

**PARTNERS FOR THE COMMON GOOD**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**Years Ended December 31, 2018 and 2017**

**PARTNERS FOR THE COMMON GOOD**  
**Financial Statements**

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## **INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Partners for the Common Good  
Washington, DC**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Partners for the Common Good (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the entity'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.

# **PARTNERS FOR THE COMMON GOOD**

## **Independent Auditors' Report**

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#### **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, 2018 and 2017, 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.

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, as of December 31, 2018, Partners for the Common Good adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for not-for-profit entities. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, methods used to allocate costs to programmatic and other support information, and direction for consistency about information provided on investment return. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of community development notes payable and term notes payable are presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **PARTNERS FOR THE COMMON GOOD**

### **Independent Auditors' Report**

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#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*DeLeon & Stang*

**DeLeon & Stang, CPAs**

**Frederick, Maryland**

**April 23, 2019**

**PARTNERS FOR THE COMMON GOOD**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<b>2018</b>			<b>2017</b>		
	<b>General Fund</b>	<b>Loan Fund</b>	<b>Total</b>	<b>General Fund</b>	<b>Loan Fund</b>	<b>Total</b>
<b>ASSETS</b>						
<b><u>Current assets:</u></b>						
Cash and cash equivalents	\$ 889,206	\$ 8,811,086	\$ 9,700,292	\$ 1,372,392	\$ 5,276,305	\$ 6,648,697
Loans receivable, current portion	-	8,180,547	8,180,547	-	4,029,493	4,029,493
Less, loan loss reserve, current portion	-	(240,033)	(240,033)	-	(180,156)	(180,156)
Grants receivable	1,205,373	-	1,205,373	866,500	-	866,500
Accounts and interest receivable	155,277	192,101	347,378	102,183	175,132	277,315
Allowance for doubtful interest receivable	-	(12,532)	(12,532)	-	-	-
Prepaid expenses	8,188	-	8,188	7,105	-	7,105
Total current assets	2,258,044	16,931,169	19,189,213	2,348,180	9,300,774	11,648,954
<b><u>Noncurrent assets:</u></b>						
Fixed assets, net	44,829	-	44,829	52,754	-	52,754
Investments	-	504,316	504,316	-	500,000	500,000
Loans receivable, net of current portion	-	20,231,703	20,231,703	-	21,629,684	21,629,684
Less, loan loss reserve, net of current portion	-	(762,967)	(762,967)	-	(743,823)	(743,823)
Deposits	26,250	-	26,250	26,250	-	26,250
Total noncurrent assets	71,079	19,973,052	20,044,131	79,004	21,385,861	21,464,865
<b>Total Assets</b>	<b>\$ 2,329,123</b>	<b>\$ 36,904,221</b>	<b>\$ 39,233,344</b>	<b>\$ 2,427,184</b>	<b>\$ 30,686,635</b>	<b>\$ 33,113,819</b>
<b>Liabilities and Net Assets</b>						
<b><u>Current liabilities:</u></b>						
Accounts payable and accrued expenses	\$ 510,569	\$ -	\$ 510,569	\$ 373,652	\$ -	\$ 373,652
Accrued interest payable	-	270,695	270,695	-	221,664	221,664
Deposits payable	-	-	-	-	35,000	35,000
Community development notes payable, current portion	-	2,450,000	2,450,000	-	1,232,500	1,232,500
Term notes payable, current portion	-	1,500,000	1,500,000	-	500,000	500,000
Total current liabilities	510,569	4,220,695	4,731,264	373,652	1,989,164	2,362,816
<b><u>Long-term debt:</u></b>						
Community development notes payable, net of current portion	-	8,413,621	8,413,621	-	9,135,000	9,135,000
Term notes payable, net of current portion	-	13,937,305	13,937,305	-	11,473,983	11,473,983
Total long-term debt	-	22,350,926	22,350,926	-	20,608,983	20,608,983
<b>Total Liabilities</b>	<b>510,569</b>	<b>26,571,621</b>	<b>27,082,190</b>	<b>373,652</b>	<b>22,598,147</b>	<b>22,971,799</b>
<b><u>Net assets:</u></b>						
Without donor restrictions						
Undesignated	1,818,554	9,414,987	11,233,541	2,053,532	7,704,509	9,758,041
Board designated	-	417,613	417,613	-	383,979	383,979
	1,818,554	9,832,600	11,651,154	2,053,532	8,088,488	10,142,020
With donor restrictions	-	500,000	500,000	-	-	-
Total net assets	1,818,554	10,332,600	12,151,154	2,053,532	8,088,488	10,142,020
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,329,123</b>	<b>\$ 36,904,221</b>	<b>\$ 39,233,344</b>	<b>\$ 2,427,184</b>	<b>\$ 30,686,635</b>	<b>\$ 33,113,819</b>

See Accompanying Notes to Financial Statements.

