THE PROPERTY & CASUALTY INITIATIVE

ANNUAL REPORT

2023

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2023

2023: Year in Review

PCI is a visible, trusted state-wide community development lending partner focused on impact. In 2023 PCI closed 22 loans ($40 million) generating significant social impact.

2023 Impact Compared to Impact Targets

We distill our social impact priorities into a set of Key Performance Indicators, or KPIs. These KPIs are aligned with PCI's legislative requirements and our mission and vision. We use these impact metrics and targets to drive our lending, starting with our marketing and business development efforts. Our KPIs adapt to respond to changes in the communities we serve.

Primary Impact Key Performance Indicators (KPIs)	**2022 Results**	**2023 Results**	**2023 Status v. Target**	**Targets**
% of Loans with Flexible Debt Features	69%	82%		75%
% of Annual Loans in Affordable Housing Sector	77%	68%		65%
% of Annual Loans in Community Services Sector	8%	27%		25%
% of Annual Loans in Economic Development/Small Business Sector	15%	5%		10%
% of Annual Loans outside of Boston and Boston Metro geography	62%	50%		67%
$ Loans Closed	$ 33,250,158	$ 40,062,500	**134%**	$ 30,000,000
Loans Closed	13	22	**147%**	15
Affordable Homes Created or Preserved	549	614	**184%**	333
Housing units targetting very low income households (50% AMI)(Veterans, Seniors, Disabled, Formerly Homeless)	341	246	**148%**	167
% of AH Loans with Resident Services	40%	73%		50%
Home Ownership units, affordable up to 100% AMI	10	86	**172%**	50
Children Served	-	825	**413%**	200
Clients Served	1,500	16,874	**1125%**	1,500
% of Loans in Census Tracts with 2x State Average % of People Living in Poverty (state avg = 9.9%)	42%	45%		75%
% of Loans in Census Tracts with 2x State Average % Population of Color (MA avg = 30.32%)	50%	41%		75%
% Borrowers that are People of Color/Women led	23%	59%		40%
% of non-profit borrowers	62%	77%		65%
Perm Jobs Created/Retained	420	17	**6%**	300
Small businesses directly benefitting from PCI investments	8	12	**120%**	10
% of Projects that achieve Green Building standards (LEED, Passive, Zero Net Energy)	8%	27%		25%

CUMULATIVE IMPACT ACROSS THE COMMONWEALTH

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

Twenty-six Property & Casualty Insurance Companies have invested $85 million of capital into PCI since 1999. PCI staff have invested and re-invested that capital more than six times, investing **$528 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 **7,700 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 more than 25 non-profit organizations to meet their facility needs, lending **$60 million** to support the following types of outcomes:

- Enhanced educational opportunities for **5,800 young people** annually
- Culturally appropriate healthcare services to **160,000 patients** annually
- Emergency shelter for **1,500 unhoused** individuals annually
- Services for **90,000 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 lenders to Mill Cities Community Investments, a person-of-color led Community Development Financial Institution that pairs strategic technical assistance with small business loans.

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

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

AFFORDABLE HOUSING LENDING

PROJECT/APPLICANT	COMMITTED DOLLARS	TOTAL UNITS	AFFORDABLE UNITS
1. Worcester Common Ground Predevelopment Line of Credit	$ 450,000	TBD	TBD
2. LaGrange Redevelopment, Civico/Rees- Larkin	$1,000,000	63	40
3. Scattered Site Acquisition, Norfolk Design & Construction	$3,000,000	60	60
4. Bow & Linden Apartments, Somerville Community Corporation	$ 490,000	60	60
5. 50 Winter Street Acquisition Caritas Communities	$ 500,000	34	34
6. Leland House (A), 2Life Communities	$4,611,801	68	66
7. Leland House (B), 2Life Communities	$ 388,199		
8. Stonley Brookley Condos, Jamaica Plain Neighborhood Development Corporation/Causeway Development	$5,290,000	45	45
9. Blessed Sacrament Redevelopment, Pennrose/Hyde Square Task Force	$1,500,000	55	55
10. 270 Talbot Avenue, TLee Development	$4,500,000	20	18
11. Summer & Orchard Apartments Acquisition, Lawrence CommunityWorks	$2,000,000	12	12
12. Summer & Orchard Apartments Predevelopment, Lawrence CommunityWorks	$ 300,000		
13. Endicott Street Predevelopment, NorthShore Community Development Coalition	$ 150,000	61	61
14. Endicott Street Acquisition, NorthShore Community Development Coalition	$3,520,000		
15. Winchester Waterfield Predevelopment, Civico/Causeway	$1,400,000	60	40
TOTAL	**$29,100,000**	**538**491	**491**

WORCESTER

WORCESTER COMMON GROUND
$450,000

Worcester Common Ground (WCG), a Community Development Corporation founded in 1988, acts as a developer of last resort, rehabilitating abandoned housing and acquiring parcels of vacant land for new construction to provide area residents with affordable rental units, the opportunity to own their own home, and an avenue to contribute to an increased level of neighborhood investment, pride and stability. WCG has developed a total of 253 units of housing. The line of credit supports the organization's growing development pipeline.

