ANNUAL REPORT

2024

The Property and Casualty Initiative, LLC • 24 Federal Street, 3rd Floor • Boston, MA 02110

Phone 617.723.7878 • Fax 617.723.4411 • www.pcifund.com

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2024

2024 Annual Report and Statement of Financial Condition of The Property and Casualty Initiative, LLC.

This annual report and statement of the financial condition of The Property and Casualty Initiative. LLC (the "Company") for the year ended December 31, 2024 is presented by the Company in conformity with the requirements of Section 3(e) (1) of Chapter 259 of the Acts and Resolves of 1998 (the "Act").

1. List of Participating Property & Casualty Insurance Companies and the amount of capital contributed by each for the 2024 taxable year and in aggregate are attached on Page 20.

2. Qualified Investments. The Company committed a total of $19,806,386 in qualified investments, as defined by Section 3(b), in the fiscal year ended December 31, 2024. The total net aggregate cumulative investments of the Company through December 31, 2024 was $548,536,354. A list of all qualified investments committed in the year ended December 31, 2024, including the value and the type of each is attached on Page 4.

3. Qualified Interim Investments. The amount of qualified interim investments at December 31, 2024, as defined by Section 3(b), was $8,056,914.

4. Regional Public Meetings. The records of the public meetings held in each MOBD Region are attached on Page 19.

5. Certified Audited Financial Statements. The financial statements of the Company for its fiscal year ended December 31, 2024 as certified by the Company's independent certified public accounts are attached on Page 22.

6. Certificate Required by Section 3(e)(3). The certificate pertaining to investments made by the Company in the five MOBD regions in the Commonwealth is attached on Page 17.

Executed this 28th day of May 2025

THE PROPERTY AND CASUALTY INITIATIVE, LLC

By: Michelle Volpe

Michelle Volpe
President

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

Then personally appeared the prior-named Michelle Volpe, President of The Property and Casualty Initiative, LLC who did state that the information set forth in the foregoing Annual Report and Statement of Financial Condition is true and correct to the best of her knowledge, information and belief.

Before me,

M. Fay Childers

Notary Public

My commission expires:

M. Fay Childers
NOTARY PUBLIC
Commonwealth of
Massachusetts
My Commission Expires
May 10, 2030

2024: Year in Review




PCI is a trusted community development lending partner focused on impact. In 2024, PCI committed $20 million of our capital and sourced an additional $38 million in capital from lending participants, to close 13 loan. Arbella Protection Insurance and Medical Professional Mutual Insurance Company (Coverys) each committed an additional $2 million to the Fund, kickstarting our effort to return the Fund to $85 million.

2024 Impact Key Performance Indicators

Primary Impact Key Performance Indicators (KPIs)	**2022 Results**	**2023 Results**	**2024 Results**
% of Loans with Flexible Debt Features	69%	90%	100%
% of Annual Loans in Affordable Housing Sector	77%	70%	55%
% of Annual Loans in Community Services Sector	8%	30%	18%
% of Annual Loans in Economic Development/Small Business Sector	15%	5%	27%
% of Annual Loans outside of Boston and Boston Metro geography	62%	50%	45%
$ Loans Closed (net of Participations)	$ 33,250,158	$ 39,912,500	$ 19,806,386
$ Loans Closed (gross)	$ 33,250,158	$ 46,202,500	$ 57,556,386
Loans Closed	13	20	13
Affordable Homes Created or Preserved	549	614	248
Housing units targetting very low income households (50% AMI)(Veterans, Seniors, Disabled, Formerly Homeless)	341	252	101
% of AH Loans with Resident Services	40%	57%	33%
Home Ownership units, affordable up to 100% AMI	10	86	9
Youth/Children Served	-	825	1765
Clients Served	1,500	16,874	-
% of Loans in Census Tracts with 2x State Average % of People Living in Poverty (state avg = 9.9%)	42%	48%	82%
% of Loans in Census Tracts with 2x State Average % Population of Color (MA avg = 30.32%)	50%	43%	100%
% Borrowers that are People of Color/Women led	23%	50%	73%
% of non-profit borrowers	62%	75%	73%
Perm Jobs Created/Retained	420	17	230
Small businesses directly benefitting from PCI investments	8	12	10
% of Projects that achieve Green Building standards (LEED, Passive, Zero Net Energy)	8%	29%	36%

CUMULATIVE IMPACT ACROSS THE COMMONWEALTH

Six dollars of impact generated by every dollar invested by PCI Members

The Property & Casualty Initiative insurance company members have invested $89 million of capital into PCI since 1999. PCI staff have invested and re-invested that capital more than six times, investing **$549 million** into affordable housing, community services, small businesses and economic development. Additionally, every dollar that PCI invests attracts five more dollars of public and private investment.

PCI provides the debt capital that is hardest to access

87% of PCI's portfolio supports the acquisition, predevelopment, construction or bridge financing needs of our borrowers. Securing capital for the earliest stages of real estate projects is challenging, especially for organizations working in historically marginalized and under-resourced communities. PCI provides this scarce financing that facilitates the completion of critical community projects.

Affordable Housing Lending:

PCI lending has created or preserved over **8,000 units of housing**. These "units" are homes for our most vulnerable neighbors.

Community Services Lending:

Community service organizations provide the opportunities and services that families need to thrive. PCI has partnered with 40 non-profit service organizations to meet their facility needs, lending **$60 million** to support the following types of outcomes:

- Enhanced educational opportunities for **8,000 young people** annually
- Culturally appropriate healthcare services to **187,000 patients** annually
- Emergency shelter for **1,500 unhoused** individuals annually
- Services for **91,000 clients** ranging from medically tailored meals to affordable fitness to violence prevention for system-involved youth.

Economic Development and Small Business Lending:

PCI invests in women and minority owned businesses to support equitable economic development and wealth creation across the Commonwealth. We are proud to lend to Cruz Companies, one of the oldest and largest 100% minority-owned businesses in New England.

