

The background of the entire page is a photograph of an industrial manufacturing facility, featuring robotic arms, conveyor belts, and various machinery. A large teal circle is superimposed over the center of the image, serving as a frame for the title and year.

PATHWAY LENDING

ANNUAL REPORT

2023



Pathway
Lending

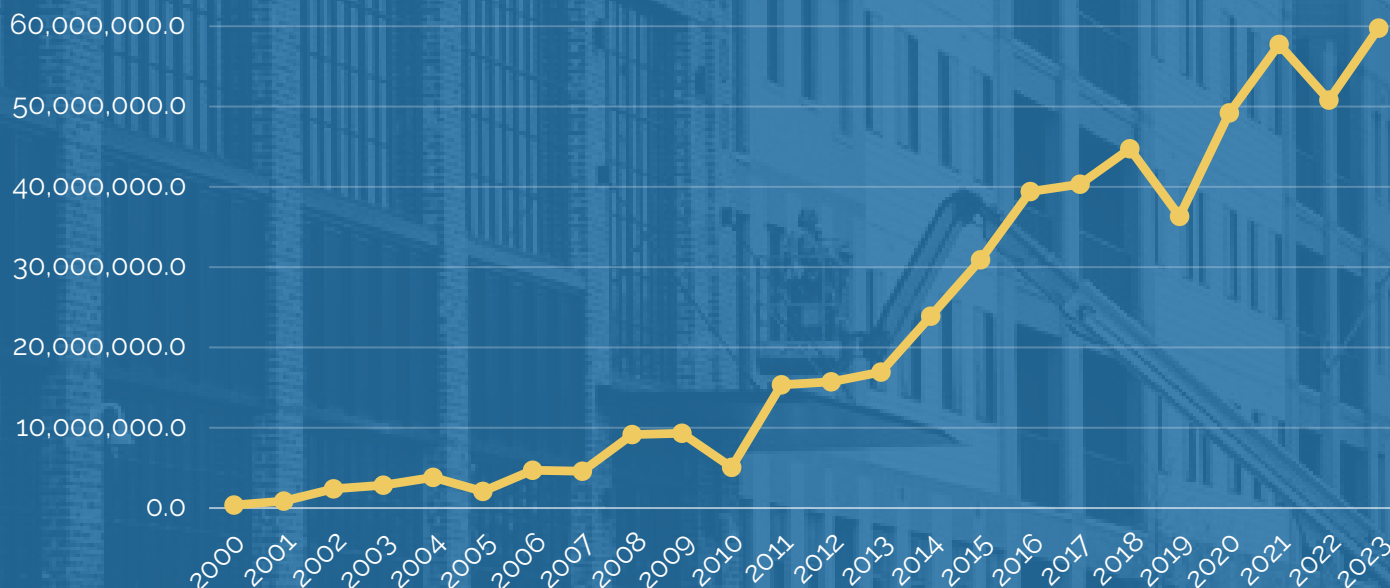
\$59.7 MILLION

Last fiscal year saw our organization deploy its highest number of loans ever.

Welcome to our FY 2023 annual recap! We are thrilled to share our progress in supporting under-resourced small businesses. This year, we hit a new milestone – deploying more than \$59.7 million to small businesses in communities across Tennessee and the Southeast.

Our diverse financial products address various needs, including

small business finance, affordable housing, climate and energy efficiency projects, place-based initiatives, and large-scale manufacturing and community facility requirements. Through tailored financing solutions and in-depth development services, we enable businesses to capitalize on opportunities, promote equity, and contribute to sustainable community development.



Annual loan originations since inception (1999). Total loan deployment \$526MM.

