AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

AFRICAN DEVELOPMENT CENTER

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For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
African Development Center
Minneapolis, Minnesota

We have audited the accompanying consolidated statement of financial position of the African Development Center (a nonprofit organization) and subsidiaries as of December 31, 2010, 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 2009 financial statements and, in our report dated May 27, 2010, 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 and subsidiaries as of December 31, 2010, 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 18 and 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. 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
May 3, 2011

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010
(With Comparative Totals for 2009)

	2010	2009
ASSETS		
Current assets:		
Cash	$ 212,646	$ 424,502
Certificates of deposit	157,958	154,800
Accounts receivable	37,861	4,760
Accounts receivable - loan program	1,575	-
Current portion of contributions receivable	75,000	125,000
Current portion of loans receivable, net of allowance	575,719	604,487
Prepaid expenses and lease deposit	1,162	2,195
Total current assets	1,061,921	1,315,744
Cash - restricted for loan programs	1,326,804	516,764
Cash - construction escrow	-	157,482
Loans receivable, less current portion, net of allowance	1,599,952	1,349,415
Land, building and equipment, net	1,873,332	1,688,383
Finance fees, net	5,151	5,941
Total assets	$ 5,867,160	$ 5,033,729
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 37,822	$ 48,811
Construction payable	-	255,089
Contract advances	10,000	13,500
Funds held for loans	95,726	46,602
Accrued lease expense	-	18,522
Accrued interest expense	13,386	2,667
Tenant security deposits	6,225	5,705
Current portion of loan participations	439,149	299,817
Current portion of Due to State of Minnesota	132,484	171,459
Current portion of long-term debt	23,089	10,373
Total current liabilities	757,881	872,545
Loan participations, less current portion	842,886	791,540
Due to State of Minnesota, less current portion	326,015	256,668
Long-term debt, less current portion	2,396,538	2,109,627
Total liabilities	4,323,320	4,030,380
Unrestricted net assets	701,940	410,349
Temporarily restricted net assets	841,900	593,000
Total net assets	1,543,840	1,003,349
Total liabilities and net assets	$ 5,867,160	$ 5,033,729

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, 2010
(With Comparative Totals for 2009)

	2010			
	Unrestricted	Temporarily restricted	Total	2009
Support and revenues:				
Contributions	$ 429,154	$ 75,000	$ 504,154	$ 290,189
Government grants	91,400	375,000	466,400	374,500
Net assets released from:				
Time restrictions	50,000	(50,000)	-	-
Usage restrictions	293,000	(293,000)	-	-
Program service fees	154,895	-	154,895	92,056
In kind contributions	11,686	-	11,686	45,372
Rental revenue	82,735	-	82,735	43,078
Interest income - loans	48,471	-	48,471	45,624
Interest income - cash accounts	10,789	-	10,789	12,157
Other income	24,302	-	24,302	2,035
Total support and revenues	1,196,432	107,000	1,303,432	905,011
Expenses:				
Program services	880,240	-	880,240	740,517
Management and general	197,716	-	197,716	220,490
Fundraising	59,985	-	59,985	43,509
Total expenses	1,137,941	-	1,137,941	1,004,515
Change in net assets - operating	58,491	107,000	165,491	(99,504)
CDFI loan grants	-	375,000	375,000	300,000
Net assets released from usage restrictions	233,100	(233,100)	-	-
Contributions for building	-	-	-	220,500
Total change in net assets	291,591	248,900	540,491	420,996
Net assets - beginning of year	410,349	593,000	1,003,349	582,353
Net assets - end of year	$ 701,940	$ 841,900	$ 1,543,840	$ 1,003,349

