

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION**

December 31, 2015, 2014, and 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Working Capital for Community Needs, Inc., which comprise the consolidated statements of financial position as of December 31, 2015, 2014, and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Working Capital for Community Needs, Inc. as of December 31, 2015, 2014, and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes

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of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and they 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 30, 2016

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015, 2014, and 2013

	2015	2014	2013
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,295,854	\$ 931,038	\$ 1,910,620
Accrued interest receivable - net	161,165	111,892	190,333
CC Fund notes receivable - current portion	6,774,147	7,123,026	7,244,634
CN LLC notes receivable - current portion	60,900	370,125	189,971
Notes receivable fair value - current portion	-	163,976	482,351
Prepaid expenses	18,833	15,566	37,817
Inventory	1,067	1,067	-
Derivatives fair value	22,802	6,550	-
Other receivables	6,535	10,844	-
Total current assets	8,341,303	8,734,084	10,055,726
OTHER ASSETS			
CC Fund notes receivable less current portion	4,138,283	4,257,610	3,464,097
CN LLC notes receivable less current portion	48,000	112,500	150,000
Notes receivable fair value less current portion	126,187	293,388	-
Property and equipment - net	119,373	56,314	-
Total assets	\$ 12,773,146	\$ 13,453,896	\$ 13,669,823
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
CC Fund notes payable - current portion	\$ 4,155,186	\$ 3,950,263	\$ 2,548,263
Accounts payable	35,614	28,329	41,434
Derivatives fair value	-	-	3,406
Accrued interest payable - current portion	169,866	70,708	44,553
Total current liabilities	4,360,666	4,049,300	2,637,656
LONG-TERM LIABILITIES			
CC Fund notes payable less current portion	7,004,133	7,586,334	8,719,984
CN LLC notes payable	40,000	-	-
Accrued interest payable less current portion	-	112,768	139,735
Total liabilities	11,404,799	11,748,402	11,497,375
NET ASSETS			
Unrestricted	1,368,347	1,705,494	2,155,113
Temporarily restricted	-	-	17,335
Total net assets	1,368,347	1,705,494	2,172,448
Total liabilities and net assets	\$ 12,773,146	\$ 13,453,896	\$ 13,669,823

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Investment return	\$ 1,030,721	\$ 1,146,238	\$ 1,030,240
Contributions	129,344	109,167	127,224
Loan fees	58,850	108,150	93,445
Tour fees	-	-	19,160
Sales	-	640	337
Other	8,734	20,146	742
Total unrestricted support and revenue	1,227,649	1,384,341	1,271,148
EXPENSES			
Program services			
Microfinance	1,187,753	1,364,369	881,244
Educational and other	46,493	76,646	74,802
Supporting activities			
Management and general	258,792	334,424	256,524
Fundraising	71,758	75,856	38,286
Total expenses	1,564,796	1,851,295	1,250,856
Net assets released from restrictions	-	17,335	249,784
Change in unrestricted net assets	(337,147)	(449,619)	270,076
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	-	-	17,335
Net assets released from restrictions	-	(17,335)	(249,784)
Change in temporarily restricted net assets	-	(17,335)	(232,449)
Change in net assets	(337,147)	(466,954)	37,627
Net assets - beginning of year	1,705,494	2,172,448	2,134,821
Net assets - end of year	<u>\$ 1,368,347</u>	<u>\$ 1,705,494</u>	<u>\$ 2,172,448</u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2015, 2014, and 2013

