AFRICAN DEVELOPMENT CENTER

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2018

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
African Development Center
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of the African Development Center (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of New Accounting Pronouncement
African Development Center has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities,* as described in Note 2. Our opinion is not modified with respect to this matter.

Other Matters
Report on Summarized Comparative Information
We have previously audited African Development Center's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Consolidating Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidating information shown on pages 26 and 27 is presented solely for purposes of additional analysis of the consolidated financial statements rather than present the financial position and changes in net assets of the individual entities, and 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 financial statements and certain additional procedures, including comparing and reconciling such consolidating information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2019, on our consideration of African Development Center and subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of African Development Center and subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering African Development Center and subsidiaries' internal control over financial reporting and compliance.

Mahoney Ulbrich
Christiansen Russ P.A.

May 27, 2019

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets:		
Cash	$ 418,462	$ 323,196
Certificates of deposit	58,571	166,745
Accounts receivable, net	52,714	64,011
Current portion of contributions and grants receivable	880,000	244,400
Current portion of loans receivable, net of allowance	668,141	555,595
Prepaid expenses	1,525	1,200
Total current assets	2,079,413	1,355,147
Cash - restricted for loans	1,646,397	885,604
Contributions and grants receivable, less current portion	20,000	120,000
Loans receivable, less current portion, net of allowance	1,906,828	1,455,333
Land, buildings and equipment, net	1,613,338	1,731,344
Total assets	$ 7,265,976	$ 5,547,428
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 107,591	$ 60,868
Funds held for loans	81,672	29,476
Accrued interest expense	9,944	18,374
Tenant security deposits	4,868	5,368
Line of credit	35,500	-
Current portion of loan participations	164,339	155,479
Current portion of due to State of Minnesota	91,246	105,389
Current portion of long-term debt	251,567	292,020
Total current liabilities	746,727	666,974
Loan participations, less current portion	282,185	386,224
Due to State of Minnesota, less current portion	312,830	120,766
Long-term debt, less current portion	4,257,626	2,912,377
Total liabilities	5,599,368	4,086,341
Net assets		
Without donor restrictions:		
Undesignated	1,185,480	765,024
Undesignated - loan loss reserve	156,758	173,420
Total without donor restrictions	1,342,238	938,444
With donor restrictions	324,370	522,643
Total net assets	1,666,608	1,461,087
Total liabilities and net assets	$ 7,265,976	$ 5,547,428

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	2017
Support and revenues:				
Contributions	$ 101,862	$ 50,000	$ 151,862	$ 817,461
Government grants	368,828	-	368,828	145,513
Net assets released from time and usage restrictions	372,643	(372,643)	-	-
Program service fees	95,390	-	95,390	64,951
In-kind contributions	17,251	-	17,251	116,565
Restaurant sales, net of discounts	285,534	-	285,534	313,713
Rental revenue	97,151	-	97,151	84,936
Interest income - loans	126,711	-	126,711	70,645
Interest income - deposit accounts	1,414	-	1,414	2,777
Awards event, net of direct donor benefits of $11,323	5,814	-	5,814	-
Other income	3,528	-	3,528	28,955
Total support and revenues	1,476,126	(322,643)	1,153,483	1,645,516
Expenses:				
Program services:				
Empowerment and success	846,779	-	846,779	777,444
Social ventures	556,930	-	556,930	525,760
Total program services	1,403,709	-	1,403,709	1,303,204
Management and general	107,256	-	107,256	211,431
Fundraising	36,997	-	36,997	33,228
Total expenses	1,547,962	-	1,547,962	1,547,863
Change in net assets - operating	(71,836)	(322,643)	(394,479)	97,653
Government grants - loans	475,630	124,370	600,000	-
Income from debt forgiveness	-	-	-	9,816
Income tax benefit	-	-	-	5,540
Total change in net assets	403,794	(198,273)	205,521	113,009
Net assets - beginning of year	938,444	522,643	1,461,087	1,348,078
Net assets - end of year	$ 1,342,238	$ 324,370	$ 1,666,608	$ 1,461,087