PROJECT: Housing Pipeline Development

SPONSOR: Worcester Common Ground

TYPE OF INVESTMENT: Predevelopment

REGION: Central

QUALIFICATION: Affordable Housing

WORCESTER

Rendering

LAGRANGE REDEVELOPMENT
$1,000,000

Civico Development and Rees-Larkin Development are working together to convert an industrial mill building into 63 units of affordable and workforce rental housing in Worcester's Main South neighborhood. The development will also include space for two local food justice organizations, as well open green space that will be available to the community.

PROJECT: Worcester LaGrange Redevelopment

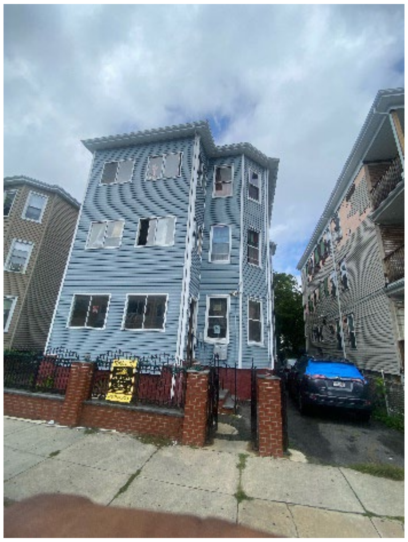
SPONSOR: Civico Development & Rees-Larkin

TYPE OF INVESTMENT: Predevelopment

REGION: Central

QUALIFICATION: Affordable Housing

DORCHESTER



SCATTERED SITE ACQUISITION
$3,000,000

Norfolk Design & Construction received a commitment of $7.5MM in City of Boston Affordable Opportunity Program (AOP) subsidy to preserve 60 units of affordable rental housing. Norfolk, an emerging MBE, is using this opportunity to build an affordable rental housing portfolio. PCI financed the acquisition of three properties in 2023.

PROJECT: Scattered Site Acquisition

SPONSOR: Norfolk Design & Construction

TYPE OF INVESTMENT: Acquisition

REGION: Greater Boston

QUALIFICATION: Affordable Housing

SOMERVILLE

Bow Street

Linden Street

BOW LINDEN PROJECT
$490,000

Somerville Community Corporation is a nonprofit community development corporation that has built and preserved over 450 affordable homes and placed over 500 job seekers. The redevelopment of Bow Street and Linden Street Apartments preserves the affordability of 60 units in a rapidly gentrifying market well served by public transportation. 29 of the units are deeply affordable, targeting households at or below 50% of Area Median Income.

PROJECT: SCC Bow Linden Project

SPONSOR: Somerville Community Corporation

TYPE OF INVESTMENT: Predevelopment

REGION: Greater Boston

QUALIFICATION: Affordable Housing

QUINCY

50 WINTER STREET
$500,000

Caritas Communities purchased the three-family property at 50 Winter Street abutting its 46 Winter Street property, a 17-unit SRO building in Quincy. This acquisition, together with the PCI financed acquisition of 46 Winter Street, will allow Caritas to develop 34 units of new, permanent supportive housing on the combined site.

PROJECT: 50 Winter Street

SPONSOR: Caritas Communities

TYPE OF INVESTMENT: Acquisition

REGION: Greater Boston

QUALIFICATION: Affordable Housing

WALTHAM

LELAND HOUSE
$4,611,801-Construction A / $388,199-Construction B

2Life Communities, an experienced and highly respected affordable housing developer focusing on senior developments, is constructing a new 68-unit affordable senior housing project. Leland Housing will serve seniors at 30%, 50% and 60% of Area Median Income.

PROJECT: Leland House

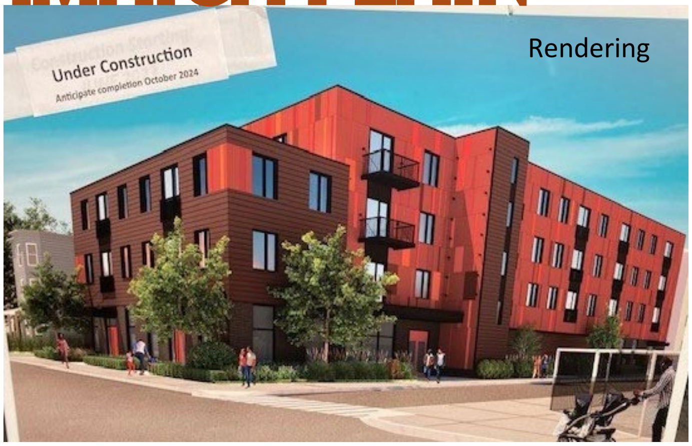
SPONSOR: 2Life Communities

TYPE OF INVESTMENT: Construction

REGION: Greater Boston

QUALIFICATION: Affordable Housing

BOSTON – JAMAICA PLAIN



STONLEY BROOKLEY JPNDC/CAUSEWAY DEVELOPMENT
$5,290,000

The Jamaica Plain Neighborhood Development Corporation (JPNDC) and Causeway Development are partnering to build a 45-unit, residential for-sale condominium building, with 16 units that will be affordable to households earning less than 80% of the Area Median Income (AMI) and 29 that will be affordable to households earning less than 100% AMI. The project is located a short walk from the Forest Hills train station.