FY 2023 RESULTS



\$59.7 MM

Loans Deployed



208

Businesses Financed



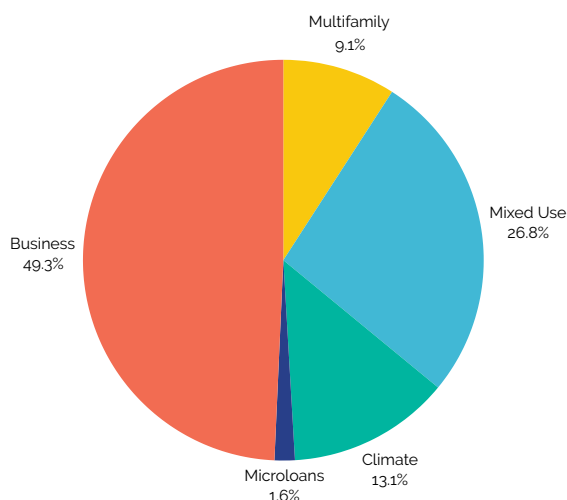
22,821

Education Hours



2101

Education Clients

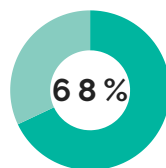


FY2023 LOAN DEPLOYMENT

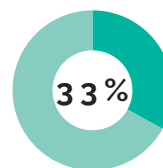
AFFORDABLE MULTIFAMILY HOUSING	\$5,455,352
CRE & MIXED USE DEVELOPMENT	\$16,034,174
CLIMATE FOCUSED	\$7,840,231
MICROLOANS	\$975,104
BUSINESS LOANS	\$29,459,703
TOTAL LOANS DEPLOYED	\$59,764,563

PRIORITY MARKETS

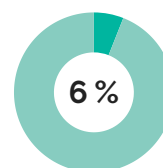
Pathway Lending seeks to increase activities within its Target & Priority Markets, which include **low-income, minority, women, and Veteran-owned businesses**, to address systemic inequities in access to capital.



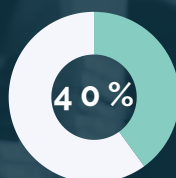
At least 1
Priority Market



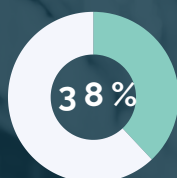
At least 2
Priority Markets



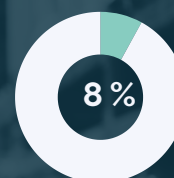
3 or More
Priority Markets



% of New Small
Business Lending
to Women-Owned
Businesses



% of New Small
Business Lending
Relationships with
Black-Owned
Businesses



% of New Small
Business Lending
to Veteran-Owned
Businesses

In 2023, Pathway Lending empowered business growth sustainably through diverse loan programs, providing vital working capital, supporting real estate ventures, fostering affordable housing, promoting environmental sustainability, and managing cash flow during contracts. Strengthening partnerships and exploring new opportunities, **we originated over \$59.7 million in new loans**. Explore our impactful capital solutions below.

**\$1MM**

Pathway Lending's C-PACER financing tackles escalating energy expenses and environmental shifts for property owners. **Our inaugural C-PACER loan, totaling about \$1,000,000 in December 2023**, marks a milestone as we continue to champion this innovative solution statewide.

**\$4.1MM**

In 2023, Pathway Lending continued its partnership with Metro Nashville, delivering vital capital to COVID-19-affected small businesses. **We originated 59 loans, totaling \$4,083,878**, nearly exhausting the initial \$9MM Nashville Small Business Recovery Fund. The NSBRF Fund focused on economically challenged areas to help them bounce back from the pandemic.

**\$5.6MM**

In 2023, Pathway Lending sustained its work in the Memphis Medical District, providing catalytic capital and facilitating Multifamily Housing and Mixed-Use Developments. **Our loans, totaling \$5,551,000, leveraged an additional \$10.6MM** in investment dollars, amplifying our impact.

CDFI's, like Pathway Lending, exist as a bridge to help emerging, under-resourced, or otherwise "unbankable" entrepreneurs build capacity that moves them from personal equity or high-cost alternative loans to traditional bank financing. Pathway believes supporting a variety of capital access needs is key to building stronger businesses and capturing economic opportunity. We offer three capital access strategies:

**FINANCIAL CAPITAL SOLUTIONS**

Providing diverse loan products tailored to local market needs, enabling clients to establish a track record for traditional bank loans.

