PARTNERS FOR THE COMMON GOOD

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2017 and 2016

PARTNERS FOR THE COMMON GOOD
Financial Statements

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DeLeon & Stang
Certified Public Accountants and Advisors

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 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 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, 2017 and 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of community development notes payable and term noted payable are presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

DeLeon & Stang

DeLeon & Stang, CPAs
Gaithersburg, Maryland
March 26, 2018

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

PARTNERS FOR THE COMMON GOOD
Statements of Financial Position
December 31, 2017 and 2016

	2017			2016		
	General Fund	**Loan Fund**	**Total**	**General Fund**	**Loan Fund**	**Total**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,372,392	$ 5,276,305	$ 6,648,697	$ 1,182,657	$ 4,395,411	$ 5,578,068
Loans receivable, current portion	-	4,029,493	4,029,493	-	4,101,522	4,101,522
Less, loan loss reserve, current portion	-	(180,156)	(180,156)	-	(151,227)	(151,227)
Grants receivable	866,500	-	866,500	100,000	-	100,000
Accounts and interest receivable	102,183	175,132	277,315	231,757	115,389	347,146
Prepaid expenses	7,105	-	7,105	23,129	-	23,129
Total current assets	2,348,180	9,300,774	11,648,954	1,537,543	8,461,095	9,998,638
Noncurrent assets:						
Fixed assets, net	52,754	-	52,754	92,866	-	92,866
Loans receivable, net of current portion	-	22,129,684	22,129,684	-	20,518,300	20,518,300
Less, loan loss reserve, net of current portion	-	(743,823)	(743,823)	-	(756,535)	(756,535)
Deposits	26,250	-	26,250	33,499	-	33,499
Total noncurrent assets	79,004	21,385,861	21,464,865	126,365	19,761,765	19,888,130
Total Assets	$ 2,427,184	$ 30,686,635	$ 33,113,819	$ 1,663,908	$ 28,222,860	$ 29,886,768
Liabilities and Net Assets						
Current liabilities:						
Accrued expenses	$ 373,652	$ -	$ 373,652	$ 225,888	$ -	$ 225,888
Accrued interest payable	-	221,664	221,664	-	210,131	210,131
Deposits payable	-	35,000	35,000	-	-	-
Community development notes payable, current portion	-	1,232,500	1,232,500	-	3,033,000	3,033,000
Term notes payable, current portion	-	500,000	500,000	-	3,200,000	3,200,000
Total current liabilities	373,652	1,989,164	2,362,816	225,888	6,443,131	6,669,019
Long-term debt:						
Community development notes payable, net of current portion	-	9,135,000	9,135,000	-	6,727,500	6,727,500
Term notes payable, net of current portion	-	11,473,983	11,473,983	-	7,787,618	7,787,618
Total long-term debt	-	20,608,983	20,608,983	-	14,515,118	14,515,118
Total Liabilities	373,652	22,598,147	22,971,799	225,888	20,958,249	21,184,137
Net assets:						
Unrestricted	2,053,532	7,704,509	9,758,041	1,338,020	6,941,382	8,279,402
Unrestricted: board designated	-	383,979	383,979	-	323,229	323,229
Temporarily restricted	-	-	-	100,000	-	100,000
Total net assets	2,053,532	8,088,488	10,142,020	1,438,020	7,264,611	8,702,631
Total Liabilities and Net Assets	$ 2,427,184	$ 30,686,635	$ 33,113,819	$ 1,663,908	$ 28,222,860	$ 29,886,768

See Accompanying Notes to Financial Statements.