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

	2010				
	Program Services	Management and General	Fundraising	Total	2009
Salaries	$ 344,793	$ 78,640	$ 28,616	$ 452,049	$ 392,421
Payroll taxes	29,098	6,639	2,431	38,168	29,430
Employee benefits	26,269	4,637	2,985	33,891	30,712
Total personnel expense	400,160	89,916	34,032	524,108	452,563
Professional fees	85,991	30,086	5,890	121,967	59,962
Subcontract services	2,139	9,308	-	11,447	63,919
Telecommunications	13,394	4,484	1,021	18,899	17,682
Rent and occupancy	2,115	-	-	2,115	40,423
Early exit of lease	(1,876)	-	-	(1,876)	39,048
Equipment expenses	3,189	464	-	3,653	4,361
Travel and entertainment	18,086	720	-	18,806	14,067
Office expenses	16,974	2,310	2,243	21,527	21,266
Printing and reproduction	18,757	2,819	4,102	25,678	25,744
Dues and subscriptions	4,336	777	-	5,113	1,633
Meetings and training	10,627	6,802	1,500	18,929	7,670
Insurance	5,383	1,002	275	6,660	7,918
Loan and loan-related expenses	24,313	-	-	24,313	16,770
Board and gala	-	1,534	10,922	12,456	3,488
Marketing and promotions	2,131	285	-	2,416	8,049
Interest	71,550	15,078	-	86,628	50,136
Provision for loan losses, net	89,131	-	-	89,131	51,383
Depreciation and amortization	66,757	17,635	-	84,392	49,880
Building operations	16,917	5,262	-	22,179	34,349
Utilities	17,596	5,473	-	23,069	10,242
Property taxes	9,173	2,853	-	12,026	18,135
Miscellaneous	3,398	907	-	4,305	5,827
	$ 880,240	$ 197,716	$ 59,985	$ 1,137,941	$ 1,004,515

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010
(With Comparative Totals for 2009)

Increase (Decrease) in Cash Flows

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ 540,491	$ 420,996
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	84,392	49,880
Allowance for loan losses	89,131	51,383
Expenses related to early exit of lease	-	39,048
Contributions received for loans and building	(375,000)	(565,872)
Changes in operating assets and liabilities:		
Accounts receivable	(34,676)	4,378
Contributions receivable	50,000	148,000
Prepaid expenses and lease deposit	1,033	(1,203)
Accounts payable and other accrued expenses	(29,511)	29,256
Contract advances	(3,500)	-
Accrued interest	10,719	(9,446)
Tenant security deposits	520	5,705
Net cash from operating activities	333,599	172,125
Cash flows from investing activities:		
Loans issued	(1,143,600)	(884,512)
Collections on loans	537,881	379,391
Change in cash - restricted for loan programs	(810,040)	(11,583)
Deposit held for loan purchase	-	(25,000)
Purchase of temporary cash investments	(3,158)	(101,851)
Purchase of land, building, and equipment, net	(366,158)	(1,513,619)
Net cash from investing activities	(1,785,075)	(2,157,174)
Cash flows from financing activities:		
Funds received from UIP and others for loan participations, net	564,994	317,585
Proceeds of long-term debt	310,000	1,370,000
Payments of long-term debt	(10,373)	-
Contributions received for loans and building	375,000	470,500
Proceeds of notes payable	-	176,614
Payments on notes payable	-	(176,614)
Payment of finance fees	-	(6,600)
Net cash from financing activities	1,239,621	2,151,485
Net increase (decrease) in cash	(211,855)	166,436
Cash - beginning of year	424,502	258,066
Cash - end of year	$ 212,646	$ 424,502
Supplemental cash flow information:		
Cash paid for interest expense	$ 75,686	$ 67,190
Purchase of land, building and equipment included in construction payable	$ -	$ 255,089

See accompanying notes to consolidated financial statements.

1. ORGANIZATION

The African Development Center (ADC) is a non-profit organization founded in 2002. ADC provides services to individuals in the Minneapolis/Saint Paul area and outstate Minnesota. ADC's operations are supported by contributions, government grants, program service fees and interest earned on loans.

