PARTNERS FOR THE COMMON GOOD

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2015 and 2014

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

PARTNERS FOR THE COMMON GOOD
Financial Statements

Table of Contents

DeLeon & Stang
Certified Public Accountants and Advisors

100 Lakeforest Boulevard, Suite 650
Gaithersburg, MD 20877
P: 301-948-9825
F: 301-948-3220

210 Wirt Street SW, Suite 102
Leesburg, VA 20175
P: 571-442-5220
F: 571-730-3669

www.deleonandstang.com

Allen P. DeLeon, CPA, PFS
Richard C. Stang, CPA, PFS, ABV
Daniel L. Dellon, CPA, ABV, CFF
Bradly L. Hoffman, CPA
Jeanie Price, AAAPM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for the Common Good
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Partners for the Common Good (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit 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 from 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 the entity'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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Partners for the Common Good as of December 31, 2014, were audited by other auditors whose report dated April 22, 2015, expressed an unmodified opinion on those statements.

DeLeon & Stang

DeLeon & Stang, CPAs
Gaithersburg, Maryland
April 27, 2016

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

PARTNERS FOR THE COMMON GOOD
Statements of Financial Position
December 31, 2015 and 2014

	2015			2014		
	General Fund	**Loan Fund**	**Total**	**General Fund**	**Loan Fund**	**Total**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 351,583	$ 8,592,210	$ 8,943,793	$ 565,910	$ 9,849,361	$ 10,415,271
Cash - restricted	-	-	-	11,755	2,295,691	2,307,446
Certificates of deposit	-	1,000,000	1,000,000	-	-	-
Loans receivable, current portion	-	6,096,066	6,096,066	-	4,674,710	4,674,710
Less, loan loss reserve, current portion	-	(504,640)	(504,640)	-	(532,992)	(532,992)
Grants receivable	-	-	-	-	334,590	334,590
Accounts receivable	99,205	-	99,205	36,935	10,314	47,249
Prepaid expenses	13,154	-	13,154	23,328	-	23,328
Total current assets	463,942	15,183,636	15,647,578	637,928	16,631,674	17,269,602
Noncurrent assets:						
Fixed assets, net	89,296	-	89,296	86,498	-	86,498
Real estate owned	-	-	-	-	197,384	197,384
Loans receivable, net of current portion	-	13,726,563	13,726,563	-	13,812,096	13,812,096
Less, loan loss reserve, net of current portion	-	(490,702)	(490,702)	-	(776,208)	(776,208)
Deposits	7,500	-	7,500	7,500	-	7,500
Total noncurrent assets	96,796	13,235,861	13,332,657	93,998	13,233,272	13,327,270
Total Assets	$ 560,738	$ 28,419,497	$ 28,980,235	$ 731,926	$ 29,864,946	$ 30,596,872
Liabilities and Net Assets						
Current liabilities:						
Accrued expenses	$ 337,327	$ -	$ 337,327	$ 237,051	$ -	$ 237,051
Accrued interest payable	-	191,969	191,969	-	193,013	193,013
Community development notes payable, current portion	-	1,425,000	1,425,000	-	1,464,908	1,464,908
Term notes payable, current portion	-	1,450,000	1,450,000	-	-	-
Total current liabilities	337,327	3,066,969	3,404,296	237,051	1,657,921	1,894,972
Long-term debt:						
Community development notes payable, net of current portion	-	6,765,500	6,765,500	-	7,245,499	7,245,499
Term notes payable, net of current portion	-	10,023,152	10,023,152	-	12,298,928	12,298,928
Total long-term debt	-	16,788,652	16,788,652	-	19,544,427	19,544,427
Total Liabilities	337,327	19,855,621	20,192,948	237,051	21,202,348	21,439,399
Net assets:						
Unrestricted	223,411	8,563,876	8,787,287	494,875	6,165,842	6,660,717
Temporarily restricted	-	-	-	-	2,496,756	2,496,756
Total net assets	223,411	8,563,876	8,787,287	494,875	8,662,598	9,157,473
Total Liabilities and Net Assets	$ 560,738	$ 28,419,497	$ 28,980,235	$ 731,926	$ 29,864,946	$ 30,596,872

PARTNERS FOR THE COMMON GOOD
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