	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and other			
2015					
Personnel	\$ 307,944	\$ 15,176	\$ 162,101	\$ 39,132	\$ 524,353
Interest on investor loans	353,686	361	-	-	354,047
Consultants	209,929	401	54,729	4,225	269,284
Legal	45,722	3,095	1,828	-	50,645
Grants and allocations	-	-	-	100	100
Office expense	16,176	7,592	3,659	5,344	32,771
Accounting	-	-	17,693	-	17,693
Resources	5,293	-	-	1,591	6,884
Insurance	7,038	4,923	1,348	261	13,570
Bank and investment fees	10,053	839	1,247	1,143	13,282
Occupancy	13,328	2,308	2,543	2,254	20,433
Travel and training	93,517	2,002	3,005	4,456	102,980
Conferences and meetings	1,496	249	5,446	2,727	9,918
Provision for loan losses	87,565	-	-	-	87,565
Provision for interest losses	12,919	-	-	-	12,919
Marketing	1,369	2,067	-	5,672	9,108
Depreciation	16,946	6,749	3,865	-	27,560
Other	4,772	731	1,328	4,853	11,684
Total expenses	<u>\$ 1,187,753</u>	<u>\$ 46,493</u>	<u>\$ 258,792</u>	<u>\$ 71,758</u>	<u>\$ 1,564,796</u>
	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and other			
2014					
Personnel	\$ 199,008	\$ 21,067	\$ 238,367	\$ 36,862	\$ 495,304
Interest on investor loans	363,805	-	-	-	363,805
Consultants	248,967	1,692	27,436	380	278,475
Legal	44,766	-	547	-	45,313
Grants and allocations	31,916	17,035	-	-	48,951
Office expense	23,202	3,525	12,219	5,232	44,178
Accounting	-	-	17,167	-	17,167
Resources	11,217	2,134	103	431	13,885
Insurance	5,249	505	3,834	589	10,177
Bank and investment fees	12,734	1,071	1,611	1,860	17,276
Occupancy	20,808	2,497	4,856	2,915	31,076
Travel and training	79,210	6,786	14,081	5,670	105,747
Conferences and meetings	1,296	906	5,798	9,986	17,986
Provision for loan losses	281,943	-	-	-	281,943
Provision for interest losses	18,182	-	-	-	18,182
Marketing	1,567	16,302	1,934	8,258	28,061
Depreciation	14,140	2,977	3,808	3,473	24,398
Other	6,359	149	2,663	200	9,371
Total expenses	<u>\$ 1,364,369</u>	<u>\$ 76,646</u>	<u>\$ 334,424</u>	<u>\$ 75,856</u>	<u>\$ 1,851,295</u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (continued)
Years ended December 31, 2015, 2014, and 2013

	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and other			
2013					
Personnel	\$ 142,720	\$ 21,969	\$ 186,621	\$ 24,871	\$ 376,181
Interest on investor loans	383,678	-	-	-	383,678
Consultants	131,226	4,136	3,288	896	139,546
Legal	26,750	-	6,274	-	33,024
Grants and allocations	-	-	-	100	100
Office expense	7,637	3,979	11,721	2,699	26,036
Accounting	-	-	16,006	-	16,006
Resources	5,676	3,322	471	535	10,004
Insurance	2,500	-	6,290	-	8,790
Bank and investment fees	10,815	-	744	1,241	12,800
Occupancy	38,703	3,188	4,829	3,720	50,440
Travel and training	27,912	25,949	4,008	325	58,194
Conferences and meetings	6,904	598	13,263	865	21,630
Provision for loan losses	95,461	-	-	-	95,461
Marketing	403	11,494	1,414	1,690	15,001
Other	859	167	1,595	1,344	3,965
Total expenses	<u>\$ 881,244</u>	<u>\$ 74,802</u>	<u>\$ 256,524</u>	<u>\$ 38,286</u>	<u>\$ 1,250,856</u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2015, 2014, and 2013