**SOCIAL CAPITAL SOLUTIONS**

Creating inclusive spaces where diverse entrepreneurs can thrive and build connections.

**HUMAN CAPITAL SOLUTIONS**

Investing in financial literacy and business skills through relevant curriculum and coaching.

By combining structured methodologies with tailored support, Pathway Lending's Coaching to Capital model empowers businesses to navigate challenges, capitalize on opportunities, and achieve sustainable growth. Our commitment to personalized, results-driven support ensures that every client receives the strategic guidance and resources they need to successfully access capital and achieve their growth-related objectives.

Pathway's Coaching to Capital model may include focused work on the following topics:

Financial Analysis and Planning: We assist clients in analyzing their financial statements, identifying key performance indicators, and developing realistic financial projections and budgets to support informed decision-making and financial stability.

Capacity Building: Our advisors collaborate with clients to develop strategic business plans that align with their long-term goals, identify growth opportunities, and navigate market challenges effectively.

Marketing and Sales Support: We provide guidance on marketing strategy development, brand positioning, customer acquisition, and sales optimization to help clients reach their target audience and drive revenue growth.

Operational Efficiency and Process Improvement: We offer recommendations and best practices to streamline operations, improve productivity, and enhance efficiency across various business functions.

7827
1-on-1
Consulting
Hours Delivered

\$4.7MM
New Loans
Supported by
Education Staff



CLIENT PROFILE: KINKY ROOTZ SALON

After years of perfecting her craft during her service, Navy veteran Kristi Alderson launched her business in Nashville to empower women and celebrate their authenticity. Seeking guidance, she turned to the Veterans Business Outreach Center at Pathway Lending for invaluable business coaching that prepared her for a loan. The support from Pathway, helped Kristi expand operations, including a robust online presence, upgraded equipment, and strategic marketing. Her business is now competing at a different level, pursuing placements for her sustainable beauty brand, Queen of Kinks, at Nashville International Airport and beyond.

'The resources from Pathway have empowered me to compete on a national scale,' says Kristi.

IMPACT

2019-2023

Each year, Pathway Lending builds on its previous efforts to improve the impacts it makes in the communities it serves. Now, more than ever, we feel as though it is important to clearly communicate the impacts of our work to our network of partners, peers, and investors.

As a way to bridge the information gap between the work we do and our partners, we created the following impact section to offer more detail on the outcomes of our efforts over the last five fiscal years.

Impact Area: Housing	Metric Label	2019	2020	2021	2022	2023	Total
	Affordable Housing Loans to Developers (#)	3	16	10	5	6	40
	Affordable Housing Loans to Developers (\$)	\$5,700,000	\$18,816,780	\$18,469,772	\$18,135,000	\$5,455,352	\$66,576,903
	Affordable Housing Units Created/Preserved (#)	112	505	290	402	286	1,595
	Low-Income Beneficiaries Served (#)	383	1,863	743	698	770	4,457
Impact Area: Economic Security	Metric Label	2019	2020	2021	2022	2023	Total
	SBA Microloans Disbursed (#)	32	25	44	34	45	180
	SBA Microloans Disbursed (\$)	\$542,000	\$421,300	\$658,000	\$494,063	\$975,104	\$5,293,200
	Unique Clients Receiving 1-on-1 Coaching (#)	433	389	553	636	TBD	TBD
	Hours of 1-on-1 Coaching Delivered (#)	6759.00	5897.50	5422.00	6757.00	7841.15	32,677
	Total Businesses Assisted (#)	1,912	1,973	2,517	1,808	2,141	TBD
Impact Area: Job Creation	Business Education Classes Hosted (#)	231	243	179	92	78	TBD
	Metric Label	2019	2020	2021	2022	2023	Total
	Business Loans Originated (#)	71	150	278	177	157	833
	Business Loans Originated (\$)	\$17,046,885	\$15,284,577	\$26,207,171	\$21,669,516	\$26,935,633	\$107,143,783
Impact Area: Community Facilities	Jobs at Closing (Within FY) (#)	4,718	2,198	1,300	1,477	1,772	11,465
	Metric Label	2019	2020	2021	2022	2023	Total
	Community Facility Loans Disbursed (#)	19	10	3	10	23	65
	Community Facility Loans Disbursed (\$)	\$6,522,750	\$2,092,132	\$2,030,000	\$2,432,608	\$2,491,140	\$15,568,630
	Student Seats at Closing (#)	5,887	972	948	1,264	5,668	14,739
	Childcare Slots at Closing (#)	95	99	36	46	383	659
	Healthcare Slots at Closing (#)	4,979	18,169	525	6,452	3,701	33,826
	Commercial RE Developed or Renovated (SQ FT)	399,937	120,475	123,660	533,732	639,777	1,817,581