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018						
	Empowerment and success	Social Ventures	Total Program Services	Management and General	Fundraising	Total	2017
Salaries	$ 359,041	$ 125,469	$ 484,510	$ 25,042	$ 11,615	$ 521,167	$ 439,908
Payroll taxes	33,827	13,039	46,866	2,617	570	50,053	40,479
Employee benefits	29,947	-	29,947	1,699	889	32,535	27,407
Total salaries and related	422,815	138,508	561,323	29,358	13,074	603,755	507,794
Consultants and contractors	16,668	63,915	80,583	17,497	19,687	117,767	118,806
Professional fees	409	8,430	8,839	3,334	-	12,173	12,878
Legal	7,401	-	7,401	17,251	-	24,652	119,174
Accounting	17,471	-	17,471	20,821	-	38,292	30,590
Occupancy	9,057	-	9,057	-	-	9,057	16,735
Supplies and office expenses	17,347	11,859	29,206	1,144	572	30,922	41,039
Telecommunications	9,162	1,813	10,975	605	302	11,882	10,639
Information technology	1,817	12,469	14,286	120	60	14,466	10,626
Equipment expenses	4,036	7,649	11,685	664	-	12,349	15,426
Travel and entertainment	16,641	3,917	20,558	3,485	196	24,239	15,963
Dues and subscriptions	8,836	165	9,001	1,418	-	10,419	15,387
Marketing and promotions	331	2,555	2,886	193	-	3,079	16,205
Meetings and training	6,209	148	6,357	1,176	-	7,533	6,008
Grants and donations	272	-	272	886	-	1,158	2,400
Insurance	10,728	7,343	18,071	825	409	19,305	21,340
Loan and loan-related expenses	21,573	-	21,573	-	-	21,573	8,813
Provision for loan losses	115,410	-	115,410	-	-	115,410	131,079
Interest	59,563	15,933	75,496	1,656	522	77,674	73,767
Licensing and bank fees	-	14,716	14,716	-	-	14,716	11,539
Building operations	25,629	27,568	53,197	1,325	614	55,136	41,085
Cost of sales - restaurant	-	118,242	118,242	-	-	118,242	148,806
Utilities	19,624	32,696	52,319	1,014	470	53,804	43,512
Property taxes	5,036	5,416	10,452	260	121	10,833	11,524
Depreciation	49,916	81,981	131,897	3,757	970	136,624	113,368
Miscellaneous	828	1,607	2,435	467	-	2,902	3,360
Total expenses before direct donor benefits	$ 846,779	$ 556,930	$ 1,403,709	$ 107,256	$ 36,997	1,547,962	1,547,863
Add: Direct donor benefits of awards event						11,323	-
Total expenses						$ 1,559,285	$ 1,547,863

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018
(With Comparative Totals for 2017)

Increase (Decrease) in Cash

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 205,521	$ 113,009
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	136,624	113,367
Provision for loan losses	115,410	131,079
Government grants for lending	(600,000)	-
Income from debt forgiveness	-	(9,816)
Interest reinvested on certificates of deposit	-	(944)
Changes in operating assets and liabilities:		
Accounts receivable	11,297	(31,470)
Contributions receivable	64,400	(85,425)
Prepaid expenses and lease deposit	(325)	(1,200)
Accounts payable and other accrued expenses	46,722	(1,171)
Accrued interest	(8,430)	(3,591)
Tenant security deposits	(500)	1,025
Net cash from operating activities	(29,281)	224,863
Cash flows from investing activities:		
Loans issued	(1,238,800)	(1,263,167)
Collections on loans	537,091	457,960
Change in cash - restricted for loan programs	(760,793)	(29,755)
Purchase of building improvements and equipment	(18,618)	(261,122)
Redemption of certificate of deposit	108,174	-
Net cash from investing activities	(1,372,946)	(1,096,084)
Cash flows from financing activities:		
Funds received from participatory lenders	281,000	452,500
Funds paid to participatory lenders	(123,803)	(192,469)
Proceeds of long-term debt	1,570,060	792,549
Payments of long-term debt	(265,264)	(256,853)
Advances on line of credit	35,500	-
Net cash from financing activities	1,497,493	795,727
Net increase (decrease) in cash	95,266	(75,494)
Cash - beginning of year	323,196	398,690
Cash - end of year	$ 418,463	$ 323,196
Supplemental cash flow information:		
Cash paid for interest expense	$ 86,104	$ 77,358
Participants' share of loan losses	$ 37,258	$ 15,246

See accompanying notes to consolidated financial statements.

1. **ORGANIZATION**

African Development Center (ADC) is a nonprofit organization founded in 2002. ADC is dedicated to the economic empowerment and success of African immigrants in the Minneapolis/Saint Paul area and outstate Minnesota. ADC's operations are supported primarily by contributions, government grants, program service fees, rental revenues and interest earned on loans.

Empowerment and success program activities include:

Business development and micro-lending – ADC provides technical assistance in the area of business planning to new and existing African business owners and offers a range of business loan products.

ADC raises funds for its loan programs from contributions, government grants and loan programs, participations with other lenders, and notes payable.

