Working Capital for Community Needs, Inc.

Consolidated Financial Statements and
Supplementary Information

As of December 31, 2020 and 2019 and
for the Years Ended December 31, 2020, 2019 and 2018

Working Capital for Community Needs, Inc.

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Working Capital for Community Needs, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, cash flows, and functional expenses for each of the three years in the period ended December 31, 2020, and the related notes to the consolidated 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.

Auditors' 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 auditors' 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 consolidated financial position of the Organization as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating 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 28, 2021

Working Capital for Community Needs, Inc.

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 1,403,800	$ 896,728
Pledges receivable	540	9,500
Accrued interest receivable	233,598	224,162
Notes receivable, net - current portion	4,504,823	4,562,006
Prepaid expenses	11,461	21,917
Total current assets	6,154,222	5,714,313
Other Assets		
Notes receivable, net less current portion	6,325,525	5,824,019
Operating lease right-of-use asset	30,768	50,753
Total other assets	6,356,293	5,874,772
Total assets	$ 12,510,515	$ 11,589,085
Liabilities and Net Assets		
Current Liabilities		
Notes payable - current portion	$ 2,900,638	$ 3,865,793
Accounts payable	3,971	17,215
Cross-currency interest rate swap liability	22,521	7,990
Forward hedge liability	22,479	-
Operating lease liability - current portion	23,484	23,136
Accrued interest payable	141,560	144,021
Total current liabilities	3,114,653	4,058,155
Long-term Liabilities		
Notes payable less current portion	8,536,755	6,715,364
Operating lease liability less current portion	7,556	27,953
Total liabilities	11,658,964	10,801,472
Net Assets		
Net assets without donor restrictions	851,551	787,613
Total liabilities and net assets	$ 12,510,515	$ 11,589,085

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Net Assets without Donor Restrictions			
Support and Revenue			
Portfolio income	$ 982,864	$ 931,793	$ 956,997
Contributions	199,769	371,232	403,108
Loan fees	58,265	57,165	58,686
Other	420	17,521	817
Net assets released from restrictions	-	-	4,853
Total support and revenue	1,241,318	1,377,711	1,424,461
Expenses and Losses			
Program services			
Microfinance	848,888	781,584	778,123
Educational and other	49,485	9,290	31,944
Supporting activities			
Management and general	255,877	227,706	266,568
Fundraising	23,130	66,707	12,133
Total expenses	1,177,380	1,085,287	1,088,768
Change in net assets without donor restrictions	63,938	292,424	335,693
Net Assets with Donor Restrictions			
Net assets released from restrictions	-	-	(4,853)
Change in net assets with donor restrictions	-	-	(4,853)
Change in net assets	63,938	292,424	330,840
Net Assets, Beginning	787,613	495,189	164,349
Net Assets, Ending	$ 851,551	$ 787,613	$ 495,189

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2020, 2019 and 2018

	2020	2019	2018
Cash Flows From Operating Activities			
Change in Net Assets	$ 63,938	$ 292,424	$ 330,840
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation	-	-	2,439
Unrealized loss (gain) on cross-currency interest rate swap	14,531	5,149	(2,976)
Unrealized loss on forward hedge	22,479	-	-
Provision for loan losses	385,931	263,378	105,983
Net realized and unrealized loss on investments	-	-	3,804
Lease costs	(64)	336	-
Forgiveness of notes payable	(21,125)	(96,189)	(302,349)
Changes in assets and liabilities			
Pledges receivable	8,960	(9,500)	-
Accrued interest receivable	(9,436)	(54,160)	(21,474)
Notes receivable	(830,254)	(293,015)	(723,065)
Prepaid expenses	10,456	(2,865)	(3,061)
Accounts payable	(13,244)	10,172	(11,907)
Deferred revenue	-	-	(564)
Accrued interest payable	57,022	63,271	48,220
Grants payable	-	-	(7,500)
Net cash flows from operating activities	(310,806)	179,001	(581,610)
Cash Flows From Investing Activities			
Proceeds from sale of investments	-	-	339,950
Cash Flows From Financing Activities			
Proceeds from notes payable	1,462,313	546,396	255,200
Payment of notes payable	(644,435)	(407,114)	(1,032,625)
Net cash flows from financing activities	817,878	139,282	(777,425)
Net change in cash and cash equivalents	507,072	318,283	(1,019,085)
Cash and Cash Equivalents, Beginning	896,728	578,445	1,597,530
Cash and Cash Equivalents, Ending	$ 1,403,800	$ 896,728	$ 578,445
Supplementary cash flow disclosures:			
Cash paid for interest on notes payable	$ 337,249	$ 312,253	$ 342,454
Noncash Operating and Financing Activities:			
Right-of-use asset financed with operating lease	$ -	$ 61,973	$ -
Accrued interest payable converted to notes payable	$ 59,483	$ 62,894	$ 53,604
Matured notes payable reinvested	$ 3,236,290	$ 2,000,512	$ 2,849,625

