PARTNERS FOR THE COMMON GOOD

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for the Common Good
Washington, DC

We have audited the accompanying statements of financial position of Partners for the Common Good as of December 31, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 as of December 31, 2010 and 2009, 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.

Squire, Lemkin + Company, LLP

April 6, 2011

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31,

	2010 General Fund	2010 Loan Fund	2010 Total	2009 General Fund	2009 Loan Fund	2009 Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 220,275	$ 8,441,247	$ 8,661,522	$ 1,046,635	$ 1,999,638	$ 3,046,273
Cash - restricted	11,748	6,478	18,226	11,715	1,006,514	1,018,229
Contributions receivable, current portion	50,000	-	50,000	70,000	17,500	87,500
Loans receivable, current portion	-	3,661,720	3,661,720	-	3,032,964	3,032,964
Prepaid expenses and other current assets	116,314	12,200	128,514	43,995	-	43,995
TOTAL CURRENT ASSETS	$ 398,337	$ 12,121,645	$ 12,519,982	$ 1,172,345	$ 6,056,616	$ 7,228,961
FIXED ASSETS, NET	$ 19,610	$ -	$ 19,610	$ 734	$ -	$ 734
NON-CURRENT ASSETS:						
Community development certificates of deposit	$ -	$ 3,130,000	$ 3,130,000	$ -	$ 3,860,000	$ 3,860,000
Contributions receivable, net of current portion	-	-	-	41,645	-	41,645
Non-performing loans	-	737,230	737,230	-	-	-
Loans receivable, net of current portion	-	8,340,703	8,340,703	-	9,899,140	9,899,140
Less, loan loss reserve	-	(700,190)	(700,190)	-	(835,019)	(835,019)
TOTAL NON-CURRENT ASSETS	$ -	$ 11,507,743	$ 11,507,743	$ 41,645	$ 12,924,121	$ 12,965,766
TOTAL ASSETS	$ 417,947	$ 23,629,388	$ 24,047,335	$ 1,214,724	$ 18,980,737	$ 20,195,461
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accrued expenses	$ 23,455	$ -	$ 23,455	$ 24,861	$ -	$ 24,861
Accrued interest payable	-	193,022	193,022	-	200,988	200,988
Interest reserve held	-	-	-	-	33,926	33,926
Community development notes payable, current portion	-	2,012,500	2,012,500	-	538,016	538,016
Term notes payable, current portion	-	550,000	550,000	-	-	-
TOTAL CURRENT LIABILITIES	$ 23,455	$ 2,755,522	$ 2,778,977	$ 24,861	$ 772,930	$ 797,791
LONG-TERM DEBT:						
Community development notes payable, net of current portion	$ -	$ 6,074,658	$ 6,074,658	$ -	$ 6,997,250	$ 6,997,250
Term notes payable, net of current portion	-	9,005,737	9,005,737	-	6,900,000	6,900,000
TOTAL LONG-TERM DEBT	$ -	$ 15,080,395	$ 15,080,395	$ -	$ 13,897,250	$ 13,897,250
TOTAL LIABILITIES	$ 23,455	$ 17,835,917	$ 17,859,372	$ 24,861	$ 14,670,180	$ 14,695,041
NET ASSETS:						
Unrestricted	$ 241,499	$ 3,043,471	$ 3,284,970	$ 893,382	$ 1,812,557	$ 2,705,939
Temporarily restricted	152,993	2,750,000	2,902,993	296,481	2,498,000	2,794,481
TOTAL NET ASSETS	$ 394,492	$ 5,793,471	$ 6,187,963	$ 1,189,863	$ 4,310,557	$ 5,500,420
TOTAL LIABILITIES AND NET ASSETS	$ 417,947	$ 23,629,388	$ 24,047,335	$ 1,214,724	$ 18,980,737	$ 20,195,461

