

**Partners for the Common Good
Financial Statements
December 31, 2013 and 2012**



TABLE OF CONTENTS

	Page
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 15



JOHN T SQUIRE CPA

SUSAN A LEMKIN CPA

CHRISTOPHER J MATHEWS CPA

BART J LANMAN CPA CFP®

CLINTON L LEHMAN CPA CMA CFM

ROBERT J KOPERA CPA

NANCY C JOHNSON CPA

SQUIRE, LEMKIN + COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

111 ROCKVILLE PIKE

SUITE 475

ROCKVILLE MARYLAND 20850

301 424 6800 TELEPHONE

301 424 6892 FACSIMILE

EMAIL SUPPORT@MYCPAS.COM

WWW.MYCPAS.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Partners for the Common Good
Washington, DC

We have audited the accompanying financial statements of Partners for the Common Good, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Partners for the Common Good's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Squire, Zimkin + Company, LLP.

April 25, 2014

PARTNERS FOR THE COMMON GOOD
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

	2013			2012		
	General Fund	Loan Fund	Total	General Fund	Loan Fund	Total
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	\$ 291,263	\$ 8,453,644	\$ 8,744,907	\$ 304,057	\$ 8,665,846	\$ 8,969,903
Cash - restricted	11,749	6,500	18,249	11,737	6,493	18,230
Loans receivable, current portion	-	4,212,680	4,212,680	-	2,816,684	2,816,684
Less, loan loss reserve, current portion	-	(332,623)	(332,623)	-	(83,026)	(83,026)
Grants receivable	-	200,000	200,000	-	372,306	372,306
Prepaid expenses and other current assets	63,568	10,314	73,882	41,412	10,314	51,726
TOTAL CURRENT ASSETS	\$ 366,580	\$ 12,550,515	\$ 12,917,095	\$ 357,206	\$ 11,788,617	\$ 12,145,823
FIXED ASSETS, NET	\$ 69,802	\$ -	\$ 69,802	\$ 85,684	\$ -	\$ 85,684
NON-CURRENT ASSETS:						
Community development certificates of deposit	\$ -	\$ 750,000	\$ 750,000	\$ -	\$ 750,000	\$ 750,000
Real estate owned	-	366,897	366,897	-	366,897	366,897
Loans receivable, net of current portion	-	14,036,089	14,036,089	-	13,547,769	13,547,769
Less, loan loss reserve, net of current portion	-	(727,415)	(727,415)	-	(913,619)	(913,619)
TOTAL NON-CURRENT ASSETS	\$ -	\$ 14,425,571	\$ 14,425,571	\$ -	\$ 13,751,047	\$ 13,751,047
TOTAL ASSETS	\$ 436,382	\$ 26,976,086	\$ 27,412,468	\$ 442,890	\$ 25,539,664	\$ 25,982,554
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accrued expenses	\$ 112,663	\$ -	\$ 112,663	\$ 211,176	\$ -	\$ 211,176
Accrued interest payable	-	178,710	178,710	-	171,259	171,259
Community development notes payable, current portion	-	2,010,000	2,010,000	-	3,185,500	3,185,500
Term notes payable, current portion	-	3,270,000	3,270,000	-	1,100,000	1,100,000
TOTAL CURRENT LIABILITIES	\$ 112,663	\$ 5,458,710	\$ 5,571,373	\$ 211,176	\$ 4,456,759	\$ 4,667,935
LONG-TERM DEBT:						
Community development notes payable, net of current portion	\$ -	\$ 6,485,407	\$ 6,485,407	\$ -	\$ 4,704,908	\$ 4,704,908
Term notes payable, net of current portion	-	6,949,000	6,949,000	-	9,099,000	9,099,000
TOTAL LONG-TERM DEBT	\$ -	\$ 13,434,407	\$ 13,434,407	\$ -	\$ 13,803,908	\$ 13,803,908
TOTAL LIABILITIES	\$ 112,663	\$ 18,893,117	\$ 19,005,780	\$ 211,176	\$ 18,260,667	\$ 18,471,843
NET ASSETS:						
Unrestricted	\$ 323,719	\$ 6,431,412	\$ 6,755,131	\$ 231,714	\$ 5,283,761	\$ 5,515,475
Temporarily restricted	-	1,651,557	1,651,557	-	1,995,236	1,995,236
TOTAL NET ASSETS	\$ 323,719	\$ 8,082,969	\$ 8,406,688	\$ 231,714	\$ 7,278,997	\$ 7,510,711
TOTAL LIABILITIES AND NET ASSETS	\$ 436,382	\$ 26,976,086	\$ 27,412,468	\$ 442,890	\$ 25,539,664	\$ 25,982,554