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 2009, ADC purchased a building located at 1927-1929 5th Street South in Minneapolis, Minnesota (the Riverside Building) to be used as its new office and training center. The building has excess space that is being rented to office tenants and a retail tenant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include African Development Center, ADC Financial Services, Inc., and ADC Commercial Real Estate, Inc. Both consolidated corporations are wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

ADC Financial Services (ADC FS), Inc. is a community home lender offering mortgage originations with a focus on clients in emerging markets. At December 31, 2010, ADC Financial Services has temporarily discontinued operations.

ADC Commercial Real Estate (ADC CRE), Inc. was formed in 2009 to own and operate the Riverside building.

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.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- 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.

Concentration of Credit Risk - ADC maintains its cash at two financial institutions. Balances may, at times, exceed federally insured limits. ADC has not experienced any losses as a result of these deposits. As of December 31, 2010, deposits exceeded the federally insured limit by $951,699.

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.

Land, Building and Equipment - Land, building and equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Impairment - The impairment of an asset is recognized when the carrying amount of the asset exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset. The impairment recognized is measured as the amount by which the carrying amount of the asset exceeds it fair value. To date, management has determined that no impairment of long-lived assets exists.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loan Losses - Loans are recorded when closed. Amounts provided by UIP and participating lenders are presented as liabilities.

Loans receivable are stated at unpaid balances, less an allowance for loan losses. Allowances are only established on ADC's portion of loan balances. Allowances are not established on the portion of loans held by UIP or other participating lenders. Funds held for loans represent undisbursed loan proceeds.

The past due status of loans is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Loans are charged against the allowance for loan losses when management believes that collection is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on ADC's portion of existing loans that may become uncollectible, based on evaluation of the collectibility of loans. The evaluation takes 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.

A portion of ADC's loans utilize the Muslim profit-based financing system. Loans receivable include uncollected profit, which has been deferred and included in the loan participation liability account.

Interest income is recognized over the term of the loan when received. Profit on profit-based loans is recorded as revenue over the term of the loan.

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

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Contributions with donor-imposed conditions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as unrestricted net assets.

Contributions of cash or other assets to be used to acquire property or equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time the property or equipment is purchased. ADC does not imply a time restriction on the gifts of long lived assets.

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.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Community Development Financial Institutions (CDFI) Fund grants are to be used to make loans and to provide business development / technical assistance. CDFI grants are not reimbursement based and therefore are accounted for similar to contributions and reported in temporarily restricted net assets.

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. ADC received in-kind legal services for the purchase of the building valued at $45,372 in 2009 which were capitalized.

Program Service Fees – Program service fees are recorded when received, which approximates when the service is performed.

Rental Revenues – Rental revenues are recorded in accordance with the lease terms.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with ADC's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications.

Income Taxes - ADC is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code and is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code and is subject to income taxes only on net unrelated business income. ADC did not have any unrelated business income in 2010 or 2009.

ADC Financial Services, Inc., and ADC Commercial Services are taxable corporations and file separate income tax returns.

Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The companies are not currently under examination by any taxing jurisdiction.

(Continued)

3. REVENUE CONCENTRATIONS

2010 - Revenue from the Community Development Financial Institutions Fund (CDFI) accounted for 45% of total support and revenue.

2009 - Revenue from the Community Development Financial Institutions Fund (CDFI) (42%) and a foundation (12%) accounted for 54% of total support and revenue.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due in 2011.

5. LOANS RECEIVABLE

Loans receivable consist of the following:

	2010	2009	Number of loans at December 31, 2010
Profit-based financing loans	$1,365,271	$1,378,703	17
Conventional loans	900,183	647,839	42
Goodwill loans	-	200	-
ADC and other loans	3,822	3,822	1
Allowance for loan losses	(93,605)	(76,662)	
	2,175,671	1,953,902	60
Less current portion	(575,719)	(604,487)	
	$1,599,952	$1,349,415	

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 is deferred and 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 vehicles, equipment or inventory of the borrower.

Conventional loans – Interest bearing loans repayable in monthly installments over 36 to 60 months. The loans are secured by vehicles, equipment or inventory of the borrower.

(Continued)

5. LOANS RECEIVABLE (Continued)

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 conventional loans.

