, working capital, quality collateral and management.

RR 2 – Low risk: Loans categorized as RR 2 exhibit high credit quality, as evidenced by strong cash flow, an abundance of quality collateral, and borrowers with stable management and seasoned loan payment histories.

RR 3 – Acceptable risk: Loans categorized as RR 3 exhibit normal credit quality profiles, with acceptable overall credit characteristics related to capital, asset quality, management, earnings and liquidity.

RR 4 – Moderate risk/start-up: Loans categorized RR 4 exhibit identified some credit concerns (e.g., start-up with no proven performance, etc.), which warrant increased monitoring, but not necessarily expected to result in credit loss.

RR 5 – High risk: Loans categorized RR 5 exhibit deterioration in overall credit quality, such that some level of credit loss is reasonably expected to occur.

RR 6 – Problem asset: Loans categorized RR 6 exhibit significant deterioration in overall credit quality and collateral position is weak or non-existent. The loan is not performing as agreed and has been delinquent for at least 90 days or more. Current conditions indicate that full repayment is highly questionable or unlikely. PCAP is moving toward writing off the loan.

RR 7 – Written off: Loans that have been determined are not collectible and will be written off.

Non risk rated – The PCAP has certain loans that are not risk rated.

The following table summarizes the loan portfolio classified by internal credit risk rating by primary loan type at December 31, 2024 and 2023:

	2024					
	Real Estate First Position	Real Estate Subordinated	Other Collateral	Non risk rated	Unsecured	Total
1 - Strong	$ 40,259	$ -	$ 55,159	$ -	$ -	$ 95,418
2 - Low Risk	9,673,678	1,812,625	1,258,946	-	25,612	12,770,861
3 - Acceptable Risk	16,628,212	4,914,508	2,594,783	-	9,621	24,147,124
4 - Moderate Risk/Start-Up	13,158,499	5,406,728	5,267,505	-	142,469	23,975,201
5 - High Risk	8,462,915	2,371,143	3,390,533	-	70,308	14,294,899
6 - Problem Asset	949,771	1,163,377	439,951	-	12,557	2,565,656
7 - Written Off	-	-	-	-	-	-
Non risk rated	-	-	-	4,894,946	-	4,894,946
	$ 48,913,334	$ 15,668,381	$ 13,006,877	$ 4,894,946	$ 260,567	$ 82,744,105

Note 6. Loans Receivable (Continued)

	2023					
	Real Estate First Position	Real Estate Subordinated	Other Collateral	Non risk rated	Unsecured	Total
1 - Strong	$ 47,535	$ -	$ 135,047	$ -	$ -	$ 182,582
2 - Low Risk	6,193,141	1,602,529	1,476,021	-	-	9,271,691
3 - Acceptable Risk	15,054,619	3,354,135	3,975,724	-	32,569	22,417,047
4 - Moderate Risk/Start-Up	12,694,935	4,811,654	6,686,004	-	197,679	24,390,272
5 - High Risk	3,723,653	558,057	1,696,215	-	-	5,977,925
6 - Problem Asset	557,004	265,749	664,159	-	-	1,486,912
7 - Written Off	-	-	-	-	-	-
Non risk rated	-	-	-	6,416,380		6,416,380
	$ 38,270,887	$ 10,592,124	$ 14,633,170	$ 6,416,380	$ 230,248	$ 70,142,809

Allowance for credit losses: The following is an analysis of the allowance for credit losses for the years ended December 31, 2024 and 2023.

