AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

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To the Board of Directors
African Development Center
Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statement of financial position of the African Development Center as of December 31, 2007, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the African Development Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the African Development Center's 2006 financial statements and, in our report dated April 3, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the African Development Center as of December 31, 2007, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 13 and 14 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entity. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Mahoney Ulbrich
Christiansen Russ P.A.

Saint Paul, Minnesota
April 24, 2008

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2007
With Comparative Totals for 2006

	2007	2006
ASSETS		
Cash	$ 361,727	$ 142,039
Cash - restricted for loan programs	149,661	256,567
	511,388	398,606
Loans receivable	1,362,439	985,036
Less loan participations and deferred profit	(1,192,917)	(953,481)
	169,522	31,555
Temporary cash investment	50,643	-
Accounts receivable	2,450	10,705
Contributions receivable	210,000	312,500
Prepaid expenses and lease deposit	995	1,413
Office and computer equipment, less accumulated depreciation of $39,403 in 2007 and $17,262 in 2006	81,171	89,086
Total assets	$ 1,026,169	$ 843,865
LIABILITIES AND NET ASSETS		
Accounts payable	$ 12,734	$ 18,703
Contract advances	6,750	7,500
Funds held for loans	28,218	14,990
Note payable	250,000	250,000
Total liabilities	297,702	291,193
Unrestricted net assets	420,467	205,172
Temporarily restricted net assets	308,000	347,500
Total net assets	728,467	552,672
Total liabilities and net assets	$ 1,026,169	$ 843,865

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007
With Comparative Totals for 2006

	2007			
	Unrestricted	Temporarily restricted	Total	2006
Support and revenues:				
Contributions	$ 121,915	$ 505,000	$ 626,915	$ 481,167
Net assets released from:				
Time restrictions	156,000	(156,000)	-	-
Usage restrictions	388,500	(388,500)	-	-
Government grants	26,250	-	26,250	133,750
Program service fees	74,890	-	74,890	73,400
Interest income - loans	34,461	-	34,461	18,582
Interest income - cash accounts	18,860	-	18,860	11,816
Miscellaneous income	2,449	-	2,449	1,171
Total support and revenues	823,325	(39,500)	783,825	719,886
Expenses:				
Program services	436,076	-	436,076	334,612
Management and general	127,692	-	127,692	93,140
Fundraising	44,262	-	44,262	34,653
Total expenses	608,030	-	608,030	462,405
Change in net assets	215,295	(39,500)	175,795	257,481
Net assets - beginning of year	205,172	347,500	552,672	295,191
Net assets - end of year	$ 420,467	$ 308,000	$ 728,467	$ 552,672

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2007
With Comparative Totals for 2006

	2007				
	Program Services	Management and General	Fundraising	Total	2006
Salaries	$ 240,349	$ 65,856	$ 16,758	$ 322,963	$ 219,610
Payroll taxes	20,134	5,517	1,404	27,055	18,175
Employee benefits	18,440	5,053	1,286	24,778	18,165
Total personnel expense	278,923	76,425	19,448	374,796	255,950
Professional fees	7,974	14,275	-	22,249	18,492
Subcontract services	29,660	1,977	7,909	39,547	67,857
Telephone/Internet	5,723	1,568	399	7,690	11,438
Rent and occupancy	26,368	7,225	1,839	35,432	35,348
Equipment expenses	1,927	528	134	2,589	1,482
Travel and meetings	14,114	3,867	984	18,965	10,122
Office expense	9,631	2,639	671	12,941	12,330
Printing and reproduction	22,558	3,223	6,445	32,225	9,937
Publications	1,006	276	70	1,352	2,198
Registrations and conferences	7,114	1,949	496	9,559	2,425
Insurance	1,174	322	82	1,578	1,544
Loan and other expenses	7,658	-	-	7,658	1,980
Board and annual meeting	-	273	4,377	4,650	12,127
Marketing/Advertising	2,055	4,908	-	6,963	5,963
Interest	3,714	1,018	259	4,990	2,649
Depreciation	16,477	4,515	1,149	22,141	10,563
Miscellaneous	-	2,705	-	2,705	-
	$ 436,076	$ 127,692	$ 44,262	$ 608,030	$ 462,405

