PCG
Investing in Social Change

Partners for the Common Good

Financial Statements

Years ended December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

BB&A
Benford Brown & Associates

PARTNERS FOR THE COMMON GOOD, INC.

TABLE OF CONTENTS

FINANCIAL INFORMATION

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Independent Auditors' Report

The Board of Directors
Partners for the Common Good, Inc.:

We have audited the accompanying statement of financial position of Partners for the Common Good, Inc. (PCG), as of December 31, 2002 and 2001, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of PCG's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Inc. as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Benford Brown & Associates, LLC
Chicago
July 1, 2003

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Financial Position

December 31, 2002 and 2001

Assets	2002	2001
Current assets:		
Cash and cash equivalents (Note 3)	$ 4,428,328	$ 2,017,592
Contributions receivable - current portion (Note 4)	165,150	719,980
Interest receivable	14,941	-
Total current assets	4,608,419	2,737,572
Noncurrent assets:		
Community development certificates of deposit	900,000	-
Contributions receivable - noncurrent portion (Note 4)	423,879	-
Loans receivable	500,000	-
Loan loss reserve	(25,000)	-
Computers and software (Note 5)	5,843	3,580
Less: accumulated depreciation	(2,167)	(597)
Total noncurrent assets	1,802,555	2,983
Other assets		
Prepaid insurance	2,049	-
Total other assets	2,049	-
Total assets	$ 6,413,023	$ 2,740,555

Liabilities and Net Assets	2002	2001
Current liabilities:		
Accounts payable	88,532	-
Accrued expenses	-	12,500
Accrued interest payable	58,334	3,945
Total current liabilities	146,866	16,445
Non-current liabilities:		
Long-term notes payable (Note 6)	5,780,500	2,007,500
Total liabilities	5,927,366	2,023,945
Net assets:		
Unrestricted	485,657	716,610
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	485,657	716,610
Total liabilities and net assets	$ 6,413,023	$ 2,740,555

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

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Activities and Changes in Net Assets

Years ended December 31, 2002 and 2001

	2002				2001			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support								
Grants	$ 6,657	-	-	6,657	$ -	-	-	$ -
Contributions (Note 4)	-	-	-	-	1,040,776	-	-	1,040,776
Investment income	6,250	-	-	6,250	7,092	-	-	7,092
Interest income	109,263	-	-	109,263	-	-	-	-
Other	34,780	-	-	34,780	3,000	-	-	3,000
Net assets released from restrictions	-	-	-	-	-	-	-	-
Total revenue and other support	156,950	-	-	156,950	1,050,868	-	-	1,050,868
Expenses:								
Program services	307,324	-	-	307,324	-	-	-	-
Management and general	80,579	-	-	80,579	334,258	-	-	334,258
Total expenses	387,903	-	-	387,903	334,258	-	-	334,258
Increase in net assets	(230,953)	-	-	(230,953)	716,610	-	-	716,610
Net assets as of January 1	716,610	-	-	716,610	-	-	-	-
Net assets as of December 31	$ 485,657	-	-	$ 485,657	$ 716,610	-	-	$ 716,610

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

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Cash Flows

Years ended December 31, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Increase (decrease) in net assets	$ (230,953)	$ 716,610
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	1,570	597
Increase in loans receivable	(475,000)	-
Decrease (increase) in contributions receivable	130,951	(719,980)
Increase in interest receivable	(14,941)	-
Increase in prepaid expenses	(2,049)	-
Increase in accounts payable	88,532	-
Increase (decrease) in accrued expenses	(12,500)	12,500
Increase in accrued interest payable	54,389	3,945
Net cash provided by (used in) operating activities	(460,001)	13,672
Cash flows from investing activities:		
Purchase of community development certificates of deposit	(900,000)	-
Receipt of donated computer and software	(2,263)	(3,580)
Issuance of community development notes	3,773,000	2,007,500
Net cash provided by investing activities	2,870,737	2,003,920
Net cash provided by financing activities	-	-
Net increase in cash and equivalents	2,410,736	2,017,592
Cash as of January 1	2,017,592	-
Cash as of December 31	$ 4,428,328	$ 2,017,592

