

LEGISLATIVE TRACKING FORM

Filing for Council Meeting Date: 06/16/26

Resolution Ordinance

Contact/Prepared By: _____

Date Prepared: _____

Title (Caption): A resolution to approve the First Amendment to a grant contract for constructing affordable housing approved by

RS2024-709 between The Metropolitan Government of Nashville and Davidson County, acting by and through the Metropolitan Housing Trust Fund

Commission, and Southeast Community Capital Corporation dba Pathway Lending.

Submitted to Planning Commission? N/A Yes-Date: _____ Proposal No: _____

Proposing Department: _____ Requested By: _____

Affected Department(s): _____ Affected Council District(s): _____

Legislative Category (check one):

- | | | |
|---|--|--|
| <input type="checkbox"/> Bonds | <input type="checkbox"/> Contract Approval | <input type="checkbox"/> Intergovernmental Agreement |
| <input type="checkbox"/> Budget - Pay Plan | <input type="checkbox"/> Donation | <input type="checkbox"/> Lease |
| <input type="checkbox"/> Budget - 4% | <input type="checkbox"/> Easement Abandonment | <input type="checkbox"/> Maps |
| <input type="checkbox"/> Capital Improvements | <input type="checkbox"/> Easement Accept/Acquisition | <input type="checkbox"/> Master List A&E |
| <input type="checkbox"/> Capital Outlay Notes | <input type="checkbox"/> Grant | <input type="checkbox"/> Settlement of Claims/Lawsuits |
| <input type="checkbox"/> Code Amendment | <input type="checkbox"/> Grant Application | <input type="checkbox"/> Street/Highway Improvements |
| <input type="checkbox"/> Condemnation | <input type="checkbox"/> Improvement Acc. | <input type="checkbox"/> Other: _____ |

FINANCE Amount +/-: \$ _____ Funding Source: Capital Improvement Budget Capital Outlay Notes Departmental/Agency Budget Funds to Metro General Obligation Bonds Grant Increased Revenue Sources	Match: \$ _____ Judgments and Losses Local Government Investment Project Revenue Bonds Self-Insured Liability Solid Waste Reserve Unappropriated Fund Balance 4% Fund Other: _____ Date to Finance Director's Office: _____
Approved by OMB: <u>Alla Cross</u> <small>DocuSigned by: BD6E022BB6BA477...</small> Approved by Finance/Accounts: _____ Approved by Div Grants Coordination: _____	Signed by: <u>Jennifer Reed/mjw</u> APPROVED BY FINANCE DIRECTOR'S OFFICE <small>62377A2A8742469</small>

ADMINISTRATION	
Council District Member Sponsors: _____	
Council Committee Chair Sponsors: _____	
Approved by Administration: _____	Date: _____

DEPARTMENT OF LAW	
Date to Dept. of Law: _____	Approved by Department of Law: _____
Settlement Resolution/Memorandum Approved by: _____	
Date to Council: _____	For Council Meeting: _____ <input type="checkbox"/> E-mailed Clerk
<input type="checkbox"/> All Dept. Signatures <input type="checkbox"/> Copies <input type="checkbox"/> Backing <input type="checkbox"/> Legislative Summary <input type="checkbox"/> Settlement Memo <input type="checkbox"/> Clerk Letter <input type="checkbox"/> Ready to File	

Resolution No. _____

A resolution to approve the First Amendment to a grant contract for constructing affordable housing approved by RS2024-709 between The Metropolitan Government of Nashville and Davidson County, acting by and through the Metropolitan Housing Trust Fund Commission, and Southeast Community Capital Corporation dba Pathway Lending.

WHEREAS, The Metropolitan Government of Nashville and Davidson County ("Metro"), acting by and through the Metropolitan Housing Trust Fund Commission, previously entered into a grant contract with Southeast Community Capital Corporation dba Pathway Lending, for the express purpose of constructing affordable housing approved by RS2024-709; and,

WHEREAS, the parties wish to amend this grant contract by extending the term of the contract by an additional twelve months; and,

WHEREAS, it is to the benefit of the citizens of The Metropolitan Government of Nashville and Davidson County that the amendment to the grant contract be approved.

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. That this First Amendment to the grant contract for constructing affordable housing between The Metropolitan Government of Nashville and Davidson County, acting by and through the Metropolitan Housing Trust Fund Commission, and Southeast Community Capital Corporation dba Pathway Lending, a copy of which is attached hereto and incorporated herein, is hereby approved, and the Metropolitan Mayor is hereby authorized to execute the same.

Section 2. That this resolution shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

RECOMMENDED BY:

Signed by:

Angela Hubbard

Angela Hubbard, Director
Housing Division

INTRODUCED BY:

APPROVED AS TO AVAILABILITY

Signed by:

Jenneen Reed/mjr

Jenneen Reed, Director
Department of Finance

Member(s) of Council

APPROVED AS TO FORM AND

Signed by:

Kelli Woodward

Assistant Metropolitan Attorney

**AMENDMENT #1 TO GRANT CONTRACT #2024-R13-PL
BETWEEN
THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
BY AND THROUGH
THE METROPOLITAN HOUSING TRUST FUND COMMISSION
AND
SOUTHEAST COMMUNITY CAPITAL CORPORATION
dba PATHWAY LENDING**

This contract amendment is entered into by and between **THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY ACTING BY AND THROUGH THE METROPOLITAN HOUSING TRUST FUND COMMISSION**, a municipal corporation of the State of Tennessee (hereinafter referred to as "**Metro**") and **SOUTHEAST COMMUNITY CAPITAL CORPORATION dba PATHWAY LENDING** (hereinafter referred to as "**Recipient**"). It is mutually understood and agreed by and between said undersigned contracting parties that the subject Grant Contract approved is hereby amended as follows:

1. Grant contract section B.1 is deleted in its entirety and replaced with the following:
 - B.1. Grant Contract Term. The term of this Grant shall be from execution of the grant agreement until Project completion, but in no way greater than 36 months from the execution of the grant agreement. Metro shall have no obligation for services rendered by the Recipient which are not performed within this term. Pursuant to Metropolitan Code of Laws 2.149.040 (G), in the event the recipient fails to complete its obligations under this grant contract within thirty-six months from execution, Metro is authorized to rescind the contract and to reclaim previously appropriated funds from the organization.

The remaining provisions of the Contract shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Contract:

Recipient: SOUTHEAST COMMUNITY CAPITAL CORPORATION dba PATHWAY LENDING

By: 
Clint Gwin, Executive Director

Date: May 5, 2026

THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

APPROVED:

Peter Westerholm
Peter Westerholm, Chair
Metropolitan Housing Trust Fund Commission

5/11/2026
Date

APPROVED AS TO AVAILABILITY OF FUNDS:

Signed by:
Jennene Reed/mjr
Jennene Reed, Director
Department of Finance

5/25/2026
Date

APPROVED AS TO RISK AND INSURANCE:

Signed by:
Balogun Cobb
Balogun Cobb, Director
Metropolitan Risk Management Services

5/26/2026
Date

APPROVED AS TO FORM AND LEGALITY:

Signed by:
Kelli Woodward
Kelli Woodward, Assistant
Metropolitan Attorney

5/26/2026
Date

APPROVED BY THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Freddie O'Connell
Metropolitan County Mayor

Attest, this _____ day of _____, 20_____

FILED IN THE OFFICE OF THE METROPOLITAN CLERK:

Metropolitan Clerk

Date

Details



SOUTHEAST COMMUNITY CAPITAL CORPORATION

201 VENTURE CIRCLE NASHVILLE TN 37228

RICHARD BIRD

(615) 425-7171

www.pathwaylending.org

Status: Active

CO Number: CO9935

Registration Date: 05/19/2009

Renewal Date: 06/30/2026

Purpose

Southeast Community Capital Corporation is a Community Development Financial Institution certified by the U.S. Dept. of the Treasury. Our mission is to provide lending solutions and educational services that support the development, growth, and preservation of underserved businesses, affordable housing, and sustainable communities; to help stimulate economic development and job creation through small business lending to low income, disadvantaged and start-up companies that lack access to traditional banking credit; and to provide educational services to these small businesses to help them grow and achieve or maintain sustainability.

Details	CO9935	COMMUNITY CAPITAL CORPORATION	CORPORATION PATHWAY LENDING PATHWAY WOMEN'S BUSINESS CENTER	Active	NASHVILLE	TN	5/19/2009
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10 items per page
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Secretary of State Tre Hargett

Tre Hargett was elected by the Tennessee General Assembly to serve as Tennessee's 37th secretary of state in 2009 and re-elected in 2013, 2017, 2021, and 2025. Secretary Hargett is the chief executive officer of the Department of State with oversight of more than 300 employees. He also serves on 16 boards and commissions, on two of which he is the presiding member. The services and oversight found in the Secretary of State's office reach every department and agency in state government.



Details



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SOUTHEAST COMMUNITY CAPITAL
CORPORATION AND SUBSIDIARIES
d/b/a PATHWAY LENDING

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2024 AND 2023

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING
CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR’S REPORTS
DECEMBER 31, 2024 AND 2023

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**Southeast Community Capital Corporation
and Subsidiaries d/b/a Pathway Lending
Board of Directors and Executive Management 2024**

Dr. William H. (Herb) Byrd, III - Chairman

Dave Berezov

Ivanetta Davis-Samuels - Vice Chairman

Cindy Herron

Andre Gist

Hugh Queener

Leroy Abrahams

Tom Hunter (through May, 2024)

Jon Davies (through May, 2024)

Clint Gwin, President and CEO

Richard Bird, EVP, Chief Financial Officer

Amy Bunton, EVP, Chief Operating Officer

Holland (Hank) Helton, EVP, Chief Stakeholder Officer, Secretary



INDEPENDENT AUDITOR'S REPORT

Board of Directors
 Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending
 Nashville, Tennessee

REPORT ON THE AUDITS OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending ("Corporation") which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending as of December 31, 2024 and 2023, and the changes in their net assets 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the Corporation 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 CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 CONSOLIDATED FINANCIAL STATEMENTS

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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.

REPORT ON SUPPLEMENTARY INFORMATION

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The information on pages 42 - 50 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on pages 49 - 50 is required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Audit Manual* issued by the Comptroller of the Treasury of the State of Tennessee. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information on pages 42 - 50 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

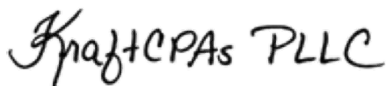
OTHER INFORMATION

Management is responsible for the other information included in the consolidated financial statements. The other information comprises the board of directors listing on page i but does not include the basic financial statements and our auditors report thereon. Our opinion on the consolidated financial statements do not cover the other information, and we do not express an opinion or provide any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe that in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2025, on our consideration of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending's internal control over financial reporting and compliance.



