

**AFRICAN DEVELOPMENT CENTER
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 AND 2020**



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**AFRICAN DEVELOPMENT CENTER
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(WITH COMPARATIVE TOTALS FOR 2020)**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
African Development Center
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of African Development Center, (ADC), which comprise the consolidated statement of net position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of African Development Center as of December 31, 2021, and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of African Development Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about African Development Center ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 African Development Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about African Development Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

The 2020 consolidated financial statements of African Development Center were audited by other auditors whose report dated August 8, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Adjustments to Prior Year Consolidated Financial Statements

The consolidated financial statements of ADC as of December 31, 2020, were audited by other auditors whose opinion dated August 8, 2021, on those statements was unmodified. As described in Note 1 to the consolidated financial statements, ADC has restated its 2020 financial statements during the current year to properly recognize conditional revenue, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2020 consolidated financial statements before the restatement.

As part of our audit of the 2021 consolidated financial statements, we also audited adjustments described in Note 1 that were applied to restate the 2020 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated financial statements of ADC other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated financial statements as a whole.

Supplementary Information

Supplementary Information – Consolidating Statement of Financial Position and Consolidating Statement of Activities

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and is not a required part of the 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 29, 2022

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,650,752	\$ 1,816,164
Accounts Receivable, Net	14,025	12,937
Current Portion of Contributions and Grants Receivable	441,671	212,413
Current Portion of Loans Receivable, Net of Allowance	1,032,721	818,310
Prepaid Expense	4,266	3,652
Total Current Assets	4,143,435	2,863,476
Cash-Restricted for Loans	8,448,419	4,293,921
Contributions and Grants Receivable, Less Current Portion	32,750	-
Loans Receivable, Less Current Portion, Net of Allowance	5,043,446	3,694,085
Assets Held for Sale	87,123	87,123
Land, Buildings, and Equipment, Net	1,216,703	1,294,166
Total Assets	\$ 18,971,876	\$ 12,232,771
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 225,519	\$ 47,709
Refundable Advances	661,933	891,500
Funds Held for Grants and Loans	1,319,603	415,265
Accrued Interest Expenses	19,283	48,575
Tenant Security Deposits	5,785	5,743
Lines of Credit/Note Payable	7,578	30,429
Current Portion of Loan Participations	19,960	91,025
Current Portion of Due to CPED	25,798	54,492
Current Portion Due to State of Minnesota	224,270	121,077
Current Portion of Long-Term Debt	1,647,453	1,168,743
Total Current Liabilities	4,157,182	2,874,558
Loan Participations, Less Current Portion	42,916	94,546
Due to CPED, Less Current Portion	64,495	53,936
Due to State of Minnesota, Less Current Portion	1,109,949	1,197,526
Long-Term Debt, Less Current Portion	6,873,574	4,990,117
Total Liabilities	12,248,116	9,210,683
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,081,460	2,200,810
Designated-Loan Loss Reserve	-	175,978
Total Without Donor Restrictions	5,081,460	2,376,788
With Donor Restrictions	1,642,300	645,300
Total Net Assets	6,723,760	3,022,088
Total Liabilities and Net Assets	\$ 18,971,876	\$ 12,232,771

See accompanying Notes to Consolidated Financial Statements.

**AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	2021			2020 (Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenues:				
Contributions	\$ 626,826	\$ 623,250	\$ 1,250,076	\$ 468,291
Government Grants	501,579	-	501,579	1,305,357
PPP Loan Forgiveness	-	-	-	90,300
Net Assets Released from Time and Usage Restrictions	826,250	(826,250)	-	-
Program Service Fees	467,862	-	467,862	39,716
In-Kind Contributions	-	-	-	2,983
Rental Revenue	85,520	-	85,520	70,158
Interest Income - Loans	281,197	-	281,197	223,220
Interest Income - Deposit Accounts	7,534	-	7,534	7,967
Other Income	42,509	-	42,509	18,002
Total Support and Revenues	<u>2,839,277</u>	<u>(203,000)</u>	<u>2,636,277</u>	<u>2,225,994</u>
Expenses:				
Programs Services:				
Empowerment and Success	1,392,017	-	1,392,017	886,466
Social Ventures	127,759	-	127,759	161,271
Total Program Services	<u>1,519,776</u>	<u>-</u>	<u>1,519,776</u>	<u>1,047,737</u>
Management and General	133,953	-	133,953	184,297
Fundraising	72,285	-	72,285	73,834
Total Expenses	<u>1,726,014</u>	<u>-</u>	<u>1,726,014</u>	<u>1,305,868</u>
CHANGE IN NET ASSETS-OPERATING	1,113,263	(203,000)	910,263	920,126
Government Grants/Contributions-Lending	1,591,409	1,200,000	2,791,409	254,274
Loss on Impairment	-	-	-	(21,246)
TOTAL CHANGE IN NET ASSETS	<u>2,704,672</u>	<u>997,000</u>	<u>3,701,672</u>	<u>1,153,154</u>
Net Assets - Beginning of Year	<u>2,376,788</u>	<u>645,300</u>	<u>3,022,088</u>	<u>1,868,934</u>
NET ASSETS - END OF YEAR	<u>\$ 5,081,460</u>	<u>\$ 1,642,300</u>	<u>\$ 6,723,760</u>	<u>\$ 3,022,088</u>

