

Partners for the Common Good

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2020 and 2019

Partners for the Common Good

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Independent Auditor's Report

To the Board of Directors
Partners for the Common Good

Report on the Financial Statements

We have audited the accompanying financial statements of Partners for the Common Good, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditor's 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 auditor considers 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.

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Partners for the Common Good as of December 31, 2019 were audited by other auditors whose report dated May 1, 2020 expressed an unmodified opinion on those statements.

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 payables and term notes payable are presented for purposes of additional analysis and are 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* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is also 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021 on our consideration of Partners for the Common Good'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 Partners for the Common Good'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 Partners for the Common Good's internal control over financial reporting and compliance.



Bethesda, Maryland
April 28, 2021

Partners for the Common Good

Statements of Financial Position December 31, 2020 and 2019

	2020		
	General Fund	Loan Fund	Total
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 1,796,881	\$ 10,242,071	\$ 12,038,952
Loans receivable, current portion	-	14,154,080	14,154,080
Less: allowance for loan losses, current portion	-	(116,065)	(116,065)
Accounts and interest receivable, net of allowance for doubtful interest of \$22,765	216,423	263,425	479,848
Prepaid expenses	19,845	-	19,845
Total current assets	2,033,149	24,543,511	26,576,660
Noncurrent assets			
Fixed assets, net	37,650	-	37,650
Real estate owned assets	-	330,135	330,135
Investments	-	513,046	513,046
Loans receivable, net of current portion	-	23,414,240	23,414,240
Less: allowance for loan losses, net of current portion	-	(1,027,074)	(1,027,074)
Deposits	26,250	-	26,250
Total noncurrent assets	63,900	23,230,347	23,294,247
Total assets	\$ 2,097,049	\$ 47,773,858	\$ 49,870,907
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 555,468	\$ -	\$ 555,468
Accrued interest payable	-	241,921	241,921
Deposits payable	35,000	-	35,000
Community development notes payable, current portion	-	1,845,000	1,845,000
Term notes payable, current portion	-	6,400,000	6,400,000
Total current liabilities	590,468	8,486,921	9,077,389
Noncurrent liabilities			
Community development notes payable, net of current portion	-	8,171,621	8,171,621
Term notes payable, net of current portion	-	16,527,236	16,527,236
PPP loan payable	206,000	-	206,000
Total noncurrent liabilities	206,000	24,698,857	24,904,857
Total liabilities	796,468	33,185,778	33,982,246
Commitments and contingencies	-	-	-
Net assets			
Without donor restrictions			
Undesignated	1,300,581	11,704,053	13,004,634
Board designated	-	735,277	735,277
	1,300,581	12,439,330	13,739,911
With donor restrictions	-	2,148,750	2,148,750
Total net assets	1,300,581	14,588,080	15,888,661
Total liabilities and net assets	\$ 2,097,049	\$ 47,773,858	\$ 49,870,907

Partners for the Common Good

Statements of Financial Position December 31, 2020 and 2019

	2019		
	General Fund	Loan Fund	Total
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 3,397,897	\$ 9,363,285	\$ 12,761,182
Loans receivable, current portion	-	7,527,401	7,527,401
Less: allowance for loan losses, current portion	-	(254,136)	(254,136)
Grants receivable	795,373	-	795,373
Accounts and interest receivable, net of allowance for doubtful interest of \$17,349	145,112	167,458	312,570
Prepaid expenses	4,494	-	4,494
Total current assets	4,342,876	16,804,008	21,146,884
Noncurrent assets			
Fixed assets, net	34,332	-	34,332
Investments	-	505,785	505,785
Loans receivable, net of current portion	-	22,658,247	22,658,247
Less: allowance for loan losses, net of current portion	-	(769,954)	(769,954)
Deposits	26,250	-	26,250
Total noncurrent assets	60,582	22,394,078	22,454,660
Total assets	\$ 4,403,458	\$ 39,198,086	\$ 43,601,544
<u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable and accrued expenses	\$ 430,742	\$ -	\$ 430,742
Accrued interest payable	-	331,096	331,096
Community development notes payable, current portion	-	2,345,000	2,345,000
Term notes payable, current portion	-	1,550,000	1,550,000
Total current liabilities	430,742	4,226,096	4,656,838
Noncurrent liabilities			
Community development notes payable, net of current portion	-	8,668,621	8,668,621
Term notes payable, net of current portion	-	15,834,422	15,834,422
Total noncurrent liabilities	-	24,503,043	24,503,043
Total liabilities	430,742	28,729,139	29,159,881
Commitments and contingencies	-	-	-
Net assets			
Without donor restrictions			
Undesignated	3,972,716	8,217,699	12,190,415
Board designated	-	485,192	485,192
	3,972,716	8,702,891	12,675,607
With donor restrictions	-	1,766,056	1,766,056
Total net assets	3,972,716	10,468,947	14,441,663
Total liabilities and net assets	\$ 4,403,458	\$ 39,198,086	\$ 43,601,544

See Notes to Financial Statements.