See notes to consolidated financial statements

Working Capital for Community Needs, Inc.

Consolidated Statements of Functional Expenses
Years Ended December 31, 2020, 2019 and 2018

2020	Program Services		Supporting Services		
	Microfinance	Educational and Other	Management and General	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		Supporting Services		
	Microfinance	Educational and Other	Management and General	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

2018	Program Services		Supporting Services		
	Microfinance	Educational and Other	Management and General	Fundraising	2018 Total
Personnel and consulting	$ 219,561	$ -	$ 197,093	$ 4,186	$ 420,840
Interest on investor loans	337,070	-	-	-	337,070
Legal	45,155	-	6,015	-	51,170
Grants and allocations	-	30,143	-	-	30,143
Office expenses	10,364	1,761	8,621	1,945	22,691
Accounting	-	-	33,321	-	33,321
Occupancy	11,940	-	5,024	1,478	18,442
Travel and training	30,439	-	2,621	190	33,250
Provision for loan losses	105,983	-	-	-	105,983
Depreciation	1,579	-	665	195	2,439
Other	16,032	40	13,208	4,139	33,419
Total expenses	$ 778,123	$ 31,944	$ 266,568	$ 12,133	$ 1,088,768

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019 was $1,142,288 and $1,533,454, 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, 2020 and 2019.

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

In 2020, the Organization adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. Adopting ASU No. 2018-13 did not have a significant impact on the consolidated financial statements of the Organization.

New Accounting Pronouncements

During June 2016, the 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 August 2017, the FASB issued 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. During April 2019, the FASB also issued ASU No. 2019-04, which clarifies certain aspects of ASU No. 2017-12. ASU No. 2017-12 (as amended) is effective for fiscal years beginning after December 15, 2020 (2021). The Organization is currently assessing the effect that ASU No. 2017-12 (as amended) will have on its consolidated financial statements.

During September 2020, the 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.

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:

	2020	2019
Allowance		
Balance January 1	$ 1,533,454	$ 1,563,137
Charge offs	(545,897)	(126,934)
Recoveries	(231,200)	(166,127)
Provision for loan losses	385,931	263,378
Balance December 31	$ 1,142,288	$ 1,533,454
Ending balance individually evaluated for impairment	$ 747,082	$ 1,223,573
Ending balance collectively evaluated for impairment	$ 395,206	$ 309,881

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

	2020	2019
Loans		
Balance December 31	$ 11,972,636	$ 11,919,479
Allowance for loan losses	(1,142,288)	(1,533,454)
Notes receivable - net	$ 10,830,348	$ 10,386,025
Ending balance individually evaluated for impairment	$ 2,092,476	$ 1,590,101
Ending balance collectively evaluated for impairment	$ 9,880,160	$ 10,329,378

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

	2020	2019
Notes receivable	$ 11,972,636	$ 11,919,479
Allowance for loan losses	(1,142,288)	(1,533,454)
Notes receivable, net	10,830,348	10,386,025
Less current portion	(4,504,823)	(4,562,006)
Notes receivable, net less current portion	$ 6,325,525	$ 5,824,019

Notes receivable are stated at the amount of unpaid principal. The Organization assessed a 4% allowance on all loans within the loan portfolio based on the overall allowance factors as of December 31, 2020. For 2019, the allowance was 3%. 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	4% (3% for 2019)
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:

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

	2019			
Classification	Number of Agencies	Loans Outstanding	Percentage Applied	Allowance Needed
Current	18	$ 10,329,378	3 %	$ 309,881

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:

	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 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.