See accompanying Notes to Consolidated Financial Statements.

**AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	2021					Total	Total	2020
	Empowerment and Success	Social Ventures	Total Program Services	Management and General	Fundraising			
Salaries	\$ 390,819	-	\$ 390,819	\$ 60,992	\$ 54,560	\$ 506,371	\$ 499,243	
Payroll Taxes	28,581	-	28,581	4,467	3,989	37,037	33,584	
Employee Benefits	39,850	-	39,850	4,508	292	44,650	41,299	
Total Salaries and Related	459,250	-	459,250	69,967	58,841	588,058	574,126	
Consultants and Contractors	133,434	-	133,434	2,578	-	136,012	109,605	
Professional Fees	19,721	17,384	37,105	2,596	2,211	41,912	23,649	
Legal	10,895	-	10,895	648	-	11,543	2,791	
Accounting	56,381	3,650	60,031	9,889	365	70,285	45,597	
Occupancy	22,727	-	22,727	4,143	-	26,870	25,077	
Supplies and Office Expenses	16,501	-	16,501	2,264	-	18,765	33,505	
Telecommunications	11,341	-	11,341	2,006	-	13,347	9,691	
Information Technology	-	-	-	-	-	-	1,505	
Equipment Expenses	13,984	-	13,984	8,392	-	22,376	33,538	
Travel and Entertainment	8,278	-	8,278	767	-	9,045	3,104	
Dues and Subscriptions	8,575	-	8,575	711	-	9,286	9,062	
Marketing and Promotions	426	-	426	580	-	1,006	715	
Meetings and Training	6,106	-	6,106	806	17	6,929	3,610	
Grants and Donations	97,984	-	97,984	2,556	-	100,540	40,997	
Insurance	10,541	3,261	13,802	1,759	525	16,086	15,321	
Loan and Loan Related Expenses	8,112	-	8,112	9,551	-	17,663	30,604	
Provision for Loan Losses	267,192	-	267,192	-	-	267,192	60,000	
Interest	132,353	18,613	150,966	2,263	1,861	155,090	112,049	
Licensing and Bank Fees	1,167	399	1,566	14	20	1,600	118	
Building Operations	11,578	14,843	26,421	1,781	1,484	29,686	23,176	
Utilities	12,949	16,601	29,550	1,993	1,660	33,203	28,265	
Property Taxes	7,278	9,332	16,610	1,120	933	18,663	14,833	
Depreciation	45,005	43,366	88,371	7,179	4,337	99,887	103,300	
Miscellaneous	30,239	310	30,549	390	31	30,970	1,630	
Total Functional Expenses	\$ 1,392,017	\$ 127,759	\$ 1,519,776	\$ 133,953	\$ 72,285	\$ 1,726,014	\$ 1,305,868	

