



Financial Statements with Supplemental Information
and Single Audit Reports

Years ended June 30, 2004 and 2003

(With Independent Auditors' Reports Thereon)



PARTNERS FOR THE COMMON GOOD, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
Financial Information:	
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to Financial Statements.....	5 - 12
Supplemental Information:	
Statement of Functional Expenses.....	13
Schedule of Expenditures of Federal Awards.....	14
 PART II – GOVERNMENT AUDITING STANDARDS	
Independent Auditors' Report On Compliance and On Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15
 PART III – OMB CIRCULAR A-133	
Independent Auditors' Report On Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	16 - 17
 PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	18 - 19



8135 S. Stony Island Ave. 1st Floor
Chicago, IL 60617

(773) 731-1300
fax (773) 731-1301
www.benfordbrown.com

DRAFT

DRAFT

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, 2004 and 2003, and the related statements of activities and changes in net assets and cash flows 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, 2004 and 2003, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These accompanying schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements of Partners for the Common Good, Inc. and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Benford Brown & Associates, LLC
Chicago, IL
March 11, 2004

DRAFT

DRAFT

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Financial Position

December 31, 2004 and 2003

Assets	2004	2003
Current assets:		
Cash and cash equivalents (note 3)	\$ 3,228,859	\$ 3,710,168
Cash - restricted (note 3)	635,209	-
Contributions receivable - current portion (note 5)	1,048,150	540,150
Interest receivable	12,830	12,614
Total current assets	4,925,048	4,262,932
Noncurrent assets:		
Community development certificates of deposit	1,678,668	917,810
Contributions receivable - noncurrent portion, net (note 5)	261,927	536,710
Loans receivable (note 6)	3,464,368	2,000,000
Less: loan loss reserve (note 6)	(339,875)	(167,500)
Computers and software (note 7)	14,438	7,158
Less: accumulated depreciation (note 7)	(7,337)	(4,334)
Total noncurrent assets	5,072,189	3,289,844
Other assets:		
Prepaid expenses	2,883	2,296
Total assets	\$ 10,000,120	\$ 7,555,072
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ -	\$ 7,156
Due to CBIS (note 4)	95,044	96,617
Accrued interest payable	93,955	79,156
Total current liabilities	188,999	182,929
Non-current liabilities:		
Long-term notes payable (note 8)	7,480,500	6,055,500
Total liabilities	7,669,499	6,238,429
Net assets:		
Unrestricted	938,621	1,316,643
Temporarily restricted (note 13)	1,392,000	-
Total net assets	2,330,621	1,316,643
Total liabilities and net assets	\$ 10,000,120	\$ 7,555,072

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, 2004 and 2003

	2004			2003		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenues and other support:						
Grants and contracts	\$ 75,429	1,392,000	\$ 1,467,429	\$ 1,173,200	-	\$ 1,173,200
Interest income:						
Loan portfolio	138,953	-	138,953	55,114	-	55,114
Community development certificates of deposit	39,277	-	39,277	47,299	-	47,299
Investment	58,113	-	58,113	64,544	-	64,544
Fees	16,645	-	16,645	12,736	-	12,736
Other	27,654	-	27,654	30,481	-	30,481
Total revenue and other support	356,071	1,392,000	1,748,071	1,383,374	-	1,383,374
Expenses:						
Program services	607,564	-	607,564	476,692	-	476,692
Supporting services -						
Management and general	46,049	-	46,049	46,800	-	46,800
Fundraising	31,417	-	31,417	28,896	-	28,896
Total expenses	685,030	-	685,030	552,388	-	552,388
Increase/(decrease) in net assets	(328,959)	1,392,000	1,063,041	830,986	-	830,986
Net assets as of January 1, 2004 and 2003	1,316,643	-	1,316,643	485,657	-	485,657
Prior period adjustment (note 15)	(49,063)	-	(49,063)	-	-	-
Net assets as of January 1, 2004 and 2003, restated	1,267,580	-	1,267,580	485,657	-	485,657
Net assets as of December 31, 2004 and 2003	\$ 938,621	1,392,000	\$ 2,330,621	\$ 1,316,643	-	\$ 1,316,643

