

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION

December 31, 2014, 2013, and 2012

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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, 2014, 2013, and 2012, 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, 2014, 2013, and 2012, 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
April 22, 2015

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2014, 2013, and 2012

	2014	2013	2012
ASSETS			
CURRENT ASSETS			
Cash	\$ 931,038	\$ 1,910,620	\$ 2,684,021
Accrued interest receivable - net	111,892	190,333	269,306
CC Fund notes receivable - current portion	7,123,026	7,244,634	6,876,563
CN LLC notes receivable - current portion	370,125	189,971	-
Notes receivable fair value - current portion	163,976	482,351	205,230
Prepaid expenses	15,566	37,817	10,200
Unconditional promises to give	-	-	50,000
Inventory	1,067	-	-
Derivatives fair value	6,550	-	-
Other receivables	10,844	-	-
Total current assets	8,734,084	10,055,726	10,095,320
OTHER ASSETS			
CC Fund notes receivable less current portion	4,257,610	3,464,097	3,410,002
CN LLC notes receivable less current portion	112,500	150,000	-
Notes receivable fair value less current portion	293,388	-	790,133
Property and equipment - net	56,314	-	-
Total assets	\$ 13,453,896	\$ 13,669,823	\$ 14,295,455
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current portion of notes payable	\$ 3,950,263	\$ 2,548,263	\$ 2,958,427
Accounts payable	28,329	41,434	25,658
Derivatives fair value	-	3,406	70,691
Deferred revenue	-	-	5,600
Accrued interest payable - current portion	70,708	44,553	139,018
Grants payable	-	-	86,400
Total current liabilities	4,049,300	2,637,656	3,285,794
LONG-TERM LIABILITIES			
Notes payable less current portion	7,586,334	8,719,984	8,834,190
Accrued interest payable less current portion	112,768	139,735	40,650
Total liabilities	11,748,402	11,497,375	12,160,634
NET ASSETS			
Unrestricted	1,705,494	2,155,113	1,885,037
Temporarily restricted	-	17,335	249,784
Total net assets	1,705,494	2,172,448	2,134,821
Total liabilities and net assets	\$ 13,453,896	\$ 13,669,823	\$ 14,295,455

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2014, 2013, and 2012

	2014	2013	2012
UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Investment return	\$ 1,146,238	\$ 1,030,240	\$ 1,067,471
Contributions	109,167	127,224	149,636
Loan fees	108,150	93,445	93,593
Tour fees	-	19,160	22,539
Sales	640	337	1,461
Other	20,146	742	5,103
	<u>1,384,341</u>	<u>1,271,148</u>	<u>1,339,803</u>
Total unrestricted support and revenue	1,384,341	1,271,148	1,339,803
EXPENSES			
Program services			
Microfinance	1,364,369	881,244	839,288
Educational and other	76,646	74,802	194,520
Supporting activities			
Management and general	334,424	256,524	183,656
Fundraising	75,856	38,286	35,754
	<u>1,851,295</u>	<u>1,250,856</u>	<u>1,253,218</u>
Total expenses	1,851,295	1,250,856	1,253,218
Net assets released from restrictions	<u>17,335</u>	<u>249,784</u>	<u>1,443</u>
Change in unrestricted net assets	(449,619)	270,076	88,028
TEMPORARILY RESTRICTED NET ASSETS			
Contributions	-	17,335	-
Net assets released from restrictions	<u>(17,335)</u>	<u>(249,784)</u>	<u>(1,443)</u>
Change in temporarily restricted net assets	<u>(17,335)</u>	<u>(232,449)</u>	<u>(1,443)</u>
Change in net assets	(466,954)	37,627	86,585
Net assets - beginning of year	<u>2,172,448</u>	<u>2,134,821</u>	<u>2,048,236</u>
Net assets - end of year	<u><u>\$ 1,705,494</u></u>	<u><u>\$ 2,172,448</u></u>	<u><u>\$ 2,134,821</u></u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2014, 2013, and 2012

	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	300,125	-	-	-	300,125
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>
	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 FUNCTIONAL EXPENSES (continued)
Years ended December 31, 2014, 2013, and 2012

