Working Capital for Community Needs, Inc.

Consolidated Financial Statements and Supplementary Information

December 31, 2023 and 2022

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Working Capital for Community Needs, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, cash flows, and functional expenses for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, on January 1, 2023, the Organization adopted Accounting Standards Update No. 2016-13, *Financial Instruments–Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Milwaukee, Wisconsin
April 24, 2024

Working Capital for Community Needs, Inc.

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ 1,353,081	$ 870,241
Certificate of deposit	1,000,000	-
Accrued interest receivable	185,760	221,113
Notes receivable, current portion	7,375,703	5,849,260
Prepaid expenses	15,971	13,644
Total current assets	9,930,515	6,954,258
Other Assets		
Notes receivable, less current portion (net of allowance for credit losses of $837,082 as of December 31, 2023 and net of allowance for doubtful accounts of $1,825,226 as of December 31, 2022)	4,871,620	7,750,484
Operating lease right-of-use asset	33,170	54,982
Property and equipment, net	156,612	-
Total other assets	5,061,402	7,805,466
Total assets	$ 14,991,917	$ 14,759,724
Liabilities and Net Assets		
Current Liabilities		
Notes payable, current portion	$ 3,368,427	$ 1,887,239
Accounts payable	6,826	10,207
Operating lease liability, current portion	23,012	24,912
Accrued interest payable	148,705	141,125
Total current liabilities	3,546,970	2,063,483
Long-Term Liabilities		
Notes payable less current portion	10,065,106	11,281,419
Operating lease liability less current portion	10,238	30,383
Total liabilities	13,622,314	13,375,285
Net Assets		
Without donor restrictions:		
Undesignated	1,219,603	1,234,439
Designated	140,000	140,000
Total net assets without donor restrictions	1,359,603	1,374,439
With donor restrictions	10,000	10,000
Total net assets	1,369,603	1,384,439
Total liabilities and net assets	$ 14,991,917	$ 14,759,724

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2023, 2022 and 2021

	2023	2022	2021
Net Assets Without Donor Restrictions			
Support and Revenue			
Portfolio income	$ 1,265,911	$ 1,382,753	$ 1,225,325
Contributions	554,686	319,205	195,643
Loan fees	54,333	63,163	75,071
Other	433	5,199	911
Total support and revenue	1,875,363	1,770,320	1,496,950
Expenses and Losses			
Program services:			
Microfinance	1,770,452	1,232,154	827,592
Educational and other	24,951	1,905	5,807
Supporting activities:			
Management and general	292,790	282,856	295,307
Fundraising	50,880	62,215	36,546
Total expenses	2,139,073	1,579,130	1,165,252
Change in net assets without donor restrictions	(263,710)	191,190	331,698
Net Assets With Donor Restrictions			
Contributions	-	10,000	-
Change in net assets	(263,710)	201,190	331,698
Net Assets, Beginning	1,384,439	1,183,249	851,551
Cumulative effect of change in accounting principle (Note 1), net assets	248,874	-	-
Net Assets, Ending	$ 1,369,603	$ 1,384,439	$ 1,183,249