Impact Area: Environment	Metric Label	2019	2020	2021	2022	2023	Total
	Energy Efficiency & Renewable Energy Loans (#)	43	20	19	19	27	128
	Energy Efficiency & Renewable Energy Loans (\$)	\$8,692,285	\$9,228,665	\$3,103,984	\$5,072,781	\$7,840,231	\$33,937,945
	KWh Generated & Conserved (#)	13,186,289	3,529,597	1,930,184	4,918,891	4,879,739	28,444,700
	Annual Energy Cost Savings (\$)	\$1,426,586	\$383,328	\$202,537	\$467,685	\$484,120	\$2,964,256
Impact Area: Target Beneficiaries	Metric Label	2019	2020	2021	2022	2023	Total
	Loans to Low-Income Populations (#)	43	20	141	51	61	337
	Loans to Low-Income Populations (\$)	\$4,088,656	\$3,724,899	\$9,701,880	\$3,753,941	\$6,994,939	\$28,264,315
	Loans to People of Color (#)	31	73	163	105	123	495
	Loans to People of Color (\$)	\$2,731,876	\$6,705,354	\$6,251,474	\$10,581,622	\$20,388,863	\$46,659,189
	Loans to Women (#)	44	74	130	71	89	408
	Loans to Women (\$)	\$8,116,723	\$6,856,805	\$8,277,486	\$6,153,242	\$8,072,291	\$37,476,547
	Loans to Veterans (#)	10	9	27	15	20	81
	Loans to Veterans (\$)	\$820,488	\$1,457,000	\$1,550,206	\$3,277,000	\$1,132,351	\$8,237,045
	Loans in Non-Metropolitan Areas (#)	14	23	30	11	18	96
	Loans in Non-Metropolitan Areas (\$)	\$1,304,738	\$8,284,945	\$2,049,422	\$3,453,000	\$10,176,583	\$25,268,688

Outstanding Portfolio Composition

	2023	Ratios (as of 12/31)	2023	2022
Total Portfolio O/S (12/31/23):	\$180,226,787	Net Assets/Total Assets	18.31%	17.03%
Commercial Loans (>\$50,000)	31.88%	Allowance for Loan Losses/Total Loans	5.07%	4.86%
Commercial Real Estate Loans	27.55%	Delinquencies > 90 days	60,413	2500
Energy Efficiency Loans	8.61%	Net Loan Losses/Outstanding Loans	0.61%	2.55%
Multi-Family Loans	29.58%	Earned Income/Program Expense	133.46%	111.96%
Micro Loans	2.38%	Deployment Ratio	72.79%	65.14%
		Staffing Level	56	56
Historic Loan Loss Rate	###	Total Program Debt	\$260,393,294	

