2019

THE PROPERTY AND CASUALTY INITIATIVE, LLC

CELEBRATING
20
YEARS

CONTENT

MISSION STATEMENT

The Property and Casualty Initiative, LLC (PCI), is a Limited Liability Corporation established by a consortium of Massachusetts-based property and casualty insurance companies.

The goal of PCI is to make sound and prudent investments in organizations and companies that promote economic development, create employment opportunities for low and moderate-income residents, increase or maintain the availability of affordable housing, and expand access to healthcare and social services.

AFFORDABLE HOUSING

PROMOTING AFFORDABLE HOUSING THROUGHOUT MASSACHUSETTS

2019

PROJECT	COMMITTED DOLLARS	TOTAL UNITS	AFFORDABLE UNITS
Housing Corp of Arlington Downing Broadway	$12,290,000	48	48
Indigo Block Apartments	$4,400,000	80	80
Mason Square Apartments Phase II	$10,000,000	60	60
Moran Square	$652,500	44	44
Southwest Boston CDC Acquisition Program	$690,720	Up to 30	Up to 30
URBANICA, Inc./UHomes LLC	$7,050,000	20	20
TOTAL	**$35,083,220**	**282**	**282**

PROJECT: Downing Square Broadway Initiative (DSBI)

BORROWER/SPONSOR: Housing Corporation of Arlington

TYPE OF INVESTMENT: Construction to Permanent Loan Remediation Bridge Loan

REGION: Greater Boston

QUALIFICATION: Low-income Housing

OUTSTANDING @12.31.19: $0

HOUSING CORP OF ARLINGTON
DOWNING SQUARE BROADWAY INITIATIVE

$12,290,000

Established in 1986, Housing Corporation of Arlington (HCA) is a certified non-profit Community Development Corporation whose mission is to support social and economic diversity, through affordable housing programs, for the Town and residents of Arlington. HCA provides housing for low- and moderate-income members of the community and advocates for expansion of affordable housing opportunities in the town.

Since 2000, the Arlington Board of Selectmen has made a strategic decision to prioritize affordable housing through allocation of the town's CDBG dollars. With that support, HCA has been able to grow as an organization and to increase the town's inventory of affordable housing. HCA now owns and operates 102 units of housing.

A PCI LOAN of $12,290,000, together with proceeds from other funding sources, will allow for the new construction of 48 units of affordable rental housing at two locations in Arlington. One site is located at 19R Park Drive and the second is at 117 Broadway. 16 units will target extremely low-income households earning up

19R Park Drive & 117 Broadway, Arlington, MA

BORROWER/PROJECT: Indigo Block Apartments

SPONSOR: Dorchester Bay Economic Development Corporation

TYPE OF INVESTMENT: Construction Loan

REGION: Boston

QUALIFICATION: Low & Moderate-income Housing

OUTSTANDING @12.31.19: $443,142.86

INDIGO BLOCK APARTMENTS

$4,400,000

Dorchester Bay Economic Development Corporation ("DBEDC") and its partners, Boston Capital, Escazu Development and Newmarket Community Partners, are developing a 2.75-acre vacant parcel of land at 65 East Cottage Street in Boston. The project, known as Indigo Block, abuts the Uphams Corner station platform on the Fairmount/Indigo line. Indigo Block involves the construction of residential rental, commercial space and homeownership units in six separate buildings. The residential component will include 80 residential units all of which will be affordable. Residential units will share a community room with a kitchen, bicycle storage and community laundry facility. Interiors will have linoleum plank flooring in kitchens, living rooms and bedrooms. Bathrooms will have VCT tile and wooden cabinets. Unit appliances include a range, refrigerator, microwave, dishwasher and disposal. There will be 50 shared parking spaces.

PCI partnered with two local banks for a combined construction and tax credit bridge loan of $22 million.

65 East Cottage Street, Dorchester, MA

BORROWER/PROJECT:
Mason Square Apartments II LLC

SPONSOR:
First Resource Development

TYPE OF INVESTMENT:
Construction Loan

REGION: Western MA

QUALIFICATION: Low & Moderate-income Housing

OUTSTANDING @12.31.19:
$4,762,881.14

MASON SQUARE APARTMENTS PHASE II

$10,000,000

Mason Square Apartments II Limited Partnership proposed the adaptive re-use of two, vacant historic buildings into 60 affordable apartments. The buildings have been vacant for over 50 years and represents the final redevelopment piece of a City landmark -- the former Indian Motorcycle manufacturing mill complex which was in operation through the 1950's.

A combined total of 60 residential apartments will result from the renovation of the two buildings. The Sponsor proposes a gut renovation of the buildings which will include new boilers and central air conditioning. There will be two elevators added one in each building. In addition, sprinkler systems and fire alarm systems will be added including video intercom systems. All exterior masonry will be repaired or replaced as needed. In the factory building units will be built on opposite sides off a center hallway. These units will have new hardwood floors as the current flooring is oil soaked and will be removed per the environmental remediation plan. Windows in both buildings will be replaced. Included in the 60 units will be 3 handicap accessible units and one sensory apartment. Both buildings will include handicap parking along with handicap access ramps into buildings, common areas and laundry facilities. There will be a lighted control crosswalk across State Street for residents to access parking, schools, transportation and shopping.

