PARTNERS FOR THE COMMON GOOD

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

Years Ended December 31, 2019 and 2018

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

PARTNERS FOR THE COMMON GOOD
Financial Statements

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DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

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, 2019 and 2018, 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.

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, 2019 and 2018, 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.

Restatement Due to Reclassification

As discussed in Note 1 to the financial statements, during 2019 a reclassification was made to an award received in 2018 and previously reported as without donor restrictions to with donor restrictions. Accordingly, the amounts reported for net assets with and without donor restrictions have been restated as of December 31, 2018, for the reclassification. **This restatement had no impact on overall change in net assets for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.**

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of December 31, 2019, Partners for the Common Good adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605).*

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2020, 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 and Advisors
Frederick, Maryland
May 1, 2020

DeLeon & Stang
Certified Public Accountants and Advisors

PARTNERS FOR THE COMMON GOOD
Statements of Financial Position
December 31, 2019 and 2018 (Restated)

	2019			2018 (Restated)		
	General Fund	**Loan Fund**	**Total**	**General Fund**	**Loan Fund**	**Total**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,397,897	$ 9,363,285	$ 12,761,182	$ 889,206	$ 8,811,086	$ 9,700,292
Loans receivable, current portion	-	7,527,401	7,527,401	-	8,180,547	8,180,547
Less, loan loss reserve, current portion	-	(254,136)	(254,136)	-	(240,033)	(240,033)
Grants receivable	795,373	-	795,373	1,205,373	-	1,205,373
Accounts and interest receivable, net of allowance for doubtful interest of $17,349 and 12,532, respectively	145,112	167,458	312,570	155,277	179,569	334,846
Prepaid expenses	4,494	-	4,494	8,188	-	8,188
Total current assets	4,342,876	16,804,008	21,146,884	2,258,044	16,931,169	19,189,213
Noncurrent assets:						
Fixed assets, net	34,332	-	34,332	44,829	-	44,829
Investments	-	505,785	505,785	-	504,316	504,316
Loans receivable, net of reserve and current portion	-	22,658,247	22,658,247	-	20,231,703	20,231,703
Less, loan loss reserve, net of current portion	-	(769,954)	(769,954)	-	(762,967)	(762,967)
Deposits	26,250	-	26,250	26,250	-	26,250
Total noncurrent assets	60,582	22,394,078	22,454,660	71,079	19,973,052	20,044,131
Total Assets	$ 4,403,458	$ 39,198,086	$ 43,601,544	$ 2,329,123	$ 36,904,221	$ 39,233,344
Liabilities and Net Assets						
Current liabilities:						
Accounts payable and accrued expenses	$ 430,742	$ -	$ 430,742	$ 510,569	$ -	$ 510,569
Accrued interest payable	-	331,096	331,096	-	270,695	270,695
Community development notes payable, current portion	-	2,345,000	2,345,000	-	2,450,000	2,450,000
Term notes payable, current portion	-	1,550,000	1,550,000	-	1,500,000	1,500,000
Total current liabilities	430,742	4,226,096	4,656,838	510,569	4,220,695	4,731,264
Long-term debt:						
Community development notes payable, net of current portion	-	8,668,621	8,668,621	-	8,413,621	8,413,621
Term notes payable, net of current portion	-	15,834,422	15,834,422	-	13,937,305	13,937,305
Total long-term debt	-	24,503,043	24,503,043	-	22,350,926	22,350,926
Total Liabilities	430,742	28,729,139	29,159,881	510,569	26,571,621	27,082,190
Net assets:						
Without donor restrictions						
Undesignated	3,972,716	8,217,699	12,190,415	1,818,554	8,439,987	10,258,541
Board designated	-	485,192	485,192	-	417,613	417,613
	3,972,716	8,702,891	12,675,607	1,818,554	8,857,600	10,676,154
With donor restrictions	-	1,766,056	1,766,056	-	1,475,000	1,475,000
Total net assets	3,972,716	10,468,947	14,441,663	1,818,554	10,332,600	12,151,154
Total Liabilities and Net Assets	$ 4,403,458	$ 39,198,086	$ 43,601,544	$ 2,329,123	$ 36,904,221	$ 39,233,344

