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Working Capital for Community Needs, Inc.

Consolidated Financial Statements and
Supplementary Information

As of December 31, 2022 and 2021 and
for the Years Ended December 31, 2022, 2021 and 2020

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, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and the changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2022, 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 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 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
June 5, 2023

Working Capital for Community Needs, Inc.

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 870,241	$ 969,390
Accrued interest receivable	221,113	265,183
Notes receivable, net, current portion	5,849,260	4,909,951
Prepaid expenses	13,644	10,546
Total current assets	6,954,258	6,155,070
Other Assets		
Notes receivable, net, less current portion	7,750,484	8,176,666
Operating lease right-of-use asset	54,982	75,467
Total other assets	7,805,466	8,252,133
Total assets	$ 14,759,724	$ 14,407,203
Liabilities and Net Assets		
Current Liabilities		
Notes payable, current portion	$ 1,887,239	$ 3,837,295
Accounts payable	10,207	2,673
Cross-currency interest rate swap liability	-	8,829
Operating lease liability, current portion	24,912	20,317
Accrued interest payable	141,125	154,440
Total current liabilities	2,063,483	4,023,554
Long-Term Liabilities		
Notes payable less current portion	11,281,419	9,145,300
Operating lease liability less current portion	30,383	55,100
Total liabilities	13,375,285	13,223,954
Net Assets		
Without donor restrictions:		
Undesignated	1,234,439	1,183,249
Designated	140,000	-
Total net assets without donor restrictions	1,374,439	1,183,249
With donor restrictions	10,000	-
Total net assets	1,384,439	1,183,249
Total liabilities and net assets	$ 14,759,724	$ 14,407,203

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2022, 2021 and 2020

	2022	2021	2020
Net Assets Without Donor Restrictions			
Support and Revenue			
Portfolio income	$ 1,382,753	$ 1,225,325	$ 982,864
Contributions	319,205	195,643	199,769
Loan fees	63,163	75,071	58,265
Other	5,199	911	420
Total support and revenue	1,770,320	1,496,950	1,241,318
Expenses and Losses			
Program services:			
Microfinance	1,232,154	827,592	848,888
Educational and other	1,905	5,807	49,485
Supporting activities:			
Management and general	282,856	295,307	255,877
Fundraising	62,215	36,546	23,130
Total expenses	1,579,130	1,165,252	1,177,380
Change in net assets without donor restrictions	191,190	331,698	63,938
Net Assets With Donor Restrictions			
Contributions	10,000	-	-
Change in net assets	201,190	331,698	63,938
Net Assets, Beginning	1,183,249	851,551	787,613
Net Assets, Ending	$ 1,384,439	$ 1,183,249	$ 851,551

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2022, 2021 and 2020

	2022	2021	2020
Cash Flows From Operating Activities			
Change in net assets	$ 201,190	$ 331,698	$ 63,938
Adjustments to reconcile change in net assets to net cash flows from operating activities:			
Unrealized and realized (gain) loss on cross-currency interest rate swap	(8,829)	(13,692)	14,531
Unrealized (gain) loss on forward hedge	-	(22,479)	22,479
Provision for loan losses	882,828	591,211	385,931
Lease costs	363	(322)	(64)
Forgiveness of notes payable	(100,490)	(3,091)	(21,125)
Changes in assets and liabilities:			
Pledges receivable	-	540	8,960
Accrued interest receivable	44,070	(31,585)	(9,436)
Notes receivable	(1,395,955)	(2,847,480)	(830,254)
Prepaid expenses	(3,098)	915	10,456
Accounts payable	7,534	(1,298)	(13,244)
Accrued interest payable	80,056	89,507	57,022
Net cash flows from operating activities	(292,331)	(1,906,076)	(310,806)
Cash Flows From Financing Activities			
Proceeds from notes payable	841,814	1,937,085	1,462,313
Payment of notes payable	(648,632)	(465,419)	(644,435)
Net cash flows from financing activities	193,182	1,471,666	817,878
Net change in cash and cash equivalents	(99,149)	(434,410)	507,072
Cash and Cash Equivalents, Beginning	969,390	1,403,800	896,728
Cash and Cash Equivalents, Ending	$ 870,241	$ 969,390	$ 1,403,800
Supplemental Cash Flow Disclosures			
Cash paid for interest on notes payable	$ 383,014	$ 335,254	$ 337,249
Noncash Operating and Financing Activities			
Right-of-use asset financed with operating lease	$ -	$ 65,839	$ -
Accrued interest payable converted to notes payable	$ 93,371	$ 76,627	$ 59,483
Matured notes payable reinvested	$ 2,297,929	$ 3,566,552	$ 3,236,290

