Working Capital for Community Needs, Inc.

Consolidated Financial Statements and Supplementary Information

As of December 31, 2021 and 2020 and for the Years Ended December 31, 2021, 2020 and 2019

Working Capital for Community Needs, Inc.

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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, 2021 and 2020, and the related consolidated statements of activities, cash flows and functional expenses for each of the three years in the period ended December 31, 2021, 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, 2021 and 2020, and the changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2021, 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.

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 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 are 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 auditing standards generally accepted in the United States of America. 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 27, 2022

Working Capital for Community Needs, Inc.

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 969,390	$ 1,403,800
Pledges receivable	-	540
Accrued interest receivable	265,183	233,598
Notes receivable, net, current portion	4,909,951	4,504,823
Prepaid expenses	10,546	11,461
Total current assets	6,155,070	6,154,222
Other Assets		
Notes receivable, net less current portion	8,176,666	6,325,525
Operating lease right-of-use asset	75,467	30,768
Total other assets	8,252,133	6,356,293
Total assets	$ 14,407,203	$ 12,510,515
Liabilities and Net Assets		
Current Liabilities		
Notes payable, current portion	$ 3,837,295	$ 2,900,638
Accounts payable	2,673	3,971
Cross-currency interest rate swap liability	8,829	22,521
Forward hedge liability	-	22,479
Operating lease liability, current portion	20,317	23,484
Accrued interest payable	154,440	141,560
Total current liabilities	4,023,554	3,114,653
Long-Term Liabilities		
Notes payable less current portion	9,145,300	8,536,755
Operating lease liability less current portion	55,100	7,556
Total liabilities	13,223,954	11,658,964
Net Assets		
Net assets without donor restrictions	1,183,249	851,551
Total liabilities and net assets	$ 14,407,203	$ 12,510,515

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2021, 2020 and 2019

	Without Donor Restrictions		
	2021	2020	2019
Support and Revenue			
Portfolio income	$ 1,225,325	$ 982,864	$ 931,793
Contributions	195,643	199,769	371,232
Loan fees	75,071	58,265	57,165
Other	911	420	17,521
Total support and revenue	1,496,950	1,241,318	1,377,711
Expenses and Losses			
Program services:			
Microfinance	827,592	848,888	781,584
Educational and other	5,807	49,485	9,290
Supporting activities:			
Management and general	295,307	255,877	227,706
Fundraising	36,546	23,130	66,707
Total expenses	1,165,252	1,177,380	1,085,287
Change in net assets	331,698	63,938	292,424
Net Assets, Beginning	851,551	787,613	495,189
Net Assets, Ending	$ 1,183,249	$ 851,551	$ 787,613

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
Cash Flows From Operating Activities			
Change in net assets	$ 331,698	$ 63,938	$ 292,424
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Unrealized (gain) loss on cross-currency interest rate swap	(13,692)	14,531	5,149
Unrealized (gain) loss on forward hedge	(22,479)	22,479	-
Provision for loan losses	591,211	385,931	263,378
Lease costs	(322)	(64)	336
Forgiveness of notes payable	(3,091)	(21,125)	(96,189)
Changes in assets and liabilities:			
Pledges receivable	540	8,960	(9,500)
Accrued interest receivable	(31,585)	(9,436)	(54,160)
Notes receivable	(2,847,480)	(830,254)	(293,015)
Prepaid expenses	915	10,456	(2,865)
Accounts payable	(1,298)	(13,244)	10,172
Accrued interest payable	89,507	57,022	63,271
Net cash flows from operating activities	(1,906,076)	(310,806)	179,001
Cash Flows From Financing Activities			
Proceeds from notes payable	1,937,085	1,462,313	546,396
Payment of notes payable	(465,419)	(644,435)	(407,114)
Net cash flows from financing activities	1,471,666	817,878	139,282
Net change in cash and cash equivalents	(434,410)	507,072	318,283
Cash and Cash Equivalents, Beginning	1,403,800	896,728	578,445
Cash and Cash Equivalents, Ending	$ 969,390	$ 1,403,800	$ 896,728
Supplemental Cash Flow Disclosures			
Cash paid for interest on notes payable	$ 335,254	$ 337,249	$ 312,253
Noncash Operating and Financing Activities			
Right-of-use asset financed with operating lease	$ 65,839	$ -	$ 61,973
Accrued interest payable converted to notes payable	$ 76,627	$ 59,483	$ 62,894
Matured notes payable reinvested	$ 3,566,552	$ 3,236,290	$ 2,000,512