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2023, 2022 and 2021

	2023	2022	2021
Cash Flows From Operating Activities			
Change in net assets	$ (263,710)	$ 201,190	$ 331,698
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Unrealized and realized gain on cross-currency interest rate swap	-	(8,829)	(13,692)
Unrealized gain on forward hedge	-	-	(22,479)
Provision for credit losses	977,396	-	-
Provision for loan losses	-	882,828	591,211
Lease costs	(233)	363	(322)
Forgiveness of notes payable	(42,000)	(100,490)	(3,091)
Changes in assets and liabilities:			
Pledges receivable	-	-	540
Accrued interest receivable	35,353	44,070	(31,585)
Notes receivable	623,899	(1,395,955)	(2,847,480)
Prepaid expenses	(2,327)	(3,098)	915
Accounts payable	(3,381)	7,534	(1,298)
Accrued interest payable	73,563	80,056	89,507
Net cash flows from operating activities	1,398,560	(292,331)	(1,906,076)
Cash Flows From Investing Activities			
Purchases of property and equipment	(156,612)	-	-
Cash Flows From Financing Activities			
Proceeds from notes payable	603,468	841,814	1,937,085
Payment of notes payable	(362,576)	(648,632)	(465,419)
Purchase of certificate of deposit	(1,000,000)	-	-
Net cash flows from financing activities	(759,108)	193,182	1,471,666
Net change in cash and cash equivalents	482,840	(99,149)	(434,410)
Cash and Cash Equivalents, Beginning	870,241	969,390	1,403,800
Cash and Cash Equivalents, Ending	$ 1,353,081	$ 870,241	$ 969,390
Supplemental Cash Flow Disclosures			
Cash paid for interest on notes payable	$ 360,890	$ 383,014	$ 335,254
Noncash Operating and Financing Activities			
Right-of-use asset financed with operating lease	$ -	$ -	$ 65,839
Accrued interest payable converted to notes payable	65,983	93,371	76,627
Matured notes payable reinvested	1,532,706	2,297,929	3,566,552
Adoption of ASU No. 2016-13 included in provision for credit losses	248,874	-	-

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Functional Expenses
Years Ended December 31, 2023, 2022 and 2021

	Program Services		Supporting Services		
2023	**Microfinance**	**Educational and Other**	**Management and General**	**Fundraising**	**2023 Total**
Personnel and consulting	$ 318,924	$ 24,735	$ 200,123	$ 39,460	$ 583,242
Interest on investor loans	368,470	-	-	-	368,470
Legal	41,610	-	770	-	42,380
Office expenses	12,936	-	7,655	2,427	23,018
Accounting	-	-	47,020	-	47,020
Occupancy	10,366	-	12,340	1,974	24,680
Travel and training	22,003	-	170	2,649	24,822
Provision for credit losses	977,396	-	-	-	977,396
Other	18,747	216	24,712	4,370	48,045
Total expenses	$ 1,770,452	$ 24,951	$ 292,790	$ 50,880	$ 2,139,073

	Program Services		Supporting Services		
2022	**Microfinance**	**Educational and Other**	**Management and General**	**Fundraising**	**2022 Total**
Personnel and consulting	$ 296,599	$ 1,890	$ 203,903	$ 49,339	$ 551,731
Interest on investor loans	369,699	-	-	-	369,699
Legal	21,486	-	4,214	-	25,700
Grants and allocations	4,265	-	-	-	4,265
Office expenses	13,124	-	7,806	1,711	22,641
Accounting	-	-	28,726	-	28,726
Occupancy	16,410	-	12,049	1,481	29,940
Travel and training	19,170	-	1,472	37	20,679
Provision for loan losses	474,732	-	-	-	474,732
Other	16,669	15	24,686	9,647	51,017
Total expenses	$ 1,232,154	$ 1,905	$ 282,856	$ 62,215	$ 1,579,130

	Program Services		Supporting Services		
2021	**Microfinance**	**Educational and Other**	**Management and General**	**Fundraising**	**2021 Total**
Personnel and consulting	$ 257,000	$ -	$ 222,594	$ 16,088	$ 495,682
Interest on investor loans	348,134	-	-	-	348,134
Legal	40,279	-	100	-	40,379
Grants and allocations	10,800	2,500	-	2,000	15,300
Office expenses	8,100	3,307	7,427	1,222	20,056
Accounting	-	-	29,908	-	29,908
Occupancy	11,372	-	9,701	2,089	23,162
Provision for loan losses	138,246	-	-	-	138,246
Other	13,661	-	25,577	15,147	54,385
Total expenses	$ 827,592	$ 5,807	$ 295,307	$ 36,546	$ 1,165,252

1. Summary of Significant Accounting Policies

Nature of Activities

Founded in 1984, Working Capital for Community Needs, Inc. (WCCN) is a 501(c)(3) nonprofit impact investing fund whose mission is to create opportunities for access to microfinance, services and markets to improve the lives and communities of the working poor in Latin America. WCCN empowers low-income Latin American entrepreneurs by sustaining partnerships with microfinance organizations and fair trade coffee organizations in Latin America. To facilitate its activities in the greater Latin America area, WCCN formed a separate limited liability company, Community Needs, LLC, (the LLC). The LLC may further WCCN's purposes by participating in models that differ from WCCN's traditional avenues for promoting economic development.