Our Mission & Vision

PCI works to improve the lives of our most vulnerable neighbors by investing capital and expertise in communities to generate opportunities.

We invest in community assets that contribute to the health and well-being of all residents, especially those with low-incomes and those who have been historically marginalized by systemic racism. We focus investments where we can have significant impact:

- **Housing that is affordable and equitable** and that connects residents to jobs, schools, services and community assets that enable them to thrive and be healthy.
- **Quality community services** such as healthcare, education, childcare and social services that remove barriers to opportunity.
- **Income and wealth creating jobs and businesses,** owned by people of color, located in communities of color, that keep dollars circulating within the neighborhood.
- **Economic development projects** that enhance the quality of life for existing residents in rapidly changing neighborhoods.

THE PCI TEAM

Michelle Volpe	President & CEO
Sarah Kitterman	Senior Vice President
Mei See Law-Sandson	Senior Vice President
Sara Mubeen	Senior Accountant & Financial Analyst
Fay Childers	Loan Administrator

QUALIFIED INVESTMENTS SUMMARY 2024

PROJECT/SPONSOR AND PROJECT ADDRESS	INVESTMENT VALUE	TYPE	QUALIFICATION
Hollins Park LLC/VietAID 190 Bowdoin Street, Boston	2,500,000.00	Loan	Investment in affordable housing
384 High Street/Way Finders 384 High Street, Holyoke	500,000.00	Loan	Investment that will create jobs in LMI communities
Cruz Companies Headquarters/Cruz Commercial, LLC 280 Warren Street, Boston	3,025,000.00	Loan	Minority-owned business
900 Morrissey/The Community Builders 900 Morrissey Boulevard, Boston	4,076,385.00	Loan	Investment in affordable housing
Benjamin Franklin Cummings Institute of Technology 1011 Harrison Avenue, Boston	3,165,134.61	Loan	Investment that will create jobs for LMI households
BFCIT/The Franklin Foundation, Inc. 1011 Harrison Avenue, Boston	1,584,865.39	Loan	Investment that will create jobs for LMI households
Station Lofts LLC/Capstone Communities 124 Montello Street, Brockton	100,000.00	Loan	Investment in affordable housing
Station Lofts LLC/Capstone Communities 124 Montello Street, Brockton	1,400,000.00	Loan	Investment in affordable housing
Decarbonization Project/Lawrence CommunityWorks, Inc. 168 Newbury Street, Lawrence	284,000.00	Loan	Investment in affordable housing
Erie Glenway LLC/ACEDONE 140-144 Erie Street and 52 Glenway Street, Boston	290,000.00	Loan	Investment in affordable housing
DyeWorks/Lawrence CommunityWorks, Inc. 40 Island Street, Lawrence	1,681,001.00	Loan	Investment that will create jobs in LMI communities
DyeWorks/Lawrence CommunityWorks, Inc. 40 Island Street, Lawrence	0.00	Loan	Investment that will create jobs in LMI communities
DyeWorks/Lawrence CommunityWorks, Inc. 40 Island Street, Lawrence	1,200,000.00	Loan	Investment that will create jobs in LMI communities
Total – 2024 Qualified Loan Commitments	**19,806,386.00**		

AFFORDABLE HOUSING 2024

PROJECT/APPLICANT	COMMITTED DOLLARS	TOTAL UNITS	AFFORDABLE UNITS
Hollins Park VietAID	$2,500,000	40	40
900 Morrissey Boulevard The Community Builders	4,076,385	99	99
Station Lofts* Capstone Communities	$1,500,000	25	14
Decarbonization Project Lawrence CommunityWorks	$284,000	75	75
Erie Glenway ACEDONE	$290,000	9	9
TOTAL	**$8,650,385**	**248**	**237**

* 2 loans

HOLLINS PARK

$2,500,000

BOSTON

VietAID purchased 190 Bowdoin Street in the Fields Corner neighborhood of Dorchester with a plan to construct 40 affordable homeownership units. The property is directly across the street from the organization's most recent project, a 41-unit Low Income Housing Tax Credit rental development.

SPONSOR: VietAid

TYPE OF INVESTMENT: Acquisition/Predevelopment

REGION: Greater Boston

QUALIFICATION: Affordable Housing

Current view of Hollins Park site

Dorchester

900 MORRISSEY BOULEVARD

$4,076,385

BOSTON

The Community Builders acquired the former Comfort Inn hotel on Morrissey Blvd in Dorchester to be converted into 99 units of Permanent Supportive Housing (PSH) for formerly homeless individuals, with an emphasis on older (62+) individuals. The project is a powerful partnership between The Community Builders (TCB), a leading developer of affordable housing projects, and the Pine Street Inn (PSI), the leading provider of shelter housing and supportive services to formerly homeless individuals in the Boston area.

SPONSOR: The Community Builders

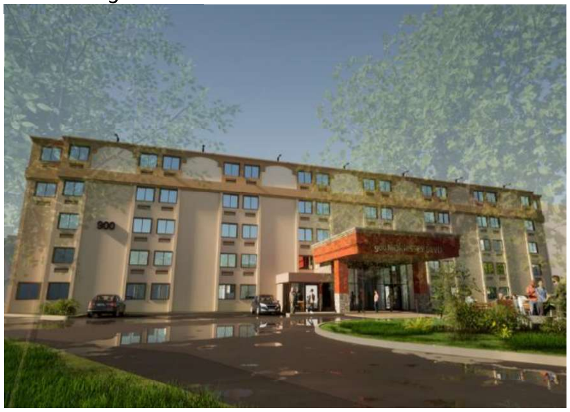
TYPE OF INVESTMENT: Acquisition

REGION: Greater Boston

QUALIFICATION: Affordable Housing

Current view of 900 Morrissey Boulevard site

Rendering



STATION LOFTS

$100,000 Loan; $1,400,000 Loan

BROCKTON

Capstone Communities refinanced and recapitalized its 25-unit, mixed-income rental property in downtown Brockton. Capstone Communities undertook the historic renovation of a former shoe manufacturing site to create the new 25-unit property in 2012 using a myriad of public and private resources including construction/bridge financing from PCI. The property was one of the first historic renovations/conversions in downtown Brockton and fits well with the City's priority of bringing mixed-income housing to the Brockton's downtown.