PARTNERS FOR THE COMMON GOOD
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019			2018 (Restated)		
Revenue and support:	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Grants	$ 2,035,200	$ 565,000	$ 2,600,200	$ 25,000	$ 1,475,000	$ 1,500,000
Interest income:						
Loan portfolio	1,602,855	-	1,602,855	1,544,149	-	1,544,149
Investments	21,854	-	21,854	10,238	-	10,238
Fees	607,081	-	607,081	1,362,153	-	1,362,153
In-kind contributions	-	-	-	118,369	-	118,369
Contributions	39,671	-	39,671	42,741	-	42,741
Unrealized gain on investments	1,469	-	1,469	4,316	-	4,316
Net assets released from restrictions	273,944	(273,944)	-	-	-	-
Total revenue and support	4,582,074	291,056	4,873,130	3,106,966	1,475,000	4,581,966
Expenses:						
Program services	1,797,588	-	1,797,588	1,715,776	-	1,715,776
Supporting services:						
Management and general	585,784	-	585,784	631,404	-	631,404
Resource development	199,249	-	199,249	225,652	-	225,652
Total supporting services	785,033	-	785,033	857,056	-	857,056
Total expenses	2,582,621	-	2,582,621	2,572,832	-	2,572,832
Change in net assets	1,999,453	291,056	2,290,509	534,134	1,475,000	2,009,134
Net assets, beginning of year	10,676,154	1,475,000	12,151,154	10,142,020	-	10,142,020
Net assets, end of year	$ 12,675,607	$ 1,766,056	$ 14,441,663	$ 10,676,154	$ 1,475,000	$ 12,151,154

See Accompanying Notes to Financial Statements.

PARTNERS FOR THE COMMON GOOD
Statement of Functional Expenses
For the Year Ended December 31, 2019

		Supporting Services		
	Program Services	Management and general	Resource Development	2019 Total
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 expense	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	31,077	4,524	54,961
Depreciation	14,871	8,786	-	23,657
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	$ 1,797,588	$ 585,784	$ 199,249	$ 2,582,621

See Accompanying Notes to Financial Statements.

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

	Program Services	Supporting Services: Management and general	Supporting Services: Resource Development	2018 Total
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
Total	$ 1,715,776	$ 631,404	$ 225,652	$ 2,572,832

PARTNERS FOR THE COMMON GOOD
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	$ 2,290,509	$ 2,009,134
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Unrealized gain on investments	(1,469)	(4,316)
Depreciation	23,658	32,607
Allowance for loan loss	21,090	273,240
Allowance for doubtful interest receivable	4,817	12,532
Change in operating assets and liabilities:		
Accounts and interest receivable	17,459	(70,063)
Grants receivable	410,000	(338,873)
Prepaid expenses	3,694	(1,083)
Accounts payable and accrued expenses	(79,827)	136,918
Accrued interest payable	60,401	49,031
Deposits payable	-	(35,000)
Net cash provided by operating activities	2,750,332	2,064,127
Cash Flows From Investing Activities:		
Purchases of property and equipment	(13,161)	(24,683)
Loans receivable:		
New loans provided	(7,093,258)	(8,378,279)
Loan payments received	5,319,860	5,430,987
Net cash used in investing activities	(1,786,559)	(2,971,975)
Cash Flows From Financing Activities:		
Proceeds from community development and term notes payable	4,675,000	4,096,121
Payments of community development and term notes payable	(2,577,883)	(136,678)
Net cash provided by financing activities	2,097,117	3,959,443
Net increase in cash and cash equivalents for the year	3,060,890	3,051,595
Cash and cash equivalents at, beginning of year	9,700,292	6,648,697
Cash and cash equivalents at, end of year	$ 12,761,182	$ 9,700,292

See Accompanying Notes to Financial Statements.

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.

New Accounting Pronouncement

During 2019, PCG adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance clarifies the framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction.

NOTE 1- ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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, 2019 and 2018, the Board of Directors has designated $485,192 and $417,613 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.

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.

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

Certificates of Deposit

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

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, 2019 and 2018.

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

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, respectively, 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 did 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, 2019, no additional allocations have been awarded. The following allocations were previously deployed, via transactions involving PCG Sub CDEs 1 through 8:

	First Allocation As of 12/31/2019	Second Allocation As of 12/31/2019
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
Allocation to be transferred as of December 31, 2019	35,000,000	15,000,000
Remaining allocations to be transferred	-	-
Total allocation	$ 35,000,000	$ 15,000,000

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.

NOTE 1- <u>ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

<u>New Markets Tax Credit</u> (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. By the end of 2018, PCG had fully deployed their allocations. During 2019, however, PCG continued to earn $330,000 in Asset Management and Audit & Tax Fees. During 2018, PCG earned $1,203,173 of NMTC fees and incurred expenses related to the NMTC transactions of $252,492.

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, 2019, the outstanding NMTC recapture guarantees PCG has provided were $19,500,000. PCG has received two 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 period:

2023	$ 7,215,000
2024	12,285,000
	$ 19,500,000

As of December 31, 2019 and 2018, eight (8) of the Sub-CDEs remain 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.

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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

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.