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Functional Expenses
Years Ended December 31, 2021, 2020 and 2019

2021	Program Services: Microfinance	Program Services: Educational and Other	Supporting Services: Management and General	Supporting Services: 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

2020	Program Services: Microfinance	Program Services: Educational and Other	Supporting Services: Management and General	Supporting Services: Fundraising	2020 Total
Personnel and consulting	$ 255,056	$ -	$ 173,958	$ 10,291	$ 439,305
Interest on investor loans	334,744	-	22	-	334,766
Legal	31,856	-	7,865	-	39,721
Grants and allocations	29,908	46,100	-	-	76,008
Office expenses	8,667	2,320	9,289	2,550	22,826
Accounting	-	-	29,900	-	29,900
Occupancy	12,299	-	8,610	2,226	23,135
Travel and training	8,728	-	7,406	1,501	17,635
Provision for loan losses	154,731	-	-	-	154,731
Other	12,899	1,065	18,827	6,562	39,353
Total expenses	$ 848,888	$ 49,485	$ 255,877	$ 23,130	$ 1,177,380

2019	Program Services: Microfinance	Program Services: Educational and Other	Supporting Services: Management and General	Supporting Services: Fundraising	2019 Total
Personnel and consulting	$ 220,240	$ 375	$ 157,855	$ 26,058	$ 404,528
Interest on investor loans	312,630	-	-	-	312,630
Legal	33,589	-	6,757	-	40,346
Grants and allocations	27,000	6,300	-	-	33,300
Office expenses	9,432	1,278	9,655	5,395	25,760
Accounting	300	-	26,220	-	26,520
Occupancy	14,579	-	11,931	2,199	28,709
Travel and training	38,143	-	2,847	10,379	51,369
Provision for loan losses	97,251	-	-	-	97,251
Other	28,420	1,337	12,441	22,676	64,874
Total expenses	$ 781,584	$ 9,290	$ 227,706	$ 66,707	$ 1,085,287

See notes to consolidated financial statements

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 did not have any net assets with donor restrictions as of December 31, 2021 and 2020.

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 has not designated any amounts as of December 31, 2021 and 2020.

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.

Accrued Interest Receivable

Interest is accrued on a monthly basis and is stated at the invoice amount. The Organization provides an allowance for doubtful accounts for accrued interest receivable equal to the estimated uncollectible amounts. The allowance for doubtful accounts is based on historical collection experience and a review of the current status of accrued interest receivable. No allowance for doubtful accounts is considered necessary for the accrued interest receivable as of December 31, 2021 and 2020.

Notes Receivable

Notes receivable consist of amounts due from microfinance organizations and producer cooperatives/associations in Latin America. The allowance for loan loss reserve is a valuation allowance for probable incurred credit losses. Management regularly evaluates 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 affect the borrower's ability to pay. The allowance consists of specific and general components. The general component covers loans that are collectively evaluated for potential impairment. The specific component relates to loans that are individually evaluated for impairment due to current events or information being available making it more probable that the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreements. The Organization provides an allowance for loan losses equal to the total estimated uncollectible notes. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that should be charged off. When an account is determined uncollectible, the account is written off against the allowance. It is reasonably possible that the Organization's estimate of the allowance for loan losses will change. The loan loss reserve as of December 31, 2021 and 2020 was $1,350,495 and $1,142,288, respectively.

The Organization considers any loans 90 days or more past due delinquent and puts them in non-accrual status. Interest received on such loans is accounted for on a cash basis until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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 percent 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, 2021 and 2020.

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.

Adopted Accounting Pronouncement

During 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities*. ASU No. 2017-12 improves the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. Adopting ASU No. 2017-12 did not have a significant impact on the Organization's consolidated financial statements.

New Accounting Pronouncements

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). The Organization is currently assessing the effect that ASU No. 2020-07 will have on its consolidated financial statements.

