Partners for the Common Good

PCG

Investing in Social Change

PARTNERS FOR THE COMMON GOOD

DECEMBER 31, 2011 AND 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 9, 2012

PARTNERS FOR THE COMMON GOOD

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31,					
	2011			2010		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 323,442	$ 8,566,541	$ 8,889,983	$ 220,275	$ 8,441,247	$ 8,661,522
Cash - restricted	11,725	6,487	18,212	11,748	6,478	18,226
Contributions receivable, current portion	-	-	-	50,000	-	50,000
Loans receivable, current portion	-	3,850,607	3,850,607	-	3,661,720	3,661,720
Prepaid expenses and other current assets	55,238	10,314	65,552	116,314	12,200	128,514
TOTAL CURRENT ASSETS	$ 390,405	$ 12,433,949	$ 12,824,354	$ 398,337	$ 12,121,645	$ 12,519,982
FIXED ASSETS, NET	$ 45,742	$ -	$ 45,742	$ 19,610	$ -	$ 19,610
NON-CURRENT ASSETS:						
Community development certificates of deposit	$ -	$ 1,750,000	$ 1,750,000	$ -	$ 3,130,000	$ 3,130,000
Real estate owned	-	418,123	418,123	-	-	-
Non-performing loans	-	537,962	537,962	-	737,230	737,230
Loans receivable, net of current portion	-	9,699,611	9,699,611	-	8,340,703	8,340,703
Less, loan loss reserve	-	(821,205)	(821,205)	-	(700,190)	(700,190)
TOTAL NON-CURRENT ASSETS	$ -	$ 11,584,491	$ 11,584,491	$ -	$ 11,507,743	$ 11,507,743
TOTAL ASSETS	$ 436,147	$ 24,018,440	$ 24,454,587	$ 417,947	$ 23,629,388	$ 24,047,335
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accrued expenses	$ 171,763	$ -	$ 171,763	$ 23,455	$ -	$ 23,455
Accrued interest payable	-	137,047	137,047	-	193,022	193,022
Community development notes payable, current portion	-	3,948,000	3,948,000	-	2,012,500	2,012,500
Term notes payable, current portion	-	1,563,058	1,563,058	-	550,000	550,000
TOTAL CURRENT LIABILITIES	$ 171,763	$ 5,648,105	$ 5,819,868	$ 23,455	$ 2,755,522	$ 2,778,977
LONG-TERM DEBT:						
Community development notes payable, net of current portion	$ -	$ 4,237,407	$ 4,237,407	$ -	$ 6,074,658	$ 6,074,658
Term notes payable, net of current portion	-	8,019,000	8,019,000	-	9,005,737	9,005,737
TOTAL LONG-TERM DEBT	$ -	$ 12,256,407	$ 12,256,407	$ -	$ 15,080,395	$ 15,080,395
TOTAL LIABILITIES	$ 171,763	$ 17,904,512	$ 18,076,275	$ 23,455	$ 17,835,917	$ 17,859,372
NET ASSETS:						
Unrestricted	$ 264,384	$ 4,303,842	$ 4,568,226	$ 241,499	$ 3,043,471	$ 3,284,970
Temporarily restricted	-	1,810,086	1,810,086	152,993	2,750,000	2,902,993
TOTAL NET ASSETS	$ 264,384	$ 6,113,928	$ 6,378,312	$ 394,492	$ 5,793,471	$ 6,187,963
TOTAL LIABILITIES AND NET ASSETS	$ 436,147	$ 24,018,440	$ 24,454,587	$ 417,947	$ 23,629,388	$ 24,047,335

