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

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

DECEMBER 31, 2022 AND 2021

SOUTHEAST COMMUNITY CAPITAL CORPORATION AND SUBSIDIARIES d/b/a PATHWAY LENDING CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND INDEPENDENT AUDITOR'S REPORTS DECEMBER 31, 2022 AND 2021

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Southeast Community Capital Corporation
and Subsidiaries d/b/a Pathway Lending
Board of Directors and Executive Management 2022

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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, 2022 and 2021, 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, 2022 and 2021, 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 39 - 47 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 46 - 47 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 39 - 47 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.

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 [Date], 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'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
[Date]

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 10,246,592	$ 7,628,648
Restricted cash - lending	115,903,406	84,030,454
Restricted cash - loan loss reserve funds	7,242,269	15,973,874
Restricted cash - other	7,473,400	4,970,709
Due from grantors	277,519	681,181
Other accounts receivable	530,975	1,789,852
Interest receivable	573,665	608,256
Loans receivable, net of allowance for possible loan losses of $7,098,402 and $8,937,137 at 2022 and 2021, respectively	138,873,821	144,663,416
Federal Home Loan Bank stock, at cost	258,200	301,200
Property and equipment, net	1,347,861	3,033,151
Other assets	849,672	716,137
TOTAL ASSETS	$ 283,577,380	$ 264,396,878
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 1,729,913	$ 337,738
Interest payable	1,065,263	561,248
Lines of credit payable	58,000,000	57,000,000
Mortgages payable	-	1,714,025
Notes payable	164,492,560	153,112,565
Deferred revenue	8,571,861	7,005,960
Other liabilities	1,422,254	1,245,377
TOTAL LIABILITIES	235,281,851	220,976,913
NET ASSETS		
Without donor restrictions	46,833,243	41,409,254
With donor restrictions	1,462,286	2,010,711
TOTAL NET ASSETS	48,295,529	43,419,965
TOTAL LIABILITIES AND NET ASSETS	$ 283,577,380	$ 264,396,878

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grant and Contribution Revenue			
U.S. Treasury CDFI Award	$ 690,000	$ -	$ 690,000
U.S. Small Business Administration - Technical Assistance	370,450	-	370,450
U.S. Small Business Administration VBOC	328,460	-	328,460
U.S. Small Business Administration SBA Prime	79,723	-	79,723
Metropolitan Development and Housing Agency			
Community Development Block Grant	48,375	-	48,375
State of Tennessee - Rural Opportunity Fund	66,109	-	66,109
State of Tennessee - Tennessee Placemakers	5,267	-	5,267
Metropolitan Government of Nashville and Davidson County - operating	1,043,068	-	1,043,068
Metropolitan Government of Nashville and Davidson County - loan funds	2,775,000	-	2,775,000
Metropolitan Government of Nashville and Davidson County - passthrough	8,343,277	-	8,343,277
TVA passthrough funds	5,916,118	-	5,916,118
Ignite passthrough funds	12,000	-	12,000
United Way	18,000	18,000	36,000
Corporate and foundation operational grants	709,262	-	709,262
City of Chattanooga	-	50,000	50,000
Contributed loan capital	2,620,847	-	2,620,847
Total Grant and Contribution Revenue	23,025,956	68,000	23,093,956
Interest and Program Service Revenue			
Interest income - loans	7,823,076	-	7,823,076
Interest income - bank deposits	1,429,039	-	1,429,039
Financing fees and charges	970,414	-	970,414
Fee income	431,925	-	431,925
Total Interest and Program Services Revenue	10,654,454	-	10,654,454
Other Support			
Gain on sale of building	438,718	-	438,718
Inkind and other contributions	121,311	-	121,311
Miscellaneous	91,607	-	91,607
Rental income	59,875	-	59,875
Net Assets Released From Restrictions			
Loan loss reserve usage	250,000	(250,000)	-
Alabama Small Business Opportunity Fund - time release	348,425	(348,425)	-
Women's business center - purpose release	18,000	(18,000)	-
TOTAL REVENUE AND OTHER SUPPORT	35,008,346	(548,425)	34,459,921
EXPENSES			
Program activities			
Lending and education programs	28,421,071	-	28,421,071
Supporting services			
Administrative and general	1,152,056	-	1,152,056
Fundraising activities	11,230	-	11,230
TOTAL EXPENSES	29,584,357	-	29,584,357
CHANGE IN NET ASSETS	5,423,989	(548,425)	4,875,564
NET ASSETS - BEGINNING OF YEAR	41,409,254	2,010,711	43,419,965
NET ASSETS - END OF YEAR	$ 46,833,243	$ 1,462,286	$ 48,295,529

