

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

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

December 31, 2006 and 2005

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
Schedule of Unrestricted Revenue and Expenses by Program	12



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, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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, 2006 and 2005, 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
April 4, 2007



WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,236,277	\$ 584,256
Current portion of notes receivable	4,074,750	3,455,667
Accrued interest receivable	85,217	78,784
Prepaid expenses	3,022	1,016
Other receivables	13,869	16,374
Total current assets	5,413,135	4,136,097
EQUIPMENT		
Equipment	12,914	12,914
Less accumulated depreciation	11,179	10,890
Equipment - net	1,735	2,024
OTHER ASSETS		
Notes receivable less current portion - net	1,967,943	1,756,400
Total assets	\$ 7,382,813	\$ 5,894,521
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 1,699,355	\$ 1,419,036
Accounts payable and accrued expenses	15,130	33,933
Accrued interest payable	66,399	57,430
Total current liabilities	1,780,884	1,510,399
LONG-TERM LIABILITIES		
Notes payable less current portion	4,279,773	3,395,435
Total liabilities	6,060,657	4,905,834
NET ASSETS		
Unrestricted	1,039,772	738,903
Temporarily restricted	282,384	249,784
Total net assets	1,322,156	988,687
Total liabilities and net assets	\$ 7,382,813	\$ 5,894,521

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2006 and 2005

	2006	2005
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Interest	\$ 597,212	\$ 518,322
Contributions		
Grants	13,385	8,490
Contributions	85,852	89,374
Loan fees	47,892	48,970
Tour fees	13,000	7,450
Study revenue	-	41,219
Sales	1,667	3,643
Other	5,010	22,495
Total unrestricted support and revenue	764,018	739,963
EXPENSES		
Program services	364,259	411,974
Supporting activities		
Management and general	66,770	30,401
Fundraising	32,120	19,254
Total expenses	463,149	461,629
Change in unrestricted net assets	300,869	278,334
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	32,600	-
Change in temporarily restricted net assets	32,600	-
Change in net assets	333,469	278,334
Net assets - beginning of year	988,687	710,353
Net assets - end of year	\$ 1,322,156	\$ 988,687

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2006 and 2005

2006	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 108,710	\$ 45,053	\$ 16,790	\$ 170,553
Interest	142,243	-	-	142,243
Consultants	43,552	-	-	43,552
Legal	4,365	55	-	4,420
Grants and allocations	7,400	-	-	7,400
Supplies	1,229	1,022	332	2,583
Accounting	-	6,462	-	6,462
Printing and copying	2,989	2,191	843	6,023
Postage and shipping	1,273	1,037	610	2,920
Telephone	2,809	1,238	412	4,459
Occupancy	12,895	6,587	2,190	21,672
Travel and training	16,342	19	-	16,361
Conferences and meetings	3,924	469	240	4,633
Depreciation	-	289	-	289
Provision for loan losses	1,207	-	-	1,207
Study expense	930	-	-	930
Marketing	9,848	-	9,847	19,695
Other	4,543	2,348	856	7,747
Total expenses	<u>\$ 364,259</u>	<u>\$ 66,770</u>	<u>\$ 32,120</u>	<u>\$ 463,149</u>
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	<u>\$ 411,974</u>	<u>\$ 30,401</u>	<u>\$ 19,254</u>	<u>\$ 461,629</u>

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 333,469	\$ 278,334
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	289	1,074
Donations of stock	(18,440)	(5,045)
Increase in loan loss reserve	1,207	6,245
(Increase) decrease in assets		
Unconditional promises to give	-	5,410
Accrued interest receivable	(6,433)	8,723
Prepaid expenses	(2,006)	539
Other receivables	2,505	(16,374)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(18,803)	11,081
Accrued interest payable	8,969	3,597
Net cash provided by operating activities	300,757	293,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(2,313)
Issuance of notes receivable	(5,200,000)	(4,759,000)
Redemptions of notes receivable	4,368,167	4,318,750
Proceeds from sale of donated stock	18,440	5,045
Net cash used in investing activities	(813,393)	(437,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	2,641,340	1,846,842
Redemption of notes payable	(1,476,683)	(1,616,671)
Net cash provided by financing activities	1,164,657	230,171
Net change in cash	652,021	86,237
Cash - beginning of year	584,256	498,019
Cash - end of year	\$ 1,236,277	\$ 584,256
SUPPLEMENTARY INFORMATION		
Cash payments for interest	\$ 119,012	\$ 120,255
Non-cash investing activities		
Donations of stock	18,440	5,045

See accompanying notes.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

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 restrictions. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. The Board has designated \$932,859 and \$679,576 in 2006 and 2005 as a reserve for loans and other projects of the Nicaraguan Credit Alternatives (NICA) Fund.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met by the actions of WCCN or the passage of time. Temporarily restricted net assets consist of contributions to NICA Fund equity. The restrictions will expire if WCCN incurs a loss in notes receivable or if NICA Fund starts losing money.