Revenue and support:	Unrestricted	Temporarily Restricted	2015 Total	Unrestricted	Temporarily Restricted	2014 Total
Grants	$ 274,500	$ -	$ 274,500	$ 480,000	$ 1,000,000	$ 1,480,000
Interest income:						
Loan portfolio	1,052,364	-	1,052,364	1,030,509	-	1,030,509
Community development certificates of deposit	299	-	299	180	-	180
Investments	16,372	-	16,372	15,883	-	15,883
Fees	71,178	-	71,178	62,134	-	62,134
Contributions	35,568	-	35,568	34,431	-	34,431
Other revenue	16,923	-	16,923	3,084	-	3,084
Net assets released from restrictions	2,496,756	(2,496,756)	-	154,801	(154,801)	-
Total revenue and support	3,963,960	(2,496,756)	1,467,204	1,781,022	845,199	2,626,221
Expenses:						
Program services	1,185,231	-	1,185,231	1,292,442	-	1,292,442
Supporting services:						
Management and general	474,867	-	474,867	413,120	-	413,120
Resource development	177,292	-	177,292	169,874	-	169,874
Total supporting services	652,159	-	652,159	582,994	-	582,994
Total expenses	1,837,390	-	1,837,390	1,875,436	-	1,875,436
Change in net assets	2,126,570	(2,496,756)	(370,186)	(94,414)	845,199	750,785
Net assets, beginning of year	6,660,717	2,496,756	9,157,473	6,755,131	1,651,557	8,406,688
Net assets, end of year	$ 8,787,287	$ -	$ 8,787,287	$ 6,660,717	$ 2,496,756	$ 9,157,473

See Accompanying Notes to Financial Statements.

PARTNERS FOR THE COMMON GOOD
Statement of Functional Expenses
For the Year Ended December 31, 2015

		Supporting services		
	Program Services	**Management and general**	**Resource Development**	**2015 Total**
Administrative costs allocated:				
Salaries	$ 351,297	$ 205,476	$ 106,052	$ 662,825
Fringe benefits	102,279	59,824	30,877	192,980
Rent	-	67,074	-	67,074
Office expenses	6,886	34,711	2,949	44,546
Dues and subscriptions	25,977	2,483	-	28,460
Professional fees	62,842	47,371	28,316	138,529
Legal fees	50,932	12,826	-	63,758
Meetings and travel	16,971	23,511	9,098	49,580
Computer repair and maintenance	630	2,446	-	3,076
Marketing and website	-	2,800	-	2,800
Interest	441,213	-	-	441,213
Loan loss expense	76,275	-	-	76,275
Loan distribution fees	11,289	-	-	11,289
Credit reporting service	4,802	-	-	4,802
Staff development	6,300	-	-	6,300
Depreciation	27,538	16,345	-	43,883
Total	$ 1,185,231	$ 474,867	$ 177,292	$ 1,837,390

PARTNERS FOR THE COMMON GOOD
Statement of Functional Expenses
For the Year Ended December 31, 2014

		Supporting services		
	Program Services	Management and general	Resource Development	2014 Total
Administrative costs allocated:				
Salaries	$ 300,952	$ 176,321	$ 97,063	$ 574,336
Fringe benefits	80,117	46,939	25,839	152,895
Rent	34,959	20,482	11,274	66,715
Office expenses	18,426	10,796	5,943	35,165
Dues and subscriptions	16,361	9,586	5,277	31,224
Professional fees	77,849	90,819	-	168,668
Legal fees	39,297	952	13,713	53,962
Meetings and travel	29,013	16,998	9,357	55,368
Computer repair and maintenance	4,367	2,559	1,408	8,334
Marketing and website	4,755	-	-	4,755
Interest	417,008	-	-	417,008
Loan loss expense	249,251	-	-	249,251
Loan commitment fees	5,000	-	-	5,000
Loan distribution fees	11,702	-	-	11,702
Credit reporting service	3,385	-	-	3,385
Staff development	-	751	-	751
Depreciation	-	36,917	-	36,917
	$ 1,292,442	$ 413,120	$ 169,874	$ 1,875,436

