

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH CONSOLIDATING INFORMATION**

December 31, 2017, 2016, and 2015

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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, 2017, 2016, and 2015, 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, 2017, 2016, and 2015, 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  
June 4, 2018

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2017, 2016, and 2015

	2017	2016	2015
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 1,597,530	\$ 1,573,640	\$ 1,295,854
Certificates of deposit	343,754	447,868	-
Accrued interest receivable - net	148,528	216,486	161,165
CC Fund notes receivable - current portion	4,955,629	6,547,030	6,774,147
CN LLC notes receivable - current portion	35,520	12,000	60,900
Notes receivable fair value - current portion	54,667	-	-
Prepaid expenses	15,991	28,828	18,833
Inventory	-	-	1,067
Derivatives fair value	-	-	22,802
Other receivables	-	26,045	6,535
Total current assets	7,151,619	8,851,897	8,341,303
<b>OTHER ASSETS</b>			
CC Fund notes receivable less current portion	4,508,938	3,740,237	4,138,283
CN LLC notes receivable less current portion	-	35,520	48,000
Notes receivable fair value less current portion	184,552	-	126,187
Property and equipment - net	2,439	15,562	119,373
<b>Total assets</b>	<b>\$ 11,847,548</b>	<b>\$ 12,643,216</b>	<b>\$ 12,773,146</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
CC Fund notes payable - current portion	\$ 2,436,263	\$ 2,393,038	\$ 4,155,186
CN LLC notes payable - current portion	40,000	-	-
Accounts payable	18,950	31,875	35,614
Derivatives fair value	5,817	-	-
Deferred revenue	564	-	-
Accrued interest payable	149,028	148,229	169,866
Grant payable	7,500	-	-
Total current liabilities	2,658,122	2,573,142	4,360,666
<b>LONG-TERM LIABILITIES</b>			
CC Fund notes payable less current portion	9,025,077	8,854,230	7,004,133
CN LLC notes payable less current portion	-	40,000	40,000
Total liabilities	11,683,199	11,467,372	11,404,799
<b>NET ASSETS</b>			
Unrestricted	159,496	1,142,844	1,368,347
Temporarily restricted	4,853	33,000	-
Total net assets	164,349	1,175,844	1,368,347
<b>Total liabilities and net assets</b>	<b>\$ 11,847,548</b>	<b>\$ 12,643,216</b>	<b>\$ 12,773,146</b>

See accompanying notes.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
<b>UNRESTRICTED NET ASSETS</b>			
<b>SUPPORT AND REVENUE</b>			
Investment return	\$ 979,782	\$ 1,017,998	\$ 1,030,721
Contributions	119,224	290,848	129,344
Loan fees	70,423	68,191	58,850
Other	11,813	20	8,734
Total unrestricted support and revenue	1,181,242	1,377,057	1,227,649
<b>EXPENSES AND LOSSES</b>			
Program services			
Microfinance	1,832,932	1,151,142	1,187,753
Educational and other	48,396	23,766	46,493
Supporting activities			
Management and general	261,921	259,287	258,792
Fundraising	49,063	86,654	71,758
Total expenses	2,192,312	1,520,849	1,564,796
Loss on disposal of equipment	5,278	81,711	-
Total expenses and losses	2,197,590	1,602,560	1,564,796
Net assets released from restrictions	33,000	-	-
<b>Change in unrestricted net assets</b>	(983,348)	(225,503)	(337,147)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>			
Contributions	4,853	33,000	-
Net assets released from restrictions	(33,000)	-	-
<b>Change in temporarily restricted net assets</b>	(28,147)	33,000	-
<b>Change in net assets</b>	(1,011,495)	(192,503)	(337,147)
Net assets - beginning of year	1,175,844	1,368,347	1,705,494
<b>Net assets - end of year</b>	<u>\$ 164,349</u>	<u>\$ 1,175,844</u>	<u>\$ 1,368,347</u>

See accompanying notes.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended December 31, 2017, 2016, and 2015