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,

	2013		2012	
	Unrestricted	Temporarily Restricted	Total	
REVENUE AND SUPPORT:				
Grants	\$ 635,500	\$ 508,570	\$ 1,144,070	\$ 1,590,434
Interest income:				
Loan portfolio	1,104,056	-	1,104,056	964,489
Community development certificates of deposit	4,055	-	4,055	-
Investment	22,577	-	22,577	-
Fees	67,925	-	67,925	-
Contributions	34,466	-	34,466	-
Net assets released from restrictions	852,249	(852,249)	-	(1,060,086)
TOTAL REVENUE AND SUPPORT	\$ 2,720,828	\$ (343,679)	\$ 2,377,149	\$ 2,670,220
EXPENSES:				
Program services	\$ 948,382	\$ -	\$ 948,382	\$ 1,041,830
Supporting services:				
Management and general	404,637	-	404,637	396,310
Resource development	128,154	-	128,154	99,681
TOTAL EXPENSES	\$ 1,481,172	\$ -	\$ 1,481,172	\$ 1,537,821
CHANGE IN NET ASSETS	\$ 1,239,656	\$ (343,679)	\$ 895,977	\$ 185,150
NET ASSETS, BEGINNING OF YEAR	5,515,475	1,995,236	7,510,711	1,810,086
NET ASSETS, END OF YEAR	\$ 6,755,131	\$ 1,651,557	\$ 8,406,688	\$ 1,995,236

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

PARTNERS FOR THE COMMON GOOD
STATEMENTS OF FUNCTIONAL EXPENSES

	2013				2012			
	Program Services	Management and General	Resource Development	Total	Program Services	Management and General	Resource Development	Total
Administrative costs allocated:								
Salaries	\$ 269,952	\$ 214,860	\$ 66,111	\$ 550,922	\$ 210,923	\$ 240,201	\$ 51,655	\$ 502,779
Fringe benefits	65,158	51,860	15,957	132,975	62,899	50,062	15,404	128,365
Rent	35,787	28,483	8,764	73,034	30,994	24,669	7,590	63,253
Office expenses	22,593	10,169	5,465	38,227	18,676	10,746	5,093	34,515
Dues and subscriptions	11,050	-	19,988	31,038	25,405	-	1,570	26,975
Professional fees	44,473	29,790	-	74,263	36,763	31,311	8,000	76,074
Legal fees	-	10,339	430	10,769	-	10,167	-	10,167
Meetings and travel	21,468	21,100	10,765	53,333	34,388	9,284	9,970	53,642
Computer repair and maintenance	2,750	1,540	674	4,964	1,630	1,298	399	3,327
Marketing and website	5,002	-	-	5,002	4,517	-	-	4,517
Interest	389,460	-	-	389,460	368,389	-	-	368,389
Loan loss expense	63,392	-	-	63,392	176,492	-	-	176,492
Decline in value of real-estate owned	-	-	-	-	51,226	-	-	51,226
Loan distribution fees	10,246	-	-	10,246	9,445	-	-	9,445
Credit reporting service	7,051	-	-	7,051	5,358	-	-	5,358
Staff development	-	-	-	-	4,725	1,089	-	5,814
Depreciation	-	36,496	-	36,496	-	17,483	-	17,483
TOTALS	\$ 948,382	\$ 404,637	\$ 128,154	\$ 1,481,172	\$ 1,041,830	\$ 396,310	\$ 99,681	\$ 1,537,821

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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 895,977	\$ 1,132,399
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,496	17,483
Donated principal of outstanding notes payable	(500,000)	-
Decline in value of real-estate owned	-	51,226
Allowance for loan loss	63,393	175,440
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(22,156)	13,826
Grants receivable	172,306	(372,306)
Accrued expenses	(98,513)	39,413
Accrued interest payable	7,451	34,212
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 554,954</u>	<u>\$ 1,091,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from community development certificates of deposit	\$ -	\$ 1,750,000
Purchases of community development certificates of deposit	-	(750,000)
Purchases of property and equipment	(20,613)	(57,425)
Loans receivable:		
New loans provided	(8,385,701)	(3,707,998)
Loan payments received	6,501,383	1,431,725
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (1,904,931)</u>	<u>\$ (1,333,698)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from community development and term notes payable	\$ 1,855,000	\$ 3,070,000
Curtailments of community development and term notes payable	(730,000)	(2,748,057)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 1,125,000</u>	<u>\$ 321,943</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (224,977)	\$ 79,938
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,988,133	8,908,195
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,763,156</u>	<u>\$ 8,988,133</u>
COMPRISED OF:		
Cash and cash equivalents	\$ 8,744,907	\$ 8,969,903
Cash - restricted	18,249	18,230
TOTAL CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 8,763,156</u>	<u>\$ 8,988,133</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 389,460</u>	<u>\$ 368,389</u>

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

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 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, 2013 and 2012 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:

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.