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

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

Social Ventures:

ADC makes capital investments in social ventures as part of its mission to support community based business and grow revenue for organizational self-sufficiency. This program includes its subsidiaries and consists of ADC CRE's commercial rent activity and Jambo! Deli & Coffee.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation - The consolidated financial statements include African Development Center, ADC Financial Services, Inc., ADC Commercial Real Estate, Inc., ADC Business Consulting Inc., and Jambo! Deli & Coffee LLC. The consolidated corporations are wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

ADC Financial Services, Inc. (ADC FS) has temporarily discontinued operations and had no activity in 2018. Management is planning on terminating this subsidiary in 2019.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADC Commercial Real Estate, Inc. (ADC CRE) was formed in 2009 to own and operate two buildings utilized by ADC. One building is located in Minneapolis, Minnesota (ADC Headquarters Building) 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 (Willmar Building) and serves as a satellite office.

ADC Business Consulting Inc. (ADC BC) is a social venture that provides accounting assistance and tax preparation to African-owned businesses in Minnesota. ADC BC was formed in 2012 and had no activity in 2018. Management is planning on terminating this subsidiary in 2019.

Jambo! Deli & Coffee LLC (Jambo!) is a restaurant located in the retail space of the ADC Headquarters Building which began operations in 2017. The restaurant has been temporarily closed effective November 2018. It is a wholly owned subsidiary of ADC CRE.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other activities specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents - For purposes of preparing the statement of cash flows, cash restricted for loans and certificates of deposit held for investment are not considered cash equivalents.

(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash – Restricted for Loans – Cash – restricted for loans represents unspent loan proceeds, loan payments received to be used for lending, contributions and grants received for lending and cash and loan collections to be remitted to loan participants. Cash – restricted for loans also includes loan loss reserves required by lenders and established internally.

Accounts, Contributions and Grants Receivable – Accounts, contributions and grants receivable are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. No allowance is recorded as of December 31, 2018 and 2017.

Certificates of Deposit - ADC's certificate of deposit has a maturity date of twelve months.

Loans Receivable and Allowance for Loan Losses - Loans receivable are stated at unpaid balances, less an allowance for loan losses. Loans are recorded when closed.

The allowance is a percentage of loans on which ADC has a risk of loss. Allowances are not established on the portion of loans held for the State of Minnesota Emerging Entrepreneur Loan Program (ELP) or for other participating lenders because they bear the risk of loss on those loans.

Management believes the allowance will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluation of the collectability of loans and the quality of collateral. 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. For these loans, the loan balance includes uncollected profit which reduces the related loan receivable and is recorded as revenue when received.

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.

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

(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Funds held for loans represent amounts received from loan participants which have not yet been disbursed and loan collections to be remitted to the State of Minnesota or loan participants.

Due to State of Minnesota and Loan Participations – Lending amounts provided by the State of Minnesota and participating lenders are presented as liabilities.

Land, Buildings, and Equipment - Land, buildings, 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.

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 net assets with donor restrictions. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as net assets without donor restrictions.

Contributions of cash or other assets to be used to acquire property or equipment are reported as revenues under net assets with donor restrictions. The restrictions are considered to be released at the time the property or equipment is purchased.

Contributed Services and Materials - Contributed 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, is provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. ADC received in-kind legal services and planning services valued at $17,251 in 2018 and $116,565 in 2017.

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

Government Grants and Contracts - Government grants and contracts are generally 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 and technical assistance. CDFI grants are not reimbursement based and therefore are accounted for similar to donor restricted contributions.

Program Service Fees - Program service fees consist primarily of training and financial literacy fees and are recorded as revenue when received, which approximates when the service is performed.

Sales Revenue - Sales revenue is recognized at the time the customer takes possession of the food and beverages.

Sales Tax - ADC collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

Rental Revenues - Rental revenues are recorded in accordance with the lease terms. Rental payments received in advance are deferred until earned. All leases are operating leases.

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, 2017, from which the summarized information was derived.

Functional Allocation of Expenses - Expenses have been recorded directly to program and supporting services when applicable. Expenses which are common to program and to supporting services have been allocated by management. Salaries are allocated based on estimates of how each employee spends his or her time. Shared building costs of interest, depreciation, operations, utilities, and property taxes are first allocated by square footage between ADC and its subsidiary ADC CRE. Subsequently, costs attributed to ADC are allocated based on salaries allocations. Office expenses and supplies, telecommunications, information technology, and insurance are also allocated based on salaries allocations.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications. The reclassifications did not affect net assets or the change in net assets.

(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 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 2018 or 2017. Management believes that ADC and its subsidiaries have no uncertain income tax positions.

ADC FS, ADC CRE, and ADC BC are taxable corporations and file separate Federal income tax returns and a combined Minnesota income tax return. Jambo! Deli & Coffee LLC is a disregarded entity included in the income tax return of ADC CRE.