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Grant and Contribution Revenue			
U.S. Treasury CDFI Award	$ 1,826,265	$ -	$ 1,826,265
U.S. Small Business Administration - Technical Assistance	331,225	-	331,225
U.S. Small Business Administration WBC	124,405	-	124,405
U.S. Small Business Administration WBC COVID	95,186	-	95,186
U.S. Small Business Administration VBOC	284,056	-	284,056
U.S. Small Business Administration SBA Prime	183,043	-	183,043
Metropolitan Development and Housing Agency			
Community Development Block Grant	127,891	-	127,891
State of Tennessee - Rural Opportunity Fund	40,085	-	40,085
State of Tennessee - Tennessee Placemakers	13,212	-	13,212
Appalachian Regional Commission	10,063	-	10,063
Metropolitan Government of Nashville and Davidson County - operating	150,000	-	150,000
Metropolitan Government of Nashville and Davidson County - passthrough	1,850,000	-	1,850,000
TVA passthrough funds	1,323,264	-	1,323,264
Truist - passthrough loan funds	47,864	-	47,864
United Way	18,000	18,000	36,000
Corporate and foundation operational grants	1,194,014	-	1,194,014
Contributed loan capital	4,838,337	-	4,838,337
Total Grant and Contribution Revenue	12,456,910	18,000	12,474,910
Interest and Program Service Revenue			
Interest income - loans	7,496,442	-	7,496,442
Interest income - bank deposits	250,416	-	250,416
Financing fees and charges	1,347,170	-	1,347,170
Fee income	410,988	-	410,988
Total Interest and Program Services Revenue	9,505,016	-	9,505,016
Other Support			
Inkind and other contributions	440,877	-	440,877
Miscellaneous	89,077	-	89,077
Rental income	168,062	-	168,062
Net Assets Released From Restrictions			
Women's business center - purpose release	18,000	(18,000)	-
TOTAL REVENUE AND OTHER SUPPORT	22,677,942	-	22,677,942
EXPENSES			
Program activities			
Lending and education programs	12,416,361	-	12,416,361
Supporting services			
Administrative and general	966,208	-	966,208
Fundraising activities	129	-	129
TOTAL EXPENSES	13,382,698	-	13,382,698
CHANGE IN NET ASSETS	9,295,244	-	9,295,244
NET ASSETS - BEGINNING OF YEAR	32,114,010	2,010,711	34,124,721
NET ASSETS - END OF YEAR	$ 41,409,254	$ 2,010,711	$ 43,419,965

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, 2022 AND 2021

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	$ 4,875,564	$ 9,295,244
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,542	114,937
Contributed loan capital from equity equivalent agreements	(2,620,847)	(4,838,337)
Contributed loan capital from new contributions	-	900,000
Loan loss provision (recovery)	1,887,917	(462,725)
Gain on sale of property and equipment	(438,718)	-
Net changes in:		
Due from grantors	403,662	73,826
Interest receivable	34,591	416,312
Other accounts receivable	1,258,877	(848,556)
Other assets	(133,535)	(108,218)
Accounts payable	1,392,175	124,674
Interest payable	504,015	(426,685)
Deferred revenue	1,565,901	3,883,667
Other liabilities	176,877	123,032
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,001,021	8,247,171
INVESTING ACTIVITIES		
Changes in loans receivable, net of charge offs	3,901,678	(15,348,333)
Redemption of FHLB stock	43,000	-
Proceeds from sale of property and equipment	915,156	-
Acquisition of property and equipment	(62,628)	(34,305)
Due from grantors	-	200,000
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	4,797,206	(15,182,638)
FINANCING ACTIVITIES		
Net change in lines of credit	1,000,000	20,000,000
Payments on mortgage and notes payable	(4,236,245)	(2,796,528)
Proceeds from notes payable	17,700,000	47,439,148
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,463,755	64,642,620
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,261,982	57,707,153
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	112,603,685	54,896,532
CASH AND RESTRICTED CASH - END OF YEAR	$ 140,865,667	$ 112,603,685
Cash and cash equivalents	$ 10,246,592	$ 7,628,648
Restricted cash - lending	115,903,406	84,030,454
Restricted cash - loan loss reserve funds	7,242,269	15,973,874
Restricted cash - other	7,473,400	4,970,709
TOTAL CASH	$ 140,865,667	$ 112,603,685
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 2,782,948	$ 1,528,520

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, 2022

	Lending and Education Programs	Administrative and General	Fundraising Activities	Total
Salaries and benefits	$ 6,791,212	$ 866,074	$ 10,870	$ 7,668,156
Travel	232,465	4,209	313	236,987
Dues, licenses, permits	40,225	2,556	-	42,781
Office expenses	147,887	7,607	-	155,494
Telecommunications	110,236	10,800	-	121,036
Postage and freight	3,601	272	-	3,873
Equipment maintenance	528	59	-	587
Professional services	590,609	36,214	-	626,823
Consulting	516,452	12,984	-	529,436
Marketing	60,726	170	-	60,896
Insurance	94,673	20,978	-	115,651
Occupancy	120,457	146,339	-	266,796
Depreciation	65,060	29,482	-	94,542
Conferences and meetings	153,084	6,278	-	159,362
Loan loss provision	1,887,870	-	47	1,887,917
Miscellaneous	54,033	1,629	-	55,662
Interest expense	3,280,558	6,405	-	3,286,963
Passthrough grants awarded				
Metro Nashville grants	8,343,277	-	-	8,343,277
TVA passthrough expenses	5,916,118	-	-	5,916,118
Ignite grant	12,000	-	-	12,000
Total	$ 28,421,071	$ 1,152,056	$ 11,230	$ 29,584,357

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, 2021

	Lending and Education Programs	Administrative and General	Fundraising Activities	Total
Salaries and benefits	$ 5,838,330	$ 771,016	$ 129	$ 6,609,475
Travel	102,012	943	-	102,955
Dues, licenses, permits	36,788	5,546	-	42,334
Office expenses	132,297	6,383	-	138,680
Telecommunications	67,717	6,644	-	74,361
Postage and freight	2,599	105	-	2,704
Professional services	574,281	36,700	-	610,981
Consulting	537,978	6,866	-	544,844
Marketing	4,297	22	-	4,319
Insurance	83,846	20,213	-	104,059
Occupancy	97,987	68,976	-	166,963
Depreciation	77,341	37,596	-	114,937
Conferences and meetings	102,216	2,914	-	105,130
Loan loss provision (recovery)	(462,725)	-	-	(462,725)
Miscellaneous	38,978	2,284	-	41,262
Interest expense	1,961,291	-	-	1,961,291
Passthrough grants awarded				
Metro Nashville grants	1,850,000	-	-	1,850,000
TVA passthrough expenses	1,323,264	-	-	1,323,264
Truist awards	47,864	-	-	47,864
Total	$ 12,416,361	$ 966,208	$ 129	$ 13,382,698

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

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 only state-wide 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, 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 sustainability. The Corporation provides loans to target markets including: 1) small businesses in low and moderate-income areas, 2) low and moderate-income entrepreneurs, 3) African-American owned businesses, and 4) small businesses that hire low and moderate-income individuals throughout Tennessee, Alabama and portions of Mississippi, Arkansas and Kentucky. 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 Technical Assistance Division, the U.S. Small Business Administration Women's Business Ownership Assistance Division, 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.