PARTNERS FOR THE COMMON GOOD
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total	Unrestricted	Temporarily Restricted	2016 Total
Revenue and support:						
Grants	$ 1,409,000	$ -	$ 1,409,000	$ 80,000	$ 200,000	$ 280,000
Interest income:						
Loan portfolio	1,367,195	-	1,367,195	1,247,793	-	1,247,793
Community development certificates of deposit	-	-	-	848	-	848
Investments	8,183	-	8,183	11,412	-	11,412
Fees	778,826	-	778,826	176,116	-	176,116
Contributions	28,458	-	28,458	56,647	-	56,647
Other revenue	6,971	-	6,971	-	-	-
Net assets released from restrictions	100,000	(100,000)	-	100,000	(100,000)	-
Total revenue and support	3,698,633	(100,000)	3,598,633	1,672,816	100,000	1,772,816
Expenses:						
Program services	1,298,394	-	1,298,394	1,294,731	-	1,294,731
Supporting services:						
Management and general	661,775	-	661,775	484,283	-	484,283
Resource development	199,075	-	199,075	78,458	-	78,458
Total supporting services	860,850	-	860,850	562,741	-	562,741
Total expenses	2,159,244	-	2,159,244	1,857,472	-	1,857,472
Change in net assets	1,539,389	(100,000)	1,439,389	(184,656)	100,000	(84,656)
Net assets, beginning of year	8,602,631	100,000	8,702,631	8,787,287	-	8,787,287
Net assets, end of year	$ 10,142,020	$ -	$ 10,142,020	$ 8,602,631	$ 100,000	$ 8,702,631

PARTNERS FOR THE COMMON GOOD
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting services: Management and general	Supporting services: Resource Development	2017 Total
Administrative costs allocated:				
Salaries	$ 238,974	$ 355,048	$ 88,762	$ 682,784
Fringe benefits	69,618	103,433	25,858	198,909
Interest	464,817	-	-	464,817
Professional fees	200,801	45,202	44,715	290,718
Loan loss expense	208,325	-	-	208,325
Rent	29,790	44,259	11,065	85,114
Meetings and travel	6,240	25,723	27,084	59,047
Depreciation	39,181	8,877	-	48,058
Dues and subscriptions	14,490	26,334	-	40,824
Office expenses	1,697	20,758	1,451	23,906
Computer repair and maintenance	7,125	7,171	-	14,296
Legal fees	-	10,063	-	10,063
Miscellaneous	2,725	6,182	-	8,907
Loan distribution fees	7,776	-	-	7,776
Insurance	-	4,810	-	4,810
Marketing and website	2,490	639	140	3,269
Staff development	6	3,176	-	3,182
Bank fees	2,519	100	-	2,619
Credit reporting service	1,820	-	-	1,820
Total	$ 1,298,394	$ 661,775	$ 199,075	$ 2,159,244

See Accompanying Notes to Financial Statements.

PARTNERS FOR THE COMMON GOOD
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Supporting services: Management and general	Supporting services: Resource Development	2016 Total
Administrative costs allocated:				
Salaries	$ 384,832	$ 228,000	$ 46,127	$ 658,959
Fringe benefits	94,557	56,022	11,333	161,912
Interest	407,488	-	-	407,488
Professional fees	147,457	64,765	5,000	217,222
Loan loss expense	73,449	-	-	73,449
Rent	39,055	23,139	4,681	66,875
Office expenses	13,337	45,351	2,030	60,718
Meetings and travel	21,555	26,469	9,287	57,311
Legal fees	47,065	7,881	-	54,946
Depreciation	29,085	11,219	-	40,304
Dues and subscriptions	25,015	7,229	-	32,244
Computer repair and maintenance	-	10,067	-	10,067
Loan distribution fees	9,188	-	-	9,188
Marketing and website	-	4,043	-	4,043
Credit reporting service	2,448	-	-	2,448
Staff development	200	98	-	298
	$ 1,294,731	$ 484,283	$ 78,458	$ 1,857,472