Restatement

During 2019 it was determined that the CDFI grant awarded in 2018 should have been classified as with donor restrictions due to certain time and purpose related stipulations. The grant was awarded in September 2018. The assistance agreement and payment from the CDFI Fund were subsequently received in February 2019, noting a performance period beginning September 2018 and ending December 2021. The award is restricted for the purpose of funding costs relating to PCG's new High Impact Fund. The fund was not launched as of December 31, 2018. As a result, the balances of net assets with and without donor restrictions as of December 31, 2018 have been restated due to this reclassification. **This restatement increased net assets with donor restrictions and decreased net assets without donor restrictions by $975,000 as of December 31, 2018 and had no impact on the total change in net assets for the year ended December 31, 2018.**

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, 2019 and 2018, 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 2016 through 2018 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.

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NOTE 3- LOANS RECEIVABLE

Loans receivable at December 31, 2019 consisted of the following:

Maturity	Principal	Interest Rate
2020	$ 7,527,401	2.00% to 7.75%
2021	7,490,678	3.50% to 7.12%
2022	3,972,540	3.35% to 7.00%
2023	4,745,120	3.75% to 7.00%
2024	2,454,150	5.25% to 6.75%
2025 - 2031	3,995,759	5.75% to 6.38%
	$ 30,185,648	

As of December 31, 2019 and 2018, the loan loss reserve for these loans receivable was $1,024,090 and $1,003,000, respectively.

As of December 31, 2019, PCG had $3,970,500 in loan commitments not yet closed. As of March 31, 2020, PCG had closed $3,470,500 of the $3,970,500 loan commitments that were outstanding at December 31, 2019. As of March 31, 2020, PCG had committed an additional $4,616,554 in loans.

As of December 31, 2019, PCG also had a balance of $7,235,590 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, 2019 and 2018 were recorded at cost, as shown below:

	2019	**2018**
Computer equipment and software	$ 344,619	$ 336,123
Furniture and equipment	22,238	17,574
Total property and equipment	366,857	353,697
Less, accumulated depreciation	(332,525)	(308,868)
Fixed assets, net	$ 34,332	$ 44,829

Depreciation expense for the years ended December 31, 2019 and 2018 was $23,658 and $32,607, 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.

The following table represents an aging of loans by category as of December 31, 2019:

	30-59 Days Past Due	60-89 Days Past Due	90+ Days Still Accruing	Non-performing Non-accrual	Total	Current	Total Loans
Loan Type:							
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

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 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.

NOTE 5- <u>CREDIT QUALITY</u> (Continued)

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

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:

	International	Housing	Community Facility	Commercial Real Estate	Working Capital	Total
Risk Rating						
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 - Workout/Default	-	-	478,283	-	-	478,283
	$ 1,628,755	$ 14,738,539	$ 10,986,809	$ 2,409,517	$ 422,028	$ 30,185,648

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NOTE 5- CREDIT QUALITY (Continued)

Allowance for Loan Loss

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	(104,892)	3,704	14,891	(63,373)
Ending balance	$ 331,617	$ 637,243	$ 18,589	$ 36,641	$ 1,024,090

The following is a summary of the activity in the allowance for loan losses at December 31, 2019:

Beginning balance	$ 1,003,000
Charge-offs	84,463
Provision for loan losses	(63,373)
Ending balance	$ 1,024,090

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

	2019	2018
Current	$ 254,136	$ 240,033
Non-Current	769,954	762,967
Totals	$ 1,024,090	$ 1,003,000

The allowance for loan losses as a percentage of loans outstanding at December 31, 2019 and 2018 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- INVESTMENTS

Fair values of investments measured at December 31, 2019 and 2018 are as follows:

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled investment fund	$ -	$ 505,785	$ -	$ 505,785

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Pooled investment fund	$ -	$ 504,316	$ -	$ 504,316

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, 2019 and 2018 was $1,469 and $4,316, respectively.

NOTE 7- NOTES PAYABLE

Notes payable consisted of the following at December 31, 2019 and 2018:

	2019	**2018**
Community Development Notes, maturing March 17, 2020 through December 12, 2028 some subject to prior redemption, bearing stated interest at 0% to 3.00%, payable annually	$ 11,013,621	$ 10,863,621
Term Loans, maturing March 29, 2020 through November 26, 2029, some subject to prior redemption, bearing stated interest at 1.00% to 4.54%, payable annually	17,384,422	15,437,305
Total Notes Payable	$ 28,398,043	$ 26,300,926

NOTE 7- NOTES PAYABLE(Continued)

Future maturities of the notes payable are as follows as of December 31, 2019:

Years Ending December 31,	Development Notes	Term Loans	Totals
2020	$ 2,345,000	$ 1,550,000	$ 3,895,000
2021	1,820,000	6,420,000	8,240,000
2022	3,620,000	5,325,000	8,945,000
2023	1,548,621	1,089,422	2,638,043
2024	1,610,000	-	1,610,000
Thereafter	70,000	3,000,000	3,070,000
Totals	$ 11,013,621	$ 17,384,422	$ 28,398,043

NOTE 8- 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, 2019 and 2018 totaled $273,944 and $0, respectively.