2012	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and other			
Personnel	\$ 172,031	\$ 28,843	\$ 103,422	\$ 29,062	\$ 333,358
Interest on investor loans	406,657	-	-	-	406,657
Consultants	109,539	1,845	5,775	150	117,309
Legal	30,468	-	3,179	-	33,647
Grants and allocations	-	99,434	-	-	99,434
Office expense	7,709	8,859	14,682	2,772	34,022
Accounting	-	-	17,890	-	17,890
Resources	9,474	93	133	303	10,003
Insurance	2,500	-	5,815	-	8,315
Bank and investment fees	10,164	-	17,108	-	27,272
Occupancy	35,186	2,696	5,782	3,145	46,809
Travel and training	22,951	35,901	1,465	-	60,317
Conferences and meetings	5,699	1,872	6,963	-	14,534
Provision for loan losses	25,438	-	-	-	25,438
Marketing	260	14,738	279	50	15,327
Other	1,212	239	1,163	272	2,886
Total expenses	<u>\$ 839,288</u>	<u>\$ 194,520</u>	<u>\$ 183,656</u>	<u>\$ 35,754</u>	<u>\$ 1,253,218</u>

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2014, 2013, and 2012

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (466,954)	\$ 37,627	\$ 86,585
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation	28,445	-	-
Loss on hedging activity	6,656	6,741	26,634
Unrealized (gain) loss on change in fair value	(21,430)	(16,084)	30,819
Net unrealized and realized gains on investments	-	-	(10,838)
Increase in loan loss reserve	300,125	95,461	25,438
Conversion of note receivable to grant	31,916	-	-
(Increase) decrease in assets			
Unconditional promises to give	-	50,000	(50,000)
Accrued interest receivable - net	60,259	72,232	(94,155)
Notes receivable	(1,082,001)	(355,592)	(411,120)
Prepaid expenses	22,251	(27,617)	29,379
Inventory	(1,067)	-	-
Other receivables	(10,844)	-	600
Increase (decrease) in liabilities			
Accounts payable	(13,105)	15,776	(2,740)
Deferred revenue	-	(5,600)	(16,939)
Accrued interest payable	(812)	4,620	30,921
Grants payable	-	(86,400)	86,400
Net cash flows from operating activities	(1,146,561)	(208,836)	(269,016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	-	-	(6,004,347)
Proceeds from sale of investments	-	-	6,630,813
Net cash paid from derivatives	(16,612)	(40,195)	-
Purchases in property and equipment	(84,759)	-	-
Net cash flows from investing activities	(101,371)	(40,195)	626,466
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	1,043,886	3,054,828	5,058,989
Payment of notes payable	(775,536)	(3,579,198)	(3,407,336)
Net cash flows from financing activities	268,350	(524,370)	1,651,653
Net change in cash	(979,582)	(773,401)	2,009,103
Cash - beginning of year	1,910,620	2,684,021	674,918
Cash - end of year	\$ 931,038	\$ 1,910,620	\$ 2,684,021
SUPPLEMENTARY INFORMATION			
Cash payments for interest on investor loans	\$ 363,161	\$ 379,058	\$ 375,736
Conversion of note receivable to grant	31,916	-	-

See accompanying notes.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

Working Capital for Community Needs, Inc. (WCCN) partners with individuals and organizations in Latin America and the United States of America to build sustainable economic opportunities that help people work their way out of poverty. WCCN provides low-income Latin American entrepreneurs and small farmers access to financing through various microfinance agencies and producer cooperatives to help them strengthen and grow their operations. 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, 2014 was \$18,182. There was no allowance for interest receivable at December 31, 2013 and 2012. 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, 2014, 2013, and 2012

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. Derivates 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 \$1,000 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 2.36%, 2.36% and 3.71% at December 31, 2014, 2013 and 2012. While less than rates charged by commercial lenders, these rates approximate the prevailing rate in the community credit market. Accordingly, notes payable are recorded at their face value. WCCN also computes a 12-month average cost of capital which was 3.22%, 3.89% and 3.65% at year end for 2014, 2013 and 2012.

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. WCCN's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, WCCN is no longer subject to such examinations for tax years before 2011.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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.

Date of Management's Review

Management has evaluated subsequent events through April 22, 2015, 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 \$12,247, \$7,488, and \$8,670 for 2014, 2013 and 2012.

