Partners for the Common Good
Financial Statements
December 31, 2014 and 2013

TABLE OF CONTENTS

SL+CO

JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA
NANCY C JOHNSON CPA
LISA M BLACKMORE CPA MBA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for the Common Good
Washington, DC

We have audited the accompanying financial statements of Partners for the Common Good, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 Partners for the Common Good's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners for the Common Good as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Squire, Lemkin + Co., LLP

April 22, 2015

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,					
	2014			2013		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 565,910	$ 9,849,361	$ 10,415,271	$ 291,263	$ 6,165,707	$ 6,456,970
Cash - restricted	11,755	2,295,691	2,307,446	11,749	2,294,437	2,306,186
Loans receivable, current portion	-	4,674,710	4,674,710	-	4,212,680	4,212,680
Less, loan loss reserve, current portion	-	(532,992)	(532,992)	-	(332,623)	(332,623)
Grants receivable	-	334,590	334,590	-	200,000	200,000
Prepaid expenses and other current assets	67,763	10,314	78,077	63,568	10,314	73,882
TOTAL CURRENT ASSETS	$ 645,428	$ 16,631,674	$ 17,277,102	$ 366,580	$ 12,550,515	$ 12,917,095
FIXED ASSETS, NET	$ 86,498	$ -	$ 86,498	$ 69,802	$ -	$ 69,802
NON-CURRENT ASSETS:						
Community development certificates of deposit	$ -	$ -	$ -	$ -	$ 750,000	$ 750,000
Real estate owned	-	197,384	197,384	-	366,897	366,897
Non-performing loans	-	375,863	375,863	-	-	-
Loans receivable, net of current portion	-	13,436,233	13,436,233	-	14,036,089	14,036,089
Less, loan loss reserve, net of current portion	-	(776,208)	(776,208)	-	(727,415)	(727,415)
TOTAL NON-CURRENT ASSETS	$ -	$ 13,233,272	$ 13,233,272	$ -	$ 14,425,571	$ 14,425,571
TOTAL ASSETS	$ 731,926	$ 29,864,946	$ 30,596,872	$ 436,382	$ 26,976,086	$ 27,412,468
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accrued expenses	$ 237,051	$ -	$ 237,051	$ 112,663	$ -	$ 112,663
Accrued interest payable	-	193,013	193,013	-	178,710	178,710
Community development notes payable, current portion	-	1,464,908	1,464,908	-	2,010,000	2,010,000
Term notes payable, current portion	-	-	-	-	3,270,000	3,270,000
TOTAL CURRENT LIABILITIES	$ 237,051	$ 1,657,921	$ 1,894,972	$ 112,663	$ 5,458,710	$ 5,571,373
LONG-TERM DEBT:						
Community development notes payable, net of current portion	$ -	$ 7,245,499	$ 7,245,499	$ -	$ 6,485,407	$ 6,485,407
Term notes payable, net of current portion	-	12,298,928	12,298,928	-	6,949,000	6,949,000
TOTAL LONG-TERM DEBT	$ -	$ 19,544,427	$ 19,544,427	$ -	$ 13,434,407	$ 13,434,407
TOTAL LIABILITIES	$ 237,051	$ 21,202,348	$ 21,439,399	$ 112,663	$ 18,893,117	$ 19,005,780
NET ASSETS:						
Unrestricted	$ 494,875	$ 6,165,842	$ 6,660,717	$ 323,719	$ 6,431,412	$ 6,755,131
Temporarily restricted	-	2,496,756	2,496,756	-	1,651,557	1,651,557
TOTAL NET ASSETS	$ 494,875	$ 8,662,598	$ 9,157,473	$ 323,719	$ 8,082,969	$ 8,406,688
TOTAL LIABILITIES AND NET ASSETS	$ 731,926	$ 29,864,946	$ 30,596,872	$ 436,382	$ 26,976,086	$ 27,412,468

