

Partner Community Capital, Inc. & Subsidiary

Consolidated Financial Statements
December 31, 2025 and 2024

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Independent Auditors' Report

To the Board of Directors of
Partner Community Capital, Inc. & Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Partner Community Capital, Inc. & Subsidiary (PCAP), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the PCAP as of December 31, 2025, and the changes in its net assets and its cash flows for the year 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) 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the PCAP 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.

Other Matter

The financial statements of Partner Community Capital, Inc. as of and for the year ended December 31, 2024 were audited by other auditors who expressed an unmodified opinion on those financial statements on March 27, 2025.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the PCAP's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, 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 consolidated 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 consolidated 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 consolidated 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 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026 on our consideration of the 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 the 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 the PCAP's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Nashville, Tennessee
March 26, 2026

Partner Community Capital, Inc. & Subsidiary

**Consolidated Statements of Financial Position
December 31, 2025 and 2024**

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,170,063	\$ 27,085,345
Accounts receivable	3,226	650
Prepaid expenses	178,689	72,508
Promises to give	1,032,326	1,094,167
Accrued interest and fees receivable	912,974	808,943
Total current assets	30,297,278	29,061,613
Noncurrent assets:		
Cash and cash equivalents – restricted	5,459,938	3,472,828
Intangible assets	55,573	81,147
Other assets	2,756,501	2,620,760
Operating leases, right-of-use asset	45,903	76,505
Total noncurrent assets	8,317,915	6,251,240
Loans receivable, net of \$5,320,937 and \$5,804,075 at December 31, 2025 and 2024, respectively	83,602,253	76,940,030
Total assets	\$ 122,217,446	\$ 112,252,883
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 148,414	\$ 261,762
Accrued personnel and related expenses	471,666	650,017
Funds held for others	228,054	42,139
Current maturities of operating lease liabilities	32,685	30,179
Current maturities of secured borrowings, participations	3,234,947	1,968,935
Accrued interest payable	243,616	165,957
Deferred revenue	334,150	1,299,183
Current maturities of notes payable	6,635,205	8,334,892
Current maturities of subordinated notes payable	400,000	900,000
Total current liabilities	11,728,737	13,653,064
Operating lease liabilities, less current maturities	14,255	46,940
Secured borrowings, participations	15,711,803	16,797,380
Notes payable, net	42,560,672	32,701,706
Subordinated notes payable	6,900,000	4,900,000
Total noncurrent liabilities	65,186,730	54,446,026
Total liabilities	76,915,467	68,099,090
Net assets:		
Without donor restrictions	26,407,061	26,061,278
With donor restrictions	18,894,918	18,092,515
Total net assets	45,301,979	44,153,793
Total liabilities and net assets	\$ 122,217,446	\$ 112,252,883

See notes to consolidated financial statements.

Partner Community Capital, Inc. & Subsidiary

Consolidated Statements of Activities
Years ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Financial activity:						
Financial income:						
Loan interest revenue	\$ 6,090,662	\$ -	\$ 6,090,662	\$ 5,403,968	\$ -	\$ 5,403,968
Fee income on loans, net	403,622	-	403,622	378,852	-	378,852
Interest income	1,044,915	-	1,044,915	884,309	-	884,309
Total financial income	7,539,199	-	7,539,199	6,667,129	-	6,667,129
Financial expenses:						
Provision for credit losses	649,044	-	649,044	5,190,360	-	5,190,360
Interest expense	2,663,049	-	2,663,049	2,211,555	-	2,211,555
Total financial expenses	3,312,093	-	3,312,093	7,401,915	-	7,401,915
Net financial income	4,227,106	-	4,227,106	(734,786)	-	(734,786)
Revenue and support:						
Grants and contributions	506,296	2,087,000	2,593,296	7,347,433	4,360,750	11,708,183
In-kind services - Forgiven interest	24,962	-	24,962	29,673	-	29,673
Government grants	554,090	1,751,180	2,305,270	1,014,018	2,226,652	3,240,670
Project income	11,675	-	11,675	62,587	-	62,587
Net assets released from restriction	3,035,777	(3,035,777)	-	3,038,851	(3,038,851)	-
Total revenue and support	4,132,800	802,403	4,935,203	11,492,562	3,548,551	15,041,113
Expenses:						
Program services:						
Lending	3,610,598	-	3,610,598	3,150,318	-	3,150,318
Business support services	3,551,868	-	3,551,868	2,913,223	-	2,913,223
Total program services	7,162,466	-	7,162,466	6,063,541	-	6,063,541
Supporting services:						
Management and general	798,259	-	798,259	610,275	-	610,275
Fundraising	53,398	-	53,398	50,541	-	50,541
Total supporting services	851,657	-	851,657	660,816	-	660,816
Total expenses	8,014,123	-	8,014,123	6,724,357	-	6,724,357
Change in net assets	345,783	802,403	1,148,186	4,033,419	3,548,551	7,581,970
Net assets:						
Beginning of year	26,061,278	18,092,515	44,153,793	22,027,859	14,543,964	36,571,823
End of year	\$ 26,407,061	\$ 18,894,918	\$ 45,301,979	\$ 26,061,278	\$ 18,092,515	\$ 44,153,793