	2024						
	Real Estate First Position	Real Estate Subordinated	Other Collateral	North Carolina COVID 19 Rapid Recovery	West Virginia Emergency	Unsecured	Total
Beginning balance	$ 1,000,894	$ 283,416	$ 555,739	$ -	$ 149,377	$ 31,224	$ 2,020,650
Provision charged to operations	2,843,957	884,788	1,374,917	16,468	17,007	53,223	5,190,360
Less charge-offs	(142,500)	(200,000)	(955,889)	(374)	(138,784)	(52,361)	(1,489,908)
Recoveries	-	2,000	78,698	-	-	2,275	82,973
Ending balance	$ 3,702,351	$ 970,204	$ 1,053,465	$ 16,094	$ 27,600	$ 34,361	$ 5,804,075
Allowance for loan losses allocated:							
Individually evaluated for impairment	$ 138,352	$ 49,456	$ 349,657	$ 16,094	$ 3,065	$ 1,666	$ 558,290
Collectively evaluated for impairment	3,563,999	920,748	703,808	-	24,535	32,695	5,245,785
	$ 3,702,351	$ 970,204	$ 1,053,465	$ 16,094	$ 27,600	$ 34,361	$ 5,804,075
Loans receivable:							
Individually evaluated for impairment	$ 2,987,181	$ 1,427,103	$ 2,033,265	$ 240,934	$ 52,424	$ 12,391	$ 6,753,298
Collectively evaluated for impairment	45,926,153	14,241,278	10,973,612	3,665,541	936,047	248,176	75,990,807
	$ 48,913,334	$ 15,668,381	$ 13,006,877	$ 3,906,475	$ 988,471	$ 260,567	$ 82,744,105

	2023						
	Real Estate First Position	Real Estate Subordinated	Other Collateral	North Carolina COVID 19 Rapid Recovery	West Virginia Emergency	Unsecured	Total
Beginning balance	$ 961,094	$ 191,236	$ 426,513	$ -	$ 53,400	$ 73,675	$ 1,705,918
Provision charged to operations	39,800	147,262	142,433	-	145,977	(32,838)	442,634
Less charge-offs	-	(55,082)	(39,201)	-	(50,000)	(14,997)	(159,280)
Recoveries	-	-	25,994	-	-	5,384	31,378
Ending balance	$ 1,000,894	$ 283,416	$ 555,739	$ -	$ 149,377	$ 31,224	$ 2,020,650
Allowance for loan losses allocated:							
Individually evaluated for impairment	$ 69,099	$ 7,674	$ 37,914	$ -	$ 3,154	$ -	$ 117,841
Collectively evaluated for impairment	931,795	275,742	517,825	-	146,223	31,224	1,902,809
	$ 1,000,894	$ 283,416	$ 555,739	$ -	$ 149,377	$ 31,224	$ 2,020,650
Loans receivable:							
Individually evaluated for impairment	$ 2,638,442	$ 265,749	$ 992,963	$ 398,706	$ 44,652	$ -	$ 4,340,512
Collectively evaluated for impairment	35,632,445	10,326,375	13,640,207	4,638,048	1,334,974	230,248	65,802,297
	$ 38,270,887	$ 10,592,124	$ 14,633,170	$ 5,036,754	$ 1,379,626	$ 230,248	$ 70,142,809

Loan modifications: As of December 31, 2024, the outstanding principal balance of loan modifications was $6,753,298. The associated allowance for loan losses for loan modifications was $558,290 as of December 31, 2024. During the year ended December 31, 2024, 31 loans were modified. The loans had a pre-modification and post-modification balance of $5,102,532 and $4,797,531, respectively. The modifications in 2024 included rate reductions and extension of maturity dates. As of December 31, 2024, $920,949 of the modified loans were greater than 90 days delinquent. There were no unfunded commitments on loan modifications as of December 31, 2024.

Note 6. Loans Receivable (Continued)

As of December 31, 2023, the outstanding principal balance of loan modifications was $4,340,512. The associated allowance for loan losses for loan modifications was $117,841 as of December 31, 2023. During the year ended December 31, 2023, 21 loans were modified. The loans had a pre-modification and post-modification balance of $3,301,527. The modifications in 2023 included rate reductions and extension of maturity dates. As of December 31, 2023, $1,690,393 of the modified loans were greater than 90 days delinquent. There were no unfunded commitments on loan modifications as of December 31, 2023.