Located in Madison, Wisconsin, WCCN and the LLC (collectively referred to as the Organization) are supported primarily through interest from its loan fund and donor contributions.

Principles of Consolidation

The consolidated financial statements include the accounts of WCCN and its wholly owned subsidiary, the LLC. All intercompany transactions have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

Net assets that are not restricted by donors.

Net Assets With Donor Restrictions

Net assets whose use has been limited by donor-imposed time restrictions, purpose restrictions, or have been restricted by donors to be maintained by the Organization in perpetuity. The Organization had net assets with donor restrictions totaling $10,000 as of December 31, 2023 and 2022 restricted for Information Technology (IT) upgrades.

Board Designated Net Assets

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. The Organization's Board of Directors designated $140,000 as of December 31, 2023 and 2022, for IT upgrades.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Certificates of Deposit

The Organization maintains a certificate of deposit, which has a maturity period of nine months. The amount is carried at cost, which approximate fair value.

Notes Receivable

Notes receivable consist of amounts due from microfinance organizations and producer cooperatives/associations in Latin America.

The allowance for loan loss reserve was a valuation allowance for probable incurred credit losses. Management regularly evaluated the allowance for loan losses taking into consideration such factors as historical experience, a review of the current status of notes receivable, changes in the nature and volume of the loan portfolio, global health concerns, political climate, review of specific problem loans and current economic and credit conditions that may have affected the borrower's ability to pay. The allowance consisted of specific and general components. The general component covered loans that were collectively evaluated for potential impairment. The specific component related to loans that were individually evaluated for impairment due to current events or information being available making it more probable that the Organization would be unable to collect all amounts due according to the contractual terms of the loan agreements. The Organization provided an allowance for loan losses equal to the total estimated uncollectible notes. Allocations of the allowance may have been made for specific loans, but the entire allowance was available for any loan that should be charged off. When an account was determined uncollectible, the account was written off against the allowance. The loan loss reserve as of December 31, 2022 was $1,825,226.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments–Credit Losses (Topic 326)* and related amendments (Accounting Standards Codification (ASC) 326). ASC 326, which required financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical credit loss experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

On January 1, 2023, the Organization adopted the guidance using a modified retrospective approach with a cumulative adjustment to net assets of $248,874. The Organization has not restated comparative information for 2022 and, therefore, the comparative information for 2022 is presented under the old model.

The Organization recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) as further described in Note 2. Assets are written off when the Organization determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve as the statement of financial position date. The Organization pools its loans based on similar risk characteristics in estimating the expected credit losses. In situations where a loan does not share the same risk characteristics with other loans, the Organization measures those loans individually. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. The allowance for credit losses as of December 31, 2023 was $837,082.

Accrued Interest Receivable

Interest is accrued on a monthly basis and is stated at the invoice amount.

The Organization provided an allowance for doubtful accounts for accrued interest receivable equal to the estimated uncollectible amounts. The allowance for doubtful accounts was based on historical collection experience and a review of the current status of accrued interest receivable. No allowance for doubtful accounts was considered necessary for the accrued interest receivable as of December 31, 2022.

With the adoption of ASC 326, the Organization elected to present the accrued interest receivable balance separate in its consolidated statements of financial position from the amortized cost of the loan. The Organization determined no allowance for credit losses for accrued interest receivables was considered necessary as of December 31, 2023. The accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due. Interest received on nonaccrual loans is recorded as interest income when received.

Property and Equipment, Net

Acquisitions of property and equipment in excess of $2,500 are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life.

Impairment

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Accounting for Foreign Currency Denominated Transactions

The books and records of the Organization are maintained in U.S. dollars. Transactions denominated in foreign currencies are translated into U.S. dollars at the consolidated statements of financial position dates rates of exchange. Changes in foreign currency denominated transactions are recorded in the consolidated statements of activities in the period the change occurs. The gain or loss on currency translation is included in Portfolio income in the consolidated statements of activities.