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,					
	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Grants	$ 499,600	$ -	$ 499,600	$ 192,355	$ 750,000	$ 942,355
Interest income:						
Loan portfolio	760,025	-	760,025	760,002	-	760,002
Community development certificates of deposit	12,420	-	12,420	50,243	-	50,243
Investment	92,638	-	92,638	14,812	-	14,812
Fees	38,645	-	38,645	19,980	-	19,980
Contributions	36,398	-	36,398	33,457	-	33,457
Other revenue	11,118	-	11,118	-	-	-
Net assets released from restrictions	1,092,907	(1,092,907)	-	641,488	(641,488)	-
TOTAL REVENUE AND SUPPORT	$ 2,543,751	$ (1,092,907)	$ 1,450,844	$ 1,712,337	$ 108,512	$ 1,820,849
EXPENSES:						
Program services	$ 836,312	$ -	$ 836,312	$ 767,479	$ -	$ 767,479
Supporting services:						
Management and general	342,477	-	342,477	284,052	-	284,052
Resource development	81,706	-	81,706	81,775	-	81,775
TOTAL EXPENSES	$ 1,260,495	$ -	$ 1,260,495	$ 1,133,306	$ -	$ 1,133,306
CHANGE IN NET ASSETS	$ 1,283,256	$ (1,092,907)	$ 190,349	$ 579,031	$ 108,512	$ 687,543
NET ASSETS, BEGINNING OF YEAR	$ 3,284,970	$ 2,902,993	$ 6,187,963	$ 2,705,939	$ 2,794,481	$ 5,500,420
NET ASSETS, END OF YEAR	$ 4,568,226	$ 1,810,086	$ 6,378,312	$ 3,284,970	$ 2,902,993	$ 6,187,963

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, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 190,349	$ 687,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,580	479
Allowance for loan loss	131,406	92,639
Changes in assets and liabilities:		
Contributions receivable	50,000	79,145
Prepaid expenses and other current assets	62,962	(84,519)
Accrued expenses	148,308	(1,406)
Interest reserve held	-	(33,926)
Accrued interest payable	(55,975)	(7,966)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 533,630	$ 731,989
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from community development certificates of deposit	$ 4,130,000	$ 4,970,000
Purchases of community development certificates of deposit	(2,750,000)	(4,240,000)
Purchases of property and equipment	(32,712)	(19,355)
Loans receivable:		
New loans provided	(3,970,257)	(4,753,928)
Loan payments received	2,193,216	4,718,911
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	$ (429,753)	$ 675,628
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from community development and term notes payable	$ 1,966,500	$ 5,150,645
Curtailments of community development and term notes payable	(1,841,930)	(1,943,016)
NET CASH PROVIDED BY FINANCING ACTIVITIES	$ 124,570	$ 3,207,629
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 228,447	$ 4,615,246
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,679,748	4,064,502
CASH AND CASH EQUIVALENTS, END OF YEAR:	$ 8,908,195	$ 8,679,748
COMPRISED OF:		
Cash and cash equivalents	$ 8,889,983	$ 8,661,522
Cash - restricted	18,212	18,226
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,908,195	$ 8,679,748
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 359,388	$ 322,150
SUPPLEMENTAL NON-CASH INVESTING ACTIVITY:		
Loans receivable, net reserve converted to Non-performing loans	$ 229,246	$ 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,

	2011				2010			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Salaries	$ 210,923	$ 167,878	$ 51,655	$ 430,456	$ 218,239	$ 173,701	$ 53,446	$ 445,386
Fringe benefits	57,989	46,154	14,201	118,344	52,537	41,865	12,945	107,347
Rent	27,130	21,593	6,644	55,367	12,809	10,194	3,137	26,140
Office expenses	13,861	11,032	3,395	28,288	17,395	6,927	1,997	26,319
Dues and subscriptions	-	6,770	-	6,770	-	16,779	-	16,779
Professional fees	-	54,930	-	54,930	12,262	17,350	-	29,612
Legal fees	-	21,745	1,271	23,016	-	11,123	5,029	16,152
Meetings and travel	18,878	4,377	4,104	27,359	21,288	4,551	4,893	30,732
Computer repair and maintenance	1,781	1,418	436	3,635	2,002	952	328	3,282
Marketing and website	1,810	-	-	1,810	2,035	-	-	2,035
Interest	359,388	-	-	359,388	322,150	-	-	322,150
Loan loss expense	131,406	-	-	131,406	92,639	-	-	92,639
Loan distribution fees	7,944	-	-	7,944	9,215	-	-	9,215
Credit reporting service	5,202	-	-	5,202	4,908	-	-	4,908
Staff development	-	-	-	-	-	131	-	131
Depreciation	-	6,580	-	6,580	-	479	-	479
TOTALS	$ 836,312	$ 342,477	$ 81,706	$ 1,260,495	$ 767,479	$ 284,052	$ 81,775	$ 1,133,306

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:

- 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.