Nashville, Tennessee
April 22, 2025

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 41,480,296	\$ 12,407,098
Restricted cash - lending	93,232,081	135,563,564
Restricted cash - loan loss reserve funds	7,980,814	8,460,860
Restricted cash - other	13,050,769	4,004,289
Due from grantors	420,419	473,227
Other accounts receivable	688,709	659,493
Interest receivable	1,364,957	939,398
Loans receivable, net of allowance for credit losses of \$9,511,285 and \$9,137,519 at 2024 and 2023, respectively	204,660,557	171,089,268
Federal Home Loan Bank stock, at cost	269,000	226,900
Property and equipment, net	1,418,883	1,335,430
Other assets	<u>3,527,887</u>	<u>1,038,378</u>
TOTAL ASSETS	<u>\$ 368,094,372</u>	<u>\$ 336,197,905</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 144,387	\$ 550,103
Interest payable	1,166,426	1,225,013
Liability for managed assets	574,750	-
Lines of credit payable	60,000,000	70,000,000
Notes payable	195,823,266	192,193,294
Deferred revenue	10,094,100	7,378,438
Other liabilities	<u>3,383,974</u>	<u>3,278,320</u>
TOTAL LIABILITIES	<u>271,186,903</u>	<u>274,625,168</u>
<u>NET ASSETS</u>		
Without donor restrictions	95,857,284	59,889,646
With donor restrictions	<u>1,050,185</u>	<u>1,683,091</u>
TOTAL NET ASSETS	<u>96,907,469</u>	<u>61,572,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 368,094,372</u>	<u>\$ 336,197,905</u>

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENT OF ACTIVITIES

DECEMBER 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Grant and Contribution Revenue			
U.S. Small Business Administration	\$ 242,214	\$ -	\$ 242,214
U.S. Small Business Administration VBOC	326,654	-	326,654
U.S. Small Business Administration SBA Prime	125,812	-	125,812
State of Tennessee - Tennessee Placemakers	9,814	-	9,814
Appalachian Regional Commission	171,553	-	171,553
Metropolitan Government of Nashville and Davidson County - passthrough	213,873	-	213,873
Metropolitan Government of Nashville and Davidson County - TN Barnes Fund passthrough	590,309	-	590,309
Metropolitan Government of Nashville and Davidson County - TN Barnes Fund contributed capital	2,685,000	-	2,685,000
Yield Giving Contribution	30,000,000	-	30,000,000
ACC Truist	7,112	-	7,112
OFN MF Develop 2022	85,936	-	85,936
PNC Bank Coaching to Capital - Veteran Focus	1,846	28,154	30,000
US Bank - Emerging Developers	14,575	45,425	60,000
TVA passthrough funds	6,074,724	-	6,074,724
Truist passthrough funds	5,250	-	5,250
United Way	17,500	17,500	35,000
Contributed loan capital	3,000,000	-	3,000,000
Total Grant and Contribution Revenue	43,572,172	91,079	43,663,251
Interest and Program Service Revenue			
Interest income - loans	11,811,732	-	11,811,732
Interest income - bank deposits	6,593,904	-	6,593,904
Financing fees and charges	1,963,560	-	1,963,560
Fee income	819,448	-	819,448
Total Interest and Program Services Revenue	21,188,644	-	21,188,644
Other Support			
In-kind and other contributions	124,400	-	124,400
Miscellaneous	132,884	-	132,884
Net Assets Released From Restrictions			
Loan loss reserve usage, net of recoveries	419,525	(419,525)	-
Release of purpose restrictions	304,460	(304,460)	-
TOTAL REVENUE AND OTHER SUPPORT	<u>65,742,085</u>	<u>(632,906)</u>	<u>65,109,179</u>
EXPENSES			
Program activities			
Lending and education programs	28,153,746	-	28,153,746
Supporting services			
Administrative and general	1,600,748	-	1,600,748
Fundraising activities	19,953	-	19,953
TOTAL EXPENSES	<u>29,774,447</u>	<u>-</u>	<u>29,774,447</u>
CHANGE IN NET ASSETS	<u>35,967,638</u>	<u>(632,906)</u>	<u>35,334,732</u>
NET ASSETS - BEGINNING OF YEAR	<u>59,889,646</u>	<u>1,683,091</u>	<u>61,572,737</u>
NET ASSETS - END OF YEAR	<u>\$ 95,857,284</u>	<u>\$ 1,050,185</u>	<u>\$ 96,907,469</u>

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENT OF ACTIVITIES

DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grant and Contribution Revenue			
U.S. Treasury CDFI Award	\$ 4,957,678	\$ -	\$ 4,957,678
U.S. Small Business Administration - Technical Assistance	306,730	-	306,730
U.S. Small Business Administration VBOC	321,473	-	321,473
U.S. Small Business Administration SBA Prime	202,101	-	202,101
Appalachian Regional Commission	53,076	-	53,076
Metropolitan Government of Nashville and Davidson County - operating	546,533	-	546,533
Metropolitan Government of Nashville and Davidson County - passthrough	561,650	-	561,650
Metropolitan Government of Nashville and Davidson County - contributed loan capital	5,550,000	-	5,550,000
Metropolitan Government of Nashville and Davidson County - TN Barnes Fund passthrough	314,691	-	314,691
Metropolitan Government of Nashville and Davidson County - TN Barnes Fund contributed capital	247,500	-	247,500
TVA passthrough funds	8,786,572	-	8,786,572
Truist passthrough funds	25,000	-	25,000
United Way	17,500	17,500	35,000
Corporate and foundation operational grants	569,532	-	569,532
Truist charitable fund	-	300,000	300,000
Contributed loan capital	5,900,000	-	5,900,000
Total Grant and Contribution Revenue	28,360,036	317,500	28,677,536
Interest and Program Service Revenue			
Interest income - loans	9,261,949	-	9,261,949
Interest income - bank deposits	5,186,583	-	5,186,583
Financing fees and charges	1,288,419	-	1,288,419
Fee income	543,226	-	543,226
Total Interest and Program Services Revenue	16,280,177	-	16,280,177
Other Support			
Loss on disposal of property and equipment	(5,517)	-	(5,517)
In-kind and other contributions	103,330	-	103,330
Miscellaneous	122,246	-	122,246
Net Assets Released From Restrictions			
Loan loss reserve usage	78,695	(78,695)	-
Women's business center - purpose release	18,000	(18,000)	-
TOTAL REVENUE AND OTHER SUPPORT	44,956,967	220,805	45,177,772
EXPENSES			
Program activities			
Lending and education programs	29,363,304	-	29,363,304
Supporting services			
Administrative and general	1,448,672	-	1,448,672
Fundraising activities	59,374	-	59,374
TOTAL EXPENSES	30,871,350	-	30,871,350
CHANGE IN NET ASSETS	14,085,617	220,805	14,306,422
NET ASSETS - BEGINNING OF YEAR	46,833,242	1,462,286	48,295,528
Impact of adopting ASC 326	(1,029,213)	-	(1,029,213)
NET ASSETS - END OF YEAR	\$ 59,889,646	\$ 1,683,091	\$ 61,572,737

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENTS OF CASH FLOWS

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 35,334,732	\$ 14,306,422
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	81,015	78,347
Contributed loan capital from equity equivalent agreements	(3,000,000)	(5,900,000)
Loan loss provision - allowance for credit losses	2,264,026	3,147,288
Loan loss provision (recovery) - unfunded commitments	(57,539)	42,379
Loss on disposal of property and equipment	-	5,517
Net changes in:		
Due from grantors	52,808	(195,708)
Interest receivable	(425,559)	(365,733)
Other accounts receivable	(29,216)	(128,518)
Other assets	(2,489,509)	(188,705)
Accounts payable	(405,716)	(1,179,809)
Interest payable	(58,587)	159,750
Deferred revenue	2,715,662	(1,193,423)
Other liabilities	163,193	774,771
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>34,145,310</u>	<u>9,362,578</u>
INVESTING ACTIVITIES		
Changes in loans receivable, net of charge offs	(35,835,315)	(35,353,032)
(Purchase) redemption of FHLB stock	(42,100)	31,300
Acquisition of property and equipment	(164,468)	(71,433)
NET CASH USED IN INVESTING ACTIVITIES	<u>(36,041,883)</u>	<u>(35,393,165)</u>
FINANCING ACTIVITIES		
Net change in lines of credit	(10,000,000)	12,000,000
Managed funds received	574,750	-
Payments on mortgage and notes payable	(2,370,028)	(1,399,266)
Proceeds from notes payable	9,000,000	35,000,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(2,795,278)</u>	<u>45,600,734</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,691,851)	19,570,147
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	<u>160,435,811</u>	<u>140,865,664</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u>\$ 155,743,960</u>	<u>\$ 160,435,811</u>
Cash and cash equivalents	\$ 41,480,296	\$ 12,407,098
Restricted cash - lending	93,232,081	135,563,564
Restricted cash - loan loss reserve funds	7,980,814	8,460,860
Restricted cash - other	13,050,769	4,004,289
TOTAL CASH	<u>\$ 155,743,960</u>	<u>\$ 160,435,811</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 8,001,837</u>	<u>\$ 6,272,772</u>

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2024

	<u>Lending and Education Programs</u>	<u>Administrative and General</u>	<u>Fundraising Activities</u>	<u>Total</u>
Salaries and benefits	\$ 8,292,317	\$ 1,432,927	\$ 8,220	\$ 9,733,464
Travel	297,017	8,905	-	305,922
Dues, licenses, permits	34,354	1,894	-	36,248
Office expenses	186,300	14,535	-	200,835
Telecommunications	87,448	6,578	-	94,026
Postage and freight	1,331	78	-	1,409
Equipment maintenance	1,385	154	-	1,539
Professional services	770,784	37,379	-	808,163
Consulting	716,638	30,942	11,733	759,313
Marketing	136,971	13,467	-	150,438
Insurance	128,745	14,305	-	143,050
Occupancy	140,352	11,597	-	151,949
Depreciation	72,913	8,102	-	81,015
Conferences and meetings	218,088	10,028	-	228,116
Miscellaneous	43,106	1,961	-	45,067
Interest expense	7,935,354	7,896	-	7,943,250
Loan loss provision				
Allowance for credit losses	2,264,026	-	-	2,264,026
Unfunded commitments	(57,539)	-	-	(57,539)
Passthrough grants awarded				
TVA passthrough expenses	6,074,724	-	-	6,074,724
Metro Nashville grants	213,873	-	-	213,873
TVA Barnes grants	590,309	-	-	590,309
Truist grants	5,250	-	-	5,250
Total	<u>\$ 28,153,746</u>	<u>\$ 1,600,748</u>	<u>\$ 19,953</u>	<u>\$ 29,774,447</u>

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2023

	<u>Lending and Education Programs</u>	<u>Administrative and General</u>	<u>Fundraising Activities</u>	<u>Total</u>
Salaries and benefits	\$ 7,628,765	\$ 1,305,632	\$ 54,233	\$ 8,988,630
Travel	278,089	6,229	4,668	288,986
Dues, licenses, permits	54,742	2,999	-	57,741
Office expenses	156,627	11,919	-	168,546
Telecommunications	94,341	7,127	12	101,480
Postage and freight	1,203	58	-	1,261
Equipment maintenance	223	25	-	248
Professional services	692,583	35,381	-	727,964
Consulting	467,763	25,723	-	493,486
Marketing	42,514	875	-	43,389
Insurance	103,572	11,508	-	115,080
Occupancy	137,521	11,007	-	148,528
Depreciation	70,512	7,835	-	78,347
Conferences and meetings	255,009	10,124	461	265,594
Miscellaneous	77,080	1,932	-	79,012
Interest expense	6,424,868	7,654	-	6,432,522
Income taxes	312	2,644	-	2,956
Loan loss provision				
Allowance for credit losses	3,147,288	-	-	3,147,288
Unfunded commitments	42,379	-	-	42,379
Passthrough grants awarded				
TVA passthrough expenses	8,786,572	-	-	8,786,572
Metro Nashville grants	561,650	-	-	561,650
TVA Barnes grants	314,691	-	-	314,691
Truist grants	25,000	-	-	25,000
Total	<u>\$ 29,363,304</u>	<u>\$ 1,448,672</u>	<u>\$ 59,374</u>	<u>\$ 30,871,350</u>

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

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 1 - GENERAL AND ORGANIZATION

Nature of Organization

Southeast Community Capital Corporation d/b/a Pathway Lending (“Pathway” or the “Corporation”) is a Tennessee not-for-profit corporation and is Tennessee’s largest economic development and business-focused certified Community Development Financial Institution (CDFI). The mission of the Corporation is to provide lending solutions and educational services that support the development, growth, and preservation of underserved businesses, affordable housing and sustainable communities; to help stimulate economic development and job creation through small business lending to low income, underserved small businesses that lack access to traditional banking credit; and to provide educational services to these small businesses to help them grow and achieve sustainability. The Corporation provides loans to target markets including: 1) small businesses in low and moderate-income areas, 2) low and moderate-income entrepreneurs, and 3) African-American owned businesses. Loan types include term notes, lines of credit, purchase order financing, contract and accounts receivable financing, business real estate, and bridge financing (in limited cases).

Pathway began operations on December 21, 1999 as a wholly owned subsidiary of Technology 2020. Pathway was approved on February 16, 2001, as a CDFI by the Community Development Financial Institution’s Fund of the United States Department of Treasury (the CDFI Fund). The Corporation provides business education and technical assistance to small and disadvantaged businesses through various government and non-profit support programs, including: the U.S. Small Business Administration, the U.S. Small Business Administration Office of Veterans Business Development, and the Metropolitan Development Housing Agency and various foundations. The assistance includes access to financial services, access to capital needs and includes classroom education, one-on-one assistance, on-line training and peer learning.

On April 11, 2019, Pathway established Pathway Memphis, LLC (“Memphis”), a Tennessee not-for-profit corporation wholly owned by Pathway with a mission of the relief of poverty, the elimination of prejudice, the lessening of neighborhood tensions, and the combating of community deterioration in certain economically depressed areas located within the Memphis Metropolitan Statistical Area and enhancing minority-owned and/or women-owned businesses, small businesses and disadvantaged businesses operating or located within the Memphis Metropolitan Statistical Area through a program of financial assistance and other aid designed to improve economic conditions and economic opportunities in these areas, and other charitable programs and engaging in any and all actions necessary or incidental to the foregoing.