Revenue Recognition

Interest on loans receivable is recognized on a monthly basis based on the loan receivable balance outstanding and the interest rate established in the loan agreements. Loan fees are earned based on a 1% administrative fee for every loan issued, which is recognized on the date of loan issuance.

Contributions are recognized in the period received. Conditional promises, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. The Organization reports gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as without donor restrictions. The Organization recognizes as revenue without donor restrictions all donor-restricted contributions made to the Organization whose restrictions are met in the same year.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Expenses directly attributable to a specific functional activity of the Organization are reported as expenses of those functional activities. Certain personnel and consulting expenses, office expenses, occupancy expenses and depreciation are allocated to functional activities based on time and effort.

Income Tax Status

The Organization follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on the tax return should be recorded in the consolidated financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses derecognition, classification, interest and penalties on income taxes and accounting during interim periods. The Organization does not believe that it has any uncertain tax positions as of December 31, 2023 and 2022.

WCCN is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and accordingly is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation.

Community Needs, LLC is treated as a disregarded entity for federal tax purposes and its operations are reported on WCCN's federal exempt organization return.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Notes Receivable

The Organization considers its loans in one distinct category. Notes receivable are from various partners in Latin America and the United States. Interest rates vary from 7.50% to 12% payable typically in monthly, quarterly, semi-annual or annual installments including principal and interest. In specific cases, interest rates are reduced. Some notes are collateralized by assets to mitigate further risk for loans considered to be higher risk in nature.

Notes Receivable Prior to the Adoption of ASC 326

A summary of the activity in the allowance for loan losses by class of loan is as follows for the year ended December 31, 2022:

Allowance	
Balance January 1:	$ 1,350,495
Recoveries	(408,097)
Provision for loan losses	882,828
Balance December 31	1,825,226
Ending balance individually evaluated for impairment	1,171,086
Ending balance collectively evaluated for impairment	$ 654,140

Loan activity is as follows for the year ended December 31, 2022:

Loans	
Balance December 31:	$ 15,424,970
Allowance for loan losses	(1,825,226)
Notes receivable, net	13,599,744
Ending balance individually evaluated for impairment	2,342,174
Ending balance collectively evaluated for impairment	$ 13,082,796

Components of notes receivable as of December 31, 2022 is as follows:

Notes receivable	$ 15,424,970
Allowance for loan losses	(1,825,226)
Notes receivable, net	13,599,744
Less current portion	(5,849,260)
Notes receivable, net less current portion	$ 7,750,484

Notes receivable were stated at the amount of unpaid principal. The Organization assessed a 5% allowance on all loans within the loan portfolio based on the overall allowance factors as of December 31, 2022. In addition, the Organization reviewed the risk factors and performance of each individual loan and assessed an additional allowance if deemed appropriate.

The Organization's internal risk rating was based on a Capital adequacy, Asset quality, Management, Earnings and Liquidity (CAMEL) analysis. Under the internal policy, financial statements, budgets and quarterly updates are regularly reviewed and result in the assignment of a partner rating to help monitor the risk associated with the various partners.

The Organization followed guidance from the Office of the Comptroller of the Currency (OCC) to stratify its receivables in determining the reserve level.

Classification	Days in Arrears	Reserve Level
Current	N/A	5%
Special Mention	30	5
Substandard	90	50

When a loan balance was 270 days or more in arrears it was considered doubtful and was separately assessed for collectability.

Below is a breakdown of the notes receivable by provision criteria and the associated allowance calculations as of December 31, 2022:

Classification	Number of Agencies	Loans Outstanding	Percentage Applied	Allowance Needed
Current	16	$ 13,082,796	5 %	$ 654,140

In addition to the above allowance calculation, the Organization assessed some borrowers separately from the classifications above due to their unique financial condition.