INCOME STATEMENT

REVENUE	2023	2022	\$ Change	% Change
PROGRAM REVENUE				
Interest Income Loans	\$9,261,949	\$7,823,076	\$1,438,873	18.39%
Interest Income Deposits	\$5,186,583	\$1,429,039	\$3,757,544	262.94%
Financing Fees and Charges	\$1,288,419	\$970,413	\$318,006	32.77%
Fee Income	\$543,226	\$431,925	\$111,301	25.77%
TOTAL INTEREST & PROGRAM SERVICE REVENUE	\$16,280,177	\$10,654,453	\$5,625,724	52.80%
Grants & Other Revenue to Support Program Svcs.	\$22,997,595	\$21,184,620	\$1,812,975	8.56%
TOTAL PROGRAM RELATED INCOME	\$39,277,772	\$31,839,073	\$7,438,699	23.36%
Interest Expense	(\$6,432,522)	(\$3,286,964)	(\$3,145,558)	95.70%
Net Earned Income	\$32,845,250	\$28,552,109	\$4,293,141	15.04%
Provision for Loan Losses	(\$3,189,667)	(\$1,887,918)	(\$1,301,749)	68.95%
Net Income Earned After Provision	\$29,655,583	\$26,664,191	\$2,991,392	11.22%
PROGRAM SERVICES & FUNDRAISING EXPENSES				
Salaries and Benefits	\$7,682,998	\$6,802,082	\$880,916	12.95%
Professional Services	\$692,583	\$590,609	\$101,974	17.27%
Travel	\$282,757	\$232,464	\$50,293	21.63%
Marketing	\$42,514	\$60,726	(\$18,212)	-29.99%
Occupancy	\$137,521	\$120,457	\$17,064	14.17%
Other Program Expenses	\$10,969,770	\$15,457,485	(\$4,487,715)	-29.03%
TOTAL PROGRAM SERVICES EXPENSES	\$19,808,143	\$23,263,823	(\$3,455,680)	-14.85%
SUPPORT SERVICES EXPENSES				
Salaries and Benefits	\$1,305,632	\$866,074	\$439,558	50.75%
Professional Services	\$35,381	\$36,214	(\$833)	-2.30%
Other Support Services	\$92,170	\$213,882	(\$121,712)	-56.91%
Depreciation	\$7,835	\$29,482	(\$21,647)	-73.42%
TOTAL SUPPORT SERVICES EXPENSES	\$1,441,018	\$1,145,652	\$295,366	25.78%
Contributed Loan Capital	\$5,900,000	\$2,620,847	\$3,279,153	125.12%
CHANGE IN NET ASSETS	\$14,306,422	\$4,875,563	\$9,430,859	193.43%

BALANCE SHEET

ASSETS	2023	2022	\$ Change	% Change
Cash and Cash Equivalents	\$12,407,098	\$10,246,591	\$2,160,507	21.09%
Operations	\$135,563,564	\$115,903,406	\$19,660,158	16.96%
Restricted Cash - Lending	\$8,460,860	\$7,242,268	\$1,218,592	16.83%
Restricted Cash - Loan Loss Reserves	\$4,004,289	\$7,473,399	(\$3,469,110)	-46.42%
Total Cash	\$160,435,811	\$140,865,664	\$19,570,147	13.89%
Loans Outstanding	\$180,226,787	\$145,972,223	\$34,254,564	23.47%
Allowance for Loan Losses	(\$9,137,519)	(\$7,098,402)	(\$2,039,117)	28.73%
Net Loans	\$171,089,268	\$138,873,821	\$32,215,447	23.20%
Grants Receivables	\$473,227	\$277,519	\$195,708	70.52%
Accrued Interest Receivables	\$939,398	\$573,665	\$365,733	63.75%
Other Assets	\$1,924,771	\$1,638,848	\$285,923	17.45%
Property and Equipment, Net	\$1,335,430	\$1,347,861	(\$12,431)	-0.92%
TOTAL ASSETS	\$336,197,905	\$283,577,378	\$52,620,527	18.56%
LIABILITIES				
Accounts Payable	\$550,103	\$1,729,912	(\$1,179,809)	-68.20%
Interest Payable	\$1,225,013	\$1,065,263	\$159,750	15.00%
Lines of Credit Payable	\$70,000,000	\$58,000,000	\$12,000,000	20.69%
Mortgage Payable	\$0	\$0	\$0	0%
Notes Payable (Program Borrowings)	\$0	\$0	\$0	0%
Notes Payable (Program EQ2)	\$49,496,902	\$50,796,168	(\$1,299,266)	-2.56%
Other Deferred Revenue	\$142,696,392	\$113,696,392	\$29,000,000	25.51%
Other Liabilities	\$7,378,438	\$8,571,861	(\$1,193,423)	-13.92%
	\$3,278,320	\$1,422,254	\$1,856,066	130.50%
TOTAL LIABILITIES	\$274,625,168	\$235,281,850	\$39,343,318	16.72%
NET ASSETS				
Without Donor Restrictions	\$59,889,646	\$46,833,242	\$13,056,404	27.88%
With Donor Restrictions	\$1,683,091	\$1,462,286	\$220,805	15.10%
TOTAL NET ASSETS	\$61,572,737	\$48,295,528	\$13,277,209	27.49%
TOTAL LIABILITIES AND NET ASSETS	\$336,197,905	\$283,577,378	\$52,620,527	18.56%