SPONSOR: Capstone Communities

TYPE OF INVESTMENT: Line of Credit
Mini Perm

REGION: Greater Boston

QUALIFICATION: Affordable Housing

DECARBONIZATION PROJECT SCATTERED SITE

$284,000

LAWRENCE

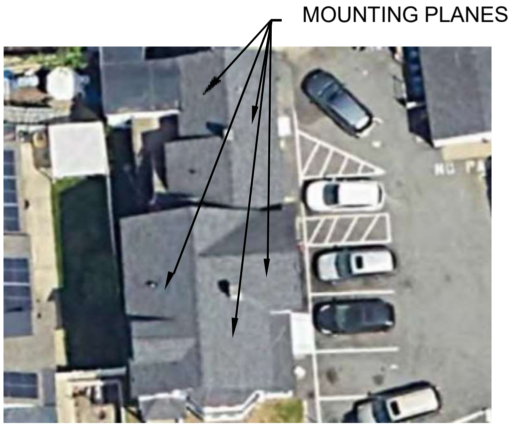
Lawrence CommunityWorks (LCW) received a $1.5MM award from Department of Energy Resources (DOER) to modernize and decarbonize a scattered portfolio of twelve (12) affordable housing rental buildings across the city of Lawrence, with a total of 75 units of affordable housing. These upgrades provide tangible financial benefits for LCW as a nonprofit housing operator and subsequently to the residents. Furthermore, the project serves as a critical demonstration project for the Commonwealth in its efforts to transition the state's portfolios of scattered, smaller affordable rental buildings off fossil fuels in the coming years.

SPONSOR: Lawrence CommunityWorks

TYPE OF INVESTMENT: Bridge Loan

REGION: Metro West & Merrimack Valley

QUALIFICATION: Affordable Housing



ERIE GLENWAY

$290,000

BOSTON

ACEDONE was awarded a city of Boston vacant parcel as part of the Welcome Home Boston initiative (WHB), which seeks to activate vacant city parcels for affordable housing development. ACEDONE, an established social service organization serving east African immigrant communities in Boston, was selected to develop a bundle of two small parcels along Erie and Glenway streets in the north Codman Square neighborhood of Dorchester into 3 triple decker buildings with 9 condominium units to be sold to first-time homebuyers earning between 80-100% of the area median income. Six of the nine units will be family-sized 2

SPONSOR: ACEDONE

TYPE OF INVESTMENT: Predevelopment

REGION: Greater Boston

QUALIFICATION: Affordable Housing

Renderings

COMMUNITY SERVICES LENDING
2024

PROJECT/APPLICANT	COMMITTED DOLLARS	CLIENTS SERVED ANNUALLY	SQUARE FEET
Benjamin Franklin Cummings Institute of Technology (BFCIT)*	$4,750,000	1,465	68,000
DyeWorks/Lawrence CommunityWorks	$2,881,001	21,900	35,000
TOTAL	**$7,631,001**	**23,365**	**103,000**

*2 Loans

BENJAMIN FRANKLIN CUMMINGS INSTITUTE OF TECHNOLOGY

$3,165,135 Loan ; $1,584,865 Loan

BOSTON

PCI arranged $38.5 million in financing to support the creation of a new state-of-the-art 21st Century educational facility in Nubian Square in Roxbury for one of Boston's anchor educational institutions. BFCIT provides alternative educational paths for primarily low-income students of color to match the future needs of Boston residents and employers. The new campus will increase enrollment capacity by more than 60% to serve an additional 560 students.

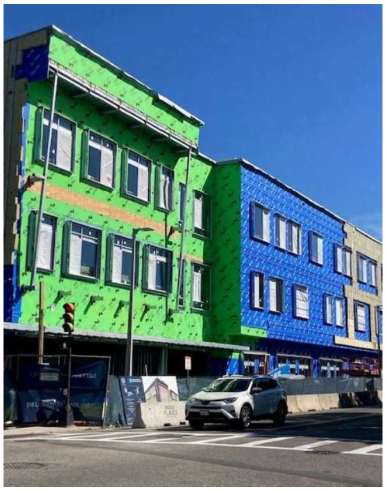
PROJECT: Benjamin Franklin Cummings Institute of Technology

SPONSOR: Benjamin Franklin Cummings Institute of Technology

TYPE OF INVESTMENT: Construction/Bridge

REGION: Greater Boston

QUALIFICATION: Community Services



DyeWorks

$1,681,001 Loan; $0 Loan (100% participated); $1,200,000 Loan

LAWRENCE

Lawrence CommunityWorks (LCW) is completing the historic rehabilitation of the DyeWorks mill building, the capstone project of LCW's 20-year effort to transform the eastern end of Lawrence's Historic Canal District into a vibrant, equitable neighborhood (Union Crossing). The renovated building will bring critical new services to the neighborhood including a new full-service, minority-owned grocery store co-located with a health center clinic and new expanded space for LCW's youth program, Movement City (MC). The project is projected to create 57 permanent jobs and serve 21,900

PROJECT: DyeWorks

SPONSOR: Lawrence CommunityWorks

TYPE OF INVESTMENT: Construction/Bridge

REGION: Metro West & Merrimack Valley

QUALIFICATION: Community Services

DyeWorks Groundbreaking Ceremony

ECONOMIC DEVELOPMENT/ SMALL BUSINESS

2024

PROJECT/APPLICANT	COMMITTED DOLLARS	SQUARE FEET	SMALL BUSINESSES SUPPORTED (projected)
384 High Street/Way Finders	$500,000	5,200	3
Cruz Companies Headquarters/ Cruz Companies	$3,025,000	8,500	3
TOTAL	**$3,525,000**	**13,700**	**6**

384 HIGH STREET
Way Finders
$500,000

HOLYOKE

Way Finders purchased 384 High Street in Holyoke, a half- vacant commercial building, as part of a comprehensive and strategic revitalization plan for the High Street commercial corridor. This acquisition is a critical component of Way Finder's site assemblage plan to control four contiguous parcels on the block and ultimately develop a significant mixed-use, mixed-income project.

