

**Partners for the Common Good**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2023 and 2022**

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# Partners for the Common Good

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## Independent Auditor's Report

To the Board of Directors  
Partners for the Common Good

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Partners for the Common Good, which comprise the statements of financial position, as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Partners for the Common Good as of December 31, 2023 and 2022, 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.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. ("Government Auditing Standards") Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Partners for the Common Good and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2023, the entity adopted new accounting guidance Financial Accounting Standards Board Accounting Standards Codification *Topic 326, Credit Losses*. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners for the Common Good's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Partners for the Common Good's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners for the Common Good's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2024, on our consideration of Partners for the Common Good's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Partners for the Common Good's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partners for the Common Good's internal control over financial reporting and compliance.

*CohnReznick LLP*

Bethesda, Maryland  
April 25, 2024

**Partners for the Common Good**

**Statements of Financial Position  
December 31, 2023 and 2022**

	2023		
	General Fund	Loan Fund	Total
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 1,989,251	\$ 11,648,945	\$ 13,638,196
Loans receivable, current portion	-	16,729,778	16,729,778
Less: allowance for loan losses, current portion	-	(69,455)	(69,455)
Accounts and interest receivable, net	204,588	352,136	556,724
Grants receivable, current portion	833,258	-	833,258
Due from affiliate, net	154,307	-	154,307
Prepaid expenses	38,128	-	38,128
Total current assets	<u>3,219,532</u>	<u>28,661,404</u>	<u>31,880,936</u>
Noncurrent assets			
Fixed assets, net	205,314	-	205,314
Operating lease right-of-use assets	1,157,354	-	1,157,354
Investments	-	565,795	565,795
Grants receivable, net of current portion	100,000	-	100,000
Due from affiliate, net of current portion	422,032	432,892	854,924
Loans receivable, net of current portion	-	32,325,721	32,325,721
Less: allowance for loan losses, net of current portion	-	(625,094)	(625,094)
Total noncurrent assets	<u>1,884,700</u>	<u>32,699,314</u>	<u>34,584,014</u>
Total assets	<u>\$ 5,104,232</u>	<u>\$ 61,360,718</u>	<u>\$ 66,464,950</u>
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 1,316,835	\$ 105,000	\$ 1,421,835
Current portion of operating lease liabilities	144,857	-	144,857
Accrued interest payable	-	287,624	287,624
Community development notes payable, current portion	-	2,485,000	2,485,000
Term notes payable, current portion	-	7,500,000	7,500,000
Total current liabilities	<u>1,461,692</u>	<u>10,377,624</u>	<u>11,839,316</u>
Noncurrent liabilities			
Community development notes payable, net of current portion	-	8,406,621	8,406,621
Term notes payable, net of current portion	-	20,266,871	20,266,871
Operating lease liabilities, net of current portion	1,156,838	-	1,156,838
Total noncurrent liabilities	<u>1,156,838</u>	<u>28,673,492</u>	<u>29,830,330</u>
Total liabilities	<u>2,618,530</u>	<u>39,051,116</u>	<u>41,669,646</u>
Commitments and contingencies	-	-	-
Net assets			
Without donor restrictions			
Undesignated	<u>2,485,702</u>	<u>22,309,602</u>	<u>24,795,304</u>
Total net assets	<u>2,485,702</u>	<u>22,309,602</u>	<u>24,795,304</u>
Total liabilities and net assets	<u>\$ 5,104,232</u>	<u>\$ 61,360,718</u>	<u>\$ 66,464,950</u>

See Notes to Financial Statements.

**Partners for the Common Good**

**Statements of Financial Position  
December 31, 2023 and 2022**

	2022		
	General Fund	Loan Fund	Total
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 1,534,750	\$ 15,826,619	\$ 17,361,369
Loans receivable, current portion	-	15,294,168	15,294,168
Less: allowance for loan losses, current portion	-	(126,332)	(126,332)
Accounts and interest receivable	167,767	238,232	405,999
Grants receivable, current portion	300,000	-	300,000
Due from affiliate	451,895	-	451,895
Prepaid expenses	52,600	-	52,600
	<u>2,507,012</u>	<u>31,232,687</u>	<u>33,739,699</u>
Total current assets			
Noncurrent assets			
Fixed assets, net	116,977	-	116,977
Operating lease right-of-use assets	1,312,174	-	1,312,174
Investments	-	545,064	545,064
Grants receivable, net of current portion	200,000	-	200,000
Loans receivable, net of current portion	-	25,403,158	25,403,158
Less: allowance for loan losses, net of current portion	-	(1,136,985)	(1,136,985)
Deposits	26,250	-	26,250
	<u>1,655,401</u>	<u>24,811,237</u>	<u>26,466,638</u>
Total noncurrent assets			
	<u>1,655,401</u>	<u>24,811,237</u>	<u>26,466,638</u>
Total assets	<u>\$ 4,162,413</u>	<u>\$ 56,043,924</u>	<u>\$ 60,206,337</u>
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 1,060,706	\$ -	\$ 1,060,706
Current portion of operating lease liabilities	45,503	-	45,503
Accrued interest payable	-	264,447	264,447
Community development notes payable, current portion	-	1,848,621	1,848,621
Term notes payable, current portion	-	5,750,000	5,750,000
	<u>1,106,209</u>	<u>7,863,068</u>	<u>8,969,277</u>
Total current liabilities			
	<u>1,106,209</u>	<u>7,863,068</u>	<u>8,969,277</u>
Noncurrent liabilities			
Community development notes payable, net of current portion	-	8,918,000	8,918,000
Term notes payable, net of current portion	-	20,608,937	20,608,937
Operating lease liabilities, net of current portion	1,301,688	-	1,301,688
	<u>1,301,688</u>	<u>29,526,937</u>	<u>30,828,625</u>
Total noncurrent liabilities			
	<u>1,301,688</u>	<u>29,526,937</u>	<u>30,828,625</u>
Total liabilities	<u>2,407,897</u>	<u>37,390,005</u>	<u>39,797,902</u>
Commitments and contingencies	-	-	-
Net assets			
Without donor restrictions			
Undesignated	1,754,516	17,933,919	19,688,435
With donor restrictions	-	720,000	720,000
	<u>1,754,516</u>	<u>18,653,919</u>	<u>20,408,435</u>
Total net assets			
	<u>1,754,516</u>	<u>18,653,919</u>	<u>20,408,435</u>
Total liabilities and net assets	<u>\$ 4,162,413</u>	<u>\$ 56,043,924</u>	<u>\$ 60,206,337</u>