Separately, in 2020, the Organization agreed to reschedule $352,076 in principal payments with an additional four partners in two different countries. Remaining rescheduled amounts due as of December 31, 2020 were $189,789. All partners are 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. 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.

	2019		
	Loans Outstanding	Percentage Applied	Allowance Needed
Separately identified borrowers:			
Restructured	$ 662,250	100 %	$ 662,250
Loans greater than 270 days in arrears	544,268	100 %	544,268
Accelerated	304,333	3 %	9,130
Rescheduled	54,250	10 %	5,425
Other	25,000	10 %	2,500
Total	$ 1,590,101		$ 1,223,573

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. The accelerated loan had a change of the loan agreement to consolidate loans and adjust the interest rate. Rescheduled payments represent the unpaid principal of loans which have had at least principal payments delayed to a future date, but have no change in the loan agreement or interest rate. Other specific loan loss category includes loans from partners negatively impacted by economic conditions and evaluated separately.

A summary of loans past due as of December 31 follows:

	2020			
	30-59 Days Past Due	60-90 Days Past Due	90 Days & Over (nonaccrual)	Total
Notes receivable	$ -	$ -	$ -	$ -

	2019			
	30-59 Days Past Due	60-90 Days Past Due	90 Days & Over (nonaccrual)	Total
Notes receivable	$ -	$ -	$ 544,268	$ 544,268

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, 2020, 2019 and 2018.

Portfolio income for the years ended December 31, 2020, 2019 and 2018 consisted of the following:

	2020	2019	2018
Interest and dividends	$ 1,014,647	$ 936,276	$ 977,683
Gain (loss) on cross-currency interest rate swaps	(14,531)	(5,149)	2,976
Loss on forward hedge	(22,479)	-	-
Gain (loss) on currency translations	5,227	666	(19,858)
Net realized and unrealized losses on investments	-	-	(3,804)
Portfolio income	$ 982,864	$ 931,793	$ 956,997

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, 2020 and 2019, there were approximately 525 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, 2020 and 2019 consisted of the following:

	2020	2019
Notes payable - various lenders	$ 11,287,393	$ 10,581,157
Notes payable - SBA	150,000	-
Total	11,437,393	10,581,157
Less current portion	(2,900,638)	(3,865,793)
Notes payable less current portion	$ 8,536,755	$ 6,715,364

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

2021	$ 2,900,638
2022	3,431,169
2023	830,167
2024	1,314,561
2025	2,022,402
Thereafter	938,456
Total	$ 11,437,393

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, 2020, 2019 and 2018, amounts forgiven totaled $21,125, $96,189 and $302,349, 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, 2020, the Organization represents that it is in compliance with all filing requirements and covenants.

4. Paycheck Protection Program Loan

In 2020, the Organization received loan proceeds in the amount of $52,700 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act which is administered by the SBA. The loan is uncollateralized and guaranteed by the SBA and is forgivable upon meeting certain criteria. Any unforgiven portion is payable over 2 years at an interest rate of 1%.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during October 2020. Legal release was received during November of 2020, therefore, the Organization recorded forgiveness income of $52,700 within its consolidated statement of activities for the year ended December 31, 2020.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the Coronavirus Aid, Relief, and Economic Security (CARES) Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

5. Lines of Credit

WCCN had an unsecured line of credit in the amount of $75,000 that is held with Wells Fargo Bank. It had an interest rate of PRIME + 6.75% annually. The line of credit was unused during the year ended December 31, 2019 and was closed during the year ended December 31, 2020.