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (337,147)	\$ (466,954)	\$ 37,627
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation	27,560	24,398	-
(Gain) loss on hedging activity	(9,076)	6,656	(27,090)
(Gain) loss on notes receivable fair value	8,568	(21,430)	11,006
Interest reserve	12,919	18,182	-
Loan loss reserve	87,565	281,943	95,461
Conversion of note receivable to grant	-	31,916	-
(Increase) decrease in assets			
Unconditional promises to give	-	-	50,000
Accrued interest receivable	(62,192)	60,259	72,232
Notes receivable	1,076,975	(1,082,001)	(355,592)
Prepaid expenses	(3,267)	22,251	(27,617)
Inventory	-	(1,067)	-
Other receivables	4,309	(10,844)	-
Increase (decrease) in liabilities			
Accounts payable	7,285	(13,105)	15,776
Deferred revenue	-	-	(5,600)
Accrued interest payable	(13,610)	(812)	4,620
Grants payable	-	-	(86,400)
Net cash flows from operating activities	799,889	(1,150,608)	(215,577)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash paid from derivatives	(7,176)	(16,612)	(33,454)
Purchases of property and equipment	(90,619)	(80,712)	-
Net cash flows from investing activities	(97,795)	(97,324)	(33,454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	3,886,860	1,043,886	3,054,828
Payments of notes payable	(4,224,138)	(775,536)	(3,579,198)
Net cash flows from financing activities	(337,278)	268,350	(524,370)
Net change in cash	364,816	(979,582)	(773,401)
Cash - beginning of year	931,038	1,910,620	2,684,021
Cash - end of year	\$ 1,295,854	\$ 931,038	\$ 1,910,620
SUPPLEMENTARY INFORMATION			
Cash payments for interest on investor loans	\$ 367,356	\$ 363,161	\$ 379,058
Conversion of note receivable to grant	-	31,916	-

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

Founded in 1984, Working Capital for Community Needs (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 Ecuador, El Salvador, Honduras, Guatemala, Nicaragua and Peru. To facilitate its activities in the greater Latin America area, WCCN formed a separate limited liability company, Community Needs, LLC during 2009. 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 is supported primarily through interest from its loan fund and donor contributions.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of WCCN and its wholly owned subsidiary, Community Needs, LLC. All material intra-entity transactions have been eliminated.

Basis of Presentation

WCCN reports information regarding its financial position and activities according to three classes of net assets:

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

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

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

Investments

WCCN carries all investments at fair value. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Notes Receivable

Notes receivable consist of amounts due from microfinance organizations and producer cooperatives/associations in Latin America. Interest income is accrued on a monthly basis. The allowance for interest receivable at December 31, 2015 and 31, 2014 was \$21,522 and \$18,182. There was no allowance for interest receivable at December 31, 2013. The allowance for loan loss reserve is estimated based on an analysis of the risk criteria for each borrower in the portfolio and excludes notes carried at fair value. A percentage of the loan amount is set aside in the allowance account based on the risk assessment. The aggregate of those assessments is used as a means to estimate the amount needed in the allowance account. For notes carried at fair value, the fair value is determined by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans. WCCN considers any loans 90 days or more past due delinquent unless the loan is restructured and puts them in nonaccrual status.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivatives

WCCN uses derivatives as fair value hedges for the notes receivable carried at fair value for the foreign exchange risk so that the return on these notes is similar to the other notes receivable. Derivatives used include cross currency swaps and forward contracts which are measured at fair value. Changes in fair value are recorded when they occur in the statement of activities.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Notes Payable

WCCN borrows funds from individuals and organizations at interest rates that averaged 3.07%, 3.15%, and 3.25% at December 31, 2015, 2014, and 2013. While less than rates charged by commercial lenders, these rates approximate the prevailing rate in the community development credit market. Accordingly, notes payable are recorded at their face value. WCCN also computes a 12-month average cost of capital which was 3.13%, 3.22%, and 3.36% at December 31, 2015, 2014, and 2013.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Tax Status

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

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

Date of Management's Review

Management has evaluated subsequent events through March 30, 2016, the date which the consolidated financial statements were available to be issued.

NOTE 2—RETIREMENT PLAN

WCCN sponsors a SIMPLE IRA plan in which employees with prior year earnings of \$5,000 or more are eligible to participate. WCCN matches contributions to the plan up to 3% of the employee's deferrals. Retirement expense was \$11,973, \$12,247, and \$7,488 for 2015, 2014, and 2013.

NOTE 3—OPERATING LEASE

WCCN rents office space in Madison, Wisconsin under an annual lease agreement that requires monthly payments of \$1,247. Lease expense was \$14,958, \$20,818, and \$26,568 in 2015, 2014, and 2013.

Community Needs, LLC rents office space adjacent to WCCN under an annual lease agreement that requires monthly payments of \$287. Lease expense for the LLC was \$3,375, \$4,742, and \$5,970 for 2015, 2014, and 2013.

