

**WISCONSIN COORDINATING COUNCIL
ON NICARAGUA, INC.**

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY SCHEDULE**

December 31, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wisconsin Coordinating Council on Nicaragua, Inc.
Madison, Wisconsin

We have audited the accompanying statements of financial position of Wisconsin Coordinating Council on Nicaragua, Inc. as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Wisconsin Coordinating Council on Nicaragua, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Coordinating Council on Nicaragua, Inc. as of December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of unrestricted revenue and expenses by program is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
March 14, 2006



WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 584,256	\$ 498,019
Unconditional promises to give	-	5,410
Current portion of notes receivable	3,455,667	3,641,000
Accrued interest receivable	78,784	87,507
Prepaid expenses	1,016	1,555
Other receivables	16,374	-
Total current assets	4,136,097	4,233,491
EQUIPMENT		
Equipment	12,914	12,222
Less accumulated depreciation	10,890	11,437
Equipment - net	2,024	785
OTHER ASSETS		
Notes receivable less current portion - net	1,756,400	1,137,062
Total assets	\$ 5,894,521	\$ 5,371,338
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 1,419,036	\$ 1,579,671
Accounts payable and accrued expenses	33,933	22,852
Accrued interest payable	57,430	53,833
Total current liabilities	1,510,399	1,656,356
LONG-TERM LIABILITIES		
Notes payable less current portion	3,395,435	3,004,629
Total liabilities	4,905,834	4,660,985
NET ASSETS		
Unrestricted	59,327	69,157
Unrestricted - board designated	679,576	391,412
Total unrestricted net assets	738,903	460,569
Temporarily restricted	249,784	249,784
Total net assets	988,687	710,353
Total liabilities and net assets	\$ 5,894,521	\$ 5,371,338

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2005 and 2004

	2005	2004
UNRESTRICTED NET ASSETS		
SUPPORT, REVENUE AND RECLASSIFICATIONS		
Interest	\$ 518,322	\$ 449,900
Contributions	86,274	85,839
Loan fees	48,970	38,781
Tour fees	7,450	6,300
Grants	8,490	9,003
Study revenue	41,219	-
Sales	3,643	2,320
Other	25,595	4,806
Total support and revenue	739,963	596,949
Net assets released from restrictions		
Satisfaction of program restrictions	-	3,000
Total support, revenue and reclassifications	739,963	599,949
EXPENSES		
Program services	411,974	415,165
Supporting activities		
Management and general	30,401	30,779
Fundraising	19,254	18,710
Total supporting activities	49,655	49,489
Total expenses	461,629	464,654
Change in unrestricted net assets	278,334	135,295
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	-	3,775
Net assets released from restrictions		
Satisfaction of program restrictions	-	(3,000)
Change in temporarily restricted net assets	-	775
Change in net assets	278,334	136,070
Net assets - beginning of year	710,353	574,283
Net assets - end of year	\$ 988,687	\$ 710,353

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2005 and 2004

2005	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 117,592	\$ 20,069	\$ 8,694	\$ 146,355
Interest	122,609	-	-	122,609
Consultants	41,135	-	-	41,135
Legal	4,790	25	-	4,815
Grants and allocations	9,050	-	-	9,050
Supplies	1,606	293	267	2,166
Accounting	-	6,173	-	6,173
Printing and copying	7,816	304	4,384	12,504
Postage and shipping	2,631	284	2,156	5,071
Telephone	3,575	434	291	4,300
Occupancy	18,798	2,214	1,479	22,491
Travel and training	12,134	-	-	12,134
Conferences and meetings	4,079	135	1,425	5,639
Depreciation	1,074	-	-	1,074
Provision for loan losses	6,245	-	-	6,245
Study expense	49,764	-	-	49,764
Other	9,076	470	558	10,104
Total expenses	\$ 411,974	\$ 30,401	\$ 19,254	\$ 461,629