858-864 State Street, Springfield, MA

BORROWER:
MSQ Redevelopment LLC

SPONSOR:
Rees-Larkin Development

TYPE OF INVESTMENT:
Acquisition Loan

REGION: Central MA

QUALIFICATION: Low & Moderate-income Housing

OUTSTANDING @12.31.19:
$646,564.47

MORAN SQUARE

$652,500

Rees-Larkin Development's project consists of the renovation of two vacant buildings and the new construction of a third building in the recently formed Moran Square Historic District in Fitchburg, MA. When renovated the existing buildings will include 16 residential units and 1st floor commercial space. The redevelopment plan also involves the infill construction of a new 5-story residential building containing 28 residential units. Included in the project is the adaptive reuse of a former fire station. The project has been award LIHTC and State and local subsidy funds. Construction is expected to begin in 2020.

10 Main Street
11 & 15 Summer Street
Fitchburg, MA

BORROWER:
SWBCDC Homes LLC

SPONSOR:
Southwest Boston Community Development Corporation

TYPE OF INVESTMENT:
Acquisition Line of Credit

REGION: Boston

QUALIFICATION: Low & Moderate-income Housing

OUTSTANDING @12.31.19:
$690,720

SOUTHWEST BOSTON CDC ACQUISTION PROGRAM

$5,000,000

On May 24, 2016, Mayor Walsh announced the City of Boston earmarked $7.5MM of Inclusionary Development funds to support the acquisition of occupied rental housing. This program known as Acquisition Opportunity Program ("AOP"), is intended to increase the share of Boston' s rental housing stock that is protected from market forces and prevent displacement. Using $3,000,000 of City money under the AOP, Southwest Boston CDC will acquire up to 30-units of rental housing in Hyde Park over the next two years. Forty per cent of the units will be restricted to households earning up to 60% of AMI and the remaining units will be restricted to households earning up to 100% of AMI.

Hyde Park, MA

BORROWER: UHomes LLC

SPONSOR: Urbanica, Inc.

TYPE OF INVESTMENT: Construction Loan

REGION: Greater Boston

QUALIFICATION: Affordable Housing

OUTSTANDING @12.31.19: $0

URBANICA, INC.
UHOMES LLC

$7,050,000

Founded by principal Kamran Zahedi 20 years ago, Urbanica creates contemporary urban spaces for communities of diverse cultures, lifestyles and incomes by transforming underutilized buildings and sites into exceptional spaces for living, working and playing. Many of their projects were constructed on lands previously owned by the City of Boston or other public agencies.

The development of 90 Antwerp was awarded to Urbanica in a highly competitive landscape, in which the organization benefitted from its creative design-oriented focus. The project, to be known as UHomes, consists of 20 architecturally pleasing units, in partially interconnected buildings, and carefully designed publicly accessible open space. The open space consists of three components: a pocket park, a green buffer zone, as well as a "living street" that combines parking, landscaped area, pedestrian paths, and other passive residential uses.

The 29,700 SF vacant parcel of land at 90 Antwerp Street in Brighton, is owned by Harvard University. Under its agreement with the City of Boston, Harvard will transfer the site to the City, and Urbanica will acquire it from the City.

A PCI LOAN of $7,050,000 provides financing for the construction of twenty 1, 2, and 3-bedroom mixed-income home- ownership units, and creation of publicly accessible open space. Urbanica will target 8 units to market buyers, and 12 units to workforce buyers earning 80%-100% of AMI. The PCI construction loan includes a participation out to a local lending organization.

90 Antwerp Street, Brighton, MA

Economic Development

2019

1.	Coastline Elderly Services, Inc.	$1,000,000
2.	Concord Square Planning & Development – 28 Petronelli LLC	$1,000,000
3.	Emengini Educational Trust, LLC – 6-8 Chatham Street	$2,800,000
4.	Indigo Block Commercial Project	$4,000,000
	Total	$8,800,000

SPONSOR/BORROWER:
Coastline Elderly Services

TYPE OF INVESTMENT: Term Loan/2nd Mortgage

REGION: Southeast

QUALIFICATION: Economic Development

OUTSTANDING @12.31.19: $0

COASTLINE ELDERLY SERVICES, INC.

$1,000,000

Coastline Elderly Services (CES) is a private, non-profit corporation that develops, provides, and coordinates a wide range of home care services designated to support and maintain the independent living of elders within their community. CES exists to improve the quality of life for elders, and individuals with disabilities who reside within the agency' s planning and service area, which consists of eight towns in Southeastern Massachusetts—Acushnet, Dartmouth, Fairhaven, Gosnold, Marion, Mattapoisett, New Bedford, and Rochester.

Since 1977, the agency has been designated by the State Unit on Aging (SUA) of the Executive Office of Elder Affairs (EOEA) to administer the State Home Care program; Coastline, therefore, is known as an Aging Services Access Point, one of 26 in the Commonwealth. Coastline is also the Area Agency on Aging for the South Coast region of Massachusetts.

A PCI LOAN of $1,000,000, together with other funding sources, will finance the redevelopment of a 37,000SF vacant building at 2104-2110 Acushnet Avenue and an adjacent building at 859 Belleville Avenue in New Bedford, MA into office and program space. The project will enable CES to consolidate and grow programs that improve quality of life for independent-living elders and individuals with disabilities.

2104-2110 Acushnet Avenue, New Bedford, MA

SPONSOR: Concord Square Planning & Development

BORROWER: 28 Petronelli LLC

TYPE OF INVESTMENT: Acquisition Loan

REGION: Southeast

QUALIFICATION: Economic Development

OUTSTANDING @12.31.19: $93,160

CONCORD SQUARE PLANNING & DEVELOPMENT – 28 PETRONELLI LLC

$100,000

Founded by Ted Carmen, Concord Square Planning & Development, Inc. was established in 1995, and since its inception has carried out a variety of consulting projects including historic renovation projects, transit-oriented residential developments, zoning and public policy initiatives, and revitalization plans.