PARTNERS FOR THE COMMON GOOD
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	$ 1,439,389	$ (84,656)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	48,057	40,304
Donated principal of outstanding notes payable	(175,000)	(51,617)
Allowance for loan loss	208,325	73,449
Change in operating assets and liabilities:		
Accounts and interest receivable	69,831	(247,941)
Prepaid expenses	16,024	(9,975)
Grants receivable	(766,500)	(100,000)
Deposits	7,249	-
Accrued expenses	147,764	(111,439)
Accrued interest payable	11,533	18,162
Deposits payable	35,000	-
Net cash provided by (used in) operating activities	1,041,672	(473,713)
Cash Flows From Investing Activities:		
Proceeds from community development certificates of deposit	-	1,000,000
Purchases of property and equipment	(7,945)	(43,874)
Loans receivable:		
New loans provided	(10,892,455)	(13,380,237)
Loan payments received	9,160,991	8,583,044
Net cash used in investing activities	(1,739,409)	(3,841,067)
Cash Flows From Financing Activities:		
Proceeds from community development and term notes payable	3,457,000	1,920,000
Payments of community development and term notes payable	(1,688,634)	(970,945)
Net cash provided by financing activities	1,768,366	949,055
Net increase (decrease) in cash and cash equivalents for the year	1,070,629	(3,365,725)
Cash and cash equivalents at, beginning of year	5,578,068	8,943,793
Cash and cash equivalents at, end of year	$ 6,648,697	$ 5,578,068

See Accompanying Notes to Financial Statements.

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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.

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:

> 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.

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, 2017 and 2016.

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 met.

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, 2017 and 2016.

<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.

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

New Markets Tax Credits

In 2016, PCG received a New Market Tax Credits (NMTC) allocation of $35 million from the U.S. Department of Treasury, CDFI Fund. PCG created nine (9) subsidiary CDEs ("Sub-CDEs") to initiate transactions using the allocated tax credits. These affiliates were formed as Limited Liability Corporations, and are audited separately. PCG is the managing member of the Sub-CDEs. However, they are not consolidated into the financial statements of PCG as it was determined based on application of ASC 810 that the Sub-CDEs did not meet the requirements for consolidation into PCG's financial statements as PCG does not have control and the amount of the investments is considered immaterial and thus not recorded using the equity method of accounting. The purpose of the Sub-CDEs is to obtain Qualified Equity Investments ("QEIs") from investors, make investments in Qualified Active Low-Income Community Businesses ("QALICBs"), and engage in such other activities which qualify for the NMTCs pursuant to Section 45D of the Internal Revenue Code.

As of December 31, 2017, through PCG Sub CDE 1, 2, and 3 the following transactions have occurred:

	Use of First Allocation As of 12/31/2017
PCG Sub CDE 1, LLC	$ 5,500,000
PCG Sub CDE 2, LLC	7,000,000
PCG Sub CDE 3, LLC	6,000,000
Allocations transferred as of December 31, 2017	18,500,000
Remaining allocations to be transferred	16,500,000
Total allocation	$ 35,000,000

The Sub-CDEs' principal business objective is to provide non-traditional, flexible, low cost investment capital to businesses in underserved areas. Therefore, the Sub-CDEs' principal business consists of lending to QALICBs and maintaining compliance with the NMTC regulations through the U.S. Treasury and the IRS.

NMTC fees are composed of Sub Allocation Fees, Asset Management Fees, and Audit & Tax Fees earned from the Sub-CDEs. Sub Allocation Fees are recognized when an investor makes a qualified equity investment in a Sub-CDE or is otherwise earned in accordance with the terms of the individual CDE Fee Agreement. CDE Asset Management Fees and Audit & Tax Fees are recognized as services are performed and collectability is reasonably assured. During 2017, PCG initiated their first New Market Tax Credit Deals.

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Three of PCG's Sub-CDEs entered into transactions where they received Qualified Equity Investments to make investments in Qualified Active Low-Income Community Businesses. As a result, PCG earned $555,000 in Allocation Fees, $31,298 in Asset Management Fees, and $30,000 in Tax/Audit Fees. These fees are included in fees revenue on the statements of activities.