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 2021. As of December 31, 2020 and 2019 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, 2020 and 2019 was $1,357,326 and $856,806, respectively. Amounts received in contributions from gifts becoming unconditional and recognized in the consolidated statements of activities for 2020, 2019, and 2018 were $2,000, $0, and $0, respectively.

7. Leases

In October 2017, the Organization entered into a five-year lease agreement for office space in Madison, Wisconsin that requires monthly payments beginning at $1,463 and provides for an annual increase of 2.5%, with an expiration date of December 2022. The lease was terminated as of May 31, 2019 when the office space was sold.

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%. The lease expires May 31, 2022. There is a two-year extension option with an annual 3% increase with an expiration date of May 31, 2024. As it is not reasonably certain that the option will be exercised, it has not been included in the calculation of the operating lease right-of-use asset.

The lease is accounted for as an operating lease under authoritative accounting guidance. The 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%.

Future minimum lease payments are as follows:

2021	$ 23,484
2022	9,640
Total	33,124
Less: Present value discount	(2,084)
Operating lease liability	31,040
Less: current portion	(23,484)
Long-term operating lease liability	$ 7,556

Total lease expense in 2020, 2019 and 2018 was $23,135, $21,665, and $18,442, 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 2020, 2019, and 2018 was $7,512, $6,687, and $5,821, respectively.

9. Related Party Transactions

The Organization has notes payable to board members and employees totaling $60,178 and $58,203 as of December 31, 2020 and 2019, respectively. The interest rates on the notes range from 1% to 3% and the notes mature on various dates between October 2021 and March 2027. The Organization also received donations from board members and employees totaling $21,518, $16,235, and $62,510, for the years ended December 31, 2020, 2019, and 2018, 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, 2020 and 2019 and the amount of exposure recorded in the change in net assets for the years ending December 31, 2020 and 2019, respectively.

	Notional Amount	Liability as of December 31	Year Ended December 31 Loss	Classification of Gain (loss)
2020 Cross-currency interest rate swaps	$ 589,999	$ (22,521)	$ (14,531)	Portfolio income
2019 Cross-currency interest rate swaps	$ 1,060,334	$ (7,990)	$ (5,149)	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. The two remaining agreements have settlement dates in March and May 2021.

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

	Notional Amount	Liability as of December 31	Year Ended December 31 Loss	Classification of Gain (loss)
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, 2020 and 2019 are as follows:

	2020	2019
Ecuador	$ 3,634,182	$ 3,277,313
El Salvador	675,000	975,500
Honduras	1,447,423	2,398,981
Guatemala	458,333	921,667
Nicaragua	3,518,000	2,683,352
Colombia	78,750	183,750
Peru	1,460,948	1,162,250
Mexico	700,000	-
United States	-	316,666
Notes receivable	11,972,636	11,919,479
Less loan loss reserves	(1,142,288)	(1,533,454)
Notes receivable - net	$ 10,830,348	$ 10,386,025

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, 2020 and 2019 are as follows:

	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)

	2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Cross-currency interest rate swap liability	$ (7,990)	$ -	$ -	$ (7,990)

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, 2020 and 2019:

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, 2020 and 2019, there were losses included in the change in net assets on the cross-currency interest rate swaps of $14,531 and $5,149, respectively. During the year ended December 31, 2020, there were losses included in the change in net assets on the forward hedges of $22,479.

13. Availability and Liquidity of Financial Assets

Financial assets available as of December 31, 2020 and 2019 for general expenditures consist of the following:

	2020	**2019**
Total assets	$ 12,510,515	$ 11,589,085
Less non-financial assets:		
Prepaid expenses	(11,461)	(21,917)
Operating lease right-of-use asset	(30,768)	(50,753)
Total financial assets	12,468,286	11,516,415
Less those unavailable for general expenditure:		
Notes receivable less current portion	(6,325,525)	(5,824,019)
Assets available for general expenditures	$ 6,142,761	$ 5,692,396

As of December 31, 2020, the Organization has approximately $1,404,000 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 2021, that can be drawn upon to cover short-term liquidity needs, should they arise.