NOTE 3—OPERATING LEASE

WCCN was under a lease agreement ending March 31, 2014 that required monthly payments of \$2,225. WCCN rents office space in Madison, Wisconsin under an annual lease agreement that requires monthly payments of \$1,200. Lease expense was \$20,818, \$26,568, and \$24,427 in 2014, 2013 and 2012.

Community Needs, LLC was under a lease agreement ending March 31, 2014 that required monthly payments of \$500. Community Needs, LLC rents office space adjacent from WCCN under an annual lease agreement that requires monthly payments of \$271. Lease expense for the LLC was \$4,742, \$5,970, and \$5,121 for 2014, 2013 and 2012.

WCCN and Community Needs, LLC renewed their annual lease agreement on October 16, 2014 requiring monthly payments of \$1,247 and \$281, respectively, beginning January 1, 2015. WCCN and Community Needs, LLC future minimum payments for 2015 are \$14,958 and \$3,375, respectively.

NOTE 4—RELATED PARTIES

WCCN had notes payable to board members totaling \$94,317, \$93,249, and \$93,249 at December 31, 2014, 2013 and 2012. The interest rates on the notes range from 0% to 3.5% and the notes mature on various dates between March 2016 and October 2018.

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 and one forward foreign exchange contract, which mature 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, 2014, 2013, and 2012

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.

Both of the derivative instruments are designated as fair value hedges to hedge the notes receivable measured at fair value. The fair value of the derivatives 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, 2014, 2013, and 2012:

	Gain (loss) on the derivative	Gain (loss) on the hedged item	Total
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>
Cross currency interest swap	\$ (18,891)	\$ 20,702	\$ 1,811
Forward foreign exchange	(6,600)	(26,030)	(32,630)
Total gain (loss) - 2012	<u>\$ (25,491)</u>	<u>\$ (5,328)</u>	<u>\$ (30,819)</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014, 2013, and 2012 consisted of the following:

	2014	2013	2012
Equipment	\$ 21,122	\$ 4,047	\$ 4,047
Leashold improvements	63,637	-	-
Less accumulated depreciation	<u>28,445</u>	<u>4,047</u>	<u>4,047</u>
Property and equipment - net	<u>\$ 56,314</u>	<u>\$ -</u>	<u>\$ -</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 7—NOTES RECEIVABLE

In 2014, WCCN approved 30 new loans for a total value disbursement of \$10,915,000. Between 22 partners, 38 loans totaling \$8,797,298 were paid in full and during the year. Total principal payments received 2014 by WCCN were \$9,401,092.

Capital for Communities Fund (CC Fund)

During 2014, WCCN held loan agreements with ten organizations in Nicaragua, five organizations in Ecuador, six organizations in Peru, four organizations in Honduras, two organizations in Guatemala, and four organizations in 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 three months to three years at interest rates ranging from 8 % 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 partner agencies in Latin America with loans in arrears at December 31, 2014.

Mountain Coffee is a fair trade coffee producer that had two notes due to WCCN in 2014. One of these notes in the amount of \$100,000 was paid in part and \$31,916 of the balance due was converted to a grant for technical assistance and food/agricultural crop assistance in October 2014. The second note for fair trade coffee trade credit financing was restructured and remains outstanding in the amount of \$145,000 at December 31, 2014. WCCN recorded a loan loss provision for 100% of the \$145,000 balance in 2014.

Rain Forest Trading 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. Rain Forest Trading has an outstanding balance of \$730,219 at December 31, 2014. A 50% loan loss provision (\$365,109) for this loan was allocated in 2014. This loan loss provision amount represents 78% of the total net loss figure recorded for WCCN in 2014. Since restructuring negotiations with the partner continue and all collection options are not yet exhausted, WCCN may need to revise this figure for loan loss provision again in 2015. The last payment received from partner Rain Forest Trading was \$86,783 received on November 18, 2014.

Negotiations continue with both of these partners. WCCN management is of the opinion that there is a strong likelihood of partial recovery and some likelihood of full recovery.

