

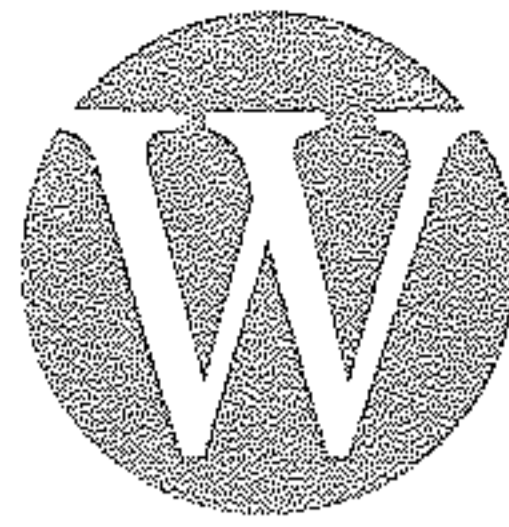
**WISCONSIN COORDINATING COUNCIL  
ON NICARAGUA, INC.**

**FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION**

December 31, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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, 2008



**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2007 and 2006

	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 94,033	\$ 1,236,277
Certificates of deposit	441,275	-
Current portion of notes receivable	4,996,675	4,074,750
Accrued interest receivable	126,012	85,217
Prepaid expenses	5,354	3,022
Other receivables	3,808	13,869
Total current assets	5,667,157	5,413,135
<b>EQUIPMENT</b>		
Equipment	12,914	12,914
Less accumulated depreciation	12,239	11,179
Equipment - net	675	1,735
<b>OTHER ASSETS</b>		
Notes receivable less current portion - net	3,294,770	1,967,943
<b>Total assets</b>	<b>\$ 8,962,602</b>	<b>\$ 7,382,813</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of notes payable	\$ 1,690,901	\$ 1,699,355
Accounts payable and accrued expenses	10,840	15,130
Accrued interest payable	98,667	66,399
Total current liabilities	1,800,408	1,780,884
<b>LONG-TERM LIABILITIES</b>		
Notes payable less current portion	5,572,411	4,279,773
Total liabilities	7,372,819	6,060,657
<b>NET ASSETS</b>		
Unrestricted	1,334,509	1,072,372
Temporarily restricted	255,274	249,784
Total net assets	1,589,783	1,322,156
<b>Total liabilities and net assets</b>	<b>\$ 8,962,602</b>	<b>\$ 7,382,813</b>

See accompanying notes.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND REVENUE</b>		
Interest	\$ 752,181	\$ 597,212
Contributions	105,920	131,837
Loan fees	78,495	47,892
Tour fees	8,220	13,000
Sales	675	1,667
Other	7,537	5,010
	<u>953,028</u>	<u>796,618</u>
<b>EXPENSES</b>		
Program services	581,714	364,259
Supporting activities		
Management and general	81,479	66,770
Fundraising	27,698	32,120
	<u>690,891</u>	<u>463,149</u>
<b>Change in unrestricted net assets</b>	262,137	333,469
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	5,490	-
<b>Change in net assets</b>	267,627	333,469
Net assets - beginning of year	<u>1,322,156</u>	<u>988,687</u>
<b>Net assets - end of year</b>	<u>\$ 1,589,783</u>	<u>\$ 1,322,156</u>

See accompanying notes.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended December 31, 2007 and 2006