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Functional Expenses
Years Ended December 31, 2022, 2021 and 2020

2022	Program Services: Microfinance	Program Services: Educational and Other	Supporting Services: Management and General	Supporting Services: 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

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

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 had net assets with donor restrictions totaling $10,000 as of December 31, 2022 restricted for Information Technology (IT) upgrades. The Organization did not have any net assets with donor restrictions as of December 31, 2021.

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 and $0 as of December 31, 2022 and 2021, respectively, 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.

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, 2022 and 2021.

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, 2022 and 2021 was $1,825,226 and $1,350,495, respectively.

The Organization considers any loans 90 days or more past due delinquent and puts them in nonaccrual 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% 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, 2022 and 2021.

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.

New Accounting Pronouncements

During June 2016, the Financial Accounting Standards Board (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). The Organization is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

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 8.25% 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:

	2022	2021
Allowance		
Balance January 1:	$ 1,350,495	$ 1,142,288
Recoveries	(408,097)	(383,004)
Provision for loan losses	882,828	591,211
Balance December 31	$ 1,825,226	$ 1,350,495
Ending balance individually evaluated for impairment	$ 1,171,086	$ 677,175
Ending balance collectively evaluated for impairment	$ 654,140	$ 673,320

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

	2022	2021
Loans		
Balance December 31:	$ 15,424,970	$ 14,437,112
Allowance for loan losses	(1,825,226)	(1,350,495)
Notes receivable, net	$ 13,599,744	$ 13,086,617
Ending balance individually evaluated for impairment	$ 2,342,174	$ 1,019,184
Ending balance collectively evaluated for impairment	$ 13,082,796	$ 13,417,928

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

	2022	2021
Notes receivable	$ 15,424,970	$ 14,437,112
Allowance for loan losses	(1,825,226)	(1,350,495)
Notes receivable, net	13,599,744	13,086,617
Less current portion	(5,849,260)	(4,909,951)
Notes receivable, net less current portion	$ 7,750,484	$ 8,176,666

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, 2022 and 2021. 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%
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:

	2022			
Classification	Number of Agencies	Loans Outstanding	Percentage Applied	Allowance Needed
Current	16	$ 13,082,796	5 %	$ 654,140

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

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

	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

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 at December 31, 2021. Management has deemed an allowance of 50% appropriate for these types of loans at December 31, 2022.

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 loan was not yet replaced and the Organization assessed a 50% loan loss reserve appropriate. As of December 31, 2022, the loan is considered restructured and the Organization assessed a 50% loan loss reserve on the remaining balance of the loan.

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. In April 2023, the partner was in the process of negotiating a repayment plan with FND over four years to repay the $7 million owed. The partner is also working to replace this funding source with both national and international sources of funds. Due to accelerated payments required from FND, the partner had late payments of interest and principal in January and February 2023. As of May 2023, the partner had not made the March and April 2023 interest and principal payments. The Organization has collateral with the partner in the form of a portfolio pledge of 120%. As of December 31, 2022, the Organization assessed a 50% loan loss reserve on the outstanding balance of the loan.