PARTNERS FOR THE COMMON GOOD
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ (370,186)	$ 750,785
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	43,883	36,917
Donated principal of outstanding notes payable	(200,000)	(85,000)
Allowance for loan loss	76,275	249,251
Change in operating assets and liabilities:		
Accounts receivable	(51,956)	(4,195)
Prepaid expenses	10,174	-
Grants receivable	334,590	(134,590)
Accrued expenses	100,276	124,388
Accrued interest payable	(1,044)	14,303
Net cash provided by (used in) operating activities	(57,988)	951,859
Cash Flows From Investing Activities:		
(Purchase of) Proceeds from community development certificates of deposit	(1,000,000)	750,000
Cash received from real-estate owned	197,384	169,513
Purchases of property and equipment	(46,683)	(53,702)
Loans receivable:		
New loans provided	(6,960,865)	(7,147,744)
Loan payments received	5,234,911	6,909,707
Net cash provided by (used in) investing activities	(2,575,253)	627,774
Cash Flows From Financing Activities:		
Proceeds from community development and term notes payable	135,000	4,250,000
Curtailments of community development and term notes payable	(1,280,683)	(1,870,072)
Net cash provided by (used in) financing activities	(1,145,683)	2,379,928
Net increase (decrease) in cash and cash equivalents for the year	(3,778,924)	3,959,561
Cash and cash equivalents at, beginning of year	12,722,717	8,763,156
Cash and cash equivalents at, end of year	$ 8,943,793	$ 12,722,717

See Accompanying Notes to Financial Statements.

NOTE 1- <u>ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES</u>

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, 2015 and 2014 this subsidiary was inactive and had no assets.

<u>Basis of Presentation</u>

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.

NOTE 1- **ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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:

Unrestricted net assets - 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.

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, 2015 and 2014.

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.

NOTE 1- <u>ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

<u>Certificates of Deposit</u>

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

<u>Accounts Receivable</u>

Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on a periodic review of all outstanding amounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes all amounts included in accounts receivable to be collectible. Accordingly, there is no provision for doubtful accounts as of December 31, 2015 and 2014.

<u>Loans Receivable</u>

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. 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.

<u>Fair Value Measurements</u>

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).

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Exempt 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, 2015 and 2014, no unrecognized tax provision or benefit exists.

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 2012 through 2014 are open to such examination.

NOTE 1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2015 consisted of the following:

Maturity	Principal	Interest Rate
2016	$ 6,096,066	3.39% to 7.13%
2017	3,165,698	3.50% to 7.75%
2018	3,174,086	3.00% to 8.00%
2019	4,425,262	4.50% to 8.50%
2020	1,648,156	4.50% to 7.25%
2021 - 2024	1,313,361	3.00% to 6.37%
	$ 19,822,629	

As of December 31, 2015 and 2014, the loan loss reserve for these loans receivable was $995,342 and $1,309,200, respectively.

As of December 31, 2015, PCG had $400,000 in loan commitments outstanding but not yet disbursed, and an additional $1,964,000 in loan transactions that were closed, but not yet disbursed. As of March 31, 2016, PCG had disbursed $1,323,125 of the loans that were closed by December 31, 2015. As of this date, PCG has also approved an additional $1,917,500 in loans, committed $1,600,000 in loans and closed $600,000 in loans.

NOTE 3 **LOANS RECEIVABLE** (Continued)

As of December 31, 2015, PCG also had balance of $1,274,229 pending disbursement form existing loans in the portfolio that are partially disbursed. These types of loans are characterized by revolving balances, construction draws, etc.

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 received in 2015.

NOTE 5 **FIXED ASSETS**

Fixed assets at December 31, 2015 and 2014 were recorded at cost, as shown below:

	2015	2014
Computer equipment and software	$ 270,758	$ 224,076
Furniture and equipment	6,437	6,437
Total property and equipment	277,195	230,513
Less, accumulated depreciation	(187,899)	(144,015)
Fixed assets, net	$ 89,296	$ 86,498

Depreciation expense for the years ended December 31, 2015 and 2014 was $43,883 and $36,917, 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.

NOTE 6 **CREDIT QUALITY** (Continued)

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.

The following table represents an aging of loans by category as of December 31, 2015:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Non-performing Non-accrual	Total Past Due	Current	Total Loans
Loan Type:							
International	$ -	$ -	$ -	$ -	$ -	$ 2,073,371	$ 2,073,371
Housing	-	-	-	264,633	264,633	5,582,200	5,846,833
Community Facility	130,000	-	-	639,270	769,270	7,811,507	8,580,777
Commercial Real Estate	-	-	-	-	-	2,840,302	2,840,302
Working Capital	-	-	-	-	-	481,346	481,346
Total	$ 130,000	$ -	$ -	$ 903,903	$ 1,033,903	$ 18,788,726	$ 19,822,629

Within the non-performing non-accrual category PCG had four loans classified as a non-performing, totaling $903,903 as of December 31, 2015.