Implementation of New Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ADC has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. Net asset classifications have been simplified and the footnote disclosures have been expanded as required by the ASU.

3. **LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use and excluding lending activity, within one year of December 31, 2018, comprise the following:

Cash	$ 418,462
Certificate of deposit	58,571
Accounts receivable	52,714
Contributions and grants receivable	880,000
Less unavailable for general expenditures within one year:	
Contributions and grants receivable for lending and reserves	(600,000)
	$ 809,747

(Continued)

3. **LIQUIDITY AND AVAILABILITY (Continued)**

As part of ADC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, ADC has a committed line of credit of $150,000 and Jambo! has a committed line of credit of $50,000 (Note 8) which it could draw upon.

4. **CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions and CDFI grants receivable of $880,000 are due to be collected in 2019 and $20,000 in 2020.

5. **LOANS RECEIVABLE**

Loans receivable consist of the following:

	2018	2017	Number of loans at December 31, 2018
Small business loans	$ 2,892,628	$ 2,224,696	168
Allowance for loan losses	(317,659)	(213,768)	
	2,574,969	2,010,928	
Less current portion	(668,141)	(555,595)	
	$ 1,906,828	$ 1,455,333	

Small business loans provided by ADC are primarily structured in two formats:

- **Profit-based financing loans** – ADC helps Muslim and non-Muslim borrowers finance their businesses 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.

(Continued)

5. LOANS RECEIVABLE (Continued)

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

ADC participates in the Small Business Administration (SBA) Community Advantage program. SBA Community Advantage loans are federally insured ranging from 75% to 85% of the total loan, depending on size. As of December 31, 2018 and 2017, total loans outstanding under this program are $784,531 and $346,751 of which $617,189 and $269,738 is insured by the SBA.

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

	2018		2017	
Current	$ 2,198,772	76%	$ 1,809,073	84%
1 – 30 days	458,882	16%	236,486	7%
31 – 60 days	166,675	6%	108,123	3%
61 – 90 days	-	0%	-	0%
Over 90 days	68,299	2%	71,014	6%
	$ 2,892,628	100%	$ 2,224,696	100%

Changes to the allowance for loan losses consist of the following:

	2018	2017
Beginning balance	$ 213,768	$ 152,812
Provision for loan losses	115,410	131,079
Loan recoveries	10,000	-
Loans written off	(21,519)	(70,123)
Ending balance	$ 317,659	$ 213,768

Allowances are only established on ADC's portion of loan balances. Allowances are not established on the portion of loans held for ELP or other participating lenders because they bear the risk of loss on these loans. Management evaluates collectability of loans individually and establishes an allowance based on its review.

5. LOANS RECEIVABLE (Continued)

Other information as of December 31, 2018:

- There were no changes in ADC's accounting policies during the year. There have been no purchases, sales, or reclassifications of financing receivables.
- Management regularly reviews loans for impairment. Management has determined there are no loans considered impaired.

6. LOAN PARTICIPATIONS

The Minneapolis Community Planning and Economic Development Department (CPED), the Metropolitan Consortium of Community Developers (MCCD), the Neighborhood Development Center (NDC), and Metropolitan Economic Development Association (MEDA) participate in loans with ADC. ADC services the loans and repays these organizations as loans are collected; the participating lenders bear the risk of loss on those loans.

Loan participations consist of the following:

	2018	2017
CPED loan participations	$ 130,580	$ 160,053
MCCD loan participations	50,697	60,875
NDC loan participations	31,858	37,158
MEDA loan participation	233,389	283,617
	446,524	541,703
Less current portion	(164,339)	(155,479)
	$ 282,185	$ 386,224

7. DUE TO STATE OF MINNESOTA

ADC participates in the Emerging Entrepreneur Loan Program (ELP) sponsored by the State of Minnesota's Department of Employment and Economic Development (MN DEED) under two contracts with funding commitments of $750,000 and $330,000. Under the ELP program, ADC services the loans and repays MN DEED as loans are collected. Interest earned is retained by ADC to cover administrative costs. ELP loan capital is provided to ADC on a non-recourse basis. ADC is not obligated to repay MN DEED if the borrower defaults.

(Continued)

7. DUE TO STATE OF MINNESOTA (Continued)

The program assists minority-owned and operated businesses and others that create jobs in low-income areas of the Twin Cities metropolitan area. Loans under the first contract ($750,000) may be made for a maximum of $25,000 (up to $50,000 if a private lender is participating in the loan). Loans under the second contract ($330,000) must be at least $5,000 up to $150,000 and may not exceed 50% of each loan, except for qualifying microenterprise loans. Loans to qualifying microenterprise borrowers may be at least $5,000 up to $50,000 with no matching requirements. The first contract ended and no new loans are being made. ADC still services the outstanding loans and remits collected payments to MN DEED. The second contract began in 2017 and has a termination date of January 5, 2022. No funds remain for lending under the second contract.