In 2021, Pathway Lending CDE, LLC (“PWL CDE”) was certified by the CDFI Fund as a Community Development Entity (CDE) under its New Market Tax Credit (NMTC) program.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 1 - GENERAL AND ORGANIZATION (CONTINUED)

PWL CDE is a 99% owned subsidiary of Pathway Lending. PWL CDE was formed to further Pathway's activities in the NMTC program. Pathway Lending is the managing member of Pathway Lending CDE, LLC.

The NMTC program is a federal program created by Congress in 2002 and managed by the Treasury Department's CDFI Fund. The NMTC program is designed to encourage private capital investment in low-income communities by providing tax credits to investors who make qualified equity investments as defined in Section 45D of the Internal Revenue Code in privately managed investment vehicles called Community Development Entities (CDEs). The CDEs then invest the proceeds of the qualified equity investments in low-income communities. The tax credits provided to the investors total 39% of the cost of the investments and are claimed over a seven-year credit allowance period.

The subsidiaries of Pathway Lending CDE, LLC (Sub CDEs) are certified by the U.S. Treasury's Community Development Financial Institutions Funds (CDFI) as Community Development Entities. As a CDE, the Sub CDEs' primary mission is to provide loans to qualified businesses in low-income communities of the Sub CDEs' service area. The Sub CDEs are owned .1% by Pathway Lending CDE and 99.9% by the NMTC investor.

Pathway Lending CDE Advisors, LLC ("PWL Advisors") was formed in 2021 to function as the administrative member or administrative manager of the Sub CDEs. PWL Advisors is 50.01% owned by Pathway and 49.99% by an unrelated entity. In accordance with operating agreements of PWL Advisors, profits, losses and cash flows are allocated consistent with ownership percentage.

In accordance with accounting guidance from the Financial Accounting Standards Board ("FASB") on Recognition of Control Partnerships and Similar Entities, the presumption is established that the managing member in a limited liability company controls the entity regardless of the extent of the managing member's ownership interest. The presumption of control may be overcome if the investor members have either (i) substantive participating rights or (ii) the substantive ability to dissolve the entity or otherwise remove the managing member without cause. The Organization determined that the presumption of control for the limited liability companies in which PWL CDE is a managing member were overcome as the investor members have substantial participating rights. Accordingly, the investments and related activities of the Sub CDEs have not been consolidated with these consolidated financial statements.

In October 2022 the Corporation purchased 1,000 shares of stock (100%) in PL Birchstone Village, Inc ("PL Birchstone"). The purpose of PL Birchstone is to serve as the general partner of Birchstone Village LP, to construct a 228-unit multi-family residential housing complex with all units to be affordable to persons earning less than 60% of the area median income. PL Birchstone owns .009% of Birchstone Village, LP., .001% in Birchstone Village GP, LLC and .10% of Birchstone Village Developer, LLC. Only the activities of PL Birchstone are consolidated with the Corporation. The project broke ground in January 2023. Construction was completed in 2024 and residents have begun moving into the apartments.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 1 - GENERAL AND ORGANIZATION (CONTINUED)

In August 2024, the Corporation purchased 1,000 shares of stock (100%) in PL Autumn Lake, Inc (“PL Autumn Lake”). The purpose of PL Autumn Lake is to serve as the general partner of Autumn Lake Apartments, LP to facilitate the development of affordable housing in Davidson County, Tennessee. PL Autumn Lake owns .001% of Autumn Lake Apartments, LP. Only the activities of PL Autumn Lake are consolidated with the Corporation. The project purchased land during 2024.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements present the financial position and changes in net assets of the Corporation on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Consolidation

The consolidated financial statements include the accounts of Southeast Community Capital Corporation d/b/a Pathway Lending and its subsidiaries, Pathway Memphis, LLC, Pathway Lending CDE, LLC, Pathway Lending CDE Advisors, PL Birchstone Village, Inc. and PL Autumn Lake, Inc. collectively referred to as the “Corporation.” All significant intercompany transactions have been eliminated in consolidation.

Resources are classified as net assets without donor restrictions and with donor restrictions based on the existence or absence of donor-imposed restrictions, as follows:

Net assets without donor restrictions - Net assets that are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. These net assets may be used at the discretion of the Corporation’s management and the Board of Directors.

Net Assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. There are currently no donor restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Grants - Revenues from government grant and contract agreements, which are generally considered non-exchange transactions, are recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenues on the consolidated statements of financial position.

Lending operations - The Corporation receives some grant awards in the form of loans which require repayment of the loaned amounts under various conditions and are reported as notes payable. Some of these awards allow the Corporation to earn revenue when certain conditions are fulfilled.

Contributions - Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. Contributions receivable, if any, are recorded at the estimated present value, net of an allowance for uncollectible amounts, if deemed necessary. Contributions, including unconditional promises to give, are recognized as revenues in the period received.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Donated Services, Goods and Facilities

Volunteers donate time to the Corporation's program services during the year. There were no specialized services contributed to the Corporation for the year ended December 31, 2024 or 2023. Other donated services may not be reflected in the consolidated financial statements since the services do not require specialized skills.

The Corporation received rent-free office space from January through December of 2024 and 2023 for the Knoxville location in the amount of \$7,125 and \$9,000 per year respectively. This is included in Occupancy on the statements of functional expenses.

Nonfinancial assets contributed to the Corporation are used in the Corporation's programs and are not significant to break out separately in the consolidated statements of activities.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash held in checking and money market accounts.

Restricted cash consists of discretely managed accounts maintained to comply with contractual requirements imposed by grantors, contribution restrictions imposed by donors and internal designations by management and the Board of Directors.

Cash restricted for lending purposes is intended only to fund loans. Restricted cash for loan loss reserves is intended only to be used to replenish loan funds in the event of a loan charge off.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for any charge-offs and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid balance. Past due status is determined based on the contractual terms of the note.

Interest on loans is computed on a daily basis based on the principal amount outstanding using the interest method. Interest accruals are discontinued when management believes, after considering economic and business conditions and collection efforts, that it is not reasonable to expect that such interest will be collected. Interest income on loans in nonaccrual status is subsequently recognized only to the extent cash payments are received over principal payments due. Loan fees and costs are deferred and amortized as an adjustment to the related loan yield over the contractual life of the loan.

Loans are placed on non-accrual status when the loan has become 90 days past due and any of the following conditions exist:

- It becomes evident that the borrower will not make payments or will not or cannot meet the Corporation's terms for the renewal of a matured loan;
- When full repayment of principal and interest is not expected;
- When the borrower files bankruptcy and an approved plan of reorganization or liquidation is not anticipated in the near future; or
- When foreclosure action is initiated

When a loan is placed on non-accrual status, all existing accrued interest is reversed against interest income, and accrual of interest for financial statement purposes is discontinued. The Corporation continues to track the contractual interest for purposes of customer reporting and any potential litigation or later collection of the loan. Subsequent payments of interest can be recognized as income on a cash basis provided that full collection of principal is expected. Otherwise, all payments received are applied to principal only.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable (Continued)

In the event of a loan charge-off related to a loan fund with such provisions, restricted cash for loan loss reserves is transferred to restricted cash for lending purposes to maintain loan-making potential.

Uncollectible loans are charged to the allowance account in the period such determination is made. Subsequent recoveries on loans previously charged off are credited to the allowance account in the period received. While management uses available information to recognize losses on loans, future losses on loans may be accruable based on changes in economic conditions.

Allowance for Credit Losses

The Corporation adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) 326 effective January 1, 2023, which requires the estimation of an allowance for credit losses in accordance with the current expected credit loss (“CECL”) methodology. Management assesses the adequacy of the allowance on a quarterly basis. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management’s evaluation of historical default and loss experience, current and projected general economic outlook, composition of the loan portfolio, industry and peer bank loan quality indications and other pertinent factors, including analysis of key lending staff. The level of the allowance for credit losses maintained by management is believed adequate to absorb all expected future losses inherent in the loan portfolio at the balance sheet date. The allowance is increased through provision for credit losses and decreased by charge-offs, net of recoveries of amounts previously charged-off. The total impact of adoption of ASC 326 in 2023 was a decrease in net assets without donor restriction of \$1,029,213, which was made up of the following:

Allowance for loan losses	\$ 9,703
Unfunded commitments	<u>(1,038,916)</u>
	<u>\$ (1,029,213)</u>

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Corporation has identified the following portfolio segments for analysis and measurement of allowance for credit losses: Commercial Real Estate Loans (including Multifamily and loans made through the Memphis Medical District Investment Fund), Commercial Loans (including Term loans, Lines of Credit and SBA Microloans) and Energy Efficiency Loans.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

All loan pools, with the exception of Multifamily loans and loans made through the Memphis Medical District Investment Fund, utilize the Discounted Cash Flow model approach for estimation of an allowance for credit losses. The Discounted Cash Flow analysis pairs loan-level term information (maturity date, payment amount, interest rate, etc.) with top-down pool assumptions (default rates, prepayment speeds, etc.) to produce individual expected cash flows for every loan in the pool. Those results are then aggregated to produce pool-level results and ultimately the reserve requirement for that pool. Since the Multifamily and Memphis Medical District Investment Fund pools have no loss history, the weighted average remaining maturity method is utilized to calculate estimated future losses. Loss data from commercial banks in Tennessee with assets between \$100,000 and \$1,000,000 that have a multifamily portfolio was selected as a proxy for the Corporation's lack of loss history. The average annual charge-off rate for these peers is used as a foundation for estimating the credit loss content for the remaining balances of the segments. This average annual charge-off rate is applied to the contractual term of the segments to determine the unadjusted historical charge-off rate for the remaining balance of the financial assets.

The estimated loan losses for all loan pools are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. Adjustments for each qualitative factor may be obtained from internal sources (such as changes in underwriting standards) or external sources (such as economic factors). Each quarter's measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant loan portfolios. These adjustments are based upon quarterly trend assessments in portfolio concentrations, policy exceptions, associate retention, independent loan review results, collateral considerations, risk ratings, competition and peer group credit quality trends.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Individual evaluations are performed for loans which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Corporation has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. For loans that are not considered collateral-dependent, the reserve is determined by calculating the present value of expected future cashflows. This calculation includes consideration of the following: the amount and timing of cash flows, the effective interest rate of the loan (typically, the loan's original interest rate), and past events, current conditions and reasonable and supportable future forecasts.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

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

Allowance for Credit Losses - Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans. The Corporation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Corporation records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancellable, through a charge to provision for unfunded commitments in the consolidated statements of activities. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan pool at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the consolidated statements of financial position.

Property and Equipment

Property and equipment are capitalized at cost for purchases greater than \$5,000 with an estimated useful life of greater than one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis summarized as follows:

Buildings	40 Years
Building Improvements	15-25 Years
Equipment	3-12 Years

Other Assets

Other assets consist of prepaid amounts, deposits, cash surrender value of life insurance and annuities for executive retirement, valued at surrender value as year end.

Income Taxes

The Corporation qualifies as a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Corporation is classified as other than a private foundation. Accordingly, income taxes are not provided.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Corporation files a U.S. Federal Form 990 for organizations exempt from income tax. PL Birchstone and PL Autumn Lake each file U.S. Federal Form 1120s for corporations subject to income tax, as well as income tax returns in the State of Tennessee.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Corporation's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there is no provision for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$150,438 and \$43,389 for the years ended December 31, 2024 and 2023, respectively.

Use of Estimates

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

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses as required by professional standards for not-for-profit organizations. Accordingly, expenses have been allocated among the program activities consisting of the Corporation's loan programs and related supervisory and advisory services and supporting services consisting of the Corporation's administration and management functions. Functional expenses may be direct or indirect. Direct expenses, including loan loss provision and interest expense, are incurred only to benefit specific programs and are classified as program or fundraising activities accordingly. Indirect expenses include administrative support and shared operational expenses and are allocated to program and administration activities using management estimates based upon personnel time and effort.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Corporation made an accounting policy election available under Topic 842 not to recognize right-of-use (“ROU”) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. Management has determined that any ROU asset and related liability would not be material and therefore is not recorded on the consolidated statement of financial position as of December 31, 2024 and 2023.

Reclassification

Certain prior year amounts have been reclassified to conform with current year presentation. The reclassifications have no effect on the change in net assets or ending net assets of the prior period.