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Grants	$ 480,000	$ 1,000,000	$ 1,480,000	$ 635,500	$ 508,570	$ 1,144,070
Interest income:						
Loan portfolio	1,030,509	-	1,030,509	1,104,056	-	1,104,056
Community development certificates of deposit	180	-	180	4,055	-	4,055
Investments	15,883	-	15,883	22,577	-	22,577
Fees	62,134	-	62,134	67,925	-	67,925
Contributions	34,431	-	34,431	34,466	-	34,466
Other revenue	3,084	-	3,084	-	-	-
Net assets released from restrictions	154,801	(154,801)	-	852,249	(852,249)	-
TOTAL REVENUE AND SUPPORT	$ 1,781,022	$ 845,199	$ 2,626,221	$ 2,720,828	$ (343,679)	$ 2,377,149
EXPENSES:						
Program services	$ 1,292,442	$ -	$ 1,292,442	$ 948,382	$ -	$ 948,382
Supporting services:						
Management and general	413,120	-	413,120	404,636	-	404,636
Resource development	169,874	-	169,874	128,154	-	128,154
Total supporting services	$ 582,994	$ -	$ 582,994	$ 532,790	$ -	$ 532,790
TOTAL EXPENSES	$ 1,875,436	$ -	$ 1,875,436	$ 1,481,172	$ -	$ 1,481,172
CHANGE IN NET ASSETS	$ (94,414)	$ 845,199	$ 750,785	$ 1,239,656	$ (343,679)	$ 895,977
NET ASSETS, BEGINNING OF YEAR	6,755,131	1,651,557	8,406,688	5,515,475	1,995,236	7,510,711
NET ASSETS, END OF YEAR	$ 6,660,717	$ 2,496,756	$ 9,157,473	$ 6,755,131	$ 1,651,557	$ 8,406,688

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	2014				2013			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Administrative costs allocated:								
Salaries	$ 300,952	$ 176,321	$ 97,063	$ 574,336	$ 269,952	$ 214,860	$ 66,111	$ 550,923
Fringe benefits	80,117	46,939	25,839	152,895	65,158	51,860	15,957	132,975
Rent	34,959	20,482	11,274	66,715	35,787	28,483	8,764	73,034
Office expenses	18,426	10,796	5,943	35,165	22,593	10,169	5,465	38,227
Dues and subscriptions	16,361	9,586	5,277	31,224	11,050	-	19,988	31,038
Professional fees	77,849	90,819	-	168,668	44,473	29,790	-	74,263
Legal fees	39,297	952	13,713	53,962	-	10,339	430	10,769
Meetings and travel	29,013	16,998	9,357	55,368	21,468	21,100	10,765	53,333
Computer repair and maintenance	4,367	2,559	1,408	8,334	2,750	1,539	674	4,963
Marketing and website	4,755	-	-	4,755	5,002	-	-	5,002
Interest	417,008	-	-	417,008	389,460	-	-	389,460
Loan loss expense	249,251	-	-	249,251	63,392	-	-	63,392
Loan commitment fees	5,000	-	-	5,000	-	-	-	-
Loan distribution fees	11,702	-	-	11,702	10,246	-	-	10,246
Credit reporting service	3,385	-	-	3,385	7,051	-	-	7,051
Staff development	-	751	-	751	-	-	-	-
Depreciation	-	36,917	-	36,917	-	36,496	-	36,496
TOTALS	$ 1,292,442	$ 413,120	$ 169,874	$ 1,875,436	$ 948,382	$ 404,636	$ 128,154	$ 1,481,172

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 750,785	$ 895,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,917	36,496
Donated principal of outstanding notes payable	(85,000)	(500,000)
Allowance for loan loss	249,162	63,393
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(4,195)	(22,156)
Grants receivable	(134,590)	172,306
Accrued expenses	124,388	(98,513)
Accrued interest payable	14,303	7,451
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 951,770	$ 554,954
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from community development certificates of deposit	$ 750,000	$ -
Cash received from real-estate owned	169,513	-
Purchases of property and equipment	(53,613)	(20,613)
Loans receivable:		
New loans provided	(7,147,744)	(8,385,701)
Loan payments received	6,909,707	6,501,383
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ 627,863	$ (1,904,931)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from community development and term notes payable	$ 4,250,000	$ 1,855,000
Curtailments of community development and term notes payable	(1,870,072)	(730,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 2,379,928	$ 1,125,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ 3,959,561	$ (224,977)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,763,156	8,988,133
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,722,717	$ 8,763,156
COMPRISED OF:		
Cash and cash equivalents	$ 10,415,271	$ 6,456,970
Cash - restricted	2,307,446	2,306,186
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,722,717	$ 8,763,156
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 417,008	$ 389,460