	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and Other			
<b>2017</b>					
Personnel	\$ 226,767	\$ 4,097	\$ 168,979	\$ 26,953	\$ 426,796
Interest on investor loans	344,647	-	-	-	344,647
Consultants	164,348	-	23,501	-	187,849
Legal	62,774	-	620	-	63,394
Grants and allocations	-	38,617	-	-	38,617
Office expenses	24,278	1,499	13,224	4,882	43,883
Accounting	-	-	20,884	-	20,884
Resources	602	92	478	1,133	2,305
Insurance	5,946	-	8,085	252	14,283
Bank and investment fees	9,961	-	3,017	1,041	14,019
Occupancy	12,266	-	8,656	1,693	22,615
Travel and training	51,202	2,033	3,642	1,449	58,326
Conferences and meetings	4,757	-	3,913	167	8,837
Provision for loan losses	920,239	-	-	-	920,239
Marketing	691	1,446	-	10,770	12,907
Depreciation	3,295	612	2,757	539	7,203
Other	1,159	-	4,165	184	5,508
Total expenses	<u>\$ 1,832,932</u>	<u>\$ 48,396</u>	<u>\$ 261,921</u>	<u>\$ 49,063</u>	<u>\$ 2,192,312</u>
	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and Other			
<b>2016</b>					
Personnel	\$ 252,155	\$ 8,045	\$ 151,599	\$ 43,884	\$ 455,683
Interest on investor loans	347,538	-	-	-	347,538
Consultants	147,932	-	29,949	4,548	182,429
Legal	69,434	-	11,027	4,425	84,886
Grants and allocations	-	2,505	-	-	2,505
Office expenses	10,782	3,895	7,815	6,114	28,606
Accounting	-	-	21,852	-	21,852
Resources	9,738	-	851	2,231	12,820
Insurance	6,243	262	13,709	306	20,520
Bank and investment fees	10,180	733	1,298	1,063	13,274
Occupancy	11,208	2,083	2,951	2,431	18,673
Travel and training	62,054	823	2,346	2,202	67,425
Conferences and meetings	1,670	32	4,690	2,330	8,722
Provision for loan losses	181,966	-	-	-	181,966
Provision for interest losses	10,351	-	-	-	10,351
Marketing	8,881	1,820	225	12,907	23,833
Depreciation	18,155	3,375	4,781	3,937	30,248
Other	2,855	193	6,194	276	9,518
Total expenses	<u>\$ 1,151,142</u>	<u>\$ 23,766</u>	<u>\$ 259,287</u>	<u>\$ 86,654</u>	<u>\$ 1,520,849</u>

See accompanying notes.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (continued)**  
Years ended December 31, 2017, 2016, and 2015

	Program Services		Management and General	Fundraising	Total
	Microfinance	Educational and Other			
<b>2015</b>					
Personnel	\$ 307,944	\$ 15,176	\$ 162,101	\$ 39,132	\$ 524,353
Interest on investor loans	353,686	361	-	-	354,047
Consultants	209,929	401	54,729	4,225	269,284
Legal	45,722	3,095	1,828	-	50,645
Grants and allocations	-	-	-	100	100
Office expenses	16,176	7,592	3,659	5,344	32,771
Accounting	-	-	17,693	-	17,693
Resources	5,293	-	-	1,591	6,884
Insurance	7,038	4,923	1,348	261	13,570
Bank and investment fees	10,053	839	1,247	1,143	13,282
Occupancy	13,328	2,308	2,543	2,254	20,433
Travel and training	93,517	2,002	3,005	4,456	102,980
Conferences and meetings	1,496	249	5,446	2,727	9,918
Provision for loan losses	87,565	-	-	-	87,565
Provision for interest losses	12,919	-	-	-	12,919
Marketing	1,369	2,067	-	5,672	9,108
Depreciation	16,946	6,749	3,865	-	27,560
Other	4,772	731	1,328	4,853	11,684
Total expenses	<u>\$ 1,187,753</u>	<u>\$ 46,493</u>	<u>\$ 258,792</u>	<u>\$ 71,758</u>	<u>\$ 1,564,796</u>

See accompanying notes.



**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2017, 2016, and 2015

	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ (1,011,495)	\$ (192,503)	\$ (337,147)
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation	7,203	30,248	27,560
(Gain) loss on hedging activity	5,817	4,791	(9,076)
(Gain) loss on notes receivable fair value	(3,219)	7,912	8,568
Interest reserve	-	10,351	12,919
Loan loss reserve	920,239	181,966	87,565
Net realized and unrealized losses on certificates of deposit	1,376	4,602	-
Loss on disposal of equipment	5,278	81,711	-
(Increase) decrease in assets			
Accrued interest receivable	67,958	(65,672)	(62,192)
Notes receivable	(321,539)	432,852	1,076,975
Prepaid expenses	12,837	(9,995)	(3,267)
Inventory	-	1,067	-
Other receivables	26,045	(19,510)	4,309
Increase (decrease) in liabilities			
Accounts payable	(12,925)	(3,739)	7,285
Deferred revenue	564	-	-
Accrued interest payable	799	(21,637)	(13,610)
Grants payable	7,500	-	-
<b>Net cash flows from operating activities</b>	(293,561)	442,444	799,889
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of certificates of deposit	-	(450,000)	-
Reinvestment of interest in certificates of deposit	(5,653)	(2,470)	-
Proceeds from sale of certificates of deposit	108,391	-	-
Net cash received (paid) from derivatives	-	18,011	(7,176)
Proceeds from sale of equipment	641	-	-
Purchases of property and equipment	-	(8,148)	(90,619)
<b>Net cash flows from investing activities</b>	103,379	(442,607)	(97,795)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from notes payable	745,657	883,475	3,886,860
Payments of notes payable	(531,585)	(605,526)	(4,224,138)
Proceeds from short-term note payable	140,000	50,000	-
Payments on short-term note payable	(140,000)	(50,000)	-
<b>Net cash flows from financing activities</b>	214,072	277,949	(337,278)
Net change in cash	23,890	277,786	364,816
Cash - beginning of year	1,573,640	1,295,854	931,038
<b>Cash - end of year</b>	<u>\$ 1,597,530</u>	<u>\$ 1,573,640</u>	<u>\$ 1,295,854</u>