WCCN and Community Needs, LLC renewed their annual lease agreement on November 10, 2015 requiring monthly payments of \$1,270 and \$287, respectively, beginning January 1, 2016.

NOTE 4—RELATED PARTIES

WCCN had notes payable to board members and key employees totaling \$14,328, \$94,317, and \$93,249 at December 31, 2015, 2014, and 2013. The interest rates on the notes range from 0% to 3.5% and the notes mature on various dates between January 2016 and October 2018. No board member has liquidated their investment in 2015. A board member retired in 2015 but retains her \$80,000 investment.

NOTE 5—DERIVATIVE FINANCIAL INSTRUMENTS

To manage fluctuations of foreign currency values related to loans denominated in foreign currencies, WCCN entered into one cross currency interest swap agreement which matures in concert with the outstanding foreign currency notes receivable. WCCN does not enter into derivative financial instrument agreements for trading or speculative purposes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 5—DERIVATIVE FINANCIAL INSTRUMENTS (continued)

A cross currency interest swap is a foreign exchange agreement between two parties to exchange principal and fixed rate interest payments on a loan in one currency for principal and fixed rate interest payments on an equal loan in another currency. As a result of the currency swap agreement, WCCN has eliminated its currency risk that the value of the loan repayments would be less or greater than the original loan amounts. A forward foreign exchange contract is an agreement between two parties to exchange one currency for another at a future date. Embedded in the cross currency interest rate swap is a forward contract which creates the obligation for both parties to close the swap agreement at the agreed upon maturity date.

The derivative instrument is designated as a fair value hedge to hedge the notes receivable measured at fair value. The fair value of the derivative is presented gross in the consolidated statement of financial position.

The following gains and losses are reported in the consolidated statements of activities for the derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedge for the years ended December 31, 2015, 2014, and 2013:

	Gain (loss) on the derivative	Gain (loss) on the hedged item	Total
Cross currency interest swap	\$ 9,076	\$ (8,568)	\$ 508
Forward foreign exchange	-	-	-
Total gain (loss) - 2015	<u>\$ 9,076</u>	<u>\$ (8,568)</u>	<u>\$ 508</u>
Cross currency interest swap	\$ 6,365	\$ (3,930)	\$ 2,435
Forward foreign exchange	(13,021)	25,360	12,339
Total gain (loss) - 2014	<u>\$ (6,656)</u>	<u>\$ 21,430</u>	<u>\$ 14,774</u>
Cross currency interest swap	\$ 39,028	\$ 1,767	\$ 40,795
Forward foreign exchange	(11,938)	(12,773)	(24,711)
Total gain (loss) - 2013	<u>\$ 27,090</u>	<u>\$ (11,006)</u>	<u>\$ 16,084</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015, 2014, and 2013 consisted of the following:

	2015	2014	2013
Equipment	\$ 18,842	\$ 21,122	\$ 4,047
Leashold improvements	64,937	63,637	-
Cloud-based lending software	87,552	-	-
Less accumulated depreciation	<u>51,958</u>	<u>28,445</u>	<u>4,047</u>
Property and equipment - net	<u>\$ 119,373</u>	<u>\$ 56,314</u>	<u>\$ -</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 7—NOTES RECEIVABLE

In 2015, WCCN approved 20 new loans for a total value disbursement of \$6,010,000. 10 partners paid in full 27 loans totaling \$5,137,500. Total principal payments received in 2015 by WCCN were \$7,051,143.

Capital for Communities Fund (CC Fund)

At December 31, 2015, WCCN held loan agreements with organizations in Nicaragua, Ecuador, Peru, Honduras, Guatemala, and El Salvador. These organizations use borrowed funds under the terms of the loan agreements for various projects in Latin America. The loans are for terms of one to five years at interest rates ranging from 4% to 11%. Interest payments are generally due quarterly and principal payments are due semi-annually. Since the loans are considered to be at a market rate of interest, no additional discounting is deemed necessary.

WCCN had two loans that were restructured in 2015 in the amount of \$775,000 and \$312,500. No loans were written off in 2015.