NMTCs are contingent upon a CDE's ability to maintain compliance with various rules and regulations and applicable sections of Section 45D of the Internal Revenue Code over a seven-year period ("the compliance period"). Failure to maintain compliance will result in the recapture of previously taken NMTCs and the loss of future NMTCs. PCG provides guarantees on the delivery of the NMTCs to the investor members of the Sub-CDEs. In the event that a NMTC recapture event were to occur, PCG would be required to pay the NMTC recapture amount. As of December 31, 2017, the outstanding NMTC recapture guarantees PCG has provided was $1,282,500. PCG is a first-time allocate and has not experienced a recapture event related to the NMTC guarantees and believes that the likelihood of a recapture event is remote.

The recapture guarantees expire over the following seven-year period:

2017	$ 69,548
2018	181,786
2019	181,786
2020	181,786
2021	181,786
2022	181,786
2023	181,786
2024	122,236
	$ 1,282,500

As of December 31, 2017, three (3) of the Sub-CDEs were active. Two of the Sub CDEs received sub-allocations of NMTCs from JP Morgan Chase Bank, and one of the Sub CDEs received a sub-allocation from Capital One Bank.

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).

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

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

<u>Basis of Fair Value Measurement</u>

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

<u>Fixed Assets</u>

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.

<u>Tax Exempt Status</u>

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.

<u>Accounting for Income Taxes</u>

PCG complies with the provisions of Financial Accounting Standards Board Codification Topic Accounting for Uncertainty in Income Taxes. For the years ended December 31, 2017 and 2016, 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 2014 through 2016 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, 2017 consisted of the following:

Maturity	Principal	Interest Rate
2018	$ 4,029,493	3.00% to 8.00%
2019	7,961,969	4.50% to 7.50%
2020	4,652,747	4.50% to 7.75%
2021	2,830,158	4.85% to 7.125%
2022	2,388,079	5.125% to 7.00%
2023 - 2031	4,296,731	3.00% to 6.25%
	$ 26,159,177	

As of December 31, 2017 and 2016, the loan loss reserve for these loans receivable was $923,979 and $907,762, respectively.

As of December 31, 2017, PCG had $1,250,000 in loan commitments outstanding but not yet disbursed. As of February 28, 2018, PCG had closed $0 of the$1,250,000 loan commitments that were outstanding at December 31, 2017. As of February 28, 2018, PCG had also disbursed an additional $893,498 in loans and had approved and committed an additional $900,000 in loans.

NOTE 3- **LOANS RECEIVABLE** (Continued)

As of December 31, 2017, PCG also had balance of $4,344,192 pending disbursement from existing loans in the portfolio that are partially disbursed. These types of loans are characterized by revolving balances, construction draws, etc.

NOTE 4- **FIXED ASSETS**

Fixed assets at December 31, 2017 and 2016 were recorded at cost, as shown below:

	2017	**2016**
Computer equipment and software	$ 321,381	$ 313,436
Furniture and equipment	7,633	7,633
Total property and equipment	277,195	321,069
Less, accumulated depreciation	(187,899)	(228,203)
Fixed assets, net	$ 52,754	$ 92,866

Depreciation expense for the years ended December 31, 2017 and 2016 was $48,057 and $40,304, respectively.

NOTE 5- **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 5- **<u>CREDIT QUALITY</u>** (Continued)

The following table represents an aging of loans by category as of December 31, 2017:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Non-performing Non-accrual	Total	Current	Total Loans
Loan Type:							
International	$ -	$ -	$ -	$ -	$ -	$ 2,172,185	$ 2,172,185
Housing	-	363,648	-	-	363,648	10,337,200	10,700,848
Community Facility	-	-	-	761,125	761,125	9,780,679	10,541,804
Commercial Real Estate	-	-	-	-	-	2,452,733	2,452,733
Working Capital	-	-	-	-	-	291,607	291,607
Total	$ -	$ 363,648	$ -	$ 761,125	$ 1,124,773	$ 25,034,404	$ 26,159,177

Within the non-performing non-accrual category PCG had two loans classified as a non-performing, totaling $761,662 as of December 31, 2017. PCG currently has two (2) nonperforming loans. During 2017, PCG modified the two loans. As a result, management further classifies these nonperforming loans as troubled debt restructures (TDRs) and impaired loans.