During June 2016, FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires 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 experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. FASB has issued subsequent standards to clarify, correct errors in or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022 (2023). Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. The Organization is currently assessing the effect that electing the optional expedients and exceptions included in ASU No. 2020-04 would have on its results of operation, financial position and cash flows.

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 7.87% 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.

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

	2021	2020
Allowance		
Balance January 1:	$ 1,142,288	$ 1,533,454
Charge offs	-	(545,897)
Recoveries	(383,004)	(231,200)
Provision for loan losses	591,211	385,931
Balance December 31	$ 1,350,495	$ 1,142,288
Ending balance individually evaluated for impairment	$ 677,175	$ 747,082
Ending balance collectively evaluated for impairment	$ 673,320	$ 395,206

Loan activity is as follows for the years ended December 31:

	2021	2020
Loans		
Balance December 31:	$ 14,437,112	$ 11,972,636
Allowance for loan losses	(1,350,495)	(1,142,288)
Notes receivable, net	$ 13,086,617	$ 10,830,348
Ending balance individually evaluated for impairment	$ 1,019,184	$ 2,092,476
Ending balance collectively evaluated for impairment	$ 13,417,928	$ 9,880,160

Components of notes receivable as of December 31 are as follows:

	2021	2020
Notes receivable	$ 14,437,112	$ 11,972,636
Allowance for loan losses	(1,350,495)	(1,142,288)
Notes receivable, net	13,086,617	10,830,348
Less current portion	(4,909,951)	(4,504,823)
Notes receivable, net less current portion	$ 8,176,666	$ 6,325,525

Notes receivable are 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, 2021. For 2020, the allowance was 4%. In addition, the Organization reviews the risk factors and performance of each individual loan and may assess an additional allowance if deemed appropriate.

The Organization's internal risk rating is 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.

Provisioning Criteria

The Organization follows 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% (4% for 2020)
Special Mention	30	5%
Substandard	90	50%

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

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

	2021					
Classification	Number of Agencies		Loans Outstanding	Percentage Applied		Allowance Needed
Current	17	$	13,417,928	5 %	$	673,320

	2020					
Classification	Number of Agencies		Loans Outstanding	Percentage Applied		Allowance Needed
Current	16	$	9,880,160	4 %	$	395,206

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:

	2021				
		Loans Outstanding	Percentage Applied		Allowance Needed
Separately identified borrowers:					
Restructured	$	526,311	100 %	$	526,311
Loan in restructuring process		233,102	50 %		116,551
Other (foreign currency)		114,771	16 %		18,363
Other		145,000	11 %		15,950
Total	$	1,019,184		$	677,175

	2020				
		Loans Outstanding	Percentage Applied		Allowance Needed
Separately identified borrowers:					
Restructured	$	594,280	100 %	$	594,280
Rescheduled payments		379,991	4 %		15,200
Other (foreign currency)		292,001	16 %		46,720
Other		826,204	11 %		90,882
Total	$	2,092,476		$	747,082

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 100% appropriate for this loan.

As of December 31, 2021, one loan restructure was in process and the Organization assessed a 50% loan loss reserve appropriate.

As a result of the spread of the COVID-19 pandemic, economic uncertainties arose in both the United States and Latin America which impacted the Organization's portfolio quality. In 2020, the Organization agreed to reschedule $1,127,576 in principal payments due from six partners in five different countries. Remaining rescheduled amounts due as of December 31, 2020 were $379,991. The Organization has deemed an allowance of 4% appropriate for these specific rescheduled principal payments due to all partners being current with their payments. Rescheduled loan payments were fully collected by the Organization during the year ended December 31, 2021.

Separately, in 2020, the Organization agreed to reschedule $352,076 in principal payments with an additional four partners in two different countries. All partners were current with their payments. Due to the difficult economic conditions these four partners found themselves in due to the pandemic, the Organization decided to proactively record an extra reserve on all of the loans to those partners. Three partners had loans in US dollars totaling $826,204 as of December 31, 2020 reflected as other in the chart above. Other consists of loans which had restructured payments as a result of economic conditions. One partner had a loan in a foreign currency totaling $292,001 reflected as other (foreign currency) in the chart above. The Organization decided to reserve the US dollar loans at 11%, while reserving the foreign currency loan at 16% to cover any currency fluctuation.