2004	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 104,720	\$ 19,738	\$ 12,799	\$ 137,257
Interest	123,663	-	-	123,663
Consultants	40,220	-	-	40,220
Legal	11,050	-	-	11,050
Grants and allocations	11,636	-	-	11,636
Supplies	523	778	596	1,897
Accounting	-	5,042	-	5,042
Printing and copying	7,340	631	954	8,925
Postage and shipping	3,101	342	820	4,263
Telephone	2,978	682	682	4,342
Occupancy	18,509	2,280	1,462	22,251
Travel and training	11,790	-	-	11,790
Conferences and meetings	3,726	50	58	3,834
Depreciation	602	748	748	2,098
Provision for loan losses	70,438	-	-	70,438
Other	4,869	488	591	5,948
Total expenses	\$ 415,165	\$ 30,779	\$ 18,710	\$ 464,654

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 278,334	\$ 136,070
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,074	2,098
Donations of stock	(5,045)	-
Increase in loan loss reserve	6,245	70,438
(Increase) decrease in assets		
Unconditional promises to give	5,410	(5,410)
Accrued interest receivable	8,723	433
Prepaid expenses	539	1,218
Other receivables	(16,374)	-
Increase (decrease) in liabilities		
Accrued expenses	11,081	18,422
Accrued interest payable	3,597	3,408
Net cash provided by operating activities	293,584	226,677
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(2,313)	-
Issuance of notes receivable	(4,759,000)	(4,850,000)
Redemptions of notes receivable	4,318,750	3,727,500
Proceeds from sale of donated stock	5,045	-
Net cash used in investing activities	(437,518)	(1,122,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	1,846,842	1,690,043
Redemption of notes payable	(1,616,671)	(1,312,802)
Security deposits and accrued rebates payable	-	(10,833)
Net cash provided by financing activities	230,171	366,408
Net change in cash and cash equivalents	86,237	(529,415)
Cash and cash equivalents - beginning of year	498,019	1,027,434
Cash and cash equivalents - end of year	\$ 584,256	\$ 498,019
SUPPLEMENTARY INFORMATION		
Cash payments for interest	\$ 119,012	\$ 120,255
Non-cash investing activities		
Donations of stock	5,045	-

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

Wisconsin Coordinating Council on Nicaragua, Inc. (WCCN) promotes economic development in Nicaragua and increased cultural awareness between the citizens of the State of Wisconsin and Nicaragua as part of a long-standing sister state relationship. Located in Madison, Wisconsin, WCCN is supported primarily through donor contributions and interest income. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WCCN and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Board Designated Net Assets – Unrestricted net assets subject to self-imposed limits by action of the Board of Directors. The Board has designated a reserve for loans and other projects of the NICA Fund.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met by the actions of WCCN or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include bank deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes Receivable

Notes receivable consist of amounts due from nongovernmental organizations in Nicaragua. The allowance for doubtful accounts is estimated at 3% of loan principal for the NICA fund based on management's analysis of risk. Management considers the NCDLF loan fund to be fully collectible.

Equipment

Purchases of equipment in excess of \$1,500 are capitalized and depreciated over the asset's useful life using the straight-line method.

Notes Payable

WCCN borrows funds from individuals and nongovernmental organizations at interest rates that averaged 2.69% and 2.65% at December 31, 2005 and 2004. While less than the rates charged by commercial lenders, these rates approximate the prevailing rate in the community credit market. Accordingly, notes payable are recorded at their face value.

Security Deposits

Security deposits consist of bank deposits purchased with funds withheld from loans made by WCCN. The deposits are repaid with interest upon repayment of the loans.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the program activities and supporting activities benefited.

Income Taxes

WCCN is a nonprofit public charity organization under Internal Revenue Code Section 501(c)(3) and is therefore not subject to federal and state income or franchise taxes.

NOTE 2 – RETIREMENT PLAN

WCCN has a SIMPLE IRA plan in which employees with prior year earnings of \$3,000 or more are eligible to participate. Employer contributions to the plan are 3% of the employee's annual compensation. Retirement expense was \$2,619 and \$3,043 for 2005 and 2004.