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

Note 1. **Organization and Significant Accounting Policies**

Organization - Partners for the Common Good (PCG) was founded May 15, 2000 as an Illinois not-for-profit corporation. PCG is a community investment fund that applies the ethical principles of “the common good” to investment choices. PCG’s mission is to promote economic justice and social change by providing access to capital and building healthy sustainable nonprofit corporations that advance economic opportunities for low-income people. PCG’s business objectives are to:

- broaden interest and involvement in the community investment movement;
- provide opportunities for faith-based investors to share a portion of their financial resources with the economically poor by investing in intermediary agencies;
- model alternative approaches to the production of goods and services; and
- increase the overall capital base available for these kinds of projects.

Through financial intermediation to borrowers, PCG provides an effective and fiscally prudent mechanism through which institutional investors can support community development nationwide and abroad.

PCG has one subsidiary, PCG Community Investment Fund, LLC, which was established as a limited liability company on June 4, 2002 for the purpose of becoming a Community Development Entity. A Community Development Entity is a domestic corporation or partnership with the primary mission of serving or providing investment capital to low income communities or low income persons. As of December 31, 2014 and 2013 this subsidiary was inactive and had no assets.

Basis of Presentation - PCG presents its financial statements in accordance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Codification topics *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of PCG are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Under these provisions, non-contingent contributions and the associated gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of PCG and changes therein are classified and reported as follows:

<u>Unrestricted net assets</u> - Net assets not subject to donor-imposed restrictions. PCG’s governing Board may elect to designate such resources for specific purposes. This designation may be removed at the Board’s discretion.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of PCG and/or passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by PCG. There were no permanently restricted net assets as of December 31, 2014 and 2013.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Revenue Recognition - Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan origination and commitment fees, as well as certain direct origination costs, are recognized at the inception of the loan receivable. These fees are written off when a loan is placed on nonaccrual status.

PCG recognizes grants and contributions as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially me.

Cash and Cash Equivalents - PCG considers cash on deposit at various banks and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

Certificates of Deposit - Certificates of deposit are recorded at fair value which approximates cost and accumulated interest.

Loans Receivable - Loans receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by the loan loss expenses charged to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on PCG's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. PCG's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Fair Value Measurements - PCG complies with the Statement of Financial Accounting Standards Codification topic *Fair Value Measurements*. This defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

Fixed Assets - Property and equipment is stated at cost, or if donated, at fair market value at date of receipt. PCG capitalizes purchases of equipment over $1,000 with an estimated useful life of more than one year. Depreciation is calculated by the straight-line method over the estimated useful life of 3 to 7 years. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is credited or charged to income.

Tax Status - PCG is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on income related to its exempt purpose. In addition, PCG has been determined by the Internal Revenue Service to be a “qualifying charity” within the meaning of Section 509(a) of the Internal Revenue Code.

Accounting For Income Taxes - PCG complies with the provisions of Financial Accounting Standards Board Codification Topic *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2014 and 2013, no unrecognized tax provision or benefit exists.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. PCG's returns for the years ended 2011 through 2013 are open to such examination.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses - The cost of PCG's programs and administration has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no impact on previously reported net assets.

Note 2. **Concentration of Credit Risk** - Financial instruments that potentially subject PCG to credit risk include cash deposits with banks in excess of the insurance limitations of the Federal Deposit Insurance Corporation. Cash balances in excess of near term operating requirements are automatically invested in federal funds. Management does not consider this a significant concentration of credit risk.

Note 3. **Loans Receivable** - Loans receivable at December 31, 2014 consisted of the following:

Maturity	Principal	Interest Rate
2015	$ 4,674,710	3.39% to 7.00%
2016	3,288,476	4.71% to 7.13%
2017	2,550,518	5.00% to 7.75%
2018	2,141,446	3.00% to 8.00%
2019	4,705,793	4.50% to 7.50%
Thereafter	750,000	7.25%
Total	$ 18,110,943	

As of December 31, 2014 and 2013, the loan loss reserve for these loans receivable was $1,309,200 and $1,060,038, respectively.