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, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Increase in net assets	\$ 1,063,041	\$ 830,986
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Prior period adjustment	(49,063)	-
Depreciation expense	3,003	2,167
Loan loss expense	197,374	142,500
Increase in loans receivable	(1,464,368)	(1,308,437)
Increase in contributions receivable	(233,217)	(679,394)
Decrease/(increase) in interest receivable	(216)	2,327
Increase in prepaid expenses	(587)	(247)
Decrease in accounts payable	(7,156)	(81,376)
Increase/(decrease) in due to CBIS	(1,573)	96,617
Increase in accrued interest payable	14,799	20,822
Net cash used in operating activities	(477,963)	(974,035)
Cash flows from investing activities:		
Reinvestment of interest into certificates of deposit	(24,998)	(17,810)
Purchases of community development certificates of deposit	(760,858)	-
Purchases of computer and software	(7,281)	-
Receipt of donated computer and software	-	(1,315)
Net cash used in investing activities	(793,137)	(19,125)
Cash flows from financing activities:		
Proceeds from community development notes payable	1,425,000	275,000
Net cash provided by financing activities	1,425,000	275,000
Net increase/(decrease) in cash and equivalents	153,900	(718,160)
Cash as of January 1, 2004 and 2003	3,710,168	4,428,328
Cash as of December 31, 2004 and 2003	\$ 3,864,068	\$ 3,710,168
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 82,771	\$ 4,061

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

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT**DRAFT**

(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 mission is to promote economic justice and social change. PCG accomplishes its mission by providing access to capital and building healthy sustainable nonprofit organizations that advance economic opportunities for low-income people. 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.

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT**DRAFT**

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 2004 and 2003, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements. In

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT**DRAFT**

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:

	<u>2004</u>	<u>2003</u>
Cash	\$ 523,095	\$ 10,319
Money market funds	<u>3,340,973</u>	<u>3,699,849</u>
	<u>\$ 3,864,068</u>	<u>\$ 3,710,168</u>

The cash balance detailed above includes amounts restricted for lending purposes. The total amount restricted for lending purposes is \$3,340,973 and the remaining \$523,094 is considered unrestricted.

(4) Related Party Transactions

During fiscal year 2002, 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 2002, \$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 years 2004 and 2003, \$165,150 of operating expenses was applied each year against the contribution receivable. Additionally, CBIS pays PCG’s operating expenses and is reimbursed by PCG on a regular basis. As of December 31, 2004, PCG owed \$95,045 to CBIS.

(5) Contributions Receivable

As of December 31, 2004 and 2003 contributions receivable consisted of:

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT**DRAFT**2004

Amounts due in:	<u>Amount</u>
2005	\$ 1,048,150
2006	<u>290,151</u>
Subtotal	1,338,301
Less: unamortized discount	<u>28,224</u>
Net unconditional promise-to-give	<u>\$ 1,310,077</u>

2003

Amounts due in:	<u>Amount</u>
2004	\$ 540,150
2005	371,559
2006	<u>165,151</u>
Subtotal	1,076,860
Less: unamortized discount	<u>49,063</u>
Net unconditional promise-to-give	<u>\$ 1,027,797</u>

Contributions receivable were discounted using the prime-lending rate at December 31, 2004 and 2003, (5.25% and 4.25%), respectively.

(6) Loans Receivable

Loans receivable at December 31, 2004 consisted of the following:

<u>Maturity</u>	<u>Principal</u>	<u>Interest rate</u>
2005	-	n/a
2006	\$ 394,000	4.50% to 6.25%
2007	981,000	4.50% to 6.12%
2008	1,000,000	4.00% to 6.75%
2009	589,368	6.00% to 6.50%
Thereafter	<u>500,000</u>	6.50% to 6.90%
Total	<u>\$ 3,464,368</u>	

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT

DRAFT

As of December 31, 2004 the loan loss reserve for these loans receivable was \$339,875.