During the year ended December 31, 2021, a partner in Honduras requested a restructure of payments. The outstanding balance was $233,102 as of December 31, 2021 and the partner was current on all loan payments at the time of the request. As of December 31, 2021, the restructure was in process and the Organization assessed a 50% loan loss reserve appropriate.

In 2018, political protests in Nicaragua brought the country to an economic standstill for four months. While WCCN did not incur any significant losses during this time, management decided to shift its portfolio strategy in Nicaragua to work only with partners that were highly rated, had good equity bases and good management. This strategy has worked well to mitigate the WCCN's risk in Nicaragua. Since that time, the government of Nicaragua has shut down around 140 non-profit organizations in Nicaragua that receive donations from international governments or organizations and have also spoken out against the current President, Daniel Ortega, and his administration. WCCN works with three private organizations in Nicaragua and one non-profit organization. To date, no private or non-profit microfinance organizations in Nicaragua have been shut down by the government, and none of our current partners have engaged in political activity or spoken out against the government. However, in response to this development, WCCN may adapt the way it lends in Nicaragua to protect its investments, including shifting contracts to holding companies in other countries outside of Nicaragua. Given that WCCN has not experienced any losses in Nicaragua due to this situation, WCCN maintains a 5% reserve.

There were no past due loans as of December 31, 2021 and 2020.

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, 2021, 2020 and 2019.

Portfolio income for the years ended December 31, 2021, 2020 and 2019 consisted of the following:

	2021	2020	2019
Interest and dividends	$ 1,194,846	$ 1,014,647	$ 936,276
Unrealized gain (loss) on cross-currency interest rate swaps	13,692	(14,531)	(5,149)
Realized and unrealized loss on forward hedge	(11,034)	(22,479)	-
Gain on currency translations	27,821	5,227	666
Portfolio income	$ 1,225,325	$ 982,864	$ 931,793

3. 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, 2021 and 2020, there were approximately 500 notes executed with recurring and new lenders. Interest rates on the notes range from 0% to 4.25% 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, 2021 and 2020 consisted of the following:

	2021	2020
Notes payable, various lenders	$ 12,832,595	$ 11,287,393
Notes payable, SBA	150,000	150,000
Total	12,982,595	11,437,393
Less current portion	(3,837,295)	(2,900,638)
Notes payable less current portion	$ 9,145,300	$ 8,536,755

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

Years ending December 31:	
2022	$ 3,837,295
2023	1,317,172
2024	2,499,830
2025	2,202,524
2026	1,512,874
Thereafter	1,612,900
Total	$ 12,982,595

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, 2021, 2020 and 2019, amounts forgiven totaled $3,091, $21,125 and $96,189, 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, 2021, the Organization represents that it is in compliance with all filing requirements and covenants.

4. Paycheck Protection Program Loan

The Organization participated in and received funds under the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief and Economic Security (CARES) Act of 2020 in the amount of $52,700, and a Second Draw PPP (PPP2) loan in the amount of $59,505 in February 2021, under the Economic Aid Act. The PPP and PPP2 are designed to provide a direct financial incentive for small businesses to keep their workers on the payroll. The program will forgive loan balances to the extent employees are kept on the payroll and the loan principal is used for payroll, rent, mortgage interest, or utilities among other expenses during the eight or twenty-four week period following receipt. Any portion of the loan that is not forgiven will carry interest at 1% and is due to be paid back within two or five years. The first payment can be deferred until ten months after the end of the covered period, which is either eight or twenty-four weeks for PPP and between eight and twenty-four weeks for PPP2.

As of December 31, 2020, the Organization has expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, therefore, the Organization has recorded contribution revenue of $52,700 within its consolidated statements of activities for the year-ended December 31, 2020. The PPP was forgiven in full by the Small Business Administration (SBA) in November 2020.

As of December 31, 2021, the Organization has expended all of the PPP2 funds received on qualified expenses and believes that it met all of the conditions attached to the PPP2 funds, therefore, the Organization has recorded $59,505 as contribution revenue within its consolidated statements of activities for the year ending December 31, 2021. The PPP2 was forgiven in full by the SBA in June 2021.