PROJECT: 384 High Street

SPONSOR: Way Finders

TYPE OF INVESTMENT: Acquisition

REGION: West

QUALIFICATION: Economic Development

Current view of 384 High Street site

CRUZ COMPANIES HEADQUARTERS

$3,025,000

BOSTON

Cruz Companies consolidated and relocated company headquarters to the ground floor of their newest affordable housing development, Michael E. Haynes Arms. The headquarters is community facing and is a reflection of four generations of family commitment to, and investment in, Roxbury. Cruz Companies is among the largest 100% minority-owned companies in the Northeast.

PROJECT: Headquarters fit-out

SPONSOR: Cruz Companies

TYPE OF INVESTMENT: Construction/mini perm

REGION: Greater Boston

QUALIFICATION: Economic Development

Ribbon-cutting ceremony

Cruz Companies headquarters

In accordance with Section 3(e)3 the investments made by The Property and Casualty Initiative LLC comply with the provision of paragraphs (1) and (2) of subsection (f). Each MOBD region has received at a minimum its base investment share amount as defined by the Legislation.

REGIONAL DISTRIBUTION* 2024	
REGION	CUMULATIVE QUALIFIED INVESTMENTS
GREATER BOSTON	$246,880,514
CENTRAL	$33,891,167
METRO WEST & MERRIMACK VALLEY	$79,989,004
NORTHEAST	$55,835,800
SOUTHEAST	$33,651,500
WESTERN	$91,288,400
STATEWIDE	$7,000,000
TOTAL	**$548,536,354**

*Massachusetts Office of Business Development Map - 2017

QUALIFIED INTERIM INVESTMENTS

2024

At December 31, 2024, the total interim investments of
The Property and Casualty Initiative, LLC were as follows:

BANK DEPOSITS, CERTIFICATES OF DEPOSITS, MONEY MARKET ACCOUNT	**$8,056,914**
TOTAL INTERIM INVESTMENTS	**$8,056,914**

PUBLIC MEETINGS 2024

As of December 31, 2024

Information regarding 2024 meetings held in each of the MOBD regions:

REGION	CITY REPRESENTED	HOST
Central	Worcester	- Civico/Rees-Larkin
Greater Boston	Brockton, Boston, Somerville, Quincy	- Father Bill's & MainSpring - JPNDC/Causeway Development - TLee Development - Somerville Community Corporation - Caritas Communities
Metro West & Merrimack Valley	Lawrence	- Lawrence CommunityWorks - Esperanza Academy - Nectar Community Investments
Northeast	Salem, Peabody	- North Shore Community Development Coalition
Southeast	New Bedford	- NorthStar Learning Centers
Western	Holyoke	- Wayfinders

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)*

Coverys
- Medical Professional Mutual Insurance Company
- ProSelect Insurance Company (interest sold to Medical Professional Mutual in 2024)

RiverStone International Insurance, Inc. (*formerly 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

Plymouth Rock Group
- Plymouth Rock Assurance Corp
- Plymouth Rock Home Assurance Corporation
- Pilgrim Insurance Company

Quincy Mutual Fire Insurance Company

The Premier Insurance Company of Massachusetts

Tower Group
- Massachusetts Homeland Insurance Company

2024 CAPITAL CONTRIBUTIONS

		2024 Capital Contributed	Aggregate Capital Contributed	Proportionate Share
1	Arbella Indemnity Insurance Company		$92,096	0.123%
2	Arbella Mutual Insurance Company		$1,959,934	2.616%
3	Arbella Protection Insurance	$2,000,000	$2,564,706	3.423%
4	Arrow Mutual Liability Insurance Company		$157,251	0.210%
5	Associated Industries of MA Mutual Ins. Co.		$500,207	0.668%
6	Barnstable County Insurance Company		$28,112	0.038%
7	Barnstable County Mutual Insurance Company		$80,869	0.108%
8	County Mutual Insurance Company		$356,777	0.476%
9	RiverStone International Insurance (formerly Electric Insurance Company)		$2,946,000	3.932%
10	Harleysville Worcester Insurance Company		$941,218	1.256%
11	Berkshire Mutual Insurance Company*		$73,673	0.098%
12	Liberty Mutual Fire Company		$6,475,690	8.642%
13	Liberty Mutual Insurance Company		$49,021,737	65.423%
14	Massachusetts Homeland Insurance Company		$27,508	0.037%
15	Medical Professional Mutual Insurance Company	2,091,406	$6,132,562	8.184%
16	ProSelect Insurance Company*	($91,406)	$0	0%
17	Dorchester Mutual Insurance Company		$102,509	0.137%
18	Fitchburg Mutual Insurance Company		$151,332	0.202%
19	Norfolk & Dedham Mutual Fire Insurance Co		$483,400	0.645%
20	Pilgrim Insurance Company		$19,004	0.025%
21	Plymouth Rock Assurance Corp.		$496,703	0.663%
22	Plymouth Rock Home Assurance Corp.		$54,500	0.073%
23	Quincy Mutual Fire Insurance Company		$1,092,516	1.458%
24	The Premier Insurance Company of MA		$1,171,717	1.564%
	Total Capital Contributions		**$74,930,021**	**100.00%**

*On January 1, 2024, ProSelect Insurance Company sold 100% of its interest in PCI to Medical Professional Mutual Insurance Company.