During the year ended December 31, 2024 PCAP had twelve loan modifications, with pre and post-modification outstanding recorded investments of $1,247,191, that subsequently defaulted within twelve months of the restructuring. During the year ended December 31, 2023 PCAP had seven loan modifications, with pre and post-modification outstanding recorded investments of $405,962, that subsequently defaulted within twelve months of the restructuring.

In the first quarter of 2020, PCAP elected to apply the guidance issued by Congress in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) as wells as by the U.S. banking agencies stating that certain concessions granted to borrowers that are current on existing loans, either individually or as part of a program of creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered loan modifications. Additionally, these loans generally would not be considered nonaccrual status unless collectability concerns exist despite the modification provided. For loans remaining on accrual status, PCAP elected to continue recognizing interest income during the modification periods. The outstanding principal balance on these modified loans was $848,230 and $873,854 at December 31, 2024 and 2023, respectively.

Hurricane Helene: In late September 2024, Hurricane Helene devastated western North Carolina “WNC” impacting 111 companies with principal balances of roughly $34 million in PCAP’s portfolio located in the area. In response, PCAP provided 77 companies who requested assistance, with outstanding principal balances as of December 31, 2024 of $22,912,141, two months of deferred payments and an interest accrual pause. Up to four additional months of deferred payments with no interest accrual pause was provided to 58 companies, with outstanding principal balances as of December 31, 2024 of $19,750,970. As of December 31, 2024, 71 companies with principal balances outstanding of $21,543,592, continue to receive deferred payments. PCAP has recorded an additional reserve for portfolio at risk in WNC, included in allowance for credit losses, of $3,257,303 at December 31, 2024.

Note 7. Related Party Transactions

A member of PCAP’s Board of Directors is a senior officer of a financial institution that PCAP has had an existing business relationship with. The relationship existed prior to the Board member’s addition to the Board of Directors and the Board membership has not, and is not, a condition of the ongoing business relationship with the financial institution. PCAP does not work directly, or indirectly, with this employee. As of December 31, 2024 and 2023, PCAP held cash and certificates of deposit of $1,455,399 and $720,966, respectively, and notes payable of $1,500,000 and $1,000,000, respectively, with the financial institution. Interest income for the years ended December 31, 2024 and 2023, was $2,780 and $203, respectively. Interest expense for the years ended December 31, 2024 and 2023 was $10,043 and $11,470, respectively. PCAP incurred rent expense for the years ended December 31, 2024 and 2023 of $53,115 and $51,892, respectively, to lease roughly 4,000 square feet of office space from the financial institution, as part of an existing lease.

PCAP entered into a loans receivable agreement with a company founded by a member of the Board of Directors. As of December 31, 2024 principal and interest outstanding is $251,173 and $1,093, respectively. No balance was outstanding as of December 31, 2023. Interest income for the year ended December 31, 2024 was $13,583. No interest was earned in the year ended December 31, 2023.

Note 8. Notes Payable and Subordinated Notes Payable

Notes payable consist of the following at December 31, 2024 and 2023:

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2024	2023
U.S. Department of Agriculture - IRP Net of implied interest (Principal and interest due annually)	2/23/2005	2/23/2035	1.00%	$ 500,000	$ -	$ 197,417	$ 211,988
U.S. Department of Agriculture - IRP (Principal and interest due annually)	11/15/2010	11/15/2040	1.00%	750,000	-	452,898	479,936
West Virginia Infrastructure & Jobs Development Council (Principal and interest due monthly)	11/15/2010	12/1/2025	1.00%	250,000	-	25,309	50,367
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/01/2031	1.00%	495,000	-	274,463	312,139
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/1/2036	1.00%	257,000	-	176,378	190,151
U.S. Department of Agriculture - IRP (Principal and interest due annually)	5/16/2016	5/16/2046	1.00%	364,104	-	303,831	316,126
U.S. Department of Agriculture - RMAP (Principal and interest due monthly)	6/29/2016	5/16/2036	2.00%	500,000	-	350,775	378,083
West Virginia Infrastructure & Jobs Development Council (Principal and interest due quarterly)	6/12/2018	6/1/2033	3.00%	500,000	-	323,941	357,362
U.S. Department of Agriculture - IRP (Principal and interest due annually)	9/4/2018	9/4/2048	1.00%	750,000	-	676,248	701,075
U.S. Department of Agriculture - IRP (Principal and interest due annually)	7/17/2020	7/17/2050	1.00%	482,500	-	466,842	482,500
Total secured notes payable						3,248,102	3,479,727
Highgate, LLC (One individual impact investor. Principal due at maturity and interest due semi-annually)	8/5/2016	8/5/2025	0.00%	50,000	-	50,000	50,000
One Foundation (Principal due quarterly)	1/1/2016	12/31/2025	0.00%	100,000	-	15,463	30,581
One Foundation POWER (Principal due quarterly)	7/26/2017	9/30/2027	0.00%	300,000	-	165,000	225,000
McKnight Foundation (Principal due at maturity and interest due annually)	4/16/2018	5/1/2028	0.75%	2,000,000	-	2,000,000	2,000,000
Mary Reynolds Babcock Foundation (Principal due at maturity in August 2025. Note renewed for an additional year with principal due at maturity and interest due semi-annually beginning February 2025.)	7/25/2018	08/31/2025	2.00%	750,000	-	600,000	600,000
Northern Trust (Principal due at maturity and interest due semi-annually)	7/25/2018	9/22/2028	2.00%	2,000,000	-	2,000,000	2,000,000
Opportunity Finance Network (Principal due at maturity in March 2024 and interest due quarterly. Note renewed for three additional years with principal due at maturity and interest due quarterly)	3/31/2019	3/31/2027	4.00%	1,000,000	-	1,000,000	1,000,000
Greater Kanawha Valley Foundation (Principal due at maturity in April 2024 and interest due annually. Note renewed for five additional years with principal due at maturity and interest due annually.)	4/30/2019	4/30/2029	2.00%	300,000	-	300,000	300,000
Bank of America (Principal of $1,000,000 due in July 2025 and 2026 with the remaining principal due at maturity and interest due quarterly)	7/18/2019	7/18/2027	3.50%	3,000,000	-	3,000,000	3,000,000
Calvert Impact Capital (Principal due at maturity in June 2024 and interest due quarterly. Note renewed initially for six months maturing in December 2024. Note renewed for an additional three months with principal due at maturity and interest due quarterly.)	12/20/2019	3/31/2025	4.15%	3,500,000	-	1,500,000	1,500,000
CDFI FA 2019 (Principal due at maturity and interest due semi-annually)	2/20/2020	2/20/2033	3.00%	5,754	-	5,754	5,754
Silverio Trust (Principal due at maturity and interest due semi-annually)	3/12/2020	3/12/2025	2.50%	50,000	-	50,000	50,000
Silverio Trust (Principal due at maturity and interest due semi-annually)	3/12/2020	2/22/2025	1.85%	50,000	-	50,000	50,000

(Continued)