Changes to allowance for loan losses consist of the following:

	2010	2009
Beginning balance	$ 76,662	$ 30,279
Provision for loan losses	89,131	51,383
Loans written off	(72,188)	(5,000)
Ending balance	$ 93,605	$ 76,662

Allowances are only established on ADC's portion of loan balances. Allowances are not established on the portion of loans held by UIP or other participating lenders.

6. DUE TO STATE OF MINNESOTA (UIP)

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. UIP loan capital is provided to ADC on a non-recourse basis. ADC is not obligated to repay the State if the borrower defaults.

	2010	2009
Current portion	$ 132,484	$ 171,459
Long-term portion	326,015	256,668
Total UIP	$ 458,499	$ 428,127

7. LOAN PARTICIPATIONS

ADC participates in loans with the Metropolitan 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:

	2010	2009
MCCD loan participations	$ 172,891	$ 138,116
NDC loan participations	104,501	98,581
CPED loan participations	868,391	732,806
Deferred profit on loans	136,252	121,854
	1,282,035	1,091,357
Less current portion	(439,149)	(299,817)
	$ 842,886	$ 791,540

8. LAND, BUILDING AND EQUIPMENT

Property and equipment consists of the following:

	2010	2009	Estimated useful lives (in years)
ADC:			
Computers and equipment	$ 164,081	$ 151,850	3 - 7
ADC Commercial Real Estate:			
Land	157,724	157,724	-
Building	753,313	753,313	30
Building improvements	954,468	708,789	30
Equipment	10,641	-	5 - 7
	2,040,227	1,771,676	
Less accumulated depreciation	(166,895)	(83,293)	
	$ 1,873,332	$ 1,688,383	

Total interest expense in 2009 was $64,856 of which $14,720 was capitalized into the cost of the building.

(Continued)

9. 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 during 2006. The space is being used as a global marketplace.

10. LONG-TERM DEBT

Notes payable consists of the following:

	2010	2009
ADC:		
Wells Fargo EQ2 loans	$ 500,000	$ 250,000
M & I EQ2 loan	500,000	500,000
ADC CRE:		
MMCDC New Markets Fund - senior loan	805,947	805,947
MMCDC New Markets Fund - subordinate loan	214,053	214,053
Park Midway Bank	139,627	150,000
City of Minneapolis	200,000	200,000
City of Minneapolis	60,000	-
	2,419,627	2,120,000
Less current portion	(23,089)	(10,373)
	$2,396,538	$2,109,627

ADC:

Wells Fargo EQ2 loan – 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.

The outstanding principal balance of the loan and accrued interest are due 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.

10. LONG-TERM DEBT (Continued)

During 2010, ADC entered into a second agreement with the Wells Fargo Community Development Corporation for a $250,000 EQ2 loan for the same purpose as the original loan due in 2020. The loan has an initial fixed interest rate equal to 2% for the first ten years of the loan. Interest is payable quarterly. Within 30 days prior to maturity, ADC may request an extension of two additional years. During the extension period, the principal shall bear 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. Quarterly principal payments will be required in an amount to fully repay the loan over eight equal installments.

M & I EQ2 loan – ADC entered into an agreement with M & I Bank for a $500,000 EQ2 loan on March 31, 2008. The proceeds of the loan are to be used to make loans for community development purposes. The loan has an interest rate equal to 3%. Interest is payable quarterly. The outstanding principal balance of the loan and accrued interest are due March 31, 2013. The maturity date may be extended through March 31, 2018 with the consent of the lender.

ADC CRE:

MMCDC New Markets Fund - First mortgage, senior loan note dated March 3, 2009, payable to MMCDC (Midwest Minnesota Community Development Corporation) New Markets Fund XVIII, LLC with fixed interest of 4.967% with one rate reset, as described in the note, to occur on the three-year anniversary date of the note. Interest is payable in monthly installments beginning April 1, 2009. Principal and interest are due on November 5, 2015. Secured by the Riverside Building and all leases and rents with respect to the property.

