

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.

FINANCIAL STATEMENTS

December 31, 2008, 2007, and 2006

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Working Capital for Community Needs, Inc.
Madison, Wisconsin

We have audited the accompanying statements of financial position of Working Capital for Community Needs, Inc. as of December 31, 2008, 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 Working Capital for Community Needs, Inc. as of December 31, 2008, 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.

Wegner LLP

Wegner LLP
Madison, Wisconsin
March 30, 2009



WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008, 2007, and 2006

	2008	2007	2006
ASSETS			
CURRENT ASSETS			
Cash	\$ 110,230	\$ 94,033	\$ 1,236,277
Certificates of deposit	-	441,275	-
Current portion of notes receivable	5,002,167	4,996,675	4,074,750
Accrued interest receivable	167,350	126,012	85,217
Investments	996,672	-	-
Prepaid expenses	5,768	5,354	3,022
Other receivables	-	3,808	13,869
Total current assets	6,282,187	5,667,157	5,413,135
EQUIPMENT			
Equipment	16,050	12,914	12,914
Less accumulated depreciation	13,217	12,239	11,179
Equipment - net	2,833	675	1,735
OTHER ASSETS			
Notes receivable less current portion - net	3,677,903	3,294,770	1,967,943
Total assets	\$ 9,962,923	\$ 8,962,602	\$ 7,382,813
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of notes payable	\$ 2,529,103	\$ 1,690,901	\$ 1,699,355
Accounts payable and accrued expenses	10,123	10,840	15,130
Accrued interest payable	124,360	98,667	66,399
Total current liabilities	2,663,586	1,800,408	1,780,884
LONG-TERM LIABILITIES			
Notes payable less current portion	5,462,267	5,572,411	4,279,773
Total liabilities	8,125,853	7,372,819	6,060,657
NET ASSETS			
Unrestricted	1,585,818	1,334,509	1,072,372
Temporarily restricted	251,252	255,274	249,784
Total net assets	1,837,070	1,589,783	1,322,156
Total liabilities and net assets	\$ 9,962,923	\$ 8,962,602	\$ 7,382,813

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2008, 2007, and 2006

	2008	2007	2006
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Investment return	\$ 907,421	\$ 752,181	\$ 597,212
Contributions	100,204	105,920	131,837
Loan fees	56,120	78,495	47,892
Tour fees	17,750	8,220	13,000
Sales	1,829	675	1,667
Other	344	7,537	5,010
Total unrestricted support and revenue	1,083,668	953,028	796,618
EXPENSES			
Program services	699,525	581,714	364,259
Supporting activities			
Management and general	102,800	81,479	66,770
Fundraising	34,956	27,698	32,120
Total expenses	837,281	690,891	463,149
NET ASSETS RELEASED FROM RESTRICTIONS			
Net assets released from restrictions	4,922	-	-
Change in unrestricted net assets	251,309	262,137	333,469
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	900	5,490	-
Net assets released from restrictions	(4,922)	-	-
Change in temporarily restricted net assets	(4,022)	5,490	-
Change in net assets	247,287	267,627	333,469
Net assets - beginning of year	1,589,783	1,322,156	988,687
Net assets - end of year	\$ 1,837,070	\$ 1,589,783	\$ 1,322,156

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2008, 2007, and 2006

2008	Program Services	Management and General	Fundraising	Total
Personnel	\$ 143,333	\$ 60,455	\$ 27,236	\$ 231,024
Interest	290,384	-	-	290,384
Consultants	49,739	3,265	-	53,004
Legal	33,282	2,709	-	35,991
Grants and allocations	27,425	-	-	27,425
Supplies	991	625	190	1,806
Accounting	-	9,180	-	9,180
Printing and copying	3,864	1,211	170	5,245
Postage and shipping	2,547	1,106	323	3,976
Telephone	3,539	999	291	4,829
Occupancy	29,746	9,323	2,554	41,623
Travel and training	27,488	274	-	27,762
Conferences and meetings	3,610	6,218	405	10,233
Depreciation	-	978	-	978
Provision for loan losses	73,451	-	-	73,451
Marketing	6,813	3,000	3,261	13,074
Other	3,313	3,457	526	7,296
Total expenses	\$ 699,525	\$ 102,800	\$ 34,956	\$ 837,281
2007	Program Services	Management and General	Fundraising	Total
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
Total expenses	\$ 581,714	\$ 81,479	\$ 27,698	\$ 690,891