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,701,672	\$ 2,018,154
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided from Operating Activities:		
Depreciation	99,887	103,300
Provision for Loan Losses	267,192	60,000
Government Grants/Contributions for Lending	(2,791,409)	(254,274)
Income from PPP Loan Forgiveness	-	(90,300)
Loss on Impairment	-	21,246
(Increase) Decrease in Assets:		
Accounts Receivable	(1,088)	(3,043)
Contributions and Grants Receivables	2,529,401	329,805
Prepaid Expenses	(614)	97
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	177,810	(65,261)
Refundable Advances	(229,567)	26,500
Accrued Interest	(29,292)	13,276
Tenant Security Deposits	42	(800)
Deferred Revenue	904,338	-
Net Cash Provided by Operating Activities	4,628,372	2,158,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Issued	(3,728,209)	(2,254,104)
Collections on Loans	1,897,245	933,491
Purchase of Building Improvements and Equipment	(22,424)	(16,051)
Net Cash Used by Investing Activities	(1,853,388)	(1,336,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds Received from Participatory Lenders	217,101	1,485,902
Funds Paid to Participatory Lenders	(342,315)	(235,770)
Proceeds on Long-Term Debt	2,600,000	-
Proceeds of PPP Loan	82,603	90,300
Payments of Long-Term Debt	(320,436)	1,681,733
Payments on Lines of Credit/Note Payable	(22,851)	(12,649)
Net Cash Provided by Financing Activities	2,214,102	3,009,516
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS	4,989,086	3,831,552
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year Restated	6,110,085	2,278,533
CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR	\$ 11,099,171	\$ 6,110,085
RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash	\$ 2,650,752	\$ 1,816,164
Cash - Restricted for Loans	8,448,419	4,293,921
Total	\$ 11,099,171	\$ 6,110,085
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest Expenses	\$ 131,583	\$ 98,773
Participants' Share of Loan Losses	\$ 21,405	\$ 9,160

See accompanying Notes to Consolidated Financial Statements.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Principles of Consolidation

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

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.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

Jambo! Deli & Coffee LLC (Jambo!) was a restaurant located in the retail space of the ADC Headquarters Building which began operations in 2017. The restaurant was closed effective November 2018. It is a wholly owned subsidiary of ADC CRE. Management is working to dissolve subsequent to year-end and all intercompany activities will be settled.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated 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.

The consolidated statement of activities presents operating activities separate from government grants and contributions for lending. Management believes that this presentation assists users of the consolidated financial statements with understanding the activities.

Cash Equivalents

Cash restricted for loans and certificates of deposit are considered cash equivalents.

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.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

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.

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, CPED, and Loan Participations

Lending amounts provided by the state of Minnesota, CPED, and participating lenders are presented as liabilities.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

Assets held for sale include equipment and a vehicle formally used with Jambo!. The amount represents the original cost less accumulated depreciation up until the time the assets were removed from service. An impairment loss in the amount of \$21,246 related to assets held for sale was recorded during 2020. See Note 8 for more information.

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.

Impairment

ADC reviews its land, buildings, and equipment and assets held for sale for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

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 placed into service.

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 \$-0- in 2021 and \$2,983 in 2020.

Government Grants

Government grants are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures or performance requirements, as defined in each grant or contract, are incurred or met. Funds received in advance are recorded as refundable advances.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Fees

Program service fees consist primarily of training and financial literacy fees and is recognized over time when the service is performed and the training has been performed. Additionally, the program service fees include loan fees that are recorded as revenue when ADC processes and disburses the loan.

Rental Revenues

Rental revenues on leases are recognized over the period to which they relate. Rental payments received in advance are deferred until earned. All leases are operating leases.

Comparative Total Column

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ADC's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Functional Allocation of Expenses

Expenses have been recorded directly to program and supporting services when applicable 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, expenses 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. The remaining ADC CRE expenses are recorded as program.

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 (IRC), is exempt from private foundation status under Section 509(a)(1) of the IRC and is subject to income taxes only on net unrelated business income. ADC did not have any unrelated business income in 2021 or 2020. Management believes that ADC and its subsidiaries have no uncertain income tax positions.

ADC CRE is a taxable corporation and files a separate federal income tax return and a combined Minnesota income tax return. Jambo! Deli & Coffee LLC is a disregarded entity included in the income tax return of ADC CRE. Management is working to dissolve Jambo! subsequent to year-end.

Subsequent Events

Management has evaluated subsequent events through September 29, 2022, the date on which the consolidated financial statements were available for issue.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Adjustment

The prior period adjustment shown on the consolidated statement of activities of \$865,000 is a result of one grant agreement that was not properly recorded in the prior year. Opening net assets have been restated to decrease with and without donor restricted net assets on the financial statements. The restatement of net assets is shown below.