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2024	Principal Balance Outstanding 2023
Impact Assets, Inc. (Principal due at maturity and interest due semi-annually)	3/27/2020	3/27/2025	1.00%	$ 500,000	$ -	$ 500,000	$ 500,000
Impact Assets, Inc. (Principal due at maturity and interest due semi-annually)	3/27/2020	3/27/2027	1.00%	500,000	-	500,000	500,000
Laughing Gull Foundation (Principal due at maturity and interest due quarterly)	4/20/2020	4/20/2025	2.00%	500,000	-	500,000	500,000
Northern Trust (Principal due at maturity and interest due semi-annually)	9/25/2020	9/25/2025	2.00%	1,000,000	-	1,000,000	1,000,000
Opportunity Finance Network (Principal due at maturity and interest due quarterly)	1/8/2021	5/31/2030	3.00%	3,000,000	-	3,000,000	3,000,000
Truist Bank (Principal due at maturity and interest due quarterly)	2/12/2021	2/12/2028	2.00%	3,000,000	-	3,000,000	3,000,000
Goulston & Storrs (One individual impact investor. Principal due at maturity and interest due semi-annually)	3/15/2021	3/15/2026	2.50%	125,000	-	125,000	125,000
Mercy Investment Services (Principal due at maturity and interest due quarterly)	3/15/2021	3/15/2026	3.00%	1,000,000	-	1,000,000	1,000,000
Impact Investor I (Principal due at maturity and interest due semi-annually)	4/6/2021	4/6/2031	3.50%	25,000	-	25,000	25,000
Chicory Wealth (One individual impact investor. Principal due at maturity and interest due semi-annually)	4/8/2021	4/8/2026	2.50%	50,000	-	50,000	50,000
PNC Bank (Principal due at maturity and interest due quarterly. Note amended for an additional two years with monthly principal and interest payments of $6,356 with remaining principal due at maturity)	4/26/2021	4/22/2026	6.00%	1,000,000	-	728,416	999,055
Impact Investor II (Principal due at maturity and interest due semi-annually)	5/26/2021	5/26/2026	2.50%	100,000	-	100,000	100,000
Impact Investor III (Principal due at maturity and interest due semi-annually)	7/31/2021	7/31/2024	2.00%	200,000	-	-	200,000
Franconia II 2012 Trust (Principal due at maturity and interest due quarterly)	9/25/2021	9/25/2026	2.50%	75,000	-	75,000	75,000
Appalachian Community Capital (Principal due at maturity and interest due monthly)	9/30/2021	9/30/2028	3.02%	1,000,000	-	1,000,000	1,000,000
Brown Advisory (One individual impact investor. Principal due at maturity and interest due semi-annually)	12/1/2021	12/1/2026	2.50%	150,000	-	150,000	150,000
William Josef Foundation, Inc. (Principal due at maturity and interest due semi-annually)	1/13/2022	1/13/2025	2.00%	250,000	-	250,000	250,000
Impact Investor IV (Principal due at maturity and interest due semi-annually)	2/5/2022	2/5/2025	2.00%	25,000	-	25,000	25,000
The Community Foundation of Western North Carolina (Principal due at maturity and interest due semi-annually)	3/14/2022	3/14/2025	2.00%	250,000	-	250,000	250,000
Appalachian Community Capital (Principal due at maturity and interest due monthly)	4/30/2023	4/30/2030	2.76%	2,000,000	-	2,000,000	2,000,000
Opportunity Finance Network (Principal due at maturity and interest due quarterly)	11/21/2023	12/07/2033	3.00%	1,000,000	-	1,000,000	1,000,000
Impact Investor V (Principal due at maturity and interest due semi-annually)	5/28/2024	5/28/2029	2.50%	25,000	-	25,000	-
Appalachian Community Capital (Principal due at maturity and interest due monthly)	6/15/2024	6/15/2032	3.95%	1,000,000	-	1,000,000	-
Bank of America (Principal of $1,500,000 due in August 2029 and 2030 with the remaining principal due at maturity and interest due quarterly)	8/9/2024	8/9/2031	5.00%	5,000,000	1,000,000	4,000,000	-

(Continued)