Audited Financial Statements

2024

THE
PROPERTY & CASUALTY
INITIATIVE, LLC AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Contents
December 31, 2024 and 2023

AAFCPAs
great minds | great hearts

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Property and Casualty Initiative, LLC and Affiliate (Massachusetts limited liability companies) (collectively, PCI and the Affiliate) which comprise the consolidated balance sheets as of December 31, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Property and Casualty Initiative, LLC and Affiliate as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PCI and the Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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, which raise substantial doubt about PCI and the Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 PCI and the Affiliate'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, which raise substantial doubt about PCI and the Affiliate'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.

AAFCPAs, Inc.

Westborough, Massachusetts
May 7, 2025

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Balance Sheets
December 31, 2024 and 2023

Assets	**2024**	**2023**
Current Assets:		
Cash and cash equivalents	$ 7,226,281	$ 8,522,323
Short-term investments	1,148,764	-
Current portion of loans receivable, net of allowance for credit/loan losses of $1,069,707 and $172,587 as of December 31, 2024 and 2023, respectively	32,972,467	34,344,873
Accrued interest receivable on loans	454,353	302,618
Prepaid expenses and other	423,547	75,171
Total current assets	42,225,412	43,244,985
Loans Receivable, net of current portion and allowance for credit/loan losses of $159,658 and $152,320 as of December 31, 2024 and 2023, respectively	38,515,992	29,939,196
Operating Right-of-Use Asset	926,515	71,035
Property and Equipment, net	73,014	59,069
Total assets	$ 81,740,933	$ 73,314,285
Liabilities and Members' Equity		
Current Liabilities:		
Line of credit	$ 3,000,000	$ -
Accounts payable and accrued expenses	495,812	133,119
Current portion of operating lease liability	80,047	72,967
Total current liabilities	3,575,859	206,086
Credit Loss Liability - Unfunded Commitments	117,267	130,392
Operating Lease Liability, net of current portion	880,679	-
Deposits and Escrows	234,482	231,210
Total liabilities	4,808,287	567,688
Members' Equity:		
Members' capital contributions	74,930,220	70,930,220
Retained earnings	2,002,426	1,816,377
Total members' equity	76,932,646	72,746,597
Total liabilities and members' equity	$ 81,740,933	$ 73,314,285

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, 2024 and 2023

	2024	2023
Operating Revenues:		
Interest on loans	$ 3,801,496	$ 2,427,422
Net investment income	299,495	654,155
Loan origination fees and other	249,025	149,567
Total operating revenues	4,350,016	3,231,144
Provision for credit losses - funded loans	(904,458)	(91,249)
Recovery of (provision for) credit losses - unfunded commitments	13,125	(37,923)
Net operating revenues	3,458,683	3,101,972
Operating Expenses:		
Salaries, payroll taxes and fringe benefits	1,318,464	1,192,399
Professional fees and contract services	138,986	81,747
Occupancy costs	108,674	221,030
Supplies and other	97,492	17,872
Depreciation	63,363	33,631
Insurance	24,052	22,105
Telephone and utilities	9,350	21,595
Travel	2,217	1,557
Total operating expenses	1,762,598	1,591,936
Net income	$ 1,696,085	$ 1,510,036

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2024 and 2023

	Members' Capital Contributions	Retained Earnings	Total
Balance, December 31, 2022	$ 82,206,860	$ 383,952	$ 82,590,812
Cumulative adjustment from adoption of new credit loss standard	-	306,341	306,341
Net income	-	1,510,036	1,510,036
Distribution of earnings to members	-	(383,952)	(383,952)
Return of capital contributions	(11,276,640)	-	(11,276,640)
Balance, December 31, 2023	70,930,220	1,816,377	72,746,597
Net income	-	1,696,085	1,696,085
Distribution of earnings to members	-	(1,510,036)	(1,510,036)
Capital contributions	4,000,000	-	4,000,000
Balance, December 31, 2024	$ 74,930,220	$ 2,002,426	$ 76,932,646

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

	2024	2023
Cash Flows from Operating Activities:		
Net income	$ 1,696,085	$ 1,510,036
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	63,363	33,631
Provision for credit losses - funded loans	904,458	91,249
(Recovery of) provision for credit losses - unfunded commitments	(13,125)	37,923
Amortization of loan origination fees	(242,513)	(149,296)
Capitalized interest - loans receivable	(589,985)	(736,668)
Loan origination fees collected	263,974	312,518
Non-cash lease expenses	105,830	183,251
Changes in operating assets and liabilities:		
Accrued interest receivable on loans	(151,735)	(137,678)
Prepaid expenses and other	(348,376)	(25,709)
Accounts payable and accrued expenses	362,693	68,468
Change in operating lease liability	(73,551)	(187,889)
Deposits and escrows	3,272	(38,382)
Net cash provided by operating activities	1,980,390	961,454
Cash Flows from Investing Activities:		
Issuance of loans receivable	(28,517,846)	(40,748,348)
Purchase of property and equipment	(77,308)	(24,075)
Principal payments on loans receivable	20,977,522	23,235,163
Purchase of short-term investments	(1,148,764)	-
Net cash used in investing activities	(8,766,396)	(17,537,260)
Cash Flows from Financing Activities:		
Capital contributions	4,000,000	-
Proceeds from line of credit	3,000,000	-
Return of capital distributions	-	(11,276,640)
Distributions of earnings to members	(1,510,036)	(383,952)
Net cash provided by (used in) financing activities	5,489,964	(11,660,592)
Net Change in Cash and Restricted Cash	(1,296,042)	(28,236,398)
Cash and Restricted Cash:		
Beginning of year	8,522,323	36,758,721
End of year	$ 7,226,281	$ 8,522,323
Supplemental Disclosure of Non-Cash Information:		
Right-of-use asset acquired in exchange for lease liability	$ 949,170	$ -

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). 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 7).