(7) Fixed Assets

Fixed assets at December 31, 2004 and 2003 were recorded at cost, as shown below:

	<u>2004</u>	<u>2003</u>
Computers and software	\$ 14,438	\$ 7,158
Less: accumulated depreciation	<u>7,337</u>	<u>4,334</u>
Net fixed assets	<u>\$ 7,101</u>	<u>\$ 2,824</u>

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

(8) Notes Payable

Long-term debt consists of the following at December 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
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	<u>\$7,480,500</u>	<u>\$6,055,500</u>

Future maturities of long-term debt are as follows as of December 31, 2004:

<u>Year ending December 31,</u>	<u>Amount</u>
2005	\$ -
2006	897,500
2007	2,258,000
2008	860,000
2009	2,765,000
Thereafter	<u>700,000</u>
Total	<u>\$ 7,480,500</u>

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT**DRAFT**

(9) Operating Lease

PCG maintains a month-to-month sublease with the National Congress for Community Economic Development that was obtained by mutual consent in writing. Rent expense totaled \$18,000 for each of the fiscal years 2004 and 2003. PCG is currently examining available options with regards to renting office space.

(10) Subsequent Events

As of December 31, 2004 and 2003, PCG had \$3,471,000 and \$2,000,000, respectively, in loans receivable and an additional \$281,000 and \$200,000, respectively, in loan transactions that were closed but not yet disbursed at the request of the borrower. In addition, PCG had issued \$750,000 and \$755,000, respectively, in legally binding loan commitments that had not been closed as of December 31, 2004 and 2003, respectively. As of March 11, 2004, PCG had issued an additional \$500,000 in legally binding loan commitments.

(11) Conditional Promise-to-Give

On July 30, 2003, PCG received a conditional promise to give from the Community Development Financial Institutions Fund of the United States Department of Treasury (the Fund). The Fund made a grant commitment of \$634,000 to PCG that was conditional upon the verification of certain requested information and compliance with government requirements. On August 27, 2004 the conditions for this promise-to-give were met and the grant was disbursed to PCG.

(12) Unrestricted Board Designated Net Assets

The Board of Directors adopted a capital resource allocation policy requiring that available funds be allocated for operating and loan fund expenses. After satisfying operating and loan fund expenses for fiscal year 2004 and each subsequent annual period, PCG shall allocate its remaining funds available for financing and other programmatic activity.

(13) Temporarily Restricted Net Assets

Temporarily restricted net assets (restricted for the purpose indicated) at December 31, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Restricted grant from Community Development Financial Institutions Fund (program services)	<u>\$1,392,000</u>	<u>-</u>

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT

DRAFT

(14) 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.

(15) Prior Period Adjustment

During fiscal year 2004, the financial statements were adjusted to account for the unamortized discount of noncurrent contributions receivable. PCG relies on their auditor to provide the adjustment for amortization expense. This adjustment was not provided during the prior year by the auditor thereby requiring a prior period adjustment to be made during 2004. The prior period adjustment to adjust unrestricted net assets is as follows:

Net assets at January 1, 2004:

Unrestricted	<u>\$ 1,316,643</u>
--------------	---------------------

Adjustments to unrestricted net assets:

To account for unamortized discount of noncurrent contributions receivable	<u>(49,063)</u>
--	-----------------

Unrestricted net assets at January 1, 2004, as restated:	<u>\$ 1,267,280</u>
--	---------------------

(16) Schedule of Expenditures of Federal Awards

Basis of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Schedule includes the Federal grant activity of PCG and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments,

PARTNERS FOR THE COMMON GOOD, INC.

Notes to Financial Statements

December 31, 2004 and 2003

DRAFT

DRAFT

and Non-Profit Organizations. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Sub-recipients

PCG did not make any disbursements to sub-recipients during fiscal year 2004.

Non-cash Assistance

PCG did not receive any non-cash assistance during fiscal year 2004.

Loans and Loan Guarantees

PCG did not have any federal loans or loan guarantees outstanding at December 31, 2004.

Insurance

PCG did not receive any federal insurance during fiscal year 2004.

Program Information

The Community Development Financial Institutions Program administered by PCG is for the purpose of financial assistance. Financial assistance in the form of grants, loans, equity investments, deposits and credit union shares is considered Federal awards expended when received by PCG.

SUPPLEMENTARY INFORMATION

PARTNERS FOR THE COMMON GOOD, INC.