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2024	Principal Balance Outstanding 2023
United Bank (Interest due quarterly until February 2028. Thereafter principal payments of $62,500 and interest due quarterly)	11/12/2024	11/12/2029	6.00%	$ 500,000	$ -	$ 500,000	$ -
Cnote Group, Inc. (Sixteen individual notes ranging from $21,170 to $932,390 maturing between January 2025 and June 2027. Payable over 30 month terms with interest payable monthly ranging from 2.5% to 4.8%)	Various	Various	Various	4,018,749	-	3,286,353	3,266,283
Reynders, McVeigh Capital Management f/k/a Fresh Pond Capital (Eleven impact investors with notes ranging from $25,000 to $500,000 maturing between February 2025 and March 2029. Payable over one to five year terms with interest payable quarterly, semi-annually or annually ranging from 0% to 3%)	Various	Various	Various	1,350,000	-	1,350,000	1,700,000
Loring Wolcott & Coolridge Trust (Ten impact investors with notes ranging from $10,000 to $250,000 maturing between February 2025 and December 2029. Payable over five to seven year terms with interest payable quarterly, semi-annually or annually ranging from 2.5% to 3%)	Various	Various	Various	585,000	-	585,000	610,000
Nia Impact Capital (Six impact investors with notes ranging from $50,000 to $250,000 maturing between July 2025 and July 2027. Payable over two to five year terms with interest payable quarterly or semi-annually ranging from 1.85% to 2.5%)	Various	Various	Various	775,000	-	775,000	350,000
Pacific Premier Trust (Two impact investors with notes ranging from $50,000 to $75,000 maturing between July 2027 and February 2028. Payable over five to seven year terms with interest payable semi-annually ranging from 2.5% to 3%)	Various	Various	Various	125,000	-	125,000	125,000
Baldwin Brothers (Two impact investors with $100,000 notes maturing between July 2026 and September 2027. Payable over two to three year terms with interest payable semi-annually ranging from 1.85% to 2%)	Various	Various	Various	200,000	-	200,000	-
					$ 1,000,000	$ 41,109,088	$ 36,091,400
Less debt acquisition costs						72,490	82,905
Less current portion						8,334,892	7,324,485
Noncurrent portion						$ 32,701,706	$ 28,684,010

Subordinated notes payable consists of the following at December 31, 2024 and 2023:

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding 2024	Principal Balance Outstanding 2023
PNC Community Development Company (Principal due at maturity and interest due quarterly)	3/31/2020	4/1/2025	3.00%	$ 500,000	$ -	$ 500,000	$ 500,000
United Bank (Interest due quarterly until April 2027. Thereafter principal payments of $62,500 and interest due quarterly)	1/13/2017	1/12/2029	2.00%	500,000	-	500,000	500,000
United Bank (Interest due quarterly until April 2028. Thereafter principal payments of $62,500 and interest due quarterly)	2/5/2018	1/31/2030	2.00%	500,000	-	500,000	500,000
First Horizon Bank f/k/a Capital Bank (Principal due at maturity in October 2024. Note renewed for an additional year with principal due at maturity and interest due quarterly.)	10/30/2018	11/1/2025	5.00%	400,000	-	400,000	400,000
CIT Bank (Principal due at maturity and interest due quarterly)	10/25/2022	10/25/2027	2.50%	1,500,000	-	1,500,000	1,500,000
Wells Fargo ENC (Interest due quarterly until January 2034. Thereafter principal payments of $300,000 and interest due quarterly)	10/06/2023	10/06/2035	2.00%	2,400,000	-	2,400,000	2,400,000
Total subordinated notes payable					$ -	$ 5,800,000	$ 5,800,000
Less current portion						900,000	400,000
Noncurrent portion						$ 4,900,000	$ 5,400,000

Note 8. Notes Payable and Subordinated Notes Payable (Continued)

U.S. GAAP requires interest expense and contribution revenue to be reported in connection with loans of cash to not-for-profit organizations that are interest free or that have below-market interest rates. The contribution is recognized at the time the loan is made and amortized using the effective interest method. The accretion increases interest expense and notes payable. Implied interest discount was $25,182 and $29,422 at December 31, 2024 and 2023, respectively.