Notes receivable for the CC Fund December 31, 2014, 2013, and 2012 consisted of the following:

	2014	2013	2012
CC Fund notes receivable	\$ 12,089,919	\$ 11,085,536	\$ 10,627,938
Less loan loss reserve	709,283	376,805	341,373
CC Fund notes receivable - net	11,380,636	10,708,731	10,286,565
Less current portion	7,123,026	7,244,634	6,876,563
CC Fund notes receivable less current portion	<u>\$ 4,257,610</u>	<u>\$ 3,464,097</u>	<u>\$ 3,410,002</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 7—NOTES RECEIVABLE (continued)

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. During 2014, Community Needs, LLC held loan agreements with six agricultural cooperatives in Latin America. The loans are for terms of two years at interest rates between 8.75% and 10%. Since the loans are considered to be at market rate of interest, no additional discounting is deemed necessary.

Notes receivable for the CN LLC at December 31, 2014, 2013, and 2012 consisted of the following:

	2014	2013	2012
CN LLC notes receivable	\$ 487,500	\$ 400,000	\$ -
Less loan loss reserve	4,875	60,029	-
CN LLC notes receivable - net	482,625	339,971	-
Less current portion	370,125	189,971	-
CN LLC notes receivable less current portion	\$ 112,500	\$ 150,000	\$ -

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.

The difference between the aggregate unpaid principal balance and the aggregate fair value of the notes receivable at December 31, 2014, 2013, and 2012 are as follows:

	2014	2013	2012
Contractual payments	\$ 466,667	\$ 487,496	\$ 992,693
Fair value	457,363	482,351	995,363
Difference	\$ 9,304	\$ 5,145	\$ (2,670)

The amounts of gains (losses) in changes in fair value for the assets the fair value option were elected totaled (\$31,444), (\$11,006), and (\$5,328) for the year ended December 31, 2014, 2013, and 2012 and are reported under the investment return line in the consolidated statements of activities.

Gains (losses) included in changes in net assets during 2014, 2013, and 2012 attributable to changes in instrument-specific credit risk totaled \$252, \$5,185, and \$2,100. These gains and losses were determined based on the risk assessment on the credit riskiness of the borrower.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 7—NOTES RECEIVABLE (continued)

Investment return consisted of the following at December 31, 2014, 2013, and 2012:

	2014	2013	2012
Interest and dividends	\$ 1,131,464	\$ 1,020,897	\$ 1,114,086
Net unrealized and realized gains (losses)	-	-	10,838
Loss on hedging activity	(13,206)	(6,741)	(26,634)
Unrealized (gain) loss on change in fair value	27,980	16,084	(30,819)
Investment return	<u>\$ 1,146,238</u>	<u>\$ 1,030,240</u>	<u>\$ 1,067,471</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, 2014, 2013, and 2012, there were approximately 3,900 notes executed each year. Interest rates on the notes range from 0% to 6% with maturities of one month to five years. Since the loans are considered to be at a market rate of interest in the community credit market, no additional discounting is deemed necessary.

Notes payable for the CC Fund at December 31, 2014, 2013, and 2012 consisted of the following:

	2014	2013	2012
Notes payable	\$ 11,536,597	\$ 11,268,247	\$ 11,792,617
Less current portion	<u>3,950,263</u>	<u>2,548,263</u>	<u>2,958,427</u>
Notes payable less current portion	<u>\$ 7,586,334</u>	<u>\$ 8,719,984</u>	<u>\$ 8,834,190</u>

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

2015	\$ 3,950,263
2016	4,340,874
2017	1,647,880
2018	990,061
2019	<u>607,519</u>
Total	<u>\$ 11,536,597</u>

Community Needs, LLC Fund (CN LLC)

Community Needs, LLC is capitalized only with contributions from WCCN.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 9—NET ASSETS

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

	2014	2013	2012
WCCN reinvestment for growth plan	\$ 210,319	\$ 311,578	\$ -
Undesignated	1,495,175	1,843,535	1,885,037
Unrestricted net assets	<u>\$ 1,705,494</u>	<u>\$ 2,155,113</u>	<u>\$ 1,885,037</u>

Temporarily restricted net assets are available for the following purposes:

	2014	2013	2012
CC Equity Fund	\$ -	\$ 300	\$ 249,784
Various projects in Latin America	-	17,035	-
Temporarily restricted net assets	<u>\$ -</u>	<u>\$ 17,335</u>	<u>\$ 249,784</u>

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. The majority of the loans are disbursed in Nicaragua. Notes executed between WCCN and the borrowing agencies are generally collateralized by assets of limited value.