See accompanying notes.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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Founded in 1984, Working Capital for Community Needs (WCCN) is a 501(c)(3) nonprofit impact investing fund whose mission is to create opportunities for access to microfinance, services and markets to improve the lives and communities of the working poor in Latin America. WCCN empowers low-income Latin American entrepreneurs by sustaining partnerships with microfinance organizations and fair trade coffee organizations in Ecuador, El Salvador, Honduras, Guatemala, Nicaragua and Peru. To facilitate its activities in the greater Latin America area, WCCN formed a separate limited liability company, Community Needs, LLC during 2009. The LLC may further WCCN's purposes by participating in models that differ from WCCN's traditional avenues for promoting economic development.

Located in Madison, Wisconsin, WCCN is supported primarily through interest from its loan fund and donor contributions.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

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

**Basis of Presentation**

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

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

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

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

**Investments**

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

**Notes Receivable**

Notes receivable consist of amounts due from microfinance organizations and producer cooperatives/associations in Latin America. Interest income is accrued on a monthly basis. The allowance for interest receivable at December 31, 2017, 2016, and 2015 was \$8,603, \$31,873, and \$21,522. The allowance for loan loss reserve is estimated based on an analysis of the risk criteria for each borrower in the portfolio. 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 and puts them in non-accrual status. Once the loan is restructured, it is removed from non-accrual status.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivatives**

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

**Property and Equipment**

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

**Notes Payable**

WCCN borrows funds from individuals and organizations at interest rates that averaged 3.01%, 3.06%, and 3.07% at December 31, 2017, 2016, and 2015. While less than rates charged by commercial lenders, these rates approximate the prevailing rate in the community development credit market. Accordingly, notes payable are recorded at their face value.

**Contributions**

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

**Expense Allocation**

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

**Income Tax Status**

WCCN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, WCCN qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Community Needs, LLC is treated as a disregarded entity for federal tax purposes and its operations are reported on WCCN's federal exempt organization return.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Estimates**

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

**Date of Management's Review**

Management has evaluated subsequent events through June 4, 2018, 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 for 2017, 2016, and 2015 was \$10,429, \$10,963, and \$11,973.

**NOTE 3—OPERATING LEASE**

WCCN rented office space in Madison, Wisconsin under an annual lease agreement that required monthly payments of \$1,270 that terminated December 2017. In October 2017, WCCN entered into a five-year lease agreement for office space in Madison, Wisconsin that requires monthly payments of \$1,133 and expires in December 2022. Lease expense in 2017, 2016, and 2015 was \$16,108, \$15,235, and \$14,958.

Community Needs, LLC rented office space adjacent to WCCN under an annual lease agreement that required monthly payments of \$287 that terminated December 2017. In October 2017, the LLC entered into a five-year lease agreement for office space in Madison, Wisconsin that requires monthly payments of \$329 and expires in December 2022. Lease expense for 2017, 2016, and 2015 for the LLC was \$3,673, \$3,438, and \$3,375.

Future minimum lease payments are:

2018	\$ 17,550
2019	17,989
2020	18,438
2021	18,899
2022	<u>19,372</u>
Total	<u><u>92,248</u></u>

**NOTE 4—RELATED PARTY TRANSACTIONS**

WCCN had notes payable to board members and employees totaling \$95,836, \$97,455, and \$14,328 at December 31, 2017, 2016, and 2015. The interest rates on the notes range from 1% to 3% and the notes mature on various dates between March 2018 and March 2020. A staff member liquidated his investment in 2017.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

**NOTE 5—DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

The derivative instrument is designated as a fair value hedge to hedge the notes receivable measured at fair value. The fair value of the derivative is presented gross in the consolidated statements 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, 2017, 2016, and 2015:

	<u>Gain (loss) on the derivative</u>	<u>Gain (loss) on the hedged item</u>	<u>Total</u>
Cross currency interest swap gain (loss) - 2017	<u>\$ 3,219</u>	<u>\$ (5,817)</u>	<u>\$ (2,598)</u>
Cross currency interest swap gain (loss) - 2016	<u>\$ (7,912)</u>	<u>\$ (4,791)</u>	<u>\$ (12,703)</u>
Cross currency interest swap gain (loss) - 2015	<u>\$ (8,568)</u>	<u>\$ 9,076</u>	<u>\$ 508</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2017, 2016, and 2015 consisted of the following:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Equipment	\$ 26,042	\$ 27,831	\$ 18,842
Leashold improvements	64,937	64,937	64,937
Software	-	5,000	87,552
Less accumulated depreciation	<u>88,540</u>	<u>82,206</u>	<u>51,958</u>
Property and equipment - net	<u>\$ 2,439</u>	<u>\$ 15,562</u>	<u>\$ 119,373</u>

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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**NOTE 7—NOTES RECEIVABLE**

In 2017, WCCN approved 25 new loans for a total value disbursement of \$7,199,050. 19 partners paid in full 24 loans totaling \$3,435,217. Total principal payments received in 2017 by WCCN were \$6,572,191. There were 84 active loans in 2017.

**Capital for Communities Fund (CC Fund)**

Restructured Loans

Out of 84 active loans in 2017, there was one new loan restructure that was subsequently written off. The balance of restructured loans at December 31, 2017 was \$157,046. WCCN had one loan that was restructured in 2016 in the amount of \$176,035 and two loans that had rescheduled principal payments in 2016 in the amount of \$325,000 total. In 2015, two loans were restructured in the amounts of \$775,000 and \$312,500.

The 2016 sole restructured loan borrower of \$176,035 made its first and only payment due in 2016 in the amount of \$49,100 on December 23, 2016. The second payment on this restructured loan was due April 30, 2017 but was not paid. The loan balance of this restructured loan at December 31, 2017 was \$126,935. The loan has been provisioned at 100% as of December 31, 2017.

A Microfinance Institution (MFI) partner agency borrower in Nicaragua has an outstanding loan balance of \$32,619 at December 31, 2016. This balance and loan is a restructured loan in the WCCN portfolio from the No Pago Movement national credit crisis of 2008 in Nicaragua. The original loan balance was \$1,200,000. This partner agency borrower was 120 days in arrears at December 31, 2016 and is 7 months in arrears as of March 3, 2017. WCCN made a loan loss provision to cover 100% of this partner's \$32,619 loan balance as of December 31, 2017.

Loans in Arrears

There were 84 active loans in 2017. Of these, four partner agencies in Latin America had four loans in arrears at December 31, 2017. The details of all loans in arrears are below.

A Peruvian value chain borrower of \$176,035 made its first and only payment due in 2016 in the amount of \$49,100 on December 23, 2016. The second payment on this restructured loan was due April 30, 2017 but was not paid. The loan balance of this restructured loan at December 31, 2017 was \$126,935. The loan has been provisioned at 100% as of December 31, 2017.

A Microfinance Institution (MFI) partner agency borrower in Nicaragua had an outstanding loan balance of \$32,619 at December 31, 2016. This balance and loan is a restructured loan in the WCCN portfolio from the No Pago Movement national credit crisis of 2008 in Nicaragua. The original loan balance was \$1,200,000. Only one small payment was made toward the outstanding balance in November of 2017. The loan has been provisioned at 100% as of December 31, 2017.

A microfinance partner in Honduras had \$775,000 restructured in 2015. This partner made all scheduled interest and principal payments on time in both 2015 and 2016, however no payments were received in 2017 due to government intervention. The balance of this loan is \$516,666 at December 31, 2017. The loan has been provisioned at 100% as of December 31, 2017.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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**NOTE 7—NOTES RECEIVABLE (continued)**

In 2014, a borrower in Peru received fair trade coffee value chain financing in the amount of \$1,000,000. The borrower in Peru had an outstanding balance of \$730,219 at December 31, 2016. WCCN became a secured mortgage holder of this partner in 2015 to collect the pending principal and interest from real property sale proceeds and other cash flow sources. A 50% loan loss provision of \$365,109 for this loan was allocated in 2014 and continued in 2015 and 2016. WCCN holds a second mortgage on a coffee plant in connection with this loan. The partner sold other property in 2017 and it is possible that WCCN's second mortgage position could be improved to a first mortgage position in 2018. The loan has been provisioned at 100% as of December 31, 2017.

Loans Written Off

A microfinance borrower partner in Guatemala received two loans in September 2013 and March 2014 for a total of \$500,000, of which they paid \$187,500 in early 2015. They missed subsequent interest and principal payments. WCCN restructured the two loans in October 2015 to one loan secured with land collateral held in mortgage in favor of WCCN. WCCN has received no payments from this borrower since January 2016. WCCN began the mortgage foreclosure process in 2016 to collect from this borrower. There is a \$272,500 loan loss provision on this borrower's debt as of December 31, 2016. The remaining \$40,000 on this loan was written off in September of 2017.