In addition, PCG has one loan that is performing as agreed, but has been categorized in our LLR analysis as impaired, because a portion of the interest accruing on this loan has been deferred and there is a probability it may not be fully collected. PCG has created a specific/impairment reserve for the deferred portion of interest.

<u>Credit Quality Indicators</u>

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 – Average 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 –Work-out/ 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 5- **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, 2017:

	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
Risk Rating						
1 - Moderate	$ -	$ 874,384	$ 840,006	$ -	$ -	$ 1,714,390
2 - Average	1,750,000	2,467,556	4,068,626	1,491,193	117,317	9,894,692
3 - Acceptable	422,185	6,614,152	4,872,047	961,540	174,290	13,044,214
4 - High	-	744,756	-	-	-	744,756
5 - Workout/Default	-	-	761,125	-	-	761,125
	$ 2,172,185	$ 10,700,848	$ 10,541,804	$ 2,452,733	$ 291,607	$ 26,159,177

Allowance for Loan Loss

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2017, 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	$ 227,380	$ 627,727	$ 16,780	$ 35,875	$ 907,762
Charge-offs	-	(192,109)	-	-	(192,109)
Recoveries	-	-	-	-	-
Provision for loan losses	30,308	182,517	(1,207)	(3,292)	208,326
Ending balance	$ 257,688	$ 618,135	$ 15,573	$ 32,583	$ 923,979

The following is a summary of the activity in the allowance for loan losses at December 31, 2017:

Beginning Balance	$ 907,762
Charge-offs	(192,109)
Recoveries	-
Provision for loan losses	208,326
Ending balance	$ 923,979

NOTE 5- **CREDIT QUALITY** (Continued)

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

	2017	2016
Current	$ 180,156	$ 151,227
Non-Current	743,823	756,535
Totals	$ 923,979	$ 907,762

The allowance for loan losses as a percentage of loans outstanding at December 31, 2017 and 2016 was 3.53% and 3.69%, 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 6- **NOTES PAYABLE**

Notes payable consisted of the following at December 31, 2017 and 2016:

	2017	2016
Community Development Notes, maturing February 1, 2018 through June 9, 2024 some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually	$ 10,367,500	$ 9,760,500
Term Loans, maturing December 1, 2018 through September 20, 2027, some subject to prior redemption, bearing stated interest at 1.00% to 3.75%, payable annually	11,973,983	10,987,618
Total Notes Payable	$ 22,341,483	$ 20,748,118

Future maturities of the notes payable are as follows as of December 31, 2017:

Years Ending December 31,	Development Notes	Term Loans	Totals
2018	$ 1,232,500	$ 500,000	$ 1,732,500
2019	2,600,000	1,605,000	4,205,000
2020	1,045,000	1,550,000	2,595,000
2021	1,785,000	5,169,000	6,954,000
2022	3,470,000	1,525,000	4,995,000
Thereafter	235,000	1,624,983	1,859,983
Totals	$ 10,367,500	$ 11,973,983	$ 22,341,483

NOTE 7- 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.

During 2016, PCG signed a lease agreement for office space in the same building, commencing on September 1, 2016 and with a term of 67 ½ months. The monthly base rent under this lease agreement is $8,750 increasing by 3% on the lease anniversary date.

Future minimum lease payments under the operating lease as of December 31, 2017, are as follows:

Year Ending December 31,	
2018	$ 94,732
2019	97,100
2020	99,528
2021	116,877
2022	34,659
Total	$ 442,896

Rent expense for the years ended December 31, 2017 and 2016 was $85,113 and $66,875, respectively.

NOTE 8- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets (restricted for time or purpose indicated) at December 31, 2017 and 2016 of $0 and $100,000 were purpose restricted.

NOTE 9- SUBSEQUENT EVENTS

PCG has evaluated subsequent events for potential required disclosure through March 26, 2018, which is the date financial statements were available to be issued.