Net assets with donor restrictions consisted of net assets designated with time restrictions or for specific purposes as follows as of December 31:

	2018	Additions/ Releases	2019
Subject to purpose or passage of time:			
Purpose restricted net assets:			
Kellog grant	$ 500,000	$ -	$ 500,000
2018 CDFI grant	975,000	(273,944)	701,056
Time restricted net assets:			
2019 CDFI grant	-	565,000	565,000
	$ 1,475,000	$ 291,056	$ 1,766,056

NOTE 9- 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, 2019, are as follows:

Year Ending December 31,	
2020	$ 114,016
2021	114,391
2022	37,124
	$ 265,531

Rent expense for the years ended December 31, 2019 and 2018 was $73,674 and $76,030, respectively.

NOTE 10- LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the PCG's financial assets as of December 31, 2019 and 2018, 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,

	2019	2018
Financial assets		
Cash and cash equivalents - general fund	$ 3,397,897	$ 889,206
Grants receivable - general fund	795,373	1,205,373
Accounts and interest receivable - general fund	145,112	155,277
Financial assets available to meet cash needs for general expenditures within one year	$ 4,338,382	$ 2,249,856

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

NOTE 11- **SUBSEQUENT EVENTS**

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on PCG's revenues, expenses, and cash flows cannot be determined at this time.

In light of this pandemic, PCG applied for a loan through the Small Business Administration's Payroll Protection Program. The loan program is designed to provide a direct incentive for small businesses to keep their workers on payroll through the Coronavirus pandemic. On April 17, 2020 PCG's loan application was approved in the amount of $206,000 and loan proceeds were received on April 20, 2020.

PCG has evaluated subsequent events for potential required disclosure through May 1, 2020, which is the date financial statements were available to be issued. Except as discussed above, there were no events that were identified requiring disclosure or recognition in the financial statements.

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SUPPLEMENTARY INFORMATION

PARTNERS FOR THE COMMON GOOD
Schedule of Community Development Notes Payable
December 31, 2019

Lender	Interest Rate		Balance
Amalgamated Bank	2.75%	$	1,000,000
American Province of Little Company of Mary Sisters	0.00%		75,000
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
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%		25,000
Dominican Sisters of Hope	3.00%		50,000
Dominican Sisters of Peace	1.00%		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
Loretto Literary and Benevolent Institution	1.50%		50,000
Mennonite Foundation	3.00%		200,000
Missionary Sisters Servants of the Holy Spirit	0.00%		100,000
New York Quarterly Meeting	2.50%		250,000
Our Lady of Victory Missionary Sisters	1.75%		57,000
School Sisters of St. Francis Inc., Milwaukee	1.00%		50,000
School Sisters of St. Francis, 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

PARTNERS FOR THE COMMON GOOD
Schedule of Community Development Notes Payable (Continued)
December 31, 2019

Lender	Interest Rate	Balance
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	1.00%	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	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
Sisters of the Holy Names of Jesus and Mary, US-Ontario Province	3.00%	250,000
Sisters of the Order of St Dominic of Grand Rapids	0.00%	100,000
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	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%	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
The Sustainability Group - Note 1 - Jennifer Leeds	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%	75,000
Unitarian Universalist Common Endowment Fund, LLC	2.50%	50,000
		$ 11,013,621

PARTNERS FOR THE COMMON GOOD
Schedule of Term Notes Payable
December 31, 2019

Lender	Interest Rate		Balance
Adrian 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.	2.50%		900,000
Catholic Health Initiatives	1.00%		920,000
CCIF - CDFI Community Investment Fund	3.00%		500,000
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. - Note 3	2.50%		200,000
Seton Enablement Fund - Sisters of Charity of Cincinnati	3.00%		89,422
Sisters of Bon Secours	2.50%		150,000
Sisters of Charity of the Incarnate Word - Note 4	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%		500,000
		$	17,384,422

PARTNERS FOR THE COMMON GOOD
Schedule of Expenditures of Federal Awards and Accompanying Notes
For the Year Ended December 31, 2019

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	$ -	$ 975,000
Total Expenditures of Federal Awards		$ -	$ 975,000

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.

DeLeon & Stang
Certified Public Accountants and Advisors

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, 2019, 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 May 1, 2020.

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 and Advisors
Frederick, Maryland
May 1, 2020

**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, 2019. 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, 2019.

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 and Advisors
Frederick, Maryland
May 1, 2020

PARTNERS FOR THE COMMON GOOD
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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	Name of Federal Program or Cluster
21.020	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, 2019

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