Supplemental disclosure of cash flow information:

	2002	2001
Cash paid for interest	$ 4,061	$ -

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

(1) Organization Description

Partners for the Common Good, Inc. (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 business objectives are to: (1) broaden interest and involvement in the community investment movement; (2) provide opportunities for faith-based investors to share a portion of their financial resources with the economically poor by investing in intermediary agencies; (3) model alternative approaches to the production of goods and services; and (4) 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.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. PCG maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements have been prepared to focus on PCG as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – permanently restricted, temporarily restricted or unrestricted, as recommended by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations".

Accordingly, net assets and changes therein are classified as follows:

> Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be maintained by PCG. Generally, the donors to these assets permit PCG to use all or part of the income earned on related investments for general or specific purposes.
>
> 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.
>
> Unrestricted net assets - Net assets not subject to donor-imposed restrictions. The governing Board of the organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

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.

Contributions

PCG has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Per SFAS No. 116, contributions, including unconditional promises-to-give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions from unconditional promises to give that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

PCG considers cash on deposit at bank(s) and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

Income Taxes

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 related income. PCG had no unrelated business income during fiscal years 2002 and 2001, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. In addition, PCG has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

(3) Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2002	2001
Cash	$ 5,444	$ 3,017
Money market funds	4,417,890	1,612,089
Certificates of deposit	4,992	402,486
	$ 4,428,326	$ 2,017,592

(4) Related Party Transactions

During fiscal year 2001, PCG received a binding, unconditional promise-to-give of $1,000,000 from Christian Brothers Investment Services, Inc. (CBIS), an entity whose Executive Vice-President for Socially Responsible Investing currently serves as PCG's Chairman of the Board of Directors. During fiscal year 2001, $315,452 was contributed by CBIS to PCG in the form of direct payments for a computer and various operating expenses of which $174,249 was applied against the contribution receivable. The remaining $825,751 was to be paid in five (5) annual installments of $165,150. During fiscal year 2002, $165,150 of operating expenses was applied against the contribution receivable. The contribution receivable was discounted using the prime-lending rates at December 31, 2002 and 2001 (4.25% and 4.75%, respectively).

	2002	2001
Unconditional promise-to-give before amortized discount	$ 660,601	$ 825,751
Less: Unamortized discount	71,572	105,771
Net unconditional promise-to-give	$ 589,029	$ 719,980
Amounts due in:		
Less than one year	$ 165,150	$ 165,150
One to five years	495,451	660,601
Total	$ 660,601	$ 825,751

Lastly, CBIS has made a conditional promise to secure a line of credit of $1,000,000 for PCG to use for operational purposes including supporting loan loss expenses.

(5) Fixed Assets

Fixed assets at December 31, 2002 and 2001 were recorded at cost, as shown below:

	2002	2001
Computers and equipment	$ 5,843	$ 3,580
Less: accumulated depreciation	2,167	597
Net fixed assets	$ 3,676	$ 2,983

Depreciation is calculated on the straight-line method over a 3 year estimated useful life for computers and equipment.

(6) Notes Payable

Long-term debt consists of the following at December 31, 2002:

Community Development Notes, maturing between August 8, 2006 through December 1, 2011, some subject to prior redemption, bearing stated interest at 0% to 3%, payable annually	$5,780,500

Future maturities of long-term debt are as follows as of December 31, 2002:

Year ending December 31,	Amount
2003	$ -
2004	-
2005	-
2006	897,500
2007	3,008,000
Thereafter	1,875,000
Total	$ 5,780,500

(7) Operating Lease

PCG entered into a new sublease agreement on February 1, 2002 with the National Congress for Community Economic Development. The sublease term was February 1, 2002 through January 31, 2003 with a provision for extending the agreement on a month-to-month basis by mutual consent in writing. Rent expense totaled $5,000 during fiscal year 2002. The schedule of future minimum payments required under the sublease agreement is as follows:

Year ending December 31,	Amount
2002	$ 16,500
2003	1,500
Thereafter	-
Total	$ 18,000

(8) Subsequent Events

As of December 31, 2002, PCG's loan committee was considering funding requests from nine (9) applicants totaling $2,050,000. At the end the applicants requesting funding were invited to complete the entire loan application process for review by the loan approval committee. From January 2003 through June 2003, PCG approved an additional six (6) loan requests totaling $770,000.