14. Subsequent Events

Management has evaluated subsequent events through April 28, 2021, the date which the consolidated financial statements were available to be issued.

In February 2021, the Organization received an additional PPP loan in the amount of $59,505. The loan is uncollateralized and guaranteed by the SBA and is forgivable upon meeting certain criteria. Any unforgiven portion is payable over 5 years at an interest rate of 1%.

In March 2021, the Organization utilized $300,000 on the line of credit with Settlers Bank to address short-term cash needs to make loan disbursements to microfinance partners in Latin America.

Working Capital for Community Needs, Inc.

Consolidating Statement of Financial Position
December 31, 2020

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
Assets				
Current Assets				
Cash and cash equivalents	$ 1,381,760	$ 22,040	$ -	$ 1,403,800
Pledges receivable	540	-	-	540
Accrued interest receivable	199,044	34,554	-	233,598
Notes receivable, net - current portion	4,104,565	400,258	-	4,504,823
Prepaid expenses	11,461	-	-	11,461
Intercompany receivables	886,552	882,582	(1,769,134)	-
Total current assets	6,583,922	1,339,434	(1,769,134)	6,154,222
Other Assets				
Notes receivable, net less current portion	6,012,700	312,825	-	6,325,525
Operating lease right-of-use asset	30,768	-	-	30,768
Investment in Community Needs, LLC	720,707	-	(720,707)	-
Total other assets	6,764,175	312,825	(720,707)	6,356,293
Total assets	$ 13,348,097	$ 1,652,259	$ (2,489,841)	$ 12,510,515
Liabilities and Net Assets				
Current Liabilities				
Notes payable - current portion	$ 2,900,638	$ -	$ -	$ 2,900,638
Accounts payable	3,971	-	-	3,971
Cross-currency interest rate swap liability	-	22,521	-	22,521
Forward hedge swap liability	-	22,479	-	22,479
Operating lease liability - current portion	23,484	-	-	23,484
Accrued interest payable	141,560	-	-	141,560
Intercompany payables	882,582	886,552	(1,769,134)	-
Total current liabilities	3,952,235	931,552	(1,769,134)	3,114,653
Long-term Liabilities				
Notes payable less current portion	8,536,755	-	-	8,536,755
Operating lease liability less current portion	7,556	-	-	7,556
Total liabilities	12,496,546	931,552	(1,769,134)	11,658,964
Net Assets				
Net assets without donor restrictions	851,551	720,707	(720,707)	851,551
Total liabilities and net assets	$ 13,348,097	$ 1,652,259	$ (2,489,841)	$ 12,510,515

Working Capital for Community Needs, Inc.

Consolidating Statement of Activities
For the Year Ended December 31, 2020

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
Net Assets without Donor Restrictions				
Support and Revenue				
Portfolio income	$ 920,315	$ 62,549	$ -	$ 982,864
Contributions	199,769	-	-	199,769
Loan fees	58,265	-	-	58,265
Other	420	-	-	420
Community Needs, LLC change in net assets	34,504	-	(34,504)	-
Total support and revenue	1,213,273	62,549	(34,504)	1,241,318
Expenses and Losses				
Personnel and consulting	439,305	-	-	439,305
Interest on investor loans	334,766	-	-	334,766
Legal	39,721	-	-	39,721
Grants and allocations	76,008	-	-	76,008
Office expenses	22,826	-	-	22,826
Accounting	29,900	-	-	29,900
Occupancy	23,135	-	-	23,135
Travel and training	17,635	-	-	17,635
Provision for loan losses	128,129	26,602	-	154,731
Other	37,910	1,443	-	39,353
Total expenses	1,149,335	28,045	-	1,177,380
Change in net assets without donor restrictions	63,938	34,504	(34,504)	63,938
Net Assets with Donor Restrictions				
Net assets released from donor restrictions	-	-	-	-
Change in net assets	$ 63,938	$ 34,504	$ (34,504)	$ 63,938