AFRICAN DEVELOPMENT CENTER

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2011

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

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MAHONEY
ULBRICH
CHRISTIANSEN
RUSS P.A.
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

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, 2011, 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 2010 consolidated financial statements and, in our report dated May 3, 2011, 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, 2011, 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 2011 consolidated financial statements 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, and it is 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.

Mahoney Ulbrich
Christiansen Russ P.A.

Saint Paul, Minnesota
July 20, 2012

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011
(With Comparative Totals for 2010)

	2011	2010
ASSETS		
Current assets:		
Cash	$ 205,554	$ 212,646
Certificates of deposit	159,835	157,958
Accounts receivable	14,326	37,861
Accounts receivable - loan program	1,725	1,575
Current portion of contributions receivable	340,000	75,000
Current portion of loans receivable, net of allowance	503,228	575,719
Prepaid expenses and lease deposit	847	1,162
Total current assets	1,225,515	1,061,921
Cash - restricted for loan programs	1,169,052	1,198,012
Contributions receivable, less current portion	190,000	-
Loans receivable, less current portion, net of allowance	1,823,567	1,728,744
Land, building and equipment, net	2,002,613	1,873,332
Finance fees, net	4,835	5,151
Total assets	$ 6,415,582	$ 5,867,160
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 69,364	$ 37,822
Contract advances	-	10,000
Funds held for loans	159,528	95,726
Accrued interest expense	22,096	13,386
Tenant security deposits	6,005	6,225
Current portion of loan participations and deferred profit	254,686	439,149
Current portion of Due to State of Minnesota	127,145	132,484
Current portion of long-term debt	46,715	23,089
Total current liabilities	685,539	757,881
Loan participations, less current portion	1,095,350	842,886
Due to State of Minnesota, less current portion	351,058	326,015
Long-term debt, less current portion	2,609,191	2,396,538
Total liabilities	4,741,138	4,323,320
Unrestricted net assets	419,094	701,940
Temporarily restricted net assets	1,255,350	841,900
Total net assets	1,674,444	1,543,840
Total liabilities and net assets	$ 6,415,582	$ 5,867,160

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, 2011
(With Comparative Totals for 2010)

	2011			
	Unrestricted	Temporarily restricted	Total	2010
Support and revenues:				
Contributions	$ 398,436	$ 570,250	$ 968,686	$ 504,154
Government grants	32,000	-	32,000	466,400
Net assets released from time and usage restrictions	75,000	(75,000)	-	-
Program service fees	84,991	-	84,991	154,895
In kind contributions	22,380	-	22,380	11,686
Rental revenue	140,589	-	140,589	82,735
Interest income - loans	57,867	-	57,867	48,471
Interest income - cash accounts	10,682	-	10,682	10,789
Other income	18,458	-	18,458	24,302
Total support and revenues	840,403	495,250	1,335,653	1,303,432
Expenses:				
Program services	841,639	-	841,639	880,240
Management and general	291,134	-	291,134	197,716
Fundraising	72,275	-	72,275	59,985
Total expenses	1,205,049	-	1,205,049	1,137,941
Change in net assets - operating	(364,646)	495,250	130,604	165,491
Grant for CDFI loan fund	-	-	-	375,000
Net assets released from usage restrictions	81,800	(81,800)	-	-
Total change in net assets	(282,846)	413,450	130,604	540,491
Net assets - beginning of year	701,940	841,900	1,543,840	1,003,349
Net assets - end of year	$ 419,094	$ 1,255,350	$ 1,674,444	$ 1,543,840

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

	2011				
	Program Services	Management and General	Fundraising	Total	2010
Salaries	$ 356,105	$ 134,741	$ 35,154	$ 526,000	$ 452,049
Payroll taxes	28,139	11,405	2,971	42,515	38,168
Employee benefits	36,668	6,472	-	43,140	33,891
Total personnel expense	420,912	152,618	38,125	611,655	524,108
Professional fees	18,359	36,186	21,669	76,214	121,967
Subcontract services	19,321	4,766	450	24,537	11,447
Telecommunications	13,363	1,695	66	15,124	18,899
Rent and occupancy	1,312	-	-	1,312	2,115
Equipment expenses	6,504	447	-	6,951	3,653
Travel and entertainment	45,741	2,291	153	48,185	18,806
Office expenses	27,845	2,256	16	30,117	21,527
Printing and reproduction	6,771	846	-	7,617	25,678
Dues and subscriptions	5,184	684	200	6,068	5,113
Meetings and training	8,418	998	-	9,416	18,929
Insurance	6,480	925	-	7,405	6,660
Loan and loan-related expenses	10,095	-	-	10,095	24,313
Board and gala	-	91	11,596	11,687	12,456
Marketing and promotions	2,107	288	-	2,395	2,416
Interest	70,650	23,317	-	93,967	86,628
Provision for loan losses, net	35,553	-	-	35,553	89,131
Depreciation and amortization	76,007	30,730	-	106,737	84,392
Building operations	29,604	15,182	-	44,786	22,179
Utilities	24,569	12,597	-	37,166	23,069
Property taxes	9,357	4,798	-	14,155	12,026
Miscellaneous	3,488	419	-	3,907	2,429
	$ 841,639	$ 291,134	$ 72,275	$ 1,205,049	$ 1,137,941