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.

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, and PL Birchstone Village, 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 assts without donor restrictions in the consolidated statements of activities.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

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, 2022. For the year ended December 31, 2021 $6,783 in specialized services were contributed to the Corporation and were reflected in the consolidated financial statements. 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 2022 for the Knoxville location in the amount of $9,000. This is listed as lease expense on the statement 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Loan Losses

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Loan Losses (Continued)

The allowance for possible loan losses is established by charges to operations and is maintained at an amount which management believes adequate to absorb possible losses on existing loans that may be uncollectible, based on evaluations of loan collectability and on prior loan loss experience. The evaluations consider such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, reviews of specific problem loans, and current economic conditions that may affect a borrower's ability to pay. Factors considered as part of the current economic conditions include, but are not limited to interest rate trends, local business conditions, national economic and political movement, past due ratios and concentrations.

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.

A loan is considered impaired when, based on current information; it is probable that all amounts of principal and interest due will not be collected according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. The amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or for collateral dependent loans, based on a loan's observable market price or the fair value of the collateral.

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

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.

The Corporation files a U.S. Federal Form 990 for organizations exempt from income tax, and U.S. Federal Form 990-T for organizations exempt from income tax with unrelated business income. In addition, the Corporation files an income tax return in the State of Tennessee.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 $60,869 and $4,215 for the years ended December 31, 2022 and 2021, 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.

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, 2022.

Recent Authoritative Accounting Guidance

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 creates a new credit impairment standard for financial assets measured at amortized cost and available sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Corporation is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation. These reclassifications had no effect on the prior year change in net assets.

Events Occurring After Reporting Date

The Corporation has evaluated events and transactions that occurred between December 31, 2022 and [Date], 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:

	2022	2021
Cash and cash equivalents	$ 10,246,592	$ 7,628,648
Restricted cash - lending	4,200,000	4,200,000
Interest receivable	573,665	608,256
Due from grantors for operations	277,519	243,681
Financial assets available to meet cash needs for general expenditures within one year	$ 15,297,776	$ 12,680,585

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, 2022 and 2021 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.

NOTE 4 - DUE FROM GRANTORS

Due from grantors consist of the following at December 31:

	2022	2021
U.S. Small Business Administration Technical Assistance Grant	$ 185,045	$ 73,411
U.S. Small Business Administration Women's Business Ownership Assistance	-	37,500
U.S. Small Business Administration Veteran Business Outreach Center	51,860	49,776
U.S. Small Business Administration		
SBA Prime	25,684	39,794
Metropolitan Development and Housing Agency Community Development Block Grant	12,820	24,200
State of Tennessee Department of Economic and Community Development	2,110	19,000
Christian Brothers University	-	237,500
Memphis Corporate Grant - Epicenter	-	200,000
	$ 277,519	$ 681,181

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 2 to 240 months for term loans and 12 to 76 months for lines of credit. Interest rates range from 2.0% to 15.0%. 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, 2022 and 2021 is summarized in the table below:

	At December 31,			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
2022				
Performing loans	$ 88,718,417	$ 37,342,080	$ 15,013,256	$ 141,073,753
Impaired loans	2,819,149	2,034,332	44,989	4,898,470
	$ 91,537,566	$ 39,376,412	$ 15,058,245	$ 145,972,223
2021				
Performing loans	$ 84,352,094	$ 42,777,377	$ 16,853,868	$ 143,983,339
Impaired loans	2,840,544	3,722,681	53,989	6,617,214
	$ 87,192,638	$ 46,500,058	$ 16,907,857	$ 150,600,553

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

	At December 31,			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
2022				
Allowance related to:				
Performing loans	$ 1,341,900	$ 3,626,350	$ 277,745	$ 5,245,995
Impaired loans	295,240	1,512,178	44,989	1,852,407
	$ 1,637,140	$ 5,138,528	$ 322,734	$ 7,098,402
2021				
Allowance related to:				
Performing loans	$ 1,254,757	$ 4,141,613	$ 311,797	$ 5,708,167
Impaired loans	296,253	2,878,728	53,989	3,228,970
	$ 1,551,010	$ 7,020,341	$ 365,786	$ 8,937,137

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

Changes in the allowance for loan losses for the year ended December 31, 2022 and 2021 are summarized in the table below:

	For the year ended December 31, 2022			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
Beginning Balance	$ 1,551,010	$ 7,020,341	$ 365,786	$ 8,937,137
Charged off loans	-	(4,019,621)	-	(4,019,621)
Recoveries	137,500	155,469	-	292,969
Provision for loan losses	(51,370)	1,982,339	(43,052)	1,887,917
Ending Balance	$ 1,637,140	$ 5,138,528	$ 322,734	$ 7,098,402

	For the year ended December 31, 2021			
	Commercial Real Estate Loans	Commercial Loans	Energy Efficiency Loans	Total
Beginning Balance	$ 1,226,880	$ 7,819,548	$ 428,289	$ 9,474,717
Charged off loans	-	(365,634)	(20,052)	(385,686)
Recoveries	1,165	309,666	-	310,831
Provision for loan losses	412,965	(833,239)	(42,451)	(462,725)
Ending Balance	$ 1,641,010	$ 6,930,341	$ 365,786	$ 8,937,137

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.

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The allowance for loan losses at December 31, 2022 and 2021 is $7,098,402 or 4.86% of gross loans and $8,937,137 or 5.82% of gross loans, respectively.

In assessing the adequacy of the allowance for loan 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 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.