A value chain partner agency borrower in Peru had a restructured loan in 2014 for the principal amount of \$145,000. In 2016, WCCN received only a partial interest payment in the amount of \$4,940 on September 1, 2016. On January 1, 2017, WCCN restructured this loan. WCCN received the \$20,000 payment of the 2016 balance of overdue interest balance from this partner borrower on January 13, 2017. The restructured loan was considered no longer in arrears as of January 13, 2017. WCCN became a secured creditor (collateralized equipment assets in favor of WCCN) to this debtor in January 2017 and provisioned for all of the unsecured portion of this borrower's debt. The next payment due from this partner was August 31, 2017 in the amount of \$11,757, for principal and interest due which was not paid. The collateralized equipment was revalued in 2017 and deemed worthless. The remaining balance on the loan of \$145,000 was written off in 2017.

Other

WCCN proactively rescheduled 2016 principal payments due totaling \$325,000 from a borrower in Ecuador that suffered heavy damage to its main office during the April 2016 earthquake. All principal payments were rescheduled to resume one year later, beginning May 2017. These two rescheduled loans remain in good standing and all interest payments have been timely in 2016. No repayment problems occurred in 2017.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

**NOTE 7—NOTES RECEIVABLE (continued)**

Notes receivable for the CC Fund at December 31, 2017, 2016, and 2015 consisted of the following:

	2017	2016	2015
CC Fund notes receivable	\$ 10,921,241	\$ 11,281,202	\$ 11,723,779
Less loan loss reserve	1,456,674	993,935	811,349
CC Fund notes receivable - net	9,464,567	10,287,267	10,912,430
Less current portion	4,955,629	6,547,030	6,774,147
CC Fund notes receivable less current portion	<u>\$ 4,508,938</u>	<u>\$ 3,740,237</u>	<u>\$ 4,138,283</u>

Direct write-offs of \$457,500 in 2017 were recognized as expenses in the statement of activities.

**Community Needs, LLC (CN LLC)**

WCCN maintains an agreement with Community Needs, LLC for services related to communications and payment collections on the receivables of the Community Needs, LLC. At December 31, 2017, Community Needs, LLC held a loan agreement with an organization in Latin America. This loan was for a term of four years at an interest rate of 10%. Since the loan is considered to be at market rate of interest, no additional discounting is deemed necessary.

Notes receivable, exclusive of fair value notes, for the CN LLC at December 31, 2017, 2016, and 2015 consisted of the following:

	2017	2016	2015
CN LLC notes receivable	\$ 36,000	\$ 48,000	\$ 110,000
Less loan loss reserve	480	480	1,100
CN LLC notes receivable - net	35,520	47,520	108,900
Less current portion	35,520	12,000	60,900
CN LLC notes receivable less current portion	<u>\$ -</u>	<u>\$ 35,520</u>	<u>\$ 48,000</u>

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



**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7—NOTES RECEIVABLE (continued)**

The difference between the aggregate unpaid principal balance and the aggregate fair value of the notes receivable at December 31, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Contractual payments	\$ 237,635	\$ -	\$ 128,879
Fair value	239,219	-	126,187
Difference	<u>\$ (1,584)</u>	<u>\$ -</u>	<u>\$ 2,692</u>

The amounts of gains (losses) in changes in fair value for the assets the fair value option was elected totaled \$3,219, (\$7,912), and (\$8,568) for the years ended December 31, 2017, 2016, and 2015 and are reported under the investment return line in the consolidated statements of activities.

Gains (losses) included in changes in net assets during 2017, 2016, and 2015 attributable to changes in instrument-specific credit risk totaled (\$5,817), (\$4,791), and \$1,708. These gains and losses were determined based on the risk assessment on the credit riskiness of the borrower using a risk premium of 5% for 2017 and 1% for 2016 and 2015.

Investment return at December 31, 2017, 2016, and 2015 consisted of the following:

	2017	2016	2015
Interest and dividends	\$ 983,756	\$ 1,035,303	\$ 1,030,213
Gain (loss) on hedging activity	(5,817)	(4,791)	9,076
Gain (loss) on notes receivable fair value	3,219	(7,912)	(8,568)
Net realized and unrealized losses on certificates of deposit	<u>(1,376)</u>	<u>(4,602)</u>	<u>-</u>
Investment return	<u>\$ 979,782</u>	<u>\$ 1,017,998</u>	<u>\$ 1,030,721</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 larger amounts to various organizations in Latin America that operate loan programs serving low-income borrowers.

