AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

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(WITH COMPARATIVE TOTALS FOR 2022)

CliftonLarsonAllen LLP
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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 financial position as of December 31, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2023, African Development Center adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

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's 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.

Board of Directors
African Development Center

Other Matters

Report on Summarized Comparative Information

We have previously audited African Development Center's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated June 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 28, 2024

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2022)

	2023	2022
ASSETS		
Cash	$ 2,402,789	$ 2,215,159
Cash-Restricted for Loans	6,435,506	5,998,663
Accounts Receivable, Net	-	10,202
Contributions and Grants Receivable	1,307,724	1,266,035
Loans Receivable, Net of Allowance	10,895,730	7,847,677
Prepaid Expense	75,786	5,046
Land, Buildings, and Equipment, Net	1,585,286	1,612,639
Total Assets	$ 22,702,821	$ 18,955,421
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 38,467	$ 354,445
Refundable Advances	114,912	181,982
Funds Held for Grants and Loans	52,833	557,460
Accrued Interest Expenses	60,961	9,994
Tenant Security Deposits	4,691	3,301
Lines of Credit/Note Payable	-	1,694
Loan Participations	62,517	78,291
Due to CPED	508,326	328,960
Due to State of Minnesota	1,019,698	1,031,692
Long-Term Debt	8,718,970	7,895,414
Total Liabilities	10,581,375	10,443,233
NET ASSETS		
Without Donor Restrictions:		
Undesignated	11,871,446	7,653,338
With Donor Restrictions	250,000	858,850
Total Net Assets	12,121,446	8,512,188
Total Liabilities and Net Assets	$ 22,702,821	$ 18,955,421

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022
SUPPORT AND REVENUES				
Contributions	$ 885,543	$ 150,000	$ 1,035,543	$ 1,284,049
Government Grants	3,217,294	-	3,217,294	1,968,950
PPP Loan Forgiveness	-	-	-	82,603
Net Assets Released from Time and Usage Restrictions	758,850	(758,850)	-	-
Program Service Fees	365,160	-	365,160	272,217
Rental Revenue	262,241	-	262,241	62,468
Interest Income - Loans	566,158	-	566,158	380,998
Interest Income - Deposit Accounts	16,920	-	16,920	6,345
Other Income	6,268	-	6,268	30,002
Total Support and Revenues	6,078,434	(608,850)	5,469,584	4,087,632
EXPENSES				
Programs Services:				
Empowerment and Success	1,495,419	-	1,495,419	1,960,497
Social Ventures	138,245	-	138,245	121,312
Total Program Services	1,633,664	-	1,633,664	2,081,809
Management and General	165,538	-	165,538	135,879
Fundraising	61,124	-	61,124	81,516
Total Expenses	1,860,326	-	1,860,326	2,299,204
CHANGE IN NET ASSETS-OPERATING	4,218,108	(608,850)	3,609,258	1,788,428
			-	
TOTAL CHANGE IN NET ASSETS	4,218,108	(608,850)	3,609,258	1,788,428
Net Assets - Beginning of Year	7,653,338	858,850	8,512,188	6,723,760
NET ASSETS - END OF YEAR	$ 11,871,446	$ 250,000	$ 12,121,446	$ 8,512,188