<b>2007</b>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 127,674	\$ 62,339	\$ 19,236	\$ 209,249
Interest	226,821	-	-	226,821
Consultants	44,697	-	-	44,697
Legal	9,821	-	-	9,821
Grants and allocations	27,071	-	-	27,071
Supplies	1,200	626	138	1,964
Accounting	-	7,285	-	7,285
Printing and copying	5,201	419	279	5,899
Postage and shipping	2,397	517	495	3,409
Telephone	3,924	764	271	4,959
Occupancy	23,251	6,222	2,123	31,596
Travel and training	18,914	-	-	18,914
Conferences and meetings	4,188	1,151	124	5,463
Depreciation	-	1,060	-	1,060
Study expense	5,710	-	-	5,710
Provision for loan losses	61,673	-	-	61,673
Marketing	9,703	-	5,032	14,735
Other	9,469	1,096	-	10,565
<b>Total expenses</b>	<b>\$ 581,714</b>	<b>\$ 81,479</b>	<b>\$ 27,698</b>	<b>\$ 690,891</b>
<b>2006</b>	<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
Study expense	930	-	-	930
Provision for loan losses	1,207	-	-	1,207
Marketing	9,848	-	9,847	19,695
Other	4,543	2,348	856	7,747
<b>Total expenses</b>	<b>\$ 364,259</b>	<b>\$ 66,770</b>	<b>\$ 32,120</b>	<b>\$ 463,149</b>

See accompanying notes.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2007 and 2006

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 267,627	\$ 333,469
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,060	289
Donations of stock	(14,496)	(18,440)
Increase in loan loss reserve	61,673	1,207
(Increase) decrease in assets		
Accrued interest receivable	(40,795)	(6,433)
Prepaid expenses	(2,332)	(2,006)
Other receivables	10,061	2,505
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(4,290)	(18,803)
Accrued interest payable	32,268	8,969
<b>Net cash provided by operating activities</b>	<b>310,776</b>	<b>300,757</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of certificates of deposit	(775,370)	-
Redemption of certificates of deposit	334,095	-
Issuance of notes receivable	(7,985,175)	(5,200,000)
Redemptions of notes receivable	5,674,750	4,368,167
Proceeds from sale of donated stock	14,496	18,440
<b>Net cash used in investing activities</b>	<b>(2,737,204)</b>	<b>(813,393)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of notes payable	2,928,789	2,641,340
Redemption of notes payable	(1,644,605)	(1,476,683)
<b>Net cash provided by financing activities</b>	<b>1,284,184</b>	<b>1,164,657</b>
Net change in cash	(1,142,244)	652,021
Cash - beginning of year	1,236,277	584,256
<b>Cash - end of year</b>	<b>\$ 94,033</b>	<b>\$ 1,236,277</b>
<b>SUPPLEMENTARY INFORMATION</b>		
Cash payments for interest	\$ 194,553	\$ 133,274
Non-cash investing activities		
Donations of stock	14,496	18,440

See accompanying notes.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

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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 \$1,170,069 and \$965,459 at December 31, 2007 and 2006 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 and donations restricted for various projects in Nicaragua. The restrictions on the NICA Fund equity contributions 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.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

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**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 2.57% and 2.3% at December 31, 2007 and 2006. 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 \$4,996 and \$3,073 for 2007 and 2006.

**NOTE 3 – RELATED PARTIES**

WCCN had notes payable to board and oversight committee members totaling \$113,395 and \$113,296 at December 31, 2007 and 2006. The interest rates on the notes range from 0% to 3.5% and the notes mature on various dates between November 2008 and May 2010.

**NOTE 4 – OPERATING LEASE**

WCCN rents office space under an annual lease agreement that requires monthly payments of \$1,977. Lease expense was \$21,441 and \$14,001 in 2007 and 2006.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

**NOTE 5 – 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 ranging from 9% to 11%. 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 \$264,563 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, 2007 and 2006 consisted of the following:

	2007	2006
NICA notes receivable	\$ 8,466,008	\$ 6,239,583
Less loan loss reserve	264,563	202,890
NICA notes receivable - net	8,201,445	6,036,693
Less current portion	4,951,675	4,068,750
NICA notes receivable less current portion	\$ 3,249,770	\$ 1,967,943

**NCDLF Fund**

WCCN participated in a lending arrangement with a non-profit Nicaraguan economic development organization, Fondo Nicaraguense para el Desarrollo Comunitario (PRESTANIC). The arrangement terminated in 2007.