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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 permanently by PCG. There were no permanently restricted net assets as of December 31, 2013 and 2012.

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.

Loans Receivable - Loans receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by charges to the change in net assets and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on PCG's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. PCG's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Loan origination and commitment fees, as well as certain direct origination costs, are recognized at the inception of the loan receivable. These fees are written off when a loan is placed on nonaccrual status.

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

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 1. Organization and Significant Accounting Policies (Continued)

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.

Certificates of Deposit - Certificates of deposit are recorded at fair value which approximates cost and accumulated interest.

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 |

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 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.

Tax Status - 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.

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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

Accounting For Income Taxes - PCG complies with the provisions of Financial Accounting Standards Board Codification Topic *Accounting for Uncertainty in Income Taxes*. For the years ended December 31, 2013 and 2012, no unrecognized tax provision or benefit exists.

Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. PCG's returns for the years ended 2010 through 2012 are open to such examination.

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, 2013 consisted of the following:

<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>
2014	\$ 4,212,680	3.31% to 8.00%
2015	4,756,733	3.50% to 7.75%
2016	4,252,101	4.00% to 7.00%
2017	2,607,512	4.87% to 7.50%
2018	821,388	3.00% to 6.75%
Thereafter	1,598,355	4.00% to 7.25%
Total	<u>\$ 18,248,769</u>	

As of December 31, 2013 and 2012, the loan loss reserve for these loans receivable was \$1,060,038 and \$996,645, respectively.

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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

As of December 31, 2013, PCG had \$1,952,075 in loan commitments outstanding but not yet disbursed. As of March 31, 2014, PCG had disbursed \$1,452,075 of the December 31, 2013 commitments, and approved, committed, and closed an additional \$300,000 in new binding loan commitments.

Note 4. **Non-performing loans** - 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. The estimated value of this property was \$366,897 at both December 31, 2013 and 2012.

Note 5. **Fixed Assets** - Fixed assets at December 31, 2013 and 2012 were recorded at cost, as shown below:

	2013	2012
Computers and software	\$ 170,463	\$ 149,850
Furniture	6,437	6,436
Subtotal	\$ 176,900	\$ 156,286
Less, Accumulated depreciation	(107,098)	(70,602)
Fixed assets, net	<u>\$ 69,802</u>	<u>\$ 85,684</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$36,496 and \$17,483, respectively.

Note 6. **Credit Quality**

Loan Origination/Risk Management - PCG has certain lending policies and procedures in place that are designed to ensure that the loan portfolio maintains an acceptable level of risk. Management reviews and updates these policies and procedures on a regular basis. The Loan Advisory Committee and the Board of Directors approve any changes to policies. A reporting system supplements the review process by providing management with frequent reports related to loan quality, concentrations of credit, loan delinquencies, and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

PCG finances both direct loans and loans in participation with other Community Development Financial Institutions (CDFIs). For direct loans, PCG conducts an analysis of the potential borrowers' financial status and projections, loan structure, collateral and project mission. For participation loans, PCG conducts an analysis of both the borrower and the lending partner reviewing the capital structure, asset quality, management earnings and impact of the lending partner.

The following table represents an aging of loans by category as of December 31, 2013:

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 6. Credit Quality (Continued)

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Total Past Due	Current	Total Loans
International	\$ --	\$ --	\$ --	\$ --	\$ 2,047,145	\$ 2,047,145
Housing	--	--	--	--	8,231,462	8,231,462
Community facility	--	--	799,942	799,942	5,457,950	6,257,892
Commercial real estate	--	--	--	--	846,355	846,355
Working capital	--	--	--	--	865,915	865,915
Totals	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 799,942</u>	<u>\$ 799,942</u>	<u>\$17,448,827</u>	<u>\$18,248,769</u>

Credit Quality Indicators - PCG assigns internal credit classifications at the inception of each loan. These ratings are reviewed by PCG management on a monthly basis. The following definitions summarize the basis for each classification:

- 1 - Moderate Risk Fully amortizing or firm take-out source; satisfactory operations; substantial borrowing history with PCG; excellent collateral and cash flow; credit exceeds 75% LTV requirements
- 2 - Average Risk Collateral, cash flow, and credit support loan – 75% LTV
- 3 - Substantial Risk Collateral coverage is limited - LTV is greater than 90%; DCR is less than 1.1 (a construction loan would generally receive this rating until construction is complete, a certificate of occupancy has been issued, and an appropriate period of operations has been demonstrated)
- 4 - High Risk Source of take-out is speculative; collateral is inadequate or nonexistent; payments are 30 days past due; possible workout; weak financial condition; uncooperative borrowers; documentation deficiencies (no financial reports available); potential for loss is assessed on a case-by-case basis
- 5 - Workout/Default Payments are 60 days past due; collateral or guarantee has a value less than outstanding loan amount; potential for loss is assessed on a case-by-case basis