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, 2022 and 2021:

	At December 31,			
	Commercial Real Estate Loans		Commercial Loans	
	2022	2021	2022	2021
Loan Risk Ratings:				
Pass One	$ 81,973,134	$ 73,330,557	$ 29,232,971	$ 33,428,405
Pass Two	6,745,283	11,021,517	8,109,109	12,348,972
Substandard	2,819,149	2,840,544	1,934,432	3,641,347
Doubtful/Loss	-	-	99,900	81,334
	$ 91,537,566	$ 87,192,618	$ 39,376,412	$ 49,500,058

	Energy Efficiency Loans		Total	
	2022	2021	2022	2021
Pass One	$ 15,013,256	$ 16,834,251	$ 126,219,361	$ 123,593,233
Pass Two	-	19,617	14,854,392	23,390,106
Substandard	-	-	4,753,581	6,481,891
Doubtful/Loss	44,989	53,989	144,889	135,323
	$ 15,058,245	$ 16,907,857	$ 145,972,223	$ 153,600,553

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 $4,898,470 and $6,617,214 at December 31, 2022 and 2021, respectively and are included in the risk-rated tables.

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, 2022 and 2021 by loan category and the amount of interest income recognized on these loans on a cash basis throughout 2022 and 2021:

	At December 31, 2022			For the year ended December 31, 2022	
	Recorded Investment	Unpaid principal balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no recorded allowance:					
Commercial Real Estate Loans	$ 1,729,311	$ 1,729,311	$ -	$ 1,732,351	$ 120,990
Commercial Loans	389,777	389,777	-	302,393	21,990
Energy Efficiency Loans	-	-	-	-	-
Total	$ 2,119,088	$ 2,119,088	$ -	$ 2,034,744	$ 142,980
Impaired loans with a recorded allowance:					
Commercial Real Estate Loans	$ 1,089,838	$ 1,089,838	$ 295,240	$ 1,099,895	$ 15,063
Commercial Loans	1,644,555	1,644,555	1,512,178	1,650,715	115,499
Energy Efficiency Loans	44,989	44,989	44,989	48,989	-
Total	$ 2,779,382	$ 2,779,382	$ 1,852,407	$ 2,799,599	$ 130,562

	At December 31, 2021			For the year ended December 31, 2021	
	Recorded Investment	Unpaid principal balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no recorded allowance:					
Commercial Real Estate Loans	$ 1,734,071	$ 1,734,071	$ -	$ 1,734,071	$ 120,368
Commercial Loans	249,742	249,742	-	266,385	23,160
Energy Efficiency Loans	-	-	-	-	-
Total	$ 1,983,813	$ 1,983,813	$ -	$ 2,000,456	$ 143,528
Impaired loans with a recorded allowance:					
Commercial Real Estate Loans	$ 1,106,473	$ 1,106,473	$ 296,253	$ 1,108,110	$ 15,365
Commercial Loans	3,472,939	3,472,939	2,878,728	3,711,278	131,894
Energy Efficiency Loans	53,989	53,989	53,989	58,739	-
Total	$ 4,633,401	$ 4,633,401	$ 3,228,970	$ 4,878,127	$ 147,259

NOTE 5 - LOANS RECEIVABLE (CONTINUED)

The tables below present past due balances at December 31, 2022 and 2021, by loan classification allocated between performing and impaired status:

	At December 31, 2022					
	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	$ -	$ -	$ -	$ 2,819,149	$ 88,718,417	$ 91,537,566
Commercial Loans	50,175	2,500	52,675	2,034,332	37,289,405	39,376,412
Energy Efficiency Loans	-	-	-	44,989	15,013,256	15,058,245
	$ 50,175	$ 2,500	$ 52,675	$ 4,898,470	$ 141,021,078	$ 145,972,223

	At December 31, 2021					
	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	$ -	$ -	$ -	$ 2,840,544	$ 87,352,094	$ 90,192,638
Commercial Loans	16,062	-	16,062	3,722,681	42,761,315	46,500,058
Energy Efficiency Loans	-	-	-	53,989	16,853,868	16,907,857
	$ 16,062	$ -	$ 16,062	$ 6,617,214	$ 146,967,277	$ 153,600,553

Nonaccrual loans totaled $1,452,926 and $4,288,414 as of December 31, 2022 and 2021, respectively. There are no loans past due more than 90 days and still accruing interest.

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. These loans are considered troubled debt restructurings. During 2022 the Corporation had six commercial restructurings that qualified as troubled debt restructurings with a total balance of $193,900 as of December 31, 2022. All troubled debt restructurings are considered impaired and included in the tables above. Specific reserves attributed to troubled debt restructurings totaled $188,158 as of December 31, 2022. During 2021 the Corporation had nine commercial restructurings that qualified as troubled debt restructurings with a total balance of $523,237 as of December 31, 2021. All troubled debt restructurings are considered impaired and included in the tables above. Specific reserves attributed to troubled debt restructurings totaled $231,564 as of December 31, 2021.

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 697 loans at December 31, 2022 (733 loans at December 31, 2021) with principal balances ranging from $106 to $8,800,000. 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:

	2022	2021
Balance, January 1	$ 408,547	$ 170,220
Advances and other additions	55,000	298,500
Repayments and other reductions	(102,094)	(60,173)
Balance, December 31	$ 361,453	$ 408,547

A schedule, by year, of principal maturities of loans receivable as of December 31, 2022 follows:

Year ending December 31,	
2023	$ 29,190,101
2024	15,503,219
2025	17,013,156
2026	17,012,831
2027	17,172,546
Thereafter	50,080,370
	145,972,223
Less: Allowance for loan losses	(7,098,402)
Total	$ 138,873,821

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2022	2021
Buildings and improvements	$ 1,937,758	$ 3,663,555
Equipment	317,525	283,831
	2,255,283	3,947,386
Less: accumulated depreciation	(907,422)	(914,235)
Property and equipment - net	$ 1,347,861	$ 3,033,151

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 November 5, 2022 the line was extended to November 5, 2023. At December 31, 2022 and 2021, the rate was 3.50% and 0.00%, respectively. The amount borrowed and outstanding for the years ended December 31, 2022 and 2021 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. At December 31, 2022 and 2021, the rate was 3.50% and 0.00%, respectively. The amount borrowed and outstanding for the years ended December 31, 2022 and 2021 was $17,000,000 and $16,000,000, respectively.