See notes to consolidated financial statements.

Partner Community Capital, Inc. & Subsidiary

**Statement of Consolidated Functional Expenses
Year Ended December 31, 2025**

	Program Services			Supporting Services		
	Lending	Business Support Services	Total Program	Management and General	Fundraising	Total
Personnel and related expenses, net	\$ 2,624,519	\$ 1,290,018	\$ 3,914,537	\$ 489,317	\$ 44,483	\$ 4,448,337
Provision for credit loss	649,044	-	649,044	-	-	649,044
Interest expense	2,638,087	-	2,638,087	-	-	2,638,087
In-kind services - Interest expense	24,962	-	24,962	-	-	24,962
Technical assistance	-	1,904,452	1,904,452	-	-	1,904,452
Loan workout expense - Non-legal	70,113	-	70,113	-	-	70,113
Legal fees	106,213	-	106,213	39,468	-	145,681
Professional fees	208,729	125,590	334,319	115,722	1,043	451,084
Employee travel	61,991	30,470	92,461	11,558	1,051	105,070
Loan origination expense, net	86,610	-	86,610	-	-	86,610
Office expense	66,424	32,649	99,073	12,384	1,126	112,583
Computer software maintenance services	151,592	74,511	226,103	28,263	2,569	256,935
Rent	105,259	51,737	156,996	19,625	1,784	178,405
Amortization expense	15,089	7,416	22,505	2,813	256	25,574
Conference, convention, meeting	19,226	9,450	28,676	3,584	326	32,586
Insurance	-	-	-	28,610	-	28,610
Reporting and filing fees	10,196	-	10,196	-	-	10,196
Bank charges	-	-	-	38,552	-	38,552
Marketing	38,107	22,256	60,363	7,104	646	68,113
Employee training and development	6,753	3,319	10,072	1,259	114	11,445
Other lending costs	39,777	-	39,777	-	-	39,777
Total expense	\$ 6,922,691	\$ 3,551,868	\$ 10,474,559	\$ 798,259	\$ 53,398	\$ 11,326,216
Less expenses included with financial activity on the consolidated statement of activities	(3,312,093)	-	(3,312,093)	-	-	(3,312,093)
Total expense included with expenses on the consolidated statement of activities	\$ 3,610,598	\$ 3,551,868	\$ 7,162,466	\$ 798,259	\$ 53,398	\$ 8,014,123

See notes to consolidated financial statements.

Partner Community Capital, Inc. & Subsidiary

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2024**

	Program Services			Supporting Services		
	Lending	Business Support Services	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 consolidated statement of activities	(7,401,915)	-	(7,401,915)	-	-	(7,401,915)
Total expense included with expenses on the consolidated statement of activities	\$ 3,150,318	\$ 2,913,223	\$ 6,063,541	\$ 610,275	\$ 50,541	\$ 6,724,357

See notes to consolidated financial statements.