The nature of the loans and the limited 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.

The notes from lenders to WCCN hold WCCN harmless for default on repayment if borrowing agencies default on notes to WCCN. If these hold harmless clauses are legally enforceable, then WCCN's losses on the borrowing agencies' default on their notes would not be significant. If the hold harmless clauses are not enforceable, then WCCN could be held liable for any outstanding unpaid balances on its notes with lenders. Under such circumstances, WCCN's other assets may not be sufficient to repay the original lenders.

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, 2014, WCCN's uninsured cash balances total approximately \$525,000. Additionally, WCCN has an online PayPal account which is not FDIC insured. At December 31, 2014, the PayPal account balance was approximately \$109,000.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 11—SUBSEQUENT EVENT

WCCN is making two voluntary subsequent event disclosures. One disclosure relates to our Honduran partner agency, COMIXMUL. The second disclosure relates to our Guatemalan partner agency, ADEL-IXCAN.

COMIXMUL partner agency had outstanding notes due to WCCN in the amount of \$775,000 as of March 31, 2015. Government regulators in Honduras have intervened after it was discovered that a related-party transaction/improper use of funds occurred. Specifically, COMIXMUL financed the construction of a local hospital contrary to the purpose of the microfinance capital funds use restrictions imposed by the Honduran regulator. Some of the COMIXMUL managers have been removed from their positions as a result. COMIXMUL has never defaulted on a loan from WCCN and continues to make payments to WCCN. Nonetheless, WCCN is closely monitoring the results, visiting COMIXMUL on-site with other creditors and engaging with the intervening regulator, to manage and evaluate any potential risk to its investment in COMIXMUL. At this time, WCCN concludes that there is no material impairment to its outstanding notes with COMIXMUL, although this could change in 2015 if the situation deteriorates. The last payment WCCN received from COMIXMUL was \$82,027 in Feb. 2015.

ADEL-IXCAN partner agency in Guatemala is late on two payments totaling less than \$133,000 due to WCCN on March 1, and March 15, 2015. One payment is now more than 30 days late. Late payments are not atypical in this microfinance business, but, regardless, WCCN is taking measures to investigate, mitigate risk and protect its investment in ADEL-IXCAN. This includes an on-site engagement with management, assessing late payment penalties, exploring collection/enforcement options and possible additions to loan loss reserves. WCCN considers that there is no material impairment to the outstanding \$312,500 ADEL-IXCAN note investment at this time, but the situation may deteriorate further in 2015.

NOTE 12—FAIR VALUE MEASUREMENTS

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014, 2013, and 2012 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	\$ 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>
Derivatives	\$ (70,691)	\$ -	\$ -	\$ (70,691)
Notes receivable	995,363	-	-	995,363
2012	<u>\$ 924,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 924,672</u>

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2014, 2013, and 2012

NOTE 12—FAIR VALUE MEASUREMENTS (continued)

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.

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, 2011	\$ (45,200)	\$ 1,200,691	1,155,491
Settlements	-	(200,000)	(200,000)
Gain (loss) included in change in net assets	(25,491)	(5,328)	(30,819)
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	<u>\$ 6,550</u>	<u>\$ 457,364</u>	<u>\$ 463,914</u>

NOTE 13—LINE OF CREDIT

WCCN has a \$500,000 revolving line of credit, which was unused at December 31, 2014. 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 14—CONDITIONAL PROMISES TO GIVE

WCCN has beneficiary designation forms on file with several of its investors which are not recognized on its statement of financial position. The total of those conditional pledges for December 2014, 2013, and 2012 were \$1,096,595, \$1,001,184, and \$975,177, respectively. Amounts realized in public support from the execution of beneficiary designations and recognized in the statement of activities for 2014, 2013, and 2012 were \$17,624, \$15,000, and \$0, respectively.