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011
(With Comparative Totals for 2010)

Increase (Decrease) in Cash Flows

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 130,604	$ 540,491
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	106,737	84,392
Allowance for loan losses	35,553	89,131
Grant for CDFI loan fund	-	(375,000)
Changes in operating assets and liabilities:		
Accounts receivable	23,386	(34,676)
Contributions receivable	(455,000)	50,000
Prepaid expenses and lease deposit	315	1,033
Accounts payable and other accrued expenses	31,542	(29,511)
Contract advances	(10,000)	(3,500)
Accrued interest	8,710	10,719
Tenant security deposits	(220)	520
Net cash from operating activities	(128,373)	333,599
Cash flows from investing activities:		
Loans issued	(498,800)	(1,143,600)
Collections on loans	542,378	537,881
Change in cash - restricted for loan programs	28,960	(810,040)
Purchase of temporary cash investments	(1,877)	(3,158)
Purchase of land, building, and equipment	(235,203)	(366,158)
Net cash from investing activities	(164,542)	(1,785,075)
Cash flows from financing activities:		
Funds received from UIP and others for loan participations, net	50,044	564,994
Proceeds of long-term debt	258,667	310,000
Payments of long-term debt	(22,388)	(10,374)
Grant for CDFI loan fund	-	375,000
Payment of finance fees	(500)	-
Net cash from financing activities	285,823	1,239,620
Net decrease in cash	(7,092)	(211,856)
Cash - beginning of year	212,646	424,502
Cash - end of year	$ 205,554	$ 212,646
Supplemental cash flow information:		
Cash paid for interest expense	$ 76,889	$ 75,686
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, rental revenues 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.

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. ADC Financial Services has temporarily discontinued operations and as of December 31, 2011, has minimal activity.

ADC Commercial Real Estate (ADC CRE), Inc. was formed in 2009 to own and operate buildings utilized by ADC. ADC CRE owns and operates two buildings utilized by ADC. One building is located in Minneapolis, Minnesota and is being used as its main office and training center. The building has excess space that is being rented to office tenants and a retail tenant. The other building is located in Willmar, Minnesota, which serves as a satellite office.

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.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications, including moving loans of approximately $130,000 that were netted in liabilities. These reclassifications did not affect net assets or the change in 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, 2011, deposits exceeded the federally insured limit by $656,432.

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. Temporary cash investments include certificates of deposit.

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)**

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

Loans Receivable and Allowance for Loan Losses - Loans are recorded when closed. Amounts provided by UIP (See Note 6) 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 because they bear the risk of the loan. 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 when received.

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 and Materials - Contributed services and materials are recorded as contributions at their fair value when received. Contributed services are recorded 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 valued at $22,380 in 2011.

ADC has been provided office space in Rochester without charge. The value is insignificant and it not recorded in the financial statements.

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, 2010, from which the summarized information was derived.

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 2011 or 2010.

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.

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3. CONTRIBUTIONS RECEIVABLE

Contributions receivable of $340,000 are due in 2012 and $190,000 in 2013.

4. LOANS RECEIVABLE

Loans receivable consist of the following:

	2011	2010	Number of loans at December 31, 2011
Small business loans	$2,444,360	$2,398,068	197
Allowance for loan losses	(117,565)	(93,605)	
	2,326,795	2,304,463	197
Less current portion	(503,228)	(575,719)	
	$1,823,567	$1,728,744	

ADC is a micro-lender to small businesses focusing within the African Communities of Minnesota. Micro-loans provided by ADC are primarily structured in two different formats:

- **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.

A summary of the loans receivable aging as of December 31, 2011, follows:

Current	$ 1,966,966	80%
1 – 30 days	203,163	8%
30 – 60 days	81,819	4%
60 – 90 days	122,651	5%
Over 90 days	69,761	3%
	$ 2,444,360	100%

(Continued)

4. LOANS RECEIVABLE (Continued)

Changes to allowance for loan losses consist of the following:

	2011	2010
Beginning balance	$ 93,605	$ 76,662
Provision for loan losses	35,553	89,131
Loans written off	(11,593)	(72,188)
Ending balance	$ 117,565	$ 93,605

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 because they bear the risk of the loan. Management has established an allowance of 15% of its portfolio.