Concord Square purchased 28 Petronelli Way, its second property in downtown Brockton. The parcel was owned by The City of Brockton which strongly supports having this historic four story 23,040 square foot building saved and repurposed into a contributing element of downtown.

The proposed project is located within Brockton' s designated Urban Revitalization Planning Area and within the Housing Development Incentive Program (HDIP) district and will create 20 market rate rental apartments. The project qualifies for various programs, including Historic Tax Credits, HDIP, and Opportunity Zone investment.

A PCI LOAN of $100,000 supplements other funding sources to make the acquisition of the property possible.

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28 Petronelli Way, Brockton, MA

SPONSOR:
The Menkiti Group

BORROWER: Emengini Educational Trust LLC

TYPE OF INVESTMENT: Acquisition/Construction Loan

REGION: Central

QUALIFICATION: Economic Development/ Minority Owned Business

OUTSTANDING @12.31.19: $0

EMENGINI EDUCATIONAL TRUST LLC 6-8 CHATHAM STREET

$2,800,000

The Menkiti Group is a 100% minority owned development company that have been acquiring properties in the downtown Worcester are for redevelopment. PCI financing in participation with Webster Five Cents Savings will finance the major renovation and transformation of 6-8 Chatham Street (the former home of Performing Arts School of Worcester), into a rental apartment building in the heart of the Theatre District of Worcester.

The building, which was dated to 1896, has six floors on the front side and four on the other. It once was the YWCA, which had a gymnasium and swimming pool, before later becoming the Performing Arts School of Worcester. The property has been vacant and underutilized for approximately two decades and this project will ensure reuse and historic preservation.

The project, to be named the Chatham Street Lofts, will create 24 market rate rental units. PCI participated with a local bank to provide total financing of $7.8 million.

6-8 Chatham Street, Worcester, MA

SPONSOR: Dorchester Bay Economic Development Corporation

BORROWER:
Indigo Support Corporation

TYPE OF INVESTMENT:
Construction to Permanent Loan

REGION: Boston

QUALIFICATION: Economic Development

OUTSTANDING @12.31.19:
$3,694,630

INDIGO BLOCK COMMERCIAL

$4,000,000

Dorchester Bay Economic Development Corporation ("DBEDC") and its partners, Boston Capital, Escazu Development and Newmarket Community Partners, are developing a 2.75-acre vacant parcel of land at 65 East Cottage Street in Boston. The project, known as Indigo Block, abuts the Uphams Corner station platform on the Fairmount/Indigo line. Indigo Block involves the construction of residential rental, commercial space and homeownership units in six separate buildings.

The Commercial building will be a 2-story structure containing 24,113 in gross square footage and 20,940 in net rentable square feet. The space is designed to be flex space for commercial or light industrial uses. The first floor of the proposed building will be light industrial space. The Borrower is targeting the first floor space for lessees in the food service business. The second floor will include office space with common bathrooms.

PCI partnered with a local lending company to provide a combined loan of $8 million.

65 East Cottage Street, Dorchester, MA 02125

• Sunny's Car Wash	$590,000
TOTAL:	$590,000

BORROWER: Sunny's Car Wash

TYPE OF INVESTMENT:
Bridge Loan

REGION: Southeast

QUALIFICATION:
Small Business

OUTSTANDING @12.31.19:
$0

SUNNY'S CAR WASH 3, INC.

$590,000

Sunny Aroustamian is an experienced owner and operator of various automotive businesses including car washes, and a used car dealership, all located in Brockton, MA. Sunny is interested in acquiring Brockton Touchless, Inc., a car wash located at 1015 Main Street in Brockton, MA.

The subject car wash has been in business since 1998. It occupies a 7,850+/- SF car wash facility built in 1968. It has an automated tunnel car wash (135 LF); 5 self-serve wash bays; an office; bathroom; 3-bay storage garage; 2-equipment/mechanical rooms; tunnel hallway; vending machine room; and 21 vacuum stations. The building was found to be in good condition.

A PCI LOAN of $590,000 provided the second mortgage needed to bridge the issuance of an SBA 504 bond, which enabled the participating bank to provide the acquisition loan. The loan was repaid upon issuance of the SBA bond.

1015 Main Street, Brockton, MA

REGIONAL DISTRIBUTION

2019

REGION	AMOUNT OF INVESTMENT	NUMBER OF INVESTMENTS
BOSTON	$224,913,783	69
CENTRAL	$41,310,167	18
NORTHEAST	$53,578,874	29
SOUTHEAST	$51,623,900	40
WEST	$66,045,500	22
STATEWIDE	$9,000,000	6
TOTAL	**$446,472,224**	**184**

$ $

QUALIFIED INTERIM INVESTMENTS

2019

$ $

At December 31, 2019, the total interim investments of The Property and Casualty Initiative, LLC were as follows:

BANK DEPOSITS	**$12,869,057**
FIDELITY INSTITUTIONAL MONEY MARKET	**$4,563,983**
MORGAN STANLEY	**$5,509,681**
TOTAL INTERIM INVESTMENTS	**$23,044,159**

The Fidelity and Morgan Stanley investments qualify under item (2) of the qualified interim investments provisions of Chapter 259, Taxation of Insurance Companies –Community Investment, of the Acts of 1998, because of the fundamental mechanics of the Fund and the short maturity of the holdings.

At December 31, 2019, $46,567,719 was committed to projects that had not yet funded.