Events Occurring After Reporting Date

The Corporation has evaluated events and transactions that occurred between December 31, 2024 and April 22, 2025, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation’s financial assets available for general expenditure within one year of December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 41,480,296	\$ 12,407,098
Restricted cash - lending	4,200,000	4,200,000
Interest receivable	1,364,957	939,398
Due from grantors for operations	420,419	473,227
Other accounts receivable	<u>324,018</u>	<u>39,293</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 47,789,690</u>	<u>\$ 18,059,016</u>

Operating cash and cash equivalents include a draw of \$1,800,000 on the \$6,000,000 InsBank line of credit as discussed in Note 7. The remaining \$4,200,000 of the InsBank line of credit was classified as restricted cash - lending as of December 31, 2024 and 2023 but was available to meet the Corporation’s general operational obligations if needed. Additionally, the “Restricted cash - loan loss reserve funds” can be used to fund the loan loss provision.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 4 - DUE FROM GRANTORS

Due from grantors consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
U.S. Small Business Administration Technical Assistance Grant	\$ 58,301	\$ 133,840
U.S. Small Business Administration SBA Micro loan	118,906	-
U.S. Small Business Administration Veteran Business Outreach Center	147,497	137,720
U.S. Small Business Administration SBA Prime	-	40,541
Appalachian Regional Commission	91,675	53,076
Tennessee Department of Economic and Community Development	4,040	-
Metropolitan Government of Nashville and Davidson County Barnes Housing Trust Funds	-	108,050
	<u>\$ 420,419</u>	<u>\$ 473,227</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE

The Corporation's primary business is small business lending. As a result, the Corporation's primary assets are loans receivable from borrowers.

Loan terms range from 12 to 240 months for term loans, 12 to 72 months for lines of credit and 240 to 300 months for loans under the CPACE-R program. Interest rates range from 2.0% to 18.0%. Interest rates are both fixed and floating above the prime rate.

The composition of loans by primary loan classification as well as impaired and performing loan status at December 31, 2024 and 2023 is summarized in the table below:

	At December 31,			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
2024				
Performing loans	\$ 143,427,179	\$ 48,458,451	\$ 17,999,079	\$ 209,884,709
Impaired loans	610,626	2,335,124	1,341,383	4,287,133
	<u>\$ 144,037,805</u>	<u>\$ 50,793,575</u>	<u>\$ 19,340,462</u>	<u>\$ 214,171,842</u>
2023				
Performing loans	\$ 110,980,050	\$ 51,897,245	\$ 15,487,170	\$ 178,364,465
Impaired loans	-	1,828,333	33,989	1,862,322
	<u>\$ 110,980,050</u>	<u>\$ 53,725,578</u>	<u>\$ 15,521,159</u>	<u>\$ 180,226,787</u>
	At December 31,			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
2024				
Allowance related to:				
Performing loans	\$ 1,970,593	\$ 5,390,817	\$ 249,801	\$ 7,611,211
Impaired loans	-	1,799,157	100,917	1,900,074
	<u>\$ 1,970,593</u>	<u>\$ 7,189,974</u>	<u>\$ 350,718</u>	<u>\$ 9,511,285</u>
2023				
Allowance related to:				
Performing loans	\$ 1,751,917	\$ 5,672,338	\$ 202,568	\$ 7,626,823
Impaired loans	-	1,476,707	33,989	1,510,696
	<u>\$ 1,751,917</u>	<u>\$ 7,149,045</u>	<u>\$ 236,557</u>	<u>\$ 9,137,519</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The allowance for credit losses allocation by loan classification for impaired and performing loans is summarized in the table below:

Changes in the allowance for credit losses for the year ended December 31, 2024 and 2023 are summarized in the table below:

	For the year ended December 31, 2024			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
Beginning Balance	\$ 1,751,917	\$ 7,149,045	\$ 236,557	\$ 9,137,519
Charged off loans	-	(2,691,192)	-	(2,691,192)
Recoveries	12,379	788,553	-	800,932
Provision for credit losses	206,297	1,943,568	114,161	2,264,026
Ending Balance	<u>\$ 1,970,593</u>	<u>\$ 7,189,974</u>	<u>\$ 350,718</u>	<u>\$ 9,511,285</u>
	For the year ended December 31, 2023			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
Beginning Balance	\$ 1,637,140	\$ 5,138,528	\$ 322,734	\$ 7,098,402
Impact of adopting ASC 326	94,615	(23,241)	(81,077)	(9,703)
Charged off loans	-	(1,682,963)	-	(1,682,963)
Recoveries	-	584,495	-	584,495
Provision for credit losses	20,162	3,132,226	(5,100)	3,147,288
Ending Balance	<u>\$ 1,751,917</u>	<u>\$ 7,149,045</u>	<u>\$ 236,557</u>	<u>\$ 9,137,519</u>

All loans in the loan portfolio are commercial and industrial loans to commercial customers for use in normal business operations to finance real estate purchases, working capital needs, equipment purchases or other expansion projects. Collection risk in the portfolio is driven by the creditworthiness of the underlying borrowers, particularly cash flow from customers' business operations. The cash flow from borrowers' operations, however, may not be as expected and the borrower's repayment ability could suffer. The Commercial Real Estate loans may be more adversely affected by economic conditions in the business as opposed to general real estate market conditions due to these transactions having complete or significant levels of owner occupancy. While they may have higher economic risk, they typically have loan to values below 80 percent. The primary risk in these loans is the successful operation of the business. The risk in the loans to borrowers receiving funding for energy efficiency improvements is also primarily associated with the successful operation of the underlying business and its ability to service debt through business cash flow as most of these transactions are secured by equipment or subordinated lien positions on business assets or real property.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The allowance for credit losses at December 31, 2024 and 2023 is \$9,511,285, or 4.44% of gross loans, and \$9,137,519, or 5.07% of gross loans, respectively.

In assessing the adequacy of the allowance for credit losses, management analyzes three broad categories of loans: Commercial Real Estate, Commercial, and Energy Efficiency Loans. All loans are subject to underwriting standards and receive risk ratings by management. The Senior Vice President of Loan Operations, Senior Portfolio Manager and the Chief Credit Officer are responsible for monitoring credits and making recommendations to the Staff Loan Committee regarding accurate assignment of risk ratings throughout the life of the loan. A review of loan ratings takes place no less than quarterly. Risk ratings are categorized as Pass One, Pass Two, Pass Two/Watch, Substandard, or Doubtful/Loss which are defined as follows:

- Pass One - During the underwriting process, management will determine if a loan meets Pathway Lending's underwriting criteria. All approved loans will be assigned an initial risk rating of Pass One. If the borrower's repayment history and financial condition remains satisfactory, the risk rating will not change.
- Pass Two - Assets in this category have most of the same characteristics as a loan rated Pass One. However, the occurrence or potential occurrence of an event has been identified that would moderately increase the level of risk. Such events might include an adverse trend in financial performance or a specific event that has negatively impacted the borrower. Close supervision of these loans is required by the Portfolio Manager. Loans assigned to this risk rating must be upgraded or downgraded within 12 months.
- Pass Two/Watch - Assets in this category have deteriorated from the Pass Two category. Assets in this category have had an occurrence of an event or an occurrence of an event is imminent that has increased the level of risk. Events include continued weakening of financial performance, loss of customers or contracts, that if continued will impair the client's ability to repay. These credits are placed on the watch-list for additional monitoring along with the implementation, if possible, of advisory services.
- Substandard - Loans in this category have well-defined weaknesses that jeopardize the collection of the debt and expose Pathway Lending to increased risk of loss. These loans are marginally protected by the repayment capacity of the borrower, guarantors, and the collateral. These loans require special monitoring and management to mitigate increased losses.
- Doubtful/Loss - Assets in this category exhibit serious risks that will likely hinder the collection of the full loan balance and result in a loss. These loans are severely unprotected by the repayment capacity of the borrower, guarantors, and the collateral. Strict management attention is required.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The following table outlines the amount of each loan classification, and the amount categorized into each risk rating class as of December 31, 2024 and 2023:

	At December 31,			
	Commercial Real Estate Loans		Commercial Loans	
	2024	2023	2024	2023
Loan Risk Ratings:				
Pass One	\$ 133,528,475	\$ 99,007,147	\$ 38,306,388	\$ 43,578,332
Pass Two	9,898,704	11,972,903	10,152,063	8,318,913
Substandard	610,626	-	2,335,124	1,828,333
Doubtful/Loss	-	-	-	-
	\$ 144,037,805	\$ 110,980,050	\$ 50,793,575	\$ 53,725,578
	Energy Efficiency Loans		Total	
	2024	2023	2024	2023
Pass One	\$ 17,999,079	\$ 15,487,170	\$ 189,833,942	\$ 158,072,649
Pass Two	-	-	20,050,767	20,291,816
Substandard	1,319,394	-	4,265,144	1,828,333
Doubtful/Loss	21,989	33,989	21,989	33,989
	\$ 19,340,462	\$ 15,521,159	\$ 214,171,842	\$ 180,226,787

Impaired loans are individually evaluated for impairment. The Corporation does not have any loans that are collectively evaluated for impairment. The principal balance of loans considered for impairment amounted to \$4,287,133 and \$1,862,322 at December 31, 2024 and 2023, respectively and are included in the risk-rated tables.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The following table details the recorded investment, unpaid principal balance and related allowance and average recorded investment of our impaired loans at December 31, 2024 and 2023 by loan category and the amount of interest income recognized on these loans on a cash basis throughout 2024 and 2023:

	At December 31, 2024			For the year ended December 31, 2024	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no recorded allowance:					
Commercial Real Estate Loans	\$ 610,726	\$ 610,626	\$ -	\$ 203,550	\$ 17,201
Commercial Loans	475,278	473,036	-	245,518	19,954
Energy Efficiency Loans	-	-	-	-	-
Total	<u>\$ 1,086,004</u>	<u>\$ 1,083,662</u>	<u>\$ -</u>	<u>\$ 449,068</u>	<u>\$ 37,155</u>
Impaired loans with a recorded allowance:					
Commercial Real Estate Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Loans	1,864,791	1,862,088	1,799,157	2,326,446	105,880
Energy Efficiency Loans	1,341,383	1,341,383	100,917	350,340	29,203
Total	<u>\$ 3,206,174</u>	<u>\$ 3,203,471</u>	<u>\$ 1,900,074</u>	<u>\$ 2,676,786</u>	<u>\$ 135,083</u>
	At December 31, 2023			For the year ended December 31, 2023	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no recorded allowance:					
Commercial Real Estate Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Loans	171,795	171,395	-	184,472	8,263
Energy Efficiency Loans	-	-	-	-	-
Total	<u>\$ 171,795</u>	<u>\$ 171,395</u>	<u>\$ -</u>	<u>\$ 184,472</u>	<u>\$ 8,263</u>
Impaired loans with a recorded allowance:					
Commercial Real Estate Loans	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Loans	1,753,578	1,656,938	1,476,707	1,666,689	103,758
Energy Efficiency Loans	33,989	33,989	33,989	39,489	-
Total	<u>\$ 1,787,567</u>	<u>\$ 1,690,927</u>	<u>\$ 1,510,696</u>	<u>\$ 1,706,178</u>	<u>\$ 103,758</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The tables below present past due balances at December 31, 2024 and 2023, by loan classification allocated between performing and impaired status:

	At December 31, 2024					
	31-89 Days Past Due	Greater Than 90 Days and Performing	Total Past Due and Performing	Impaired	Current and Performing	Total Loans
Commercial Real Estate Loans	\$ -	\$ 671,739	\$ 671,739	\$ 610,626	\$ 142,755,440	\$ 144,037,805
Commercial Loans	208,839	181,472	390,310	2,335,124	48,068,141	50,793,575
Energy Efficiency Loans	-	-	-	1,341,383	17,999,079	19,340,462
	<u>\$ 208,839</u>	<u>\$ 853,211</u>	<u>\$ 1,062,049</u>	<u>\$ 4,287,133</u>	<u>\$ 208,822,660</u>	<u>\$ 214,171,842</u>

	At December 31, 2023					
	31-89 Days Past Due	Greater Than 90 Days and Performing	Total Past Due and Performing	Impaired	Current and Performing	Total Loans
Commercial Real Estate Loans	\$ 174,319	\$ -	\$ 174,319	\$ -	\$ 110,805,731	\$ 110,980,050
Commercial Loans	418,732	284,298	703,030	1,828,333	51,194,215	53,725,578
Energy Efficiency Loans	-	-	-	33,989	15,487,170	15,521,159
	<u>\$ 593,051</u>	<u>\$ 284,298</u>	<u>\$ 877,349</u>	<u>\$ 1,862,322</u>	<u>\$ 177,487,116</u>	<u>\$ 180,226,787</u>

Nonaccrual loans totaled \$3,708,951 and \$908,084 as of December 31, 2024 and 2023, respectively. There are three loans totaling \$853,210 past due more than 90 days and still accruing interest as of December 31, 2024.