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. The Affiliate does not hold any real property as of December 31, 2024 and 2023.

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. As a result, items of income and loss of the Affiliate, if any, are included in PCI's income tax returns.

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).

Principles of Consolidation

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

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)

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.

Short-term Investments

PCI's short-term investments consisted of a six-month certificate of deposit (CD) as of December 31, 2024. The CD earns interest of 4% per annum and matures on May 21, 2025.

Loans Receivable and Accrued Interest Receivable on Loans

Loans receivable are stated net of loan participations qualifying as loan sales, unamortized deferred loan origination fees and an allowance for credit 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. Loan participations are accounted for under ASC Topic, *Transfers and Servicing*. Loan participations qualify as loan sales if PCI surrenders control over the participated portion of the loan receivable and the participation agreement meets certain other criteria.

Accrued interest receivable on loans is reported separately in the consolidated balance sheets and excluded from the allowance for credit losses measurement (see below).

Allowance for Credit Losses

Allowance for Credit Losses – General

The allowance for credit losses represents management's judgement of an estimated amount of lifetime expected losses that may be incurred on outstanding loans at the consolidated balance sheet date. This estimate is based on the risk characteristics of the loan portfolio, historical losses and defaults, an expectation of supportable future economic conditions, and payment performance of PCI's borrowers. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is then reduced by charge-offs (net of recoveries of previous losses) and is increased and decreased by a provision (recovery) for credit losses, which is recorded as a current period expense (revenue).

PCI excludes interest receivable from the measurement of the allowance for credit losses and implemented a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. PCI considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to non-accrual status and no longer recognize interest revenue on the loan.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Allowance for Credit Losses – Performing Loans

The methodology for estimating the allowance includes a collective quantified reserve, and individual allowances on specific loans. Loans are pooled into segments based on similar characteristics of borrowers, contract terms, collateral types, types of associated industries, and business purposes of the loans. Management of PCI concluded that all performing loans are categorized as one collective loan pool (including Affordable Housing and Community and Economic Development loans) on the basis that all of these loans share similar risk characteristics. Accordingly, the determination of the appropriateness of the allowance is complex and applies significant and highly subjective estimates. The use of significant judgement and the estimates of expected lifetime losses in the loan portfolio may vary significantly from actual amounts incurred. While management utilizes available applicable data to recognize expected losses, based on changes in the behavior of the loan portfolio in response to interest rates and economic conditions, the composition of the loan portfolio and the financial condition of the respective borrowers, future additions to the allowance may be necessary. The reasonableness of the allowance is reviewed periodically by the President and Audit Committee and formally approved by the Board of Managers.

PCI applies the weighted-average remaining life to maturity (WARM) method to estimate the expected credit losses for each loan pool based on the contractual term of the loans not including extensions, renewals and modifications. The WARM methodology utilizes PCI's historical default and loss experience adjusted for current conditions and future economic forecasts. PCI has elected to utilize a ten-year lookback period for the WARM method calculation based on a lending portfolio that is comprised of amortizing loans to borrowers with maturities up to ten years from the date of issuance. The reasonable and supportable forecast period represents a one-year economic outlook (as of December 31, 2024 and 2023) for the applicable economic variables. Management of PCI considered significant factors that could affect the expected future collectability of the amortized cost basis of the portfolio and determined that the primary factors are Federal interest rate fluctuation and changes to the Consumer Pricing Index. See Note 4 for disclosure of PCI's qualitative factors.

Allowance for Credit Losses – Individually Assessed Loans

Loans that do not share the risk characteristics of the collective pool are evaluated on an individual basis. These loans are evaluated individually because uncertainty of repayment arises. PCI identifies a loan as impaired when management determines that it is probable that interest and/or principal will not be collected in accordance with the contractual terms of the loan agreement because the borrower is experiencing financial difficulty or foreclosure is probable. Management performs an impairment analysis to review these loans assigned risk rating, outstanding balances, type and value of collateral, and guarantees as well as liquidation value of collateral. Individually assessed loans are assigned a specific allowance for credit loss value based on the fair value or liquidation value of the collateral at the reporting date. There were five loans evaluated on an individual basis as of December 31, 2024 (see Notes 3 and 4). There were no loans evaluated on an individual basis as of December 31, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. PCI establishes credit losses for unfunded commitments that do not meet that criteria, as a liability on the consolidated balance sheets. Changes to the liability are recorded through the provision for credit losses - unfunded commitments in the consolidated statements of operations. The establishment of the credit losses for unfunded commitments considers both the likelihood that the funding will occur and an estimate of the expected credit losses over the life of the respective commitments.

Investments in Venture Funds

Investments in venture funds consist of PCI's non-controlling interests in two local investment funds which meet the requirements of qualified investment in accordance with Chapter 259. Because PCI does not exercise significant influence over its investments in venture funds, PCI records such investments using the cost method of accounting. Under this method of accounting, PCI records its investments at initial cost and periodically assesses the possibility of the impairment of cost. The carrying cost is $164,039 and is fully reserved as impaired as of December 31, 2024 and 2023.

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.

Property and Equipment

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 of the assets:

Furniture and equipment	3 - 7 years
Leasehold improvements	Term of lease

Property and equipment consist of the following as of December 31:

	2024	2023
Furniture and equipment	$ 222,332	$ 145,024
Leasehold improvements	13,372	13,372
	235,704	158,396
Less - accumulated depreciation	162,690	99,327
Net property and equipment	$ 73,014	$ 59,069

Deposits and Escrows

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and short-term investments in the form of CD accounts. Cash equivalents and short-term investments are considered Level 1 in the fair value hierarchy. PCI held $7,464,766 and $6,885,289 in CD and money market accounts as of December 31, 2024 and 2023, respectively. Management also assesses the possible impairment of investments in venture funds using fair value assumptions based on Level 3 inputs (see page 9).