As of December 31, 2017, 2016, and 2015, there were approximately 500 notes executed each year with recurring and new lenders. Interest rates on the notes range from 0% to 4.25% with maturities due over the next six months to seven years. Since the loans are considered to be at a market rate of interest in the community development credit market, no additional discounting is deemed necessary.

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8—NOTES PAYABLE (continued)**

Notes payable for the CC Fund at December 31, 2017, 2016, and 2015 consisted of the following:

	2017	2016	2015
CC notes payable	\$ 11,461,340	\$ 11,247,268	\$ 11,159,319
Less current portion	<u>2,436,263</u>	<u>2,393,038</u>	<u>4,155,186</u>
CC notes payable less current portion	<u>\$ 9,025,077</u>	<u>\$ 8,854,230</u>	<u>\$ 7,004,133</u>

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

2018	\$ 2,436,263
2019	2,969,230
2020	3,237,731
2021	1,457,113
2022	1,078,630
Thereafter	<u>282,373</u>
Total	<u>\$ 11,461,340</u>

**Community Needs, LLC Fund (CN LLC)**

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

**NOTE 9—NET ASSETS**

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

	2017	2016	2015
Cloud-based lending software	\$ -	\$ -	\$ 150,000
Undesignated	<u>159,496</u>	<u>1,142,844</u>	<u>1,218,347</u>
Unrestricted net assets	<u>\$ 159,496</u>	<u>\$ 1,142,844</u>	<u>\$ 1,368,347</u>

Temporarily restricted net assets are available for the following purposes:

	2017	2016	2015
Proyecto Washu Ecuador grant	\$ 4,853	\$ 30,000	\$ -
Returned Peace Corps education grant	<u>-</u>	<u>3,000</u>	<u>-</u>
Temporarily restricted net assets	<u>\$ 4,853</u>	<u>\$ 33,000</u>	<u>\$ -</u>

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

**NOTE 10—CONCENTRATIONS OF CREDIT RISK**

The amounts loaned by WCCN to organizations in Latin America (“borrowing agencies”) are in turn lent to small enterprises and individuals in Latin America. WCCN has disbursed such loans in Nicaragua, El Salvador, Guatemala, Ecuador, Honduras, and Peru. Notes executed between WCCN and the borrowing agencies are often not collateralized by assets of any material value, unless the notes are restructured due to a default. In such cases, WCCN seeks collateral from the borrower to mitigate further risk.

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

Notes receivable by country at December 31, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Ecuador	\$ 2,239,167	\$ 1,875,000	\$ 1,091,666
El Salvador	765,000	1,595,833	1,950,000
Honduras	2,418,276	2,877,166	2,697,500
Guatemala	1,125,836	1,373,678	887,500
Nicaragua	2,757,694	1,516,530	2,965,227
Peru	940,487	2,090,995	2,368,073
United States	950,000	-	-
Notes receivable	11,196,460	11,329,202	11,959,966
Less loan loss reserves	1,457,154	994,415	812,449
Notes receivable - net	<u>\$ 9,739,306</u>	<u>\$ 10,334,787</u>	<u>\$ 11,147,517</u>

Notes receivable by sector at December 31, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Microfinance	\$ 9,667,976	\$ 8,677,029	\$ 10,530,770
Fair trade/value chain	1,528,484	2,652,173	1,429,196
Notes receivable	11,196,460	11,329,202	11,959,966
Less loan loss reserves	1,457,154	994,415	812,449
Notes receivable - net	<u>\$ 9,739,306</u>	<u>\$ 10,334,787</u>	<u>\$ 11,147,517</u>
CC Fund	\$ 9,464,567	\$ 10,287,267	\$ 10,912,430
CN LLC Fund	35,520	47,520	108,900
Fair value	239,219	-	126,187
Total	<u>\$ 9,739,306</u>	<u>\$ 10,334,787</u>	<u>\$ 11,147,517</u>

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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**NOTE 10—CONCENTRATIONS OF CREDIT RISK (continued)**

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

WCCN maintains cash balances at several financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, 2016, and 2015 WCCN's uninsured cash balances total approximately \$187,000, \$40,000, and \$455,000.

**NOTE 11—SUPPLEMENTARY CASH FLOW INFORMATION**

WCCN had cash payments for interest on investor loans for the years ended December 31, 2017, 2016, and 2015 of \$343,211, \$369,010, and \$367,356. Investors converted their notes payable to contributions totaling \$9,000, \$228,951, and \$30,621 during the years ended December 31, 2017, 2016, and 2015.