**PARTNERS FOR THE COMMON GOOD**  
**Statements of Activities**  
**For the Years Ended December 31, 2018 and 2017**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2018 Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2017 Total</b>
<b><u>Revenue and support:</u></b>						
Grants	\$ 1,000,000	\$ 500,000	\$ 1,500,000	\$ 1,409,000	\$ -	\$ 1,409,000
Interest income:						
Loan portfolio	1,544,149	-	1,544,149	1,367,195	-	1,367,195
Investments	10,238	-	10,238	8,183	-	8,183
Fees	1,362,153	-	1,362,153	778,826	-	778,826
In-kind contributions	118,369	-	118,369	-	-	-
Contributions	42,741	-	42,741	28,458	-	28,458
Unrealized gain on investments	4,316	-	4,316	-	-	-
Other revenue	-	-	-	6,971	-	6,971
Net assets released from restrictions	-	-	-	100,000	(100,000)	-
Total revenue and support	4,081,966	500,000	4,581,966	3,698,633	(100,000)	3,598,633
<b><u>Expenses:</u></b>						
Program services	1,715,776	-	1,715,776	1,298,394	-	1,298,394
Supporting services:						
Management and general	631,404	-	631,404	661,775	-	661,775
Resource development	225,652	-	225,652	199,075	-	199,075
Total supporting services	857,056	-	857,056	860,850	-	860,850
Total expenses	2,572,832	-	2,572,832	2,159,244	-	2,159,244
<b>Change in net assets</b>	1,509,134	500,000	2,009,134	1,539,389	(100,000)	1,439,389
<b>Net assets, beginning of year</b>	10,142,020	-	10,142,020	8,602,631	100,000	8,702,631
<b>Net assets, end of year</b>	<u>\$ 11,651,154</u>	<u>\$ 500,000</u>	<u>\$ 12,151,154</u>	<u>\$ 10,142,020</u>	<u>\$ -</u>	<u>\$ 10,142,020</u>

See Accompanying Notes to Financial Statements.

**PARTNERS FOR THE COMMON GOOD**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	<b>Program Services</b>	<b>Supporting services</b>		<b>2018 Total</b>
		<b>Management and general</b>	<b>Resource Development</b>	
Administrative costs allocated:				
Salaries	\$ 410,769	\$ 268,519	\$ 113,859	\$ 793,147
Fringe benefits	85,776	55,050	23,776	164,602
Interest	554,848	-	-	554,848
Professional fees	221,705	63,393	64,810	349,908
Loan loss expense	273,234	-	-	273,234
In-kind contributions	-	118,370	-	118,370
Rent	39,620	25,428	10,982	76,030
Meetings and travel	17,804	43,928	11,407	73,139
Office expenses	30,359	4,404	818	35,581
Depreciation	29,559	3,048	-	32,607
Loan commitment fees	29,141	-	-	29,141
Dues and subscriptions	8,095	20,564	-	28,659
Miscellaneous	6,722	10,588	-	17,310
Computer repair and maintenance	-	12,178	-	12,178
Loan distribution fees	6,291	-	-	6,291
Insurance	-	3,938	-	3,938
Staff development	1,823	79	-	1,902
Employee morale	30	1,667	-	1,697
Bank fees	-	250	-	250
<b>Total</b>	<b>\$ 1,715,776</b>	<b>\$ 631,404</b>	<b>\$ 225,652</b>	<b>\$ 2,572,832</b>

See Accompanying Notes to Financial Statements.



**PARTNERS FOR THE COMMON GOOD**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	<b>Program Services</b>	<b>Supporting services</b>		<b>2017 Total</b>
		<b>Management and general</b>	<b>Resource Development</b>	
Administrative costs allocated:				
Salaries	\$ 238,974	\$ 355,048	\$ 88,762	\$ 682,784
Fringe benefits	69,618	103,433	25,858	198,909
Interest	464,817	-	-	464,817
Professional fees	200,801	45,202	44,715	290,718
Loan loss expense	208,325	-	-	208,325
Rent	29,790	44,259	11,065	85,114
Meetings and travel	6,240	25,723	27,084	59,047
Depreciation	39,181	8,877	-	48,058
Dues and subscriptions	14,490	26,334	-	40,824
Office expenses	1,697	20,758	1,451	23,906
Computer repair and maintenance	7,125	7,171	-	14,296
Legal fees	-	10,063	-	10,063
Miscellaneous	2,725	6,182	-	8,907
Loan distribution fees	7,776	-	-	7,776
Insurance	-	4,810	-	4,810
Marketing and website	2,490	639	140	3,269
Staff development	6	3,176	-	3,182
Bank fees	2,519	100	-	2,619
Credit reporting service	1,820	-	-	1,820
	<u>\$ 1,298,394</u>	<u>\$ 661,775</u>	<u>\$ 199,075</u>	<u>\$ 2,159,244</u>

See Accompanying Notes to Financial Statements.