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.

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 Nicaraguan Community Development Loan Fund (NCDLF) to be fully collectible.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2.30% and 2.69% at December 31, 2006 and 2005. 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.

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 services 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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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 \$3,073 and \$2,619 for 2006 and 2005.

NOTE 3 – RELATED PARTIES

WCCN had notes payable to board and oversight committee members totaling \$113,296 and \$103,200 at December 31, 2006 and 2005. The interest rates on the notes range from 0% to 3% and the notes mature on various dates between May 2007 and November 2009.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 4 – NOTES RECEIVABLE

NICA Fund

WCCN participates in loan agreements with ten 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 \$202,890 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. Notes receivable for the NICA Fund at December 31, 2006 and 2005 consisted of the following:

	2006	2005
NICA notes receivable	\$ 6,239,583	\$ 5,393,750
Less loan loss reserve	202,890	201,683
NICA notes receivable - net	6,036,693	5,192,067
Less current portion	4,068,750	3,441,667
NICA notes receivable less current portion	\$ 1,967,943	\$ 1,750,400

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, 2006 and 2005 consisted of the following:

	2006	2005
NCDLF notes receivable	\$ 6,000	\$ 20,000
Less current portion	6,000	14,000
NCDLF notes receivable less current portion	\$ -	\$ 6,000

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 – NOTES PAYABLE

NICA Fund

Through the 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, 2006 and 2005, there were approximately 385 notes executed with cumulative unpaid principal of \$5,973,128 and \$4,794,471. Interest rates on the notes range from 0% to 6% with maturities of one to five 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, 2006, there were two notes executed with cumulative unpaid principal of \$6,000. As of December 31, 2005, there were six notes executed with cumulative unpaid principal of \$20,050. The interest rates on the notes range from 0% to 6% with original maturities of one to two 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, 2006 and 2005:

	2006	2005
NICA Fund	\$ 5,973,128	\$ 4,794,471
NCDLF Fund	6,000	20,000
Notes payable	5,979,128	4,814,471
Less current portion	1,699,355	1,419,036
Notes payable less current portion	\$ 4,279,773	\$ 3,395,435

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

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>
2007	\$ 6,000	\$ 1,693,355	1,699,355
2008	-	1,585,665	1,585,665
2009	-	1,103,131	1,103,131
2010	-	647,554	647,554
2011	-	943,423	943,423
Total	\$ 6,000	\$ 5,973,128	\$ 5,979,128

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, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Board designated for NICA Fund	\$ 932,859	\$ 679,576
Temporarily restricted for NICA Fund	282,384	249,784
Net assets for NICA Fund	\$ 1,215,243	\$ 929,360

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.

Financial instruments that potentially subject WCCN to credit risk consist of cash deposits 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 \$499,602 at December 31, 2006. WCCN also held uninsured deposits of \$594,517 at December 31, 2006 in Nicaragua.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 8 – OPERATING LEASE

WCCN rents office space under an annual lease agreement that requires monthly payments of \$1,167. Lease expense was \$14,001 and \$13,584 in 2006 and 2005.

WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.
SCHEDULE OF PROGRAM SERVICE REVENUE AND EXPENSES
Year ended December 31, 2006

	Other Programs	NICA Fund	Total
REVENUE			
Interest	\$ -	\$ 597,106	\$ 597,106
Contributions	30,349	59,935	90,284
Loan fees	-	47,982	47,982
Tour fees	4,100	8,900	13,000
Sales	1,667	-	1,667
Other	-	6,923	6,923
Total revenue	36,116	720,846	756,962
EXPENSES			
Personnel	34,730	73,980	108,710
Interest	9	142,234	142,243
Consultants	1,200	42,352	43,552
Legal	2	4,363	4,365
Grants and allocations	7,400	-	7,400
Supplies	358	871	1,229
Printing and copying	787	2,202	2,989
Postage and shipping	328	945	1,273
Telephone	686	2,123	2,809
Occupancy	2,363	10,532	12,895
Travel and training	11,277	5,065	16,342
Conferences and meetings	1,866	2,058	3,924
Provision for loan losses	-	1,207	1,207
Study expense	-	930	930
Other	555	13,836	14,391
Total expenses	61,561	302,698	364,259
Excess revenue (loss)	\$ (25,445)	\$ 418,148	\$ 392,703