Partner Community Capital, Inc. & Subsidiary

**Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 1,148,186	\$ 7,581,970
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for credit losses - loans receivable	1,440,620	6,299,502
Provision for credit losses - accrued interest and fees	70,088	-
Credit to allowance for credit losses - secured borrowings participations	(861,664)	(1,109,142)
Implied interest expense	25,182	4,240
Contributions restricted for long-term purposes	(75,000)	(110,000)
Amortization of debt acquisition costs	39,777	47,613
Amortization of deferred loan (fees)	(62,735)	(53,948)
Amortization of intangible asset	25,574	13,088
Capitalization of interest expense	51,644	96,100
Changes in operating assets and liabilities:		
Accounts receivable	(2,576)	2,828
Prepaid expenses	(106,181)	(14,792)
Promises to give	61,841	1,231,295
Accrued interest and fees receivable	(174,119)	(289,411)
Operating leases, right-of-use assets	30,602	62,152
Accounts payable	(113,348)	144,959
Accrued personnel and related expenses	(178,351)	104,058
Funds held for others	185,915	-
Accrued interest payable	77,659	(19,672)
Deferred revenue	(965,033)	(370,660)
Operating lease liabilities	(30,179)	(62,526)
Net cash provided by operating activities	587,902	13,557,654
Cash flows from investing activities:		
Cash disbursements on loans receivable	(16,071,261)	(24,984,949)
Principal collections on loans receivable	7,802,877	9,144,463
Proceeds from the sale of loans receivable	501,014	1,000,000
Repayment on the sale of loans receivable	(272,738)	(222,939)
Purchase of other asset	(153,455)	(284,297)
Redemption of other asset	17,714	400,379
Purchase of intangible asset	-	(66,444)
Net cash used in investing activities	(8,175,849)	(15,013,787)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	13,171,546	6,066,173
Repayments of notes payable	(3,549,970)	(1,153,825)
Payment of debt acquisition costs	(78,900)	(32,198)
Advances on secured borrowings, participations	2,733,301	5,595,861
Repayments on secured borrowings, participations	(1,691,202)	(2,834,276)
Contributions restricted for long-term purposes	75,000	110,000
Net cash provided by financing activities	10,659,775	7,751,735
Net change in cash and cash equivalents	3,071,828	6,295,602
Cash and cash equivalents:		
Beginning of year	30,558,173	24,262,571
End of year	\$ 33,630,001	\$ 30,558,173
Cash and cash equivalents—unrestricted	\$ 28,170,063	\$ 27,085,345
Cash and cash equivalents—restricted	5,459,938	3,472,828
	\$ 33,630,001	\$ 30,558,173
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,508,570	\$ 2,231,227
Cash payment on operating leases	\$ 87,487	\$ 81,015
Supplemental schedule of noncash operating activities		
ROU asset obtained in exchange for new operating lease liability	\$ -	\$ 91,023

See notes to consolidated financial statements.

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

Partner Community Capital, Inc. (the Organization) is a certified community development financial institution (CDFI) that provides financing for and business support services 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.

Partner Community Capital NMTC, LLC ("PCAP NMTC") is certified by the CDFI Fund as a Community Development Entity (CDE) under its New Market Tax Credit (NMTC) Program. PCAP NMTC is a 99% owned subsidiary of PCAP and was formed as PCAP initial activities in the NMTC program. The Organization is the managing member of PCAP NMTC, LLC.

In December 2025, PCAP NMTC received notice of its first award of New Market Tax Credit allocations in the amount of \$40,000,000 to support development in low-income areas throughout its service area. As of and for the years ended December 31, 2025 and 2024 there were no assets, liabilities or activities related to the entity.

Accounts of both Partner Community Capital, Inc. and Partner Community Capital NMTC, LLC (PCAP) have been included in the accompanying consolidated financial statements. All significant intercompany transactions and balances have been eliminated.

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 \$2 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.

Business Support Services: PCAP's business support services 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 programs 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 consolidated 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 not-for-profit industry. A description of the net asset classes is as follows:

Net assets without donor restrictions: All resources over which the governing board (the Board) has discretionary control. The 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.

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

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.

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 Economic Development Administration (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 consolidated 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, 2025 or 2024.

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 credit 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.

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

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.

Allowance for credit losses: PCAP adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

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

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.

The SBA 7A program requires the establishment of cash loan reserves equal to 1.5% or 1.8%, respectively, of the unguaranteed and guaranteed portion of the SBA 7A portfolio. The required balance of cash loan reserves at December 31, 2025 and 2024, was \$6,820 and \$6,924. The SBA 7A program reserve was reduced by the SBA during the year ended December 31, 2025. The balance of the SBA loan reserve was \$29,999 at December 31, 2025 and 2024, which is reported with cash and cash equivalents – restricted.

During the year PCAP entered an agreement with the Small Business Administration to establish and maintain a Microloan Revolving Fund. The SBA Microloan program requires the establishment of cash loan reserves equal to 15% of the outstanding balance of the microloan receivables. Microloan receivables total \$59,024 and restricted cash of \$204,101 as of December 31, 2025. The required balance of cash loan reserves at December 31, 2025 was \$8,854. The balance of Microloan loan reserve was \$112,580 as of December 31, 2025, 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, 2025 and 2024.