Leases

PCI determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. PCI determines if such assets are leased because PCI has the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

In evaluating its contracts, PCI separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office buildings. PCI has elected the practical expedient to not separate lease and non-lease components and classifies a contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. PCI determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. PCI uses the implicit rate when readily determinable.

As most of the leases do not provide an implicit rate, PCI uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments. Incremental borrowing rates used to determine the present value of lease payments were derived by reference to the secured-debt yields PCI would receive to finance each lease transaction or needed to borrow the amount of the undiscounted future payments over the term of the lease.

The lease term may include options to extend or to terminate the lease that PCI is reasonably certain to exercise. Leases with an initial term of twelve months or less are not included on the consolidated balance sheets. Lease expense is generally recognized on a straight-line basis over the lease term.

Revenue Recognition

Revenues from interest on loans, cash, investments, and other sources are recorded as earned on the accrual basis of accounting. Credit 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 2024 and 2023, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2024 and 2023. 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 costs were $5,844 for the year ended December 31, 2024, and are included in professional fees and contract services in the accompanying 2024 consolidated statement of operations. There were no advertising costs for the year ended December 31, 2023.

Subsequent Events

Subsequent events have been evaluated through May 7, 2025, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition in the consolidated financial statements. See Notes 3 and 9 for events that met the criteria for disclosure in the consolidated financial statements.

3. LOANS RECEIVABLE

PCI offers the following loan products:

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 4.25% to 7.82% and mature at various dates through 2031. Principal balances range from $39,120 to $5,738,796. 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 42% and 45% of the affordable housing portfolio as of December 31, 2024 and 2023, respectively.

Commercial and Economic Development (CED) - Made to support the development and/or expansion of minority or women-owned businesses, small businesses, job creation activities, community services organizations 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. CED loans receivable bear interest at rates ranging from 1.00% to 7.75% and mature at various dates through 2031. Principal balances range from $107,453 to $3,677,267. These loans are generally secured by the borrowers' business assets and real estate. PCI's five largest outstanding CED loans receivable were approximately 55% and 66% of the CED portfolio as of December 31, 2024 and 2023, respectively.

3. LOANS RECEIVABLE (Continued)

Loans receivable consist of the following at December 31:

	2024		2023	
	Number of loans		Number of loans	
Affordable housing	37	$ 45,984,043	34	$ 43,477,499
Commercial and economic development	21	27,127,698	16	21,503,933
	58	73,111,741	50	64,981,432
Less - net unamortized loan origination fees		(393,917)		(372,456)
Total loans receivable		72,717,824		64,608,976
Less - allowance for credit losses (see Note 4)		(1,229,365)		(324,907)
Loans receivable, net		71,488,459		64,284,069
Less - current portion (net of allowance)		(32,972,467)		(34,344,873)
Loans receivable, net of current portion		$ 38,515,992		$ 29,939,196

As of December 31, 2024, there were four affordable housing loans totaling $5,107,238 from one borrower and one CED loan from another borrower for $2,250,000 that were considered impaired loans and were evaluated individually (see Note 4). These loans mature July 2025 and all, except for the $2,250,000 loan, are expected to be extended. There were no impaired loans as of December 31, 2023. There were no charge-off of loans receivable during the years ended December 31, 2024 and 2023. There were no loans receivable on non-accrual status as of December 31, 2024 and 2023.

Total participations outstanding were $7,675,292 as of December 31, 2024. There were no participations outstanding as of December 31, 2023. 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 ASC Topic, *Transfers and Servicing*. Accordingly, loans receivable are presented net of participations in the accompanying consolidated balance sheet as of December 31, 2024.

Subsequent to year end, PCI closed two loans totaling $2,575,000 and purchased a $3,000,000 participation interest in a loan totaling $6,240,000. PCI purchased a 48.08% Participant share of the loan, totaling $3,000,000, while the Lender holds 51.92%, totaling $3,240,000.

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

2025	$ 34,042,174
2026	$ 16,284,822
2027	$ 8,631,614
2028	$ 3,271,212
2029	$ 4,014,143
Thereafter	$ 6,921,777

4. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the lack of collectability of a loan balance is confirmed.

Management estimates the allowance for credit losses using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in interest rates or other relevant factors. After the reasonable and supportable forecast period, PCI's model reverts to historical loss trends.

Current Loans under WARM Method

PCI's historical average annual loss rate for the most recent ten-year lookback period is 0% as of December 31, 2024 and 2023. The historical credit loss rate already factors in prepayment history, which management expects to remain unchanged. Based on the historical average annual loss rate of 0%, in PCI adjusted the lifetime loss rate to reflect the effects of changes in current economic conditions and forecasted changes in portfolio performance, management had applied a 0.75% and 0.50% qualitative factor (Q-Factor) to the quantified lifetime loss rate as of December 31, 2024 and 2023, respectively, for performing loans (collective pool).

Management believes this methodology most faithfully reflects the expected credit losses for the segment of the loan portfolio which is performing without any signs of weakness or deterioration. Management is using a loss rate method adjusted for prepayments that are probable. This assessment is an estimation technique that is most practical and relevant to PCI's current circumstances.

Individually Assessed Loans

PCI monitors credit quality indicators on an on-going basis to determine if any of their loans need to be evaluated separately. When incorporating extensions granted to borrowers, there were no past due loans as of December 31, 2024 or 2023. The credit quality indicators assessed by management include security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage.