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023						
	Empowerment and Success	Social Ventures	Total Program Services	Management and General	Fundraising	Total	2022
Salaries	$ 563,944	$ -	$ 563,944	$ 60,494	$ 40,344	$ 664,782	$ 637,765
Payroll Taxes	42,391	-	42,391	4,543	3,107	50,041	48,036
Employee Benefits	63,265	-	63,265	6,269	3,412	72,946	46,373
Total Salaries and Related	669,600	-	669,600	71,306	46,863	787,769	732,174
Consultants and Contractors	33,562	-	33,562	3,762	-	37,324	60,820
Professional Fees	33,587	761	34,348	4,299	349	38,996	10,685
Legal	25,781	-	25,781	4,562	-	30,343	21,527
Accounting	85,056	2,651	87,707	14,967	265	102,939	102,996
Occupancy	14,566	-	14,566	21,110	-	35,676	31,603
Supplies and Office Expenses	22,818	2,474	25,292	3,435	247	28,974	19,017
Telecommunications	12,606	-	12,606	2,219	-	14,825	11,996
Equipment Expenses	14,757	-	14,757	2,607	-	17,364	11,188
Travel and Entertainment	40,716	-	40,716	13,554	-	54,270	34,875
Dues and Subscriptions	9,028	-	9,028	1,593	-	10,621	13,275
Meetings and Training	12,798	-	12,798	2,276	-	15,074	10,541
Grants and Donations	119,465	-	119,465	1,566	-	121,031	340,456
Insurance	12,748	4,472	17,220	2,003	611	19,834	17,592
Loan and Loan Related Expenses	37,556	-	37,556	-	-	37,556	15,100
Provision for Loan Losses	60,000	-	60,000	-	-	60,000	476,392
Interest	197,116	19,923	217,039	2,706	1,992	221,737	194,957
Licensing and Bank Fees	5,957	470	6,427	80	47	6,554	6,132
Building Operations	15,538	19,921	35,459	2,390	1,993	39,842	30,130
Utilities	13,286	17,034	30,320	2,044	1,703	34,067	36,123
Property Taxes	6,552	8,400	14,952	1,008	840	16,800	19,628
Depreciation	51,303	61,439	112,742	7,972	6,144	126,858	99,646
Miscellaneous	1,023	700	1,723	79	70	1,872	2,351
Total Functional Expenses	$ 1,495,419	$ 138,245	$ 1,633,664	$ 165,538	$ 61,124	$ 1,860,326	$ 2,299,204

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 3,609,258	$ 1,788,428
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided from Operating Activities:		
Depreciation	126,858	99,646
Provision for Loan Losses	60,000	476,392
Loss on Sale of Property and Equipment	-	12,598
Income from PPP Loan Forgiveness	-	(82,603)
Net Loss on Disposal and Dissolution of Subsidiaries	-	87,123
Originations of Loan Sales	(9,009,500)	-
Proceeds from Sales of Loans	9,009,500	-
(Increase) Decrease in Assets:		
Accounts Receivable	10,202	3,823
Contributions and Grants Receivables	(41,689)	(791,614)
Prepaid Expenses	(70,740)	(780)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(315,978)	128,926
Refundable Advances	(67,070)	(479,951)
Accrued Interest	50,967	(9,289)
Tenant Security Deposits	1,390	(2,484)
Deferred Revenue	(504,627)	(762,143)
Net Cash Provided by Operating Activities	2,858,571	468,072
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Issued	(4,897,409)	(4,903,438)
Collections on Loans	1,789,356	2,655,536
Purchase of Building Improvements and Equipment	(99,505)	(508,180)
Net Cash Used by Investing Activities	(3,207,558)	(2,756,082)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds Received from Participatory Lenders	400,650	200,607
Funds Paid to Participatory Lenders	(249,052)	(249,052)
Proceeds on Long-Term Debt	1,246,508	423,869
Payments of Long-Term Debt	(422,952)	(966,879)
Payments on Lines of Credit/Note Payable	(1,694)	(5,884)
Net Cash Provided (Used) by Financing Activities	973,460	(597,339)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS	624,473	(2,885,349)
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year	8,213,822	11,099,171
CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR	$ 8,838,295	$ 8,213,822

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023	2022
RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash	$ 2,402,789	$ 2,215,159
Cash - Restricted for Loans	6,435,506	5,998,663
Total	$ 8,838,295	$ 8,213,822
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest Expenses	$ 130,925	$ 160,149
Participants' Share of Loan Losses	$ 53,788	$ 90,282

See accompanying Notes to Consolidated Financial Statements.

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 earnedon 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 DevelopmentCenter, 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 hasexcess 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.

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. In 2022 Jambo! Deli & Coffee was dissolved.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

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 isrecorded as of December 31, 2023 and 2022.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid balances, reduced by the allowance for credit losses. Loans are recorded when funded. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, and the allowance for credit losses. ADC has determined accounting for nonrefundable fees and costs associated with originating or acquiring loans, does not have a material effect on its consolidated financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

Interest income is accrued on the unpaid principal balance. All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income and amortization of related deferred loan fees or costs is suspended. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. The cash-basis is used when a determination has been made that the principal and interest of the loan is collectible. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the borrower has demonstrated a period of sustained performance, and future payments are reasonably assured. A sustained period of repayment performance generally would be a minimum of six months.