Partners for the Common Good

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants	\$ 50,000	\$ 1,050,000	\$ 1,100,000
Interest income			
Loan portfolio	1,961,191	-	1,961,191
Investments	61,699	-	61,699
Fees	1,009,628	-	1,009,628
Contributions	82,484	-	82,484
Recoveries	64,108	-	64,108
Unrealized gain on investments	7,261	-	7,261
Net assets released from restrictions	667,306	(667,306)	-
	<u>3,903,677</u>	<u>382,694</u>	<u>4,286,371</u>
Total revenue and support			
Expenses			
Program services	2,211,068	-	2,211,068
Supporting services			
Management and general	452,048	-	452,048
Resource development	176,257	-	176,257
Total supporting services	628,305	-	628,305
	<u>2,839,373</u>	<u>-</u>	<u>2,839,373</u>
Total expenses			
Change in net assets	1,064,304	382,694	1,446,998
Net assets, beginning	12,675,607	1,766,056	14,441,663
Net assets, end	<u>\$ 13,739,911</u>	<u>\$ 2,148,750</u>	<u>\$ 15,888,661</u>

Partners for the Common Good

Statements of Activities
Years Ended December 31, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Grants	\$ 2,035,200	\$ 565,000	\$ 2,600,200
Interest income			
Loan portfolio	1,602,855	-	1,602,855
Investments	21,854	-	21,854
Fees	607,081	-	607,081
Contributions	39,671	-	39,671
Unrealized gain on investments	1,469	-	1,469
Net assets released from restrictions	273,944	(273,944)	-
Total revenue and support	4,582,074	291,056	4,873,130
Expenses			
Program services	1,797,588	-	1,797,588
Supporting services			
Management and general	585,784	-	585,784
Resource development	199,249	-	199,249
Total supporting services	785,033	-	785,033
Total expenses	2,582,621	-	2,582,621
Change in net assets	1,999,453	291,056	2,290,509
Net assets, beginning	10,676,154	1,475,000	12,151,154
Net assets, end	\$ 12,675,607	\$ 1,766,056	\$ 14,441,663

See Notes to Financial Statements.

Partners for Common Good

Statements of Functional Expenses Years Ended December 31, 2020 and 2019

	2020			
	Supporting Services			Total
	Program Services	Management and General	Resource Development	
Administrative costs allocated				
Salaries	\$ 611,568	\$ 218,583	\$ 88,862	\$ 919,013
Fringe benefits	180,160	83,301	32,522	295,983
Interest	703,078	1,482	-	704,560
Professional fees	406,102	53,007	39,843	498,952
Loan loss provision	183,760	-	-	183,760
Rent	57,494	15,412	5,389	78,295
Meetings and travel	33,892	7,530	1,730	43,152
Office expenses	13,221	16,467	235	29,923
Depreciation and amortization	2,542	10,387	-	12,929
Loan commitment fees	-	-	7,583	7,583
Dues and subscriptions	9,104	25,749	-	34,853
Miscellaneous	-	4,851	-	4,851
Computer repair and maintenance	-	9,508	-	9,508
Loan distribution fees	9,910	-	-	9,910
Insurance	-	853	-	853
Staff development	-	2,991	-	2,991
Employee morale	237	530	-	767
Bank fees	-	1,397	93	1,490
Total	<u>\$ 2,211,068</u>	<u>\$ 452,048</u>	<u>\$ 176,257</u>	<u>\$ 2,839,373</u>
2019				
	Supporting Services			Total
	Program Services	Management and General	Resource Development	
Administrative costs allocated				
Salaries	\$ 465,270	\$ 290,121	\$ 104,229	\$ 859,620
Fringe benefits	101,428	63,246	22,722	187,396
Interest	696,620	-	-	696,620
Professional fees	298,960	71,350	31,692	402,002
Loan loss provision	105,553	-	-	105,553
Rent	39,876	24,865	8,933	73,674
Meetings and travel	27,310	47,320	11,637	86,267
Office expenses	19,360	31,076	4,524	54,960
Depreciation and amortization	14,871	8,787	-	23,658
Loan commitment fees	-	-	12,672	12,672
Dues and subscriptions	12,657	24,268	83	37,008
Miscellaneous	5,719	1,823	1,590	9,132
Computer repair and maintenance	-	7,499	-	7,499
Loan distribution fees	7,579	-	-	7,579
Insurance	-	10,789	-	10,789
Staff development	1,642	1,287	1,167	4,096
Employee morale	743	2,771	-	3,514
Bank fees	-	582	-	582
Total	<u>\$ 1,797,588</u>	<u>\$ 585,784</u>	<u>\$ 199,249</u>	<u>\$ 2,582,621</u>

See Notes to Financial Statements.