**PARTNERS FOR THE COMMON GOOD**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 2,009,134	\$ 1,439,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(4,316)	-
Depreciation	32,607	48,057
Donated principal of outstanding notes payable	-	(175,000)
Allowance for loan loss	273,240	208,325
Allowance for doubtful interest receivable	12,532	-
Change in operating assets and liabilities:		
Accounts and interest receivable	(70,063)	69,831
Prepaid expenses	(1,083)	16,024
Grants receivable	(338,873)	(766,500)
Deposits	-	7,249
Accounts payable and accrued expenses	136,918	147,764
Accrued interest payable	49,031	11,533
Deposits payable	<u>(35,000)</u>	<u>35,000</u>
Net cash provided by operating activities	2,064,127	1,041,672
<b><u>Cash Flows From Investing Activities:</u></b>		
Purchases of property and equipment	(24,683)	(7,945)
Loans receivable:		
New loans provided	(8,378,279)	(10,892,455)
Loan payments received	<u>5,430,987</u>	<u>9,160,991</u>
Net cash used in investing activities	(2,971,975)	(1,739,409)
<b><u>Cash Flows From Financing Activities:</u></b>		
Proceeds from community development and term notes payable	4,096,121	3,457,000
Payments of community development and term notes payable	<u>(136,678)</u>	<u>(1,688,634)</u>
Net cash provided by financing activities	<u>3,959,443</u>	<u>1,768,366</u>
 Net increase in cash and cash equivalents for the year	 3,051,595	 1,070,629
Cash and cash equivalents at, beginning of year	<u>6,648,697</u>	<u>5,578,068</u>
Cash and cash equivalents at, end of year	<u>\$ 9,700,292</u>	<u>\$ 6,648,697</u>

See Accompanying Notes to Financial Statements.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred.

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.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to the Financial Statements**  
**December 31, 2018 and 2017**

**NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

New Accounting Pronouncement

During 2018, PCG adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the balance sheet date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Description of Net Assets

Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* are currently available for operating purposes under the direction of management and the board of directors or designated by the board for specific use. At December 31, 2018 and 2017, the Board of Directors has designated \$417,619 and \$383,979 of net assets without donor restrictions for additional loan loss reserve.

*Net Assets With Donor Restrictions* are stipulated by donors for specific operating purposes or for the acquisition of property and equipment or are times restricted. These include donor restrictions requiring the net assets to be held in perpetuity or for a specific term with investment return specified for a specific purpose. PCG had net assets with donor restrictions of \$500,000 and \$0 at December 31, 2018 and 2017, respectively, that were time restricted.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 1-      ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

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

Loan origination and commitment fees, as well as certain direct origination costs, are recognized at the inception of the loan receivable.

Contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the Statements of Activities as net assets released from donor restrictions.

PCG recognizes grants and contributions 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.

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.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts Receivable

Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on a periodic review of all outstanding amounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes all amounts included in accounts receivable to be collectible. Accordingly, there is no provision for doubtful accounts as of December 31, 2018 and 2017.

Loans Receivable

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by the loan loss expenses charged 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 status 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.

Fixed Assets

Property and equipment in excess of \$1,000 are capitalized and stated at cost. PCG provides for depreciation and amortization using the straight-line method over the estimated useful lives of the various classes of property as follows:

Computer equipment and software	7 years
Furniture and equipment	3 years

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES** (Continued)

New Markets Tax Credit

In 2016 and 2017, PCG received a New Markets Tax Credit (NMTC) allocations of \$35 million and \$15 million from the U.S. Department of Treasury, CDFI Fund. PCG created nine (9) subsidiary CDEs ("Sub-CDEs") to initiate transactions using the allocated tax credits. These affiliates were formed as Limited Liability Corporations, and are audited separately. PCG is the managing member of the Sub-CDEs. However, they are not consolidated into the financial statements of PCG as it was determined based on the application of ASC 810 that the Sub-CDEs do not meet the requirements for consolidation into PCG's financial statements as PCG does not have control and the amount of the investment is considered immaterial and thus not recorded using the equity method of accounting. The purpose of the Sub-CDEs is to obtain Qualified Equity Investments ("QEIs") from investors, make investments in Qualified Active Low-Income Community Businesses ("QALICBs"), and engage in such other activities which qualify for the NMTCs pursuant to Section 45D of the Internal Revenue Code.

As of December 31, 2018, the following allocations have been deployed, via transactions involving PCG Sub CDEs 1 through 8:

	First Allocation As of 12/31/2018	Second Allocation As of 12/31/2018
PCG Sub CDE 1, LLC	\$ 5,500,000	\$ -
PCG Sub CDE 2, LLC	7,000,000	-
PCG Sub CDE 3, LLC	6,000,000	-
PCG Sub CDE 4, LLC	6,000,000	-
PCG Sub CDE 5, LLC	5,500,000	-
PCG Sub CDE 6, LLC	5,000,000	-
PCG Sub CDE 7, LLC	-	6,000,000
PCG Sub CDE 8, LLC	-	9,000,000
Allocations transferred as of December 31, 2018	35,000,000	15,000,000
Remaining allocations to be transferred	-	-
Total allocation	<u>\$ 35,000,000</u>	<u>\$ 15,000,000</u>