The restructured loan borrower of \$775,000 paid on time the first payment due in 2016 in the amount of \$144,709 on March 30, 2016. The second restructured loan borrower of \$312,500 has made a partial payment of overdue interest in 2015, and no principal repayment is due until April 2016. This \$312,500 restructured loan is in arrears at December 31, 2015, as a result of the overdue partial interest payment at the end of 2015.

WCCN had two partner agencies in Latin America with loans in arrears at December 31, 2015. The details of these two loans in arrears are below.

A borrower in Peru received fair trade coffee credit financing in the amount of \$1,000,000 to be used for the purchase of coffee. The loan was secured with the assignment of payment receivables from coffee contracts. There were a total of nine coffee contracts and only four were paid. A borrower in Peru has an outstanding balance of \$730,219 at December 31, 2015. A 50% loan loss provision of \$365,109 for this loan was allocated in 2014 and continued in 2015. Restructuring negotiations with the partner continued in 2015. WCCN became a secured mortgage holder of this partner in 2015 and entered into a collaborative agreement with a borrower in Peru and two other renowned creditors to collect the pending principal and interest. The last payment received from a borrower in Peru was \$86,783 received on November 18, 2014.

A borrower partner in Guatemala received two loans in September 2013 and March 2014 for a total of \$500,000, of which they paid \$187,500 in early 2015. They missed subsequent interest and principal payments. WCCN restructured the two loans in October 2015 to one loan secured with land collateral. But the partner made only a partial payment of the second interest amount due. The amount of missed interest was \$10,821, payment of which was to be made at December 31, 2015. A subsequent payment of \$6,000 was made in January of 2016. Negotiations with a borrower in Guatemala continue and they have committed to pay this balance by the end of April 2016.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 7—NOTES RECEIVABLE (continued)

Notes receivable for the CC Fund December 31, 2015, 2014, and 2013 consisted of the following:

	2015	2014	2013
CC Fund notes receivable	\$ 11,723,779	\$ 12,089,919	\$ 11,085,536
Less loan loss reserve	811,349	709,283	376,805
CC Fund notes receivable - net	10,912,430	11,380,636	10,708,731
Less current portion	6,774,147	7,123,026	7,244,634
CC Fund notes receivable less current portion	<u>\$ 4,138,283</u>	<u>\$ 4,257,610</u>	<u>\$ 3,464,097</u>

Community Needs, LLC (CN LLC)

WCCN maintains an agreement with Community Needs, LLC for services related to communications and payment collections on the receivables of the Community Needs, LLC. At December 31, 2015, Community Needs, LLC held loan agreements with organizations in Latin America. The loans are for terms of two to five years at interest rates between 9.5% and 10%. Since the loans are considered to be at market rate of interest, no additional discounting is deemed necessary.

Notes receivable, exclusive of fair value notes, for the CN LLC at December 31, 2015, 2014, and 2013 consisted of the following:

	2015	2014	2013
CN LLC notes receivable	\$ 110,000	\$ 487,500	\$ 400,000
Less loan loss reserve	1,100	4,875	60,029
CN LLC notes receivable - net	108,900	482,625	339,971
Less current portion	60,900	370,125	189,971
CN LLC notes receivable less current portion	<u>\$ 48,000</u>	<u>\$ 112,500</u>	<u>\$ 150,000</u>

Community Needs, LLC elected the fair value option for its notes receivable denominated in foreign currencies. Electing the fair value option allows Community Needs, LLC to carry these notes receivable at fair value, which is more consistent with management's view of the underlying economics and the manner in which they are managed. In addition, accounting for these notes receivable at fair value reduces the accounting asymmetry that would otherwise result from carrying them at historical cost, like the other notes receivable Community Needs, LLC holds, and the related derivatives at fair value.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 7—NOTES RECEIVABLE (continued)

The difference between the aggregate unpaid principal balance and the aggregate fair value of the notes receivable at December 31, 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Contractual payments	\$ 128,879	\$ 466,667	\$ 487,496
Fair value	<u>126,187</u>	<u>457,363</u>	<u>482,351</u>
Difference	<u>\$ 2,692</u>	<u>\$ 9,304</u>	<u>\$ 5,145</u>

The amounts of gains (losses) in changes in fair value for the assets the fair value option were elected totaled (\$1,506), (\$31,444), and (\$11,006) for the year ended December 31, 2015, 2014, and 2013 and are reported under the investment return line in the consolidated statements of activities.