Due to the weakening credit status of a borrower, the Corporation may elect to formally restructure certain loan terms to facilitate a repayment plan that seeks to minimize potential losses. During 2024 the Corporation had five commercial restructurings with a total balance of \$409,774 as of December 31, 2024. All troubled loan modifications that are considered impaired are included in the tables above. Specific reserves attributed to loan modifications totaled \$368,686 as of December 31, 2024. During 2023 the Corporation had seven commercial restructurings with a total balance of \$610,661 as of December 31, 2023. All troubled loan modifications that are considered impaired are included in the tables above. Specific reserves attributed to loan modifications totaled \$576,513 as of December 31, 2023.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

Loans receivable are typically collateralized by signed security agreements pledging assets of the business and personal guarantees.

Loans receivable consist of 811 loans at December 31, 2024 (785 loans at December 31, 2023) with principal balances ranging from \$1,026 to \$7,804,527. Terms vary from principal and interest due monthly to interest only with a balloon payment due at maturity. All SBA loans have been pledged as collateral to their respective federal programs according to their terms and conditions.

Certain parties (principally entities affiliated with members of our Board of Directors) were customers of and had loans with the Corporation in the ordinary course of business. These loan transactions were made on substantially the same terms as those prevailing at the time for comparable loans to other customers. They did not involve more than the normal risk of collectability or present other unfavorable terms. Loans to related parties as of December 31 were as follows:

	2024	2023
Balance, January 1	\$ 169,616	\$ 361,453
Repayments and other reductions	(78,743)	(191,837)
Balance, December 31	\$ 90,873	\$ 169,616

In October 2022, the Corporation was awarded a grant from the Metropolitan Government of Nashville and Davidson County through the Barnes Fund for Affordable Housing for \$1,980,000 to be used as part of the funding for the development of Birchstone Village, a 228-multi-family residential housing complex with all units to be affordable to persons earning less than 60% of the area median income. The grant funds are eligible to be drawn in tranches at various stages of the development's completion. As received, the funds are being loaned to Birchstone Village, LP for a 40-year term at a below-market rate. At December 31, 2024, a total received and loaned to Birchstone Village, LP amounted to \$1,732,500 (\$247,500 at December 31, 2023).

In August 2024, the Corporation was awarded a grant from the Metropolitan Government of Nashville and Davidson County through the Barnes Fund for Affordable Housing for \$2,000,000 to be used as part of the funding for the development of Autumn Lake Apartments, a 68-unit low-income housing tax credit affordable housing complex. The grant funds are eligible to be drawn in tranches at various stages of the development's completion. As received, the funds are being loaned to Autumn Lake Apartments, LP for a 40-year term at a below-market rate. At December 31, 2024, a total received and loaned to Autumn Lake Apartments, LP amounted to \$1,200,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

A schedule, by year, of principal maturities of loans receivable as of December 31, 2024 follows:

Year ending December 31,

2025	\$ 37,654,661
2026	29,133,295
2027	25,747,223
2028	30,841,113
2029	43,330,126
Thereafter	<u>47,465,424</u>
	214,171,842
Less: Allowance for credit losses	<u>(9,511,285)</u>
Total	<u>\$ 204,660,557</u>

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 2,116,997	\$ 1,967,666
Equipment	<u>252,312</u>	<u>304,021</u>
	2,369,309	2,271,687
Less: accumulated depreciation	<u>(950,426)</u>	<u>(936,257)</u>
Property and equipment - net	<u>\$ 1,418,883</u>	<u>\$ 1,335,430</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 7 - LINES OF CREDIT

The Corporation entered into a \$1,000,000 secured line of credit with a financial institution on December 9, 2011 for working capital. The line of credit is collateralized by loans receivable and equipment. On December 30, 2014, this line was increased to \$4,000,000. On August 4, 2016, the line was extended until August 4, 2017 and the interest rate was amended to the WSJ prime rate minus 4%. On August 4, 2017, the line was increased to \$5,000,000 and extended until August 4, 2018. On August 4, 2018, the line was increased to \$6,000,000 and extended until August 5, 2019. On August 5, 2019, the line was extended to August 5, 2020 and on November 5, 2020, the line was extended to November 5, 2021. On November 5, 2021, the line was extended to November 5, 2022 and on June 21, 2022, the security agreement was amended to change the collateral on this line of credit to be loans outstanding in the Nashville Opportunity Fund. On November 5, 2022, the line was extended to November 5, 2023. On December 7, 2023, the line was extended to April 5, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the years ended December 31, 2024 and 2023 was \$6,000,000.

The Corporation established a \$10,000,000 secured line of credit with a financial institution on March 31, 2015. This line is part of the SBJOF portfolio and has a rate of WSJ prime rate minus 4%. On July 25, 2016, this line was increased to \$13,000,000 and the maturity was extended to June 30, 2017. On June 30, 2017, the line was increased to \$16,000,000 and extended until June 29, 2018. On June 29, 2018 the line was extended until June 29, 2019. On July 12, 2019, the line was extended to July 11, 2020. On July 11, 2020, the line was extended until July 10, 2021 and on July 22, 2021 the line was extended to July 8, 2022. On July 14, 2022, the line was increased to \$17,000,000 and extended until July 7, 2023. On July 12, 2023, the line was extended to July 11, 2024, and on July 11, 2024 the line was extended to July 10, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the years ended December 31, 2024 and 2023 was \$17,000,000.

The Corporation entered into a \$3,500,000 secured line of credit with a financial institution on December 29, 2016. This line is part of the MFIPT portfolio and has a rate of WSJ prime rate minus 4%. On December 28, 2017, the line was increased to \$5,000,000 and extended until June 29, 2019. On June 26, 2019, the line was extended to September 27, 2019. On September 27, 2019, the line was extended to January 24, 2020. On January 24, 2020, the line was extended to May 24, 2020. On May 24, 2020, the line was extended to May 31, 2021 and on May 31, 2021 the line was extended to June 1, 2022. On July 29, 2022, the line was extended to August 5, 2023 and on August 4, 2023, the line was extended to August 5, 2024. On August 4, 2024 the line was extended to October 5, 2024 and on October 5 it was extended to October 5, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the years ended December 31, 2024 and 2023 was \$5,000,000.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 7 - LINES OF CREDIT (CONTINUED)

The Corporation entered into a \$10,000,000 secured line of credit with a financial institution on November 26, 2019. This line is part of the MFIPT portfolio and has a rate of WSJ prime rate minus 4%. The line was extended in December 2020 and again in February 2021. On May 28, 2021 the line was increased to \$15,000,000 and extended to May 5, 2022, and on August 25, 2022, the line was extended to August 5, 2023. On August 25, 2023 the line was extended to August 5, 2024, and on August 5, 2024 the line was extended to August 5, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the years ended December 31, 2024 and 2023 was \$15,000,000.

The Corporation entered into a \$15,000,000 secured line of credit with a financial institution on June 30, 2021. This line is part of the MFIPT portfolio and has a rate of WSJ prime rate minus 4%, originally maturing on June 30, 2022. On June 29, 2022, the line was extended to June 30, 2023 and on July 7, 2023 the line was extended to June 30, 2024. During 2024, \$10,000,000 was repaid on this line of credit and the remaining \$5,000,000 was extended to mature on September 30, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the years ended December 31, 2024 was \$5,000,000 (2023 was \$15,000,000).

The Corporation entered into a \$12,000,000 secured line of credit with a financial institution on December 27, 2023. This line is part of the C-PACER Program and has a rate of WSJ prime rate minus 4%, maturing on June 27, 2025. At December 31, 2024 and 2023, the rate was 3.50% and 4.50%, respectively. The amount borrowed and outstanding for the year ended December 31, 2024 and 2023 was \$12,000,000.

The Corporation's line of credit agreement with a financial institution requires the maintenance of certain financial and non-financial covenants. The Corporation is in compliance with all covenants as of December 31, 2024.

The Corporation has a blanket agreement for advances and related security agreement (the "Blanket Agreement") with the Federal Home Loan Bank ("FHLB") of Cincinnati. Advances made to the Corporation under the Blanket Agreement would be collateralized by FHLB stock and unidentified qualifying multi-family residential mortgage loans. These collateralization matters are outlined in the Blanket Agreement dated December 3, 2018, between the Corporation and the FHLB. There were no borrowings as of 2024.

Stock held in the FHLB totaling \$269,000 at December 31, 2024 (\$226,900 at December 31, 2023) is carried at cost. The stock is restricted and can only be sold back to the FHLB at par.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 8 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	2024	2023
SBA notes payable	\$ 1,290,117	\$ 1,628,114
Other notes payable	47,836,757	47,868,788
Equity equivalent agreements	146,696,392	142,696,392
Total notes payable	\$ 195,823,266	\$ 192,193,294

SBA Notes Payable

Notes payable to SBA are specific to fund the SBA Micro Loan program. These notes have a first year 2% rate buy down, and no principal or interest payments are required for the first 12 months. Beginning in month 13, principal and interest are amortized over the next 108 months. The interest rates range from 0% to 1.5% at December 31, 2024 and 2023. The loans mature at the end of 10 years.

SBA Notes Payable	Origination Date	Note Amount	2024	2023
7508625003	5/26/2015	\$ 750,000	\$ 36,357	\$ 120,279
8478565001	8/1/2016	750,000	138,889	222,223
2856927006	8/30/2018	600,000	253,728	320,655
4164359100	9/29/2022	1,000,000	861,143	964,957
		\$ 3,100,000	\$ 1,290,117	\$ 1,628,114

SOUTHEAST COMMUNITY CAPITAL CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 8 - NOTES PAYABLE (CONTINUED)

Other Notes Payable

Other notes payable are to the Tennessee Valley Authority (TVA) and other banks and foundations that provided financing for the Corporation's various loan programs.

	Origination	Interest	Note Amount	Principal Balance Outstanding	
	Date	Rate		2024	2023
US Bank note (Principal due upon maturity - October 2024)	10/23/2018	3.00%	\$ 2,000,000	\$ -	\$ 2,000,000
US Bank note (Principal due upon maturity - October 2027)	10/23/2024	3.70%	2,000,000	2,000,000	-
Kresge Foundation (Principal due upon maturity - December 2029)	12/12/2019	2.00%	2,500,000	700,000	700,000
TVA - 10 Years, No Interest (Principal due upon maturity - August 2028)	8/24/2010	0.00%	10,000,000	10,000,000	10,000,000
Regions Bank, Prime - 4% (Principal due upon maturity - July 2036)	7/9/2021	varies	10,000,000	10,000,000	10,000,000
Truist Bank (Principal due upon maturity - July 2036)	7/9/2021	0.00%	10,000,000	10,000,000	10,000,000
First Horizon, Prime - 4% (Principal due upon maturity - July 2036)	7/9/2021	varies	10,000,000	10,000,000	10,000,000
Veterans Loan Fund, 2.6% (Principal due upon maturity - December 2028)	12/31/2021	2.60%	200,000	136,757	168,788
Opportunity Finance Network, 2% (Principal due upon maturity - May 2027)	5/11/2022	2.00%	5,000,000	5,000,000	5,000,000
Total			<u>\$ 54,700,000</u>	<u>\$ 47,836,757</u>	<u>\$ 47,868,788</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 8 - NOTES PAYABLE (CONTINUED)

Equity Equivalent Agreements

Equity equivalent agreements are bank debt instruments that are subordinated to all other debt except similar subordinated equity equivalent type notes. The Corporation uses these notes to fund many of the loan funds, descriptions of which can be found in the supplemental information section of these financial statements. Notes typically have maturity dates of five or ten years from the date of origination and include automatic extension features that begin on the second or seventh anniversary of the note. Absent prior notice by the lender, the maturity date is automatically extended for one additional year, so that upon each extension the remaining three-year maturity is extended to four years. These notes are referred to as "evergreen" due to their rolling maturity. The Corporation has one equity equivalent agreement for \$1 million that is not considered evergreen and must be repaid. Interest is compounded on a quarterly basis and principal and unpaid interest is due at maturity. For the lending financial institutions, the agreements meet the investment requirements of the Community Reinvestment Act and carry a below market interest rate based on the community development purpose of relending the loan proceeds to certain disadvantaged businesses. Agreements that fund the Corporation's ROF and the TN-SBJOF attribute certain State of Tennessee tax benefits to participating financial institutions that require forgiveness of the debt at the tenth anniversary of the note, or forfeiture of all previously claimed tax credits, plus interest and penalties, relating to the lender's investment. It is anticipated that ROF and TN-SBJOF agreements will be forgiven at their tenth anniversary. During the year ended December 31, 2024, \$3,000,000 of TN-SBJOF debt was forgiven (\$5,900,000 as of December 31, 2023) and the contributed amount received was recognized accordingly.

The notes have interest rates ranging from 0% to 4.00% per annum. Maturity dates range from August 2025 to December 2034.