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31,					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Grants	$ 192,355	$ 750,000	$ 942,355	$ 226,308	$ 1,094,992	$ 1,321,300
Interest income:						
Loan portfolio	760,002	-	760,002	710,288	-	710,288
Community development certificates of deposit	50,243	-	50,243	65,018	-	65,018
Investment	14,812	-	14,812	54,762	-	54,762
Fees	19,980	-	19,980	21,282	-	21,282
Contributions	33,457	-	33,457	55,267	-	55,267
Other revenue	-	-	-	4,302	-	4,302
Net assets released from restrictions	641,488	(641,488)	-	111,104	(111,104)	-
TOTAL REVENUE AND SUPPORT	$ 1,712,337	$ 108,512	$ 1,820,849	$ 1,248,331	$ 983,888	$ 2,232,219
EXPENSES:						
Program services	$ 767,479	$ -	$ 767,479	$ 899,477	$ -	$ 899,477
Supporting services:						
Management and general	284,052	-	284,052	267,143	-	267,143
Resource development	81,775	-	81,775	72,203	-	72,203
TOTAL EXPENSES	$ 1,133,306	$ -	$ 1,133,306	$ 1,238,823	$ -	$ 1,238,823
CHANGE IN NET ASSETS	$ 579,031	$ 108,512	$ 687,543	$ 9,508	$ 983,888	$ 993,396
NET ASSETS, BEGINNING OF YEAR	$ 2,705,939	$ 2,794,481	$ 5,500,420	$ 2,696,431	$ 1,810,593	$ 4,507,024
NET ASSETS, END OF YEAR	$ 3,284,970	$ 2,902,993	$ 6,187,963	$ 2,705,939	$ 2,794,481	$ 5,500,420

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 687,543	$ 993,397
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	479	3,878
Allowance for loan loss	92,639	310,928
Changes in assets and liabilities:		
Contributions receivable	79,145	1,136,332
Prepaid expenses and other current assets	(84,519)	(17,507)
Accrued expenses	(1,406)	(63,081)
Interest reserve held	(33,926)	(5,670)
Accrued interest payable	(7,966)	27,121
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 731,989	$ 2,385,398
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from community development certificates of deposit	$ 4,970,000	$ 4,585,000
Purchases of community development certificates of deposit	(4,240,000)	(4,680,000)
Purchases of property and equipment	(19,355)	-
Loans receivable:		
New loans provided	(4,753,928)	(4,880,895)
Loan payments received	4,718,911	1,785,637
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	$ 675,628	$ (3,190,258)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from community development and term notes payable	$ 5,150,645	$ 4,522,298
Curtailments of community development and term notes payable	(1,943,016)	(1,750,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 3,207,629	$ 2,772,298
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 4,615,246	$ 1,967,438
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,064,502	2,097,065
CASH AND CASH EQUIVALENTS, END OF YEAR:		
Cash and cash equivalents	$ 8,661,522	$ 3,046,273
Cash - restricted	18,226	1,018,229
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,679,748	$ 4,064,502
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 322,150	$ 209,681
SUPPLEMENTAL NON-CASH INVESTING ACTIVITY:		
Loans receivable, net reserve converted to Non-performing loans	$ 737,230	$ -

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

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31,

	2010				2009			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Salaries	$ 218,239	$ 173,701	$ 53,446	$ 445,386	$ 182,008	$ 144,864	$ 44,574	$ 371,446
Fringe benefits	52,537	41,865	12,945	107,347	48,530	38,626	11,884	99,040
Rent	12,809	10,194	3,137	26,139	12,316	9,802	3,016	25,134
Office expenses	17,395	6,927	1,997	26,319	17,704	8,762	2,529	28,995
Dues and subscriptions	-	16,779	-	16,779	5,260	23,630	-	28,890
Professional fees	12,262	17,350	-	29,612	61,110	25,306	-	86,416
Legal fees	-	11,123	5,029	16,152	-	6,436	5,144	11,580
Meetings and travel	21,288	4,551	4,893	30,732	19,869	4,248	4,566	28,683
Computer repair and maintenance	2,002	952	328	3,282	1,999	1,591	490	4,080
Marketing and website	2,035	-	-	2,035	1,125	-	-	1,125
Interest	322,150	-	-	322,150	209,681	-	-	209,681
Loan loss expense	92,639	-	-	92,639	310,928	-	-	310,928
Loan distribution fees	9,215	-	-	9,215	12,200	-	-	12,200
Credit reporting service	4,908	-	-	4,908	2,997	-	-	2,997
Staff development	-	131	-	131	-	-	-	-
Commitment fees paid	-	-	-	-	13,750	-	-	13,750
Depreciation	-	479	-	479	-	3,878	-	3,878
TOTALS	$ 767,479	$ 284,052	$ 81,775	$ 1,133,306	$ 899,477	$ 267,143	$ 72,203	$ 1,238,823

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

Note 1. **Organization and Significant Accounting Policies**

Organization - 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: (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.