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 6. Credit Quality (Continued)

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2013:

	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
1 - Moderate	\$ --	\$ 2,330,669	\$ 530,203	\$ 346,355	\$ --	\$ 3,207,227
2 - Average	1,500,000	2,663,649	1,679,239	--	514,753	6,357,641
3 - Substantial	512,145	2,819,889	3,248,508	500,000	140,000	7,220,542
4 - High	35,000	417,255	799,942	--	211,162	1,463,359
5 - Workout/ default	--	--	--	--	--	--
Totals	<u>\$ 2,047,145</u>	<u>\$ 8,231,462</u>	<u>\$ 6,257,892</u>	<u>\$ 846,355</u>	<u>\$ 865,915</u>	<u>\$18,248,769</u>

Allowance for Loan Loss - The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2013, by loan category and the amount by category, as evaluated by PCG's risk rating system:

	Housing	Community Facility Commercial Real Estate	Working Capital	International	Total
Allowance for loan losses:					
Beginning balance	\$ 223,468	\$ 583,107	\$ 126,420	\$ 63,650	\$ 996,645
Charge-offs	--	--	--	--	--
Recoveries	--	--	--	--	--
Provisions for loan losses	72,654	(15,506)	(11,712)	17,957	63,393
Ending balance	<u>\$ 296,122</u>	<u>\$ 567,601</u>	<u>\$ 114,708</u>	<u>\$ 81,607</u>	<u>\$ 1,060,038</u>

The following is a summary of the activity in the allowance for loan losses at December 31, 2012:

Balance at beginning of year	\$ 821,205
Charge-offs, net of recoveries	--
Provision for loan losses	175,440
Balance at end of year	<u>\$ 996,645</u>

The following is a summary of the current and non-current portions of the allowance for loan losses at December 31:

	2013	2012
Current	\$ 332,623	\$ 83,026
Non-current	727,415	913,619
Totals	<u>\$ 1,060,038</u>	<u>\$ 996,645</u>

The allowance for loan losses as a percentage of loans outstanding at December 31, 2013 and 2012 was 6.10% and 6.06%, respectively, of PCG's loan portfolio.

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 6. Credit Quality (Continued)

The allowance for loan losses is based on management's estimates using PCG's risk rating system, with decisions to upgrade or downgrade based on the following factors: (1) current payment status; (2) borrower performance; (3) transaction size and complexity; (4) covenant compliance; (5) collateral; and (6) expectation of repayment.

Note 7. Notes Payable - Long-term debt consisted of the following at December 31, 2013:

	<u>2013</u>	<u>2012</u>
Community Development Notes, maturing May 1, 2009 through January 1, 2019 some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually	\$ 8,495,407	\$ 7,890,408
Term Loans, maturing August 3, 2009 through March 29, 2020, some subject to prior redemption, bearing stated interest at 1.00% to 4.00%, payable annually	<u>10,219,000</u>	<u>10,199,000</u>
Total Notes Payable	<u>\$18,714,407</u>	<u>\$18,089,408</u>

Future maturities of long-term debt are as follows as of December 31, 2013:

Years Ending December 31,	Development Notes	Term Loans	Totals
2014	\$ 2,010,000	\$ 3,270,000	\$ 5,280,000
2015	1,539,907	--	1,539,907
2016	1,375,000	1,550,000	2,925,000
2017	2,223,000	1,300,000	3,523,000
2018	1,172,500	750,000	1,922,500
Thereafter	175,000	3,349,000	3,524,000
Totals	<u>\$ 8,495,407</u>	<u>\$ 10,219,000</u>	<u>\$ 18,714,407</u>

Note 8. **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.

PARTNERS FOR THE COMMON GOOD

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Note 8. Commitments (Continued)

Future minimum lease payments under the operating lease as of December 31, 2013, are as follows:

Year Ending <u>December 31,</u>	
2014	\$ 77,416
2015	82,061
2016	<u>21,746</u>
Total	<u>\$ 181,223</u>

Rent expense for the years ended December 31, 2013 and 2012 was \$73,034 and \$63,253, respectively.

Note 9. Temporarily Restricted Net Assets - Temporarily restricted net assets (restricted for time or purpose indicated) at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Restricted Grant from Ford Foundation (period through December 31, 2014)	\$ 100,000	\$ --
Restricted Grant from Community Development Financial Institutions Fund (financial assistance)	1,453,806	1,995,236
Restricted Grant from Community Development Financial Institutions Fund (technical assistance)	<u>97,751</u>	<u>--</u>
Totals	<u>\$ 1,651,557</u>	<u>\$ 1,995,236</u>

Note 10. Subsequent Events – PCG has evaluated subsequent events for potential required disclosure through April 25, 2014, which is the date financial statements were available to be issued.