PROJECT: Stonley Brookley

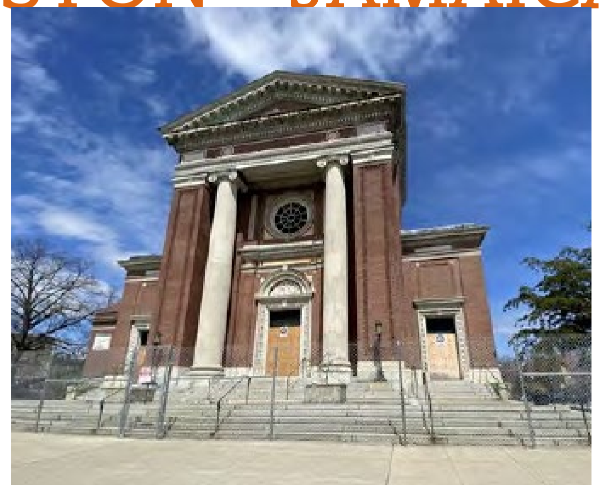
SPONSOR: JPNDC/Causeway Development

TYPE OF INVESTMENT: Construction

REGION: Greater Boston

QUALIFICATION: Affordable Housing

BOSTON – JAMAICA PLAIN



BLESSED SACRAMENT
$1,500,000 Predevelopment

Pennrose, in partnership with Hyde Square Task Force, is developing 55 units of affordable and workforce rental housing on the Blessed Sacrament church site that was sold by the Archdiocese of Boston in 2005. Included in the project design is a 250-person performing art space for youth programming and to celebrate the Afro-Latin arts.

PROJECT: Blessed Sacrament-361 Centre Street

SPONSOR: Pennrose, LLC

TYPE OF INVESTMENT: Predevelopment

REGION: Greater Boston

QUALIFICATION: Affordable Housing

BOSTON-DORCHESTER

TLEE DEVELOPMENT $4,500,000

TLee Development is constructing an 18-unit affordable home ownership project with two ground floor commercial units designed to stabilize local businesses. All units will be affordable to households earning less than 100% Area Median Income (AMI) (6 at 80% AMI, 6 at 90% AMI and 6 at 100% AMI).

PROJECT: 270 Talbot Avenue

SPONSOR: TLee Development

TYPE OF INVESTMENT: Construction

REGION: Greater Boston

QUALIFICATION: Affordable Housing

LAWRENCE

SUMMER & ORCHARD APARTMENTS
$2,000,000-Acquisition / $300,000-Predevelopment

Lawrence Community Works (LCW) purchased an expiring use, 12-unit affordable rental property in the center of its target area, preserving the units as affordable for decades to come.

PROJECT: Summer & Orchard Apartments

SPONSOR: Lawrence Community Works

TYPE OF INVESTMENT: Acquisition/Predevelopment

REGION: Metro West & Merrimack

QUALIFICATION: Affordable Housing

PEABODY

ENDICOTT STREET APARTMENTS
$150,000 Predevelopment - $3,520,000 Acquisition

North Shore Community Development Coalition (NSCDC) is converting a vacant building on an industrial property into 61 apartments. These 61 units will be affordable to very low-income households and may include intergenerational housing. Located in a prime neighborhood with strong school systems and public amenities, these apartments will provide its residents with ample opportunity.

PROJECT: Endicott Street Apartments

SPONSOR: North Shore CDC

TYPE OF INVESTMENT: Predevelopment/ Acquisition

REGION: Northeast

QUALIFICATION: Affordable Housing

WINCHESTER

Rendering

WINCHESTER WATERFIELD PROJECT
$1,400,000

Causeway Development and Civico Development are developing a 60-unit new construction, mixed income multi-family rental building on the town-owned "Waterfield" parking lot. The project will bring much needed housing to a prime transit-oriented development (TOD) location across from the commuter rail stop, in line with the Winchester's Master Plan and the Commonwealth's priority of increasing density around transit nodes.

PROJECT: Winchester Waterfield

SPONSOR: Causeway Development/Civico Development

TYPE OF INVESTMENT: Predevelopment

REGION: Northeast

QUALIFICATION: Affordable Housing

COMMUNITY SERVICES LENDING 2023

PROJECT/APPLICANT	COMMITTED DOLLARS	CLIENTS SERVED ANNUALLY	AFFORDABLE UNITS
1. Brockton Housing Resource Center, Father Bills & Mainspring – Bridge loan	$2,000,000	1,500	34
2. Brockton Housing Resource Center, Father Bills & Mainspring – Construction loan	$1,000,000		
3. Highland Avenue Expansion, Somerville YMCA – Acquisition loan	$2,537,500	15,000	123
4. Childcare Facility, NorthStar Learning Centers – Bridge loan	$2,500,000	1,874	
5. Childcare Facility, NorthStar Learning Centers – Term loan	$2,175,000		
6. Childcare Facility, NorthStar Learning Centers – 100% participated to MHIC	$0		
TOTAL	**$10,212,500**	**18,374**	**157**