NOTE 3 – RELATED PARTIES

WCCN had notes payable totaling \$103,200 and \$93,000 to board and oversight committee members at December 31, 2005 and 2004. The interest rates on the notes range from 0% to 3% and the notes mature on various dates between May 2006 and November 2008.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 4 – NOTES RECEIVABLE

NICA Fund

WCCN participates in loan agreements with nine Nicaraguan not-for-profit organizations, three Nicaraguan cooperatives, and one Nicaraguan financial institution. These organizations use borrowed funds under the terms of the loan agreements for various projects in Nicaragua. The loans are for terms of two to three years at interest rates of 10%. Interest payments are generally due quarterly and principal payments are due semi-annually. Since the loans are considered to be at a market rate of interest, no additional discounting is deemed necessary.

A loan loss reserve of \$201,683 has been established on these loans using a loan loss reserve equal to the average outstanding loan, as required by a note payable loan covenant. The interest on the security deposit is credited to the borrower if various conditions are met. Notes receivable for the NICA Fund at December 31, 2005 and 2004 consisted of the following:

	2005	2004
NICA notes receivable	\$ 5,393,750	\$ 4,937,500
Less loan loss reserve	201,683	195,438
NICA notes receivable - net	5,192,067	4,742,062
Less current portion	3,441,667	3,625,000
NICA notes receivable less current portion	\$ 1,750,400	\$ 1,117,062

NCDLF Fund

WCCN participates in a lending arrangement with a non-profit Nicaraguan economic development organization, Fondo Nicaraguense para el Desarrollo Comunitario (PRESTANIC). The arrangement is being phased out and will terminate in 2007. Under the terms of the arrangement, lenders in the United States lent money to WCCN in exchange for a note. WCCN immediately lent the same amount of money to PRESTANIC and a note was executed between the two organizations. The terms for interest and repayment were identical for each set of notes executed. All notes are uncollateralized.

PRESTANIC maintains a United States bank account in which loan funds from WCCN are deposited and from which WCCN withdraws funds to repay interest and principal on the underlying notes from lenders. Notes receivable for the NCDLF Fund at December 31, 2005 and 2004 consisted of the following:

	2005	2004
NCDLF notes receivable	\$ 20,000	\$ 36,000
Less current portion	14,000	16,000
NCDLF notes receivable less current portion	\$ 6,000	\$ 20,000

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 5 – NOTES PAYABLE

NICA Fund

Through the Nicaraguan Credit Alternatives (NICA) Fund, WCCN accumulates funds from lenders in the United States and in turn lends in larger amounts to various organizations in Nicaragua that operate loan programs serving low-income borrowers. As of December 31, 2005 and 2004, there were approximately 385 notes executed with cumulative unpaid principal of \$4,814,471 and \$4,548,300. Interest rates on the notes range from 0% to 4% with maturities of 1 to 5 years. Since the loans are considered to be at a market rate of interest in the community credit market, no additional discounting is deemed necessary.

NCDLF Fund

WCCN participates in a lending arrangement with a non-profit Nicaraguan economic development organization, Fondo Nicaraguense para el Desarrollo Comunitario (PRESTANIC). The arrangement is being phased out and will terminate in 2007. Under the terms of the arrangement, lenders in the United States lent money to WCCN in exchange for a note. WCCN immediately lent the same amount of money to PRESTANIC and a note was executed between the two organizations. The terms for interest and repayment were identical for each set of notes executed. All notes are uncollateralized.

As of December 31, 2005, there were 6 notes executed with cumulative unpaid principal of - \$6,050. As of December 31, 2004, there were 9 notes executed with cumulative unpaid principal of \$36,000. The interest rates on the notes range from 0% to 6% with original maturities of 1 to 10 years. Since the loans are considered to be at a market rate of interest in the community credit market, no additional discounting is deemed necessary. Accrued interest for amounts earned but not remitted is recorded both as accrued interest receivable and as accrued interest payable.