The Sub-CDEs' principal business objective is to provide non-traditional, flexible, low cost investment capital to businesses in underserved areas. Therefore, the Sub-CDEs' principal business consists of lending to QALICBs and maintaining compliance with the NMTC regulations through the U.S. Treasury and the IRS.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Markets Tax Credit (Continued)

NMTC fees are composed of Sub Allocation Fees, Asset Management Fees, and Audit & Tax Fees earned from the Sub-CDEs. Sub Allocation Fees are recognized when an investor makes a qualified equity investment in a Sub-CDE or is otherwise earned in accordance with the terms of the individual CDE Fee Agreement. CDE Asset Management Fees and Audit & Tax Fees are recognized as services are performed and collectability is reasonably assured. During 2018, PCG closed five New Markets Tax Credit Deals. PCG has fully deployed their allocations. During 2018, PCG earned \$1,203,173 of NMTC fees and incurred expenses related to the NMTC transactions of \$252,492. During 2017, PCG earned \$616,310 of NMTC fees and incurred expenses related to the NMTC transactions of \$199,875.

During 2018, five of PCG's Sub-CDEs entered into transactions where they received Qualified Equity Investments to make investments in Qualified Active Low-Income Community Businesses. As a result, PCG earned \$945,000 in Allocation Fees for the new deals. These fees are included in fees revenue on the statements of activities.

NMTCs are contingent upon a CDE's ability to maintain compliance with various rules and regulations and applicable sections of Section 45D of the Internal Revenue Code over a seven-year period ("the compliance period"). Failure to maintain compliance will result in the recapture of previously taken NMTCs and the loss of future NMTCs. PCG provides guarantees on the delivery of the NMTCs to the investor members of the Sub-CDEs. In the event that a NMTC recapture event were to occur, PCG would be required to pay the NMTC recapture amount. As of December 31, 2018, \$19,500,000 of the NMTC recapture guarantees are outstanding. PCG is a second-time recipient and has not experienced a recapture event related to the NMTC guarantees and believes that the likelihood of a recapture event is remote.

The recapture guarantees expire over the following seven-year period:

2023	\$ 7,215,000
2024	12,285,000
	<u>\$ 19,500,000</u>

As of December 31, 2018, eight (8) of the Sub-CDEs were active. The allocation of PCG's New Markets Tax Credits have been achieved through investments from the following banks: JP Morgan Chase Bank, Capital One Bank, PNC Bank, Wells Fargo Bank, and Northern Trust Bank. As of December 31, 2017, three (3) of the Sub-CDEs were active. Two of the Sub CDEs received sub-allocations of NMTCs from JP Morgan Chase Bank, and one of the Sub CDEs received a sub-allocation from Capital One Bank.



**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**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

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 Exempt 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.

Reclassifications

Certain balances that were previously reported in the financial statements as of December 31, 2017 have been reclassified to be consistent with the December 31, 2018 presentation.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**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, 2018 and 2017, 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 2015 through 2017 are open to such examination.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of PCG. Expenses that are attributable to multiple programs are allocated based on estimates of time and effort. Directly identifiable expenses are charged to programs and supporting services.

**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, 2018 consisted of the following:

<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>
2019	\$ 8,180,547	2.00% to 7.50%
2020	4,838,944	4.50% to 7.75%
2021	5,522,646	3.50% to 7.125%
2022	3,073,176	5.125% to 7.00%
2023	3,344,938	3.00% to 7.00%
2024 - 2031	3,451,999	4.75% to 6.25%
	<u>\$ 28,412,250</u>	

As of December 31, 2018 and 2017, the loan loss reserve for these loans receivable was \$1,003,000 and \$923,979, respectively.

**PARTNERS FOR THE COMMON GOOD****Notes to Financial Statements (Continued)****December 31, 2018 and 2017****NOTE 3- LOANS RECEIVABLE (Continued)**

As of December 31, 2018, PCG had \$4,229,250 in loan commitments outstanding but not yet disbursed. As of March 15, 2019, PCG had closed \$1,643,000 of the \$4,229,250 loan commitments that were outstanding at December 31, 2018. As of March 15, 2019, PCG had committed an additional \$1,550,000 in loans.

As of December 31, 2018, PCG also had balance of \$4,790,175 pending disbursement from existing loans in the portfolio that are partially disbursed. These types of loans are characterized by revolving balances, construction draws, etc.

**NOTE 4- FIXED ASSETS**

Fixed assets at December 31, 2018 and 2017 were recorded at cost, as shown below:

	<b>2018</b>	<b>2017</b>
Computer equipment and software	\$ 336,123	\$ 321,381
Furniture and equipment	17,574	7,633
Total property and equipment	353,697	329,014
Less, accumulated depreciation	(308,868)	(276,260)
Fixed assets, net	<u>\$ 44,829</u>	<u>\$ 52,754</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$32,607 and \$48,058, respectively.