BROCKTON

BROCKTON HOUSING RESOURCE CENTER
$1,000,000 Construction Loan - $2,000,000 Bridge Loan

Father Bill's & MainSpring is constructing the Brockton Housing Resource Center which will transform the way Brockton area individuals at risk of or experiencing homelessness are served, by emphasizing comprehensive, collaborative services as a first response. The new complex will include 128 shelter beds, an on-site health clinic, an expanded 24/7 homeless service center, and 32 studio apartments with supportive services for formerly homeless individuals at or below 30% of Area Median Income.

PROJECT: Brockton Housing Resource Center

SPONSOR: Father Bill's & MainSpring

TYPE OF INVESTMENT: Construction Bridge

REGION: Greater Boston

QUALIFICATION: Community Services

SOMERVILLE

HIGHLAND AVENUE EXPANSION
$2,537,500

The Somerville YMCA is undergoing a significant expansion and redevelopment. The expansion will enable the YMCA to triple the number of people they serve, as well as triple the number of childcare slots offered. The project will increase the amount of housing by 40-80 units as well as improving the already-existing housing by converting 43 Single Room Occupancy units to quality studios. The Somerville YMCA is a cornerstone of the community, and this project will increase the volume, as well as the variety, of services offered.

PROJECT: Highland Avenue Expansion

SPONSOR: The Somerville YMCA

TYPE OF INVESTMENT: Predevelopment/ Acquisition

REGION: Greater Boston

QUALIFICATION: Community Services

NEW BEDFORD

NorthStar Learning Center - Rendering

EARLY EDUCATION CENTER

$2,175,000 Term Loan - $2,500,000 Bridge Loan - $0 MHIC Bridge*

NorthStar Learning Center is creating a new 17,000 sq. ft. Early Education and Community Center in New Bedford. This new facility will combine and consolidate programming and administration into one new building that will better serve the needs of the organization and the community. The new Early Education Center will serve 135 children, compared to the 70 currently served. 100% of the clients served are very low-income and this is often the last place of hope for children kicked out of other centers. In addition to childcare, this center offers programming for families and older youth as well as mental health services.

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*100% Participated out to MHIC

PROJECT: Early Education Center

SPONSOR: NorthStar Learning Center

TYPE OF INVESTMENT: Term Loan/Bridge Loan/ MHIC Bridge Loan*

REGION: Southeast

QUALIFICATION: Community Services

ECONOMIC DEVELOPMENT/ SMALL BUSINESS
2023

PROJECT/APPLICANT	COMMITTED DOLLARS	SQUARE FEET	SMALL BUSINESSES SUPPORTED (projected)
Mill Cities Community Investments - Loan Capital	$750,000		5
TOTAL	**$750,000**		**5**

LAWRENCE

MILL CITIES COMMUNITY INVESTMENTS
$750,000

Mill Cities Community Investments is a certified Community Development Financial Institution that combines targeted technical assistance and financing to support primarily Black and Latino businesses.

PROJECT: Loan Capital

SPONSOR: Mill Cities Community Investments

TYPE OF INVESTMENT: Term

REGION: Metro West and Merrimack

QUALIFICATION: Small Business/ Economic Development

OLD* REGIONAL DISTRIBUTIONS 2023

REGION	AMOUNT OF INVESTMENT	% OF TOTAL
BOSTON	$266,647,500	51%
CENTRAL	$42,028,700	8%
NORTHEAST	$53,320,500	10%
SOUTHEAST	$69,794,900	13%
WESTERN	$89,538,400	17%
STATEWIDE	$7,000,000	1%
TOTAL	**$528,330,000**	**100%**

NEW** REGIONAL DISTRIBUTIONS 2023

REGION	AMOUNT OF INVESTMENT	% OF TOTAL
GREATER BOSTON	$230,339,100	44%
CENTRAL	$33,891,200	6%
METRO WEST & MERRIMACK VALLEY	$76,824,000	15%
NORTHEAST	$55,835,800	11%
SOUTHEAST	$33,651,500	6%
WESTERN	$90,788,400	17%
STATEWIDE	$7,000,000	1%
TOTAL	**$528,330,000**	**100%**

*Massachusetts Office of Business Development Map – 1994

**Massachusetts Office of Business Development Map - 2017

QUALIFIED INTERIM INVESTMENTS

2023

At December 31, 2023, the total interim investments of
The Property and Casualty Initiative, LLC were as follows:

BANK DEPOSITS	$8,290,233
TOTAL INTERIM INVESTMENTS	**$8,290,233**

PUBLIC MEETINGS 2023

As of December 31, 2023

Information regarding 2023 meetings held in each of the MOBD regions.