**NOTE 12—ALLEVIATED GOING CONCERN**

During 2017, WCCN's board of directors concluded that WCCN's growth strategy implemented in 2013 was failing to meet expectations. In conjunction, loans that had been downgraded during this time were becoming less likely to be recovered. As such, it was decided to fully reserve for all potential losses in 2017, an approach that the board of directors and management feels is appropriately conservative. At December 31, 2017, WCCN's net assets to total assets was at 1.39% after fully reserving for loans in arrears. These factors create uncertainty about the organization's ability to continue as a going concern. The board of directors has evaluated these factors and determined the following plans would alleviate this uncertainty. Beginning in January 2018, WCCN's Board of Directors reduced operating expenses by eliminating some staff positions and reducing consultant fees and travel expenses.

Many of WCCN's recent losses arose from value chain, agricultural loans that were impacted by a rampant fungus to coffee plants throughout key portions of Latin America. Because of these and other climate-related factors, WCCN has drastically reduced its activity in the value chain sector. Interim unaudited financial results through April 30, 2018 reflect a small profit, which management believes is a step towards restoring future profitability.

A robust capital campaign is planned on being launched in 2018 to bolster WCCN's public support and is expected to contribute substantially to WCCN's equity level. Additionally, WCCN has obtained an unsecured line of credit in the amount of \$500,000 from Settlers Bank at PRIME +3% APR (currently 7.75%) interest which could be used to meet any outstanding obligations.

**NOTE 13—LINES OF CREDIT**

WCCN had one unsecured line of credit and one unsecured short term credit promissory note in 2017. The unsecured line of credit is in the amount of \$75,000 and is a regularly available account held with Wells Fargo Bank. It has an interest rate of PRIME + 6.75% annually and expires in February 2021. On February 27, 2017, WCCN drew down on its Wells Fargo unsecured line of credit, using the full available amount of \$75,000 at the rate of PRIME + 6.75% annually. WCCN paid off this note in full in the amount of \$75,237 on March 9, 2017. On December 31, 2017, this line of credit was unused. WCCN also entered into another short-term unsecured promissory note with Settlers Bank for the amount of \$65,000 on March 3, 2017. Interest annually is 7% on this balance. Both credits were obtained for purposes of meeting high demand

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

**NOTE 13—LINES OF CREDIT (continued)**

for credits from partner agencies borrowing from WCCN in the end of February and the first week of March 2017. WCCN cancelled this note in full in the amount of \$65,162 on March 15, 2017.

On June 4, 2018, WCCN obtained an unsecured line of credit in the amount of \$500,000 from Settlers Bank at PRIME +3% APR interest.

**NOTE 14—CONDITIONAL PROMISES TO GIVE**

WCCN has beneficiary designation forms on file with several of its investors which are not recognized on its consolidated statements of financial position. The total of those conditional pledges at December 31, 2017, 2016, and 2015 were \$920,557, \$905,706, and \$1,029,693, respectively. Amounts realized in public support from the execution of beneficiary designations and recognized in the consolidated statements of activities for 2017, 2016, and 2015 were \$28,394, \$0, and \$11,280, respectively.

**NOTE 15—FAIR VALUE MEASUREMENTS**

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017, 2016, and 2015 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	\$ (5,817)	\$ -	\$ -	\$ (5,817)
Notes receivable	239,219	-	-	239,219
Certificates of deposit	343,754	-	343,754	-
2017	<u>\$ 577,156</u>	<u>\$ -</u>	<u>\$ 343,754</u>	<u>\$ 233,402</u>
Certificates of deposit - 2016	<u>\$ 447,868</u>	<u>\$ -</u>	<u>\$ 447,868</u>	<u>\$ -</u>
Derivatives	\$ 22,802	\$ -	\$ -	\$ 22,802
Notes receivable	126,187	-	-	126,187
2015	<u>\$ 148,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,989</u>

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

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016, and 2015

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NOTE 15—FAIR VALUE MEASUREMENTS (continued)

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

	Derivatives	Notes Receivable	Total
Balance - December 31, 2014	\$ 6,550	\$ 457,364	463,914
Settlements	7,176	(322,609)	(315,433)
Gain (loss) included in change in net assets	<u>9,076</u>	<u>(8,568)</u>	<u>508</u>
Balance - December 31, 2015	22,802	126,187	148,989
Settlements	(18,011)	(118,275)	(136,286)
Gain (loss) included in change in net assets	<u>(4,791)</u>	<u>(7,912)</u>	<u>(12,703)</u>
Balance - December 31, 2016	-	-	-
Issuances	-	236,000	236,000
Gain (loss) included in change in net assets	<u>(5,817)</u>	<u>3,219</u>	<u>(2,598)</u>
Balance - December 31, 2016	<u>\$ (5,817)</u>	<u>\$ 239,219</u>	<u>\$ 233,402</u>