NOTE 10- RECENT ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued the final current expected credit loss (CECL) standard on June 16, 2017. Accounting Standards Update (ASU) 2017-13, Financial Instruments – Credit Losses (Topic 326). After the financial crisis in 2007-2008, the FASB decided to revisit how banks estimate losses in the allowance for loan and lease losses (ALLL) calculation. Currently, the impairment model is based on incurred losses, and investments are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. This model is expected to be replaced by the new CECL model.

NOTE 10- RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

Under the new current expected credit loss model, financial institutions will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan. The transition to the CECL model will bring with it significantly greater data requirements and changes to methodologies to accurately account for expected losses under the new parameters. This new standard is effective for the December 31, 2021 financial statements, with early adoption permitted. PCG is still evaluating this new standard and its applicability to the financial statements. In general, this new standard is expected to require financial institutions to increase their allowance for credit losses significantly.

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SUPPLEMENTARY INFORMATION

PARTNERS FOR THE COMMON GOOD
Schedule of Community Development Notes Payable
December 31, 2017

Lender	Interest Rate		Balance
American Province of Little Company of Mary Sisters	0.00%	$	50,000
Benedictine Convent of Perpetual Adoration	0.00%		50,000
Christian Brothers of the Midwest, Inc.	1.50%		100,000
Congregation of the Sisters of St. Agnes - Note 1	0.00%		25,000
Congregation of the Sisters of St. Agnes - Note 2	0.00%		25,000
Convent of the Sisters of St. Joseph	1.75%		25,000
Franciscan Sisters of OLPH	1.75%		50,000
Franciscan Sisters of Perpetual Adoration	1.00%		125,000
Glenmary Home Missioners - Note 3	2.50%		100,000
IHM Congregation Charitable Trust	2.00%		25,000
Loretto Literary and Benevolent Institution	1.00%		50,000
Missionary Sisters Servants of the Holy Spirit	1.00%		75,000
Our Lady of Victory Missionary Sisters	1.75%		57,000
Atlantic-Midwest Province Endowment Trust of the School Sisters of Notre Dame - Note 1	1.00%		25,000
Atlantic-Midwest Province Endowment Trust of the School Sisters of Notre Dame - Note 2	2.00%		25,000
School Sisters of St. Francis Inc., Milwaukee	1.00%		50,000
School Sisters of St. Francis, U.S. Province	2.00%		50,000
Sisters of Charity of Leavenworth	0.00%		75,000
Sisters of Charity of St. Augustine	1.00%		50,000
Sisters of Notre Dame de Namur Generalate- Note 1	1.50%		25,000
Sisters of Notre Dame de Namur Generalate- Note 2	1.50%		50,000
Sisters of Notre Dame de Namur Generalate- Note 3	1.50%		50,000
Sisters of Notre Dame de Namur Generalate- Note 4	1.50%		72,500
Sisters of Notre Dame de Namur Generalate- Note 5	1.50%		50,000
Sisters of Notre Dame of Chardon OH	2.00%		50,000
Sisters of Providence of St. Mary of the Woods	1.00%		53,000
Sisters of St. Francis Charitable Trust - Note 2	1.25%		25,000
Sisters of St. Francis of Clinton, Iowa - Note 1	1.00%		45,000
Sisters of St. Francis of Clinton, Iowa - Note 2	1.00%		80,000
Sisters of St. Francis of Clinton, Iowa - Note 3	1.00%		225,000
Sisters of St. Francis of Holy Name Province, Inc.	1.00%		300,000
Sisters of St. Francis of Philadelphia	1.40%		50,000
Sisters of St. Francis of the Neumann Communities	0.00%		25,000
Sisters of St. Francis of Sylvania, OH	1.50%		25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 1	1.00%		25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 2	1.00%		25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 3	1.00%		100,000
Sisters of St. Joseph of Carondelet, St Paul	1.40%		50,000
Congregation of the Sisters of St. Joseph	1.50%		100,000
Sisters of St. Joseph of Orange	1.00%		100,000
Sisters of St. Joseph of Peace, St. Joseph Province	1.00%		100,000
Sisters of St. Joseph of Peace, Washington Province	1.40%		25,000
Congregation of the Sisters of the Holy Names of Jesus and Mary	1.50%		35,000
Sisters of the Holy Names of Jesus and Mary US, an Ontario Province Corporation	3.00%		250,000
Sisters of St. Dominic of Amityville	1.00%		50,000