REGION	PLACE REPRESENTED	HOST
Central	Worcester	- Worcester Common Ground - Civico/Rees-Larkin
Greater Boston	Brockton, Boston, Somerville, Quincy, Waltham	- Father Bill's & MainSpring - 2Life Communities - JPNDC/Causeway Development - TLee Development - Norfolk Design & Construction - Pennrose/Hyde Square Task Force - Somerville Community Corporation - Somerville YMCA - Caritas Communities
Metro West & Merrimack Valley	Lawrence	- Lawrence CommunityWorks - Esperanza Academy - Mill Cities 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

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

2023 CAPITAL CONTRIBUTIONS

		2023 Capital Contributed or Returned	Aggregate Capital Contributed	Proportionate Share
1	Arbella Indemnity Insurance Company		$92,100	0.130%
2	Arbella Mutual Insurance Company		$1,959,900	2.763%
3	Arbella Protection Insurance		$564,700	0.796%
4	Arrow Mutual Liability Insurance Company		$157,700	0.222%
5	Associated Industries of MA Mutual Ins. Co.		$500,200	0.705%
6	Atlantic Specialty Insurance Company	-$11,276,640		0.000%
7	Barnstable County Insurance Company		$28,200	0.040%
8	Barnstable County Mutual Insurance Co.		$81,100	0.114%
9	Berkshire Mutual Insurance Company*		$74,120	0.104%
10	County Mutual Insurance Company		$357,000	0.503%
11	Dorchester Mutual Insurance Company		$102,500	0.145%
12	Electric Insurance Company		$2,946,000	4.153%
13	Fitchburg Mutual Insurance Company		$151,100	0.213%
14	Harleysville Worcester Insurance Company		$941,200	1.327%
16	Liberty Mutual Fire Company		$6,475,600	9.130%
17	Liberty Mutual Insurance Company		$49,021,000	69.112%
18	Massachusetts Homeland Insurance Company		$27,500	0.039%
19	Medical Professional Mutual Insurance Co.		$4,041,100	5.697%
20	Norfolk & Dedham Mutual Fire Insurance Co.		$483,400	0.682%
21	Pilgrim Insurance Company		$19,000	0.027%
22	Plymouth Rock Assurance Corp.		$496,700	0.700%
23	Plymouth Rock Home Assurance Corp.		$54,500	0.077%
24	ProSelect Insurance Company		$91,400	0.129%
25	Quincy Mutual Fire Insurance Company		$1,092,500	1.540%
26	The Premier Insurance Company of MA		$1,171,700	1.652%
	Total Capital Contributions		**$70,930,220**	**100.00%**

Audited Financial Statements

2023

THE PROPERTY & CASUALTY INITIATIVE, LLC AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Contents
December 31, 2023 and 2022

AAFCPAs
great minds | great hearts

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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:

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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2023, PCI and Affiliate adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Our opinion is not modified with respect to that matter.

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.

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
April 26, 2024

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Balance Sheets
December 31, 2023 and 2022

Assets	**2023**	**2022**
Current Assets:		
Cash and cash equivalents	$ 8,522,323	$ 36,758,721
Current portion of loans receivable, net of allowance for credit/loan losses of $172,587 and $102,603 as of December 31, 2023 and 2022, respectively	34,344,873	11,405,795
Accrued interest receivable on loans	302,618	164,940
Prepaid expenses and other	75,171	49,462
Total current assets	43,244,985	48,378,918
Loans Receivable, net of current portion and allowance for credit/loan losses of $152,320 and $529,865 as of December 31, 2023 and 2022, respectively	29,939,196	34,484,082
Operating Right-of-Use Asset	71,035	235,690
Property and Equipment, net	59,069	68,625
Total assets	$ 73,314,285	$ 83,167,315
Liabilities and Members' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	$ 133,119	$ 64,651
Current portion of operating lease liability	72,967	169,293
Total current liabilities	206,086	233,944
Credit Loss Liability - Unfunded Commitments	130,392	-
Operating Lease Liability, net of current portion	-	72,967
Deposits and Escrows	231,210	269,592
Total liabilities	567,688	576,503
Members' Equity:		
Members' capital contributions	70,930,220	82,206,860
Retained earnings	1,816,377	383,952
Total members' equity	72,746,597	82,590,812
Total liabilities and members' equity	$ 73,314,285	$ 83,167,315

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

Consolidated Statements of Operations
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenues:		
Interest on loans	$ 2,427,422	$ 1,977,361
Net investment income	654,155	309,241
Loan origination fees and other	149,567	118,933
Total operating revenues	3,231,144	2,405,535
Provision for credit/loan losses - funded loans	(91,249)	(253,289)
Provision for credit losses - unfunded commitments	(37,923)	-
Net operating revenues	3,101,972	2,152,246
Operating Expenses:		
Salaries, payroll taxes and fringe benefits	1,192,399	1,258,297
Occupancy costs	221,030	188,872
Professional fees and contract services	81,747	265,204
Depreciation	33,631	-
Insurance	22,105	23,964
Telephone and utilities	21,595	8,293
Supplies and other	17,872	19,642
Travel	1,557	4,022
Total operating expenses	1,591,936	1,768,294
Net income	$ 1,510,036	$ 383,952