Partners for the Common Good

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 1,446,998	\$ 2,290,509
Adjustments to reconcile change in net assets to net cash flows provided by operating activities		
Unrealized gain on investments	(7,261)	(1,469)
Depreciation and amortization	12,929	23,658
Provision for loan losses	183,760	105,553
Bad debt expense for doubtful interest receivable	5,416	4,817
Change in operating assets and liabilities:		
(Increase) decrease in accounts and interest receivable	(172,694)	17,459
(Increase) decrease in grants receivable	795,373	410,000
(Increase) decrease in prepaid expenses	(15,351)	3,694
Increase (decrease) in accounts payable and accrued expenses	124,726	(79,827)
Increase (decrease) in accrued interest payable	(89,175)	60,401
Increase (decrease) in deposits payable	35,000	-
Net cash provided by operating activities	<u>2,319,721</u>	<u>2,834,795</u>
Cash flows from investing activities		
Purchases of property and equipment	(16,247)	(13,161)
Loans receivable		
New loans provided	(13,503,836)	(7,177,721)
Loan payments received	<u>5,726,318</u>	<u>5,319,860</u>
Net cash used in investing activities	<u>(7,793,765)</u>	<u>(1,871,022)</u>
Cash flows from financing activities		
Proceeds from PPP loan payable	206,000	-
Proceeds from community development and term notes payable	5,803,000	4,675,000
Payments of community development and term notes payable	<u>(1,257,186)</u>	<u>(2,577,883)</u>
Net cash provided by financing activities	<u>4,751,814</u>	<u>2,097,117</u>
Net (decrease) increase in cash and cash equivalents	(722,230)	3,060,890
Cash and cash equivalents, beginning	<u>12,761,182</u>	<u>9,700,292</u>
Cash and cash equivalents, end	<u><u>\$ 12,038,952</u></u>	<u><u>\$ 12,761,182</u></u>
Noncash investing and financing activity		
Real estate owned assets increased for conversion of loan receivable	<u><u>\$ 344,847</u></u>	<u><u>\$ -</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u><u>\$ 793,735</u></u>	<u><u>\$ 636,219</u></u>

See Notes to Financial Statements.

Partners for the Common Good

Notes to Financial Statements December 31, 2020 and 2019

Note 1 - Organization and summary of significant accounting policies

Description of organization and activities

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 presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as codified by the Financial Accounting Standards Board ("FASB ASC").

Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash equivalents

PCG considers all highly liquid instruments with a maturity at the date of acquisition of three months or less to be cash equivalents.

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 receivable as of December 31, 2020 and 2019.

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

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Notes to Financial Statements December 31, 2020 and 2019

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 deemed relevant by management. 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

Fixed assets 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:

Furniture and equipment	7 years
Computer equipment and software	3 years

Real estate owned assets

Real estate owned assets consists of real property acquired through foreclosure or in lieu of foreclosure. At the time of acquisition, real estate owned assets are carried at the current fair value of the property, less estimated selling costs. Subsequent to acquisition, gains or losses on sale are recorded to noninterest income and the periodic revaluation of real estate owned assets are credited only to the extent of previous losses recognized or charged to noninterest expense. Net costs of maintaining and operating acquired properties are expensed as incurred.

Fair value of financial instruments

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Revenue recognition

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

Commitment fees, as well as certain direct 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 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, either 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. All expenses are reported in net assets without donor restrictions.

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Notes to Financial Statements December 31, 2020 and 2019

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.

Classification of net assets

Net assets are classified based on the 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, 2020 and 2019, the Board of Directors has designated \$735,277 and \$485,192, respectively, of net assets without donor restrictions specifically for loan losses.

Net Assets With Donor Restrictions are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, or are time 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.

Donated-in-kind materials and services

Donated materials and services are recorded at fair market value at the date of donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated; or
- The services enhance or create an asset.

During the years ended December 31, 2020 and 2019 there were no in-kind donations of materials or services.

New Markets Tax Credits

In 2016, 2017, and 2020, PCG received New Markets Tax Credit ("NMTC") allocations of \$35 million, \$15 million, and \$35 million, respectively, from the U.S. Department of Treasury's CDFI Fund. PCG has created 11 subsidiary CDEs ("Sub-CDEs") to initiate transactions using the allocated tax credits. These affiliates were formed as limited liability companies and are audited separately. PCG is the managing member of each Sub-CDE. However, PCG does not consolidate the Sub-CDEs into its financial statements as it was determined that the Sub-CDEs do not meet the requirements of FASB ASC 810 for consolidation into PCG's financial statements as PCG does not have control. In addition, as the amount of investment in the Sub-CDEs is considered immaterial, PCG does not record the investments using the equity method of accounting. The purpose of the Sub-CDEs is to obtain Qualified Equity Investments ("QEIs") from investors, make qualified investments in Qualified Active Low-Income Community Businesses ("QALICBs"), and engage in such other activities which qualify for the NMTC pursuant to Section 45D of the Internal Revenue Code.

As of December 31, 2020, PCG had fully deployed its 2016 and 2017 NMTC allocations. During 2020, PCG closed three additional Sub-CDEs and transferred \$21,600,000 of its 2020 NMTC allocation, resulting in \$13,400,000 remaining to be transferred as of December 31, 2020. As of December 31, 2020, no additional allocations have been awarded.