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
December 31, 2017

	WCCN	Community Needs, LLC	Eliminations	Consolidated Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 1,526,824	\$ 70,706	\$ -	\$ 1,597,530
Certificates of deposit	343,754	-	-	343,754
Accrued interest receivable - net	143,488	5,040	-	148,528
CC Fund notes receivable - current portion	4,955,629	-	-	4,955,629
CN LLC notes receivable	-	35,520	-	35,520
Notes receivable fair value - current portion	-	54,667	-	54,667
Prepaid expenses	15,991	-	-	15,991
Intra-entity receivables	37,418	323,173	(360,591)	-
Total current assets	7,023,104	489,106	(360,591)	7,151,619
<b>OTHER ASSETS</b>				
CC Fund notes receivable less current portion	4,508,938	-	-	4,508,938
Notes receivable fair value less current portion	-	184,552	-	184,552
Property and equipment - net	2,439	-	-	2,439
Investment in CN, LLC	590,115	-	(590,115)	-
<b>Total assets</b>	<b>\$ 12,124,596</b>	<b>\$ 673,658</b>	<b>\$ (950,706)</b>	<b>\$ 11,847,548</b>
<b>LIABILITIES AND NET ASSETS AND MEMBER'S EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
CC Fund notes payable - current portion	\$ 2,436,263	\$ -	\$ -	\$ 2,436,263
CN LLC notes payable	-	40,000	-	40,000
Accounts payable	18,942	8	-	18,950
Derivatives fair value	-	5,817	-	5,817
Deferred revenue	564	-	-	564
Accrued interest payable	148,728	300	-	149,028
Grant payable	7,500	-	-	7,500
Intra-entity payables	323,173	37,418	(360,591)	-
Total current liabilities	2,935,170	83,543	(360,591)	2,658,122
<b>LONG-TERM LIABILITIES</b>				
CC Fund notes payable less current portion	9,025,077	-	-	9,025,077
Total liabilities	11,960,247	83,543	(360,591)	11,683,199
<b>NET ASSETS AND MEMBER'S EQUITY</b>				
Unrestricted net assets	159,496	-	-	159,496
Temporarily restricted net assets	4,853	-	-	4,853
Member's equity	-	590,115	(590,115)	-
Total net assets and member's equity	164,349	590,115	(590,115)	164,349
<b>Total liabilities and net assets and member's equity</b>	<b>\$ 12,124,596</b>	<b>\$ 673,658</b>	<b>\$ (950,706)</b>	<b>\$ 11,847,548</b>

**WORKING CAPITAL FOR COMMUNITY NEEDS, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
Year ended December 31, 2017

	WCCN	Community Needs, LLC	Eliminations	Total
<b>UNRESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE</b>				
Investment return	\$ 948,248	\$ 10,562	\$ 20,972	\$ 979,782
Contributions	119,224	-	-	119,224
Loan fees	70,423	-	-	70,423
Other	11,521	292	-	11,813
Total unrestricted support and revenue	1,149,416	10,854	20,972	1,181,242
<b>EXPENSES AND LOSSES</b>				
Personnel	412,767	14,029	-	426,796
Interest on investor loans	344,247	400	-	344,647
Consultants	183,551	4,298	-	187,849
Legal	59,766	3,628	-	63,394
Grants and allocations	38,617	-	-	38,617
Office expenses	42,651	1,232	-	43,883
Accounting	19,746	1,138	-	20,884
Resources	2,228	77	-	2,305
Insurance	13,947	336	-	14,283
Bank and investment fees	13,139	880	-	14,019
Occupancy	18,942	3,673	-	22,615
Travel and training	56,863	1,463	-	58,326
Conferences and meetings	8,668	169	-	8,837
Provision for loan losses	920,239	-	-	920,239
Marketing	12,537	370	-	12,907
Depreciation	7,203	-	-	7,203
Other	5,375	133	-	5,508
Total expenses	2,160,486	31,826	-	2,192,312
Loss on disposal of equipment	5,278	-	-	5,278
Total expenses and losses	2,165,764	31,826	-	2,197,590
Net assets released from restrictions	33,000	-	-	33,000
<b>Change in unrestricted net assets</b>	(983,348)	(20,972)	20,972	(983,348)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
Contributions	4,853	-	-	4,853
Net assets released from restrictions	(33,000)	-	-	(33,000)
<b>Change in temporarily restricted net assets</b>	(28,147)	-	-	(28,147)
<b>Change in net assets</b>	(1,011,495)	(20,972)	20,972	(1,011,495)
Net assets - beginning of year	1,175,844	611,087	(611,087)	1,175,844
<b>Net assets - end of year</b>	<u>\$ 164,349</u>	<u>\$ 590,115</u>	<u>\$ (590,115)</u>	<u>\$ 164,349</u>