Other information as of December 31, 2011:

- Management has determined there are three impaired loans totaling $56,800
- There are three loans in which payment terms have been restructured
- There were no changes in ADC's accounting policies during the year. There have been no purchases, sales or reclassifications of financing receivables

5. LOAN PARTICIPATIONS

ADC participates in loans with the Metropolitan Consortium of Community Developers (MCCD), the Neighborhood Development Center (NDC), First Children's Finance (FCF) 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:

	2011	2010
MCCD loan participations	$ 182,691	$ 172,891
NDC loan participations	148,374	104,501
CPED loan participations	873,036	868,391
FCF loan participation	20,000	-
Deferred profit on loans	125,935	136,252
	1,350,036	1,282,035
Less current portion	(254,686)	(439,149)
	$ 1,095,350	$ 842,886

(Continued)

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.

	2011	2010
Current portion	$ 127,145	$ 132,484
Long-term portion	351,058	326,015
Total UIP	$ 478,203	$ 458,499

7. LAND, BUILDING AND EQUIPMENT

Property and equipment consists of the following:

	2011	2010	Estimated useful lives (in years)
ADC:			
Computers and equipment	$ 188,329	$ 164,081	3 - 7
ADC Commercial Real Estate:			
Land	170,127	157,724	-
Building	814,831	753,313	30
Building improvements	1,069,131	954,468	30
Equipment	31,928	10,641	5 - 7
	2,274,346	2,040,227	
Less accumulated depreciation	(271,733)	(166,895)	
	$ 2,002,613	$ 1,873,332	

8. 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.

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8. INVESTMENT IN LLC (Continued)

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.

9. LONG-TERM DEBT

Notes payable consists of the following:

	2011	2010
ADC:		
Wells Fargo EQ2 loans	$ 500,000	$ 500,000
M & I EQ2 loan	500,000	500,000
SBA microloan	166,667	-
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	125,623	139,627
City of Minneapolis	200,000	200,000
City of Minneapolis	54,266	60,000
Bremer Bank	89,350	-
	2,655,906	2,419,627
Less current portion	(46,715)	(23,089)
	$2,609,191	$2,396,538

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.

(Continued)

9. 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 beginning in 2020 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.

SBA microloan – ADC entered into an agreement with the U. S. Small Business Administration (SBA) for a $500,000 loan under the microloan program on August 25, 2011. The proceeds of the loan are to be used to make loans for community development purposes. The loan has an interest rate equal to 2.25% and is payable ten years from the date of the note.

Interest will be reduced as follows: 1) during the first through the twelfth month, interest will be brought down by 2 percentage points, 2) in the ninth month after the date of the note, the program portfolio will be evaluated and if the average size of microloans made is equal to $10,000 or less, interest will continue to accrue at .25% during the thirteenth through the twenty-fourth month of the note. If the average size of microloans is greater than $10,000, the interest will accrue at 1%, and 3) recalculation of interest will take place (as previously described) at regular intervals on the twenty-first month and annually thereafter. No payments of principal or interest are required during the first year from the date of the note. Interest accrued during the first year will be divided into 108 equal installments and added to the calculated payments of principal and interest during the thirteenth through one-hundred twentieth month of the note. Monthly principal and interest payments of $4,694 begin the thirteenth month, along with the deferred interest calculated in the first year.

The loan is secured by funds held in a revolving fund bank account, funds held in a loan loss reserve, and notes made as a result of funding received under the microloan program.

9. **LONG-TERM DEBT (Continued)**

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 dated March 3, 2009, to Park Midway Bank with interest at 2%, payable on demand. If no demand is made, 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.

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 2011. 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 $1,052 are 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.

(Continued)

9. LONG-TERM DEBT (Continued)

Bremer Bank - First mortgage payable dated June 9, 2011, to Bremer Bank with a variable interest (4.68% as of December 31, 2011). Monthly principal and interest payments of $602 began July 9, 2011. Effective July 9, 2014, the variable interest rate will change but the monthly payments will stay the same. A final principal and unpaid interest payment is due June 9, 2021. Secured by the Willmar building.

Maturities of long-term debt are as follows:

2012	$ 46,715
2013	47,152
2014	48,088
2015	854,979
2016	490,666
Thereafter	1,168,306
	$ 2,655,906

10. LINE OF CREDIT

ADC has a $150,000 line of credit from Western Bank for general operating purposes. The line of credit matures June 15, 2013. The interest rate is 1% over the Wall Street Journal Prime Rate, however, the rate will never be less than 5%. There was no balance outstanding at December 31, 2011. Advances are secured by accounts receivable, equipment and general intangibles.