PUBLIC MEETINGS 2019

BOSTON
9/19/19 BOSTON

WESTERN
2/19/19 SPRINGFIELD

CENTRAL
4/15/19 FRANKLIN

NORTHEAST
1/9/19 LOWELL

SOUTHEAST
7/23/19 CAPE COD

MEMBER COMPANIES

Arbella Group

- Arbella Mutual Insurance Company
- Arbella Protection Insurance
- Arbella Indemnity Insurance Company

Arrow Mutual Liability Insurance Company

Associated Industries of MA Mutual Insurance Company

Barnstable County Group

- Barnstable County Mutual Insurance Company
- Barnstable County Insurance Company

Country Mutual Insurance Company *(formerly Holyoke Mutual Insurance Company)*

Coverys

- Medical Professional Mutual Insurance Company
- ProSelect Insurance Company

Electric Insurance Company

Liberty Mutual Group

- Liberty Mutual Insurance Company
- Liberty Mutual Fire Company

Nationwide Group

- Harleysville Worcester Insurance Company
- Berkshire Mutual Insurance Company

Norfolk & Dedham Group

- Norfolk & Dedham Mutual Fire Insurance Company
- Dorchester Mutual Insurance Company
- Fitchburg Mutual Insurance Company

OneBeacon Group

- Atlantic Specialty Insurance Company
- Homeland Insurance Company Of New York

Plymouth Rock Group

- Plymouth Rock Assurance Corp
- Pilgrim Insurance Company
- Bunker Hill Insurance Company

Quincy Mutual Fire Insurance Company

The Premier Insurance Company of Massachusetts

Tower Group

- Massachusetts Homeland Insurance Company

2019 CAPITAL CONTRIBUTIONS

		Cumulative Contribution	Cumulative "Proportionate Share" %**	Actual Proportionate Share
1	Arbella Indemnity Insurance Company	$92,100	0.0921%	0.11%
2	Arbella Mutual Insurance Company	$1,959,900	1.9599%	2.31%
3	Arbella Protection Insurance	$564,700	0.5647%	0.66%
4	Arrow Mutual Liability Insurance Company	$157,700	0.1577%	0.19%
5	Associated Industries of MA Mutual Ins. Co.	$500,200	0.5002%	0.59%
6	Atlantic Specialty Insurance Company	$4,095,800	4.0958%	5.029%
7	Barnstable County Insurance Company	$28,200	0.0282%	0.03%
8	Barnstable County Mutual Insurance Co.	$81,100	0.0811%	0.10%
9	Berkshire Mutual Insurance Company*	$74,120	0.0741%	0.09%
10	Bunker Hill Insurance Company	$54,500	0.0545%	0.06%
11	Country Mutual Insurance Company	$357,000	0.3570%	0.42%
12	Dorchester Mutual Insurance Company	$102,500	0.1025%	0.12%
13	Electric Insurance Company	$2,946,000	2.9460%	3.46%
14	Fitchburg Mutual Insurance Company	$151,100	0.1511%	0.18%
15	Harleysville Worcester Insurance Company	$941,200	0.9412%	1.11%
16	Homeland Insurance Company of New York	$10,000,000	10.000%	11.55%
17	Liberty Mutual Fire Company	$6,475,600	6.4756%	7.62%
18	Liberty Mutual Insurance Company	$49,021,000	49.0210%	57.65%
19	Massachusetts Homeland Insurance Company	$27,500	0.0275%	0.03%
20	Medical Professional Mutual Insurance Co.	$4,041,100	4.0411%	4.75%
21	Norfolk & Dedham Mutual Fire Insurance Co.	$483,400	0.4834%	0.57%
22	Pilgrim Insurance Company	$19,000	0.0190%	0.02%
23	Plymouth Rock Assurance Corp.	$496,700	0.4967%	0.58%
24	ProSelect Insurance Company	$91,400	0.0914%	0.11%
25	Quincy Mutual Fire Insurance Company	$1,092,500	1.0925%	1.28%
26	The Premier Insurance Company of MA	$1,171,700	1.1717%	1.38%
	Total Capital Contributions	**$85,026,020**	**85.0260%**	**100.00%**

**Based on $100,000,000

Audited

2019

PCI

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Contents
December 31, 2019 and 2018

50 Washington Street
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Independent Auditor's Report

To the Audit Committee, Board of Managers and Members of
The Property and Casualty Initiative, LLC and Affiliate:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Property and Casualty Initiative, LLC and Affiliate (Massachusetts limited liability companies) which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Property and Casualty Initiative, LLC and Affiliate as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
April 16, 2020

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Balance Sheets
December 31, 2019 and 2018

Assets	**2019**	**2018**
Current Assets:		
Cash and cash equivalents	$ 24,226,722	$ 24,745,895
Investments in marketable securities	-	2,948,600
Current portion of loans receivable, net of allowance for loan losses of $237,194 and $195,780 as of December 31, 2019 and 2018, respectively	21,288,282	18,747,397
Accrued interest receivable on loans	243,770	228,462
Prepaid expenses and other	58,646	81,378
Total current assets	45,817,420	46,751,732
Loans Receivable, net of current portion and allowance for loan losses of $464,558 and $487,257 as of December 31, 2019 and 2018, respectively	41,457,396	41,607,058
Investments in Venture Funds, net of allowance for impairment	263,596	263,596
Property and Equipment, net	10,629	11,966
Total assets	$ 87,549,041	$ 88,634,352
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 6,937	$ 8,169
Current portion of deposits and escrows	-	850,000
Total current liabilities	6,937	858,169
Deposits and Escrows, net of current portion	1,220,272	1,211,962
Total liabilities	1,227,209	2,070,131
Members' Equity:		
Members' capital contributions	84,321,230	85,026,020
Retained earnings	2,000,602	1,538,201
Total members' equity	86,321,832	86,564,221
Total liabilities and members' equity	$ 87,549,041	$ 88,634,352