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Current Liabilities			
Refundable Advances	<u>\$ 26,500</u>	<u>\$ 865,000</u>	<u>\$ 891,500</u>
Net Assets			
Without Donor Restrictions:			
Undesignated	\$ 2,370,084	\$ (169,274)	\$ 2,200,810
Board-Designated	175,978	-	175,978
With Donor Restrictions	<u>1,341,026</u>	<u>(695,726)</u>	<u>645,300</u>
Total Net Assets	<u>\$ 3,887,088</u>	<u>\$ (865,000)</u>	<u>\$ 3,022,088</u>
Support and Revenues:			
Government Grants	\$ 1,474,631	\$ (169,274)	\$ 1,305,357
Government Grants/ Contributions-Lending	950,000	(695,726)	254,274

NOTE 2 LIQUIDITY AND AVAILABILITY

As part of its liquidity management, ADC operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. ADC and its subsidiaries have their own budgets which are monitored monthly versus actual results. For purposes of analyzing resources available to meet general expenditures over the next year, ADC considers all expenditures related to its ongoing activities to be general expenditures.

To help manage unanticipated liquidity needs, ADC has a committed line of credit of \$150,000 (Note 10) which it could draw upon.

Financial assets available for general expenditure within one year of December 31, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,650,752	\$ 1,816,164
Accounts Receivable Net	14,025	12,937
Contributions and Grants Receivable	<u>441,671</u>	<u>212,413</u>
Total	<u>\$ 3,106,448</u>	<u>\$ 2,041,514</u>

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2021 consist of \$132,750 that is due to be collected in 2022, and \$32,750 that is due to be collected in 2023. No allowance or present-value discount has been recorded. Contributions and grants receivable as of December 31, 2020 consist of \$212,413 that is due to be collected in 2021, therefore, no discount has been recorded.

NOTE 4 LOANS RECEIVABLE

Loans receivable consist of the following:

	<u>2021</u>	<u>2020</u>	Number of Loans at December 31, <u>2021</u>
Small Business Loans	\$ 6,753,114	\$ 4,985,864	\$ 237
Allowance for Loan Losses	<u>(676,947)</u>	<u>(473,469)</u>	
Subtotal	6,076,167	4,512,395	
Less: Current Portion	<u>(1,032,721)</u>	<u>(818,310)</u>	
Total	<u>\$ 5,043,446</u>	<u>\$ 3,694,085</u>	

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

Profit-Based Financing Loans

ADC helps Muslim and nonMuslim 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. Standard terms are 36 to 60 months; however, some loans have up to 10-year terms. The loans are secured by vehicles, equipment or inventory of the borrower.

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 90% of the total loan, depending on size. As of December 31, 2021 and 2020, total loans outstanding under this program are \$1,166,986 and \$902,473 of which \$908,827 and \$706,968 is insured by the SBA, respectively.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Conventional Loans (Continued)

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

	<u>2021</u>	<u>Percent</u>	<u>2020</u>	<u>Percent</u>
Current	\$ 4,810,163	71%	\$ 3,563,150	72 %
1 to 30 Days	1,416,692	21%	1,064,478	21
31 to 60 Days	375,491	6%	112,881	2
61 to 90 Days	-	-	-	-
Over 90 Days	150,768	2%	245,355	5
Total	<u>\$ 6,753,114</u>	<u>100%</u>	<u>\$ 4,985,864</u>	<u>100 %</u>

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

	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 473,469	\$ 442,063
Provision for Loan Losses	267,452	60,000
Loans Written Off	(63,974)	(28,594)
Ending Balance	<u>\$ 676,947</u>	<u>\$ 473,469</u>

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. During 2021 and 2020 there were three loans and three loans written off, respectively.

Other information as of December 31, 2021:

- There were no changes in ADC's accounting policies during the year. There have been nopurchases, sales, or reclassifications of financing receivables.
- Management regularly reviews loans for impairment. Management has determined oneloan funded through the MN DEED EEF program is considered impaired.