Aggregate annual principal payments applicable to notes payable and subordinated notes payable in future fiscal years is as follows:

Years ending December 31:	
2025	$ 9,234,892
2026	5,962,767
2027	6,893,224
2028	7,260,711
2029	3,439,076
Thereafter	14,118,418
	$ 46,909,088

Subordinated notes payable: PCAP has entered into equity equivalent transactions with financial institutions as a way to increase its lending capacity and also protect its senior lenders. These equity equivalents are reflected above and in the statement of financial position as subordinated notes payable. The notes represent a general obligation of PCAP and are not secured by any of the entity's assets. They are fully subordinate to the right of repayment of all other creditors and do not allow for acceleration of repayment except in very limited circumstances.

PCAP is subject to a number of restrictive financial and non-financial covenants in its notes payable agreements, such as minimum net asset requirements, current liquidity ratios, loan performance ratios and other various leverage ratios. Audit financial statements are required to be submitted between 90 and 180 days depending on the lender.

Note 9. Revolving Lines of Credit

During 2022, PCAP obtained a $750,000 revolving operating line of credit with a lending institution, to be drawn upon as needed, with a variable rate of the Secured Overnight Financing Rate (SOFR) rate plus 1.5% with a floor 2.5%, 6.24% as of December 31, 2024. The revolving operating line of credit was reduced to $300,000 as of November 30, 2023. Interest is payable monthly, with all unpaid principal and interest due at maturity on October 29, 2025. There was no outstanding balance at December 31, 2024 and 2023.

Note 10. Concentrations of Credit Risk

PCAP maintains its cash in various banks. The bank account balances, at times, may exceed federally insured limits set by the Federal Deposit Insurance Corporation (FDIC) statutory limits. Management believes PCAP is not exposed to any significant credit risk on domestic cash balances.

During the years ended December 31, 2024 and 2023, government grants accounted for 22% and 62%, respectively, of PCAP's revenue and support and 76% and 40%, respectively, of PCAP's promises to give. Promises to give from a non-government organization accounted for 24% and 60%, respectively, of PCAP's promises to give as of December 31, 2024 and 2023.

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are those net assets whose use by PCAP is limited by the donors for a special purpose or restricted to be used in a later period. At December 31, 2024 and 2023, donor restricted net assets consisted of the following:

	2024	2023
Restricted for specified purpose:		
Loan capital	$ 7,144,103	$ 3,303,743
Provide support for business development to natural resource-based enterprises and provide incentives to businesses to engage in sound environmental practices	2,195,712	2,352,870
	9,339,815	5,656,613
Perpetual in nature:		
Restricted for specified purpose:		
Loan capital revolving fund:		
Represents net assets dedicated to providing temporary financing to qualified businesses	8,752,700	8,887,351
	$ 18,092,515	$ 14,543,964

Note 12. Loan Origination Fees and Costs

PCAP accounts for nonrefundable fees and costs associated with origination loans in line with ASC 310-20 issued by the FASB. Fees and Costs are amortized over the life of the loans originated with the amortization netted in the accompanying financial statements.

Fee income on loans, net of loan origination fees consists of the following at December 31, 2024 and 2023:

	2024	2023
Fee income on loans	$ 332,638	$ 329,674
Loan origination fee revenue (amortization)	46,214	(26,114)
Fee income on loans, net	$ 378,852	$ 303,560

Note 12. Loan Origination Fees and Costs (Continued)

Personnel and related costs, net of loan origination costs consists of the following at December 31, 2024 and 2023:

	2024	2023
Personnel and related expenses	$ 3,902,019	$ 3,291,349
Loan origination cost amortization	(26,811)	(62,202)
Personnel and related expenses, net	$ 3,875,208	$ 3,229,147

Loan origination expense, net of loan origination costs consists of the following at December 31, 2024 and 2023:

	2024	2023
Loan origination expense	$ 51,867	$ 73,348
Loan origination cost amortization	19,078	(32,398)
Loan origination expense, net	$ 70,945	$ 40,950

Note 13. Leases

PCAP leases office space under operating lease agreements that have initial terms ranging from two to five years. Some leases include one or more options to renew, generally at PCAP's sole discretion, with renewal terms that can extend the lease term up to two years. This option to extend the lease is included in the lease terms when it is reasonably certain that PCAP will exercise that option. PCAP's operating leases generally do not contain any material restrictive covenants or residual value guarantees. Operating lease cost is recognized on a straight-line basis over the lease term.