The assessment is as follows as of December 31, 2022:

	Loans Outstanding	Percentage Applied	Allowance Needed
Separately identified borrowers:			
Restructured	$ 625,507	50 %	$ 312,753
Other (FND borrowers)	1,716,667	50 %	858,333
Total	$ 2,342,174		$ 1,171,086

When a new loan replaces an outstanding balance on an older loan that has either a lower interest rate or longer payment term it is considered to be a restructured loan. Management has deemed an allowance of 50% appropriate for these types of loans at December 31, 2022.

As of December 31, 2022, the Organization had one partner in Mexico with substantial obligations to Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero (FND), which has a loan of $1.7 million USD with the Organization. In December 2022, FND announced that they would terminate their lending program, which funds microfinance institutions in Mexico. As a result, FND began to restructure loan agreements with customers to repay loans over four years. The Organization received its last payment of interest in March 2023. As of December 31, 2022, the Organization assessed a 50% loan loss reserve on the outstanding balance of the loan.

There were no past due loans as of December 31, 2022.

Notes Receivable After to the Adoption of ASC 326

A summary of the activity in the allowance for credit losses is as follows for the year ended December 31, 2023:

Allowance for Credit Losses	
Balance January 1:	$ 1,825,226
Adoption of ASC 326	(248,874)
Charge offs	(1,716,666)
Provision for credit losses	977,396
Balance December 31	$ 837,082

Loan activity is as follows for the year ended December 31, 2023:

Loans	
Balance December 31:	$ 13,084,405
Allowance for credit losses	(837,082)
Notes receivable, net	$ 12,247,323

Components of notes receivable as of December 31, 2023 is as follows:

Notes receivable	$ 13,084,405
Allowance for loan losses	(837,082)
Notes receivable, net	12,247,323
Less current portion	(7,375,703)
Notes receivable, net less current portion	$ 4,871,620

The Organization pools its loans based on the internal credit risk grading process. Internal credit risk grading process includes a process that evaluates, among other things, the borrower's ability to repay and the economic environment and industry in which the borrower operates.

Notes receivable are stated at the amount of unpaid principal. The Organization reserves a percentage of all performing loans based on a 10-year historical lookback of write-offs. For January 1, 2023 the 10-year historical write-off rate was 1.33%. This rate is applied equally to all performing partners. Second, the Organization may apply additional reserves, on a loan by loan basis, based on a financial evaluation of the loan recipient's current financial condition. For this evaluation, the Organization uses its internal scorecard rating, which may increase the reserve on an individual partner/loan by 0% to 4% based on their financial performance. Lastly, the Organization uses the external Fitch Ratings forecast system, which is publicly available, and provides both sovereign debt ratings on individual countries as well as financial outlooks on countries. The Organization uses those ratings to apply an additional 0% to 5.5% reserve to each loan. In this manner, the Organization has a standard historical reserve on each loan and then adds to that reserve, if need be, based on the individual performance of each loan as well the forecast for the country where each lending partner resides.

As of December 31, 2022, the Organization had one partner in Mexico in which the Organization assessed a 50% loan loss reserve on the outstanding balance of the loan. In 2023, the loan became fully reserved and was then written off on December 31, 2023. The Organization is taking legal action against the shareholders of the partner, in an effort to recover loan principal. The partner ceased operations in 2023 and declared bankruptcy in January 2024.

Due to the significant write-off of the loan to the partner in Mexico in 2023, as well as a deteriorating socio-economic situation in Ecuador, at December 31, 2023, the Organization increased its historic lookback write-off rate to 3.93%, with an average total reserve of 6.3%.

There were no past due loans as of December 31, 2023.

As of December 31, 2023, the Organization had unfunded loan commitments of $1,000,000.

Interest Income

Interest income is recognized when earned on these loans. Any loans that become greater than 90 days past due enter into a nonaccrual status. The Organization no longer accrues interest income associated with these loans. Once the loan is bought into a status such that it is less than 90 days past due, interest is again accrued on these loans. No interest income was recognized on past due loans for the years ended December 31, 2023, 2022 and 2021.