Principal advanced during 2024 and 2023 amounted to \$7,000,000 and \$35,000,000, respectively. The principal balance outstanding at December 31, 2024 and 2023 was \$146,696,392 and \$142,696,392 respectively.

Scheduled principal payments on notes payable as of December 31, 2024 are as follows:

Year ending December 31,

2025	\$ 466,416
2026	405,936
2027	7,854,203
2028	10,833,672
2029	253,440
Thereafter	30,313,207
Equity equivalent agreements (evergreen only)	<u>145,696,392</u>
	<u>\$ 195,823,266</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 9 - NET ASSETS

Net assets consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Without donor restrictions:		
Undesignated	\$ 73,412,529	\$ 36,539,953
Designated by the Board of Directors for loan capital	<u>22,444,755</u>	<u>23,349,693</u>
	95,857,284	59,889,646
With donor restrictions:		
Purpose restricted	<u>1,050,185</u>	<u>1,683,091</u>
Total net assets	<u>\$ 96,907,469</u>	<u>\$ 61,572,737</u>

Net assets designated by the Board of Directors for loan capital is composed of the following items as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
SBJOF State Grant (net of losses and recoveries)	\$ 2,008,671	\$ 1,886,168
TNEEF State Grant 2010 (net of losses and recoveries)	14,000,000	14,000,000
TNROF State Grant 2017-2019 (net of losses and recoveries)	5,540,882	6,335,892
OFN Contribution (Starbucks Initiative)	230,000	230,000
CBU Contribution (Pathway Memphis LLC)	530,202	762,633
Regions Bank	<u>135,000</u>	<u>135,000</u>
	<u>\$ 22,444,755</u>	<u>\$ 23,349,693</u>

Net assets with donor restrictions consist of contributions received for the purpose of establishing cash reserves to cover future loan write offs for the KCTJF, CSBOF and MSBOF programs and operational expenses for the WBC programs, Emerging Developers program, Coaching to Capital program and the Tech Enabled Coaching to Capital grant from Truist. Operational revenues for the WBC grant are moved to net assets without donor restrictions as time passes, and revenues from the Emerging Developers program, Coaching to Capital program and Truist grant are moved to net assets without donor restrictions as the funds from the grant are expended. As actual loan losses are recognized, cash from these loan loss reserves is transferred to the corresponding lending accounts to replenish lending funds.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 9 - NET ASSETS (CONTINUED)

	<u>CSBOF</u>	<u>KCTJF</u>	<u>WBC</u>	<u>MSBOF</u>	<u>Tech Enabled Coaching to Capital</u>	<u>Emerging Developers</u>	<u>Coaching to Capital Vet Focus</u>	<u>Total</u>
Net Assets with Donor Restrictions								
January 1, 2023	\$ 50,000	\$ 394,286	\$ 18,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,462,286
Increases	-	-	17,500	-	300,000	-	-	317,500
Releases from restriction	-	-	(18,000)	-	-	-	-	(18,000)
Loan loss reserve usage (release)	-	-	-	(78,695)	-	-	-	(78,695)
December 31, 2023	50,000	394,286	17,500	921,305	300,000	-	-	1,683,091
Increases	-	-	17,500	-	-	60,000	30,000	107,500
Releases from restriction	-	-	(17,500)	-	(286,960)	(14,575)	(1,846)	(320,881)
Bad debt recoveries	-	-	-	23,000	-	-	-	23,000
Loan loss reserve usage (release)	(40,674)	-	-	(401,851)	-	-	-	(442,525)
December 31, 2024	<u>\$ 9,326</u>	<u>\$ 394,286</u>	<u>\$ 17,500</u>	<u>\$ 542,454</u>	<u>\$ 13,040</u>	<u>\$ 45,425</u>	<u>\$ 28,154</u>	<u>\$ 1,050,185</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 10 - RISKS, CONTINGENCIES, AND ECONOMIC CONCENTRATION

The Corporation maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to statutory limits. The Corporation's cash balances generally exceed statutory limits. Management performs a semi-annual analysis on six of the financial institutions. This analysis is performed by using the Uniform Bank Performance Report to ensure continued financial health of the institutions. The Corporation reviews specific financial measures to determine the relative financial strength of the banks and to determine if there has been a change in the conditions of the banks. The Corporation has not experienced any losses in such accounts and management considers this to be a normal business risk.

Loans receivable are subject to the risk that borrowers may not be able to make payments. The Corporation manages this risk by educating borrowers in budget and credit management before and after making the loan, subjecting borrowers to certain credit and income standards consistently applied by its loan committee, verifying the credit rating, income, assets and collateral of borrowers and monitoring borrower compliance with loan agreements. In addition, the Corporation may use its loan loss reserve funds, which totaled \$7,980,814 and \$8,460,860 as of December 31, 2024 and 2023, respectively, to cover any loan losses.

The Corporation's various programs receive funding from several federal, state and local governments. During 2024, the Corporation received a large unrestricted foundation contribution of \$30,000,000 (46% of 2024 revenue and support). During 2023, the Corporation received a contract award of approximately \$5 million from the Community Development Financial Institutions Fund (11% of 2023 total revenue and support) and \$6 million from Metropolitan Government of Nashville and Davidson (14% of 2023 total revenue and support).

NOTE 11 - FAIR VALUE MEASUREMENTS

The Corporation classifies its assets based on a hierarchy consisting of: Level 1 (assets valued using quoted prices from active markets for identical assets), Level 2 (assets not traded on an active market but for which observable market inputs are readily available), and Level 3 (assets valued based on significant unobservable inputs). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value on a non-recurring basis:

Impaired Loans - A loan is considered to be impaired when collection of all principal and interest payments in accordance with the contractual terms of the loan agreement is not probable. Individually identified impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as a component of the allowance for credit losses. Impaired loans are recorded as nonrecurring Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at December 31, 2024 and 2023.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table sets forth the Corporation's major category of assets measured at fair value on a nonrecurring basis at December 31, 2024 and 2023:

	Total reported value in the Statement of <u>Financial Position</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2024				
Impaired Loans (included in loans receivable)	\$ 1,303,397	\$ -	\$ -	\$ 1,303,397
2023				
Impaired Loans (included in loans receivable)	\$ 180,231	\$ -	\$ -	\$ 180,231

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which we have utilized Level 3 inputs to determine fair value at December 31:

	<u>2024 Fair Value</u>	<u>2023 Fair Value</u>	<u>Valuation Techniques</u>	<u>Significant Unobservable Inputs</u>
Impaired Loans	\$ 1,303,397	\$ 180,231	Appraisal Present Value of Expected Future Cash Flows	Discounts for Costs to Sell and Marketability of Collateral Payment Streams and Discount Rates

NOTE 12 - RETIREMENT PLAN

The Corporation has engaged an outsourced human resource firm to manage and provide benefits which includes a 401(k) program. Matching contributions are made on behalf of participants in an amount equal to 100% of the amount of the eligible participants' elective deferrals up to 3% of their compensation and 50% of the amount of the participants' elective deferrals that exceed 3% of their compensation, up to 5%. Amounts contributed to the plan by the Corporation were \$214,063 for 2024 and \$191,261 for 2023.

NOTE 13 - SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENTS

In January 2016, the Corporation entered into a supplemental executive retirement agreement with its President. In connection with this agreement, a life insurance policy was purchased on the life of the President. The agreement requires the policy, less \$200,000 of cash surrender value to be retained by the Corporation, to be transferred to the President upon his 65th birthday. If, prior to age 65, the President voluntarily separates from the Corporation or is terminated for cause, all benefits are forfeited. If, prior to age 65, the President is terminated without cause or there is a change in control, the policy shall transfer to the President within 30 days of the event. Should the President become disabled prior to his 65th birthday, he shall be entitled to 25%-75% of the cash surrender value of the policy. The amount accrued for this agreement at December 31, 2024 and 2023 was \$147,323 and \$95,937, respectively.

In December of 2020, the Corporation implemented a supplemental executive retirement plan for members of the executive and management group. The plan provides a benefit only after a participant has achieved 10 years of service for each year thereafter until retirement age. Vesting occurs when the employee attains retirement age unless there is an involuntary separation from service, a disability, a change in control, or a death of the participant prior to retirement age. Any voluntary separation from service by participant will result in forfeiture of all amounts and immediate termination of participation in the plan. The amount accrued for this agreement at December 31, 2024 and 2023 was \$161,731 and \$319,322 respectively.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 13 - SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENTS (CONTINUED)

In January 2024, the Corporation implemented a supplemental executive retirement plan for members of the executive management group to incentivize the participants to remain with the Corporation until retirement age. The plan is funded through a single premium annuity owned by the Corporation that will be divided into three payments for each of the three participants at ages 66, 67 and 68. During 2024, the Corporation purchased an annuity that has a surrender value of \$2,281,139 at December 31, 2024 and is included in other assets on the consolidated statements of financial position. At December 31, 2024, the liability related to this plan was \$125,812.

NOTE 14 - PATHWAY MEMPHIS, LLC

Pathway Memphis, LLC is a subsidiary organization of Southeast Community Capital Corporation d/b/a Pathway Lending, and was created in 2019, with a primary objective of the relief of poverty, the elimination of prejudice, the lessening of neighborhood tensions, and the combating of community deterioration in certain economically depressed areas located within the Memphis Metropolitan Area and enhancing minority-owned and/or women-owned businesses, small businesses, and disadvantaged businesses operating or located within the Memphis Metropolitan Statistical Area through a program of financial assistance and other aid designed to improve economic conditions and economic opportunities in these areas, and other charitable programs and engaging in any and all actions necessary or incidental to the foregoing. Accordingly, Pathway Memphis continues to further the mission of Corporation and financial position and activities are consolidated on the Corporation's financial statements.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 14 - PATHWAY MEMPHIS, LLC

The following is a summary of financial position provided by Pathway Memphis, LLC as of December 31:

	<u>2024</u>	<u>2023</u>
ASSETS		
Restricted cash - lending	\$ 655,028	\$ 472,885
Interest receivable	1,643	6,558
Loans receivable	<u>298,030</u>	<u>813,868</u>
TOTAL ASSETS	<u>\$ 954,701</u>	<u>\$ 1,293,311</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Notes payable	\$ 700,000	\$ 700,000
Other liabilities	<u>50,000</u>	<u>50,000</u>
TOTAL LIABILITIES	<u>750,000</u>	<u>750,000</u>
NET ASSETS		
Without donor restrictions:		
Undesignated (deficit)	(325,501)	(219,322)
Board designated	<u>530,202</u>	<u>762,633</u>
TOTAL NET ASSETS	<u>204,701</u>	<u>543,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 954,701</u>	<u>\$ 1,293,311</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

NOTE 14 - PATHWAY MEMPHIS, LLC (CONTINUED)

The following summarizes the activity of Pathway Memphis, LLC for the year ended December 31:

	<u>2024</u>	<u>2023</u>
REVENUE AND OTHER SUPPORT		
Interest income - lending activities	\$ 42,279	\$ 31,794
EXPENSES		
Program expense	<u>380,889</u>	<u>121,127</u>
	380,889	121,127
CHANGE IN NET ASSETS	(338,610)	(89,333)
NET ASSETS - BEGINNING OF YEAR	<u>543,311</u>	<u>632,644</u>
NET ASSETS - END OF YEAR	<u>\$ 204,701</u>	<u>\$ 543,311</u>

NOTE 15 - NEW MARKET TAX PROGRAM

During 2021, Pathway Lending CDE, LLC was awarded \$30 million in New Market Tax Credit (NMTC) allocations to support development in low-income areas throughout its service area. As of December 31, 2023, and 2022, respectively, Pathway Lending CDE has deployed \$13 million and \$17 million, respectively, of the \$30 million NMTC allocation through its CDE.

During 2022 and effective January 17, 2023, Pathway Lending CDE, LLC was awarded an additional \$40 million in New Market Tax Credit. As of December 31, 2023, Pathway Lending CDE has deployed \$40 million through its CDE.

During 2023 and effective December 11, 2023, Pathway Lending CDE, LLC was awarded an additional \$45 million in New Market Tax Credit. As of December 31, 2024, Pathway Lending CDE has deployed \$45 million through its CDE.