**NOTE 5- 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.

**PARTNERS FOR THE COMMON GOOD**  
**Notes to Financial Statements (Continued)**  
**December 31, 2018 and 2017**

**NOTE 5- CREDIT QUALITY (Continued)**

The following table represents an aging of loans by category as of December 31, 2018:

Loan Type:	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>90+ Days Still Accruing</u>	<u>Non-performing Non-accrual</u>	<u>Total</u>	<u>Current</u>	<u>Total Loans</u>
International	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,450,000	\$ 1,450,000
Housing	352,809	-	-	-	352,809	12,467,109	12,819,918
Community Facility	74,900	-	-	566,001	640,901	10,829,509	11,470,410
Commercial Real Estate	-	-	-	-	-	2,434,016	2,434,016
Working Capital	-	-	-	-	-	237,906	237,906
Total	<u>\$ 427,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,001</u>	<u>\$ 993,710</u>	<u>\$ 27,418,540</u>	<u>\$ 28,412,250</u>

Within the non-performing non-accrual category PCG had two loans classified as a non-performing, totaling \$566,001 as of December 31, 2018. During 2017, PCG modified the two loans. As a result, management further classifies these nonperforming loans as troubled debt restructures (TDRs) and impaired loans.

In addition, PCG has one loan in the amount of \$165,236 that is performing as agreed, but has been categorized in the loan loss reserve analysis as impaired, because a portion of the interest accruing on this loan has been deferred and there is a probability it may not be fully collected. PCG has created a specific/impairment reserve for the deferred portion of interest.

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. Criteria for determining risk ratings include the following:

1 - Low Risk – Fully amortizing or firm take-out source; strong cash flow (> 1.5) Debt Service Ratio (DSR) and collateral Loan to Value (LTV) (< 75%); very experienced borrower and lead lender, if applicable, known to PCG

2 – Average Risk – Balloon structure/refinance required; good cash flow (> 1.2) DSR and collateral LTV (75-90%); experienced borrower and lead lender, if applicable

3 – Acceptable Risk – Higher risk loan structure (bridge/construction); higher LTV (> 90%) and lower DSR (< 1.1); less experienced borrower and/or lead lender, if applicable

4 - High Risk - Source of take-out is speculative; unsecured or inadequate collateral; history of delinquency (>60 days past due (dpd) or 3 X 30 dpd within 12 months); reporting or compliance issues; uncooperative borrower and/or lead lender

5 –Work-out/ Default – Delinquency (>90 dpd or 2 X 60 dpd within 12 months); loan is collateral dependent and collateral and guarantees, if any, are inadequate

**PARTNERS FOR THE COMMON GOOD**

**Notes to Financial Statements**

**December 31, 2018 and 2017**

**NOTE 5- 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, 2018:

<b>Risk Rating</b>	<b><u>International</u></b>	<b><u>Housing</u></b>	<b><u>Community Facility</u></b>	<b><u>Commercial Real Estate</u></b>	<b><u>Working Capital</u></b>	<b><u>Total</u></b>
1 - Low	\$ -	\$ 756,507	\$ 574,900	\$ -	\$ -	\$ 1,331,407
2 - Moderate	900,000	3,466,628	5,517,926	1,477,482	72,669	11,434,705
3 - Acceptable	400,000	7,869,532	4,811,584	956,534	-	14,037,650
4 - High	150,000	727,251	-	-	165,236	1,042,487
5 - Workout/Default	-	-	566,001	-	-	566,001
	<u>\$ 1,450,000</u>	<u>\$ 12,819,918</u>	<u>\$ 11,470,411</u>	<u>\$ 2,434,016</u>	<u>\$ 237,905</u>	<u>\$ 28,412,250</u>

**Allowance for Loan Loss**

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2018, by loan category and the amount by category, as evaluated by PCG's risk rating system:

	<b><u>Housing</u></b>	<b><u>Community Facility Commercial Real Estate</u></b>	<b><u>Working Capital</u></b>	<b><u>International</u></b>	<b><u>Total</u></b>
<b>Allowance for loan losses:</b>					
Beginning balance	\$ 257,688	\$ 618,135	\$ 15,573	\$ 32,583	\$ 923,979
Charge-offs	-	194,219	-	-	194,219
Provision for loan losses	<u>51,005</u>	<u>(154,682)</u>	<u>(688)</u>	<u>(10,833)</u>	<u>(115,198)</u>
Ending balance	<u>\$ 308,693</u>	<u>\$ 657,672</u>	<u>\$ 14,885</u>	<u>\$ 21,750</u>	<u>\$ 1,003,000</u>

The following is a summary of the activity in the allowance for loan losses at December 31, 2018:

Beginning balance	\$ 923,979
Charge-offs	194,219
Provision for loan losses	<u>(115,198)</u>
Ending balance	<u>\$ 1,003,000</u>

**PARTNERS FOR THE COMMON GOOD****Notes to Financial Statements****December 31, 2018 and 2017****NOTE 5- CREDIT QUALITY (Continued)**