MMCDC New Markets Fund - First mortgage, subordinate loan note dated March 3, 2009, payable to MMCDC New Markets Fund XVIII, LLC with fixed interest at 4.967% with one rate reset, as described in the note, to occur on the three-year anniversary of the note. Interest is payable in monthly installments beginning April 1, 2009. Principal and interest are due on November 5, 2038. Secured by the Riverside Building and all leases and rents with respect to the property.

Park Midway Bank - Second mortgage payable to Park Midway Bank with interest at 2%, payable on demand. If no demand is met, 12 monthly interest payments are due beginning April 3, 2009. Beginning April 3, 2010, 107 principal and interest payments of $1,396 are due with one final principal and interest payment of $16,165 due March 3, 2019. Secured by the Riverside Building and assignment of all rents.

10. LONG-TERM DEBT (Continued)

City of Minneapolis - Third mortgage payable to City of Minneapolis dated September 3, 2009, with an interest rate of 4% until the fourth anniversary of the date of the note, at which time interest will adjust to the higher of (1) 4% or (2) the prime rate of interest minus .25%. Interest-only payments are due annually beginning September 3, 2010. In addition to the interest only payments, ADC CRE will make principal payments each September 3 during the term of the note in an amount equal to 50% of the funds cumulatively collected by ADC CRE and ADC through any charitable donation made during the previous 12 months. No payments were made during 2010. Principal and interest are due on September 3, 2016. Secured by the Riverside Building and assignment of all rents.

City of Minneapolis - Note payable to City of Minneapolis dated November 30, 2010, with an interest rate of 2%. Interest only payments of $100 payable on the first day of each month commencing January 1, 2011, for three months. Equal payments of $1,051.67 shall be due and payable on the first of each month commencing April 1, 2011. Note matures March 1, 2016. Secured by accounts, inventory, equipment, and general intangibles as described in the security agreement.

Maturities of long-term debt are as follows:

2011	$ 23,100
2012	25,900
2013	26,100
2014	26,500
2015	833,000
After 2015	1,485,027
	$2,419,627

11. LINE OF CREDIT

ADC has a $100,000 line of credit from Western Bank for general operating purposes. The line of credit matures April 9, 2011. Management is working with the Bank to renew the line of credit as of the date of the report. The interest rate is 1% over the Wall Street Journal Prime Rate. There was no balance outstanding at December 31, 2010. Advances are secured by accounts receivable, equipment and general intangibles.

(Continued)

12. COMMERCIAL RENT REVENUE

ADC utilizes approximately 49% of the Riverside Building for its programs. The remaining space is available for lease for office (43%) and retail (8%) uses. There are eleven office suites and one retail suite. Lease terms for the office suites range from month-to-month to three years. The lease term for the retail suite is for five years.

Future minimum lease payments, for leases with original terms of one year or more, are as follows:

2011	$ 68,547
2012	60,417
2013	35,638
2014	34,729
2015	31,907
	$ 231,239

13. LEASES

ADC leases office space in Mankato under a non-cancelable lease. The office lease requires monthly payments for rent plus a share of building operating expenses. This lease expires on July 31, 2011.

In October 2009 ADC moved its Minneapolis office into the building purchased by ADC CRE. The move required an early exit of a lease agreement. Leasehold improvements of $20,526 were expensed and future lease obligations of $18,522 were accrued in 2009. The lease obligation was settled and paid in 2010.

Rent expense was $2,115 and $40,423 during the years ended December 31, 2010 and 2009.

14. NET ASSETS

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

	2010	2009
CDFI – operating	$ 375,000	$ 178,000
CDFI – loans	391,900	250,000
Emerging market pilot program	-	75,000
East metro activities	-	40,000
Renovation of office building - time	-	50,000
General operating support	75,000	-
	$ 841,900	$ 593,000

15. 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 10). 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.

Loans from ADC to related parties include loans to:

- A company owned by a member of the Board of Directors
- A relative of an employee of ADC

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 3, 2011, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.