Note 3. **Loans Receivable** (Continued)

As of December 31, 2014, PCG had $1,440,000 in loan commitments outstanding but not yet disbursed. As of March 31, 2015, PCG had disbursed $900,000 of the December 31, 2014 commitments. As of this date, no additional loan transactions have been approved, committed or closed.

Note 4. **Real Estate Owned** - During 2011, PCG took ownership of one the properties associated with a non-performing loan. This transaction resulted in the property being reclassified from non-performing loans to real estate owned at the estimated net realizable value of $418,123. The estimated value of this property was $366,897 at December 31, 2013. During 2014, a sale of this property was initiated and resulted in PCG receiving $$169,513 during 2014, with the remaining proceeds of $197,384 from the sale expected to be received in 2015.

Note 5. **Fixed Assets** - Fixed assets at December 31, 2014 and 2013 were recorded at cost, as shown below:

	2014	2013
Computers and software	$ 224,076	$ 170,463
Furniture	6,437	6,437
Subtotal	$ 230,513	$ 176,900
Less, Accumulated depreciation	(144,015)	(107,098)
Fixed assets, net	$ 86,498	$ 69,802

Depreciation expense for the years ended December 31, 2014 and 2013 was $36,917 and $36,496, respectively.

Note 6. **Credit Quality**

Loan Origination/Risk Management - PCG has certain lending policies and procedures in place that are designed to ensure that the loan portfolio maintains an acceptable level of risk. Management reviews and updates these policies and procedures on a regular basis. The Loan Advisory Committee and the Board of Directors approve any changes to policies. A reporting system supplements the review process by providing management with frequent reports related to loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

PCG finances both direct loans and loans in participation with other Community Development Financial Institutions (CDFIs). For direct loans, PCG conducts an analysis of the potential borrowers' financial status and projections, loan structure, collateral and project mission. For participation loans, PCG conducts an analysis of both the borrower and the lending partner reviewing the capital structure, asset quality, management earnings and impact of the lending partner.

Note 6. **Credit Quality** (Continued)

The following table represents an aging of loans by category as of December 31, 2014:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Total Past Due	Current	Total Loans
International	$ --	$ --	$ --	$ --	$ 2,072,415	$ 2,072,415
Housing	--	--	--	--	4,816,298	4,816,298
Community facility	--	--	402,789	402,789	8,593,004	8,995,793
Commercial real estate	--	--	--	--	1,508,957	1,508,957
Working capital	--	--	--	--	717,480	717,480
Totals	$ --	$ --	$ 402,789	$ 402,789	$17,708,154	$18,110,943

PCG also has one loan classified as a non-performing loan in the amount of $375,863 as of December 31, 2014.

Credit Quality Indicators - PCG assigns internal credit classifications at the inception of each loan. These ratings are reviewed by PCG management on a monthly basis. The following definitions summarize the basis for each classification:

1 - Moderate Risk	Fully amortizing or firm take-out source; satisfactory operations; substantial borrowing history with PCG; excellent collateral and cash flow; credit exceeds 75% LTV requirements
2 - Average Risk	Collateral, cash flow, and credit support loan - 75% LTV
3 - Substantial Risk	Collateral coverage is limited - LTV is greater than 90%; DCR is less than 1.1 (a construction loan would generally receive this rating until construction is complete, a certificate of occupancy has been issued, and an appropriate period of operations has been demonstrated)
4 - High Risk	Source of take-out is speculative; collateral is inadequate or nonexistent; payments are 30 days past due; possible workout; weak financial condition; uncooperative borrowers; documentation deficiencies (no financial reports available); potential for loss is assessed on a case-by-case basis
5 - Workout/Default	Payments are 60 days past due; collateral or guarantee has a value less than outstanding loan amount; potential for loss is assessed on a case-by-case basis

Note 6. **Credit Quality** (Continued)

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2014:

	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
1 - Moderate	$ --	$ 954,067	$ 2,620,238	$ 183,957	$ 121,978	$ 3,880,240
2 - Average	1,500,000	2,098,430	2,430,656	1,325,000	279,404	7,633,490
3 - Substantial	572,415	702,806	2,534,561	--	113,592	3,923,374
4 - High	--	1,060,995	1,410,338	--	202,506	2,673,839
5 - Workout/ default	--	--	--	--	--	--
Totals	$ 2,072,415	$ 4,816,298	$ 8,995,793	$ 1,508,957	$ 717,480	$18,110,943

Allowance for Loan Loss - The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2014, by loan category and the amount by category, as evaluated by PCG's risk rating system:

	Housing	Community Facility Commercial Real Estate	Working Capital	International	Total
Allowance for loan losses:					
Beginning balance	$ 296,122	$ 567,601	$ 114,708	$ 81,607	$ 1,060,038
Charge-offs	--	--	--	--	--
Recoveries	--	--	--	--	--
Provisions for loan losses	(83,008)	355,785	(23,129)	(486)	249,162
Ending balance	$ 213,114	$ 923,386	$ 91,579	$ 81,121	$ 1,309,200

The following is a summary of the activity in the allowance for loan losses at December 31, 2013:

Balance at beginning of year	$ 996,645
Charge-offs, net of recoveries	--
Provision for loan losses	63,393
Balance at end of year	$ 1,060,038

The following is a summary of the current and non-current portions of the allowance for loan losses at December 31:

	2014	2013
Current	$ 532,992	$ 332,623
Non-current	776,208	727,415
Totals	$ 1,309,200	$ 1,060,038

The allowance for loan losses as a percentage of loans outstanding at December 31, 2014 and 2013 was 7.09% and 6.10%, respectively, of PCG's loan portfolio.

Note 6. **Credit Quality** (Continued)

The allowance for loan losses is based on management's estimates using PCG's risk rating system, with decisions to upgrade or downgrade based on the following factors: (1) current payment status; (2) borrower performance; (3) transaction size and complexity; (4) covenant compliance; (5) collateral; and (6) expectation of repayment.

Note 7. **Notes Payable** - Notes payable consisted of the following at December 31, 2014:

	2014	2013
Community Development Notes, maturing October 28, 2014 through June 9, 2024 some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually	$ 8,710,407	$ 8,495,407
Term Loans, maturing January 1, 2016 through September 20, 2021, some subject to prior redemption, bearing stated interest at 1.00% to 4.00%, payable annually	12,298,928	10,219,000
Total Notes Payable	$ 21,009,335	$ 18,714,407

Future maturities of the notes payable are as follows as of December 31, 2014:

Years Ending December 31,	Development Notes	Term Loans	Totals
2015	$ 1,464,908	$ --	$ 1,464,908
2016	1,625,000	1,450,000	3,075,000
2017	2,998,000	2,200,000	5,198,000
2018	1,172,499	1,220,128	2,392,627
2019	1,425,000	3,919,800	5,344,800
Thereafter	25,000	3,509,000	3,534,000
Totals	$ 8,710,407	$ 12,298,928	$ 21,009,335

Note 8. **Commitments** - In December 2010, PCG signed a sub-lease agreement for office space commencing on January 1, 2011 and expiring on March 31, 2016. The base monthly rent under the lease is $5,417 increasing at six percent per year on the lease anniversary date.

Note 8. **Commitments** (Continued)

Future minimum lease payments under the operating lease as of December 31, 2014, are as follows:

Year Ending December 31,	
2015	$ 82,061
2016	21,746
Total	$ 103,807

Rent expense for the years ended December 31, 2014 and 2013 was $66,715 and $73,034, respectively.

Note 9. **Temporarily Restricted Net Assets** - Temporarily restricted net assets (restricted for time or purpose indicated) at December 31, 2014 and 2013 are as follows:

	2014	2013
Restricted Grant from Community Development Financial Institutions Fund (financial assistance)	$ 2,453,806	$ 1,453,806
Restricted Grant from Ford Foundation (period through December 31, 2014)	--	100,000
Restricted Grant from Community Development Financial Institutions Fund (technical assistance)	42,950	97,751
Totals	$ 2,496,756	$ 1,651,557

Note 10. **Subsequent Events** - PCG has evaluated subsequent events for potential required disclosure through April 22, 2015, which is the date financial statements were available to be issued.