**Partners for the Common Good**

**Statements of Activities  
December 31, 2023 and 2022**

	2023		Total
	Without donor restrictions	With donor restrictions	
Revenue and support			
Grants	\$ 4,474,258	\$ -	\$ 4,474,258
Interest income			
Loan portfolio	2,704,404	-	2,704,404
Investments	104,191	-	104,191
Fees	948,086	-	948,086
Contributions	113,402	-	113,402
Net assets released from restrictions	720,000	(720,000)	-
 Total revenue and support	 9,064,341	 (720,000)	 8,344,341
Expenses			
Program services	3,162,718	-	3,162,718
Supporting services			
Management and general	1,028,522	-	1,028,522
Resource development	212,273	-	212,273
 Total supporting services	 1,240,795	 -	 1,240,795
 Total expenses	 4,403,513	 -	 4,403,513
Other gains (losses)			
Unrealized gain on investments	20,731	-	20,731
Equity in losses from equity method	(259,897)	-	(259,897)
 Total other gains (losses)	 (239,166)	 -	 (239,166)
 Change in net assets	 4,421,662	 (720,000)	 3,701,662
Net assets, beginning	19,688,435	720,000	20,408,435
 Change in accounting policy (Note 1)	 685,207	 -	 685,207
 Net assets, end	 <u>\$ 24,795,304</u>	 <u>\$ -</u>	 <u>\$ 24,795,304</u>



**Partners for Common Good**

**Statements of Activities  
Years Ended December 31, 2023 and 2022**

	2022		Total
	Without donor restrictions	With donor restrictions	
Revenue and support			
Grants	\$ 200,000	\$ 690,000	\$ 890,000
Interest income			
Loan portfolio	2,368,643	-	2,368,643
Investments	59,656	-	59,656
Fees	769,777	-	769,777
Contributions	116,776	-	116,776
Net assets released from restrictions	815,000	(815,000)	-
	<u>4,329,852</u>	<u>(125,000)</u>	<u>4,204,852</u>
Total revenue and support			
Expenses			
Program services	2,185,257	-	2,185,257
Supporting services			
Management and general	1,099,209	-	1,099,209
Resource development	290,630	-	290,630
	<u>1,389,839</u>	<u>-</u>	<u>1,389,839</u>
Total supporting services			
Total expenses	<u>3,575,096</u>	<u>-</u>	<u>3,575,096</u>
Other gains (losses)			
Unrealized gain on investments	15,239	-	15,239
Gain on sale of real estate owned assets	75,598	-	75,598
	<u>90,837</u>	<u>-</u>	<u>90,837</u>
Total other gains (losses)			
Change in net assets	<u>845,593</u>	<u>(125,000)</u>	<u>720,593</u>
Net assets, beginning	<u>18,842,842</u>	<u>845,000</u>	<u>19,687,842</u>
Net assets, end	<u>\$ 19,688,435</u>	<u>\$ 720,000</u>	<u>\$ 20,408,435</u>

**Partners for Common Good**

**Statements of Functional Expenses  
Years Ended December 31, 2023 and 2022**

	2023			
	Program services	Supporting services		Total
		Management and general	Resource development	
Administrative costs allocated				
Salaries	\$ 983,794	\$ 489,768	\$ 123,507	\$ 1,597,069
Fringe benefits	215,727	107,396	27,082	350,205
Interest	1,035,367	-	-	1,035,367
Professional fees	453,115	171,926	30,060	655,101
General and administration	94,413	190,490	21,967	306,870
Loan loss provision	300,136	-	-	300,136
Rent	76,924	42,115	9,657	128,696
Depreciation and amortization	3,242	26,827	-	30,069
<b>Total</b>	<b>\$ 3,162,718</b>	<b>\$ 1,028,522</b>	<b>\$ 212,273</b>	<b>\$ 4,403,513</b>

	2022			
	Program services	Supporting services		Total
		Management and general	Resource development	
Administrative costs allocated				
Salaries	\$ 673,763	\$ 535,948	\$ 130,159	\$ 1,339,870
Fringe benefits	151,280	120,336	29,224	300,840
Interest	967,491	-	-	967,491
Professional fees	282,000	201,387	95,472	578,859
General and administration	79,839	177,906	22,954	280,699
Loan loss provision	(39,806)	-	-	(39,806)
Rent	66,366	52,791	12,821	131,978
Depreciation and amortization	4,324	10,841	-	15,165
<b>Total</b>	<b>\$ 2,185,257</b>	<b>\$ 1,099,209</b>	<b>\$ 290,630</b>	<b>\$ 3,575,096</b>

See Notes to Financial Statements.