Gains (losses) included in changes in net assets during 2015, 2014, and 2013 attributable to changes in instrument-specific credit risk totaled \$1,708, \$252, and \$5,185. These gains and losses were determined based on the risk assessment on the credit riskiness of the borrower using a risk premium of 1% for 2015, 2014, and 2013.

Investment return consisted of the following at December 31, 2015, 2014, and 2013:

	2015	2014	2013
Interest and dividends	\$ 1,030,213	\$ 1,131,464	\$ 1,014,156
Gain (loss) on hedging activity	9,076	(6,656)	27,090
Gain (loss) on notes receivable fair value	<u>(8,568)</u>	<u>21,430</u>	<u>(11,006)</u>
Investment return	<u>\$ 1,030,721</u>	<u>\$ 1,146,238</u>	<u>\$ 1,030,240</u>

NOTE 8—NOTES PAYABLE

Capital for Communities Fund (CC Fund)

Through the Capital for Communities Fund, WCCN accumulates funds from lenders in the United States and in turn lends in larger amounts to various organizations in Latin America that operate loan programs serving low-income borrowers.

As of December 31, 2015, 2014, and 2013, there were approximately 500 notes executed each year with recurring and new lenders. Interest rates on the notes range from 0% to 5% with maturities due over the next six months to five years. Since the loans are considered to be at a market rate of interest in the community development credit market, no additional discounting is deemed necessary.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 8—NOTES PAYABLE (continued)

Notes payable for the CC Fund at December 31, 2015, 2014, and 2013 consisted of the following:

	2015	2014	2013
CC notes payable	\$ 11,159,319	\$ 11,536,597	\$ 11,268,247
Less current portion	<u>4,155,186</u>	<u>3,950,263</u>	<u>2,548,263</u>
CC notes payable less current portion	<u>\$ 7,004,133</u>	<u>\$ 7,586,334</u>	<u>\$ 8,719,984</u>

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

2016	\$ 4,155,186
2017	2,486,385
2018	1,393,765
2019	1,598,563
2020	1,475,420
Thereafter	<u>50,000</u>
Total	<u>\$ 11,159,319</u>

Community Needs, LLC Fund (CN LLC)

Community Needs, LLC is capitalized with contributions from WCCN and funds from accredited investors in the United States. Community Needs, LLC has one \$40,000 note payable with 1% interest rate which matures in April 2018.

NOTE 9—NET ASSETS

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

	2015	2014	2013
WCCN reinvestment for growth plan	\$ -	\$ 210,319	\$ 311,578
Cloud-based lending software	150,000	-	-
Undesignated	<u>1,218,347</u>	<u>1,495,175</u>	<u>1,843,535</u>
Unrestricted net assets	<u>\$ 1,368,347</u>	<u>\$ 1,705,494</u>	<u>\$ 2,155,113</u>

Temporarily restricted net assets are available for the following purposes:

	2015	2014	2013
CC Equity Fund	\$ -	\$ -	\$ 300
Various projects in Latin America	<u>-</u>	<u>-</u>	<u>17,035</u>
Temporarily restricted net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,335</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 10—CONCENTRATIONS OF CREDIT RISK

The amounts loaned by WCCN to organizations in Latin America (“borrowing agencies”) are in turn lent to small enterprises and individuals in Latin America. WCCN has disbursed such loans in Nicaragua, El Salvador, Guatemala, Ecuador, Honduras, and Peru. Notes executed between WCCN and the borrowing agencies are often not collateralized by assets of any material value.

The nature of the loans and the limited to no value of collateral constitute a significant concentration of credit risk for WCCN. Since this portion of WCCN’s assets is concentrated outside the United States, it is reasonably possible that operations could be interrupted in the near term. All notes payable and notes receivable are denominated solely in United States dollars except for the notes receivable measured at fair value and hedged using derivatives, so there is no direct currency risk to WCCN from these financial instruments.