As of July 1, 2003, seven (7) of the above loan applications were approved and a total of $1,425,000 in loans were disbursed.

On March 17, 2003, the Sisters of St. Joseph of Orange made an unrestricted grant commitment to PCG of $500,000 to be disbursed in annual increments of $125,000 in calendar years 2003 through 2006. The first disbursement was received on March 17, 2003.

Additionally, on April 8, 2003, the Sisters of St. Francis of Philadelphia made an unrestricted grant commitment to PCG of $500,000 to be disbursed in annual increments of $250,000 in calendar years 2003 and 2004. The first annual disbursement was received April 8, 2003.

(9) Unrestricted Board Designated Net Assets

During fiscal year 2002, the Board of Directors adopted a capital resource allocation policy requiring that $687,000 of available funds be allocated for operating and loan fund expenses. After satisfying operating and loan fund expenses for fiscal year 2002 and each subsequent annual period, PCG shall allocate its remaining funds available for financing and other programmatic activity.

(10) Lending and Investment Policy

The Board of Directors has required that after allocating available funds for operating and loan fund expenses, PCG shall set aside sufficient resources to fund:

1. All loans outstanding and loan loss reserves;

2. All legally binding loan commitments and corresponding loan loss reserves;

3. All outstanding programmatic investments (e.g. long term certificates of deposits in community development banks and credit unions); and

4. Other restricted purposes as the Board may subsequently adopt.

Per the Board adopted loan and financial management policies, PCG shall ensure that not more than 20% of loan capital is allocated to international lending activities. A target loan portfolio allocation plan was adopted to balance risk and social impact whereby available resources would be distributed as follows:

1. 20% to eligible borrowers promoting low income international development activities;

2. 40% to re-lending activities to eligible borrowers promoting low income community development domestically; and

3. 40% to direct lending to eligible borrowers promoting low income community development domestically.

The Board will review the allocation plan at least annually based on borrower needs and market demand, risk management needs, new opportunities or strategic initiatives, or other factors deemed appropriate by the Board of Directors.

SUPPLEMENTAL INFORMATION

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Functional Expenses

Years ended December 31, 2002 and 2001

	2002			2001		
	Program services	Management and general	Total	Program services	Management and general	Total
Expenses:						
Salaries	$ 125,488	37,484	$ 162,972	-	$ 135,511	$ 135,511
Fringe benefits	8,688	2,206	10,894	-	5,500	5,500
Professional fees	27,228	8,133	35,361	-	147,677	147,677
Legal fees	25,365	7,576	32,941	-	-	-
Meetings and travel	11,595	7,730	19,325	-	12,667	12,667
Filing fees and registrations	-	-	-	-	12,610	12,610
Office expenses	-	4,220	4,220	-	8,501	8,501
Computer repair and maintenance	-	2,209	2,209	-	-	-
Postage and delivery	1,514	452	1,966	-	-	-
Occupancy	15,015	4,485	19,500	-	5,000	5,000
Telephone	3,096	774	3,870	-	-	-
Internet	-	888	888	-	-	-
Dues and subscriptions	-	763	763	-	-	-
Taxes	-	432	432	-	-	-
Interest	58,788	-	58,788	-	3,945	3,945
Insurance	3,485	1,041	4,526	-	2,250	2,250
Loan loss expense	25,000	-	25,000	-	-	-
Miscellaneous	2,062	616	2,678	-	-	-
Depreciation	-	1,570	1,570	-	597	597
Total expenses	$ 307,324	$ 80,579	$ 387,903	-	$ 334,258	$ 334,258

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