SUPPLEMENTARY INFORMATION

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

SCHEDULE OF EQUITY EQUIVALENT AGREEMENTS

DECEMBER 31, 2024 AND 2023

	Origination Date	Original Note Amount	December 31 2024	December 31 2023
Synovus Bank (fka The Bank of Nashville) (Nashville, TN)	9/28/2007	\$ 500,000	\$ 500,000	\$ 500,000
First Horizon Bank (fka Capital Bank) (Memphis, TN)	12/20/2006	800,000	794,604	794,604
Pinnacle Bank (Nashville, TN)	12/30/2013	1,000,000	1,000,000	1,000,000
Pinnacle Bank (Nashville, TN)	12/30/2013	1,000,000	1,000,000	1,000,000
CB&S Bank (Russellville, AL)	3/25/2014	1,000,000	-	1,000,000
Regions Bank (Birmingham, AL)	12/5/2014	1,500,000	-	1,500,000
Pinnacle Bank (fka Avenue Bank) (Nashville, TN)	12/18/2014	500,000	-	500,000
Old National Bank (fka CapStar Bank)	8/24/2015	500,000	500,000	500,000
Wells Fargo (Minneapolis, MN)	9/29/2015	1,000,000	1,000,000	1,000,000
Pinnacle Bank (Nashville, TN)	12/16/2015	1,000,000	1,000,000	1,000,000
Truxton Trust (Nashville, TN)	12/29/2015	150,000	150,000	150,000
Citizens Bank (Elizabethton, TN)	12/30/2015	500,000	500,000	500,000
First Horizon (fka First Tennessee Bank (Memphis, TN)	4/5/2016	5,000,000	5,000,000	5,000,000
TriStar Bank (Dickson, TN)	7/29/2016	1,000,000	1,000,000	1,000,000
United Community Bank (fka Reliant Bank)	8/18/2016	1,000,000	1,000,000	1,000,000
First Horizon Bank (fka Capital Bank) Memphis, TN)	8/29/2016	4,000,000	4,000,000	4,000,000
InsBank (Nashville, TN)	9/8/2016	1,318,930	1,318,930	1,318,930
Pinnacle Bank (Nashville, TN)	12/22/2016	3,000,000	3,000,000	3,000,000
Pinnacle Bank (Nashville, TN)	12/22/2016	4,500,000	4,500,000	4,500,000
Wells Fargo (Minneapolis, MN)	12/27/2016	1,000,000	1,000,000	1,000,000
F&M Bank (Clarksville, TN)	4/13/2017	500,000	500,000	500,000
First Horizon Bank (fka Capital Bank) (Memphis, TN)	6/22/2017	2,000,000	2,000,000	2,000,000
CB&S Bank (Rogersville, AL)	6/28/2017	500,000	500,000	500,000
Commercial Bank & Trust (Paris, TN)	7/17/2017	500,000	500,000	500,000
PNC Bank (fka Compass/BBVA) (Houston, TX)	8/15/2017	5,000,000	2,500,000	2,500,000
Pinnacle Bank (Nashville, TN)	8/25/2017	500,000	500,000	500,000
Pinnacle Bank (fka Prime Trust Bank) (Nashville, TN)	8/25/2017	250,000	250,000	250,000
United Community Bank (fka Reliant Bank)	12/13/2017	100,000	100,000	100,000
Decatur County Bank (Decaturville, TN)	12/15/2017	200,000	200,000	200,000
Citizen's Bank (Elizabethton, TN)	12/20/2017	500,000	500,000	500,000
FirstBank (fka Franklin Synergy)	12/21/2017	2,000,000	2,000,000	2,000,000
FirstBank (fka Franklin Synergy)	12/21/2017	1,000,000	1,000,000	1,000,000
FirstBank (fka Franklin Synergy)	12/21/2017	2,000,000	2,000,000	2,000,000
Centennial Bank (fka Farmers and Merchants) (Trezevant, TN)	12/22/2017	50,000	50,000	50,000
Simmons	1/23/2018	100,000	100,000	100,000
Pinnacle Bank	5/24/2018	5,000,000	5,000,000	5,000,000
Pinnacle Bank	5/24/2018	2,500,000	2,500,000	2,500,000
Regions Bank	6/26/2018	2,500,000	2,500,000	2,500,000
Truist (fka SunTrust Bank)	6/29/2018	732,858	732,858	732,858
First Horizon Bank (fka First Tennessee Bank) (Memphis, TN)	7/30/2018	5,000,000	5,000,000	5,000,000
First Citizens National Bank	12/3/2018	500,000	500,000	500,000
Truxton Trust	12/4/2018	400,000	400,000	400,000
Macon Bank and Trust Company	12/26/2018	250,000	250,000	250,000

(Continued)

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

SCHEDULE OF EQUITY EQUIVALENT AGREEMENTS (CONTINUED)

DECEMBER 31, 2024 AND 2023

	Origination Date	Original Note Amount	December 31 2024	December 31 2023
Legends Bank	12/27/2018	\$ 300,000	\$ 300,000	\$ 300,000
McKenzie Bank	2/15/2019	100,000	100,000	100,000
Security Bank and Trust Company	5/3/2019	1,500,000	1,500,000	1,500,000
Security Bank and Trust Company	5/3/2019	500,000	500,000	500,000
Regions Bank	6/24/2019	1,500,000	1,500,000	1,500,000
Regions Bank	6/24/2019	4,500,000	4,500,000	4,500,000
FirstBank	7/29/2019	500,000	500,000	500,000
FirstBank	7/29/2019	500,000	500,000	500,000
FirstBank	7/29/2019	1,000,000	1,000,000	1,000,000
Wilson Bank & Trust	11/12/2019	1,000,000	1,000,000	1,000,000
Andrew Johnson	11/25/2019	250,000	250,000	250,000
Wilson Bank & Trust	11/26/2019	1,500,000	1,500,000	1,500,000
Paragon	12/17/2019	500,000	500,000	500,000
Paragon	12/17/2019	250,000	250,000	250,000
FirstBank	12/18/2019	1,000,000	1,000,000	1,000,000
FirstBank	12/18/2019	1,000,000	1,000,000	1,000,000
InsBank	12/23/2019	2,000,000	2,000,000	2,000,000
Pinnacle Bank	6/15/2020	2,000,000	2,000,000	2,000,000
Legends Bank	6/25/2020	500,000	500,000	500,000
Legends Bank	2/19/2021	1,000,000	1,000,000	1,000,000
Cadence Bank, NA	12/17/2021	5,000,000	5,000,000	5,000,000
First Farmers and Merchants Bank	9/1/2021	500,000	500,000	500,000
Commercial Bank and Trust	3/25/2021	500,000	500,000	500,000
FirstBank	6/21/2021	2,600,000	2,600,000	2,600,000
Regions Bank	7/7/2021	2,100,000	2,100,000	2,100,000
TriStar Bank	5/20/2021	500,000	500,000	500,000
Bank3	12/23/2021	500,000	500,000	500,000
Pinnacle Bank	3/2/2021	2,500,000	2,500,000	2,500,000
FirstBank	1/31/2022	1,250,000	1,250,000	1,250,000
FirstBank	1/31/2022	1,000,000	1,000,000	1,000,000
First Horizon	6/2/2022	1,000,000	1,000,000	1,000,000
Wilson Bank & Trust Company (Lebanon, TN)	7/12/2022	1,000,000	1,000,000	1,000,000
Regions Bank	7/26/2022	5,000,000	5,000,000	5,000,000
Regions Bank	7/26/2022	1,000,000	1,000,000	1,000,000
Renasant Bank	8/25/2022	200,000	200,000	200,000
Andrew Johnson	9/8/2022	500,000	500,000	500,000
InsBank	12/12/2022	300,000	300,000	300,000
Pinnacle Bank (Nashville, TN)	12/12/2022	250,000	250,000	250,000
Pinnacle Bank (Nashville, TN)	12/12/2022	750,000	750,000	750,000
Regions Bank	8/8/2023	20,000,000	20,000,000	20,000,000
Regions Bank	12/7/2023	5,000,000	5,000,000	5,000,000
Pinnacle Bank	12/19/2023	10,000,000	10,000,000	10,000,000
Regions Bank	12/11/2024	7,000,000	7,000,000	-
		<u>\$ 152,201,788</u>	<u>\$ 146,696,392</u>	<u>\$ 142,696,392</u>

SOUTHEAST COMMUNITY CAPITAL CORPORATION
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LOAN FUND DESCRIPTIONS

DECEMBER 31, 2024 AND 2023

The Corporation and its Subsidiaries operate eighteen targeted revolving loan funds. Generally, the loan funds provide financing and other business consultative services to businesses that cannot access traditional sources of loan capital. A description of the funds operated and managed by the Corporation and the balances funded are detailed below:

Tennessee Energy Efficiency Loan Program

The Tennessee Energy Efficiency Loan Program (TN-EELP) provides financing for energy efficiency improvements and renewable energy projects for companies with Tennessee facilities. The Program is available for businesses of all sizes in all of Tennessee's ninety-five counties for companies that are unable to access traditional financing for these projects. The TN-EELP represents a \$31 million commitment in loan capital and operating support from public and private sources. Program participants are the state of Tennessee which provided a \$15 million grant (\$14 million in loan capital and \$1 million in operating support); the Tennessee Valley Authority (\$10 million in loan capital structured as a 0% interest loan and a \$1 million grant for operating support); and Pathway Lending who will provide up to \$5 million loan capital after the funding commitment of the others is complete for the remaining years of the program.

Tennessee Small Business Jobs Opportunity Fund

The Tennessee Small Business Jobs Opportunity Fund (SBJOF) was created with an appropriation from the Tennessee General Assembly of \$10 million. The condition of the grant creating the fund is that the Corporation must match dollar for dollar a minimum of \$10 million with private loan capital. The purpose of the fund is to provide loans to businesses in all Tennessee counties who are unable to access capital to expand operations and create or retain jobs. The fund has a goal of a minimum of 15% minority participation. In 2020, a portion of this fund was allocated to provide funding specifically related to Rapid Recovery after the Nashville Tornado of March 3, 2020 (SBJOF-RRT), Rapid Recovery (SBJOF-RR) and Rapid Restart (SBJOF-RS) for borrowers affected by the COVID19 pandemic. As these allocated amounts are paid back, the amounts will be returned to the primary loan fund.

Nashville Opportunity Fund

The Nashville Opportunity Fund (NOF) targets low and moderate-income census tracts in Nashville and Davidson County with a special emphasis on an identified "Pocket of Poverty" area extending out from downtown Nashville.

Knox County Technology and Jobs Fund

The Knox County Technology and Jobs Fund (KCTJF) targets Knox County and fourteen surrounding counties: Anderson, Blount, Campbell, Claiborne, Cocke, Grainger, Jefferson, Loudon, Monroe, Morgan, Roane, Sevier, Union, and Scott. The fund provides loan funding to companies throughout the fifteen-county region.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

LOAN FUND DESCRIPTIONS (CONTINUED)

DECEMBER 31, 2024 AND 2023

Memphis Small Business Opportunity Fund

The Memphis Small Business Opportunity Fund (MSBOF) was created to improve access to capital for underserved small businesses, particularly for minority- and women-owned businesses in the Memphis Region. The Memphis Region includes: Shelby County, Tipton County, and Fayette County in Tennessee; Crittenden County in Arkansas; and Benton County, Desoto County, Marshall County, Tate County, and Tunica County in Mississippi. In 2020, a portion of this fund was allocated to provide funding specifically related to Rapid Restart (SBJOF-M-RS) for borrowers affected by the COVID19 pandemic. As these allocated amounts are paid back, the amounts will be returned to the primary loan fund.

Tennessee Rural Opportunity Fund

The Tennessee Rural Opportunity Fund (TN-ROF) is targeted to ninety-two of Tennessee's ninety-five counties and provides loans to small businesses in rural Tennessee that are unable to access traditional bank financing. The TN-ROF was initially capitalized with \$10 million of private bank capital. In 2017, TN-ROF was expanded with a new grant from the State of Tennessee, Department of Economic and Community Development. The new expansion is for lending in the same target markets with a focus on DBE's and underserved and underrepresented populations in at-risk and distressed counties. In 2020, a portion of this fund was allocated to provide funding specifically related to Rapid Recovery (TNROF-RR) for borrowers affected by the COVID19 pandemic. As these allocated amounts are paid back, the amounts will be returned to the primary loan fund.

Revolving Loan Fund

The Revolving Loan Fund (RLF) provides loans to businesses unable to access traditional loan capital throughout the Corporation's service areas.