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

	<u>2018</u>	<u>2017</u>
Current	\$ 240,033	\$ 180,156
Non-Current	<u>762,967</u>	<u>743,823</u>
Totals	<u>\$ 1,003,000</u>	<u>\$ 923,979</u>

The allowance for loan losses as a percentage of loans outstanding at December 31, 2018 and 2017 was 3.53% and 3.60%, respectively, of PCG's loan portfolio. 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 6- NOTES PAYABLE**

Notes payable consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Community Development Notes, maturing January 1, 2019 through December 12, 2028 some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually	\$ 10,863,621	\$ 10,367,500
Term Loans, maturing September 14, 2019 through June 30, 2027, some subject to prior redemption, bearing stated interest at 1.00% to 4.54%, payable annually	<u>15,437,305</u>	<u>11,973,983</u>
Total Notes Payable	<u>\$ 26,300,926</u>	<u>\$ 22,341,483</u>

Future maturities of the notes payable are as follows as of December 31, 2018:

<u>Years Ending December 31,</u>	<u>Development Notes</u>	<u>Term Loans</u>	<u>Totals</u>
2019	\$ 2,450,000	\$ 1,500,000	\$ 3,950,000
2020	1,245,000	1,550,000	2,795,000
2021	1,785,000	7,449,000	9,234,000
2022	3,470,000	1,325,000	4,795,000
2023	1,533,621	1,113,305	2,646,926
Thereafter	<u>380,000</u>	<u>2,500,000</u>	<u>2,880,000</u>
Totals	<u>\$ 10,863,621</u>	<u>\$ 15,437,305</u>	<u>\$ 26,300,926</u>

## **PARTNERS FOR THE COMMON GOOD**

### **Notes to Financial Statements**

**December 31, 2018 and 2017**

#### **NOTE 7- COMMITMENTS**

During 2016, PCG signed a lease agreement for office space, commencing on September 1, 2016 and with a term of 67 ½ months. The monthly base rent under this lease agreement is \$8,750 increasing by 2.5% on the lease anniversary date.

Future minimum lease payments under the operating lease as of December 31, 2018, are as follows:

<b><u>Year Ending December 31,</u></b>	
2019	\$ 111,235
2020	114,016
2021	114,391
2022	<u>37,124</u>
Total	<u>\$ 376,766</u>

Rent expense for the years ended December 31, 2018 and 2017 was \$76,030 and \$85,114, respectively.

#### **NOTE 8- LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects the PCG's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. These board designations could be drawn upon if the board approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of December 31,

	<b><u>2018</u></b>	<b><u>2017</u></b>
Financial assets		
Cash and cash equivalents - general fund	\$ 889,206	\$ 1,372,392
Grants receivable - general fund	1,205,373	866,500
Accounts and interest receivable - general fund	<u>155,277</u>	<u>102,183</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,249,856</u>	<u>\$ 2,341,075</u>

PCG has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**PARTNERS FOR THE COMMON GOOD****Notes to Financial Statements****December 31, 2018 and 2017****NOTE 9- INVESTMENTS**

Fair values of investments measured at December 31, 2018 and 2017 are as follows:

	<b><u>December 31, 2018</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Pooled investment fund	\$ <u>-</u>	\$ <u>504,316</u>	\$ <u>-</u>	\$ <u>504,316</u>
	<b><u>December 31, 2017</u></b>			
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Pooled investment fund	\$ <u>-</u>	\$ <u>500,000</u>	\$ <u>-</u>	\$ <u>500,000</u>

PCG invested \$500,000 in the MicroVest Short Duration Fund, LP (the Fund) on October 1, 2013. PCG is given the option annually to withdraw the investment. Investment returns are calculated by the Fund on the net asset value of the partnership as calculated at the end of each month. The returns are reinvested in the Fund and are included in unrealized gain on investments on the accompanying statements of activities. Unrealized gain on investments for the years ended December 31, 2018 and 2017 was \$4,316 and \$0, respectively.

**NOTE 10- SUBSEQUENT EVENTS**

PCG has evaluated subsequent events for potential required disclosure through April 23, 2019, which is the date financial statements were available to be issued. There were no events that were identified requiring disclosure or recognition in the financial statements.

**NOTE 11- RECENT ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) issued the final current expected credit loss (CECL) standard on June 16, 2017. Accounting Standards Update (ASU) 2017-13, Financial Instruments – Credit Losses (Topic 326). After the financial crisis in 2007-2008, the FASB decided to revisit how banks estimate losses in the allowance for loan and lease losses (ALLL) calculation. Currently, the impairment model is based on incurred losses, and investments are recognized as impaired when there is no longer an assumption that future cash flows will be collected in full under the originally contracted terms. This model is expected to be replaced by the new CECL model.