Notes receivable for the NCDLF Fund at December 31, 2007 and 2006 consisted of the following:

	2007	2006
NCDLF notes receivable	\$ -	\$ 6,000
Less current portion	-	6,000
NCDLF notes receivable less current portion	\$ -	\$ -

**Program Related Investments**

In 2007, WCCN started using a portion of its institutional equity to fund Program Related Investments (PRIs), as decided by its Board of Directors on an annual basis. PRIs are loans to organizations with financially sound practices, but that given their current size and level of sophistication might be considered higher-risk in a typical market-driven loan fund. Ideally, PRIs will help upscale the capacity of those organizations, and some will eventually become NICA Fund partners.

Notes receivable for PRIs at December 31, 2007 was \$90,000 with \$45,000 due in 2008.

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

**NOTE 6 – 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, 2007 and 2006, there were approximately 450 notes executed with cumulative unpaid principal of \$7,263,312 and \$5,973,128. 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 participated in a lending arrangement with a non-profit Nicaraguan economic development organization, Fondo Nicaraguense para el Desarrollo Comunitario (PRESTANIC). The arrangement was terminated in 2007.

At December 31, 2006, there were two notes executed with cumulative unpaid principal of \$6,000. The interest rates on the notes range from 0% to 6% with original maturities of one to two years.

Notes payable consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
NICA Fund	\$ 7,263,312	\$ 5,973,128
NCDLF Fund	-	6,000
Notes payable	7,263,312	5,979,128
Less current portion	<u>1,690,901</u>	<u>1,699,355</u>
Notes payable less current portion	<u>\$ 5,572,411</u>	<u>\$ 4,279,773</u>

Principal maturities of the notes payable for the years ending December 31 are as follows:

2008	\$ 1,690,931
2009	2,284,260
2010	1,170,558
2011	1,306,333
2012	<u>811,230</u>
Total	<u>\$ 7,263,312</u>

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

**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 \$396,696 at December 31, 2007. WCCN did not have any uninsured deposits at December 31, 2007 in Nicaragua.

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
NICA Equity Fund	\$ 249,784	\$ 249,784
Various Projects in Nicaragua	5,490	-
Temporarily restricted net assets	<u>\$ 255,274</u>	<u>\$ 249,784</u>

**NOTE 9 – 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Board designated for NICA Fund	\$ 1,170,069	\$ 932,859
Temporarily restricted for NICA Fund	249,784	249,784
Net assets for NICA Fund	<u>\$ 1,419,853</u>	<u>\$ 1,182,643</u>

**WISCONSIN COORDINATING COUNCIL ON NICARAGUA, INC.**  
**SCHEDULE OF PROGRAM SERVICE REVENUE AND EXPENSES**  
Year ended December 31, 2007

	<u>Other Programs</u>	<u>NICA Fund</u>	<u>Total</u>
<b>REVENUE</b>			
Interest	\$ 4,906	\$ 747,191	\$ 752,097
Contributions	39,215	44,832	84,047
Loan fees	-	78,495	78,495
Tour fees	8,220	-	8,220
Sales	675	-	675
Other	6	7,394	7,400
	<hr/>	<hr/>	<hr/>
Total revenue	53,022	877,912	930,934
<b>EXPENSES</b>			
Personnel	58,138	69,536	127,674
Interest	-	226,821	226,821
Consultants	1,760	42,937	44,697
Legal	-	9,821	9,821
Grants and allocations	27,071	-	27,071
Supplies	477	723	1,200
Printing and copying	3,750	1,451	5,201
Postage and shipping	1,587	810	2,397
Telephone	871	3,053	3,924
Occupancy	7,163	16,088	23,251
Travel and training	15,312	3,602	18,914
Conferences and meetings	620	3,568	4,188
Study expense	1,897	3,813	5,710
Provision for loan losses	-	61,673	61,673
Marketing	4,315	5,388	9,703
Other	3,649	5,820	9,469
	<hr/>	<hr/>	<hr/>
Total expenses	126,610	455,104	581,714
<b>Excess revenue (loss)</b>	<u>\$ (73,588)</u>	<u>\$ 422,808</u>	<u>\$ 349,220</u>