The SBA reserves the right to audit the PPP and PPP2 loans, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the agreements, all borrowers are required to maintain their loan documentation for six years after the loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

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 2022. As of December 31, 2021 and 2020 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, 2021 and 2020 was $1,223,177 and $1,293,980, respectively. Amounts received in contributions from gifts becoming unconditional and recognized in the consolidated statements of activities for 2021, 2020, and 2019 were $3,091, $2,000, and $0, 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 percent for a period comparable to the lease term, 8.6 percent. 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 percent for a period comparable to the lease term, 6.34 percent.

Future minimum lease payments are as follows:

Years ending December 31:	
2022	$ 24,680
2023	24,680
2024	24,680
2025	10,283
Total	84,323
Less present value discount	(8,906)
Operating lease liability	75,417
Less current portion	(20,317)
Long-term operating lease liability	$ 55,100

Total lease expense in 2021, 2020 and 2019 was $23,162, $23,135, and $21,665, 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 2021, 2020, and 2019 was $8,552, $7,512, and $6,687, respectively.

9. Related Party Transactions

The Organization has notes payable to board members and employees totaling $101,401 and $60,178 as of December 31, 2021 and 2020, respectively. The interest rates on the notes range from 1% to 3% and the notes mature on various dates between March 2022 and December 2028. The Organization also received donations from board members and employees totaling $4,395, $21,518, and $16,235, for the years ended December 31, 2021, 2020, and 2019, 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 mature 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 has 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, 2021 and 2020 and the amount of exposure recorded in the change in net assets for the years ending December 31, 2021 and 2020, respectively.

	Notional Amount	Liability as of December 31	Year Ended December 31 Loss	Classification of Gain (loss)
2021 cross-currency interest rate swaps	$ 198,334	$ (8,829)	$ 13,692	Portfolio income
2020 cross-currency interest rate swaps	$ 589,999	$ (22,521)	$ (14,531)	Portfolio income

In 2020, the Organization entered into three forward hedge transactions due to rescheduling local currency loan principal payments due in 2020 to future dates. A forward hedge is an agreement between two parties to exchange future principal payments in one currency for set principal payments in another currency. As a result of the future hedge agreements, the Organization has eliminated its currency risk that the principal payments to be received in the future would be less or greater than the U.S. dollar value of the amounts. One agreement ended during the year ended December 31, 2020, while the additional two agreements ended during the year ended December 31, 2021.

The following represents the notional amount hedged, fair value of the forward hedge outstanding as of December 31, 2021 and 2020, and the amount of exposure recorded in the change in net assets for the year ended December 31, 2021 and 2020.

	Notional Amount	Liability as of December 31	Year Ended December 31 Loss	Classification of Gain (loss)
2021 forward hedges	$ -	$ -	$ (11,034)	Portfolio income
2020 forward hedges	$ 161,090	$ (22,479)	$ (22,479)	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, 2021 and 2020 are as follows:

	2021	2020
Ecuador	$ 3,430,980	$ 3,634,182
El Salvador	1,200,000	675,000
Honduras	973,212	1,447,423
Guatemala	1,425,000	458,333
Nicaragua	5,137,442	3,518,000
Colombia	227,500	78,750
Peru	876,311	1,460,948
Mexico	1,166,667	700,000
Notes receivable	14,437,112	11,972,636
Less loan loss reserves	(1,350,495)	(1,142,288)
Notes receivable, net	$ 13,086,617	$ 10,830,348

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

12. Fair Value Measurements

Current authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Organization attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Fair values of liabilities measured on a recurring basis as of December 31, 2021 and 2020 are as follows:

	2021			
	Total	**Level 1**	**Level 2**	**Level 3**
Cross-currency interest rate swap liability	$ (8,829)	$ -	$ -	$ (8,829)

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Cross-currency interest rate swap liability	$ (22,521)	$ -	$ -	$ (22,521)
Forward hedge liability	(22,479)	-	-	(22,479)
Total	$ (45,000)	$ -	$ -	$ (45,000)

Following is a description of the valuation methodologies used for liabilities measured at fair value. There have been no changes in the valuation methodologies used as of December 31, 2021 and 2020:

Cross-currency interest rate swap: The interest rate swap valuation is based on unobservable inputs including expected cash flow, maturity date, notional amount, interest rates, and risk of non-performance through the duration of the agreement and is considered a Level 3 item.