NOTE 7 - LINES OF CREDIT (CONTINUED)

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. At December 31, 2022 and 2021, the rate was 3.50% and 0.00%, respectively. The amount borrowed and outstanding for the years ended December 31, 2022 and 2021 was $5,000,000.

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. At December 31, 2022 and 2021, the rate was 3.50% and 0.00%, respectively. The amount borrowed and outstanding for the years ended December 31, 2022 and 2021 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%, maturing on June 30, 2022. On June 29, 2022, the line was extended to June 30, 2023. At December 31, 2022 and 2021, the rate was 3.50% and 0.00%, respectively. The amount borrowed and outstanding for the years ended December 31, 2022 and 2021 was $15,000,000.

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, 2022.

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 2022.

Stock held in the FHLB totaling $258,200 at December 31, 2022 is carried at cost. The stock is restricted and can only be sold back to the FHLB at par.

NOTE 8 - MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable consist of the following at December 31:

	2022	2021
General corporate debt:		
Mortgages payable	$ -	$ 1,714,025
Other payable	-	161,755
	-	1,875,780
Lending program debt:		
SBA notes payable	1,896,168	1,168,731
Other notes payable	48,900,000	46,215,492
Equity equivalent agreements	113,696,392	105,566,587
	164,492,560	152,950,810
Total mortgages and notes payable	$ 164,492,560	$ 154,826,590

The Corporation had a mortgage payable on its principal office building in Nashville. The mortgage was refinanced during 2020. Terms required monthly payments of principal and interest for 59 months and a final payment of all principal and interest, at a floating rate equal to prime minus 4% (3.50% and 0.00% at December 31, 2022 and 2021, respectively), and was scheduled to mature April 1, 2026. The mortgage payable balance was paid off during 2022. The mortgage balance for the years ended December 31, 2022 and 2021 was $0 and $496,038, respectively.

On February 25, 2019, the Corporation secured financing in the amount of $1,368,500 for the purchase of a building on an adjacent lot. Terms required monthly payments of principal and interest for 59 months and a final payment of all principal and interest, at a floating rate equal to prime minus 4% (3.50% at December 31, 2022 and 2021), and was scheduled to mature February 25, 2024. In September 2022, the Corporation sold the underlying property, which resulted in a gain of $438,718 and the mortgage payable balance was paid off. The mortgage balance for the years ended December 31, 2022 and 2021 was $0 and $1,217,987, respectively.

NOTE 8 - MORTGAGES AND NOTES PAYABLE (CONTINUED)

Other Payable

The Corporation had a note payable related to severance fees paid to Tech 20/20 during 2015. On September 7, 2019, the Corporation refinanced the note payable to reduce the note payable on the new building. The new terms required principal and interest payments for 60 months, with a final payment of all unpaid principal and interest on September 6, 2024. The loan was paid off during 2022. Interest is calculated as prime minus 4% (3.50% at December 31, 2022 and 2021). The balance for the years ended December 31, 2022 and 2021 was \$0 and \$161,755, respectively.

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, 2022 and 2021. The loans mature at the end of 10 years.

SBA Notes Payable	Origination Date	Note Amount	2022	2021
5274865002	8/30/2012	$ 550,000	$ -	$ 40,741
7508625003	5/26/2015	750,000	203,993	287,498
8478565001	8/1/2016	750,000	305,556	388,889
2856927006	8/30/2018	600,000	386,619	451,603
4164359100	9/29/2022	1,000,000	1,000,000	-
		$ 3,650,000	$ 1,896,168	$ 1,168,731

NOTE 8 - MORTGAGES AND 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 Date	Interest Rate	Note Amount	Principal Balance Outstanding 2022	Principal Balance Outstanding 2021
Appalachian Community Capital note, 2.63% (Principal due $1,000,000 per year on March 31, 2021, 2022 and 2023)	9/28/2015	2.63%	$ 3,000,000	$ 1,000,000	$ 2,000,000
Regions Bank, 3% (Principal due upon maturity - June 30, 2022)	6/30/2017	3.00%	1,000,000	-	1,000,000
US Bank note (Principal due upon maturity - October 2022)	10/23/2018	3.00%	2,000,000	2,000,000	2,000,000
Kresge Foundation (Principal due upon maturity - December 2029)	12/12/2019	2.00%	250,000	700,000	250,000
PNC Bank PPP Facilitation Loan 1% matures May 2026 payments subject to PPP forgiveness in 2022	3/12/2021	1.00%	765,492	-	765,492
TVA - 10 Years, No Interest (Principal due upon maturity - May 2031)	5/18/2021	0.00%	10,000,000	10,000,000	10,000,000
Regions Bank, Prime - 4% (Principal due upon maturity - July 2039)	7/9/2021	varies	10,000,000	10,000,000	10,000,000
Truist Bank (Principal due upon maturity - July 2039)	7/9/2021	0.00%	10,000,000	10,000,000	10,000,000
First Horizon, Prime - 4% (Principal due upon maturity - July 2039)	7/9/2021	varies	10,000,000	10,000,000	10,000,000
Veterans Loan Fund, 2.6% matures December 2028	12/31/2021	2.60%	200,000	200,000	200,000
Opportunity Finance Network, 2% matures May 2027	5/11/2022	2.00%	5,000,000	5,000,000	-
Total			$ 52,215,492	$ 48,900,000	$ 46,215,492

NOTE 8 - MORTGAGES AND 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 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. 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, 2022, $2,620,847 of TN-SBJOF debt was forgiven ($3,938,337 as of December 31, 2021) and the contributed amount received was recognized accordingly.