SUPPLEMENTAL INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2010

	ADC	ADC Financial Services	ADC Commercial Real Estate	Eliminations	Total
	ASSETS				
Current assets:					
Cash	$ 197,980	$ (107)	$ 14,773	$ -	$ 212,646
Temporary cash investment	-	55,250	102,708	-	157,958
Accounts receivable	34,692	59	3,110	-	37,861
Accounts receivable - loan program	1,575	-	-	-	1,575
Contributions receivable	75,000	-	-	-	75,000
Current portion of loans receivable, net of allowance	575,719	-	-	-	575,719
Prepaid expenses and lease deposit	27,664	-	-	(26,502)	1,162
Total current assets	912,630	55,202	120,591	(26,502)	1,061,921
Cash - restricted for loan programs	1,326,804	-	-	-	1,326,804
Loans receivable, less current portion, net of allowance	1,850,244	-	-	(250,292)	1,599,952
Land, building and equipment, net	75,188	-	1,798,144	-	1,873,332
Finance fees, net	-	-	5,151	-	5,151
Investment in affiliates	327,781	-	-	(327,781)	-
Total assets	$ 4,492,647	$ 55,202	$ 1,923,886	$ (604,575)	$ 5,867,160
	LIABILITIES AND NET ASSETS				
Current liabilities:					
Accounts payable	$ 35,793	$ -	$ 2,029	$ -	$ 37,822
Contract advances	10,000	-	-	-	10,000
Funds held for loans	95,726	-	-	-	95,726
Accrued interest expense	6,250	-	7,136	-	13,386
Tenant security deposits	-	-	6,225	-	6,225
Prepaid rent	-	-	26,502	(26,502)	-
Current portion of loan participations	439,149	-	-	-	439,149
Current portion of Due to State of Minnesota	132,484	-	-	-	132,484
Current portion of long-term debt	-	-	23,089	-	23,089
Total current liabilities	719,402	-	64,981	(26,502)	757,881
Loan participations, less current portion	902,886	-	-	(60,000)	842,886
Loan payable to ADC	-	-	190,292	(190,292)	-
Due to State of Minnesota, less current portion	326,015	-	-	-	326,015
Long-term debt, less current portion	1,000,000	-	1,396,538	-	2,396,538
Total liabilities	2,948,303	-	1,651,811	(276,794)	4,323,320
Net assets	1,544,344	55,202	272,075	(327,781)	1,543,840
Total liabilities and net assets	$ 4,492,647	$ 55,202	$ 1,923,886	$ (604,575)	$ 5,867,160

See independent auditor's report.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

	ADC	ADC Financial Services	ADC Commercial Real Estate	Eliminations	Total
Support and revenues:					
Contributions	$ 504,154	$ -	$ -	$ -	$ 504,154
Government grants	466,400	-	-	-	466,400
Program service fees	154,895	-	-	-	154,895
In kind contributions	11,686	-	-	-	11,686
Rental revenue	550	-	145,683	(63,498)	82,735
Interest income - loans	48,471	-	-	-	48,471
Interest income - cash accounts	7,578	948	2,263	-	10,789
Other income	24,302	-	-	-	24,302
Total support and revenues	1,218,036	948	147,946	(63,498)	1,303,432
Expenses:					
Program services	804,247	1,424	138,067	(63,498)	880,240
Management and general	154,073	-	43,643	-	197,716
Fundraising	59,985	-	-	-	59,985
Total expenses	1,018,305	1,424	181,710	(63,498)	1,137,941
Change in net assets - operating	199,731	(476)	(33,764)	-	165,491
Loss from affiliates	(34,240)	-	-	34,240	-
CDFI grant	375,000	-	-	-	375,000
Total change in net assets	540,491	(476)	(33,764)	34,240	540,491
Net assets - beginning of year	1,003,853	57,388	240,251	(298,143)	1,003,349
Investment from ADC	-	(1,710)	65,588	(63,878)	-
Net assets - end of year	$ 1,544,344	$ 55,202	$ 272,075	$ (327,781)	$ 1,543,840