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Notes to Financial Statements December 31, 2020 and 2019

As of December 31, 2020 the following allocations have been transferred via transactions involving PCG Sub-CDEs 1 through 11:

	<u>2016 Allocation</u>	<u>2017 Allocation</u>	<u>2020 Allocation</u>
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	-
PCG Sub CDE 9, LLC	-	-	7,500,000
PCG Sub CDE 10, LLC	-	-	7,100,000
PCG Sub CDE 11, LLC	-	-	7,000,000
	<hr/>	<hr/>	<hr/>
Allocation transferred as of December 31, 2020	35,000,000	15,000,000	21,600,000
Remaining allocation to be transferred	<hr/> -	<hr/> -	<hr/> 13,400,000
Total allocation	<u><u>\$ 35,000,000</u></u>	<u><u>\$ 15,000,000</u></u>	<u><u>\$ 35,000,000</u></u>

As of December 31, 2019 the following allocations have been transferred via transactions involving PCG Sub-CDEs 1 through 8:

	<u>2016 Allocation</u>	<u>2017 Allocation</u>
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
	<hr/>	<hr/>
Allocation transferred as of December 31, 2019	35,000,000	15,000,000
Remaining allocation to be transferred	<hr/> -	<hr/> -
Total allocation	<u><u>\$ 35,000,000</u></u>	<u><u>\$ 15,000,000</u></u>

NMTC fees are composed of Sub-Allocation Fees, Asset Management Fees, and Tax and Accounting Fees earned from the Sub-CDEs. Sub-Allocation Fees are recognized when a Sub-CDE makes its qualified investments in QALICBs or as otherwise earned in accordance with the terms of the individual CDE Fee Agreement. Asset Management Fees and Tax and Accounting Fees are recognized annually as services are performed in accordance with the CDE Fee Agreement. During the years ended December 31, 2020 and 2019, PCG earned NMTC fees of \$783,253 and \$417,017, respectively, which are included in fees revenue on the statements of activities.

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Notes to Financial Statements December 31, 2020 and 2019

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, 2020, the outstanding NMTC recapture guarantees PCG has provided were \$27,924,000. PCG has received three allocations and has not experienced a recapture event related to the NMTC guarantees; consequently, PCG believes that the likelihood of a recapture event is remote.

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

2021	\$	-
2022		-
2023		7,215,000
2024		12,285,000
2025		-
2026		-
2027		<u>8,424,000</u>
	\$	<u>27,924,000</u>

As of December 31, 2020, 11 of the Sub-CDEs were active. The allocation of PCG's NMTCs have been achieved through investments from the following banks: JP Morgan Chase Bank, Capital One Bank, PNC Bank, Wells Fargo Bank, Northern Trust Bank, and M&T Bank.

Expense allocations

The costs of providing the program services and management activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program or supporting services categories based on specific identification and certain indirect expenses have been allocated based on estimates of time and effort as determined by management.

Income taxes

PCG is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended December 31, 2020 and 2019. In addition, PCG has been determined by the Internal Revenue Services to be a "qualifying charity" within the meaning of Section 509(a) of the Internal Revenue Code. PCG is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and PCG has no other tax positions which must be considered for disclosure. Income tax returns filed by PCG are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2017 remain open.

Concentration of credit risk

PCG maintains its cash and cash equivalent balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, PCG has not experienced any losses with respect to its bank balances in excess of government-provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at December 31, 2020.

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Notes to Financial Statements December 31, 2020 and 2019

Note 2 - Liquidity and availability

The following table reflects the PCG's financial assets as of December 31, 2020 and 2019 reduced by the 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 and board designated net assets. These board designations could be drawn upon if the board approved that action.

The following is the net financial assets available for general expenditures during the next year as of December 31, 2020 and 2019:

	2020	2019
Financial assets		
Cash and cash equivalents - general fund	\$ 1,796,881	\$ 3,397,897
Grants receivable - general fund	-	795,373
Accounts and interest receivable - general fund	216,423	145,112
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,013,304</u>	<u>\$ 4,338,382</u>

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

Note 3 - Loans receivable

Nature of lending activities

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 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.

Loans originated by PCG and for which there is the ability to hold for the foreseeable future, or until either maturity or earlier prepayment, are measured at the outstanding principal amount net of an allowance for loan losses. Management's views regarding the foreseeable future and, consequently, its intent with respect to holding these loans may change due to changes in business strategies, the economic environment of the market in which PCG operates, general market conditions, and the availability of various government programs in which PCG participates.

Loans are modified through troubled debt restructurings ("TDR") when necessary. Loans are considered troubled debt when they meet the modification criteria established in FASB ASC 310-40. Modifications include changes to interest rates, principal and interest payment terms, loan maturity dates and collateral. Under PCG policy, in accordance with FASB ASC 310-40, such loans are considered impaired loans. The respective loans are then evaluated to determine if additional allowance within the allowance for loan losses is needed.

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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.

Aging and interest accrual status

The following table presents informative data by category of financing receivable regarding their age and interest accrual status as of December 31, 2020:

Loan type:	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Non-performing Non-accrual	Total	Current	Total Loans
International	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,270,368	\$ 1,270,368
Housing	-	-	-	519,814	519,814	19,138,543	19,658,357
Community facility	-	-	-	82,596	82,596	12,357,623	12,440,219
Commercial real estate	-	-	500,000	-	500,000	3,250,656	3,750,656
Working capital	-	-	-	-	-	448,720	448,720
Total	\$ -	\$ -	\$ 500,000	\$ 602,410	\$ 1,102,410	\$ 36,465,910	\$ 37,568,320

With the non-performing non-accrual category, PCG had two loans classified as non-performing totaling \$602,410 as of December 31, 2020. PCG has modified the two loans and further classified these non-performing loans as TDRs and impaired loans.

In addition, PCG has one loan in the amount of \$148,720 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.