The notes have interest rates ranging from 0% to 3.50% per annum. Maturity dates range from April 2023 to December 2032.

Principal advanced during 2022 and 2021 amounted to $11,150,000 and $15,200,000, respectively. The principal balance outstanding at December 31, 2022 and 2021 was $113,696,392 and $105,566,587 respectively.

Maturities of mortgages and notes payable as of December 31, 2022 are as follows:

Year ending December 31,	
2023	$ 3,264,224
2024	310,246
2025	327,339
2026	266,851
2027	5,214,845
Thereafter	41,412,663
Equity equivalent agreements	113,696,392
	$ 164,492,560

NOTE 9 - NET ASSETS

Net assets consist of the following at December 31:

	2022	2021
Without donor restrictions:		
Undesignated	$ 22,921,162	$ 14,980,026
Designated by the Board of Directors for loan capital	24,460,505	26,429,228
	47,381,667	41,409,254
With donor restrictions:		
Purpose restricted	1,462,286	2,010,711
Total net assets	$ 48,843,953	$ 43,419,965

Net assets designated by the Board of Directors for loan capital is composed of the following items as of December 31, 2022 and 2021:

	2022	2021
SBJOF State Grant (net of losses and recoveries)	$ 2,060,505	$ 3,989,228
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)	7,125,000	7,125,000
OFN Contribution (Starbucks Initiative)	230,000	230,000
UCB Contribution (Pathway Memphis LLC)	910,000	950,000
Regions Bank	135,000	135,000
	$ 24,460,505	$ 26,429,228

NOTE 9 - NET ASSETS (CONTINUED)

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, MSBOF, CSBOF, MSBOF and ARC programs and operational expenses for the WBC programs. Operational revenues for the WBC are moved to net assets without donor restrictions as time passes. As actual loan losses are recognized, cash from these loan loss reserves is transferred to the corresponding lending accounts to replenish lending funds.

	ARC	CSBOF	KCTJF	WBC	ASBOF	MSBOF	Total
Net Assets with Donor Restrictions							
January 1, 2021	$ 250,000	$ -	$ 394,286	$ 18,000	$ 348,425	$ 1,000,000	$ 2,010,711
Increases	-	-	-	18,000	-	-	18,000
Releases from restriction	-	-	-	(18,000)	-	-	(18,000)
December 31, 2021	250,000	-	394,286	18,000	348,425	1,000,000	2,010,711
Increases (decreases)	-	50,000	-	18,000	-	-	68,000
Releases from restriction (time)	-	-	-	(18,000)	(348,425)	-	(366,425)
Loan loss reserve usage (release)	(250,000)	-	-	-	-	-	(250,000)
December 31, 2022	$ -	$ 50,000	$ 394,286	$ 18,000	$ -	$ 1,000,000	$ 1,462,286

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 quarterly analysis on four 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 $7,242,269 and $15,973,874 as of December 31, 2022 and 2021, respectively, to cover any loan losses.

NOTE 10 - RISKS, CONTINGENCIES, AND ECONOMIC CONCENTRATION (CONTINUED)

The Corporation's various programs receive funding from several federal, state and local governments. During 2022, the Corporation received a contract award of approximately $12 million from Metropolitan Government of Nashville and Davidson (36% of 2022 total revenue and support). The majority of these funds (98%) were passed through or loaned to small businesses in the Nashville area.

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.

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 loan 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, 2022 and 2021.

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.

NOTE 11 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Corporation's major category of assets measured at fair value on a nonrecurring basis at December 31, 2022 and 2021:

	Total reported value in the Statement of Financial Position	Level 1	Level 2	Level 3
2022				
Impaired Loans (included in loans receivable)	$ 926,975	$ -	$ -	$ 926,975
2021				
Impaired Loans (included in loans receivable)	$ 1,404,431	$ -	$ -	$ 1,404,431

The following table present 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:

	2022 Fair Value	2021 Fair Value	Valuation Techniques	Significant Unobservable Inputs
Impaired Loans	$ 926,975	$ 1,404,431	Appraisal	Discounts for Costs to Sell and Marketability of Collateral
			Present Value of Expected Future Cash Flows	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 $156,932 for 2022 and $146,192 for 2021.

NOTE 13 - SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT

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, 2022 and 2021 was $48,494 and $3,863, 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, 2022 and 2021 was $215,148 and $122,000, respectively.

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.

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

	2022	2021
ASSETS		
Restricted cash - lending	$ 485,994	$ 594,544
Interest receivable	4,679	3,707
Loans receivable	910,305	354,217
TOTAL ASSETS	$ 1,400,978	$ 952,468
LIABILITIES AND NET ASSETS		
LIABILITIES		
Interest payable	$ 18,334	$ 10,178
Notes payable	700,000	250,000
Other liabilities	50,000	50,000
TOTAL LIABILITIES	768,334	310,178
NET ASSETS		
Without donor restrictions:		
Undesignated (deficit)	(317,356)	(70,210)
Board designated	950,000	712,500
TOTAL NET ASSETS	632,644	642,290
TOTAL LIABILITIES AND NET ASSETS	$ 1,400,978	$ 952,468

NOTE 14 - PATHWAY MEMPHIS, LLC (CONTINUED)

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

	2022	2021
Contribution from Pathway Lending	$ 237,500	$ 475,000
Interest income - bank deposits	972	3,081
TOTAL REVENUE AND OTHER SUPPORT	238,472	478,081
EXPENSES		
Program activities	248,118	62,514
CHANGE IN NET ASSETS	(9,646)	415,567
NET ASSETS - BEGINNING OF YEAR	642,290	226,723
NET ASSETS - END OF YEAR	$ 632,644	$ 642,290