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007
With Comparative Totals for 2006

Increase (Decrease) in Cash Flows

	2007	2006
Cash flows from operating activities:		
Change in net assets	$ 175,795	$ 257,481
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	22,141	10,563
Accounts receivable	8,255	(3,306)
Contributions receivable	102,500	(107,500)
Prepaid expenses and lease deposit	418	297
Accounts payable	(5,969)	8,408
Contract advance	(750)	(1,250)
Net cash from operating activities	302,390	164,693
Cash flows from investing activities:		
Loans issued	(499,492)	(775,649)
Collections on loans	242,743	150,198
Funds received for loan participations, net	132,010	525,652
Purchase of temporary cash investment	(50,643)	-
Purchase of office equipment	(14,226)	(66,177)
Net cash from investing activities	(189,608)	(165,976)
Cash flows from financing activities:		
Proceeds of note payable	-	250,000
Net cash from financing activities	-	250,000
Net increase in cash	112,782	248,717
Cash - beginning of year	398,606	149,889
Cash - end of year	$ 511,388	$ 398,606
Supplemental cash flow information:		
Cash paid for interest expense	$ 5,000	$ 1,389

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

The African Development Center (ADC) is a non-profit organization founded in 2002. ADC is located in Minneapolis, Minnesota. ADC provides services to individuals in the Twin Cities metropolitan area of Minnesota.

Activities include:

Business development – ADC provides technical assistance in the area of business planning to new and existing African business owners as well as business loans.

Home ownership – ADC promotes sustainable home ownership for low and moderate income African people in Minnesota.

Financial literacy – ADC provides materials and programs to assist new and existing African immigrants understand American financial systems and services.

During 2007, ADC founded ADC Financial Services, Inc., a non-profit community home lender offering mortgage originations with a focus on clients in emerging markets. As of December 31, 2007, the organization was in its start-up phase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include African Development Center and ADC Financial Services, Inc., a wholly owned non-profit corporation. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates - The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes. ADC has no permanently restricted net assets.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk - ADC maintains its cash at two financial institutions that may, at times, exceed federally insured limits. ADC has not experienced any losses as a result of these deposits. As of December 31, 2007, deposits exceeded the federally insured limit by $333,477.

Cash Equivalents - For purposes of preparing the statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents. Investments with an original maturity date of greater than three months are considered temporary cash investments. The temporary cash investment is a bank certificate of deposit maturing in August 2008.

Restricted Cash - Restricted cash is for loan programs.

Office and Computer Equipment - Office and computer equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven years. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Loans Receivable and Allowance for Loan Losses - Loans are recorded when closed. Loans closed and not yet funded to the borrower are reported as undisbursed loans. Interest and profit are recorded as revenue over the term of the loan.

The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans. The evaluations take into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. Management has determined that no allowance is necessary at December 31, 2007.

Investment in LLC - ADC owns a 25% interest in MGM Community Partners, LLC. This investment is carried at cost ($0).

Contributions Receivable - Contributions are recognized when the donor makes an unconditional promise to give to ADC. Donor-restricted contributions are reported as an increase 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants and Contracts - Government grants and contracts are considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as contract advances.

Contributed Services - Contributed services are recorded as contributions at their fair value when the service creates or enhances a nonfinancial asset or the service requires specialized skills, and is provided by an individual possessing those skills which would need to be purchased if not provided by donation. No contributed services were recorded in either year.

Functional Allocation of Expenses - Expenses have been allocated among program, management and general and fundraising classifications based upon direct expenditures and estimates made by ADC's management.

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ADC's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the 2006 financial statements in order for them to conform to the 2007 presentation. The primary reclassification was on the Statement of Financial Position; the reclassification moved the loan participations and deferred profit from a liability account to a loans receivable contra account.

Income Taxes - ADC is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes. ADC Financial Services, Inc. is a taxable corporation and files a separate income tax return.