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (continued)
Years ended December 31, 2008, 2007, and 2006

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
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
	<u>\$ 364,259</u>	<u>\$ 66,770</u>	<u>\$ 32,120</u>	<u>\$ 463,149</u>
Total expenses	<u>\$ 364,259</u>	<u>\$ 66,770</u>	<u>\$ 32,120</u>	<u>\$ 463,149</u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2008, 2007, and 2006

	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 247,287	\$ 267,627	\$ 333,469
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation	978	1,060	289
Donated stock	(10,259)	(14,496)	(18,440)
Increase in loan loss reserve	73,451	61,673	1,207
(Increase) decrease in assets			
Accrued interest receivable	(41,338)	(40,795)	(6,433)
Prepaid expenses	(414)	(2,332)	(2,006)
Other receivables	3,808	10,061	2,505
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	(717)	(4,290)	(18,803)
Accrued interest payable	25,693	32,268	8,969
Net cash provided by operating activities	298,489	310,776	300,757
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of equipment	(3,136)	-	-
Purchases of investments	(1,432,672)	-	-
Proceeds from sale of investments	436,000	-	-
Purchases of certificates of deposit	-	(775,370)	-
Redemption of certificates of deposit	441,275	334,095	-
Issuance of notes receivable	(5,615,000)	(7,985,175)	(5,200,000)
Collection of notes receivable	5,152,924	5,674,750	4,368,167
Proceeds from sale of donated stock	10,259	14,496	18,440
Net cash used in investing activities	(1,010,350)	(2,737,204)	(813,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	2,431,989	2,928,789	2,641,340
Payment of notes payable	(1,703,931)	(1,644,605)	(1,476,683)
Net cash provided by financing activities	728,058	1,284,184	1,164,657
Net change in cash	16,197	(1,142,244)	652,021
Cash - beginning of year	94,033	1,236,277	584,256
Cash - end of year	\$ 110,230	\$ 94,033	\$ 1,236,277
SUPPLEMENTARY INFORMATION			
Cash payments for interest	\$ 264,691	\$ 194,553	\$ 133,274
Non-cash investing activities			
Donations of stock	10,259	14,496	18,440

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

Working Capital for Community Needs, Inc. (WCCN) partners with individuals and organizations in Latin America and the United States of America to build sustainable economic opportunities that help people work their way out of poverty. WCCN provides low-income Latin American entrepreneurs and small farmers access to financing through various micro finance agencies to help them grow their operations and work their way out of poverty. Majority of WCCN's portfolio consisted of loans made to agencies in Nicaragua at December 31, 2008. In November 2008, WCCN changed its name from Wisconsin Coordinating Council on Nicaragua, Inc.

Located in Madison, Wisconsin, WCCN is supported primarily through donor contributions and interest from its loan fund the main program of the organization. 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, WCCN is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by WCCN in perpetuity.

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.

Investments

WCCN carries investments in money funds and certificates of deposits that are traded in secondary markets at fair value. Investment return consists of interest income.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Notes Receivable

Notes receivable consist of amounts due from nongovernmental organizations in Latin America. Interest income is accrued on a monthly basis. The allowance for loan loss reserve is estimated based on an analysis of the risk criteria for each borrower in the portfolio. A percentage of the loan amount is set aside in the allowance account based on the risk assessment. The aggregate of those assessments is used as a means to estimate the amount needed in the allowance account.

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 3.82%, 3.44%, and 2.64% at December 31, 2008, 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 in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

WCCN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, WCCN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

WCCN has elected to defer the application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, in accordance with FASB Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. WCCN evaluates any uncertain tax positions in accordance with SFAS No. 5, *Accounting for Contingencies*, until it applies the provisions of Interpretation 48.

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 \$5,606, \$4,996, and \$3,073 for 2008, 2007, and 2006.

NOTE 3 – OPERATING LEASE

WCCN rents office space in Madison, Wisconsin under an annual lease agreement that requires monthly payments of \$2,056. Lease expense was \$23,724, \$21,441, and \$14,001 in 2008, 2007, and 2006.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

NOTE 4 – RELATED PARTIES

WCCN had notes payable to board and oversight committee members totaling \$117,000, \$113,395, and \$113,296 at December 31, 2008, 2007 and 2006. The interest rates on the notes range from 0% to 6% and the notes mature on various dates between May 2010 and May 2011.