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Changes in Members' Equity
For the Years Ended December 31, 2023 and 2022

	Members' Capital Contributions	Retained Earnings	Total
Balance, December 31, 2021	$ 82,911,650	$ 2,614,924	$ 85,526,574
Net income	-	383,952	383,952
Distributions of earnings to members	-	(2,614,924)	(2,614,924)
Return of capital distributions	(704,790)	-	(704,790)
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 distributions	(11,276,640)	-	(11,276,640)
Balance, December 31, 2023	$ 70,930,220	$ 1,816,377	$ 72,746,597

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

THE PROPERTY AND CASUALTY INITIATIVE, LLC AND AFFILIATE

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Net income	$ 1,510,036	$ 383,952
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	33,631	-
Net recovery of venture funds	-	(223,801)
Provision for credit/loan losses - funded loans	91,249	253,289
Provision for credit losses - unfunded commitments	37,923	-
Amortization of loan origination fees	(149,296)	(135,681)
Capitalized interest	(736,668)	(663,258)
Loan origination fees collected	312,518	204,079
Non-cash lease expenses	164,655	181,402
Changes in operating assets and liabilities:		
Accrued interest receivable on loans	(137,678)	84,185
Prepaid expenses and other	(25,709)	(8,045)
Accounts payable and accrued expenses	68,468	47,961
Change in operating lease liability	(169,293)	(174,832)
Deposits and escrows	(38,382)	4,457
Net cash provided by (used in) operating activities	961,454	(46,292)
Cash Flows from Investing Activities:		
Issuance of loans receivable	(40,748,348)	(28,581,083)
Purchase of property and equipment	(24,075)	(60,002)
Principal payments on loans receivable	23,235,163	40,220,587
Return of capital distributions from venture funds	-	484,800
Net cash provided by (used in) investing activities	(17,537,260)	12,064,302
Cash Flows from Financing Activities:		
Receivable from members	-	339,719
Return of capital distributions	(11,276,640)	(704,790)
Distributions of earnings to members	(383,952)	(2,614,924)
Net cash used in financing activities	(11,660,592)	(2,979,995)
Net Change in Cash and Cash Equivalents	(28,236,398)	9,038,015
Cash and Cash Equivalents:		
Beginning of year	36,758,721	27,720,706
End of year	$ 8,522,323	$ 36,758,721

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 8).

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).

Principles of Consolidation

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

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standard Updates (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). Since then, the FASB also issued additional ASUs amending certain aspects of ASU 2016-13. ASU 2016-13 introduced a new accounting model, the Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses and additional disclosure related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncements (Continued)

PCI adopted the standard effective January 1, 2023, using the modified retrospective method. As part of the adoption, PCI made an accounting policy election to no longer measure an allowance for credit losses for interest receivable and to write-off uncollectible interest receivable in a timely manner. Results for reporting periods beginning after January 1, 2023, are presented under ASC Topic 326.

The impact of adoption of ASC Topic 326 on PCI's consolidated balance sheet as of January 1, 2023, was as follows:

	As Previously Reported	Effect of Adoption	As Adjusted
Allowance for credit losses	$ -	$ 233,658	$ 233,658
Allowance for loan losses	$ 632,468	$ (632,468)	$ -
Members' equity	$ 82,590,812	$ 306,341	$ 82,897,153
Credit loss liability - unfunded commitments	$ -	$ 92,469	$ 92,469

PCI does not expect ASC Topic 326 to have a significant impact on its financial condition or results of operations on an ongoing basis.

In connection with the adoption of ASU 2016-13 noted above, on January 1, 2023, PCI also adopted ASU 2022-02, *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (ASU 2022-02), removing the recognition and measurement guidance on troubled debt restructurings for creditors and enhancing disclosures provided about certain modifications or receivables to debtors experiencing financial difficulty.

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.

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.

Loans Receivable

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 860, *Accounting for Transfers and Servicing of Assets and Liabilities*. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

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).

In connection with the adoption of ASU 2016-13, PCI made an accounting policy election to exclude 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.

The methodology for estimating the allowance includes a collective quantified reserve, a collective qualitative 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 has concluded that all loans will be characterized as two loans pools, consisting of six loan offerings, when calculating allowance for credit losses based on the different types of loans. 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.

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, 2023) for the applicable economic variables. At the end of the one-year reasonable and supportable forecast period, assumption variables start to revert to the ten-year average of historical values over the lifetime of the loans. 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 as of the adoption date (January 1, 2023) and December 31, 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses (Continued)

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are also not included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. There were no loans evaluated on an individual basis as of the adoption date (January 1, 2023) and December 31, 2023.

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 sheet. Changes to the liability are recorded through the provision for credit losses in the consolidated statement 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-marketable interests in local investment funds. Because PCI does not exercise significant influence over its investments in venture funds, PCI records such investments using the cost method of accounting (see Note 5). 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.