The following table presents informative data by category of financing receivable regarding their age and interest accrual status as of December 31, 2019:

Loan type:	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Non-performing Non-accrual	Total	Current	Total Loans
International	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,628,755	\$ 1,628,755
Housing	-	-	-	-	-	14,738,539	14,738,539
Community facility	-	-	-	478,283	478,283	10,508,526	10,986,809
Commercial real estate	-	-	-	-	-	2,409,517	2,409,517
Working capital	-	-	-	-	-	422,028	422,028
Total	\$ -	\$ -	\$ -	\$ 478,283	\$ 478,283	\$ 29,707,365	\$ 30,185,648

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Within the non-performing non-accrual category PCG had two loans classified as a non-performing, totaling \$478,283 as of December 31, 2019. During 2017, PCG modified the two loans. As a result, management further classifies these nonperforming loans as TDRs and impaired loans at that time.

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.

Risk ratings

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.

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2020:

Risk Rating	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
1 - Low	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 - Moderate	-	6,092,125	2,823,736	942,451	-	9,858,312
3 - Acceptable	1,270,367	11,195,961	9,016,239	2,308,204	-	23,790,771
4 - High	-	1,850,458	517,649	500,000	448,720	3,316,827
5 - Work-out/Default	-	519,814	82,596	-	-	602,410
Total	<u>\$ 1,270,367</u>	<u>\$ 19,658,358</u>	<u>\$ 12,440,220</u>	<u>\$ 3,750,655</u>	<u>\$ 448,720</u>	<u>\$ 37,568,320</u>

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Notes to Financial Statements December 31, 2020 and 2019

The following table summarizes the loan portfolio by category of loan and the internally assigned credit quality ratings for those categories at December 31, 2019:

Risk Rating	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
1 - Low	\$ -	\$ 740,051	\$ -	\$ -	\$ -	\$ 740,051
2 - Moderate	900,000	4,243,663	4,325,580	958,220	25,031	10,452,494
3 - Acceptable	628,755	9,052,566	5,643,537	1,451,297	241,087	17,017,242
4 - High	100,000	702,259	539,409	-	155,910	1,497,578
5 - Work-out/Default	-	-	478,283	-	-	478,283
Total	<u>\$ 1,628,755</u>	<u>\$ 14,738,539</u>	<u>\$ 10,986,809</u>	<u>\$ 2,409,517</u>	<u>\$ 422,028</u>	<u>\$ 30,185,648</u>

Allowance for loan losses

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2020, 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	\$ 331,617	\$ 637,243	\$ 18,589	\$ 36,641	\$ 1,024,090
Charge-offs	-	(64,711)	-	-	(64,711)
Provision for loan losses	159,831	30,529	(3,624)	(2,976)	183,760
Ending balance	<u>\$ 491,448</u>	<u>\$ 603,061</u>	<u>\$ 14,965</u>	<u>\$ 33,665</u>	<u>\$ 1,143,139</u>

The following table summarizes the allowance for loan losses as of and for the year ended December 31, 2019, 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	\$ 308,693	\$ 657,672	\$ 14,885	\$ 21,750	\$ 1,003,000
Charge-offs	-	(84,463)	-	-	(84,463)
Provision for loan losses	22,924	64,034	3,704	14,891	105,553
Ending balance	<u>\$ 331,617</u>	<u>\$ 637,243</u>	<u>\$ 18,589</u>	<u>\$ 36,641</u>	<u>\$ 1,024,090</u>

The following is a summary of the current and noncurrent portions of the allowance for loan losses at December 31, 2020 and 2019

	2020	2019
Current	\$ 116,065	\$ 254,136
Noncurrent	<u>1,027,074</u>	<u>769,954</u>
Total	<u>\$ 1,143,139</u>	<u>\$ 1,024,090</u>

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The allowance for loan losses as a percentage of loans outstanding at December 31, 2020 and 2019 was 3.04% and 3.53%, 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.

Troubled debt restructuring

During the year ended December 31, 2020, one loan in the amount of \$519,814 met the definition of a troubled debt restructuring. The modification made to the loan was in the form of a forbearance, which has been extended through July 1, 2021. The loan loss allowance was adjusted for this loan as a result of reclassifying the loan with a risk rating of 5, however, the principal amount due has not been reduced.

During the year ended December 31, 2019, there were no restructured loans classified as TDRs.

Annual maturities

Future annual maturities on all loans receivable over each of the next five years and thereafter as of December 31, 2020 are as follows:

December 31, 2021	\$	14,154,080
2022		4,474,387
2023		7,517,331
2024		3,251,495
2025		2,645,147
Thereafter		<u>5,525,880</u>
	\$	<u><u>37,568,320</u></u>

As of December 31, 2020, PCG had \$1,000,000 in loan commitments not yet closed. As of the date of this report, PCG has made an additional \$4,677,000 in loan commitments. As of December 31, 2020, PCG also had a balance of \$7,346,592 pending disbursement from existing loans in the portfolio that are partially disbursed. These types of loans are characterized by revolving balances, construction draws, or other similar disbursement criteria.