Under the new current expected credit loss model, financial institutions will be required to use historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan. The transition to the CECL model will bring with it significantly greater data requirements and changes to methodologies to accurately account for expected losses under the new parameters. This new standard is effective for the December 31, 2021 financial statements, with early adoption permitted. PCG is still evaluating this new standard and its applicability to the financial statements. In general, this new standard is expected to require financial institutions to increase their allowance for credit losses significantly.



## **SUPPLEMENTARY INFORMATION**

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Community Development Notes Payable**  
**December 31, 2018**

<u>Lender</u>	<u>Interest Rate</u>	<u>Balance</u>
American Province of Little Company of Mary Sisters	0.00%	\$ 50,000
Benedictine Convent of Perpetual Adoration	0.00%	50,000
Christian Brothers of the Midwest, Inc.	1.50%	100,000
Congregation of the Sisters of St. Agnes - Note 1	0.00%	25,000
Congregation of the Sisters of St. Agnes - Note 2	0.00%	25,000
Convent of the Sisters of St. Joseph	1.75%	25,000
Franciscan Sisters of OLPH	1.75%	50,000
Franciscan Sisters of Perpetual Adoration	1.00%	125,000
Glenmary Home Missioners - Note 3	2.50%	100,000
IHM Congregation Charitable Trust	2.00%	25,000
Loretto Literary and Benevolent Institution	1.50%	50,000
Missionary Sisters Servants of the Holy Spirit	0.00%	100,000
Our Lady of Victory Missionary Sisters	1.75%	57,000
Atlantic-Midwest Province Endowment Trust of the School Sisters of Notre Dame - Note 1	1.00%	25,000
Atlantic-Midwest Province Endowment Trust of the School Sisters of Notre Dame - Note 2	2.00%	25,000
School Sisters of St. Francis Inc., Milwaukee	1.00%	50,000
School Sisters of St. Francis, U.S. Province	2.00%	50,000
Sisters of Charity of Leavenworth	0.00%	100,000
Sisters of Charity of St. Augustine	1.00%	50,000
Sisters of Notre Dame de Namur Generalate- Note 1	1.50%	25,000
Sisters of Notre Dame de Namur Generalate- Note 2	1.50%	50,000
Sisters of Notre Dame de Namur Generalate- Note 3	1.50%	50,000
Sisters of Notre Dame de Namur Generalate- Note 4	1.50%	72,500
Sisters of Notre Dame de Namur Generalate- Note 5	1.50%	50,000
Sisters of Notre Dame of Chardon Ohio	2.00%	50,000
Sisters of Providence of St. Mary of the Woods	1.00%	53,000
Sisters of St. Francis Charitable Trust - Note 2	1.25%	25,000
Sisters of St. Francis of Clinton, Iowa - Note 1	1.00%	45,000
Sisters of St. Francis of Clinton, Iowa - Note 2	1.00%	80,000
Sisters of St. Francis of Clinton, Iowa - Note 3	1.00%	225,000
Sisters of St. Francis of Holy Name Province, Inc.	1.00%	300,000
Sisters of St. Francis of Philadelphia	1.40%	50,000
Sisters of St. Francis of the Neumann Communities	0.00%	76,121
Sisters of St. Francis of Sylvania, OH	1.50%	25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 1	1.00%	25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 2	1.00%	25,000
Sisters of St. Joseph of Carondelet, St Louis- Note 3	1.00%	100,000
Sisters of St. Joseph of Carondelet, St Paul	1.40%	50,000
Congregation of the Sisters of St. Joseph	1.50%	100,000
Sisters of St. Joseph of Orange	1.00%	100,000
Sisters of St. Joseph of Peace, St. Joseph Province	1.00%	100,000
Sisters of St. Joseph of Peace, Washington Province	1.40%	25,000
Congregation of the Sisters of the Holy Names of Jesus and Mary	1.50%	35,000
Sisters of the Holy Names of Jesus and Mary, US-Ontario Province	3.00%	250,000
Sisters of St. Dominic of Amityville	1.00%	50,000

(Continued)

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Community Development Notes Payable (Continued)**  
**December 31, 2018**