11. NET ASSETS

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

	2011	2010
CDFI – operating	$ 375,000	$ 375,000
CDFI – loans	310,100	391,900
Program services in greater Minnesota	200,000	-
Business development and wealth creation	45,000	-
Technological training	30,000	-
Breakfast roundtable program	10,000	-
Technological upgrades	40,250	-
General operating support	245,000	75,000
	$ 1,255,350	$ 841,900

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 receivables, for leases with original terms of one year or more, are as follows:

2012	$ 60,417
2013	35,638
2014	34,729
2015	31,907
	$ 162,691

13. REVENUE CONCENTRATIONS

Support and revenues by individuals, corporations, foundations or government agencies that were individually in excess of 10% of total support and revenues account for $755,000 (53%) and $750,000 (45%) of total revenue for the years ended December 31, 2011 and 2010.

14. RELATED PARTY TRANSACTIONS

A member of the Board of Directors is an officer at Wells Fargo Bank, which has provided ADC with a note payable (see Note 9). 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.

ADC's loan portfolio includes a loan to a relative of an employee of ADC.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2012, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2011

	ADC	ADC Financial Services	ADC Commercial Real Estate	Eliminations	Total
ASSETS					
Current assets:					
Cash	$ 203,792	$ (107)	$ 1,869	$ -	$ 205,554
Temporary cash investment	-	55,250	104,585	-	159,835
Accounts receivable	34,062	1,071	4,409	(25,216)	14,326
Accounts receivable - loan program	1,725	-	-	-	1,725
Contributions receivable	340,000	-	-	-	340,000
Current portion of loans receivable, net of allowance	515,848	-	-	(12,620)	503,228
Prepaid expenses and lease deposit	27,359	-	602	(27,114)	847
Total current assets	1,122,786	56,214	111,465	(64,950)	1,225,515
Cash - restricted for loan programs	1,169,052	-	-	-	1,169,052
Contributions receivable, less current portion	190,000	-	-	-	190,000
Loans receivable, less current portion, net of allowance	1,924,515	-	-	(100,948)	1,823,567
Land, building and equipment, net	71,675	-	1,930,938	-	2,002,613
Finance fees, net	-	-	4,835	-	4,835
Investment in affiliates	453,749	-	-	(453,749)	-
Total assets	$ 4,931,777	$ 56,214	$ 2,047,238	$ (619,647)	$ 6,415,582
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	$ 41,458	$ -	$ 53,122	$ (25,216)	$ 69,364
Funds held for loans	159,528	-	-	-	159,528
Accrued interest expense	6,671	-	15,425	-	22,096
Tenant security deposits	-	-	6,005	-	6,005
Prepaid rent	-	-	27,114	(27,114)	-
Current portion of loan participations and deferred profit	267,306	-	-	(12,620)	254,686
Current portion of Due to State of Minnesota	127,145	-	-	-	127,145
Current portion of long-term debt	16,667	-	30,048	-	46,715
Total current liabilities	618,775	-	131,714	(64,950)	685,539
Loan participations, less current portion	1,136,996	-	-	(41,646)	1,095,350
Loan payable to ADC	-	-	59,302	(59,302)	-
Due to State of Minnesota, less current portion	351,058	-	-	-	351,058
Long-term debt, less current portion	1,150,000	-	1,459,191	-	2,609,191
Total liabilities	3,256,829	-	1,650,207	(165,898)	4,741,138
Net assets	1,674,948	56,214	397,031	(453,749)	1,674,444
Total liabilities and net assets	$ 4,931,777	$ 56,214	$ 2,047,238	$ (619,647)	$ 6,415,582

See independent auditor's report.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

	ADC	ADC Financial Services	ADC Commercial Real Estate	Eliminations	Total
Support and revenues:					
Contributions	$ 968,686	$ -	$ -	$ -	$ 968,686
Government grants	32,000	-	-	-	32,000
Program service fees	84,991	-	-	-	84,991
In kind contributions	22,380	-	-	-	22,380
Rental revenue	150	-	217,439	(77,000)	140,589
Interest income - loans	57,867	-	-	-	57,867
Interest income - cash accounts	8,248	1,012	1,422	-	10,682
Other income	18,458	-	-	-	18,458
Total support and revenues	1,192,780	1,012	218,861	(77,000)	1,335,653
Expenses:					
Program services	727,123	-	191,516	(77,000)	841,639
Management and general	207,062	-	84,072	-	291,134
Fundraising	72,275	-	-	-	72,275
Total expenses	1,006,460	-	275,589	(77,000)	1,205,049
Change in net assets - operating	186,320	1,012	(56,728)	-	130,604
Loss from affiliates	(55,716)	-	-	55,716	-
Total change in net assets	130,604	1,012	(56,728)	55,716	130,604
Net assets - beginning of year	1,544,344	55,202	272,075	(327,781)	1,543,840
Investment from ADC	-	-	181,684	(181,684)	-
Net assets - end of year	$ 1,674,948	$ 56,214	$ 397,031	$ (453,749)	$ 1,674,444