NOTE 5 LOAN PARTICIPATIONS

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.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 LOANS PARTICIPATIONS (CONTINUED)

Loan participations consist of the following:

	2021	2020
MCCD Loan Participations	\$ 18,988	\$ 45,825
MEDA Loan Participations	19,450	113,638
NDC Loan Participations	24,438	26,108
Subtotal	62,876	185,571
Less: Current Portion	(19,960)	(91,025)
Total	\$ 42,916	\$ 94,546

NOTE 6 DUE TO CPED

The Minneapolis Community Planning and Economic Development Department (CPED) participates in loans with ADC. ADC services the loan and repays the city as loans are collected. ADC and the city review loan collection status on a regular basis. The city bears the risk of loss on these loans.

	2021	2020
CPED Loan Participations	\$ 90,293	\$ 108,428
Less: Current Portion	(25,798)	(54,492)
Total	\$ 64,495	\$ 53,936

NOTE 7 DUE TO STATE OF MINNESOTA

ADC participates in the Emerging Entrepreneur Loan Program (ELP) and Urban Initiative Loan Program (UIP) which are 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 \$2,187,500. 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 nonrecourse basis. ADC is not obligated to repay MN DEED if the borrower defaults.

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 (\$2,187,500) 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.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 DUE TO STATE OF MINNESOTA (CONTINUED)

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.

Due to the state of Minnesota consists of:

	2021	2020
Current Portion	\$ 224,270	\$ 121,077
Long-Term Portion	1,109,949	1,197,526
Total	<u>\$ 1,334,219</u>	<u>\$ 1,318,603</u>

NOTE 8 ASSETS HELD FOR SALE

Assets held for sale consist of kitchen equipment recorded at \$57,162 and a food truck recorded at \$29,961.

During 2020, ADC made the decision not to reopen Jambol and to sell the restaurant's kitchen equipment and vehicles. An impairment entry of \$21,246 was recorded against the carrying amount to reflect the fair value of the assets. Subsequent to year-end, in 2022, the kitchen equipment sold for \$60,000 and the food truck sold for \$40,000. A gain on the sales will be recognized in 2022.

NOTE 9 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consists of the following:

	2021	2020	Estimated Useful Lives (in Years)
ADC:			
Computers and Equipment	\$ 300,708	\$ 300,708	3 to 7
Leasehold Improvements	14,759	4,933	3 to 7
Affiliates:			
Land	170,127	170,127	-
Buildings	814,831	814,831	30
Building Improvements	1,200,752	1,188,154	5 to 30
Equipment and Vehicles	11,251	11,251	5 to 7
Subtotal	<u>2,512,428</u>	<u>2,490,004</u>	
Less: Accumulated Depreciation	<u>(1,295,725)</u>	<u>(1,195,838)</u>	
Total	<u>\$ 1,216,703</u>	<u>\$ 1,294,166</u>	

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 LINES OF CREDIT/NOTE PAYABLE

ADC has a \$150,000 line of credit from Western Bank for general operating purposes. The line of credit matures September 4, 2021. On September 4, 2021, this line of credit was extended to September 4, 2022. The interest rate is 1% over *The Wall Street Journal* prime rate; however, the rate will never be less than 5.25%. At December 31, 2021 and 2020, there were no outstanding advances. Advances are secured by accounts receivable, equipment and general intangibles.

ADC has a 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. This loan is unsecured.

NOTE 11 LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
ADC:		
Wells Fargo EQ2 Loans	\$ 250,000	\$ 250,000
BMO Harris EQ2 Loan	75,000	226,744
SBA Microloan	-	43,869
SBA Microloan #2	156,075	183,804
SBA Microloan #3	408,574	464,249
MN DEED Promissory Note	277,985	296,904
Blandin Foundation	200,000	200,000
Minneapolis Foundation	300,000	300,000
Minneapolis Foundation	200,000	200,000
MMCDC Loan	300,060	300,060
Initiative Foundation	70,000	70,000
Otto Bremer Trust	1,000,000	1,000,000
PRI Women Foundation of MN	150,000	150,000
PRI Northwest Area Foundation	500,000	500,000
PRI Opportunity Finance Networks	1,500,000	1,000,000
Community Benefits Financial Company	750,000	-
Mortenson Family Foundation	150,000	-
Religious Communities Impact Fund, Inc.	200,000	-
US Bancorp	1,000,000	-
PPP #2	82,603	-
Subtotal	7,570,297	5,185,630
ADC CRE:		
MMCDC Loan	763,325	763,325
City of Minneapolis	134,720	155,416
Bremer Bank	52,685	54,489
	950,730	973,230
	8,521,027	6,158,860
Less: Current Portion	(1,647,453)	(1,168,743)
Total	\$ 6,873,574	\$ 4,990,117