The accompanying notes are an integral part of these consolidated statements.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Operations
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues:		
Interest on loans	$ 2,734,627	$ 2,549,166
Net investment income	455,438	339,500
Loan origination fees and other	149,589	198,912
Total operating revenues	3,339,654	3,087,578
Net provision for loan losses	(18,715)	(291,504)
Net operating revenues	3,320,939	2,796,074
Operating Expenses:		
Salaries, payroll taxes and fringe benefits	1,022,997	954,597
Occupancy costs	179,325	174,395
Professional fees and contract services	66,113	74,660
Supplies and other	15,086	14,420
Insurance	13,366	16,669
Travel	11,908	12,753
Telephone and utilities	9,181	8,000
Depreciation	1,337	1,338
Printing and postage	1,024	1,041
Total operating expenses	1,320,337	1,257,873
Net income	$ 2,000,602	$ 1,538,201

The accompanying notes are an integral part of these consolidated statements.

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2019 and 2018

	Members' Capital Contributions	Retained Earnings	Total
Balance, December 31, 2017	$ 85,026,020	$ 2,063,126	$ 87,089,146
Net income	-	1,538,201	1,538,201
Distributions of earnings to members	-	(2,063,126)	(2,063,126)
Balance, December 31, 2018	85,026,020	1,538,201	86,564,221
Net income	-	2,000,602	2,000,602
Distributions of earnings to members	-	(1,538,201)	(1,538,201)
Return of capital distributions	(704,790)	-	(704,790)
Balance, December 31, 2019	$ 84,321,230	$ 2,000,602	$ 86,321,832

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Net income	$ 2,000,602	$ 1,538,201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,337	1,338
Net provision for loan losses	18,715	291,504
Amortization of loan origination fees	(139,589)	(169,912)
Capitalized interest	(119,460)	(191,341)
Loan origination fees collected	157,083	167,341
Changes in operating assets and liabilities:		
Accrued interest receivable on loans	(15,308)	(26,550)
Prepaid expenses and other	22,732	7,065
Accounts payable and accrued expenses	(1,232)	6,872
Deposits and escrows	8,435	24,889
Net cash provided by operating activities	1,933,315	1,649,407
Cash Flows from Investing Activities:		
Issuance of loans receivable	(23,528,814)	(19,882,184)
Purchase of property and equipment	-	(600)
Principal payments on loans receivable	21,220,842	14,115,850
Purchase of investments in marketable securities	(51,400)	(12,640,095)
Redemption of investments in marketable securities	3,000,000	18,097,475
Return of capital distributions from venture funds	-	10,475
Net cash provided by (used in) investing activities	640,628	(299,079)
Cash Flows from Financing Activities:		
Escrow deposits, net	(850,125)	1,800,365
Return of capital distributions	(704,790)	-
Distributions to members	(1,538,201)	(2,063,126)
Net cash used in financing activities	(3,093,116)	(262,761)
Net Change in Cash and Cash Equivalents	(519,173)	1,087,567
Cash and Cash Equivalents:		
Beginning of year	24,745,895	23,658,328
End of year	$ 24,226,722	$ 24,745,895

The accompanying notes are an integral part of these consolidated statements.

1. OPERATIONS AND TAX STATUS

Operations

The Property and Casualty Initiative, LLC (PCI) is a Massachusetts limited liability company that was formed on May 18, 1999. PCI's business activities consist of making investments in accordance with Chapter 259 of the Massachusetts Acts of 1998. Chapter 259 was enacted to promote community investment by insurance companies and the equitable taxation of domestic insurance companies. As a result, PCI is required to operate under the guidelines created by this act. Qualified Chapter 259 investments are those investments in minority or women-owned businesses, small businesses, rental housing and home-ownership development projects, job creation activities, and community health centers, in low and moderate-income environments and the Community Development Finance Corporation and the Massachusetts Capital Access Program.

PCI's operating agreement originally authorized PCI to operate for a period of twenty-four years ending in May 2023. However, the Members amended the operating agreement in 2015 to allow PCI to operate for an additional ten years through May 2033 (see Note 9).

In August 2007, PCI formed PCI Property Holdings, LLC (the Affiliate), a Massachusetts limited liability company, to acquire and hold real property. PCI is the only member of the Affiliate.

Tax Status

PCI is a Massachusetts limited liability company and has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits, or deductions arising from PCI are reported by the members on their respective income tax returns as allocated in accordance with the operating agreement. Accordingly, the accompanying consolidated financial statements do not reflect any provisions or credits for income taxes. The Affiliate has elected to be disregarded as a separate entity from PCI for tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

PCI and the Affiliate prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoption

During 2019, PCI and the Affiliate adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principal of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on PCI and the Affiliate's consolidated financial statements as PCI and the Affiliate's primary sources of revenues are interest and investment income, which are not subject to this accounting standard.

Principles of Consolidation

The consolidated financial statements include the activities of PCI and the Affiliate. All significant intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of checking, money market and savings accounts.

Investments in Marketable Securities

Investments in marketable securities (see Note 5) are debt securities carried by PCI on a held-to-maturity basis and reported at amortized cost. Gains or losses are recognized only as realized upon sale. These securities are reported in the accompanying consolidated balance sheets as current assets based on the maturities of the underlying securities.