Due to the State of Minnesota consists of:

	2018	2017
Current portion	$ 91,246	$ 105,389
Long-term portion	312,830	120,766
Total Due to State of Minnesota	$ 404,076	$ 226,155

8. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	2018	2017	Estimated useful lives (in years)
ADC:			
Computers and equipment	$ 274,249	$ 267,543	3 - 7
Affiliates:			
Land	170,127	170,127	-
Buildings	814,831	814,831	30
Building improvements	1,188,154	1,188,154	5 - 30
Equipment and vehicles	213,486	201,573	5 - 7
	2,660,847	2,642,228	
Less accumulated depreciation	(1,047,509)	(910,884)	
	$ 1,613,338	$ 1,731,344	

(Continued)

9. LINES OF CREDIT

ADC has a $150,000 line of credit from Western Bank for general operating purposes. The line of credit matures August 4, 2019. The interest rate is 1% over the Wall Street Journal Prime Rate, however, the rate will never be less than 5%. At December 31, 2018 and 2017, there were no outstanding advances. Advances are secured by accounts receivable, equipment and general intangibles.

Effective June 2018, Jambo! has a $50,000 line of credit from American National Bank for general operating purposes. The line of credit matures June 7, 2019. The interest rate is 2.5% over the Wall Street Journal Prime Rate, however, the rate will never be less than 6.75%. (8% at December 31, 2018). Advances are secured by assets, equipment and a food truck. At December 31, 2018, outstanding advances are $35,500.

10. LONG-TERM DEBT

Long-term debt consists of the following:

	2018	2017
ADC:		
Wells Fargo EQ2 loans	$ 250,000	$ 312,500
BMO Harris EQ2 loan	425,000	500,000
SBA microloan	167,926	229,693
SBA microloan #2	238,670	250,000
MN DEED promissory note	296,904	296,904
Blandin Foundation	200,000	200,000
Minneapolis Foundation	300,000	300,000
Minneapolis Foundation	200,000	-
St. Paul Port Authority	7,578	7,578
MMCDC Loan	300,060	-
Initiative Foundation	70,000	-
Otto Bremer Trust	1,000,000	-
		-
Subtotal	3,456,138	2,096,675

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

ADC CRE:		
MMCDC loan	788,416	807,307
Park Midway Bank	19,120	35,100
City of Minneapolis	183,416	200,000
Bremer Bank	62,103	65,315
	4,509,193	3,204,397
Less current portion	(251,567)	(292,020)
	$ 4,257,626	$ 2,912,377

ADC:

Wells Fargo EQ2 loans – EQ2 loan agreement with the Wells Fargo Community Development Corporation for $250,000 dated June 5, 2006. The loan is 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 10 year Treasury obligation rate minus 3.5% determined as of the tenth anniversary of the date of loan, until the loan is fully paid (2% at December 31, 2018). Interest is payable quarterly.

The outstanding principal balance of the loan and accrued interest was initially due June 21, 2016, and extended to June 21, 2018. Quarterly principal and interest payments of $31,250 began in 2016. The loan was repaid in 2018.

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. The interest rate is 2% for the first ten years of the loan. Interest is payable quarterly. Principal and unpaid interest are due in 2020. Within 30 days prior to maturity, ADC may request an extension of two additional years.

BMO Harris EQ2 – EQ2 loan with BMO Harris Bank for $500,000 dated March 31, 2008. The loan is to be used to make loans for community development purposes. The loan has an interest rate equal to 3%. Interest was payable quarterly. The original agreement matured March 31, 2018. The loan was extended and the agreement requires quarterly principal payments of $25,000 plus interest beginning March 31, 2018. The loan matures December 31, 2022.

(Continued)

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

SBA Microloan – Loan agreement with the U. S. Small Business Administration (SBA) for $500,000 under the microloan program dated August 25, 2011. The loan is to be used to make loans for community development purposes. The loan has an interest rate equal to 2.25%.

Interest will be reduced as follows: 1) during the first through the twelfth month, interest will be reduced 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. At December 31, 2018, the interest rate was 1%.

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, through July 25, 2021.

The loan is secured by funds held in a revolving fund bank account (included in cash restricted for loan programs), funds held in a loan loss reserve, and loans made as a result of funding received under the microloan program.

SBA microloan #2 – Loan agreement with the U. S. Small Business Administration (SBA) for $250,000 under the microloan program dated June 7, 2017. The loan is to be used to make loans for community development purposes. The loan has an interest rate equal to 2.00%.