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. Criteria for determining risk ratings include the following:

1 - Low Risk – Fully amortizing or firm take-out source; strong cash flow (> 1.5) Debt Service Ratio (DSR) and collateral Loan to Value (LTV) (< 75%); very experienced borrower and lead lender, if applicable, known to PCG

2 – Moderate Risk – Balloon structure/refinance required; good cash flow (> 1.2) DSR and collateral LTV (75-90%); experienced borrower and lead lender, if applicable

3 – Acceptable Risk – Higher risk loan structure (bridge/construction); higher LTV (> 90%) and lower DSR (< 1.1); less experienced borrower and/or lead lender, if applicable

4 - High Risk - Source of take-out is speculative; unsecured or inadequate collateral; history of delinquency (>60 days past due (dpd) or 3 X 30 dpd within 12 months); reporting or compliance issues; uncooperative borrower and/or lead lender

5 -Default – Delinquency (>90 dpd or 2 X 60 dpd within 12 months); loan is collateral dependent and collateral and guarantees, if any, are inadequate

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, 2015:

	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
1 - Moderate	$ --	$ 1,104,121	$ 1,627,401	$ 560,717	$ 62,828	$ 3,355,067
2 - Average	1,750,956	1,922,844	2,514,409	1,500,000	224,985	7,913,194
3 - Substantial	322,415	2,156,676	3,799,696	779,586	--	7,058,373
4 - High	--	398,559	--	--	193,533	592,092
5 - Workout/ default	--	264,633	639,270	--	--	903,903
Totals	$ 2,073,371	$ 5,846,833	$ 8,580,776	$ 2,840,303	$ 481,346	$19,822,629

Allowance for Loan Loss

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2015, 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	$ 213,114	$ 923,386	$ 91,579	$ 81,121	$ 1,309,200
Charge-offs	--	(390,133)	--	--	--
Recoveries	--	--	--	--	--
Provisions for loan losses	135,619	(19,639)	(27,233)	(12,472)	(313,858)
Ending balance	$ 348,733	$ 513,614	$ 64,346	$ 68,649	$ 995,342

The following is a summary of the activity in the allowance for loan losses at December 31, 2014:

Balance at beginning of year	$ 1,060,038
Charge-offs, net of recoveries	--
Provision for loan losses	249,162
Balance at end of year	$ 1,309,200

NOTE 6 CREDIT QUALITY (Continued)

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

	2015	2014
Current	$ 504,640	$ 532,992
Non-current	490,702	776,208
Totals	$ 995,342	$ 1,309,200

The allowance for loan losses as a percentage of loans outstanding at December 31, 2015 and 2014 was 5.02% and 7.09%, respectively, of PCG's loan portfolio.

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, 2015:

	2015	2014
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	$ 8,190,500	$ 8,710,407
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	11,473,152	12,298,928
Total Notes Payable	$ 19,663,652	$ 21,009,335

Future maturities of the notes payable are as follows as of December 31, 2015:

Years Ending December 31,	Development Notes	Term Loans	Totals
2016	$ 1,425,000	$ 1,450,000	$ 2,875,000
2017	2,998,000	2,200,000	5,198,000
2018	1,197,500	689,352	1,886,852
2019	1,550,000	3,624,800	5,174,800
2020	845,000	500,000	1,345,000
Thereafter	175,000	3,009,000	3,184,000
Totals	$ 8,190,500	$ 11,473,152	$ 19,663,652

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. Future minimum lease payments under the operating lease as of December 31, 2015, are as follows:

Year Ending December 31,	
2016	$ 21,746
Total	$ 21,746

Rent expense for the years ended December 31, 2015 and 2014 was $67,074 and $66,715, respectively.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets (restricted for time or purpose indicated) at December 31, 2015 and 2014 are as follows:

	2015	2014
Restricted Grant from Community Development Financial Institutions Fund (financial assistance)	$ --	$ 2,453,806
Restricted Grant from Ford Foundation (period through December 31, 2014)	--	--
Restricted Grant from Community Development Financial Institutions Fund (technical assistance)	--	42,950
Totals	$ --	$ 2,496,756

NOTE 10 SUBSEQUENT EVENTS

PCG has evaluated subsequent events for potential required disclosure through April 27, 2016, which is the date financial statements were available to be issued.