Notes payable: The primary use of PCAP's debt is to provide 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 \$2,032,542 and \$2,069,615 as of December 31, 2025 and 2024, 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 \$18,946,750 and \$18,766,315 as of December 31, 2025 and 2024, respectively.

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

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.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses, such as the professional fees, computer software maintenance services, marketing, amortization, 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 FASB ASC Topic 842 (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 not-for-profit 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 unrelated business income tax for the years ended December 31, 2025 and 2024.

Management evaluated PCAP's tax positions and concluded that PCAP had taken no uncertain tax positions that require adjustment to the consolidated 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 2022.

Use of estimates: The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by management include the allowance for credit losses. Actual results could materially differ from those estimates.

Partner Community Capital, Inc. & Subsidiary**Notes to Consolidated Financial Statements****December 31, 2025 and 2024****Note 2. Cash and Cash Equivalents**

Cash and cash equivalents held by PCAP at December 31, 2025 and 2024, consist of the following:

	2025	2024
Cash	\$ 7,527,730	\$ 4,391,167
U.S. government money market fund	26,078,512	26,143,249
Certificates of deposit	23,759	23,757
	<u>\$ 33,630,001</u>	<u>\$ 30,558,173</u>
Unrestricted cash and cash equivalents	\$ 28,170,063	\$ 27,085,345
Restricted cash	5,436,179	3,449,071
Restricted cash equivalents	23,759	23,757
	<u>\$ 33,630,001</u>	<u>\$ 30,558,173</u>

Restricted cash balances at December 31, 2025 and 2024, are held for the following purposes:

	2025	2024
Revolving loan funds:		
Intermediary Relending Program	\$ 1,885,599	\$ 1,433,742
Economic Development Authority	724,295	529,229
Rural Microentrepreneur Assistance Program	209,266	3,199
Small Business Administration Microloan	204,101	-
	<u>3,023,261</u>	<u>1,966,170</u>
Cash required to be segregated by lender:		
Financial institution lenders	<u>1,956,561</u>	<u>1,316,273</u>
Cash required to be segregated for escrow:		
Money Market	<u>177,149</u>	<u>-</u>
Cash loan loss reserves:		
Intermediary Relending Program	117,171	117,171
Rural Microentrepreneur Assistance Program	19,458	19,458
Small Business Administration	142,579	29,999
	<u>279,208</u>	<u>166,628</u>
Total restricted cash	<u>\$ 5,436,179</u>	<u>\$ 3,449,071</u>

Note 3. Intangible Assets

PCAP capitalizes the development of its grant and donation software as an intangible asset with a carrying value of \$55,573 and \$81,147 as of December 31, 2025 and 2024, respectively, which is being amortized over its estimated useful life of three years, resulting in an amortization expense of \$25,574 and \$13,088 for the year ended December 31, 2025 and 2024, respectively.

Note 4. Other Assets

At December 31, 2025, PCAP held 24 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 24 loans totaling approximately \$13,600,000 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 24 loans with the third-party ranging from \$17,200 to \$500,000.

Partner Community Capital, Inc. & Subsidiary**Notes to Consolidated Financial Statements****December 31, 2025 and 2024****Note 4. Other Assets (Continued)**

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 5. Promises to Give

As of December 31, 2025 and 2024, unconditional promises to give totaling \$1,032,326 and \$1,094,167, respectively, are due in less than one year. At December 31, 2025 and 2024, PCAP also had six and eight conditional promises to give totaling \$1,457,709 and \$6,221,600, respectively. Revenue is recognized on conditional promises to give once the conditions have been met.

Note 6. Loans Receivable

Loans receivable by category, net of deferred fees and cost at December 31, 2025 and 2024, as follows:

	2025	2024
Real Estate - First Position	\$ 54,039,445	\$ 48,913,334
Real Estate - Subordinated	18,837,216	15,668,381
Other Collateral	12,134,713	13,006,877
Non Risk Rated		
North Carolina COVID-19		
Rapid Recovery	3,020,027	3,906,475
West Virginia Emergency	716,113	988,471
Unsecured	175,676	260,567
Subtotal	88,923,190	82,744,105
Allowance for credit losses	(5,320,937)	(5,804,075)
Loans receivable, net	\$ 83,602,253	\$ 76,940,030

Loans carry remaining terms of less than one year to 25 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 \$2,216,510 and \$2,518,760 and restricted cash of \$1,885,599 and \$1,433,742 serve as collateral on IRP notes payable at December 31, 2025 and 2024, respectively. Loans receivable totaling \$97,001 and \$316,026 and restricted cash of \$209,266 and \$3,199 serve as collateral on RMAP notes payable at December 31, 2025 and 2024, respectively.