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 $2,315 begin the thirteenth month, along with the deferred interest calculated in the first year, through June 7, 2027.

(Continued)

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

Interest will be reduced as follows: 1) during the first through the twelfth month, interest will be reduced 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 0% 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 2% minus a buy-down of 1.25% for an accrual rate of .75%, and 3) recalculation of interest will take place (as previously described) at regular intervals on the twenty-first month and annually thereafter. At December 31, 2018, the interest rate was .75%.

The loan is secured by funds held in a revolving fund bank account (included in cash restricted for loan programs), funds held in a loan loss reserve, and loans made as a result of funding received under the microloan program.

MN DEED – Note payable to MN DEED in the original amount of $271,500 without interest dated May 25, 2012. The note was amended to $306,721 on February 25, 2017. The loan is funded under the MN DEED's Emerging Entrepreneurs Fund program from the U.S. Department of Treasury State Small Business Credit Initiative (SSBCI) and is to be used for lending purposes for small businesses. Principal is due May 25, 2022. ADC is not obligated to repay the portion of the loan that is subject to default which ADC has not been able to recover. ADC may continue to service loans after the maturity date, but must forward to MN DEED any funds recovered from the proceeds of the loan. During 2017, $9,816 was forgiven.

Blandin Foundation – Note payable to Charles K. Blandin (Blandin Foundation) through a Program Related Investment (PRI) loan agreement for $200,000 dated June 22, 2017, with no interest. Principal is due at maturity, June 22, 2027. Unsecured.

Minneapolis Foundation – Note payable to Minneapolis Foundation for $300,000 dated July 1, 2017, with interest at 2%. Annual interest payments are due and payable July 1. Principal is due at maturity, July 1, 2022. Unsecured.

Minneapolis Foundation – Note payable to Minneapolis Foundation for $200,000 dated August 1, 2018, with interest at 2%. Annual interest payments are due and payable August 1. Principal is due at maturity, August 1, 2023. Unsecured.

(Continued)

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

St. Paul Port Authority – Note payable to St. Paul Port Authority through the Property Assessed Clean Energy (PACE) program for $7,578 dated December 23, 2015, with interest at 4.5%. Equal payments of approximately $1,700 are due and payable semi-annually beginning May 1, 2019, through an assessment made on the Willmar building's property taxes with a final balloon payment at maturity, December 1, 2023. Unsecured.

MMCDC – Note payable to MMCDC for $500,000 dated April 30, 2018. Interest payments are due monthly at a rate of 4.25% commencing June 1, 2018. Principal is due at maturity on May 1, 2025. Secured by the proceeds and receivables arising from the loan and ADC's assets. As of December 31, 2018, $300,060 has been advanced.

Initiative Foundation – Note payable to Initiative Foundation for $250,000 dated August 4, 2018, with interest at 3%. Quarterly interest payments are due commencing April 15, 2018. Principal is due at maturity on March 15, 2025. Secured by the proceeds, rights and interests arising from the loan. As of December 31, 2018, $70,000 has been advanced.

Otto Bremer Trust – Note payable the Otto Bremer Trust for $1,000,000 dated December 14, 2018, with interest at 3%. Equal interest payments of $30,000 are due annually commencing January 14, 2020 until January 14, 2023. Beginning January 14, 2024, both principal and interest payments will be due annually until maturity January 14, 2026. Unsecured.

ADC CRE:

MMCDC – First mortgage payable to MMCDC for $840,000 dated December 23, 2015, with interest at 4.75%. Equal payments of $4,789 are due and payable on the first of each month commencing February 1, 2016. The note matures January 1, 2021. Secured by the ADC Headquarters, personal property, and leases and rents with respect to the property.

Park Midway Bank – Second mortgage payable to Park Midway Bank for $150,000 dated March 3, 2009, with interest at 2%, payable on demand. 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 ADC Headquarters Building and assignment of all rents.

10. LONG-TERM DEBT (Continued)

City of Minneapolis – Third mortgage payable to City of Minneapolis for $200,000 dated September 3, 2009, with an interest rate of 4%. Interest-only payments were due annually beginning September 3, 2010. Principal and interest were initially due on September 3, 2016. The loan was modified during 2017. The modified mortgage requires monthly principal and interest payments of $1,835 beginning January 15, 2018, with interest at 2%, and is due January 1, 2028. Secured by the ADC Headquarters Building and assignment of all rents.