Portfolio income for the years ended December 31, 2023, 2022 and 2021 consisted of the following:

	2023	2022	2021
Interest and dividends	$ 1,265,906	$ 1,371,217	$ 1,190,830
Realized and unrealized gain on cross-currency interest rate swaps	-	8,829	13,692
Realized and unrealized gain on forward hedge	-	-	22,479
Gain (loss) on currency translations	5	2,707	(1,676)
Portfolio income	$ 1,265,911	$ 1,382,753	$ 1,225,325

3. Property and Equipment, Net

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Equipment and furniture	$ 10,814	$ 10,814
Work in progress	156,612	-
Less accumulated depreciation	(10,814)	(10,814)
Property and equipment, net	$ 156,612	$ -

4. Notes Payable

The Organization has entered into loan agreements with various lenders in the United States. The proceeds from these notes payable are used to create the pool of funds available to issue notes receivable to partners in Latin America that operate loan programs serving low-income borrowers.

As of December 31, 2023 and 2022, there were approximately 500 notes executed with recurring and new lenders. Interest rates on the notes range from 0% to 15% with maturities due over the next month to seven years.

In June 2020, the Organization also entered into a note payable agreement with the Small Business Administration (SBA) as a result of the COVID-19 pandemic. The Economic Injury Disaster Loan (EIDL) bears interest at 2.75% and requires monthly interest and principal payments of $641 beginning in June 2021. Any remaining unpaid balance of principal and interest is payable June 2050.

Notes payable as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Notes payable, various lenders	$ 13,289,075	$ 13,020,536
Notes payable, SBA	144,458	148,122
Total	13,433,533	13,168,658
Less current portion	(3,368,427)	(1,887,239)
Notes payable less current portion	$ 10,065,106	$ 11,281,419

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

Years ending December 31:	
2024	$ 3,368,427
2025	4,008,382
2026	2,492,174
2027	1,711,031
2028	978,786
Thereafter	874,733
Total	$ 13,433,533

Occasionally, a lender will forgive its note payable, which becomes a contribution to the Organization and is removed from notes payable at the date of the donation. For the years ended December 31, 2023, 2022 and 2021, amounts forgiven totaled $42,000, $100,490 and $3,091, respectively, and are included in contributions in the consolidated statements of activities.

Notes payable are subject to various state filing requirements and various covenants. As of December 31, 2023, the Organization represents that it is in compliance with all filing requirements and covenants.

5. Line of Credit

WCCN has an unsecured line of credit in the amount of $500,000 from Settlers Bank. It has an interest rate of PRIME + 3% APR interest and expires in June 2024. As of December 31, 2023 and 2022 the outstanding balance on the line of credit was $0.

6. Conditional Promises to Give

The Organization is occasionally notified that they are named as a beneficiary in an estate plan by donors. These gifts do not meet the criteria to be recognized as contribution revenue until the the gift is unconditional. The total of these conditional pledges as of December 31, 2023 and 2022 was $1,221,615 and $1,261,677, respectively. Amounts received in contributions from gifts becoming unconditional and recognized in the consolidated statements of activities for 2023, 2022 and 2021 were $0, $5,221 and $3,091, respectively.

7. Leases

The Organization entered into a three-year lease agreement for office space in Madison, Wisconsin as of June 1, 2019 which requires monthly payments beginning at $1,900 and provides for an annual increase of 3%. During 2021, the annual increase was waived. In October 2021, the Organization entered into a three-year lease extension, which requires monthly payments of $2,076 beginning in June 2022.

The lease is accounted for as an operating lease under authoritative accounting guidance. The original operating lease right-of-use asset and the operating lease liability of $61,973 were recognized based on the present value of the future lease payments over the lease term at commencement date. The Organization elected to use a rate of PRIME + 3% for a period comparable to the lease term, 8.6%. Upon extension of the lease in 2021, the operating lease right-of-use asset and the operating lease liability of $65,839 were recognized based on the present value of the future lease payments over the lease term at commencement date. The Organization elected to use a rate of PRIME + 3% for a period comparable to the lease term, 6.34%.