The Organization had previously agreed to reschedule principal payments with 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 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 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 as of December 31, 2021. These loans were fully collected by the Organization during the year ended December 31, 2022.

There were no past due loans as of December 31, 2022 and 2021.

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, 2022, 2021 and 2020.

Portfolio income for the years ended December 31, 2022, 2021 and 2020 consisted of the following:

	2022	2021	2020
Interest and dividends	$ 1,371,217	$ 1,190,830	$ 1,014,647
Realized and unrealized gain (loss) on cross-currency interest rate swaps	8,829	13,692	(14,531)
Realized and unrealized gain (loss) on forward hedge	-	22,479	(22,479)
Gain (loss) on currency translations	2,707	(1,676)	5,227
Portfolio income	$ 1,382,753	$ 1,225,325	$ 982,864

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, 2022 and 2021, 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, 2022 and 2021 consisted of the following:

	2022	2021
Notes payable, various lenders	$ 13,020,536	$ 12,832,595
Notes payable, SBA	148,122	150,000
Total	13,168,658	12,982,595
Less current portion	(1,887,239)	(3,837,295)
Notes payable less current portion	$ 11,281,419	$ 9,145,300

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

Years ending December 31:	
2023	$ 1,887,239
2024	3,019,830
2025	3,546,049
2026	1,605,157
2027	1,666,349
Thereafter	1,444,034
Total	$ 13,168,658

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, 2022, 2021 and 2020, amounts forgiven totaled $100,490, $3,091 and $21,125, 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, 2022, 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 2023. As of December 31, 2022 and 2021 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, 2022 and 2021 was $1,261,677 and $1,223,177, respectively. Amounts received in contributions from gifts becoming unconditional and recognized in the consolidated statements of activities for 2022, 2021, and 2020 were $5,221, $3,091, and $2,000, 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:		
2023	$	24,680
2024		24,680
2025		10,283
Total		59,643
Less present value discount		(4,348)
Operating lease liability		55,295
Less current portion		(24,912)
Long-term operating lease liability	$	30,383

Total lease expense in 2022, 2021 and 2020 was $24,680, $23,162, and $23,135, 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 2022, 2021, and 2020 was $9,041, $8,552, and $7,512, respectively.

9. Related-Party Transactions

The Organization has notes payable to board members totaling $14,067 and $25,122 as of December 31, 2022 and 2021, 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 $1,700, $640, and $3,785, for the years ended December 31, 2022, 2021, and 2020, 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, 2022 and 2021 and the amount of exposure recorded in the change in net assets for the years ending December 31, 2022 and 2021, respectively.

	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
2021 cross-currency interest rate swaps	198,334	(8,829)	13,692	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 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 the amount of exposure recorded in the change in net assets for the year ended December 31, 2021.

	Notional Amount	Liability as of December 31	Year Ended December 31 Gain	Classification of Gain (loss)
2021 forward hedges	$ -	$ -	$ 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, 2022 and 2021 are as follows:

	2022	2021
Ecuador	$ 3,890,777	$ 3,430,980
El Salvador	1,225,000	1,200,000
Honduras	495,322	973,212
Guatemala	1,700,000	1,425,000
Nicaragua	3,199,408	5,137,442
Colombia	136,500	227,500
Panama	1,111,111	-
Peru	450,186	876,311
Mexico	3,216,666	1,166,667
Notes receivable	15,424,970	14,437,112
Less loan loss reserves	(1,825,226)	(1,350,495)
Notes receivable, net	$ 13,599,744	$ 13,086,617

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 is as follows:

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

There were no liabilities measured on a recurring basis as of December 31, 2022.

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

During the years ended December 31, 2022 and 2021, there were gains included in the change in net assets on the cross-currency interest rate swaps of $8,829 and $13,692, respectively.