Note 4 - Fixed assets

Fixed assets are comprised of the following as of December 31, 2020 and 2019:

	2020	2019
Computer equipment and software	\$ 351,180	\$ 344,619
Furniture and equipment	<u>31,922</u>	<u>22,238</u>
Total fixed assets	383,102	366,857
Accumulated depreciation	<u>(345,452)</u>	<u>(332,525)</u>
Fixed assets, net	<u><u>\$ 37,650</u></u>	<u><u>\$ 34,332</u></u>

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Notes to Financial Statements December 31, 2020 and 2019

Note 5 - Real estate owned assets

Real estate owned ("REO") assets are originally recorded at fair value upon transfer of the loans to REO. Subsequently, REO assets are carried at the lower of carrying value or fair value. The fair value of REO assets is based on independent appraisals or pending sales transactions less anticipated selling costs. Appraised values may be discounted based upon management's historical knowledge and changes in the market conditions from the time of the appraisal. During 2020, a non-performing loan receivable in the amount of \$344,847 was converted to REO. PCG holds a 12.2593% interest in the foreclosed property of the REO asset. At December 31, 2020, the carrying amount of the REO asset was \$330,135 after an impairment of \$14,712 was recorded, which is included in the loan loss provision on the statements of functional expenses.

Note 6 - Investments

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, 2020 and 2019 was \$7,261 and \$1,469, respectively. The balance of the investment as of December 31, 2020 and 2019 was \$513,046 and \$505,785, respectively.

Note 7 - Fair value measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities PCG has the ability to access.

Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments consisting of PCG's investment in the Fund are based on observable values of the Fund's net assets and reported with Level 2 inputs. For the years ended December 31, 2020 and 2019, there were no transfers into or out of Level 3 of the fair value hierarchy.

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The following table presents PCG's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2020 and 2019:

December 31, 2020				
	Level 1	Level 2	Level 3	Total
Pooled investment fund	\$ -	\$ 513,046	\$ -	\$ 513,046
December 31, 2019				
	Level 1	Level 2	Level 3	Total
Pooled investment fund	\$ -	\$ 505,785	\$ -	\$ 505,785

Note 8 - Notes payable

Notes payable consisted of the following at December 31, 2020:

	2020	2019
Community Development Notes, maturing January 1, 2021 through December 12, 2028, some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually of which all are unsecured.	\$ 10,016,621	\$ 11,013,621
Term Loans, maturing March 28, 2021 through December 18, 2032, some subject to prior redemption, bearing stated interest at 1.00% to 4.54%, payable annually of which certain loans are secured by related loans receivable and cash in collateralized bank accounts.	22,927,236	17,384,422
Total notes payable	\$ 32,943,857	\$ 28,398,043

Certain term loans have financial covenant requirements and as of December 31, 2020 PCG was in compliance with all such requirements.

Future annual maturities of the notes payable over each of the next five years and thereafter as of December 31, 2020 are as follows:

	Community Development Notes	Term Loans	Total
December 31, 2021	\$ 1,845,000	\$ 6,400,000	\$ 8,245,000
2022	3,538,000	5,825,000	9,363,000
2023	1,848,621	2,702,236	4,550,857
2024	1,610,000	-	1,610,000
2025	1,140,000	6,000,000	7,140,000
Thereafter	35,000	2,000,000	2,035,000
	\$ 10,016,621	\$ 22,927,236	\$ 32,943,857

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Note 9 - Paycheck Protection Program

In response to the coronavirus ("COVID-19") outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Air, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program ("PPP") to provide small business loans. In April 2020, PCG obtained a PPP loan directly from Sunrise Banks in the amount of \$206,000. The note is unsecured, matures in April 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. PCG believes it used all the proceeds from the note for qualifying expenses which are classified as program and supporting services expenses on the accompanying statements of activities.

The loan is contingently forgivable if PCG meets the conditions of the PPP Program. As of December 31, 2020, the loan payable balance is \$206,000.

Note 10 - Net assets with donor restrictions

PCG has received certain grants designated by the donor for specific uses. If these restrictions were met during the year that the grant was received, the grant was classified as without donor restrictions. Net assets released from restrictions by satisfying time or purpose restrictions for the years ended December 31, 2020 and 2019 totaled \$667,306 and \$273,944, respectively.

Net assets with donor restrictions consisted of net assets designated for specific purposes or with time restrictions as follows for the year ended December 31, 2020:

	2019	Additions	Releases	2020
Subject to purpose or passage of time:				
Purpose restricted net assets:				
Kellogg grant	\$ 226,056	\$ 300,000	\$ (526,056)	\$ -
2018 CDFI grant	975,000	-	-	975,000
2020 CDFI grant	-	750,000	-	750,000
Time restricted net assets:				
2019 CDFI grant	565,000	-	(141,250)	423,750
Total	<u>\$ 1,766,056</u>	<u>\$ 1,050,000</u>	<u>\$ (667,306)</u>	<u>\$ 2,148,750</u>

Net assets with donor restrictions consisted of net assets designated for specific purposes or with time restrictions as follows for the year ended December 31, 2019:

	2018	Additions	Releases	2019
Subject to purpose or passage of time:				
Purpose restricted net assets:				
Kellogg grant	\$ 500,000	\$ -	\$ (273,944)	\$ 226,056
2018 CDFI grant	975,000	-	-	975,000
Time restricted net assets:				
2019 CDFI grant	-	565,000	-	565,000
Total	<u>\$ 1,475,000</u>	<u>\$ 565,000</u>	<u>\$ (273,944)</u>	<u>\$ 1,766,056</u>

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Notes to Financial Statements December 31, 2020 and 2019

Note 11 - Commitments and contingencies

During 2016, PCG signed a lease agreement for office space, commencing on September 1, 2016 and with a term of 67.5 months. The monthly base rent under this lease agreement is \$8,750 increasing by 2.5% on the lease anniversary date. Rent expense for the years ended December 31, 2020 and 2019 was \$78,296 and \$73,674, respectively.