NOTE 15 - NMTC PROGRAM

During 2021, PWL CDE, LLC was awarded $30 million in New Market Tax Credit allocations to support development in low-income areas throughout its service area. As of December 31, 2022, and 2021, respectively, Pathway Lending CDE has deployed $30 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.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EQUITY EQUIVALENT AGREEMENTS

DECEMBER 31, 2022 AND 2021

	Origination Date	Original Note Amount	December 31 2022	December 31 2021
Synovus Bank (fka The Bank of Nashville) (Nashville, TN)	9/28/2006	$ 500,000	$ 500,000	$ 500,000
Pinnacle Bank (Nashville, TN)	1/15/2006	750,000	750,000	750,000
Renasant Bank (fka Capital Bank & Trust)	12/28/2006	200,000	-	200,000
InsBank (Nashville, TN)	12/29/2006	300,000	300,000	300,000
First Horizon Bank (fka Capital Bank) (Memphis, TN)	12/20/2006	800,000	794,604	794,604
Pinnacle Bank (Nashville, TN)	12/18/2007	250,000	250,000	250,000
Tennessee State Bank (Pigeon Forge, TN)	5/3/2012	1,270,847	-	1,270,847
Wilson Bank & Trust Company (Lebanon, TN)	6/5/2012	1,000,000	-	1,000,000
First Community (Shelbyville, TN)	8/15/2012	350,000	-	350,000
Regions (Birmingham, AL)	4/13/2013	5,000,000	5,000,000	5,000,000
CapStar Bank (Nashville, TN)	5/30/2013	900,000	900,000	900,000
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	1,000,000
Regions Bank (Birmingham, AL)	12/5/2014	1,500,000	1,500,000	1,500,000
Pinnacle Bank (fka Avenue Bank) (Nashville, TN)	12/18/2014	500,000	500,000	500,000
CapStar Bank (Nashville, TN)	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
Reliant Bank (fka First Advantage 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	1,999,348
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
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
Peoples Bank of Alabama	10/16/2017	100,000	100,000	100,000
Reliant Bank (fka Community Bank & Trust)	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
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

(continued)

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

SCHEDULE OF EQUITY EQUIVALENT AGREEMENTS

DECEMBER 31, 2022 AND 2021

	Origination Date	Original Note Amount	December 31 2022	December 31 2021
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
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	2/16/2022	1,250,000	1,250,000	-
FirstBank	2/17/2022	1,000,000	1,000,000	-
First Horizon	6/2/2022	1,000,000	1,000,000	-
Wilson Bank & Trust Company (Lebanon, TN)	7/12/2022	1,000,000	1,000,000	-
Regions Bank	7/26/2022	5,000,000	5,000,000	-
Regions Bank	7/26/2022	1,000,000	1,000,000	-
Renasant Bank	8/25/2022	200,000	200,000	-
Andrew Johnson	9/8/2022	500,000	500,000	-
		$ 119,022,635	$ 113,696,392	$ 105,566,587

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

LOAN FUND DESCRIPTIONS

DECEMBER 31, 2022 AND 2021

The Corporation and its Subsidiaries operate seventeen 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 $35 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 ($14 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.

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.

Affordable Multifamily Housing Loan Consortium

The Affordable Multifamily Housing Loan Consortium (the Consortium) represents a strategic public-private partnership that supports community needs through loans for construction, refinancing, and renovations on 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 Consortium addresses housing needs by providing capital for construction, refinancing, and retrofits of multifamily housing in low-to-moderate-income communities. The Consortium 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. Pathway Lending leads the underwriting and offers participation in the loan to TN Bankers Association (TBA) Member Banks. Pathway Lending originates and services the loans for the participating institutions and also monitors the development for compliance with state and federal affordable housing requirements.

Appalachian Loan Fund

The Appalachian (ARC) Loan Fund targets small businesses located or primarily operating in chronically underserved and economically distressed areas of the Appalachian region of Tennessee and that are either owned by low-income individuals or engaged in a business enterprise that will create jobs or lead to the retention of jobs for low-income individuals. This fund closed in February 2023. The loan balance from this fund was transferred to SCC Revolving Loan Fund (RLF).

Alabama Small Business Opportunity Fund

The Alabama Small Business Opportunity Fund (ASBOF) targets small businesses located or primarily operating in the Appalachian region of Alabama 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 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 The Mezzanine Fund was established to provide patient capital for businesses located within the Memphis Metropolitan Area.

Memphis Medical District Improvement 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 (25% units designated affordable); 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.

Pathway Lending Tennessee Flexible Funding

Pathway Lending Tennessee Flexible Funding (PLTNFF) 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 areas of Tennessee 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 financing 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 with a grant from the Metropolitan Government of Nashville and Davidson County. The fund is 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 as of September 30, 2019 in order to recover from the effects of the 2020 COVID-19 pandemic.

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

LOAN FUND DESCRIPTIONS (CONTINUED)