(Continue)

PARTNERS FOR THE COMMON GOOD
Schedule of Community Development Notes Payable (Continued)
December 31, 2017

Sisters of St. Dominic of Grand Rapids	0.00%	75,000
Sisters of the Presentation, Dubuque, Iowa	1.00%	150,000
Sisters of the Presentation, New Windsor	0.00%	25,000
Sisters Servants of the Immaculate Heart of Mary	1.75%	50,000
Society of the Holy Child Jesus, American Province	3.00%	60,000
Society of the Sacred Heart Duchesne Trust	1.00%	500,000
Society of the Sisters of St. Joseph	2.50%	100,000
SSM International Finance, Inc. - Note 3	2.00%	500,000
SSM International Finance, Inc. - Note 4	2.00%	875,000
SSM Internaitonal Finance, Inc. - Note 5	1.50%	200,000
Union Sisters of the Presentation of the BVM	0.00%	75,000
Daughters of the Holy Spirit Charitable Trust	1.00%	25,000
Sister of Mercy of the Holy Cross	2.50%	50,000
Society of the Divine Word - Note 1	1.75%	75,000
Society of the Divine Word - Note 2	1.75%	25,000
Sisters of St. Joseph of Northwestern Pennsylvania	3.00%	50,000
Society of Catholic Medical Missionaries/Medical Mission Sisters	2.00%	25,000
FSC DENA Endowment Trust	1.50%	600,000
Dominican Sisters of Peace	1.00%	200,000
Dominican Sisters of Hope	3.00%	50,000
Sisters of Charity of the Blessed Virgin Mary - Note 1	1.50%	300,000
Sisters of Charity of the Blessed Virgin Mary - Note 2	1.50%	300,000
Sisters of Notre Dame International	2.00%	110,000
St. Joseph Health System - Note 1	2.50%	1,000,000
St. Joseph Health System - Note 2	2.25%	500,000
The Sustainabilty Group - Note 1 - Jennifer Leeds	2.75%	100,000
New York Quarterly Meeting	2.25%	250,000
The Sustainabilty Group - Note 2 - Diocese of Iowa	3.00%	30,000
The Sustainabilty Group - Note 3 - Louise Bowditch Trust	3.00%	50,000
Amalgamated Bank	2.00%	1,000,000
		$ 10,367,500

PARTNERS FOR THE COMMON GOOD
Schedule of Term Notes Payable
December 31, 2017

Lender	Interest Rate		Balance
Catholic Health Initiatives	1.00%	$	960,000
Dignity Health	3.00%		1,500,000
Trinity Health	2.00%		1,000,000
Bon Secours Health System Inc.	2.50%		900,000
Dept of Treasury - Small Business Loan Fund	2.00%		1,009,000
CCIF - CDFI Community Investment Fund	3.00%		500,000
Bank of America	3.65%		105,000
Wells Fargo	2.00%		500,000
PNC	3.00%		500,000
State Bank of India - California	3.75%		2,000,000
Northern Trust	2.00%		1,000,000
Sisters of Charity of the Incarnate Word	1.00%		600,000
Mercy Investment Services, Inc.	2.50%		500,000
Sisters of the Humility of Mary (RCIF)	2.00%		175,000
Adrian Dominican Sisters	3.00%		50,000
Religious Communities Investment Fund, Inc. - Note 3	2.50%		200,000
Seton Enablement Fund - Sisters of Charity of Cincinnati	3.00%		124,983
Sisters of Bon Secours	2.50%		150,000
Everence - Formerly MMA Community Development Investments	3.00%		200,000
		$	11,973,983