**Partners for the Common Good**

**Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 3,701,662	\$ 720,593
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Provision for loan losses	300,136	(91,144)
Loan write-offs	(9,483)	51,338
Loan recoveries	1,418	-
Depreciation and amortization	30,069	15,165
Non-cash operating lease costs	109,324	35,017
Unrealized gain on investment	(20,731)	(15,239)
Gain on sale of real estate owned assets	-	(75,598)
Equity in losses from equity method investment	259,897	-
Change in operating assets and liabilities		
(Increase) decrease in accounts and interest receivable	(150,725)	22,751
(Increase) decrease in grants receivable	(433,258)	300,000
Decrease in prepaid expenses	14,472	13,676
Decrease in deposits	26,250	-
Increase in accounts payable and accrued expenses	185,497	273,068
Increase in accrued interest payable	23,177	35,032
	<u>4,037,705</u>	<u>1,284,659</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(118,406)	(80,486)
Proceeds from sale of real estate owned assets	-	340,782
Advances to affiliates	(641,751)	-
Contributions paid to equity investment	(175,482)	-
Loans receivable		
New loans provided	(18,644,992)	(14,381,159)
Loan payments received	10,286,819	18,048,626
	<u>(9,293,812)</u>	<u>3,927,763</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities		
Proceeds from community development and term notes payable	3,675,000	3,675,000
Payments of community development and term notes payable	(2,142,066)	(2,237,570)
	<u>1,532,934</u>	<u>1,437,430</u>
Net cash provided by financing activities		
Net (decrease) increase in cash and cash equivalents	(3,723,173)	6,649,852
Cash and cash equivalents, beginning	<u>17,361,369</u>	<u>10,711,517</u>
Cash and cash equivalents, end	<u>\$ 13,638,196</u>	<u>\$ 17,361,369</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 1,012,190</u>	<u>\$ 932,459</u>
Right-of-use assets obtained in exchange for lease liabilities	<u>\$ -</u>	<u>\$ 1,312,174</u>

See Notes to Financial Statements.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### Note 1 - Organization and summary of significant accounting policies

##### Description of organization and activities

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

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as codified by the Financial Accounting Standards Board ("FASB ASC").

##### Reclassifications

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

##### Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

##### Cash and cash equivalents

PCG considers all highly-liquid instruments with a maturity at the date of acquisition of three months or less to be cash equivalents.

##### Concentration of credit risk

PCG maintains its cash and cash equivalent balances in several accounts in various banks. At December 31, 2023, the total uninsured balance was \$11,620,301; however, PCG has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2023.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### **Accounts and grants receivable**

Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on a periodic review of all outstanding amounts. PCG's allowance for doubtful accounts represents its estimate of expected credit losses related to receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables. Management believes all amounts included in accounts and grants receivable to be collectible. Accordingly, there is no provision for credit losses related to receivable as of December 31, 2023 and 2022.

#### **Participation interests**

During the normal course of business, PCG purchases participation interests in loans from other organizations who serve as the lead lender. In accordance with accounting guidance for transfers and servicing, if a sale of a loan participation or interest meets the true-sale criteria, PCG would derecognize the participation amount from the balance sheet. Only PCG's portion of the loan receivable and interest earned on such transactions would be included in the statement of operations. If a loan participation does not meet the true-sale criteria, the proceeds are treated as a secured financing for financial reporting purposes. Accordingly, the full amount of the loan that did not meet the true-sale criteria would be recorded as an asset and the participant's share of the loan would be reflected as a participation interest payable of the statements of financial position. In determining whether a sale of loan participation or interest meets the true-sale criteria, PCG considers whether the transferee would be consolidated by the transferor, the transferor's continuing involvement in the transferred assets, and all arrangements or agreements made at the same time as, or in contemplation of the transfer.

Prior to purchasing an interest, 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 (See Note 3).

#### **Loans receivable**

Loans receivable are carried at unpaid principal balances net an allowance of loan losses.

Past due status is determined based on contractual terms. The recognition of income on a loan is discontinued when contractual payments become over 90 days past due among other factors determined by management. 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. A loan is restored to accrual status when all principal and interest payments are current, and the borrower has demonstrated to management the ability to make payments as scheduled. At December 31, 2023, there are no borrowers 90 days or more past due.

PCG has elected not to measure an allowance for credit losses for accrued interest receivables. 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. As of December 31, 2023, the allowance for doubtful accounts related to interest receivable was \$13,936.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

From time to time PCG may modify loans. Modifications include changes to interest rates, principal and interest payment terms, loan maturity dates and collateral. Under PCG's policy, when such modifications are made to borrowers under financial distress, the loan is considered impaired. Impaired loans are then evaluated to determine if additional allowance within the allowance for loan losses is needed. There were no loans modified during the year ended December 31, 2023.

#### **Allowance for credit losses**

PCG utilizes a loss rate approach in determining its lifetime expected credit losses on its loans receivables. This method is used for calculating an estimate of losses based primarily on PCG's historical loss experience. In determining its loss rates, PCG evaluates information related to its historical losses over a period of time that management has determined represents current and expected conditions. For the period of time beyond which PCG can reasonably forecast, PCG applies immediate reversion based on the facts and circumstances as of the reporting date. PCG has concluded that it can reasonably support a forecast period of all loan segments for one year after the balance sheet date.

Loan receivables are written off when the 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 deemed relevant by management. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the balance sheet date.

#### **Unfunded loan commitments**

PCG also has off-balance sheet financial instruments, which include unfunded loan commitments that PCG has determined is not unconditionally cancellable. PCG minimizes these risks through underwriting guidelines and prudent risk management techniques. As of December 31, 2023, PCG had \$16,838,954 in loan commitments pending.

PCG records a liability for losses on unfunded commitments on loans receivable. The liability is calculated in the same manner as the allowance for loan losses on loans receivable, adjusted for the likelihood that funding will occur. The liability is reported as a component of accounts payable and accrued expenses on the statements of financial position and adjusted through the provision for loan losses, which is recorded to expense. Provision for loan losses for commitments for the year ended December 31, 2023 was \$101,224.