Future minimum lease payments are as follows:

Years ending December 31:	
2024	$ 24,680
2025	10,283
Total	34,963
Less present value discount	(1,713)
Operating lease liability	33,250
Less current portion	(23,012)
Long-term operating lease liability	$ 10,238

Total lease expense in 2023, 2022 and 2021 was $24,680, $24,680 and $23,162, respectively.

8. Retirement Plan

The Organization sponsors a SIMPLE IRA plan in which employees with prior year earnings of $5,000 or more are eligible to participate. The Organization matches contributions to the plan up to 3% of the employee's deferrals. Retirement expense for 2023, 2022 and 2021 was $9,854, $9,041 and $8,552, respectively.

9. Related-Party Transactions

The Organization has notes payable to board members totaling $5,100 and $14,067 as of December 31, 2023 and 2022, respectively. The interest rates on the notes range from 0% to 3% and the notes mature on various dates through 2028. The Organization also received donations from board members and employees totaling $1,015, $1,700 and $640, for the years ended December 31, 2023, 2022 and 2021, respectively.

10. Derivative Financial Instruments

To manage fluctuations of foreign currency values related to loans denominated in foreign currencies, the Organization entered into five cross-currency interest rate swap agreements, which matured in concert with the outstanding foreign currency notes receivable. The Organization does not enter into derivative financial instrument agreements for trading or speculative purposes.

A cross-currency interest rate swap is a foreign exchange agreement between two parties to exchange principal and fixed rate interest payments in one currency for principal and fixed rate interest payments in another currency. As a result of the currency swap agreements, the Organization eliminated its currency risk that the principal and interest payments would be less or greater than the U.S. dollar value of the amounts.

The following represents the notional amount hedged, fair value of the cross-currency interest rate swaps outstanding as of December 31, 2022 and the amount of exposure recorded in the change in net assets for the year ending December 31, 2022. There were no remaining cross-currency interest rate swaps in 2023.

	Notional Amount	Liability as of December 31	Year Ended December 31 Gain	Classification of Gain (Loss)
2022 cross-currency interest rate swaps	$ -	$ -	$ 8,829	Portfolio income

11. Concentrations of Credit Risk

The amounts loaned by the Organization to partners in Latin America (borrowing agencies) are in turn lent to small enterprises and individuals in Latin America. The Organization has disbursed such loans in Latin America. Notes executed between the Organization and the borrowing agencies are often not collateralized by assets of any material value, unless the notes are restructured due to a default. In such cases, the Organization seeks collateral from the borrower to mitigate further risk.

The nature of the loans and the fact that the loans have limited to no value of collateral constitutes a significant concentration of credit risk for the Organization. Since this portion of the Organization's assets is concentrated outside of the United States, it is reasonably possible that operations could be interrupted in the near term. Substantially all notes payable and notes receivable, other than those identified in Note 10, are denominated solely in United States dollars, so there is minimal currency risk to the Organization from these financial instruments.

Notes receivable by country as of December 31, 2023 and 2022 are as follows:

	2023	2022
Ecuador	$ 2,677,602	$ 3,890,777
El Salvador	2,400,000	1,225,000
Honduras	952,487	495,322
Guatemala	1,429,444	1,700,000
Nicaragua	4,264,493	3,199,408
Colombia	45,500	136,500
Panama	-	1,111,111
Peru	359,324	450,186
Mexico	955,555	3,216,666
Notes receivable	13,084,405	15,424,970
Less reserves	(837,082)	(1,825,226)
Notes receivable, net	$ 12,247,323	$ 13,599,744

The Organization's ability to repay lenders depends on its ability to obtain repayment from partner agencies to which loans have been issued.