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC:

Wells Fargo EQ2 Loan

EQ2 loan agreement with the Wells Fargo Community Development Corporation for \$250,000 dated January 15, 2010. The loan is to be used to make loans for community development purposes. The interest rate is 2% for the first 10 years of the loan. Interest is payable quarterly. Principal and unpaid interest were due March 15, 2020. Within 30 days prior to maturity, ADC was able to request an extension of two additional years with a new maturity date of March 15, 2022. Additionally, quarterly principal and interest payments of \$31,250 are due.

On July 28, 2020, the loan was restructured into a note payable to Wells Fargo for \$250,000 with interest at 2%. Interest shall be paid quarterly commencing on the disbursement date through the date that the entire principal amount has been repaid in full. Effective as of the 5th anniversary of the disbursement date, eight quarterly principal payments of \$31,250 will be made to fully repay the Loan by the maturity date of July 28, 2027.

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. This loan was paid off in June 2022.

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 two 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, 2020, 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 was repaid in full during 2021.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC (Continued):

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.

Interest will be reduced as follows: 1) during the first through the twelfth month, interest will be reduced by two 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, 2021 and 2020, 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.

SBA Microloan #3

Loan agreement with the U.S. Small Business Administration (SBA) for \$500,000 under the microloan program dated November 21, 2018. The loan is to be used to make loans for community development purposes. The loan has an interest rate equal to 0.75%.

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 \$4,819 begin the thirteenth month, along with the deferred interest calculated in the first year, through November 11, 2028.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC (Continued):

SBA Microloan #3 (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 0.75% 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 2.75% minus a buy-down of 1.25% for an accrual rate of 1.5%, 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, 2021, and 2020, the interest rate was 1.50 and .75%, respectively.

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 with 0% interest. 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.

Blandin Foundation

Note payable to Charles K. Blandin Foundation (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.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC (Continued):

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, 2021, \$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, 2021, \$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.

PRI Women Foundation of MN

Note payable to Women's Foundation of Minnesota for \$150,000 dated June 25, 2020, with interest at 1.5%. Equal interest payments of \$2,250 are due annually commencing July 1, 2020 until July 1, 2028. Principal is due at maturity on July 1, 2028.

PRI Northwest Area Foundation

Note payable to Northwest Area Foundation for \$500,000 dated July 1, 2020, with interest at 1%. Interest payment of \$1,250 will be paid on June 30, 2021. Thereafter, equal interest payments of \$5,000 are due annually commencing on June 30, 2022 until June 20, 2027. Principal is due on maturity at June 30, 2027.

PRI Opportunity Finance Network

Note payable to Opportunity Finance Network in the original amount of \$1,500,000 dated December 16, 2020, with interest at 1% through September 20, 2021, and the fixed interest rate of 3% beginning October 1, 2021 through the maturity date. Interest payments are due quarterly commencing on June 30, 2021. Quarterly payment dates are the last business day of each March, June, September, December, and the Maturity Date of May 31, 2030. Principal is due on or before the maturity date of May 31, 3030. At December 31, 2020, ADC has drawn \$1,000,000. An additional \$500,000 was drawn during 2021.

AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC (Continued):

Community Benefits Financial Company

On January 29, 2021, ADC received a revolving loan from the Community Benefit Financial Company, LLC (a wholly owned subsidiary of Otto Bremer Trust) of \$750,000 at 1% interest. The loan matures on January 29, 2022. Advances under the agreement are at the Lender's discretion. At December 31, 2021, ADC has drawn \$750,000. This loan was subsequently paid off in 2022.

Mortenson Family Foundation

On May 3, 2021, ADC received a loan of \$150,000 from the Mortenson Family Foundation at an interest rate of 1%. The loan matures on May 3, 2027.

Religious Communities Impact Fund, Inc.

On March 5, 2021, ADC received a loan from Religious Communities Impact Fund, Inc of \$200,000 to be used to provide business loans to African immigrant and African American entrepreneurs throughout Minnesota. Interest is 2% and the loan is due March 1, 2024.