Statements of Functional Expenses

Years ended December 31, 2004 and 2003

	2004				2003			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Expenses:								
Salaries	\$ 215,844	22,588	12,549	\$ 250,981	\$ 131,612	21,387	11,516	\$ 164,515
Fringe benefits	43,259	4,528	2,515	50,302	18,708	1,637	3,040	23,385
Occupancy	15,480	1,620	900	18,000	14,400	1,260	2,340	18,000
Office expenses	14,148	1,358	1,688	17,194	9,941	3,101	1,506	14,548
Dues and subscriptions	1,350	152	-	1,502	400	-	96	496
Professional fees	5,600	4,156	-	9,756	66,449	-	3,632	70,081
Legal fees	1,223	618	6,517	8,358	2,040	12,065	579	14,684
Meetings and travel	10,107	7,683	6,556	24,346	7,117	7,077	3,754	17,948
Computer repair and maintenance	1,267	133	74	1,474	1,635	273	266	2,174
Marketing and website	2,716	-	618	3,334	-	-	-	-
Interest	97,570	-	-	97,570	79,558	-	-	79,558
Loan loss expense	197,374	-	-	197,374	142,500	-	-	142,500
Loan distribution fees	225	-	-	225	250	-	-	250
Credit reporting service	1,401	-	-	1,401	2,082	-	-	2,082
Staff development	-	210	-	210	-	-	-	-
Depreciation	-	3,003	-	3,003	-	-	2,167	2,167
Total expenses	\$ 607,564	46,049	31,417	\$ 685,030	\$ 476,692	46,800	28,896	\$ 552,388

PARTNERS FOR THE COMMON GOOD, INC.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2004

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title/Grant Title	CFDA Number	Grant Number	Expenditures
<u>Major Program:</u>			
U.S. Department of Treasury - Community Development Financial Institutions Program	21.020		\$ 634,000
Total Expenditures of Federal Awards			\$ 634,000

PART II – GOVERNMENT AUDITING STANDARDS



DRAFT

DRAFT

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Partners for the Common Good, Inc. (PCG) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 11, 2005. We conducted our audit in accordance with 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered PCG's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of PCG's Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Benford Brown & Associates, LLC
Chicago, IL
March 11, 2005

PART III – OMB CIRCULAR A-133

DRAFT

DRAFT

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Partners for the Common Good, Inc. (PCG) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major programs for the fiscal year ended December 31, 2004. PCG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of PCG's administration. Our responsibility is to express an opinion on its compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PCG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination that PCG complied with those requirements.

In our opinion, PCG complied, in all material aspects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of PCG is responsible for establishing and maintaining effective internal control over compliance with requirements of laws regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered PCG's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of PCG's Board of Directors, management, and federal awarding agencies and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Benford Brown & Associates, LLC
Chicago, IL
March 11, 2005

**PART IV – SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

PARTNERS FOR THE COMMON GOOD, INC.

Schedule of Findings and Questioned Costs and Summary Schedule of Prior Audit Findings

December 31, 2004

DRAFT

DRAFT

Summary of Auditors' Results

Reports

The type of report issued on the financial statements was:

 X unqualified; qualified; adverse; disclaimer

The type of report issued on compliance for major programs was:

 X unqualified; qualified; adverse; disclaimer

Findings and Other Matters

Reportable conditions in internal control over financial reporting were disclosed: None reported

Material weaknesses in internal control over financial reporting were disclosed: No

Noncompliance which is material to the financial statements was disclosed: No

Reportable conditions in internal control over major programs were disclosed: None reported

Material weaknesses in internal control over major programs were disclosed: No

Findings related to noncompliance for major programs, known or likely
questioned costs greater than \$10,000, known fraud or audit follow-up
procedures were disclosed: No

The auditee qualified as a low-risk auditee: No

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Listing of Major Programs – Title

CFDA No.

Community Development Financial Institutions Program

21.020

PARTNERS FOR THE COMMON GOOD, INC.

Schedule of Findings and Questioned Costs and Summary Schedule of Prior Audit Findings

December 31, 2004

DRAFT

DRAFT

Findings Relating to the Financial Statements:

None.

Findings Relating to Compliance Over Federal Awards:

None.

Summary Schedule of Prior Audit Findings:

None.