Effective, January 1, 2023, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when ADC determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, current information and events, probable that ADC will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreements, or delinquencies.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Credit Losses (Continued)

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by ADC.

The allowance for credit losses on loans estimate incorporates a reasonable and supportable economic forecast through the use of historical losses adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by ADC over the most recent three years.

Allowances are not established on the portion of loans backed by the State of Minnesota, federal agencies or other participating lenders because ADC does not bear the risk of loss on those loans.

ADC utilized the weighted average remaining maturity ("WARM") method for all pools within the portfolio except for the loans backed by outside parties as discussed above. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

Prior to the adoption of ASC 326, the Organization used an incurred loss model to measure an allowance for loan losses.

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.

Funds held for grants and 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 other loan participants.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from ADC, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) ADC does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests (Continued)

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Due to State of Minnesota, CPED, and Loan Participations

ADC has lending arrangements with the state of Minnesota, CPED, and participating lenders whereby sale of participation does not meet the derecognition criteria under ASC 860 and are therefore accounted for by ADC as secured borrowings. Under these agreements, the transferor (ADC) sells participation in loans to the transferee (participant) ranging from 99% or less of the loan. The accounting treatment for secured borrowings involves recognizing the cash received as an asset and continuing to recognize the loans on the statement of financial position with an offsetting liability for the loans sold through the secured borrowing arrangements. ADC records interest income as if the loan is still held and records interest expense representing their obligation to the participant on a gross basis. As part of the participation agreement, the participant may be entitled to a percentage of the origination fee for the loan, a pro rata share of any late fees, and a pro rata share of the principal and interest payments. ADC services the loan and, in some cases, is entitled to a servicing fee ranging from 0.25% to 2.0% annually of the participants pro rata share of the outstanding principal balance of the loan throughout the term of the loan, which is deducted from monthly interest payments. The participation portion of the loan is included within loan receivables, and the liability is included as Due to State of Minnesota, Due to CPED and Loan Participations on the statement of financial position.

Relationship between Stearns Bank and ADC

ADC's culturally competent business development services and its partnerships with crucial funding sources have directly contributed to the surge in African-owned businesses throughout Minnesota. In 2023 ADC deployed $9,009,500 in Stearns Bank loan funds. As of December 31, 2023, the outstanding balance for the Stearns Bank loans was $8,907,437. These loans are not reflected on the statement of financial position of ADC because they are treated as a loan sale. ADC continues to service these loans.

Loan Servicing

ADC sells certain loans it originates to outside parties and retains the right to service such loans over their remaining life. ADC is required to record an asset or liability based on whether the benefits of servicing received by ADC are more or less than adequate compensation in the marketplace for such activities. ADC is also required to initially measure all separately recognized servicing rights at fair value, if practicable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Servicing (Continued)

Management has assessed the impact that its servicing activities has on its financial statements and has determined that such activities are immaterial to the financial statements. Therefore, neither a servicing asset nor a liability has been recorded for such activities.

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 forimpairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified premises and equipment for a period of time in exchange for consideration.

Operating lease agreements are required to be recognized on the statement of financial position as right-of-use (ROU) assets and corresponding lease liabilities. ADC has various space leases which are leased under a month-to-month arrangement. ADC elected not to include short-term leases (i.e., leases with initial terms of 12 months or less) on the statement of financial position. Thus, ADC concluded Topic 842 did not materially impact the financial statements and did not record and ROU or corresponding lease liability.

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 thatexpire 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 enhancesa 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 2023 or 2022. 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.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with ADC's consolidated financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

Management has evaluated subsequent events through June 28, 2024, the date on which the consolidated financial statements were available for issue.

Subsequent to year-end, African Development Center expanded its operations into Las Vegas, Nevada and entered a month-to-month lease. The purpose of the expansion into Nevada is to grow businesses, build wealth, and increase reinvestment, especially in the African communities of Nevada.