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	2023	2022
Furniture and equipment	3 - 7 years	$ 145,024	$ 120,949
Leasehold improvements	Term of lease	13,372	13,372
		158,396	134,321
Less - accumulated depreciation		99,327	65,696
Net property and equipment		$ 59,069	$ 68,625

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. Cash equivalents are considered Level 1 in the fair value hierarchy. PCI held $1,333,665 and $6,167,493 in money market accounts as of December 31, 2023 and 2022, respectively. Management also assesses the possible impairment of investments in venture funds using fair value assumptions based on Level 3 inputs (see Note 5).

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 2023 and 2022, there were no prepayments of loans that were subject to such a penalty.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023 and 2022. 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.

Subsequent Events

Subsequent events have been evaluated through April 26, 2024, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition or 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 3.5% to 7.59% and mature at various dates through 2029. Principal balances range from $40,932 to $5,578,753. 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 45% and 61% of the affordable housing portfolio as of December 31, 2023 and 2022, 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 4.0% to 8.0% and mature at various dates through 2031. Principal balances range from $100,000 to $3,773,151. 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 66% and 80% of the commercial and economic development portfolio as of December 31, 2023 and 2022, respectively.

3. LOANS RECEIVABLE (Continued)

Loans receivable consist of the following at December 31:

	2023		2022	
	Number of loans		Number of loans	
Affordable housing	34	$ 43,477,499	23	$ 30,223,313
Commercial and economic development	16	21,503,933	12	16,508,266
	50	64,981,432	35	46,731,579
Less - net unamortized loan origination fees		(372,456)		(209,234)
Total loans receivable		64,608,976		46,522,345
Less - allowance for credit losses (see Note 4)		(324,907)		(632,468)
Loans receivable, net		64,284,069		45,889,877
Less - current portion (net of allowance)		(34,344,873)		(11,405,795)
Loans receivable, less current portion		$ 29,939,196		$ 34,484,082

As of December 31, 2022, total participations outstanding were $3,927,328. 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 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 sheet as of December 31, 2022.

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

2024	$ 34,517,460
2025	$ 7,353,618
2026	$ 6,134,675
2027	$ 7,062,820
2028	$ 2,607,973
Thereafter	$ 7,304,886

There were no charge-off of loans receivable during the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, there were no loan receivables on non-accrual status.

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.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

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, the PCI's model reverts to historical loss trends.

PCI's historical average annual loss rate for the most recent ten-year lookback period is 0% as of both the adoption date (January 1, 2023) and December 31, 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%, 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 0.5% qualitative factor (Q-Factor) to the quantified lifetime loss rate as of both the adoption date (January 1, 2023) and December 31, 2023, for all loans. Loans are also evaluated individually on an as needed basis when uncertainty of repayment arises.

PCI has identified two loan risk pools with shared risk characteristics. These pools have been established based on PCI's loan loss experience as well as current conditions.

A summary of the activity within the allowance for credit/loan losses is follows for the years ended December 31, 2023 and 2022:

	Commercial and Economic Development	Affordable Housing	General Reserve	Total
Allowance for loan losses, December 31, 2021	$ -	$ 89,626	$ 289,553	$ 379,179
Provision for (recovery of) loan losses	419,721	(89,626)	(76,806)	253,289
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 (recovery)	(126,138)	217,387	-	91,249
Allowance for credit losses, December 31, 2023	$ 107,520	$ 217,387	$ -	$ 324,907

There were no delinquent loans as of December 31, 2023 and 2022. 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 2023 or 2022.

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 rating 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 a change in the risk rating.

Prior to the adoption of ASC Topic 326, the allowance for loan losses was based on PCI's loan rating policy, which rated the performance of individual loans on a scale of 1 to 7 rating. Loans rated 1 to 4 were considered performing loans and no loan loss is deemed necessary. This risk rating was adjusted each year, as necessary, on each loan based on analysis of each borrower's operating performance. Loans rated 5 through 7 had a specific reserve percentage (ranging from 10% to 100%). These loans had a higher probability of loss of interest income and principal. For these loans, the major risk factors that drive the loan loss allocation decision were:

- 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 following table presents PCI's loans receivable balances and related allowance by risk rating at December 31, 2022:

Category	Risk Rating	Loan Balance	Loan Loss Allowance
Exceptional	1 - 2	$ -	$ -
Performing	3 - 4	42,534,368	-
Substandard	5 - 7	4,197,211	419,721
General Reserve		-	212,747
		$ 46,731,579	$ 632,468

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.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loan Commitments (Continued)

At December 31, 2023 and 2022, PCI had commitments to lend of approximately $26,078,000 and $18,494,000, respectively. Among the tools available to manage liquidity are anticipated loan payoffs, utilizing the line of credit (see Note 10), as well as the potential to initiate loan sales and loan participation agreements with lending partners. In accordance with Topic 326, PCI has recorded credit loss liability to these unfunded commitments, which are summarized below:

Credit loss liability - unfunded commitments, December 31, 2022	$ -
Cumulative adjustment from new credit loss standard (see Note 2)	92,469
Provision for credit losses - unfunded commitments	37,923
Credit loss liability - unfunded commitments, December 31, 2023	$ 130,392

Legacy Disclosures Impaired Loans and Troubled Debt Restructuring

Impaired Loans

PCI identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, PCI reviews a loan's outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen or any impairment is determined, based on criteria established for impaired loans. There were no impaired loans as of December 31, 2023 and 2022.