12. Availability and Liquidity of Financial Assets

Financial assets available as of December 31, 2023 and 2022 for general expenditures consist of the following:

	2023	2022
Total assets	$ 14,991,917	$ 14,759,724
Less nonfinancial assets:		
Prepaid expenses	(15,971)	(13,644)
Operating lease right-of-use asset	(33,170)	(54,982)
Property and equipment, net	(156,612)	-
Total financial assets	14,786,164	14,691,098
Less those unavailable for general expenditure:		
Notes receivable less current portion	(4,871,620)	(7,750,484)
Net assets with donor restrictions	(10,000)	(10,000)
Board designated net assets	(140,000)	(140,000)
Assets available for general expenditures	$ 9,764,544	$ 6,790,614

As of December 31, 2023, the Organization has $1,353,081 in liquid assets to cover operating expenses and other general expenditures, liabilities and other obligations as they come due. The Organization's practice is to keep current notes receivable as fully deployed as possible. The Organization invests cash in excess of daily requirements in various interest-bearing accounts. In addition, there is an additional $500,000 in a line of credit, which expires in June 2024, that can be drawn upon to cover short-term liquidity needs, should they arise.

13. Subsequent Events

Management has evaluated subsequent events through April 24, 2024, the date which the consolidated financial statements were available to be issued.

Working Capital for Community Needs, Inc.

Consolidating Statement of Financial Position
December 31, 2023

	WCCN	Community Needs, LLC	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash and cash equivalents	$ 1,351,684	$ 1,397	$ -	$ 1,353,081
Certificates of deposit	1,000,000	-	-	1,000,000
Accrued interest receivable	185,760	-	-	185,760
Notes receivable, current portion	7,375,703	-	-	7,375,703
Prepaid expenses	15,971	-	-	15,971
Total current assets	9,929,118	1,397	-	9,930,515
Other Assets				
Notes receivable, less current portion (net of allowance for credit losses of $837,082)	4,871,620	-	-	4,871,620
Operating lease right-of-use asset	33,170	-	-	33,170
Property and equipment, net	156,612	-	-	156,612
Investment in Community Needs, LLC	1,397	-	(1,397)	-
Total other assets	5,062,799	-	(1,397)	5,061,402
Total assets	$ 14,991,917	$ 1,397	$ (1,397)	$ 14,991,917
Liabilities and Net Assets				
Current Liabilities				
Notes payable, current portion	$ 3,368,427	$ -	$ -	$ 3,368,427
Accounts payable	6,826	-	-	6,826
Operating lease liability, current portion	23,012	-	-	23,012
Accrued interest payable	148,705	-	-	148,705
Total current liabilities	3,546,970	-	-	3,546,970
Long-Term Liabilities				
Notes payable less current portion	10,065,106	-	-	10,065,106
Operating lease liability less current portion	10,238	-	-	10,238
Total liabilities	13,622,314	-	-	13,622,314
Net Assets				
Without donor restrictions:				
Undesignated	1,219,603	1,397	(1,397)	1,219,603
Designated	140,000	-	-	140,000
Total net assets without donor restrictions	1,359,603	1,397	(1,397)	1,359,603
With donor restrictions	10,000	-	-	10,000
Total net assets	1,369,603	1,397	(1,397)	1,369,603
Total liabilities and net assets	$ 14,991,917	$ 1,397	$ (1,397)	$ 14,991,917

Working Capital for Community Needs, Inc.

Consolidating Statement of Activities
Year Ended December 31, 2023

	WCCN	Community Needs, LLC	Eliminations	Consolidated Total
Net Assets Without Donor Restrictions				
Support and Revenue				
Portfolio income	$ 1,265,911	$ -	$ -	$ 1,265,911
Contributions	554,686	-	-	554,686
Loan fees	54,333	-	-	54,333
Other	433	-	-	433
Community Needs, LLC change in net assets	(1,195)	-	1,195	-
Total support and revenue	1,874,168	-	1,195	1,875,363
Expenses and Losses				
Personnel and consulting	583,242	-	-	583,242
Interest on investor loans	368,470	-	-	368,470
Legal	42,380	-	-	42,380
Office expenses	23,018	-	-	23,018
Accounting	47,020	-	-	47,020
Occupancy	24,680	-	-	24,680
Travel and training	24,822	-	-	24,822
Provision for credit losses	977,396	-	-	977,396
Other	46,850	1,195	-	48,045
Total expenses	2,137,878	1,195	-	2,139,073
Change in net assets	$ (263,710)	$ (1,195)	$ 1,195	$ (263,710)