PCG has one subsidiary, PCG Community Investment Fund, LLC, which was established as a limited liability company on June 4, 2002 for the purpose of becoming a Community Development Entity. A Community Development Entity is a domestic corporation or partnership with the primary mission of serving or providing investment capital to low income communities or low income persons. As of December 31, 2010 and 2009 this subsidiary was inactive and had no assets.

Basis of Presentation - PCG presents its financial statements in accordance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Codification Topics *Accounting for Contributions Received and Contributions Made*, and *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of PCG are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Under these provisions, non contingent contributions and the associated gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of PCG and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions. 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.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of PCG and/or passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained by PCG. Generally, the donors of these assets permit PCG to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2010 and 2009 there were no permanently restricted net assets.

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 - In accordance with Financial Accounting Standards Board Codification Topic *Accounting for Contributions Received and Contributions Made,* contributions are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value.

Cash and Cash Equivalents - PCG considers cash on deposit at various banks and highly liquid investments with maturities of three months or less at the date of purchase to be cash and cash equivalents.

Contributions Receivable - Unconditional contributions receivable that are expected to be collected over multiple years are recorded at the discounted present value of their estimated future cash flows in the year PCG is notified of the contribution. Contributions that are to be received after one year are discounted at an appropriate discount rate based on an average Federal Funds rate. PCG expects its contributions receivable at December 31, 2010 to be fully realized and consequently did not record an allowance for uncollectible amounts. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - Investments are recorded at estimated fair value based on quoted prices provided by the investment custodian. Investment income or loss is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Effective July 1, 2008, PCG adopted Statement of Financial Accounting Standards Codification Topic *Fair Value Measurements*. This defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

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

Basis of Fair Value Measurement

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

PCG's community development certificates of deposit are considered Level 2.

Fixed Assets - Property and equipment is stated at cost, or if donated, at fair market value at date of receipt. PCG capitalizes purchases of equipment over $1,000 and with an estimated useful life of more than one year. Depreciation is calculated by the straight-line method over the estimated useful life of 3 to 7 years. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is credited or charged to income.

Accounting For 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 income related to its exempt purpose. In addition, PCG has been determined by the Internal Revenue Service to be a "qualifying charity" within the meaning of Section 509(a) of the Internal Revenue Code.

PCG adopted the provisions of Financial Accounting Standards Board Codification Topic *Accounting for Uncertainty in Income Taxes*, during the year ending December 31, 2009. For the years ended December 31, 2010 and 2009, no unrecognized tax provision or benefit exists.

It is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Note 1. **Organization and Significant Accounting Policies** (Continued)

Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes there are no positions that would result in tax liability.

Subsequent Events - The Organization evaluated subsequent events for potential required disclosure through April 6, 2011, which is the date financial statements were available to be issued.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Functional Allocation of Expenses - The cost of PCG's programs and administration has been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs benefited.

Reclassifications - Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no impact on previously reported net assets.

Note 2. **Concentration of Credit Risk** - Financial instruments that potentially subject PCG to credit risk include cash deposits with banks in excess of the insurance limitations of the Federal Deposit Insurance Corporation. Cash balances in excess of near term operating requirements are automatically invested in federal funds. Management does not consider this a significant concentration of credit risk.

Note 3. **Contributions Receivable** - As of December 31, 2010 and 2009 contributions receivable consisted of the following:

	2010	2009
2010	$ --	$ 87,500
2011	50,000	50,000
Subtotal	$ 50,000	$ 137,500
Less, present value discount	--	(8,355)
Net unconditional promise-to-give	$ 50,000	$ 129,145

Note 3. **Contributions Receivable** (Continued)

Contributions receivable were discounted using the prime-lending rate of 5.25% at December 31, 2010 and 2009.