Notes receivable by country at December 31, 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Ecuador	\$ 1,091,666	\$ 1,015,185	\$ 2,635,770
El Salvador	1,950,000	2,360,417	1,091,667
Honduras	2,697,500	2,563,500	2,210,903
Guatemala	887,500	612,500	730,709
Nicaragua	2,965,227	4,387,844	4,446,644
Peru	2,368,073	2,099,957	852,195
Notes receivable	11,959,966	13,039,403	11,967,888
Less loan loss reserves	812,449	718,778	436,835
Notes receivable - net	<u>\$ 11,147,517</u>	<u>\$ 12,320,625</u>	<u>\$ 11,531,053</u>

Notes receivable by sector at December 31, 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Microfinance	\$ 10,530,770	\$ 11,344,281	\$ 11,010,457
Fair trade/value chain	1,429,196	1,695,122	957,431
Notes receivable	11,959,966	13,039,403	11,967,888
Less loan loss reserves	812,449	718,778	436,835
Notes receivable - net	<u>\$ 11,147,517</u>	<u>\$ 12,320,625</u>	<u>\$ 11,531,053</u>
C4C Fund	\$ 108,900	\$ 482,625	\$ 339,971
CN LLC Fund	10,912,430	11,380,636	10,708,731
Fair Value	126,187	457,364	482,351
Total	<u>\$ 11,147,517</u>	<u>\$ 12,320,625</u>	<u>\$ 11,531,053</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 10—CONCENTRATIONS OF CREDIT RISK (continued)

WCCN's ability to repay investors depends on its ability to obtain repayment from partner agencies to which loans have been issued.

WCCN maintains cash balances at several financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015, 2014, and 2013 WCCN's uninsured cash balances total approximately \$455,000, \$525,000, and \$1,035,000.

NOTE 11—FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at December 31, 2015, 2014, and 2013 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivatives	\$ 22,802	\$ -	\$ -	\$ 22,802
Notes receivable	126,187	-	-	126,187
2015	<u>\$ 148,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,989</u>
Derivatives	\$ 6,550	\$ -	\$ -	\$ 6,550
Notes receivable	457,364	-	-	457,364
2014	<u>\$ 463,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 463,914</u>
Derivatives	\$ (3,406)	\$ -	\$ -	\$ (3,406)
Notes receivable	482,351	-	-	482,351
2013	<u>\$ 478,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 478,945</u>

Fair values of notes receivable are determined by discounting the future cash flows, using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, of such loans. Fair value of the derivatives is determined by the present value of future expected cash flows by using the estimated forward currency rates at the time of the measurement.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014, and 2013

NOTE 11—FAIR VALUE MEASUREMENTS (continued)

For fair value measurements using Level 3 inputs, a reconciliation of the beginning and ending balances are as follows:

	Derivatives	Notes Receivable	Total
Balance - December 31, 2012	\$ (70,691)	\$ 995,363	924,672
Issuances	-	302,940	302,940
Settlements	40,195	(804,946)	(764,751)
Gain (loss) included in change in net assets	27,090	(11,006)	16,084
Balance - December 31, 2013	(3,406)	482,351	478,945
Issuances	-	750,000	750,000
Settlements	16,612	(796,417)	(779,805)
Gain (loss) included in change in net assets	(6,656)	21,430	14,774
Balance - December 31, 2014	6,550	457,364	463,914
Issuances	-	-	-
Settlements	7,176	(322,609)	(315,433)
Gain (loss) included in change in net assets	9,076	(8,568)	508
Balance - December 31, 2015	<u>\$ 22,802</u>	<u>\$ 126,187</u>	<u>\$ 148,989</u>

NOTE 12—LINE OF CREDIT

WCCN has a \$500,000 revolving line of credit, which was unused at December 31, 2015. Bank advances on the line carry an interest rate of 3.25%. Advances require monthly payments of accrued interest with payment of all outstanding principal plus accrued interest on May 1, 2016. The line is secured by a savings account.