#### **Fixed assets**

Fixed assets in excess of \$1,000 are capitalized and stated at cost. PCG provides for depreciation and amortization using the straight-line method over the estimated useful lives of the various classes of property as follows:

Furniture and equipment	7 years
Computer equipment and software	3 years

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### **Real estate owned assets**

Real estate owned assets consists of real property acquired through foreclosure or in lieu of foreclosure. At the time of acquisition, real estate owned assets are carried at the current fair value of the property, less estimated selling costs. Subsequent to acquisition, gains or losses on sale are recorded to noninterest income and the periodic revaluation of real estate owned assets are credited only to the extent of previous losses recognized or charged to noninterest expense. Net costs of maintaining and operating acquired properties are expensed as incurred.

#### **Fair value of financial instruments**

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

#### **Revenue recognition**

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

Commitment fees are recognized at the inception of the loan receivable. Direct loan costs are expensed as incurred. Management has determined that amortizing loan costs as required by GAAP is not significant to the financial statements.

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, either when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from donor restrictions. All expenses are reported in net assets without donor restrictions.

PCG recognizes grants and contributions as revenue when they are received or unconditionally pledged. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized as revenue until the conditions on which they depend have been substantially met. Grants receivable at December 31, 2023 are expected to be collected in less than one year.

#### **Classification of net assets**

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

*Net assets without donor restrictions* are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use.

*Net assets with donor restrictions* are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, or are time restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### Donated-in-kind materials and services

Donated materials and services are recorded at fair market value at the date of donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated; or
- The services enhance or create an asset.

During the years ended December 31, 2023 and 2022, there were no in-kind donations of materials or services.

#### Investments in limited liability companies

Investments in limited liability companies are accounted for using the equity method under which PCG's share of net income or loss is recognized in the statements of activities and added or subtracted from the investment account, and distributions received are treated as a reduction of the investment account. Investments cannot be reduced below zero unless certain conditions are met. PCG reviews its investments for impairment whenever events or changes in circumstances indicate that the carrying value of such investments may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the investment to the estimated fair value of the investment. Estimated fair value is calculated as the present value of the expected future cash flow from the investments. If the estimated fair value of the investment is less than the carrying value of the investment and the decrease in value is assessed by PCG as other than temporary, an impairment loss has occurred and is recognized. For the years ended December 31, 2023 and 2022, no impairment loss has been recognized.

#### New Markets Tax Credits

In 2016, 2017, 2020 and 2023 PCG received New Markets Tax Credit ("NMTC") allocations of \$35 million, \$15 million, \$35 million and \$50 million, respectively, from the U.S. Department of Treasury's CDFI Fund. PCG has created 13 subsidiary CDEs ("Sub-CDEs") to initiate transactions using the allocated tax credits. These affiliates were formed as limited liability companies and are audited separately. PCG is the managing member of each Sub-CDE. However, PCG does not consolidate the Sub-CDEs into its financial statements as it was determined that the Sub-CDEs do not meet the requirements of FASB ASC 810 for consolidation into PCG's financial statements as PCG does not have control. In addition, as the amount of investment in the Sub-CDEs is considered immaterial, PCG does not record the investments using the equity method of accounting. The purpose of the Sub-CDEs is to obtain Qualified Equity Investments ("QEIs") from investors, make qualified investments in Qualified Active Low-Income Community Businesses ("QALICBs"), and engage in such other activities which qualify for the NMTC pursuant to Section 45D of the Internal Revenue Code.



## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

As of December 31, 2023, the following allocations have been transferred via transactions involving PCG Sub-CDEs 1 through 13:

	<u>2016 Allocation</u>	<u>2017 Allocation</u>	<u>2020 Allocation</u>	<u>2023 Allocation</u>
PCG Sub CDE 1, LLC	\$ 5,500,000	\$ -	\$ -	\$ -
PCG Sub CDE 2, LLC	7,000,000	-	-	-
PCG Sub CDE 3, LLC	6,000,000	-	-	-
PCG Sub CDE 4, LLC	6,000,000	-	-	-
PCG Sub CDE 5, LLC	5,500,000	-	-	-
PCG Sub CDE 6, LLC	5,000,000	-	-	-
PCG Sub CDE 7, LLC	-	6,000,000	-	-
PCG Sub CDE 8, LLC	-	9,000,000	-	-
PCG Sub CDE 9, LLC	-	-	7,500,000	-
PCG Sub CDE 10, LLC	-	-	7,100,000	-
PCG Sub CDE 11, LLC	-	-	7,000,000	-
PCG Sub CDE 12, LLC	-	-	6,400,000	-
PCG Sub CDE 13, LLC	-	-	7,000,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Allocation transferred as of December 31, 2023	35,000,000	15,000,000	35,000,000	-
Remaining allocation to be transferred	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	50,000,000
Total allocation	<u>\$ 35,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 35,000,000</u>	<u>\$ 50,000,000</u>

NMTC fees are composed of Sub-Allocation Fees, Asset Management Fees, and Tax and Accounting Fees earned from the Sub-CDEs. Sub-Allocation Fees are recognized when a Sub-CDE makes its qualified investments in QALICBs or as otherwise earned in accordance with the terms of the individual CDE Fee Agreement. Asset Management Fees and Tax and Accounting Fees are recognized annually as services are performed in accordance with the CDE Fee Agreement. During the years ended December 31, 2023 and 2022, PCG earned NMTC fees of \$555,000 and \$545,317, respectively, which are included in fees revenue on the statements of activities.