13. Availability and Liquidity of Financial Assets

Financial assets available as of December 31, 2022 and 2021 for general expenditures consist of the following:

	2022	2021
Total assets	$ 14,759,724	$ 14,407,203
Less nonfinancial assets:		
Prepaid expenses	(13,644)	(10,546)
Operating lease right-of-use asset	(54,982)	(75,467)
Total financial assets	14,691,098	14,321,190
Less those unavailable for general expenditure:		
Notes receivable less current portion	(7,750,484)	(8,176,666)
Assets available for general expenditures	$ 6,940,614	$ 6,144,524

As of December 31, 2022, the Organization has approximately $870,000 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 2023, that can be drawn upon to cover short-term liquidity needs, should they arise.

14. Subsequent Events

Management has evaluated subsequent events through June 5, 2023, 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, 2022

	WCCN	Community Needs, LLC	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash and cash equivalents	$ 867,649	$ 2,592	$ -	$ 870,241
Accrued interest receivable	221,113	-	-	221,113
Notes receivable, net, current portion	5,849,260	-	-	5,849,260
Prepaid expenses	13,644	-	-	13,644
Total current assets	6,951,666	2,592	-	6,954,258
Other Assets				
Notes receivable, net, less current portion	7,750,484	-	-	7,750,484
Operating lease right-of-use asset	54,982	-	-	54,982
Investment in Community Needs, LLC	2,592	-	(2,592)	-
Total other assets	7,808,058	-	(2,592)	7,805,466
Total assets	$ 14,759,724	$ 2,592	$ (2,592)	$ 14,759,724
Liabilities and Net Assets				
Current Liabilities				
Notes payable, current portion	$ 1,887,239	$ -	$ -	$ 1,887,239
Accounts payable	10,207	-	-	10,207
Operating lease liability, current portion	24,912	-	-	24,912
Accrued interest payable	141,125	-	-	141,125
Total current liabilities	2,063,483	-	-	2,063,483
Long-Term Liabilities				
Notes payable less current portion	11,281,419	-	-	11,281,419
Operating lease liability less current portion	30,383	-	-	30,383
Total liabilities	13,375,285	-	-	13,375,285
Net Assets				
Without donor restrictions:				
Undesignated	1,234,439	2,592	(2,592)	1,234,439
Designated	140,000	-	-	140,000
Total net assets without donor restrictions	1,374,439	2,592	(2,592)	1,374,439
With donor restrictions	10,000	-	-	10,000
Total net assets	1,384,439	2,592	(2,592)	1,384,439
Total liabilities and net assets	$ 14,759,724	$ 2,592	$ (2,592)	$ 14,759,724

Working Capital for Community Needs, Inc.

Consolidating Statement of Activities
Year Ended December 31, 2022

	WCCN	Community Needs, LLC	Eliminations	Consolidated Total
Net Assets Without Donor Restrictions				
Support and Revenue				
Portfolio income	$ 1,364,764	$ 17,989	$ -	$ 1,382,753
Contributions	319,205	-	-	319,205
Loan fees	63,163	-	-	63,163
Other	5,199	-	-	5,199
Community Needs, LLC change in net assets	(180,900)	-	180,900	-
Total support and revenue	1,571,431	17,989	180,900	1,770,320
Expenses and Losses				
Personnel and consulting	551,731	-	-	551,731
Interest on investor loans	369,699	-	-	369,699
Legal	25,700	-	-	25,700
Grants and allocations	4,265	-	-	4,265
Office expenses	22,641	-	-	22,641
Accounting	28,726	-	-	28,726
Occupancy	29,940	-	-	29,940
Travel and training	20,679	-	-	20,679
Provision for loan losses	497,112	(22,380)	-	474,732
Other	49,748	1,269	-	51,017
Total expenses	1,600,241	(21,111)	-	1,579,130
Net Assets With Donor Restrictions				
Contributions	10,000	-	-	10,000
Equity Transfer	220,000	(220,000)	-	-
Change in net assets	$ 201,190	$ (180,900)	$ 180,900	$ 201,190