US Bancorp

On July 1, 2021, ADC received a loan from US Bancorp for \$1,000,000 to be used to make loans to women of color owned microbusinesses within U.S. Bancorp's geographic footprint at 2.35% interest. The loan matures on July 1, 2024.

PPP #2

On February 25, 2021, ADC received a second loan totaling \$82,603 to fund payroll, rent, and utilities through the federal Paycheck Protection Program. The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the SBA. On January 10, 2022, subsequent to year-end, the SBA processed ADC's PPP Loan forgiveness application and ADC was notified that the PPP loan qualified for full forgiveness. The loan forgiveness will recorded statement of activities in 2022.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 LONG-TERM DEBT (CONTINUED)

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 matured January 1, 2021.

The mortgage was amended on March 17, 2021, with interest at 4.25%. Equal payments of \$4,727 are due and payable commencing April 1, 2021. The note matures April 1, 2031.

Secured by the ADC Headquarters, personal property, and leases and rents with respect to the property.

On April 1, 2021, ADC CRE received a loan from Midwest Minnesota Community Development Corporations (MMCDC) of \$150,000 with interest at 4.25% due April 1, 2031. Proceeds of the loan will pay for ADC Headquarters Building roof replacement and other building repairs. There were no draws on this loan in 2021.

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.

ADC CRE:

Bremer Bank

First mortgage payable to Bremer Bank for \$92,000 dated June 9, 2011, with a variable interest rate (3.5% as of December 31, 2021). Payable in monthly principal and interest payments of \$600. A final principal and unpaid interest payment was due December 9, 2023. Management is currently in negotiations with the bank to extend the mortgage. Secured by the Willmar Building.

Maturities of funded long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 1,647,453
2023	373,084
2024	477,888
2025	715,505
2026	1,175,778
Thereafter	4,131,319
Total	<u>\$ 8,521,027</u>

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 NET ASSETS

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

	<u>2021</u>	<u>2020</u>
African Development Center	\$ 2,769,713	\$ 1,136,119
Subsidiaries	(65,041)	(72,745)
Total	<u>\$ 2,704,672</u>	<u>\$ 1,063,374</u>

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.

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:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Development Services	\$ 300,000	\$ -
Business Development - African Immigrants	428,800	31,300
Homeownership Capacity Building	-	114,000
Lending	680,000	425,000
Loan Loss Reserve	68,000	-
Subject to the Passage of Time:		
General Operations	165,500	75,000
Total	<u>\$ 1,642,300</u>	<u>\$ 645,300</u>

NOTE 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, 2021 and 2020, deposits exceeded the federally insured limit by \$8,587,578 and \$5,490,167, respectively.

ADC received 69% (\$1,900,000 and \$1,826,265) of its support and revenue from two foundations and a governmental agency in 2021.

ADC received 36% (\$350,000 and \$865,000) of its support and revenue from a foundation and a governmental agency in 2020.

**AFRICAN DEVELOPMENT CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 14 INCOME TAXES

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

	2021	2020
Expected Benefit (Taxes) Using Regular Rates	\$ (13,659)	\$ 76,413
State Minimum Fees	(6,277)	(620)
Deferred Tax Asset Valuation Allowance	20,566	(60,800)
Prior Year Accrual Differences and Other	-	(14,993)
Income Tax (Expense) Benefit	\$ 630	\$ -

The deferred tax assets of \$257,233 and \$223,400 at December 31, 2021 and 2020, respectively, 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 approximately \$120,600 for federal and \$56,300 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 \$257,233 as of December 31, 2021 and \$223,400 as of December 31, 2020, has been recorded for the entire amount of the net deferred tax asset. The valuation allowance decreased by \$20,566 in 2021 and increased by \$60,800 in 2020.

NOTE 15 CONDITIONAL PROMISES TO GIVE

At December 31, 2021 and 2020, ADC has government grants with \$1,728,698 and \$567,128, respectively, in cumulative remaining commitments, that are conditional upon incurring eligible expenditures or performing certain services in accordance with the corresponding grant agreements. Conditional contributions are not recognized in the consolidated financial statements until the conditions have been met.

NOTE 16 COVID 19

A nationwide public health emergency is developing in 2020. The state of Minnesota has enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. There has been no immediate impact on ADC's operations. The future potential impact of these issues is unknown and therefore no estimate can be made at this time.



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