Future minimum lease payments under the operating lease as of December 31, 2020 are as follows:

December 31, 2021	\$	114,391
2022		<u>37,124</u>
	\$	<u>151,515</u>

Note 12 - Related party transactions

During 2020, one board member provided consulting services to PCG regarding the development of a new financial product. For the year ended December 31, 2020 \$31,169 of consulting services were provided. As of December 31, 2020, \$2,546 remains payable and is included in accounts payable and accrued expenses on the statement of financial position.

Note 13 - Cost sharing arrangement

PCG works closely with Community Development Bankers Association ("CDBA") including the sharing of personnel under a cost sharing arrangement. During 2020 and 2019, personnel costs of \$290,453 and \$304,350 were to be reimbursed to PCG from CDBA and as of December 31, 2020 and 2019, \$116,617 and \$89,851, respectively, is receivable and included in accounts and interest receivable on the statements of financial position.

Note 14 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could have a negative impact on PCG's operations or the operations of the borrowers which PCG has made loans to. As of December 31, 2020, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on PCG and its borrowers. PCG is not able to estimate the length or severity of this outbreak and the related financial impact.

Note 15 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of PCG through April 28, 2021 (the date the financial statements were available to be issued) and concluded that, other than the loan disbursements in Note 3, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

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Schedule of Community Development Notes Payable December 31, 2020

Lender	Interest Rate	Balance
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
Benedictine Convent of Perpetual Adoration	0.00%	100,000
Christian Brothers of the Midwest, Inc.	1.50%	100,000
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
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
Congregation of the Sisters of St. Joseph	1.50%	100,000
Congregation of the Sisters of the Holy Names of Jesus and Mary	1.50%	35,000
Convent of the Sisters of St. Joseph	1.75%	25,000
Daughters of the Holy Spirit Charitable Trust	1.00%	50,000
Dominican Sisters of Hope	3.00%	50,000
Dominican Sisters of Peace	3.00%	200,000
Franciscan Sisters of Little Falls, MN	1.50%	25,000
Franciscan Sisters of OLPH	1.75%	50,000
Franciscan Sisters of Perpetual Adoration	1.00%	125,000
FSC DENA Endowment Trust	1.50%	600,000
Glenmary Home Missioners - Note 3	2.50%	100,000
IHM Congregation Charitable Trust	2.00%	25,000
Little Company of Mary Sisters - USA	0.00%	75,000
Loretto Literary and Benevolent Institution	1.50%	50,000
Missionary Sisters Servants of the Holy Spirit - Note 2	0.00%	100,000
New York Quarterly Meeting	2.50%	250,000
Our Lady of Victory Missionary Sisters	1.75%	100,000
School Sisters of St. Francis Inc., Milwaukee	1.00%	50,000
School Sisters of St. Francis of St. Joseph Convent, U.S. Province	2.00%	50,000
Sister of Mercy of the Holy Cross	2.50%	50,000
Sisters of Charity of Leavenworth	0.00%	100,000
Sisters of Charity of St. Augustine	1.00%	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 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 International	2.00%	110,000
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. Dominic of Amityville	1.00%	50,000
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 Sylvania, OH	1.50%	50,000
Sisters of St. Francis of the Neumann Communities	0.00%	76,121
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	1.50%	100,000
Sisters of St. Joseph of Carondelet, St Paul	1.00%	50,000
Sisters of St. Joseph of Northwestern Pennsylvania	3.00%	50,000
Sisters of St. Joseph of Orange	0.00%	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
Sisters of the Holy Names of Jesus and Mary, US-Ontario Province	3.00%	250,000
Sisters of the Most Precious Blood	2.00%	100,000
Sisters of the Order of St Dominic of Grand Rapids	0.00%	100,000
Sisters of the Presentation of the BVM - New Windsor	0.00%	25,000

Partners for the Common Good

Schedule of Community Development Notes Payable December 31, 2020

Lender	Interest Rate	Balance
Sisters of the Presentation, Dubuque, Iowa	1.00%	150,000
Sisters Servants of the Immaculate Heart of Mary	2.00%	75,000
Society of Catholic Medical Missionaries/Medical Mission Sisters	2.00%	25,000
Society of the Divine Word - Note 3	2.00%	100,000
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%	560,000
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
The Sustainability Group - Note 1 - Jennifer Leeds (The Coyote Trust)	3.00%	100,000
The Sustainability Group - Note 2 - Diocese of Iowa	3.00%	30,000
The Sustainability Group - Note 3 - Louise Bowditch Trust	3.00%	50,000
Union Sisters of the Presentation of the BVM	0.00%	50,000
Unitarian Universalist Common Endowment Fund, LLC	2.50%	50,000
		<u>\$ 10,016,621</u>

See Independent Auditor's Report.