Management monitors the fair value of all held-to-maturity securities to determine whether any impairments considered other than temporary exist. No such impairments were recorded in 2019 or 2018.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated net of loan participations qualifying as loan sales, unamortized deferred loan origination fees and an allowance for loan losses (see Notes 3 and 4). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding. The allowance for loan losses is established through a provision for loan losses charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay in accordance with the requirements of ASC Topic 326, *Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures* standard under U.S. GAAP.

Investments in Venture Funds

Investments in venture funds consist of PCI's non-marketable interests in local investment funds. Because PCI does not exercise significant influence over its investments in venture funds, it records such investments using the cost method of accounting (see Note 6). Under this method of accounting, PCI records its investments at initial cost and periodically assesses the possibility of the impairment of cost.

Dividends from these investments, which represent distributions of company earnings, if any, are recorded as investment income. Other distributions are recorded as return of capital and reduce investment cost. In the event of impairment, the investments are written down through an allowance for impairment to estimated net realizable value and the loss is charged to operations.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives and consist of the following at December 31:

	Estimated Useful Lives	2019	2018
Furniture and equipment	3 - 7 years	$ 60,947	$ 60,947
Leasehold improvements	Term of lease	13,372	13,372
		74,319	74,319
Less - accumulated depreciation		63,690	62,353
Net property and equipment		$ 10,629	$ 11,966

Depreciation expense for the years ended December 31, 2019 and 2018, was $1,337 and $1,338, respectively.

Deposits and Escrows

PCI holds funds on behalf of outside parties in escrow accounts as collateral against PCI's loans receivable.

Fair Value Measurements

PCI and the Affiliate follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that PCI and the Affiliate would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

PCI and the Affiliate use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of PCI and the Affiliate. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable and which require significant judgment or estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The only assets held by PCI that are carried at fair value are cash equivalents in the form of money market accounts. Cash equivalents are considered Level 1 in the fair value hierarchy. PCI held $19,066,663 and $19,553,261 in money market accounts as of December 31, 2019 and 2018, respectively. Management also assesses the possible impairment of investments in limited partnerships using fair value assumptions based on Level 3 inputs (see Note 6).

Revenue Recognition

Revenues from interest on loans, cash, investments, and other sources are recorded as earned on the accrual basis of accounting. Loan loss recoveries are recorded in the year of recovery when cash has been received or collection is assured.

Loan origination fees, net of certain direct loan origination costs, are deferred and amortized as an adjustment to the related loan yield on a straight-line basis over the term of the loan.

Some of PCI’s loans are subject to prepayment penalty clauses in the loan agreements. Prepayment penalties are recognized as revenue when prepayment occurs. In 2019 and 2018, there were no prepayments of loans that were subject to such a penalty.

Income Taxes

No income tax provision has been included in the accompanying consolidated financial statements as the income, loss and credits of PCI are reported by the members on their respective income tax returns.

PCI accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. PCI has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2019 and 2018. However, PCI’s income tax returns are subject to examination by the appropriate taxing jurisdictions.

Advertising Costs

PCI expenses advertising costs as they are incurred. Advertising expense was $40 and $175 for the years ended December 31, 2019 and 2018, respectively, and is included in professional fees in the accompanying consolidated statements of operations.

Subsequent Events

Subsequent events have been evaluated through April 16, 2020, which is the date the consolidated financial statements were available to be issued. See Note 13 for an event that met the criteria for disclosure in the consolidated financial statements.

3. LOANS RECEIVABLE

PCI offers the following loan products (also see Note 10):

Affordable Housing - Made to organizations that increase the availability of affordable housing to low and moderate-income households. These funds are generally used to acquire or develop residential real properties. Affordable housing loans receivable bear interest at rates ranging from 3.76% to 7.50% and mature at various dates through 2024. Principal balances range from $71,939 to $6,500,000. These loans are generally secured by mortgages on the properties and borrowers are required to adhere to certain affordability restrictions. PCI's five largest outstanding affordable housing loans receivable were approximately 62% and 61% of the affordable housing portfolio as of December 31, 2019 and 2018, respectively.

Commercial and Economic Development - Made to support the development and/or expansion of minority or women-owned businesses, small businesses, job creation activities, and community health centers, within low and moderate-income areas that result in job creation or retainage in Massachusetts. PCI also provides financing to small and mid-sized companies with an emphasis on companies relocating to Massachusetts and creating jobs for residents in economic target areas. Commercial and economic development loans receivable bear interest at rates ranging from 3% to 7% and mature at various dates through 2030. Principal balances range from $106,449 to $8,534,558. These loans are generally secured by the borrowers' business assets and real estate. PCI's five largest outstanding commercial and economic development loans receivable were approximately 64% and 58% of the commercial and economic development portfolio as of December 31, 2019 and 2018, respectively.

Loans receivable consist of the following at December 31:

	2019		2018	
	Number of loans		Number of loans	
Affordable housing	28	$ 32,619,861	25	$ 27,799,298
Commercial and economic development	19	31,064,425	21	33,457,556
	47	63,684,286	46	61,256,854
Less - net unamortized loan origination fees		(236,856)		(219,362)
Total loans receivable		63,447,430		61,037,492
Less - allowance for loan losses (see Note 4)		(701,752)		(683,037)
Loans receivable, net		$ 62,745,678		$ 60,354,455

As of December 31, 2019 and 2018, total participations outstanding were $105,391 and $4,832,118, respectively. Given the lack of repurchase rights reserved by PCI with respect to the third-party's interest in the underlying loans receivable, the participations meet the requirements for treatment as loan sales in accordance with the U.S. GAAP criteria for ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Accordingly, loans receivable are presented net of participations in the accompanying consolidated balance sheets as of December 31, 2019 and 2018.