Notes payable consisted of the following at December 31, 2005 and 2004:

	2005	2004
NCDLF Fund	\$ 20,000	\$ 36,000
NICA Fund	4,794,471	4,548,300
Notes payable	4,814,471	4,584,300
Less current portion	1,419,036	1,579,671
Notes payable less current portion	\$ 3,395,435	\$ 3,004,629

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 5 – NOTES PAYABLE (continued)

Principal maturities of the notes payable are as follows:

Year ending December 31,	<u>NCDLF Fund</u>	<u>NICA Fund</u>	<u>Total</u>
2006	\$ 14,000	\$ 1,405,036	\$ 1,419,036
2007	6,050	1,711,629	1,717,679
2008	-	752,200	752,200
2009	-	518,336	518,336
2010	-	407,270	407,270
Total	<u>\$ 20,050</u>	<u>\$ 4,794,471</u>	<u>\$ 4,814,521</u>

NOTE 6 – NET ASSETS FOR NICA FUND ACTIVITIES

Net assets designated for NICA Fund activities consist of amounts so designated by the Board of Directors of WCCN (Board designated net assets) and amounts restricted for this purpose by external parties (temporarily restricted net assets), and were as follows at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Board designated for NICA Fund	\$ 679,576	\$ 391,412
Temporarily restricted for NICA Fund	249,784	249,784
Net assets for NICA Fund	<u>\$ 929,360</u>	<u>\$ 641,196</u>

NOTE 7 – CONCENTRATION OF CREDIT RISK

The amounts loaned by WCCN to PRESTANIC and other organizations are in turn lent to small enterprises in Nicaragua. Notes executed between WCCN and the borrowing agencies are collateralized by assets of limited value. The nature of the loans and the limited value of collateral constitute a significant concentration of credit risk for WCCN. Since this portion of WCCN's assets is concentrated outside the United States, it is reasonably possible that operations could be interrupted in the near term. All notes payable and notes receivable are denominated solely in United States dollars, so there is no direct currency risk to WCCN.

The notes from lenders to WCCN hold WCCN harmless for default on repayment if PRESTANIC or other borrowing agencies default on notes to WCCN. If these hold harmless clauses are legally enforceable, then WCCN's losses on the borrowing agencies' default on their notes would not be significant. If the hold harmless clauses are not enforceable, then WCCN could be held liable for any outstanding unpaid balances on its notes with lenders. Under such circumstances, WCCN's other assets would not be sufficient to repay the original lenders.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004

NOTE 7 – CONCENTRATION OF CREDIT RISK (continued)

Financial instruments that potentially subject WCCN to credit risk consist of cash deposits and certificates of deposit in excess of insured limits. The Federal Deposit Insurance Corporation insures domestic bank accounts up to \$100,000. WCCN's deposits in excess of this limit were \$4,987 and \$7,334 December 31, 2005 and 2004. WCCN also held uninsured deposits of \$376,680 and \$355,679 at December 31, 2005 and 2004 in Nicaragua.

NOTE 8 – OPERATING LEASE

WCCN rents office space under an annual lease agreement that requires monthly payments of \$1,132. Lease expense was \$13,584 and \$12,081 in 2005 and 2004.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
UNRESTRICTED REVENUE AND EXPENSES BY PROGRAM
Year ended December 31, 2005

	General	Loan Fund	Total
UNRESTRICTED REVENUE			
Interest	\$ 478	\$ 517,844	\$ 518,322
Contributions	85,036	1,238	86,274
Loan fees	-	48,970	48,970
Tour fees	3,200	4,250	7,450
Grants	8,490	-	8,490
Study revenue	29,719	11,500	41,219
Sales	3,643	-	3,643
Other	25,545	50	25,595
Total unrestricted revenue	156,111	583,852	739,963
EXPENSES			
Personnel	71,466	74,889	146,355
Interest	-	122,609	122,609
Consultants	-	41,135	41,135
Legal	25	4,790	4,815
Grants and allocations	9,050	-	9,050
Supplies	1,112	1,054	2,166
Accounting	2,123	4,050	6,173
Printing and copying	8,450	4,054	12,504
Postage and shipping	3,297	1,774	5,071
Telephone	1,990	2,310	4,300
Occupancy	8,784	13,707	22,491
Travel and training	4,390	7,744	12,134
Conferences and meetings	4,555	1,084	5,639
Depreciation	537	537	1,074
Provision for loan losses	-	6,245	6,245
Study expense	27,701	22,063	49,764
Other	2,613	7,491	10,104
Total expenses	146,093	315,536	461,629
Excess revenue	\$ 10,018	\$ 268,316	\$ 278,334