Forward hedge: The forward hedge valuation is based on unobservable inputs including expected cash flow, maturity date, notional amount, interest rates, and risk of non-performance through the duration of the agreement and is considered a Level 3 item.

During the years ended December 31, 2021 and 2020, there were gains (losses) included in the change in net assets on the cross-currency interest rate swaps of $13,692 and $(14,531), respectively. During the year ended December 31, 2021 and 2020, there were losses included in the change in net assets on the forward hedges of $11,034 and $22,479, respectively.

13. Availability and Liquidity of Financial Assets

Financial assets available as of December 31, 2021 and 2020 for general expenditures consist of the following:

	2021	**2020**
Total assets	$ 14,407,203	$ 12,510,515
Less non-financial assets:		
Prepaid expenses	(10,546)	(11,461)
Operating lease right-of-use asset	(75,467)	(30,768)
Total financial assets	14,321,190	12,468,286
Less those unavailable for general expenditure		
Notes receivable less current portion	(8,176,666)	(6,325,525)
Assets available for general expenditures	$ 6,144,524	$ 6,142,761

As of December 31, 2021, the Organization has approximately $970,000 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 2022, that can be drawn upon to cover short-term liquidity needs, should they arise.

14. Subsequent Events

Management has evaluated subsequent events through April 27, 2022, 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, 2021

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 962,084	$ 7,306	$ -	$ 969,390
Accrued interest receivable	252,898	12,285	-	265,183
Notes receivable, net, current portion	4,737,221	172,730	-	4,909,951
Prepaid expenses	10,546	-	-	10,546
Total current assets	5,962,749	192,321	-	6,155,070
Other Assets				
Notes receivable, net less current portion	8,176,666	-	-	8,176,666
Operating lease right-of-use asset	75,467	-	-	75,467
Investment in Community Needs, LLC	183,492	-	(183,492)	-
Total other assets	8,435,625	-	(183,492)	8,252,133
Total assets	$ 14,398,374	$ 192,321	$ (183,492)	$ 14,407,203
Liabilities and Net Assets				
Current Liabilities				
Notes payable, current portion	$ 3,837,295	$ -	$ -	$ 3,837,295
Accounts payable	2,673	-	-	2,673
Cross-currency interest rate swap liability	-	8,829	-	8,829
Operating lease liability, current portion	20,317	-	-	20,317
Accrued interest payable	154,440	-	-	154,440
Total current liabilities	4,014,725	8,829	-	4,023,554
Long-Term Liabilities				
Notes payable less current portion	9,145,300	-	-	9,145,300
Operating lease liability less current portion	55,100	-	-	55,100
Total liabilities	13,215,125	8,829	-	13,223,954
Net Assets				
Net assets without donor restrictions	1,183,249	183,492	(183,492)	1,183,249
Total liabilities and net assets	$ 14,398,374	$ 192,321	$ (183,492)	$ 14,407,203

Working Capital for Community Needs, Inc.

Consolidating Statement of Activities
For the Year Ended December 31, 2021

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
Support and Revenue				
Portfolio income	$ 1,166,696	$ 58,629	$ -	$ 1,225,325
Contributions	195,643	-	-	195,643
Loan fees	75,071	-	-	75,071
Other	911	-	-	911
Community Needs, LLC change in net assets	(537,215)	-	537,215	-
Total support and revenue	901,106	58,629	537,215	1,496,950
Expenses and Losses				
Personnel and consulting	495,682	-	-	495,682
Interest on investor loans	348,134	-	-	348,134
Legal	40,341	38	-	40,379
Grants and allocations	15,300	-	-	15,300
Office expenses	20,056	-	-	20,056
Accounting	29,908	-	-	29,908
Occupancy	23,162	-	-	23,162
Provision for loan losses	174,002	(35,756)	-	138,246
Other	52,916	1,469	-	54,385
Total expenses	1,199,501	(34,249)	-	1,165,252
Change in net assets before equity transfer	(298,395)	92,878	537,215	331,698
Equity Transfer	630,093	(630,093)	-	-
Change in net assets	$ 331,698	$ (537,215)	$ 537,215	$ 331,698