3. CONCENTRATIONS

2007 - Revenues from three foundations accounted for 51% of total revenues. Revenues from the individual foundations made up 21%, 19% and 11% of total revenues, respectively.

2006 - Revenues from three foundations made up 55% of total revenues. Revenues from the individual foundations made up 21%, 21% and 13% of total revenues, respectively.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due $160,000 in 2008 and $50,000 in 2009.

(Continued)

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	2007	2006	Number of loans at December 31, 2007
Profit-based financing loans	$ 917,926	$ 730,902	52
Regular loans	159,018	189,023	10
Wells Fargo loans	268,235	51,926	13
Goodwill loans	3,375	10,675	4
ADC and other loans	13,885	2,510	2
Total loans receivable	$1,362,439	$ 985,036	

Profit-based financing loans – ADC helps Muslim and non-Muslim borrowers finance their business using a profit-based financing system. ADC agrees to buy business equipment or inventory on behalf of the borrower and then re-sells the equipment or inventory to the borrower at the original cost plus a profit. The uncollected profit has been deferred and is recorded as revenue over the term of the loan. The loans are repayable in monthly installments over 36 to 60 month terms. The loans are secured by an interest in vehicles, equipment or inventory of the borrower.

Regular loans – Interest bearing loans with interest at 10%. The loans are repayable in monthly installments over 36 to 60 months. The loans are secured by an interest in vehicles, equipment or inventory of the borrower.

Wells Fargo loans – Interest bearing loans made with proceeds from Wells Fargo EQ2 note (see Note 7).

Goodwill loans – Interest free cash loans payable over 12 to 24 months for working capital purposes. The goodwill loans are limited to $2,000, are unsecured and are made in conjunction with either profit-based financing or regular loans.

ADC participates in the Urban Initiatives Loan Program (UIP) sponsored by the State of Minnesota with a loan limit of up to $750,000. The program assists minority-owned and operated businesses and others that create jobs in low-income areas of the Twin Cities metropolitan area. Loans may be made for a maximum of $25,000 (up to $50,000 if a private lender is participating in the loan). Under the UIP program, ADC services the loans and repays UIP as loans are collected. Interest and profit earned is retained by ADC.

5. LOANS RECEIVABLE (Continued)

ADC also participates on loans with the Minneapolis Consortium of Community Developers (MCCD), the Neighborhood Development Center (NDC), and the Minneapolis Community Planning and Economic Development Department (CPED). ADC services the loans and repays these organizations as loans are collected.

Loan participations and deferred profit consist of the following:

	2007	2006
UIP undisbursed loan funds	$ 13,969	$ 22,882
UIP loan participations	561,199	452,604
MCCD loan participations	223,831	283,536
NDC loan participations	113,274	84,300
CPED loan participations	178,419	36,524
Deferred profit on loans	102,225	73,635
Total loan participations and deferred profit	$1,192,917	$ 953,481

6. INVESTMENT IN LLC

ADC has a 25% interest in MGM Community Partners, LLC (MGM). MGM is the managing member and owns a 51% interest in Midtown Global Market, LLC (Midtown). ADC has no obligation to contribute funds to MGM.

Midtown renovated a portion of the former Sears Building on Lake Street in Minneapolis, Minnesota for approximately $18,000,000. The space is being used as a global marketplace. Tenants moved into the space in 2006.

7. NOTE PAYABLE

ADC entered into an agreement with the Wells Fargo Community Development Corporation for a $250,000 EQ2 loan on June 5, 2006. The proceeds of the loan are to be used to make loans for community development purposes. The loan has an initial fixed interest rate equal to 2% for the first ten years of the loan and thereafter a fixed interest rate equal to the greater of 2% or the Treasury Rate minus 3.5% determined as of the tenth anniversary of the date of loan, until the loan is fully paid. Interest is payable quarterly.

(Continued)

7. **NOTE PAYABLE (Continued)**

The outstanding principal balance of the loan and accrued interest shall all be due and payable June 21, 2016. If prior to the maturity date ADC delivers to Wells Fargo a written request for a two year extension, then the term of the loan shall be extended for an additional two years.