NMTCs are contingent upon a Sub-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 an NMTC recapture event were to occur, PCG would be required to pay a recapture amount to the investor member of the related Sub-CDE. The recapture amount is limited to the total fees paid and to be paid by the specific Sub-CDE to PCG over the compliance period, unless the recapture is due to fraud, gross negligence or willful misconduct on the part of PCG. As of December 31, 2023, the outstanding NMTC recapture guarantees PCG has provided were \$5,520,605. PCG has received four allocations and has not experienced a recapture event related to the NMTC guarantees; consequently, PCG believes that the likelihood of a recapture event is remote.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

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

2024	\$	1,202,500
2025		2,043,108
2026		-
2027		1,404,000
2028		870,997
		<hr/>
	\$	5,520,605
		<hr/>

As of December 31, 2023, 13 of the Sub-CDEs were active. The allocation of PCG's NMTCs have been achieved through investments from the following banks: JP Morgan Chase Bank, Capital One Bank, PNC Bank, Wells Fargo Bank, Northern Trust Bank, M&T Bank and US Bank.

#### Expense allocations

The costs of providing the program services and management activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program or supporting services categories based on specific identification and certain indirect expenses have been allocated based on estimates of time and effort as determined by management.

#### Income taxes

PCG is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2023 and 2022. 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. PCG is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and PCG has no other tax positions which must be considered for disclosure. Income tax returns filed by PCG are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2020 remain open.

#### Change in accounting principle

The Financial Accounting Standards Board ("FASB") issued new guidance related to credit losses. The guidance introduces an expected credit loss model for the impairment of financial assets measured at amortized cost. The model replaces the probable, incurred loss model for those assets and broadens the information to be considered in developing the credit loss estimate for assets measured at amortized cost. For the year ended December 31, 2023, PCG adopted this new guidance and related amendments using the modified retrospective method. The adoption of the new standard resulted in the recognition on January 1, 2023 of a cumulative effect adjustment in relation to the change in accounting policy to net assets, beginning of \$685,207, which also resulted in an increase in loans receivable, net of allowance for loan loss of \$760,615, and an increase in accounts payable and accrued expense of \$75,408.

#### Note 2 - Liquidity and availability

The following table reflects the PCG's financial assets as of December 31, 2023 and 2022 reduced by the amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year and board designated net assets. These board designations could be drawn upon if the board approved that action.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

The following is the net financial assets available for general expenditures during the next year as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents - general fund	\$ 1,989,251	\$ 1,534,750
Accounts and interest receivable - general fund	204,588	167,767
Grants receivable - general fund	833,258	300,000
Due from affiliate - general fund	<u>154,307</u>	<u>451,895</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,181,404</u>	<u>\$ 2,454,412</u>

PCG has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

#### Note 3 - Loans receivable

##### Nature of lending activities

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 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.

Loans originated by PCG and for which there is the ability to hold for the foreseeable future, or until either maturity or earlier prepayment, are measured at the outstanding principal amount net of an allowance for loan losses. Management's views regarding the foreseeable future and, consequently, its intent with respect to holding these loans may change due to changes in business strategies, the economic environment of the market in which PCG operates, general market conditions, and the availability of various government programs in which PCG participates.

Loan modifications include changes to interest rates, principal and interest payment terms, loan maturity dates and collateral. When loans are modified as a result of borrowers experiencing financial difficulty, PCG considers the loan impaired. The respective loans are then evaluated to determine if additional allowance within the allowance for loan losses is needed.

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.

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### Notes to Financial Statements December 31, 2023 and 2022

Loan terms for direct loans and participation loans receivable include maturity dates through December 12, 2035, and interest rates ranging from 3.71% to 8.5%. Security for the loans varies and includes mortgages, fixed assets and equipment, reserve accounts, and security interests in tax credits, while some loans are unsecured.

#### Aging and interest accrual status

The following table presents informative data by category of financing receivable regarding their age and interest accrual status as of December 31, 2023:

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000	\$ 750,000
Housing	-	-	-	-	-	26,230,710	26,230,710
Community facility	-	-	-	-	-	16,845,505	16,845,505
Commercial real estate	-	-	-	-	-	4,979,867	4,979,867
Working capital	-	-	-	249,417	249,417	-	249,417
Total	\$ -	\$ -	\$ -	\$ 249,417	\$ 249,417	\$ 48,806,082	\$ 49,055,499

PCG had one loan classified as non-performing, non-accrual which totaled \$249,417 as of December 31, 2023.

The following table presents informative data by category of financing receivable regarding their age and interest accrual status as of December 31, 2022:

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,976	\$ 585,976
Housing	-	-	-	519,814	519,814	21,153,906	21,673,720
Community facility	-	-	-	-	-	13,366,841	13,366,841
Commercial real estate	-	-	-	-	-	4,809,957	4,809,957
Working capital	-	-	-	-	-	260,832	260,832
Total	\$ -	\$ -	\$ -	\$ 519,814	\$ 519,814	\$ 40,177,512	\$ 40,697,326

PCG had two loans classified as non-performing, non-accrual which totaled \$519,814 as of December 31, 2022.

#### Risk ratings

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.

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**Notes to Financial Statements  
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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.

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2023:

	<u>International</u>	<u>Housing</u>	<u>Community facility</u>	<u>Commercial real estate</u>	<u>Working capital</u>	<u>Total</u>
Risk rating						
1 - Low	\$ -	\$ -	\$ 2,488,990	\$ -	\$ -	\$ 2,488,990
2 - Moderate	-	5,262,777	4,709,963	-	-	9,972,740
3 - Acceptable	750,000	16,783,624	8,646,552	4,979,867	-	31,160,043
4 - High	-	4,184,309	1,000,000	-	-	5,184,309
5 - Work-out/default	-	-	-	-	249,417	249,417
<b>Total</b>	<b>\$ 750,000</b>	<b>\$ 26,230,710</b>	<b>\$ 16,845,505</b>	<b>\$ 4,979,867</b>	<b>\$ 249,417</b>	<b>\$ 49,055,499</b>

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2022:

	<u>International</u>	<u>Housing</u>	<u>Community facility</u>	<u>Commercial real estate</u>	<u>Working capital</u>	<u>Total</u>
Risk rating						
1 - Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 - Moderate	-	3,321,767	2,850,271	-	-	6,172,038
3 - Acceptable	585,976	16,673,604	9,516,570	4,809,957	-	31,586,107
4 - High	-	1,158,535	1,000,000	-	260,832	2,419,367
5 - Work-out/default	-	519,814	-	-	-	519,814
<b>Total</b>	<b>\$ 585,976</b>	<b>\$ 21,673,720</b>	<b>\$ 13,366,841</b>	<b>\$ 4,809,957</b>	<b>\$ 260,832</b>	<b>\$ 40,697,326</b>

**Allowance for loan losses**

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2023, by loan category and the amount by category, as evaluated by PCG's risk rating system:

	<u>Housing</u>	<u>Community facility and commercial real estate</u>	<u>Working capital</u>	<u>International</u>	<u>Total</u>
Allowance for loan losses					
Beginning balance	\$ 596,012	\$ 637,633	\$ 10,042	\$ 19,630	\$ 1,263,317
Change in accounting policy (Note 1)	(508,860)	(229,697)	(10,042)	(12,016)	(760,615)
Provision for loan losses	32,280	110,531	46,900	2,136	191,847
<b>Ending balance</b>	<b>\$ 119,432</b>	<b>\$ 518,467</b>	<b>\$ 46,900</b>	<b>\$ 9,750</b>	<b>\$ 694,549</b>

**Partners for the Common Good**

**Notes to Financial Statements  
December 31, 2023 and 2022**

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2022, by loan category and the amount by category, as evaluated by PCG's risk rating system:

	Housing	Community facility and commercial real estate	Working capital	International	Total
Allowance for loan losses:					
Beginning balance	\$ 722,974	\$ 559,932	\$ 40,419	\$ 31,136	\$ 1,354,461
Provision for loan losses	(126,962)	77,701	(30,377)	(11,506)	(91,144)
Ending balance	<u>\$ 596,012</u>	<u>\$ 637,633</u>	<u>\$ 10,042</u>	<u>\$ 19,630</u>	<u>\$ 1,263,317</u>

The following is a summary of the current and noncurrent portions of the allowance for loan losses as of December 31, 2023 and 2022:

	2023	2022
Current	\$ 69,455	\$ 126,332
Noncurrent	625,094	1,136,985
Total	<u>\$ 694,549</u>	<u>\$ 1,263,317</u>

The following table presents the components of the provision for loan losses for the years ended December 31, 2023 and 2022:

	2023	2022
Loans receivable	\$ 191,847	\$ (91,144)
Unfunded commitments	100,224	-
Loan recoveries	(1,418)	-
Loan write offs	9,483	51,338
	<u>\$ 300,136</u>	<u>\$ (39,806)</u>

The allowance for loan losses as a percentage of loans outstanding at December 31, 2023 and 2022 was 1.4% and 3.10%, respectively, of PCG's loan portfolio.

**Loan modifications**

During the years ended December 31, 2023 and 2022, no loans met the definition of loan modification under ASC 310-20.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### Annual maturities

As of December 31, 2023, future maturities on loans receivable for each of the next five years and thereafter are as follows:

December 31, 2024	\$	16,729,778
2025		11,548,152
2026		5,023,383
2027		4,264,470
2028		2,765,756
Thereafter		<u>8,723,960</u>
	\$	<u><u>49,055,499</u></u>

#### Note 4 - Fixed assets

Fixed assets are comprised of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Computer equipment and software	\$ 483,969	\$ 387,335
Leasehold improvements	6,169	6,169
Furniture and equipment	<u>119,715</u>	<u>97,943</u>
Total fixed assets	609,853	491,447
Accumulated depreciation	<u>(404,539)</u>	<u>(374,470)</u>
Fixed assets, net	<u><u>\$ 205,314</u></u>	<u><u>\$ 116,977</u></u>

During the years ended December 31, 2023 and 2022, depreciation expense was \$30,069 and \$15,165, respectively.

#### Note 5 - Real estate owned assets

Real estate owned ("REO") assets are originally recorded at fair value upon transfer of the loans to REO. Subsequently, REO assets are carried at the lower of carrying value or fair value. The fair value of REO assets is based on independent appraisals or pending sales transactions less anticipated selling costs. Appraised values may be discounted based upon management's historical knowledge and changes in the market conditions from the time of the appraisal. At December 31, 2023 there were no REO assets.

During 2022, a second non-performing loan receivable in the amount of \$56,500 was converted to REO. PCG held a .34313% interest in the REO asset at the time of foreclosure. Baltimore Community Lending and The Harbor Bank of Maryland also held interest in the REO asset.

During 2022, PCG's REO assets were sold. PCG received proceeds in the amount of \$340,782, which was net of various amounts due to VCC Bank, Baltimore Community Lending and The Harbor Bank of Maryland, resulting in a gain on sale of REO assets in the amount of \$75,598.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### Note 6 - Investments

PCG invested \$500,000 in the MicroVest Short Duration Fund, LP (the "Fund") on October 1, 2013. PCG is given the option annually to withdraw the investment. Investment returns are calculated by the Fund on the net asset value of the partnership as calculated at the end of each month. The returns are reinvested in the Fund and are included in unrealized gain on investments on the accompanying statements of activities. Unrealized gain on investments for the years ended December 31, 2023 and 2022 was \$20,731 and \$15,239, respectively. The balance of the investment as of December 31, 2023 and 2022 was \$565,795 and \$545,064, respectively.

#### Note 7 - Fair value measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities PCG has the ability to access.

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments consisting of PCG's investment in the Fund are based on observable values of the Fund's net assets and reported with Level 2 inputs. For the years ended December 31, 2023 and 2022, there were no transfers into or out of Level 3 of the fair value hierarchy.