Bremer Bank – First mortgage payable to Bremer Bank for $92,000 dated June 9, 2011, with a variable interest rate (3.75% as of December 31, 2018). Payable in monthly principal and interest payments of $600. 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:

2019	$ 251,567
2020	485,005
2021	985,355
2022	767,997
2023	247,525
Thereafter	1,771,743
	$ 4,509,192

11. NET ASSETS

Below summarizes the change in net assets without donor restrictions – operating

	2018	2017
African Development Center	$ 140,974	$ 85,464
Subsidiaries	(212,810)	(129,154)
	$ (71,836)	$ (43,690)

ADC, internally and by lender requirements, has established a loan loss reserve fund. The funds will be used to supplement future losses for current loans receivable. ADC is in compliance with the loan loss reserve requirements for the Community Advantage Pilot Program of the SBA.

11. NET ASSETS (Continued)

Net assets with donor restrictions are classified according to their main restriction. Some of the restrictions have components of both time and purpose restrictions.

Net assets with donor restrictions are available for use in future periods for:

	2018	2017
Subject to expenditure for specified purpose:		
Program services in greater Minnesota	$ 75,000	$ 150,000
Business development – African immigrants	75,000	165,000
Homeownership capacity building	-	40,000
Foodtruck	-	43,893
Staffing, Wilder report, and market research	-	93,750
Other program activities	-	30,000
Lending	24,370	-
Loan loss reserve	100,000	-
Time restrictions – 2019 operations	50,000	-
	$ 324,370	$ 522,643

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose for the years ended:

	2018	2017
Satisfaction of purpose restrictions:		
Program services in greater Minnesota	$ 75,000	$ 75,000
Business development/technical assistance	90,000	50,000
Homeownership capacity building	40,000	22,800
Foodtruck	43,893	111,107
Staffing, Wilder report, and market research	93,750	-
Upgrade technology	-	36,000
Small business lending	30,000	10,000
Financial education	-	37,500
Other program activities	-	5,000
	$ 372,643	$ 347,407

(Continued)

12. **COMMERCIAL RENT REVENUE**

ADC utilizes approximately 49% of the ADC Headquarters 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 five years. Jambo! occupies the retail space.

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

2019	$ 15,070

13. **CONCENTRATIONS**

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, 2018, deposits exceeded the federally insured limit by $1,613,713.

ADC received 40% ($700,000) of its support and revenue from the Department of Treasury in 2018.

ADC received 38% ($150,000, $312,000, and $165,000 totaling $627,000) of its support and revenue from three foundations in 2017.

14. **INCOME TAXES**

Income tax benefit (expense) for ADC CRE consists of the following:

	2018	2017
Current income tax (expense) benefit	$ -	$ 5,540

A federal tax refund of $17,530 is recorded in accounts receivable as of December 31, 2017.

The following table reconciles income tax expense reported in the financial statements to income taxes that would be obtained by applying regular income tax rates to income before taxes:

(Continued)

14. **INCOME TAXES (Continued)**

Expected benefit (taxes) using regular rates	$ 65,500	$ 39,800
State minimum fees	(600)	(590)
Deferred tax asset valuation allowance	(68,000)	(34,800)
Prior year accrual differences and other	3,100	1,130
Income tax (expense) benefit	$ -	$ 5,540

The deferred tax assets of $156,800 and $88,800 at December 31, 2018 and 2017, result from differences in accounting for the allowance for doubtful accounts and depreciation for financial and income tax reporting methods.

Net operating loss carryforwards of $407,815 for federal and $375,366 for state are available to reduce future taxable income.

Realization of the net deferred tax asset and net operating loss carryforwards are dependent upon sufficient future taxable income during the period that deductible temporary differences are expected to be available to reduce taxable income. Management expects it is more likely than not that the deferred tax asset may not be realized. Accordingly, a valuation allowance of $156,800 as of December 31, 2018 and $88,800 as of December 31, 2017 has been recorded for the entire amount of the net deferred tax asset. The valuation allowance increased by $68,000 in 2018 and $34,800 in 2017.

14. **COMMITMENTS**

ADC entered into a five-year agreement with a third party for management of Jambo! Deli & Coffee effective April 5, 2017. Within 180 days before the termination date, the agreement can be renewed for another five years. Payment is 50% of net income as defined in the agreement. No payments were made in 2017 or 2018.

Due to the restaurant's temporary closure, management is in negotiations to terminate this agreement.

15. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 27, 2019, the date on which the financial statements were available for issue.