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2014

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
ASSETS				
CURRENT ASSETS				
Cash	\$ 891,845	\$ 39,193	\$ -	\$ 931,038
Accrued interest receivable - net	101,495	10,397	-	111,892
CC Fund notes receivable - current portion	7,123,026	-	-	7,123,026
CN LLC notes receivable - current portion	-	370,125	-	370,125
Notes receivable fair value - current portion	-	163,976	-	163,976
Prepaid expenses	15,566	-	-	15,566
Inventory	1,067	-	-	1,067
Derivatives fair value	-	6,550	-	6,550
Other receivables	10,844	-	-	10,844
Intercompany receivables	12,837	327,254	(340,091)	-
Total current assets	8,156,680	917,495	(340,091)	8,734,084
OTHER ASSETS				
CC Fund notes receivable less current portion	4,257,610	-	-	4,257,610
CN LLC notes receivable less current portion	-	112,500	-	112,500
Notes receivable fair value less current portion	-	293,388	-	293,388
Property and equipment - net	56,314	-	-	56,314
Investment in CN, LLC	1,310,546	-	(1,310,546)	-
Total assets	\$ 13,781,150	\$ 1,323,383	\$ (1,650,637)	\$ 13,453,896
LIABILITIES AND NET ASSETS AND MEMBER'S EQUITY				
CURRENT LIABILITIES				
Current portion of notes payable	\$ 3,950,263	\$ -	\$ -	\$ 3,950,263
Accounts payable	28,329	-	-	28,329
Accrued interest payable - current portion	70,708	-	-	70,708
Intercompany payables	327,254	12,837	(340,091)	-
Total current liabilities	4,376,554	12,837	(340,091)	4,049,300
LONG-TERM LIABILITIES				
Notes payable less current portion	7,586,334	-	-	7,586,334
Accrued interest payable less current portion	112,768	-	-	112,768
Total liabilities	12,075,656	12,837	(340,091)	11,748,402
NET ASSETS AND MEMBER'S EQUITY				
Unrestricted net assets	1,705,494	-	-	1,705,494
Member's equity	-	1,310,546	(1,310,546)	-
Total net assets and member's equity	1,705,494	1,310,546	(1,310,546)	1,705,494
Total liabilities and net assets and member's equity	\$ 13,781,150	\$ 1,323,383	\$ (1,650,637)	\$ 13,453,896

WORKING CAPITAL FOR COMMUNITY NEEDS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year ended December 31, 2014

	WCCN	Community Needs, LLC	Eliminations	Total
UNRESTRICTED NET ASSETS				
SUPPORT AND REVENUE				
Investment return	\$ 1,099,878	\$ 127,843	\$ (81,483)	\$ 1,146,238
Contributions	109,167	-	-	109,167
Loan fees	101,650	6,500	-	108,150
Sales	640	-	-	640
Other	20,057	89	-	20,146
Total unrestricted support and revenue	1,331,392	134,432	(81,483)	1,384,341
EXPENSES				
Personnel	465,921	29,383	-	495,304
Interest on investor loans	363,805	-	-	363,805
Consultants	264,612	13,863	-	278,475
Legal	37,709	7,604	-	45,313
Grants and allocations	17,035	31,916	-	48,951
Office expense	41,923	2,255	-	44,178
Accounting	16,086	1,081	-	17,167
Resources	13,215	670	-	13,885
Insurance	9,529	648	-	10,177
Bank and investment fees	13,630	3,646	-	17,276
Occupancy	26,334	4,742	-	31,076
Travel and training	101,321	4,426	-	105,747
Conferences and meetings	17,288	698	-	17,986
Provision for loan losses	350,659	(50,534)	-	300,125
Marketing	25,985	2,076	-	28,061
Depreciation	24,398	-	-	24,398
Other	8,896	475	-	9,371
Total expenses	1,798,346	52,949	-	1,851,295
Net assets released from restrictions	17,335	-	-	17,335
Change in unrestricted net assets	(449,619)	81,483	(81,483)	(449,619)
TEMPORARILY RESTRICTED NET ASSETS				
Net assets released from restrictions	(17,335)	-	-	(17,335)
Change in net assets	<u>\$ (466,954)</u>	<u>\$ 81,483</u>	<u>\$ (81,483)</u>	<u>\$ (466,954)</u>