3. LOANS RECEIVABLE (Continued)

Future payments of principal of loans receivable for the next five years are due as follows:

2020	$ 21,525,476
2021	$ 19,528,215
2022	$ 5,155,238
2023	$ 4,561,400
2024	$ 4,496,616
Thereafter	$ 8,417,341

4. ALLOWANCE FOR LOAN LOSSES

PCI provides an allowance for expected loan losses (see Note 3). The allowance is based on PCI's loan rating policy, which is updated periodically for changes related to individual loans receivable. Loans are rated on a scale of 1 to 6. Loans rated 1 to 4 are considered performing loans and an initial loan loss allocation is assigned to them. This allocation is adjusted each year, as necessary, on each loan based on analysis of each borrower's operating performance.

Loans rated 5 and 6 have a specific reserve percentage. These loans have a higher probability of loss of interest income and principal. For these loans, the major risk factors that drive the loan loss allocation decision are:

- Borrower has a weak balance sheet and has shown consistent losses
- Cash flow may be inadequate to service the debt
- Collateral may be less than 100% of outstanding loan
- Weak management
- Credit history shows sporadic delinquencies
- Guarantor has minimal and illiquid net worth

The loan loss allowance according to PCI's risk rating policy is as follows as of December 31:

		2019		2018	
Category	**Risk Rating**	**Loan Balance**	**Loan Loss Allowance**	**Loan Balance**	**Loan Loss Allowance**
Exceptional	1 - 2	$ -	$ -	$ -	$ -
Performing	3 - 4	59,647,196	-	57,291,032	-
Substandard	5 - 6	4,037,090	403,709	3,965,822	396,582
General Reserve		-	298,043	-	286,455
		$ 63,684,286	$ 701,752	$ 61,256,854	$ 683,037

4. ALLOWANCE FOR LOAN LOSSES (Continued)

The loan loss allowance, which has been allocated proportionally to the long-term and current portions of the loan portfolio in the accompanying consolidated balance sheets, consists of the following:

	Commercial and Economic Development	Affordable Housing	General Reserve	Total
Balance, December 31, 2017	$ -	$ 108,544	$ 282,989	$ 391,533
Provision for loan losses	-	288,038	3,466	291,504
Balance, December 31, 2018	-	396,582	286,455	683,037
Provision for (recovery of) loan losses	34,320	(27,193)	11,588	18,715
Balance, December 31, 2019	$ 34,320	$ 369,389	$ 298,043	$ 701,752

PCI reports recoveries of loans previously written off in prior years as income when the amount is collected or collection is assured. There were no recoveries of loans previously written off during 2019 or 2018.

5. INVESTMENTS IN MARKETABLE SECURITIES

There were no investments in marketable securities as of December 31, 2019. The amortized cost of securities (see Note 2) and their approximate fair values are as follows as of December 31, 2018:

	Amortized Cost	Unrealized Loss	Fair Value
Corporate bonds:			
Healthcare	$ 1,199,413	$ (1,592)	$ 1,197,821
Automotive	500,169	(189)	499,980
Financial services	500,454	(979)	499,475
Consumer defensive	498,563	393	498,956
Technology	250,001	(353)	249,648
	$ 2,948,600	$ (2,720)	$ 2,945,880

All securities held as of December 31, 2018, matured in 2019. Investments are not insured and are subject to ongoing market fluctuations.

6. INVESTMENTS IN VENTURE FUNDS

Investments in limited partnerships (see Note 2) include non-controlling interests in two venture funds as of December 31, 2019 and 2018, which meet the requirements of qualified investments in accordance with Chapter 259 of the Massachusetts Acts of 1988 (see Note 1). All partnership investments represent less than 20% limited partner interests and PCI does not exercise control or significant influence over these partnerships.

6. INVESTMENTS IN VENTURE FUNDS (Continued)

The balance of investments in venture funds was as follows as of December 31:

	2019	2018
Carried cost, beginning of year	$ 1,576,452	$ 1,586,927
Return of capital distributions	-	(10,475)
Carried cost, end of year	1,576,452	1,576,452
Less - allowance for impairment	(1,312,856)	(1,312,856)
Net	$ 263,596	$ 263,596

As of December 31, 2019 and 2018, management has recorded an allowance for impairment totaling $1,312,856 for these investments. PCI's management estimated impairment using unobservable, or Level 3, inputs under the fair value framework (see Note 2). These inputs are estimated future net cash flows based upon internal financial statements and other information received from investment fund managers.

PCI received a distribution of $10,475 for 2018, which represents a partial return of PCI's capital investment in one fund. There were no distributions received during 2019.

7. RETIREMENT PLAN

PCI maintains a salary reduction plan (the Plan) under Section 401(k) of the Internal Revenue Code (IRC). The Plan covers substantially all employees who have reached the age of twenty-one and have completed 1,000 hours of service. Participants are able to defer a portion of their salary up to limits established by the IRC. Annually, PCI makes a contribution of 4% of participating employees' salaries and may make additional discretionary contributions, as determined by the Board of Managers. These contributions vest in accordance with a schedule defined in the Plan documents. PCI's contributions to the Plan, including discretionary contributions, were $89,036 and $85,692 for 2019 and 2018, respectively, and are included in salaries, payroll taxes and fringe benefits in the accompanying consolidated statements of operations.

8. LEASES

Facility

PCI has an operating lease agreement for office space in Boston, Massachusetts which expires on May 31, 2024. Monthly payments on this lease are approximately $14,000 and escalate annually based on the terms of the lease agreement.

Rent under this lease was $168,407 and $171,407 for 2019 and 2018, respectively, and is included in occupancy costs in the accompanying consolidated statements of operations.