NOTE 13—CONDITIONAL PROMISES TO GIVE

WCCN has beneficiary designation forms on file with several of its investors which are not recognized on its consolidated statement of financial position. The total of those conditional pledges at December 31, 2015, 2014, and 2013 were \$1,029,693, \$1,096,595, and \$1,001,184, respectively. Amounts realized in public support from the execution of beneficiary designations and recognized in the consolidated statement of activities for 2015, 2014, and 2013 were \$11,280, \$17,624, and \$15,000, respectively.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2015

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
ASSETS				
CURRENT ASSETS				
Cash	\$ 759,810	\$ 536,044	\$ -	\$ 1,295,854
Accrued interest receivable - net	157,011	4,154	-	161,165
CC Fund notes receivable - current portion	6,774,147	-	-	6,774,147
CN LLC notes receivable - current portion	-	60,900	-	60,900
Prepaid expenses	18,833	-	-	18,833
Inventory	1,067	-	-	1,067
Derivatives fair value	-	22,802	-	22,802
Other receivables	6,535	-	-	6,535
Intercompany receivables	15,705	533,101	(548,806)	-
Total current assets	7,733,108	1,157,001	(548,806)	8,341,303
OTHER ASSETS				
CC Fund notes receivable less current portion	4,138,283	-	-	4,138,283
CN LLC notes receivable less current portion	-	48,000	-	48,000
Notes receivable fair value less current portion	-	126,187	-	126,187
Property and equipment - net	119,373	-	-	119,373
Investment in CN, LLC	1,275,183	-	(1,275,183)	-
Total assets	\$ 13,265,947	\$ 1,331,188	\$ (1,823,989)	\$ 12,773,146
LIABILITIES AND NET ASSETS AND MEMBER'S EQUITY				
CURRENT LIABILITIES				
CC Fund notes payable - current portion	\$ 4,155,186	\$ -	\$ -	\$ 4,155,186
Accounts payable	35,614	-	-	35,614
Accrued interest payable - current portion	169,566	300	-	169,866
Intercompany payables	533,101	15,705	(548,806)	-
Total current liabilities	4,893,467	16,005	(548,806)	4,360,666
LONG-TERM LIABILITIES				
CC Fund notes payable less current portion	7,004,133	-	-	7,004,133
CN LLC notes payable	-	40,000	-	40,000
Total liabilities	11,897,600	56,005	(548,806)	11,404,799
NET ASSETS AND MEMBER'S EQUITY				
Unrestricted net assets	1,368,347	-	-	1,368,347
Member's equity	-	1,275,183	(1,275,183)	-
Total net assets and member's equity	1,368,347	1,275,183	(1,275,183)	1,368,347
Total liabilities and net assets and member's equity	\$ 13,265,947	\$ 1,331,188	\$ (1,823,989)	\$ 12,773,146

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2015

	WCCN	Community Needs, LLC	Eliminations	Total
UNRESTRICTED NET ASSETS				
SUPPORT AND REVENUE				
Investment return	\$ 938,228	\$ 57,130	\$ 35,363	\$ 1,030,721
Contributions	125,324	4,020	-	129,344
Loan fees	58,250	600	-	58,850
Other	8,734	-	-	8,734
Total unrestricted support and revenue	1,130,536	61,750	35,363	1,227,649
EXPENSES				
Personnel	485,332	39,021	-	524,353
Interest on investor loans	353,747	300	-	354,047
Consultants	245,551	23,733	-	269,284
Legal	37,378	13,267	-	50,645
Grants and allocations	100	-	-	100
Office expense	28,798	3,973	-	32,771
Accounting	15,930	1,763	-	17,693
Resources	6,189	695	-	6,884
Insurance	12,221	1,349	-	13,570
Bank and investment fees	11,136	2,146	-	13,282
Occupancy	17,058	3,375	-	20,433
Travel and training	93,355	9,625	-	102,980
Conferences and meetings	9,026	892	-	9,918
Provision for loan losses	92,487	(4,922)	-	87,565
Provision for interest losses	12,919	-	-	12,919
Marketing	8,269	839	-	9,108
Depreciation	27,560	-	-	27,560
Other	10,627	1,057	-	11,684
Total expenses	1,467,683	97,113	-	1,564,796
Change in net assets	\$ (337,147)	\$ (35,363)	\$ 35,363	\$ (337,147)