Accrued interest receivable amounted to \$869,896 and \$787,874 at December 31, 2025 and 2024, respectively.

Nonaccrual loans totaled \$5,344,839 and \$1,394,568 as of December 31, 2025 and 2024, respectively.

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 \$1,537 of net origination costs as of December 31, 2025 (\$3,990 as of December 31, 2024), that will be recognized as origination expense over the term of the loans. As of December 31, 2025 and 2024, \$714,577 and \$984,481 of principal remained outstanding on the WV Emergency loans, respectively.

PCAP participated in the North Carolina Rapid Recovery (NCR) 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 NCR was provided by the Golden LEAF Foundation initially, supplemented by a \$125 million appropriation from the State of North Carolina. NCR served as a central point of contact for potential NCR 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 NCR program, PCAP funded \$6,691,620 in loans to 73 borrowers and deferred approximately \$2,483 of net origination costs as of December 31, 2025 (\$7,417 as of December 31, 2024), that will be recognized as origination expense over the term of the loans. As of December 31, 2025 and 2024, \$3,017,544 and \$3,899,058 of principal remained outstanding on the NCR loans, respectively.

Aging: The following table represent an aging of loans as of December 31, 2025 and 2024. The table presents the principal amount outstanding on the loans that may be past due for principal and/or interest payments contractually due:

	2025							
	31 - 60 Days	61 - 90 Days	91+ Days	Total	Current	Total Loans	Nonaccrual Loans	91+ Days Past Due Accruing
	Past Due	Past Due	Past Due	Past Due				
Real Estate - First Position	\$ 336,059	\$ 1,973,059	\$ 2,547,296	\$ 4,856,414	\$ 49,183,031	\$ 54,039,445	\$ 3,149,897	\$ 1,772,988
Real Estate - Subordinated	-	98,188	1,790,028	1,888,216	16,949,000	18,837,216	1,786,920	336,153
Other Collateral	1,251	-	66,838	68,089	12,066,624	12,134,713	392,340	32,238
Non Risk Rated								
North Carolina COVID-19								
Rapid Recovery	155,827	-	-	155,827	2,864,200	3,020,027	15,682	-
West Virginia Emergency	-	-	-	-	716,113	716,113	-	-
Unsecured	52,491	-	-	52,491	123,185	175,676	-	-
Total	\$ 545,628	\$ 2,071,247	\$ 4,404,162	\$ 7,021,037	\$ 81,902,153	\$ 88,923,190	\$ 5,344,839	\$ 2,141,379

	2024							
	30 - 60 Days	61 - 90 Days	91+ Days	Total	Current	Total Loans	Nonaccrual Loans	91+ Days Past Due Accruing
	Past Due	Past Due	Past Due	Past Due				
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

Note 6. Loans Receivable (Continued)

Allowance for credit losses: The following is an analysis of the allowance for credit losses for the years ended December 31, 2025 and 2024.