PCAP does not have leases under finance lease agreements. PCAP does not have leases under operating or finance agreements with any affiliates.

The components of lease expense are as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease expense	$ 67,815	$ 67,306
Short-term lease expense	92,830	64,729
Variable lease expense	2,500	3,000
Total lease cost	$ 163,145	$ 135,035

Additional information related to operating leases are as follows as of December 31, 2024 and 2023:

	2024	2023
Weighted-average remaining lease term in years for operating leases	2.42	0.77
Weighted-average discount rate for operating leases	4.69%	3.89%

Note 13. Leases (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2024:

Years ending December 31:		
2025	$	33,030
2026		34,063
2027		14,366
Total undiscounted cash flows		81,459
Less: present value discount		(4,340)
Total lease liabilities	$	77,119

Note 14. Commitments and Contingencies

PCAP is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of activities.

PCAP's exposure to credit loss is represented by the contractual amount of these commitments. PCAP follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2024 and 2023, the following financial instruments were outstanding whose contract amounts represent credit risk:

		2024		2023
Loan commitments approved not disbursed	$	5,923,913	$	6,577,749

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by PCAP, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit and revolving credit lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and ultimately may not be drawn upon to the total extent to which PCAP is committed.

PCAP participates in a number of federal grant and contract programs which are subject to financial and compliance audits. Accordingly, PCAP's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting or contracting agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

As more fully described in Note 4, PCAP holds 21 CDs that support a third-party loan made by a bank. If the loan with the bank defaults, the bank would cash in the CDs and apply them to the balance of the bank's loans. Then, PCAP would have 21 loans with the third-party ranging from $17,200 to $500,000.

Note 15. Liquidity and Availability of Financial Resources

PCAP financial assets available within one year of December 31, 2024 and 2023, for general expenditures are as follows:

	2024	2023
Cash and cash equivalents – unrestricted	$ 27,085,345	$ 20,568,299
Cash and cash equivalents – restricted	3,472,828	3,694,272
Accounts receivable	650	3,478
Promises to give	1,094,167	2,325,462
Loans receivable, net	76,940,030	68,122,159
Accrued interest and fees receivable	808,943	519,532
Other assets	2,620,760	2,736,842
Total financial assets	112,022,723	97,970,044
Cash and cash equivalents – restricted	(3,472,828)	(3,694,272)
Donor restricted funds	(18,092,515)	(14,543,964)
Loans receivable, due after one year, net	(66,659,036)	(55,518,553)
Loans receivable due in next year restricted for federal relending program	(592,013)	(387,560)
Other assets	(2,620,760)	(2,736,842)
Outstanding loan commitments, not disbursed	(5,923,913)	(6,577,749)
Amounts not available to be used within one year	(97,361,065)	(83,458,940)
Financial assets available to meet general expenditures within one year	$ 14,661,658	$ 14,511,104

PCAP is also supported by restricted programmatic funds that can be used to support programmatic and general expenditures. Because a donor's restriction requires funds to be used in a particular manner or in a future period, PCAP must maintain sufficient resources to meet those responsibilities.

PCAP has a goal to maintain unrestricted cash and cash equivalents to equal or exceed three months of cash operating expenses, which are, on average, approximately $1,700,000. In addition, as a part of its liquidity management, PCAP invests cash in excess of daily requirements in a U.S. government money market fund. In the event of an unanticipated liquidity need, PCAP has an available bank line of credit as described in *Note 9 – Revolving Lines of Credit*.

Note 16. Subsequent Events

Management evaluated subsequent events through March 27, 2025, the date the financial statements were available to be issued.