NOTE 5 – INVESTMENTS

Investments at December 31 2008, 2007, and 2006 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Money fund	\$ 423,962	\$ -	\$ -
Certificates of deposit	572,710	-	-
Investments	<u>\$ 996,672</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – NOTES RECEIVABLE

Nicaraguan Credit Alternatives (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 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.

Notes receivable for the NICA Fund at December 31, 2008, 2007, and 2006 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
NICA notes receivable	\$ 8,895,584	\$ 8,466,008	\$ 6,239,583
Less loan loss reserve	327,664	264,563	202,890
NICA notes receivable - net	8,567,920	8,201,445	6,036,693
Less current portion	4,932,167	4,951,675	4,068,750
NICA notes receivable less current portion	<u>\$ 3,635,753</u>	<u>\$ 3,249,770</u>	<u>\$ 1,967,943</u>

Nicaraguan Community Development Loan (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.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

NOTE 6 – NOTES RECEIVABLE (continued)

Notes receivable for the NCDLF Fund at December 31, 2008, 2007, and 2006 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
NCDLF notes receivable	\$ -	\$ -	\$ 6,000
Less current portion	<u>-</u>	<u>-</u>	<u>6,000</u>
NCDLF notes receivable less current portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Program Related Investments (PRI) Fund

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 the PRI Fund at December 31, 2008, 2007, and 2006 consisted of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
PRI notes receivable	\$ 122,500	\$ 90,000	\$ -
PRI Loan loss reserve	<u>10,350</u>	<u>-</u>	<u>-</u>
PRI notes receivable - net	112,150	-	-
Less current portion	<u>70,000</u>	<u>45,000</u>	<u>-</u>
PRI notes receivable less current portion	<u>\$ 42,150</u>	<u>\$ 45,000</u>	<u>\$ -</u>

NOTE 7 – 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, 2008, 2007, and 2006, there were approximately 500 notes executed with cumulative unpaid principal of \$7,991,370, \$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.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

NOTE 7 – NOTES PAYABLE (continued)

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 for the NCDLF Fund consisted of the following at December 31, 2008, 2007, and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
NICA Fund	\$ 7,991,370	\$ 7,263,312	\$ 5,973,128
NCDLF Fund	<u>-</u>	<u>-</u>	6,000
Notes payable	7,991,370	7,263,312	5,979,128
Less current portion	<u>2,529,103</u>	<u>1,690,901</u>	<u>1,690,901</u>
Notes payable less current portion	<u>\$ 5,462,267</u>	<u>\$ 5,572,411</u>	<u>\$ 4,288,227</u>

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

2009	\$ 2,787,343
2010	2,259,978
2011	1,531,679
2012	1,202,445
2013	<u>209,925</u>
Total	<u>\$ 7,991,370</u>

NOTE 8 – CONCENTRATION OF CREDIT RISK

The amounts loaned by WCCN to PRESTANIC and other organizations are in turn lent to small enterprises in Nicaragua. At the end of 2008, WCCN also disbursed a \$300,000 loan in El Salvador. 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 may not be sufficient to repay the original lenders.

Fondo de Garantia de Depositos de las Instituciones Financieras insures Nicaragua bank accounts up to \$20,000. WCCN's deposits in excess of this limit were \$3,712 at December 31, 2008.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008, 2007, and 2006

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Fund	\$ 572,710	\$ 572,710	\$ -	\$ -
Certificate of deposits	423,962	-	423,962	-
	<u>\$ 996,672</u>	<u>\$ 572,710</u>	<u>\$ 423,962</u>	<u>\$ -</u>

Fair values for money funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for the certificates of deposit are determined by using a matrix based approach on interest rates.

NOTE 10 – NET ASSETS

WCCN's board of directors has chosen to place the following limitations on unrestricted net assets:

	2008	2007	2006
Designated for NICA Fund	\$ -	\$ 1,170,069	\$ 965,459
Designated for Mission Related Investments (including NICA Fund)	1,585,818	-	-
Undesignated	-	164,440	106,913
Unrestricted net assets	<u>\$ 1,585,818</u>	<u>\$ 1,334,509</u>	<u>\$ 1,072,372</u>

Temporarily restricted net assets are available for the following purposes:

	2008	2007	2006
NICA Equity Fund	\$ 249,784	\$ 249,784	\$ 249,784
Various Projects in Nicaragua	1,468	5,490	-
Temporarily restricted net assets	<u>\$ 251,252</u>	<u>\$ 255,274</u>	<u>\$ 249,784</u>