Partners for the Common Good

**Schedule of Term Notes Payable
December 31, 2020**

<u>Lender</u>	<u>Interest Rate</u>	<u>Balance</u>
Adiran Dominican Sisters	3.00%	\$ 50,000
Amalgamated Bank	4.00%	2,000,000
Bank of America	4.00%	2,000,000
BBVA USA	2.75%	500,000
Bon Secours Health System Inc.	1.75%	2,000,000
Catholic Health Initiatives	1.00%	900,000
CCIF - CDFI Community Investment Fund	3.00%	500,000
City First Bank of DC	3.13%	1,500,000
HSBC	3.20%	2,000,000
Mercy Investment Services, inc.	3.00%	500,000
Northern Trust	2.00%	1,000,000
Opportunity Finance Network	3.50%	2,000,000
PNC	4.54%	1,000,000
Religious Communities Investment Fund, Inc.	2.50%	200,000
Seton Enablement Fund - Sisters of Charity of Cincinnati	3.00%	52,236
Sisters of Bon Secours	2.50%	150,000
Sisters of Charity of the Incarnate Word	1.00%	600,000
Sisters of the Humility of Mary (RCIF)	2.00%	175,000
State Bank of India - California	3.75%	2,000,000
The Protestant Episcopal Church	3.50%	300,000
Trinity Health	2.00%	1,000,000
US Bank	4.45%	1,000,000
Wells Fargo	2.00%	1,000,000
Woodforest Bank	4.25%	500,000
		<u>\$ 22,927,236</u>

See Independent Auditor's Report.

Partners for the Common Good

**Schedule of Expenditures of Federal Awards
December 31, 2020**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Pass-through to Subrecipient	Total Federal Expenditures
Department of the Treasury: (Direct Program)				
Community Development Financial Institutions Program	21.020	N/A	N/A	<u>\$ 1,540,000</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,540,000</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

Partners for the Common Good

Notes to Schedule of Expenditures of Federal Awards December 31, 2020

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Partners for the Common Good ("PCG") under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of PCG, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of PCG.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

PCG has not elected to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance as it is not applicable.

Independent Auditor's 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*

To the Board of Directors
Partners for the Common Good

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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partners for the Common Good's internal control over financial reporting ("internal control") as a basis for designing 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 Partners for the Common Good's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partners for the Common Good'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 Partners for the Common Good'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 financial statements. 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 Partners for the Common Good's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partners for the Common Good's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Bethesda, Maryland
April 28, 2021

Independent Auditor's Report on Compliance for the Major Program and on
Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Partners for the Common Good

Report on Compliance for the Major Federal Program

We have audited Partners for the Common Good's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Partners for the Common Good's major federal program for the year ended December 31, 2020. Partners for the Common Good's major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Partners for the Common Good's major federal program 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 Partners for the Common Good'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 the major federal program. However, our audit does not provide a legal determination of Partners for the Common Good's compliance.

Opinion on the Major Federal Program

In our opinion, Partners for the Common Good complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on its major federal program is not modified with respect to this matter.

Partners for the Common Good's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Partners for the Common Good's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Partners for the Common Good 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 Partners for the Common Good's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Partners for the Common Good'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Partners for the Common Good's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Partners for the Common Good's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Bethesda, Maryland
April 28, 2021

Partners for the Common Good

**Schedule of Findings and Questioned Costs
December 31, 2020**

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Partners for the Common Good were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's 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*. No material weaknesses were reported.
3. No instances of noncompliance material to the financial statements of Partners for the Common Good, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs is disclosed during the audit is reported in the Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Partners for the Common Good expresses an unmodified opinion on the major federal programs.
6. Audit finding that is required to be reported in accordance with 2 CFR Section 200.516(a) is reported in this schedule.
7. The program tested as a major program was:

<u>Name of Federal Program or Cluster</u>	<u>Federal CFDA No.</u>
U.S. Department of Treasury - Community Development Financial Institutions Program	21.020

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Partners for the Common Good was not determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

NONE

Partners for the Common Good
Schedule of Findings and Questioned Costs
December 31, 2020

C. Findings and Questioned Costs - Major Federal Award Programs Audit

Finding No. 2020-001

U.S. Department of Treasury / Community Development Financial Institutions Program (CFDA number 21.020).

Condition

Partners for the Common Good failed to submit single audit reporting package and data collection form for the year ended December 31, 2019 to the Federal Audit Clearinghouse (FAC) by the due date.

Criteria - Reporting

Partners for the Common Good is required to submit the audit reporting package and data collection form to the Federal Audit Clearinghouse (FAC) within the earlier date of either 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Cause

An administrative error at Partners for the Common Good caused the filing to be overlooked.

Effect

Failure to timely file the reporting package with FAC can result in incomplete data collection by Federal Audit Clearinghouse's Single Audit Database for use with oversight, monitoring, and assessment of U.S. federal assistance.

Questioned Costs

None

Identification as a Repeat Finding

No

Recommendation

Management should establish internal control policies and monitor compliance with those procedures to ensure that the audit reporting package and data collection form are submitted to the Federal Audit Clearinghouse in a timely manner. Management should consider adding to the administrative calendar of required filings the submission of the single audit reporting package and data collection form.

Views of Responsible Officials

Management of Partners for the Common Good agrees with the finding and the auditor's recommendation was adopted. The filing was made on April 2, 2021.



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