	2025						
	Real Estate First Position	Real Estate Subordinated	Other Collateral	North Carolina		Unsecured	Total
				COVID-19 Rapid Recovery	West Virginia Emergency		
Beginning balance	\$ 3,702,351	\$ 970,204	\$ 1,053,465	\$ 16,094	\$ 27,600	\$ 34,361	\$ 5,804,075
Provision (benefit) for credit losses	(1,158,271)	701,604	1,049,296	(12,907)	34,966	34,356	649,044
Less charge-offs	(231,564)	(557,721)	(631,272)	(3,187)	(52,454)	-	(1,476,198)
Recoveries	150,231	86,925	102,960	-	-	3,900	344,016
Ending balance	\$ 2,462,747	\$ 1,201,012	\$ 1,574,449	\$ -	\$ 10,112	\$ 72,617	\$ 5,320,937
Allowance for credit losses allocated:							
Individually evaluated for impairment	\$ 938,390	\$ 1,474,921	\$ 253,554	\$ -	\$ -	\$ 50,153	\$ 2,717,018
Collectively evaluated for impairment	1,524,357	(273,909)	1,320,895	-	10,112	22,464	2,603,919
	\$ 2,462,747	\$ 1,201,012	\$ 1,574,449	\$ -	\$ 10,112	\$ 72,617	\$ 5,320,937
Loans receivable:							
Individually evaluated for impairment	\$ 7,156,584	\$ 2,861,089	\$ 1,383,942	\$ 204,124	\$ -	\$ 50,153	\$ 11,655,892
Collectively evaluated for impairment	46,882,861	15,976,127	10,750,771	2,815,903	716,113	125,523	77,267,298
	\$ 54,039,445	\$ 18,837,216	\$ 12,134,713	\$ 3,020,027	\$ 716,113	\$ 175,676	\$ 88,923,190
	2024						
	Real Estate First Position	Real Estate Subordinated	Other Collateral	North Carolina		Unsecured	Total
				COVID-19 Rapid Recovery	West Virginia Emergency		
Beginning balance	\$ 1,000,894	\$ 283,416	\$ 555,739	\$ -	\$ 149,377	\$ 31,224	\$ 2,020,650
Provision (benefit) for credit losses	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 credit 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

Loan modifications: As of December 31, 2025, the outstanding principal balance of loan modifications was \$11,655,892. The associated allowance for credit losses for loan modifications was \$2,717,018 as of December 31, 2025. During the year ended December 31, 2025, nine loans were modified. The loans had a pre-modification and post-modification balance of \$3,543,400 and \$2,560,550, respectively. The modifications in 2025 included rate reductions and extension of maturity dates. As of December 31, 2025, \$4,397,736 of the modified loans were greater than 90 days delinquent. There were no unfunded commitments on loan modifications as of December 31, 2025.

As of December 31, 2024, the outstanding principal balance of loan modifications was \$6,753,298. The associated allowance for credit 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.

During the year ended December 31, 2025 PCAP had seven loan modifications, with pre and post-modification outstanding recorded investments of \$1,125,309, that subsequently defaulted within twelve months of the restructuring. 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.

Note 6. Loans Receivable (Continued)

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 well 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 \$837,479 and \$848,230 at December 31, 2025 and 2024, 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. As of December 31, 2025, three companies with principal balances outstanding of \$823,956, continue to receive deferred payments. PCAP recorded an additional reserve for portfolio at risk in WNC, included in allowance for credit losses, of \$3,257,303 at December 31, 2024. This allowance was removed during the year ended December 31, 2025.

Note 7. Related Party Transactions

A member of PCAP’s Board 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, 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. During 2025, the Board member ended their employment with the financial institution. As of December 31, 2025 and 2024, PCAP held cash and certificates of deposit of \$872,638 and \$1,455,399, respectively, and notes payable of \$1,500,000 with the financial institution. Interest income for the years ended December 31, 2025 and 2024, was \$13,735 and \$2,780, respectively. Interest expense for the years ended December 31, 2025 and 2024 was \$9,164 and \$10,043, respectively. PCAP incurred rent expense for the years ended December 31, 2025 and 2024 of \$54,367 and \$53,115, respectively, to lease roughly 4,000 square feet of office space from the financial institution, as part of an existing lease.

In 2024 PCAP entered into a loans receivable agreement with a company founded by a member of the Board. During 2025, the member of the Board resigned from the Board. As of December 31, 2025 and 2024 principal of \$230,475 and \$251,173 and interest outstanding is \$808 and \$1,093, respectively. Interest income for the year ended December 31, 2025 and 2024 was \$19,142 and \$13,583, respectively.

Partner Community Capital, Inc. & Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 8. Notes Payable and Subordinated Notes Payable

Notes payable consist of the following at December 31, 2025 and 2024:

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding	
						2025	2024
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	\$ -	\$ 203,599	\$ 197,417
U.S. Department of Agriculture - IRP (Principal and interest due annually)	11/15/2010	11/15/2040	1.00%	750,000	-	425,590	452,898
West Virginia Infrastructure & Jobs Development Council (Principal and interest due monthly)	11/15/2010	12/1/2025	1.00%	250,000	-	-	25,309
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/01/2031	1.00%	495,000	-	236,409	274,463
U.S. Department of Agriculture - IRP (Principal and interest due annually)	12/1/2015	12/1/2036	1.00%	257,000	-	162,467	176,378
U.S. Department of Agriculture - IRP (Principal and interest due annually)	5/16/2016	5/16/2046	1.00%	364,104	-	291,450	303,831
U.S. Department of Agriculture - RMAP (Principal and interest due monthly)	6/29/2016	5/16/2036	2.00%	500,000	-	322,930	350,775
West Virginia Infrastructure & Jobs Development Council (Principal and interest due quarterly)	6/12/2018	6/1/2033	3.00%	500,000	-	289,503	323,941
U.S. Department of Agriculture - IRP (Principal and interest due annually)	9/4/2018	9/4/2048	1.00%	750,000	-	651,167	676,248
U.S. Department of Agriculture - IRP (Originated on 7/17/2020 and reamortized on 7/17/2024 Principal and interest due annually)	7/17/2020	7/17/2054	1.00%	482,500	-	466,842	466,842
U.S. Small Business Administration - Microloan (Principal and interest due monthly beginning in June 2026)	5/1/2025	5/1/2035	2.50%	750,000	487,500	262,500	-
Total secured notes payable						3,312,457	3,248,102
Highgate, LLC (One individual impact investor. Principal due at maturity and interest due semi-annually. Renewed in July 2025)	8/5/2016	7/14/2030	2.50%	50,000	-	50,000	50,000
One Foundation (Principal due quarterly)	1/1/2016	12/31/2025	0.00%	100,000	-	-	15,463
One Foundation POWER (Principal due quarterly)	7/26/2017	9/30/2027	0.00%	300,000	-	105,000	165,000
McKnight Foundation (Principal due at maturity and interest due annually)	4/16/2018	5/1/2028	0.75%	2,000,000	-	1,500,000	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 2026)	7/25/2018	8/31/2026	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. Amended in June 2025 with additional funds)	4/30/2019	4/30/2029	2.00%	600,000	-	600,000	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	-	2,000,000	3,000,000
Calvert Impact Capital (Principal due at maturity in March 2025 and interest due quarterly. Note renewed for an additional three years with principal due at maturity and interest due quarterly.)	12/20/2019	2/11/2028	5.40%	3,500,000	-	1,500,000	1,500,000

(Continued)

Partner Community Capital, Inc. & Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Lender	Origination Date	Maturity Date	Interest Rate	Note Amount	Undrawn Amounts	Principal Balance Outstanding	
						2025	2024
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
Silverio Trust (Principal due at maturity and interest due semi-annually)	3/12/2020	2/22/2025	1.85%	50,000	-	-	50,000
Impact Assets, Inc. (Principal due at maturity and interest due semi-annually)	3/27/2020	3/27/2025	1.00%	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 semi-annually. Renewed in April 2025)	4/20/2020	4/21/2030	2.50%	500,000	-	500,000	500,000
Northern Trust (Principal due at maturity and interest due semi-annually. Renewed in September 2020)	9/25/2020	9/25/2030	2.50%	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 (Monthly principal and interest payments of \$6,356 with remaining principal due at maturity)	4/22/2024	4/22/2026	6.00%	1,000,000	-	695,401	728,416
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
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	3.25%	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
Impact Investor IV (Principal due at maturity and interest due semi-annually)	2/5/2022	2/5/2025	2.00%	25,000	-	-	25,000
The Community Foundation of Western North Carolina (Principal due at maturity and interest due semi-annually. Renewed in March 2025)	3/14/2022	3/14/2028	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	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	1,000,000

(Continued)

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. The revolving operating line of credit was closed at maturity. There was no outstanding balance at December 31, 2024.

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, 2025 and 2024, government grants accounted for 47% and 22%, respectively, of PCAP's revenue and support and 100% and 76%, respectively, of PCAP's promises to give. Promises to give from a non-government organization accounted for 0% and 24%, respectively, of PCAP's promises to give as of December 31, 2025 and 2024.

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, 2025 and 2024, donor restricted net assets consisted of the following:

	2025	2024
Restricted for specified purpose:		
Loan capital	\$ 8,164,368	\$ 7,144,103
Provide support for business development to natural resource-based enterprises and provide incentives to businesses to engage in sound environmental practices	2,145,274	2,195,712
	10,309,642	9,339,815
Perpetual in nature:		
Restricted for specified purpose:		
Loan capital revolving fund:		
Represents net assets dedicated to providing temporary financing to qualified businesses	8,585,276	8,752,700
	\$ 18,894,918	\$ 18,092,515

Partner Community Capital, Inc. & Subsidiary

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Note 11. Net Assets With Donor Restrictions (Continued)

Net assets released from restrictions consisted of the following at December 31, 2025 and 2024.