The following table presents PCG's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Pooled investment fund	\$ -	\$ 565,795	\$ -	\$ 565,795

  

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Pooled investment fund	\$ -	\$ 545,064	\$ -	\$ 545,064



**Partners for the Common Good**

**Notes to Financial Statements  
December 31, 2023 and 2022**

**Note 8 - Notes payable**

Notes payable consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Community Development Notes, maturing January 1, 2024 through January 1, 2029, some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually, of which all are unsecured.	\$ 10,891,621	\$ 10,766,621
Term Loans, maturing October 25, 2024 through December 18, 2032, some subject to prior redemption, bearing stated interest at 1.00% to 4.25%, payable annually, of which certain loans are secured by related loans receivable and cash in collateralized bank accounts.	<u>27,766,871</u>	<u>26,358,937</u>
Total notes payable	<u>\$ 38,658,492</u>	<u>\$ 37,125,558</u>

Certain term loans have financial covenant requirements and, as of December 31, 2023, PCG was in compliance with all such requirements.

As of December 31, 2023, future maturities on the notes payable for each of the next five years and thereafter are as follows:

	Community Development Notes	Term Loans	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
December 31, 2024	\$ 2,485,000	\$ 7,500,000	\$ 9,985,000
2025	1,525,000	7,033,762	8,558,762
2026	2,340,000	4,200,000	6,540,000
2027	2,408,000	4,933,109	7,341,109
2028	1,983,621	2,600,000	4,583,621
Thereafter	<u>150,000</u>	<u>1,500,000</u>	<u>1,650,000</u>
	<u>\$ 10,891,621</u>	<u>\$ 27,766,871</u>	<u>\$ 38,658,492</u>

**Note 9 - Net assets with donor restrictions**

PCG has received certain grants designated by the donor for specific uses. If these restrictions were met during the year that the grant was received, the grant was classified as without donor restrictions. Net assets released from restrictions by satisfying time or purpose restrictions for the years ended December 31, 2023 and 2022 totaled \$720,000 and \$815,000, respectively. As of December 31, 2023, PCG did not have any net asset with donor restrictions.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

#### Note 10 - Operating leases

During 2016, PCG signed a lease agreement for office space, commencing on September 1, 2016 and with a term of 67.5 months. The monthly base rent under this lease agreement was \$8,750 increasing by 2.5% on the lease anniversary date. PCG extended the lease through July 15, 2022.

During 2022, PCG entered into a new office lease agreement (the "Lease") with National Housing Center Corporation effective September 15, 2022 through September 30, 2030, with an option to renew for five additional years. The terms of the Lease require monthly base rent payments in the amount of \$16,825 increasing by 3%, annually, through the end of the Lease term.

At lease commencement, PCG recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the Lease liability. PCG remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

PCG determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the PCG estimates its incremental borrowing rate as the discount rate. PCG's incremental borrowing rate, which is determined at either lease commencement or when a lease liability is remeasured, is an estimate of the interest rate it would pay on a collateralized borrowing, for an amount equal to the amount and currency of denomination of the lease payments, over a period commensurate with the lease term and in a similar economic environment.

For accounting purposes, the PCG's lease commenced on the earlier of (i) the date upon which PCG obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for PCG lease coincides with the contractual effective date. PCG's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of PCG and, when exercised, usually provide for rental payments during the extension period at then current market rates or at pre-determined rental amounts. Unless PCG determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or non-exercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

PCG includes variable rental payments based on a rate or an index such as the Consumer Price index (CPI) in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

**Partners for the Common Good**

**Notes to Financial Statements  
December 31, 2023 and 2022**

The components of lease cost reflected in the statements of activities and functional expenses for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	<u>\$ 128,696</u>	<u>\$ 131,978</u>

Lease costs for the years ended December 31, 2023 and 2022 are presented as lease expense on the accompanying statements of activities and functional expenses.

PCG's operating lease right-of-use assets and operating lease liabilities as of December 31, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets	<u>\$ 1,157,354</u>	<u>\$ 1,312,174</u>
Operating lease liabilities, current	\$ 144,857	\$ 45,503
Operating lease liabilities, non-current	<u>1,156,838</u>	<u>1,301,688</u>
Total operating lease liabilities	<u>\$ 1,301,695</u>	<u>\$ 1,347,191</u>

Other information related to the leases as of December 31, 2023 and 2022 was as follows:

<u>Year ended December 31, 2023</u>	
Cash paid included in the measurement of lease liability	<u>\$ 158,135</u>
Weighted-average remaining lease term	7.8 years
Weighted-average discount rate	2.77%

PCG has elected to use its incremental borrowing rate for real estate leases and has elected to use risk-free rates as the discount rate for its lease. PCG uses rates on U.S. government securities for periods comparable with lease terms as risk-free rates.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities and a reconciliation to present value of lease liabilities as of December 31, 2023:

Year ending December 31,	Operating leases
2024	\$ 144,857
2025	202,254
2026	208,712
2027	215,352
2028	235,812
Thereafter	429,160
Total lease payments	1,436,147
Less interest	(134,452)
Present value of lease liabilities	1,301,695
Less current portion of lease liabilities	(144,857)
Noncurrent portion of lease liabilities	\$ 1,156,838

#### Note 11 - Related party transactions

Economic Justice Partnership Fund LLC ("EJP") was formed in December 2020 and commenced operations on April 27, 2021. The purpose of EJP is to originate interim acquisition, construction and mini permanent loans ("Project Loans") to low income and low wealth communities through the leveraging of public sector grants and low-cost debt raised from socially conscious investors and private sector debt raised from commercial financial institutions. The two members of EJP are PCG and Opportunity Finance Network ("OFN"). In accordance with the Agreement, PCG owns 99.99% interest and OFN owns 0.01% interest in the EJP. PCG is the managing member of EJP. However, PCG does not consolidate EJP into its financial statements as it was determined that EJP does not meet the requirements of FASB ASC 810 for consolidation into PCG's financial statements as PCG does not have control and accounts for its interest under the equity method of accounting.