Equipment

PCI has an equipment lease which expires in April 2020. Equipment lease expense was $2,499 in 2019 and 2018, which is included in supplies and other in the accompanying consolidated statements of operations.

8. LEASES (Continued)

Future minimum lease payments are as follows:

	Facility	Equipment
2020	$ 170,774	$ 784
2021	$ 172,464	$ -
2022	$ 174,830	$ -
2023	$ 176,520	$ -
2024	$ 73,550	$ -

9. MEMBERS' CAPITAL ACCOUNTS

Members receive "common units" in PCI in exchange for capital contributed on the basis of one unit for $1.00. Membership is limited to $100 million from property and casualty companies in the Commonwealth of Massachusetts.

Members may receive distributions from earnings generated by PCI upon approval of the Board of Managers. It is the Board's practice to distribute all of PCI's earnings to members annually based on prior year earnings. PCI distributed $1,538,201 and $2,063,126 to members during 2019 and 2018, respectively. Members are prohibited from receiving distributions that would constitute return of capital for the first twenty years of PCI's existence.

In connection with the amendment to extend the term of PCI's operations for ten years through May 2033 (see Note 1), two members with initial capital totaling $14,095,800 opted not to participate in the extension period. PCI will make return of capital distributions to the retiring members at a rate of 5% of original capital for each of four annual payment dates from May 2019 to May 2022. During May 2023, PCI will distribute the remaining 80% of the retiring members' original capital in accordance with Chapter 259 of the Massachusetts Acts of 1998. During this redemption period, no member can request complete distribution of their remaining principal balance. The retiring members will continue to receive distributions of earnings based on their pro-rata share of ownership in PCI. As of December 31, 2019, total return of capital was $704,790. Return of capital distributions are expected to be made as follows:

2020	$ 704,790
2021	$ 704,790
2022	$ 704,790
2023	$ 11,276,640

10. COMMITMENTS AND OFF-BALANCE SHEET RISK

Commitments to originate loans or subscribe to equity investments are agreements to lend money to or invest in an entity, provided that there are no violations of any conditions established in the agreements. PCI evaluates each request for financing on a case-by-case basis, including, but not limited to, eligibility as established by Chapter 259 of the Massachusetts Acts of 1998, credit worthiness, collateral obtained, and any other prevailing economic factors. Once these commitments are made, PCI is also subject to a degree of off-balance sheet risk, as PCI has committed funds to an entity and such commitment is not recorded on the consolidated balance sheets as a liability. All commitments are made on a conditional basis to allow PCI to assess the financial performance of the borrower prior to the deployment of funds.

10. COMMITMENTS AND OFF-BALANCE SHEET RISK (Continued)

At December 31, 2019 and 2018, PCI had commitments to lend of approximately $46,570,000 and $30,410,000, respectively (see Note 3). Among the tools available to manage liquidity are anticipated loan pay-offs, utilizing the line of credit (see Note 12) as well as the potential to initiate loan sales and loan participation agreements with lending partners.

11. CONCENTRATION OF CREDIT RISK

PCI maintains its cash balances in two banks in Massachusetts and is insured within limits of the Federal Deposit Insurance Corporation (FDIC) and Depositors Insurance Fund (DIF). At certain times during the year, cash balances exceeded the insured amounts. PCI has not experienced any losses in such accounts and management believes the credit risk related to PCI's cash and cash equivalents is not significant. As of December 31, 2019, PCI's exposure for uninsured cash was $4,910,059. As of December 31, 2019, PCI's exposure for uninsured cash equivalents was $10,779,465. In order to minimize the credit risk for cash equivalents, management has invested the cash equivalents in highly-liquid money market and other pooled investment accounts designed to maximize FDIC coverage for the pooled investment fund.

12. LINE OF CREDIT

PCI maintains a $10,000,000 revolving line of credit agreement with a bank that was increased to $15,000,000 during 2019. Borrowings are due on demand and interest is payable monthly with the option of a fixed rate based on the Federal Home Loan Bank (FHLB) plus 175 basis points or floating rate based on the London Interbank Offered Rate (LIBOR) plus 175 basis points. All borrowings are secured by PCI's business assets with a specific assignment of the loan portfolio. The agreement has a two-year term through August 2021, with the option for annual one-year extension terms. There are no amounts outstanding as of December 31, 2019 and 2018. As specified in the agreement, PCI must meet certain covenants. PCI was in compliance with these covenants at December 31, 2019 and 2018.

13. CONTINGENCY

In March 2020, the COVID-19 coronavirus pandemic emerged in the United States triggering widespread government mandated and voluntary business closures, which in turn have led to substantial interruptions in financial markets, employment and the economy as a whole. The economic conditions created by the pandemic may impact PCI and the Affiliate's borrowers and their ability to repay the loans receivable of PCI and the Affiliate. Though the potential financial effects cannot be reasonably estimated at this time, these circumstances may have adverse effects on PCI and the Affiliate, its operations, pipeline of loan closings and financing commitments for projects currently in development, and future consolidated financial statements. The accompanying consolidated financial statements, including loan loss allowances (see Note 4), have not been adjusted for any potential financial effects that may occur in the future related to the current uncertainty.

Management of PCI and the Affiliate is monitoring these events and their borrowers closely to assess the financial impact of the situation and determine appropriate courses of action. As of the date of this report, PCI and the Affiliate are unable to accurately predict how the Coronavirus will affect the results of its operations because the disease's severity and the duration of the outbreak are uncertain.

14. RECLASSIFICATION

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform with the 2019 presentation.

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