Troubled Debt Restructuring

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below-market interest rates, principal reductions extending the maturity of a loan, or a combination of these. As is common in the lending industry, PCI makes loan amendments in the normal course of business to extend the loan term when the take-out financing is delayed or under other similar circumstances. If PCI determines that the amendment is not due to the financial difficulties of the borrower and continues to expect full repayment of the loan, the amendment is not classified as a TDR. As of December 31, 2022, there were no loans that met the criteria as being a TDR.

At the time a loan is modified in a TDR, PCI considers several factors in determining whether the loan should accrue interest, including:

- Cash flow necessary to pay the interest.
- Whether the customer is current on their interest payments.
- Whether PCI expects the borrower to perform under the revised terms of the restructuring.

5. INVESTMENTS IN VENTURE FUNDS

Investments in venture funds (see Note 2) include non-controlling interests in two venture fund limited partnerships as of December 31, 2023 and 2022, which meet the requirements of qualified investments in accordance with Chapter 259 of the Massachusetts Acts of 1988 (see Note 1). Each venture fund investment represents less than 20% ownership interest and PCI does not exercise control or significant influence over these venture funds.

The balance of investments in venture funds was as follows as of December 31, 2023 and 2022:

Carried cost	$ 164,039
Less - allowance for impairment	(164,039)
Net	$ -

As of December 31, 2023 and 2022, management has recorded an allowance for impairment totaling approximately $164,000 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 approximately $485,000 in distributions as return of capital during 2022. There was no distribution received during 2023.

The carrying cost of investments in venture funds is as follows as of December 31:

	2023	2022
Beginning Balance	$ 164,039	$ 648,839
Return of capital	-	(484,800)
Ending Balance	$ 164,039	$ 164,039

6. 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 $76,788 and $86,127 for 2023 and 2022, respectively, and are included in salaries, payroll taxes and fringe benefits in the accompanying consolidated statements of operations.

7. 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.

7. LEASES (Continued)

Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because PCI determines it does not have the right to control and direct the use of the identified asset. PCI's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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 sheet. 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. Lease expense is generally recognized on a straight-line basis over the lease term.

PCI has elected not to record leases with an initial term of twelve months or less on the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

In a prior year, PCI entered into a seven-year lease agreement for office space with monthly base rent starting at $14,300, with escalating payments each year through May 2024. 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.

In accordance with ASC Topic*, Leases*, PCI records rent expense for their operating leases on a straight-line basis over the terms of the lease regardless of actual cash payments. Rent expense under the facility lease for the years ended December 31, 2023 and 2022, was approximately $183,000 and $181,000, respectively, and is included in occupancy costs in the accompanying consolidated statements of operations.

7. LEASES (Continued)

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:

	2023	2022
Operating lease cost included in occupancy costs	$ 183,251	$ 181,402
Variable lease costs included in occupancy costs	37,779	7,470
Total lease expense	$ 221,030	$ 188,872

The maturity of operating lease liability at December 31, 2023, is as follows:

2024	$ 73,551
Less - discount to present value	(584)
Net present value of lease liability	72,967
Less - current portion	(72,967)
Operating lease liability, net of current portion	$ -

PCI's incremental borrowing rate is 4.8%. The above table does not include any option to extend. ROU asset obtained in exchange for lease liability was $392,440 as of January 1, 2022.

During December 2023, PCI entered into a new nine-year lease agreement for new office space through May 2033 with an option to extend the lease for five years. The lease commences on June 1, 2024. Monthly rent under this agreement is $11,366 with escalating payments each year throughout the lease.

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

2024	$ 153,113
2025	$ 138,086
2026	$ 140,990
2027	$ 143,894
2028	$ 146,798
Thereafter	$ 682,694

8. 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.

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 $383,952 and $2,614,924 to members during 2023 and 2022, 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 is making 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 distributed the remaining 80% of the retiring members' original capital in accordance with Chapter 259 of the Massachusetts Acts of 1998.

8. MEMBERS' CAPITAL ACCOUNTS (Continued)

During this redemption period, no member can request complete distribution of their remaining principal balance. 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 2024. As of December 31, 2023 and 2022, total return of capital was $14,095,800 and $2,819,160, respectively.

9. 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, 2023 and 2022, PCI's exposure for uninsured cash was $6,687,777 and $30,340,475, 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.

10. LINE OF CREDIT

During 2023, PCI increased the line of credit from $15,000,000 to $20,000,00 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 (6.76% and 5.38% at December 31, 2023 and 2022, respectively). All borrowings are secured by PCI's business assets with a specific assignment of the loan portfolio. The maturity date has been extended to June 30, 2025. There are no amounts outstanding as of December 31, 2023 and 2022. As specified in the agreement, PCI must meet certain covenants; PCI was in compliance with these covenants at December 31, 2023 and 2022.

11. RECLASSIFICATION

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform with the 2023 presentation.