Note 4. **Loans Receivable** - Loans receivable at December 31, 2010 consisted of the following:

Maturity	Principal	Interest Rate
2011	$ 3,661,720	4.00% to 8.25%
2012	1,882,132	5.50% to 7.50%
2013	500,000	3.50% to 7.75%
2014	2,940,011	4.25% to 6.25%
2015	2,495,700	5.50% to 7.00%
Thereafter	522,860	5.50% to 6.75%
Total	$ 12,002,423	

As of December 31, 2010 and 2009, the loan loss reserve for these loans receivable was $700,190 and $835,019, respectively.

As of December 31, 2010, PCG had $12,002,423 in loans outstanding and an additional $1,250,000 in loan transactions that were closed, but not yet disbursed at the preference of the borrowers. As of April 6, 2011, PCG had issued and additional $480,714 in new binding loan commitments.

Note 5. **Fixed Assets** - Fixed assets at December 31, 2010 and 2009 were recorded at cost, as shown below:

	2010	2009
Computers and software	$ 62,501	$ 43,146
Furniture	3,648	3,648
Leasehold improvements	--	3,510
Subtotal	$ 66,149	$ 50,304
Less, Accumulated deprecation	(46,539)	(49,570)
Fixed assets, net	$ 19,610	$ 734

Depreciation expense for the years ended December 31, 2010 and 2009 was $479 and $3,878, respectively.

Note 6. **Notes Payable** - Long-term debt consisted of the following at December 31, 2010 and 2009:

	2010	2009
Community Development Notes, maturing between January 1, 2009 through May 1, 2019, some subject to prior redemption, bearing stated interest at 0% to 3.50%, payable annually	$ 8,087,158	$ 7,535,266
Term Loans, maturing between January 1, 2009 through October 8, 2019, some subject to prior redemption, bearing stated interest at 1.00% to 4.00%, payable annually	9,555,737	6,900,000
Total Notes Payable	$ 17,642,895	$ 14,435,266

Future maturities of long-term debt are as follows as of December 31, 2010:

Years Ending December 31,	Development Notes	Term Loans	Totals
2011	$ 2,012,500	$ 550,000	$ 2,562,500
2012	2,353,000	2,425,737	4,778,737
2013	672,500	600,000	1,272,500
2014	1,469,250	2,480,000	3,949,250
2015	1,314,908	--	1,314,908
Thereafter	265,000	3,500,000	3,765,000
Totals	$ 8,087,158	$ 9,555,737	$ 17,642,895

Note 7. **Commitments** - In December 2010, PCG signed a sub-lease agreement for office space commencing in January 1, 2011 and expiring on March 31, 2016. The base monthly rent under the lease is $5,417 increasing at six percent per year on the lease anniversary date.

Future minimum lease payments under the operating lease as of December 31, 2010, are as follows:

Year Ending December 31,	
2011	$ 65,000
2012	68,900
2013	73,034
2014	77,416
2015	82,061
2016	21,746
Total	$ 388,157

Note 7. **Commitments** (Continued)

Rent expense for the years ended December 31, 2010 and 2009 was $26,140 and $25,134, respectively.

Note 8. **Temporarily Restricted Net Assets** - Temporarily restricted net assets (restricted for the purpose indicated) at December 31, 2010 and 2009 are as follows:

	2010	2009
Restricted Grant from Community Development Financial Institutions Fund (financial assistance)	$ 2,750,000	$ 2,498,000
Restricted Grant from Community Development Financial Institutions Fund (technical assistance)	102,993	167,336
Time restricted contributions	50,000	129,145
Totals	$ 2,902,993	$ 2,794,481

Note 8. **Non-performing loans** – During 2010, PCG identified three notes receivable, totaling $830,747, as non-performing loans due to financial difficulties of the borrower. Additionally PCG has not received any payments for at least 90 days on each of the notes receivables. The collateral for each of these non-performing loans exceeds the outstanding amounts due to PCG. Accordingly, PCG has reclassified them from its loan portfolio to non-performing loans and recorded them at their estimated net realizable value of 737,230.