8. **LEASE COMMITMENTS**

ADC leases office space and equipment under non-cancelable leases. The office lease requires monthly payments for rent plus a share of building operating expenses. The office lease expires on January 31, 2011. Rent expense was $29,548 and $30,198 during the years ended December 31, 2007 and 2006.

Future minimum lease payments are as follows:

2008	$ 16,934
2009	16,561
2010	17,058
2011	1,465
	$ 52,018

9. **NET ASSETS**

Temporarily restricted net assets are available for use in future periods for:

	2007	2006
Homeownership training	$ -	$ 100,000
Staffing of two business consultants	-	50,000
General operating support	147,500	87,500
Expansion into east metro area	61,500	-
Expansion into rural Minnesota	99,000	-
Technical and technology assistance	-	110,000
	$ 308,000	$ 347,500

10. RELATED PARTY TRANSACTIONS

The Board of Directors annually discloses any conflicts of interest with ADC.

A member of the Board of Directors is an officer at Wells Fargo Bank, which has provided ADC with a note payable (see Note 7). ADC also maintains a checking and savings account at Wells Fargo Bank.

A member of the Board of Directors is an attorney with a law firm used by ADC.

A member of the Board of Directors is affiliated with the owner of the building ADC is located in.

A company owned by a member of the Board of Directors has received a loan from ADC.

11. SUBSEQUENT EVENT

On January 7, 2008, ADC obtained a $100,000 line of credit from Western Bank for general operating purposes. The line of credit matures January 7, 2009, and has an initial interest rate of 1% over the Wall Street Journal Prime Rate (8.25 % at loan date). There was no balance at the loan date. The loan is secured by accounts receivable, equipment and general intangibles.

SUPPLEMENTAL INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2007

	ADC	ADC Financial Services	Eliminations	Total
ASSETS				
Cash	$ 359,200	$ 2,527	$ -	$ 361,727
Cash - restricted for loan programs	149,661	-	-	149,661
	508,861	2,527	-	511,388
Loans receivable	1,362,439	-	-	1,362,439
Less loan participations and deferred profit	(1,192,917)	-	-	(1,192,917)
	169,522	-	-	169,522
Temporary cash investment	-	50,643	-	50,643
Accounts receivable	2,450	-	-	2,450
Contributions receivable	210,000	-	-	210,000
Prepaid expenses and lease deposit	995	-	-	995
Office equipment, net	81,171	-	-	81,171
Investment in affiliates	55,200	-	(55,200)	-
Total assets	$ 1,028,199	$ 53,170	$ (55,200)	$ 1,026,169
LIABILITIES AND NET ASSETS				
Accounts payable	$ 12,734	$ -	$ -	$ 12,734
Contract advances	6,750	-	-	6,750
Funds held for loans	28,218	-	-	28,218
Note payable	250,000	-	-	250,000
Total liabilities	297,702	-	-	297,702
Net assets	730,497	53,170	(55,200)	728,467
Total liabilities and net assets	$ 1,028,199	$ 53,170	$ (55,200)	$ 1,026,169

See independent auditor's report

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

	ADC	ADC Financial Services	Eliminations	Total
Support and revenues:				
Contributions	$ 626,915	$ -	$ -	$ 626,915
Government grants	26,250	-	-	26,250
Program service fees	74,890	-	-	74,890
Interest income - loans	34,461	-	-	34,461
Interest income - cash accounts	18,185	675	-	18,860
Miscellaneous income	2,449	-	-	2,449
Total support and revenues	783,150	675	-	783,825
Expenses:				
Program services	436,076	-	-	436,076
Management and general	124,987	2,705	-	127,692
Fundraising	44,262	-	-	44,262
Total expenses	605,325	2,705	-	608,030
Change in net assets	177,825	(2,030)	-	175,795
Net assets - beginning of year	552,672	-	-	552,672
Investment in subsidiary	-	55,200	(55,200)	-
Net assets - end of year	$ 730,497	$ 53,170	$ (55,200)	$ 728,467