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, 2011 and 2010 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. At December 31, 2011 and 2010 there were no 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:

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

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.

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.

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. 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)

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

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

At December 31, 2011, the PCG's investments consisted of the following fair market values:

	Total	Level 1	Level 2	Level 3
Community Development certificates of deposit	$ 1,750,000	$ --	$ 1,750,000	$ --
Totals	$ 1,750,000	$ --	$ 1,750,000	$ --

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 complies with the provisions of Financial Accounting Standards Board Codification Topic *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2011 and 2010, no unrecognized tax provision or benefit exists.

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

Subsequent Events - The Organization evaluated subsequent events for potential required disclosure through April 9, 2012, 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. **Loans Receivable** - Loans receivable at December 31, 2011 consisted of the following:

Maturity		Principal	Interest Rate
2012	$	3,850,607	3.50% to 7.75%
2013		965,914	5.62% to 6.38%
2014		2,341,940	5.50% to 6.75%
2015		3,434,052	5.00% to 7.00%
2016		2,089,364	4.71% to 7.12%
Thereafter		868,341	7.50% to 8.00%
Total	$	13,550,218	

As of December 31, 2011 and 2010, the loan loss reserve for these loans receivable was $821,205 and $700,190, respectively.

As of December 31, 2011, PCG had $1,300,000 in loans commitments outstanding but not yet disbursed and an additional $696,400 in loan transactions that were closed, but not yet disbursed at the preference of the borrowers. As of April 9, 2012, PCG had issued an additional $1,065,960 in new binding loan commitments.

Note 4. **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 at December 31, 2010.

During 2011, PCG took ownership of one the properties associated with the non-performing loans. This transaction resulted in the property being reclassified from non-performing loans to real estate owned at the estimated net realizable value of $418,123.

Additionally during 2011, PCG purchased the participation interest of one of the non-performing loans from its participation partner. During 2011, PCG also incurred legal fees of $59,216 associated with the two remaining non-performing loans, and in accordance with the loan agreements, these legal fees have been added to the estimated net realizable value of the non-performing loans. At December 31, 2011, the estimated net realizable value of the two non-performing loans is $537,962.

Note 5. **Fixed Assets** - Fixed assets at December 31, 2011 and 2010 were recorded at cost, as shown below:

	2011	2010
Computers and software	$ 95,213	$ 62,501
Furniture	3,648	3,648
Leasehold improvements	--	--
Subtotal	$ 98,861	$ 66,149
Less, Accumulated depreciation	(53,119)	(46,539)
Fixed assets, net	$ 45,742	$ 19,610

Depreciation expense for the years ended December 31, 2011 and 2010 was $6,580 and $479, respectively.

Note 6. **Notes Payable** - Long-term debt consisted of the following at December 31, 2011:

	2011	2010
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	$ 8,185,407	$ 8,087,158
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	9,582,058	9,555,737
Total Notes Payable	$ 17,767,465	$ 17,642,895

Note 6. **Notes Payable** (Continued)

Future maturities of long-term debt are as follows as of December 31, 2011:

Years Ending December 31,	Development Notes	Term Loans	Totals
2012	$ 3,948,000	$ 1,563,058	$ 5,511,058
2013	697,500	600,000	1,297,500
2014	1,335,000	2,710,000	4,045,000
2015	1,414,907	--	1,414,907
2016	600,000	1,200,000	1,800,000
Thereafter	190,000	3,509,000	3,699,000
Totals	$ 8,185,407	$ 9,582,058	$ 17,767,465

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

Future minimum lease payments under the operating lease as of December 31, 2011, are as follows:

Year Ending December 31,	
2012	$ 68,900
2013	73,034
2014	77,416
2015	82,061
2016	21,746
Total	$ 323,157

Rent expense for the years ended December 31, 2011 and 2010 was $55,367 and $26,140, respectively.

Note 8. **Temporarily Restricted Net Assets** - Temporarily restricted net assets (restricted for the purpose indicated) at December 31, 2011 and 2010 are as follows:

	2011	2010
Restricted Grant from Community Development Financial Institutions Fund (financial assistance)	$ 1,750,000	$ 2,750,000
Restricted Grant from Community Development Financial Institutions Fund (technical assistance)	60,086	102,993
Time restricted contributions	--	50,000
Totals	$ 1,810,086	$ 2,902,993