Sisters of the Order of St Dominic of Grand Rapids	0.00%	75,000
Sisters of the Presentation, Dubuque, Iowa	1.00%	150,000
Sisters of the Presentation, New Windsor	0.00%	25,000
Sisters Servants of the Immaculate Heart of Mary	1.75%	50,000
Society of the Holy Child Jesus, American Province	3.00%	60,000
Society of the Sacred Heart Duchesne Trust	1.00%	500,000
Society of the Sisters of St. Joseph	2.50%	100,000
SSM International Finance, Inc. - Note 3	2.00%	500,000
SSM International Finance, Inc. - Note 4	2.00%	875,000
SSM International Finance, Inc. - Note 5	1.50%	240,000
St. Joseph Health System - Note 1	2.50%	1,000,000
St. Joseph Health System - Note 2	2.25%	500,000
Union Sisters of the Presentation of the BVM	0.00%	75,000
Daughters of the Holy Spirit Charitable Trust	1.00%	25,000
Sister of Mercy of the Holy Cross	2.50%	50,000
Society of the Divine Word - Note 1	1.75%	75,000
Society of the Divine Word - Note 2	1.75%	25,000
Sisters of St. Joseph of Northwestern Pennsylvania	3.00%	50,000
Society of Catholic Medical Missionaries/Medical Mission Sisters	2.00%	25,000
FSC DENA Endowment Trust	1.50%	600,000
Dominican Sisters of Peace	1.00%	200,000
The Sustainability Group - Note 1 - Jennifer Leeds	2.75%	100,000
New York Quarterly Meeting	2.25%	250,000
The Sustainability Group - Note 2 - Diocese of Iowa	3.00%	30,000
The Sustainability Group - Note 3 - Louise Bowditch Trust	3.00%	50,000
Dominican Sisters of Hope	3.00%	50,000
Sisters of Charity, BMV- Note 1	1.50%	300,000
Sisters of Charity, BMV- Note 2	1.50%	300,000
Sisters of Notre Dame International	2.00%	110,000
Mennonite Foundation	3.00%	200,000
Amalgamated Bank	2.75%	1,000,000
Unitarian Universalist Common Endowment Fund, LLC	2.50%	50,000
Congregation of the Passion, Holy Cross Province-Note 1	1.00%	35,000
Congregation of the Passion, Holy Cross Province-Note 2	2.00%	35,000
Congregation of the Passion, Holy Cross Province-Note 3	3.00%	35,000
		<u>\$ 10,863,621</u>

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Term Notes Payable**  
**December 31, 2018**

<u>Lender</u>	<u>Interest Rate</u>	<u>Balance</u>
Sisters of Charity of the Incarnate Word - Note 4	1.00%	\$ 600,000
Mercy Investment Services, Inc.	3.00%	500,000
Sisters of the Humility of Mary (RCIF)	2.00%	175,000
Adrian Dominican Sisters	3.00%	50,000
Religious Communities Investment Fund, Inc. - Note 3	2.50%	200,000
Catholic Health Initiatives	1.00%	940,000
Dignity Health	3.00%	1,500,000
Bank of America	4.00%	2,000,000
Seton Enablement Fund - Sisters of Charity of Cincinnati	3.00%	113,305
Trinity Health	2.00%	1,000,000
Bon Secours Health System Inc.	2.50%	900,000
Wells Fargo	2.00%	500,000
PNC	4.54%	1,000,000
Dept of Treasury - Small Business Loan Fund	2.00%	1,009,000
State Bank of India - California	3.75%	2,000,000
Northern Trust	2.00%	1,000,000
CCIF - CDFI Community Investment Fund	3.00%	500,000
Sisters of Bon Secours	2.50%	150,000
The Protestant Episcopal Church	3.50%	300,000
US Bank	4.45%	1,000,000
		<u>\$ 15,437,305</u>

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Expenditures of Federal Awards and Accompanying Notes**  
**For the Year Ended December 31, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of the Treasury			
Community Development Financial Institutions Program	21.020	\$ -	\$ 866,500
Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 866,500</u>

**NOTE 1- BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Partners for the Common Good and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Partners for the Common Good has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting And on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards***

**Board of Directors  
Partners for the Common Good  
Washington, DC**

We have audited, in accordance with the 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, the financial statements of Partners for the Common Good (PCG), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PCG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCG's internal control. Accordingly, we do not express an opinion on the effectiveness of the PCG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether PCG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*DeLeon & Stang*  
**DeLeon & Stang, CPAs**  
**Frederick, Maryland**  
**April 23, 2019**

**Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

**Board of Directors  
Partners for the Common Good  
Washington, DC**

**Report on Compliance for Each Major Federal Program**

We have audited Partners for the Common Good's (PCG) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PCG's major federal programs for the year ended December 31, 2018. PCG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of PCG's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of PCG's compliance.

***Opinion on Each Major Federal Program***

In our opinion, PCG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.



### Report on Internal Control over Compliance

Management of PCG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PCG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PCG's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*DeLeon & Stang*

DeLeon & Stang, CPAs

Frederick, Maryland

April 23, 2019

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2018**

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      yes   X   no
- Significant deficiencies that are not considered to be material weaknesses?      yes   X   no

Noncompliance material to financial statements noted?      yes   X   no

*Federal Awards*

Internal control over major federal award programs:

- Material weakness(es) identified?      yes   X   no
- Significant deficiencies that are not considered to be material weaknesses?      yes   X   no

Type of auditors' report issued on compliance for major federal award programs: Unmodified

Any audit findings that are required to be reported in accordance with the Uniform Guidance      yes   X   no

Identification of major programs:

CFDA Numbers

21.020

Name of Federal Program or Cluster

Community Development Financial  
Institutions Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?      yes   X   no

**PARTNERS FOR THE COMMON GOOD**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended December 31, 2018**

**Section II – Financial Statement Findings**

None

**Section III – Major Federal Award Findings**

None

**Section IV – Summary Schedule of Prior Audit Findings**

N/A – There were no prior year findings or questioned costs