As of December 31, 2024, there were five loans with collective balances totaling $7,357,240 (see Note 3) that were evaluated on an individual basis by PCI and an allowance for credit losses of $735,724 was recorded to correctly present these loans at the value that PCI anticipates that they will collect. There were no loans evaluated on an individual basis as of December 31, 2023. PCI will continue to assess the need for additional allowance for credit losses related to these individually assessed financial assets.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Credit Quality Indicators

PCI pools its loans based on the loan offering types that meet the requirement for commercial and economic development and affordable housing. The internal loan monitoring process includes a process that evaluates security of the loan, debt service coverage, current and leverage ratios of the borrower, customer concentrations of the borrower, credit history of ownership of the borrower, and collateral coverage. PCI monitors credit quality indicators on an annual basis to determine if any of their loans need to be evaluated separately from their core loan pool and to determine if there is a change in the level of risk.

Credit Loss Activity

A summary of the activity within the allowance for credit losses is as follows for the years ended December 31, 2024 and 2023:

	Affordable Housing and CED	Individually Assessed Loans	Total
Allowance for loan losses, December 31, 2022	$ 419,721	$ 212,747	$ 632,468
Cumulative adjustment from CECL adoption	(186,063)	(212,747)	(398,810)
Provision for credit losses	91,249	-	91,249
Allowance for credit losses, December 31, 2023	324,907	-	324,907
Provision for credit losses	168,734	735,724	904,458
Allowance for credit losses, December 31, 2024	$ 493,641	$ 735,724	$ 1,229,365

There were no write-offs of loan principal during 2024 or 2023.

Loan Commitments

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.

At December 31, 2024 and 2023, PCI had commitments to lend of approximately $15,635,565 and $26,078,000, respectively. Among the tools available to manage liquidity are anticipated loan payoffs, utilizing the line of credit (see Note 9), as well as the potential to initiate loan sales and loan participation agreements with lending partners.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Commitments (Continued)

In accordance with Topic 326, PCI has recorded credit loss liability to these unfunded commitments, which are summarized below:

	2024	2023
Credit loss liability - unfunded commitments, beginning of year	$ 130,392	$ -
Cumulative adjustment from CECL adoption	-	92,469
(Recovery of) provision for credit losses - unfunded commitments	(13,125)	37,923
Credit loss liability - unfunded commitments, end of year	$ 117,267	$ 130,392

5. 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 $84,788 and $76,788 for 2024 and 2023, respectively, and are included in salaries, payroll taxes and fringe benefits in the accompanying consolidated statements of operations.

6. LEASES - OPERATING

PCI had a seven-year lease agreement for office space with monthly base rent starting at $14,300, with escalating payments each year through May 2024, at which time the lease was terminated. In December 2023, PCI entered into a nine-year lease agreement for new office space through May 2033 with an option to extend the lease for five years. The lease commenced on October 1, 2024. Monthly rent under this agreement will begin June 2025 and is $11,366 with escalating payments each year throughout the lease. PCI is responsible for utilities, maintenance and real estate taxes. Termination of the lease is generally prohibited unless there is a violation under the lease agreement.

6. LEASES - OPERATING (Continued)

Future minimum lease payments for the next five years are as follows:

2025	$ 80,047
2026	139,780
2027	142,682
2028	145,584
2029	148,486
Thereafter	529,373
Total future undiscounted lease payments	1,185,952
Less - present value discount	(225,226)
Present value of operating lease liability	960,726
Less - current portion	(80,047)
Operating lease liability, net of current portion	$ 880,679

The following summarizes the line items in the accompanying consolidated statements of operations, which include the components of lease expense for the years ended December 31:

	2024	2023
Operating lease cost included in occupancy costs	$ 105,830	$ 183,251
Variable lease costs included in occupancy costs	2,844	37,779
Total lease expense	$ 108,674	$ 221,030

PCI's incremental borrowing rate was 4.85% and 4.8% as of December 31, 2024 and 2023, respectively. The above table does not include any option to extend. ROU asset obtained in exchange for lease liability was $949,170 as of October 1, 2024. Cash paid for amounts included in measuring operating lease liability was $73,551 and $187,889 for the years ended December 31, 2024 and 2023, respectively.

7. 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 insurance companies in the Commonwealth of Massachusetts.

During 2024, two members made capital contributions totaling $4,000,000.

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 $1,510,036 and $383,952 to members during 2024 and 2023, respectively. Members were prohibited from receiving distributions that would constitute return of capital for the first twenty years of PCI's existence, which expired in 2019.

7. MEMBERS' CAPITAL ACCOUNTS (Continued)

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 made return of capital contributions 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 distributed the remaining 80% of the retiring members' original capital in accordance with Chapter 259 and the amount is reflected as return of capital contributions in the accompanying 2023 consolidated statement of changes in members' equity.

During this redemption period, the retiring members continued to receive distributions of earnings based on their pro-rata share of ownership in PCI until they were fully paid out during 2023. As of December 31, 2023, total return of capital was $14,095,800.

8. CONCENTRATION OF CREDIT RISK

PCI maintains its cash balances in three 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, 2024 and 2023, PCI's exposure for uninsured cash was approximately $6,487,000 and $6,688,000, respectively. 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.

9. LINE OF CREDIT

During 2023, PCI increased the line of credit from $15,000,000 to $20,000,000 with a bank. 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 160 basis points or floating rate based on the Secured Overnight Financing Rate (SOFR) plus 170 basis points (6.01% and 6.76% at December 31, 2024 and 2023, respectively). All borrowings are secured by PCI's business assets with a specific assignment of the loan portfolio. During February 2025, the maturity date was extended to June 30, 2026, and the credit line increased from $20,000,000 to $22,000,000. The outstanding balance was $3,000,000 as of December 31, 2024. There was no outstanding balance as of December 31, 2023. As specified in the agreement, PCI must meet certain covenants; PCI was in compliance with these covenants at December 31, 2024 and 2023.