U.S. Small Business Administration (SBA) Micro Loan Program

The SBA Micro Loan Program provides loan funds for re-lending to non-profit intermediaries, which then make loans (less than \$50,000) to small business owners. This program places emphasis on economically distressed areas and individuals who have demonstrated a capability to successfully operate a business.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

LOAN FUND DESCRIPTIONS (CONTINUED)

DECEMBER 31, 2024 AND 2023

Affordable Multifamily Housing Loan Fund

The Affordable Multifamily Housing Loan Fund (the MFIPT Fund) represents a strategic public-private partnership between Tennessee Bankers Association member banks and Pathway Lending that supports community needs through loans for construction, refinancing, and renovations on affordable multifamily housing properties in low-to-moderate-income communities throughout Tennessee. The program fills a financing gap identified in the TN Housing Development Agency (THDA) December 2012 TN Housing Needs Assessment. The MFIPT Fund addresses housing needs by providing capital for construction, refinancing, and retrofits of multifamily housing in low-to-moderate-income communities. The MFIPT Fund provides developers of affordable housing loans that have terms unique to the market with amortization schedules to 30 years, and terms and fixed interest periods to 15 years. These significantly longer periods reduce carrying costs of the debt and increase sustainability of these hard to finance affordable housing developments.

Alabama Small Business Opportunity Fund

The Alabama Small Business Opportunity Fund (ASBOF) targets small businesses located in Alabama with a focus on the Appalachian Region and that engage in a business enterprise that will create jobs or lead to the retention of jobs in this area.

Pathway Memphis LLC - Mezzanine Fund

Pathway Memphis, LLC is a subsidiary organization of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending, and was created in 2019, with a primary objective of the relief of poverty, the elimination of prejudice, the lessening of neighborhood tensions, and the combating of community deterioration in certain economically depressed areas located within the Memphis Metropolitan Area and enhancing minority-owned and/or women-owned businesses, small businesses, and underserved businesses operating or located within the Memphis Metropolitan Statistical Area through a program of financial assistance and other aid designed to improve economic conditions and economic opportunities in these areas, and other charitable programs and engaging in any and all actions necessary or incidental to the foregoing. The Mezzanine Fund was established to provide patient capital for businesses located within the Memphis Metropolitan Area.

Memphis Medical District Investment Fund

Memphis Medical District Investment Fund (MMDIF) is funded by a consortium of private foundations and banking partners. MMDIF is designed to invest in transformative real estate projects that advance the physical re-development of designated Memphis districts. The following project types are eligible for financing: Market rate rental housing; Affordable rental housing; Mixed-income housing; Mixed use projects; Commercial; and Retail.

Chattanooga Small Business Opportunity Fund

The Chattanooga Small Business Opportunity Fund (CSBOF) was created to offer a new, flexible source of capital for small businesses to enhance the entrepreneurial ecosystem of Chattanooga with longstanding impact. Its purpose is to support financing for small and underserved businesses with an emphasis on minority-owned businesses, businesses located in low-income communities, low-income entrepreneurs, women-owned businesses, and veteran owned businesses.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

LOAN FUND DESCRIPTIONS (CONTINUED)

DECEMBER 31, 2024 AND 2023

Pathway Lending Flex Fund

Pathway Lending Flex Fund (PLFF) was created with a donation from Wells Fargo Bank, N.A. in 2021 for a Mezzanine Fund. The Mezzanine Fund was established to provide patient capital for businesses located for all target areas but emphasizing outside of the Memphis Metropolitan Area covered by Pathway Memphis LLC Mezzanine Fund.

Veteran Loan Fund

The Veteran Loan Fund provides loans to small businesses that have 15% or more of the equity of the business owned by military veterans and their spouses in Tennessee, Kentucky, and Alabama. Loans shall be made for the purchase of equipment, working capital or business acquisitions for such Veteran-owned small business concern or for any other use of funds allowed by the SBA 7(a) Community Advantage Pilot Program.

Nashville Small Business Recovery Fund

The Nashville Small Business Recovery Fund (NSBRF) was created as a contribution to the Nashville Opportunity Fund (NOF) from the Metropolitan Government of Nashville and Davidson County through the American Rescue Plan Act. The funds from this contribution are available to small businesses located within Davidson County with 2021 revenue under \$1 million with a special emphasis on businesses located in North Nashville. The purpose of the fund is to provide one-time 2% interest rate loans to businesses in Davidson County that were in existence for 2 years as of September 30, 2019 (updated to September 30, 2020 in 2023) in order to recover from the effects of the 2020 COVID-19 pandemic. All funds were fully deployed in 2024, and as these funds are repaid, the funds will be available for lending through the NOF.

Commercial Property Assessed Clean Energy and Resilience Fund

The Commercial Property Assessed Clean Energy and Resilience (C-PACER) loan program was added to the Corporation's portfolio of energy-efficiency products in 2023. C-PACER financing is available for commercial and multifamily projects, including both existing and newly constructed properties. This program empowers property owners and developers to fund various energy efficiency, renewable energy, and resiliency enhancements by having voluntary tax assessments (liens) placed on covered properties by the local government where the project is located. These loans allow term financing matching a project's life – typically 20 to 25 years. The lien securing these assessments remains on the covered property if the building is sold, unless the loan is repaid prior to the sale of the property.

Lend TN

LendTN is a component of Fund Tennessee, part of the State Small Business Credit Initiative also authorized by the American Rescue Plan Act. LendTN is a \$47 million loan program administered by CDFIs across the state designed and intended to provide access to funds for new and existing Tennessee small businesses and entrepreneurs to help stabilize, pivot, expand, or re-start. Eligible uses of loans under LendTN include, but are not limited to, equipment, working capital, and real estate.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

LOAN FUND DESCRIPTIONS (CONTINUED)

DECEMBER 31, 2024 AND 2023

Loans receivable were funded from the following programs as of December 31:

	<u>2024</u>	<u>2023</u>
Nashville Opportunity Fund (NOF)	\$ 12,164,026	\$ 7,964,182
Knox County Technology and Jobs Fund (KCTJF)	4,305,905	3,561,993
Tennessee Rural Opportunity Fund (TNROF)	17,872,208	20,679,794
Tennessee Rural Opportunity Fund (TNROF-RR)	27,594	104,178
SCC Revolving Loan Fund (RLF)	7,787,642	10,768,373
SBA Micro Loan Funds (SBA)	1,296,557	1,559,056
Small Business Job Opportunity Fund (SBJOF)	51,846,002	37,715,137
Small Business Job Opportunity Fund (SBJOF-RRT)	16,441	37,783
Small Business Job Opportunity Fund (SBJOF-RR)	91,043	203,600
Small Business Job Opportunity Fund (SBJOF-RS)	3,087	24,878
Chattanooga Small Business Opportunity Fund	1,605,613	1,487,783
Memphis Medical District Investment Fund (MMDIF)	13,588,526	11,045,625
Tennessee Energy Efficiency Fund (TNEEF)	18,413,518	14,523,700
Affordable Multifamily Housing Loan Program (MFIPT)	63,788,730	53,053,511
Lend TN	570,128	-
Memphis Small Business Opportunity Fund (MSBOF)	11,071,666	7,589,596
Small Business Opportunity Fund Memphis (SBJOF-M-RS)	29,933	63,757
Alabama Small Business Opportunity Fund (ASBOF)	1,300,910	357,903
Pathway Memphis LLC - Mezzanine Fund	658,378	1,039,798
Nashville Small Business Recovery Fund (NSBRF)	5,751,917	6,305,964
Pathway Lending Flex Fund (PLFF)	1,001,880	998,037
Veteran Loan Fund (VLF)	53,195	144,680
Commercial Property Assessed Clean Energy Resilience Fund (CPACER)	<u>926,943</u>	<u>997,459</u>
	214,171,842	180,226,787
Allowance for credit losses	<u>(9,511,285)</u>	<u>(9,137,519)</u>
	<u>\$ 204,660,557</u>	<u>\$ 171,089,268</u>

Pathway Housing Fund

The Pathway Housing Fund (PHF) was created in 2024 to allow Pathway Lending to acquire and retain affordable multifamily developments across Tennessee. Through PHF, the Corporation will acquire affordable housing developments including Naturally Occurring Affordable Housing (NOAH) with rents affordable for those households earning 50% - 120% of area median incomes. The Corporation intends to retain these properties to maintain their long-term affordability. As of December 31, 2024, PHF had received \$7 million in capitalization. No properties have been acquired.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2024

Program	Federal Assistance Listing (ALN)	Grant Contract Number	Grant Period	Balance 01/01/24	Amount Borrowed	Principal Paid	Balance 12/31/24
Direct Federal Loans							
<u>U.S. Small Business Administration:</u>							
Micro Loan Program	59.046 *	7508625003	05-26-15 to 05-26-25	\$ 120,279	\$ -	\$ 83,922	\$ 36,357
Micro Loan Program	59.046 *	8478565001	08-01-16 to 08-01-26	222,223	-	83,334	138,889
Micro Loan Program	59.046 *	2856927006	08-27-18 to 08-27-28	320,655	-	66,927	253,728
Micro Loan Program	59.046 *	4164359100	09-29-22 to 09-22-32	964,957	-	103,814	861,143
Total Federal Loans				<u>\$ 1,628,114</u>	<u>\$ -</u>	<u>\$ 337,997</u>	<u>\$ 1,290,117</u>
				Accrued (Deferred) Revenues 01/01/24	Cash Received/ Billings	Expenditures/ Amounts Earned	Accrued (Deferred) Revenues 12/31/24
<u>U.S. Small Business Administration (Direct):</u>							
SBA Micro Loan Intermediary Technical Assistance	59.046 *	SBAOCAML220394-01-00	07-01-23 to 06-30-24	\$ 133,840	\$ 198,847	\$ 123,308	\$ 58,301
SBA Micro Loan Intermediary Technical Assistance	59.046 *	SBAOCAML230547-01-00	07-01-24 to 06-30-25	-	-	118,906	118,906
Veteran Business Outreach Center	59.044	SBAOVVB230043-01-00	05-01-23 to 04-30-24	137,719	256,367	118,648	-
Veteran Business Outreach Center	59.044	SBAOVVB230043-02-00	05-01-24 to 04-30-25	-	60,509	208,006	147,497
SBA Prime	59.050	SBAOCAPR230121-01-00	09-30-23 to 09-29-24	40,541	166,353	125,812	-
Total U.S. Small Business Administration				<u>312,100</u>	<u>682,076</u>	<u>694,680</u>	<u>324,704</u>
<u>Appalachian Regional Commission</u>							
Appalachian Area Development	23.002	TN-21178	07-01-23 to 06-30-26	53,076	114,769	119,770	58,077
Appalachian Area Development	23.002	TN-21740	07-01-24 to 06-30-27	-	18,185	51,783	33,598
Total Appalachian Regional Commission				<u>53,076</u>	<u>132,954</u>	<u>171,553</u>	<u>91,675</u>
Total Federal Awards				<u>\$ 365,176</u>	<u>\$ 815,030</u>	<u>\$ 866,233</u>	<u>\$ 416,379</u>

* - Audited as a major program under Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Summary of expenditures by ALN number

23.002	\$ 171,553
59.046	1,870,328
59.044	326,654
59.050	125,812
Total	<u>\$ 2,494,347</u>

See notes to Schedule of Expenditures of Federal Awards on page 50.

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending (the Corporation) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 Part 200. Because the Schedule presents only a selected portion of the Organization, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - SUBRECIPIENTS

The Corporation did not pass any federal grant funds to subrecipients.

INTERNAL CONTROL AND COMPLIANCE



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors

Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending, which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated April 22, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the consolidated financial statements, we considered Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending’s internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KraftCPAs PLLC

Nashville, Tennessee
April 22, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending
Nashville, Tennessee

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Southeast Community Capital Corporation and Subsidiaries d/b/a Pathway Lending's (the "Corporation") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2024. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

NASHVILLE
615-242-7351

555 Great Circle Road
Nashville, TN 37228

CHATTANOOGA
423-894-7400

6136 Shallowford Road, Suite 101
Chattanooga, TN 37421

-53-

COLUMBIA
931-388-3711

610 North Garden Street, Suite 200
Columbia, TN 38401

LEBANON
615-449-2334

105 Bay Court
Lebanon, TN 37087

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KrajCPAs PLLC

Nashville, Tennessee
April 22, 2025

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARIES d/b/a PATHWAY LENDING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified? _____ Yes ___X___ None reported

Noncompliance material to financial statements noted?

_____ Yes ___X___ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ___X___ No
- Significant deficiency(ies) identified? _____ Yes ___X___ None reported

Type of auditor's report issued on compliance for major Federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

_____ Yes ___X___ No

Identification of major programs:

ALN Number(s) Name of Federal Program or Cluster

59.046 SBA Micro Loan Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___X___ Yes _____ No

SOUTHEAST COMMUNITY CAPITAL CORPORATION
AND SUBSIDIARY d/b/a PATHWAY LENDING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2024

Financial Statement Findings:

Finding Number	Finding Title	Status
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There were no current year or prior year findings.

Federal Award Findings and Questioned Costs:

Finding Number	Finding Title	Status
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There were no current year or prior year findings.