DECEMBER 31, 2022 AND 2021

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

	2022	2021
Nashville Opportunity Fund (NOF)	$ 4,219,756	$ 5,925,556
Knox County Technology and Jobs Fund (KCTJF)	2,961,450	3,436,187
Tennessee Rural Opportunity Fund (TNROF)	16,619,208	20,766,868
Tennessee Rural Opportunity Fund (TNROF-RR)	244,461	421,506
SCC Revolving Loan Fund (RLF)	7,005,485	6,125,478
SBA Micro Loan Funds (SBA)	1,143,596	1,174,954
Small Business Job Opportunity Fund (SBJOF)	35,422,532	36,847,640
Small Business Job Opportunity Fund (SBJOF-RRT)	58,295	116,988
Small Business Job Opportunity Fund (SBJOF-RR)	442,958	662,324
Small Business Job Opportunity Fund (SBJOF-RS)	60,135	99,055
Chattanooga Small Business Opportunity Fund	1,149,505	63,964
Memphis Medical District Initiative Fund (MMDIF)	4,357,056	3,532,650
Tennessee Energy Efficiency Fund (TNEEF)	15,058,244	16,907,857
Affordable Multifamily Housing Loan Program (MFIPT)	45,255,210	45,959,888
Appalachian Loan Fund (ARC)	996,136	1,920,042
Memphis Small Business Opportunity Fund (MSBOF)	7,035,720	6,390,519
Small Business Opportunity Fund Memphis (SBJOF-M-RS)	93,358	142,739
Alabama Small Business Opportunity Fund (ASBOF)	857,707	2,688,382
Pathway Memphis LLC - Mezzanine Fund	1,174,006	417,956
Nashville Small Business Recovery Fund (NSBRF)	1,272,773	-
Pathway Lending Tennessee Flexible Fund (PLTNFF)	433,955	-
Veteran Loan Fund (VLF)	110,677	-
	145,972,223	153,600,553
Allowance for loan losses	(7,098,402)	(8,937,137)
	$ 138,873,821	$ 144,663,416

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

DECEMBER 31, 2022

Program		Federal Assistance Listing	Grant Contract Number	Grant Period	Balance 01/01/22	Amount Borrowed	Principal Paid	Balance 12/31/22
Direct Federal Loans								
U.S. Small Business Administration:								
Micro Loan Program	*	59.046	5274865002	08-30-12 to 08-30-22	$ 40,741	$ -	$ 40,741	$ -
Micro Loan Program	*	59.046	7508625003	05-26-15 to 05-26-25	287,498	-	83,505	203,993
Micro Loan Program	*	59.046	8478565001	08-01-16 to 08-01-26	388,889	-	83,333	305,556
Micro Loan Program	*	59.046	2856927006	08-27-18 to 08-27-28	451,603	-	64,984	386,619
Micro Loan Program	*	59.046	4164359100	09-29-22 to 09-22-32	-	1,000,000	-	1,000,000
Total Federal Loans					$ 1,168,731	$ 1,000,000	$ 272,563	$ 1,896,168

Program		Federal Assistance Listing	Grant Contract Number	Grant Period	Accrued (Deferred) Revenues 01/01/22	Cash Received/ Billings	Expenditures/ Amounts Earned	Accrued (Deferred) Revenues 12/31/22
Federal Awards								
U.S. Dept. of Treasury (Direct):								
CDFI Award-Community Development Financial Institutions		21.020	211FA057499	12-08-21 to 12-31-24	$ -	$ 690,000	$ 690,000	$ -
U.S. Small Business Administration (Direct):								
SBA Micro Loan Intermediary Technical Assistance	*	59.046	SBAOCAML210154-01-00	07-01-21 to 06-30-22	73,411	258,816	185,405	-
SBA Micro Loan Intermediary Technical Assistance	*	59.046	SBAOCAML220394-01-00	07-01-22 to 06-30-23	-	-	185,045	185,045
Women's Business Ownership Assistance		59.043	SBAHQ-19-W-0026	09-30-20 to 09-29-21	37,500	37,500	-	-
Women's Business Ownership Assistance		59.043 COVID	SBAHQ20CO151	05-01-20 to 04-30-21	(2,481)	(2,481)	-	-
Veteran Business Outreach Center		59.044	SBAOVVB200001-02-00	05-01-21 to 04-30-22	49,776	150,914	101,138	-
Veteran Business Outreach Center		59.044	SBAOVVB200001-03-00	05-01-22 to 04-30-23	-	175,462	227,322	51,860
SBA Prime		59.050	SBAOCAPR210043-01-00	09-30-21 to 09-29-22	39,794	93,833	54,298	259
SBA Prime		59.050	SBAOCAPR220064-01-00	09-30-22 to 09-29-23	-	-	25,425	25,425
Total U.S. Small Business Administration					198,000	714,044	778,633	262,589
U.S. Department of Housing and Urban Development								
Passed through the Metropolitan Development and Housing Agency Community Development Block Grant		14.218	N/A	09-01-20 to 8-31-22	24,200	59,755	48,375	12,820
Total Federal Awards					$ 222,200	$ 1,463,799	$ 1,517,008	$ 275,409

* - 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*

(continued)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

DECEMBER 31, 2022

Program	Federal Assistance Listing	Grant Contract Number	Grant Period	Accrued (Deferred) Revenues 01/01/22	Cash Received/ Billings	Expenditures/ Amounts Earned	Accrued (Deferred) Revenues 12/31/22
State Awards							
State of Tennessee Department of	N/A	08-17-17 GR	12-01-17 to 11-30-22	$ 16,709	$ 80,926	$ 66,109	$ 1,892
Economic and Community Development	N/A	02-20-20 GR	10-30-20 to 10-30-22	2,291	7,340	5,267	218
Total State Awards				$ 19,000	$ 88,266	$ 71,376	$ 2,110

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State 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 and state government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the 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) and the State of Tennessee *Audit Manual*. 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.

Summary of expenditures by ALN number

21.020	$ 690,000
59.046	2,539,181
59.044	328,460
59.050	79,723
14.218	48,375
Total	$ 3,685,739

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

<u>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*</u>

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, 2022, 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 [Date], 2023.

<u>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>

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.

Nashville, Tennessee
[Date], 2023

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, 2022. The Corporation's major federal programs are 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, 2022.

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 (*Government Auditing Standards*); 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.

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.

Nashville, Tennessee
[Date], 2023

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditors' Results

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 Microloan 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, 2022

Financial Statement Findings:

Finding Number	Finding Title	Status

There were no current year or prior year findings.

Federal Award Findings and Questioned Costs:

Finding Number	Finding Title	Status

There were no current year or prior year findings.