Under equity method accounting, PCG can take its investment in EJP below zero to the extent PCG holds other forms of investments in EJP, such as loans. As of December 31, 2023, PCG's losses in equity exceed its investment in EJP by \$84,415, which is included in due from affiliates on the accompanying statement of financial position. PCG's portion of net losses from EJP included in change in net assets was \$259,897 for the year ended December 31, 2023.

During 2023, PCG contributed \$175,482 to EJP. As of December 31, 2023, all committed capital to EJP has been paid.

## Partners for the Common Good

### Notes to Financial Statements December 31, 2023 and 2022

During the years ended December 31, 2023 and 2022, PCG paid certain operating expenses on behalf of the EJP. As of December 31, 2023 and 2022, \$155,262 and \$29,863, respectively, remain due from EJP which is included in due from affiliates on the statements of financial position.

In accordance with the Operating Agreement with EJP, PCG shall be paid a monthly management and servicing fee equal to 0.375% of the outstanding principal balance of the Project Loans as compensation for managing the operations of the EJP and originating, underwriting and servicing the Project Loans. During the year ended December 31, 2023, a management and servicing fee of \$82,876 was earned by PCG of which all remains unpaid and included in due from affiliates on the statement of financial position. No fee was earned during 2022.

During 2023, PCG provided a line of credit (the "Swingline") to EJP to fund new Project Loans. The total commitment by PCG under the Swingline agreement is \$5,000,000 and bears interest of 3% per annum. The loan is secured by a security interest in related Project Loan. Interest only payments are to be made monthly as defined in the agreement, through maturity on December 31, 2029, at which time all outstanding principal and any accrued interest shall be due. For the year ended December 31, 2023, the balance on the Swingline totaled \$584 which is included in due from affiliates on the statement of financial position.

On April 27, 2021, the PCG executed Formation and Operating Loan agreements with EJP in the aggregate amount of \$422,032. The proceeds from the loans were to be used to pay for initial start-up and operating costs of EJP. The loans are unsecured and bear interest at a rate of 3% per annum, compounded annually. Payments of principal and interest are to be made from EJP's net cash flow, as defined in the Agreement through maturity on April 27, 2028, at which time all outstanding principal and any accrued interest shall be due. As of both December 31, 2023 and 2022, the outstanding balance of these loans is \$422,032 and is included in due from affiliates on the statements of financial position.

PCG committed lending capital through a Credit Agreement ("CA") with EJP which was executed on April 27, 2021. As of December 31, 2023, PCG has committed \$2,500,000 to EJP under the CA which consist entirely of the Class C lender tranche. Under the CA, losses from Projects loans are applied first to the Class C lenders and in proportion to their share of the Project Loan. Recovery of losses are applied last to the Class C lenders and in proportion to their share of the Project Loan. The loans under the CA are secured by the Project Loan funded and bear interest of 7%. As of December 31, 2023, the outstanding balance under the CA is \$432,892 and is included in due from affiliates on the statements of financial position. There was no balance due as of December 31, 2022.

#### **Note 12 - Cost sharing arrangement**

PCG works closely with Community Development Bankers Association ("CDBA") including the sharing of personnel under a cost sharing arrangement. During 2023 and 2022, personnel costs of \$363,813 and \$560,867 were to be reimbursed to PCG from CDBA and as of December 31, 2023 and 2022, \$193,303 and \$133,120, respectively, is receivable and included in accounts and interest receivable on the statements of financial position.

## **Partners for the Common Good**

### **Notes to Financial Statements December 31, 2023 and 2022**

#### **Note 13 - Subsequent events**

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of PCG through April 25, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

## **Supplementary Information**

**Partners for the Common Good**

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Pass-through to Subrecipient	Total Federal Expenditures
Department of the Treasury: (Direct Programs)				
Community Development Financial Institutions Program	21.020	N/A	N/A	\$ 2,180,000
COVID-19 CDFI Rapid Response Program	21.024	N/A	N/A	1,826,265
CDFI Equitable Recovery Program	21.033	N/A	N/A	<u>3,718,258</u>
 Total Expenditures of Federal Awards				 <u>\$ 7,724,523</u>

See Notes to Schedule of Expenditures of Federal Awards.



## Partners for the Common Good

### Notes to Schedule of Expenditures of Federal Awards December 31, 2023

#### **Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Partners for the Common Good ("PCG") under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of PCG, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of PCG.

#### **Note 2 - Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3 - Indirect cost rate**

PCG has not elected to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors  
Partners for the Common Good

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the financial statements of Partners for the Common Good, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2024 which includes an emphasis-of-matter for a change in accounting principle.

#### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partners for the Common Good's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Partners for the Common Good's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partners for the Common Good's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partners for the Common Good's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Partners for the Common Good's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partners for the Common Good's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Bethesda, Maryland  
April 25, 2024

Independent Auditor's Report on Compliance for the Major Federal Program and  
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
Partners for the Common Good

Report on Compliance for the Major Federal Program

*Opinion on the Major Federal Program*

We have audited Partners for the Common Good's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Partners for the Common Good's major federal program for the year ended December 31, 2023. Partners for the Common Good's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Partners for the Common Good complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Partners for the Common Good and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Partners for the Common Good's compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Partners for the Common Good's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Partners for the Common Good's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Partners for the Common Good's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Partners for the Common Good's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Partners for the Common Good's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Partners for the Common Good's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

Bethesda, Maryland  
April 25, 2024





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