2023 STAKEHOLDERS

Board of Directors

Herb Byrd (Chair) | 2016

VP for Public Service
University of Tennessee

David Berezov | 2010

Associate Professor
Vanderbilt University School of Engineering

Jon Davies | 2016

Compliance Executive - CMS, CRA, HMDA
Regions Bank

Ivanetta Davis-Samuels | 2016

Senior VP - General Counsel
Meharry Medical College

Andre Gist | 2016

CEO
MIG, LLC & B-G Innovative Safety Systems

Cindy Herron | 2014

Vice President - Energy Efficiency & Demand Response
Tennessee Valley Authority

Tom Hunter | 2015

President
American Heritage Trees

Hugh Queener | 2007

EVP & CAO
Pinnacle Financial Partners

Foundations & Public Stakeholders

Appalachian Regional Commission
Association of Women's Business Centers
Bank of America Charitable Foundation
Benwood Foundation
Bobby Stone Foundation
Carsey School of Public Policy at the University of New Hampshire
Christian Brothers University
City of Chattanooga
Community Reinvestment Fund, Inc.
Epicenter Memphis
Fifth Third Foundation
Footprint Foundation
Hyde Foundation
Joe C. Davis Foundation
JPMorgan Chase Foundation
Kresge Foundation
Lyndhurst Foundation

MacLellan Foundation
Mascoma Community Development
Metropolitan Development & Housing Agency (Nashville, TN)
Metropolitan Government of Nashville & Davidson County
PNC Foundation
Pointer Management
Regions Bank CDC
Regions Foundation
Robert (Bobby) Finley Stone Foundation
Tennessee Bankers Association
Tennessee Department of Economic & Community Development
Tennessee Department of Environment & Conservation

Tennessee Department of Revenue
Tennessee Department of Treasury Small and Minority-Owned Business Assistance Program
Tennessee Housing Development Agency
Tennessee Valley Authority
Truist Capital Fund/The Winston-Salem Foundation
United Way of Greater Nashville
University of Tennessee
US Department of Agriculture
US Small Business Administration
US Department of Treasury Community Development
Financial Institutions Fund
Wells Fargo Foundation
The Women's Fund, Community Foundation of Middle TN

Private Stakeholders

Appalachian Community Capital
Andrew Johnson Bank
Bank3
Cadence Bank
CapStar Bank
CB&S Bank
Centennial Bank
Citizens Bank (Carthage)
Citizens Bank (Elizabethton)
City National Bank
Commercial Bank and Trust
Decatur County Bank
F&M Bank (Clarksville)

First Citizens National Bank
First Farmers & Merchants Bank
First Horizon
FirstBank
INSBANK
Legends Bank
Macon Bank and Trust Company
McKenzie Banking Company
Opportunity Finance Network
Paragon Bank
Peoples Bank of Alabama
Pinnacle Bank
PNC Bank

Regions Bank
Renaissance Bank
Security Bank and Trust Company
Simmons Bank
Synovus Bank
TriStar Bank
Truist Bank
Truxton Trust
United Community Bank
US Bank
Veteran Loan Fund, LLC
Wells Fargo Bank
Wilson Bank & Trust