SUPPLEMENTARY CONSOLIDATING INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Jambo! Deli & Coffee LLC	Eliminations	Total
			ASSETS				
Current assets:							
Cash	$ 405,517	$ -	$ 12,352	$ 124	$ 469	$ -	$ 418,462
Certificates of deposit	-	58,571	-	-	-	-	58,571
Accounts receivable, net	82,584	-	141,221	-	-	(171,091)	52,714
Contributions and grants receivable	880,000	-	-	-	-	-	880,000
Current portion of loans receivable, net of allowance	679,311	-	-	-	-	(11,170)	668,141
Prepaid expenses	574	-	951	-	-	-	1,525
Total current assets	2,047,986	58,571	154,524	124	469	(182,261)	2,079,413
Cash - restricted for loans	1,646,397	-	-	-	-	-	1,646,397
Contributions and grants receivable, less current portion	20,000	-	-	-	-	-	20,000
Loans receivable, less current portion, net of allowance	1,956,564	-	-	-	-	(49,736)	1,906,828
Land, buildings and equipment, net	27,609	-	1,438,157	-	147,572	-	1,613,338
Investment in subsidiaries	374,026	-	(173,360)	-	-	(200,666)	-
Total assets	$ 6,072,582	$ 58,571	$ 1,419,321	$ 124	$ 148,041	$ (432,663)	$ 7,265,976
			LIABILITIES AND NET ASSETS				
Current liabilities:							
Accounts payable and accrued expenses	$ 10,763	$ -	$ 39,408	$ -	$ 125,058	(67,638)	$ 107,591
Funds held for loans	81,672	-	-	-	-	-	81,672
Accrued interest expense	6,800	-	3,144	-	-	-	9,944
Tenant security deposits	-	-	4,868	-	-	-	4,868
Line of credit	-	-	-	-	35,500	-	35,500
Current portion of loan participations	164,339	-	-	-	-	-	164,339
Current portion of loan payable to ADC	-	-	3,165	-	8,005	(11,170)	-
Current portion of due to State of Minnesota	91,246	-	-	-	-	-	91,246
Current portion of long-term debt	188,149	-	63,418	-	-	-	251,567
Total current liabilities	542,969	-	114,003	-	168,563	(78,808)	746,727
Loan participations, less current portion	282,185	-	-	-	-	-	282,185
Loans payable to ADC, less current portion	-	-	351	-	152,838	(153,189)	-
Due to State of Minnesota, less current portion	312,830	-	-	-	-	-	312,830
Long-term debt, less current portion	3,267,990	-	989,636	-	-	-	4,257,626
Total liabilities	4,405,974	-	1,103,990	-	321,401	(231,997)	5,599,368
Net assets	1,666,608	58,571	315,331	124	(173,360)	(200,666)	1,666,608
Total liabilities and net assets	$ 6,072,582	$ 58,571	$ 1,419,321	$ 124	$ 148,041	$ (432,663)	$ 7,265,976

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Jambo! Deli & Coffee LLC	Eliminations	Total
Support and revenues:							
Contributions	$ 151,862	$ -	$ -	$ -	$ -	$ -	$ 151,862
Government grants	368,828	-	-	-	-	-	368,828
Program service fees	95,390	-	-	-	-	-	95,390
In-kind contributions	17,251	-	-	-	-	-	17,251
Restaurant sales, net of discounts	-	-	-	-	285,534	-	285,534
Rental revenue	-	-	229,151	-	-	(132,000)	97,151
Interest income - loans	143,833	-	-	-	-	(17,122)	126,711
Interest income - deposit accounts	1,352	-	62	-	-	-	1,414
Awards event, net of direct donor					-		
benefits of $11,323	5,814	-	-	-	-	-	5,814
Other income	3,528	-	-	-	-	-	3,528
Total support and revenues	787,858	-	229,213	-	285,534	(149,122)	1,153,483
Expenses:							
Program services							
Empowerment and success	808,618	-	123,505	-	-	(85,344)	846,779
Social Ventures	-	-	170,202	-	433,850	(47,122)	556,930
Total program services	808,618	-	293,707	-	433,850	(132,466)	1,403,709
Management and general	123,912	-	-	-	-	(16,656)	107,256
Fundraising	36,997	-	-	-	-	-	36,997
Total expenses	969,527	-	293,707	-	433,850	(149,122)	1,547,962
Change in net assets - operating	(181,669)	-	(64,494)	-	(148,316)	-	(394,479)
Government grants - loans	600,000	-	-	-	-	-	600,000
Income (loss) from subsidiaries	(212,810)	-	(148,316)	-	-	361,126	-
Total change in net assets	205,521	-	(212,810)	-	(148,316)	361,126	205,521
Net assets - beginning of year	1,461,087	58,571	500,429	124	(25,044)	(534,080)	1,461,087
Investment from ADC	-	-	27,712	-	-	(27,712)	-
Net assets - end of year	$ 1,666,608	$ 58,571	$ 315,331	$ 124	$ (173,360)	$ (200,666)	$ 1,666,608

See independent auditor's report.