	<u>2025</u>	<u>2024</u>
Restricted for specified purpose:		
Loan capital	\$ 179,735	\$ 5,889
Provide support for business development to natural resource-based enterprises and provide incentives to businesses to engage in sound environmental practices	<u>2,688,618</u>	<u>2,788,310</u>
	2,868,353	2,794,199
Perpetual in nature:		
Restricted for specified purpose:		
Loan capital revolving fund:		
Represents net assets dedicated to providing temporary financing to qualified businesses	<u>167,424</u>	<u>244,652</u>
	<u>\$ 3,035,777</u>	<u>\$ 3,038,851</u>

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 consolidated financial statements.

Fee income on loans, net of loan origination fees consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Fee income on loans	\$ 313,435	\$ 332,638
Loan origination fee revenue (amortization)	<u>90,187</u>	<u>46,214</u>
Fee income on loans, net	<u>\$ 403,622</u>	<u>\$ 378,852</u>

Personnel and related costs, net of loan origination costs consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Personnel and related expenses	\$ 4,436,240	\$ 3,902,019
Loan origination cost amortization	<u>12,097</u>	<u>(26,811)</u>
Personnel and related expenses, net	<u>\$ 4,448,337</u>	<u>\$ 3,875,208</u>

Loan origination expense, net of loan origination costs consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Loan origination expense	\$ 71,255	\$ 51,867
Loan origination cost amortization	<u>15,355</u>	<u>19,078</u>
Loan origination expense, net	<u>\$ 86,610</u>	<u>\$ 70,945</u>

Partner Community Capital, Inc. & Subsidiary**Notes to Consolidated Financial Statements****December 31, 2025 and 2024****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, 2025 and 2024:

	2025	2024
Operating lease expense	\$ 33,453	\$ 67,815
Short-term lease expense	139,115	92,830
Variable lease expense	-	2,500
Total lease cost	<u>\$ 172,568</u>	<u>\$ 163,145</u>

Additional information related to operating leases are as follows as of December 31, 2025 and 2024:

	2025	2024
Weighted-average remaining lease term in years for operating leases	1.42	2.42
Weighted-average discount rate for operating leases	4.69%	4.69%

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the consolidated statement of financial position are as follows as of December 31, 2025:

Years ending December 31:	
2026	\$ 34,063
2027	14,366
Total undiscounted cash flows	<u>48,429</u>
Less: present value discount	<u>(1,489)</u>
Total lease liabilities	<u>\$ 46,940</u>

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 consolidated 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, 2025 and 2024, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2025	2024
Loan commitments approved not disbursed	<u>\$ 5,154,285</u>	<u>\$ 5,923,913</u>

Note 14. Commitments and Contingencies(Continued)

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 – Other Assets*, PCAP holds 24 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 24 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, 2025 and 2024, for general expenditures are as follows:

	2025	2024
Cash and cash equivalents – unrestricted	\$ 28,170,063	\$ 27,085,345
Cash and cash equivalents – restricted	5,459,938	3,472,828
Accounts receivable	3,226	650
Promises to give	1,032,326	1,094,167
Loans receivable, net	83,602,253	76,940,030
Accrued interest and fees receivable	912,974	808,943
Other assets	2,756,501	2,620,760
Total financial assets	121,937,281	112,022,723
Cash and cash equivalents – restricted	(5,459,938)	(3,472,828)
Donor restricted funds	(18,894,918)	(18,092,515)
Loans receivable, due after one year, net	(69,957,618)	(66,659,036)
Loans receivable due in next year restricted for federal relending program	(574,601)	(592,013)
Other assets	(2,756,501)	(2,620,760)
Outstanding loan commitments, not disbursed	(5,154,285)	(5,923,913)
Amounts not available to be used within one year	(102,797,861)	(97,361,065)
Financial assets available to meet general expenditures within one year	\$ 19,139,420	\$ 14,661,658

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.

Note 15. Liquidity and Availability of Financial Resources (Continued)

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 \$2,100,000. 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.

Note 16. Subsequent Events

Management evaluated subsequent events through March 26, 2026, the date the consolidated financial statements were available to be issued.