Accounting Standard Updates

On January 1, 2023, ADC adopted ASU 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (CECL). The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit. In addition, changes were made to the accounting for available for sale securities, which requires credit losses to be presented as an allowance rather than as a direct write-down of the available for sale securities when management does not intend to sell or believes that it is more likely than not that they will be required to sell.

ADC adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-balance sheet credit exposures. Results for annual periods beginning after January 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP.

On March 31, 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring (“TDR”), accounting model for creditors that have adopted Topic 326, *Financial Instruments – Credit Losses*. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Upon adoption of this guidance, ADC no longer establishes a specific reserve for modifications made on or after January 1, 2023 to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan segment in the allowance for credit losses on loans. ADC has adopted ASU 2022-02 effective on January 1, 2023.

The adoption of these standards did not have a material effect on the Organization’s operating results or financial condition.

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 9) which it could draw upon.

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

	2023	2022
Cash	$ 2,402,789	$ 2,215,159
Accounts Receivable Net	-	10,202
Contributions and Grants Receivable	1,307,724	1,266,035
Less: Unavailable for General Expenditures		
Within One Year:		
Donor-Restricted for Purpose	-	(471,100)
Total	$ 3,710,513	$ 3,020,296

NOTE 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2023 consist of $1,307,724 that is due to be collected in 2024, and $-0- that is due to be collected in 2025 or beyond. No allowance or present-value discount has been recorded. Contributions and grants receivable as of December 31, 2022 consist of $1,266,035 that is due to be collected in 2023, and $-0- that is due to be collected in 2024 or beyond. No allowance or present-value discount has been recorded.

NOTE 4 LOANS RECEIVABLE

Loans receivable consist of the following:

	2023	2022	Number of Loans at December 31, 2023
Small Business Loans	$ 12,000,889	$ 8,963,817	320
Allowance for Credit Losses	(1,105,159)	(1,116,140)	
Total	$ 10,895,730	$ 7,847,677	

NOTE 4 LOANS RECEIVABLE (CONTINUED)

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

	2023	2022
Profit-Based Financing Loans	$ 8,336,663	$ 2,354,021
Less: Portion Sold to Stearns Bank*	(5,081,906)	-
Profit-Based Financing Loans, Net	3,254,757	2,354,021
Conventional Loans	12,571,663	6,609,796
Less: Portion Sold to Stearns Bank*	(3,825,531)	-
Conventional Loans, Net	8,746,132	6,609,796
Total	$ 12,000,889	$ 8,963,817

*Refer to Note 1

Profit-Based Financing Loans

ADC helps Muslim and nonMuslim borrowers finance their businesses using a profit-based financing system. ADC agrees to fund the purchase of business equipment or inventory and holds first lien on the equipment or inventory purchased by the borrower. Loan is made 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, 2023 and 2022, total loans outstanding under this program are $1,233,459 and $1,084,941 of which $991,022 and $897,821 is insured by the SBA, respectively.

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

	2023	Percent	2022	Percent
Current	$ 9,704,017	81 %	$ 8,034,186	90 %
1 to 30 Days	1,608,790	13	620,769	7
31 to 60 Days	313,249	3	117,842	1
61 to 90 Days	-	-	-	-
Over 90 Days	374,833	3	191,020	2
Total	$ 12,000,889	100 %	$ 8,963,817	100 %

ADC elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023 and 2022, accrued interest receivable for loans was $-0-.

NOTE 4 LOANS RECEIVABLE (CONTINUED)

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

	2023	2022
Beginning Balance	$ 1,116,140	$ 676,947
Provision for Credit Losses	60,000	476,652
Loan Recoveries	27,192	-
Loans Written Off	(98,173)	(37,459)
Ending Balance	$ 1,105,159	$ 1,116,140

Allowances are only established on ADC's portion of loan balances. Allowances are not established on the portion of loans held for Emerging Entrepreneur Loan Program (ELP) or other participating lenders because they bear the risk of loss on those loans. Management evaluates collectability of loans by risk characteristics and, when applicable, based on its review. During 2023 and 2022 there were seven loans and six loans written off, respectively.

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.

Loan participations consist of the following:

	2023	2022
MCCD Loan Participations	$ 23,537	$ 31,072
MEDA Loan Participations	2,523	6,175
NDC Loan Participations	36,457	41,044
Total	$ 62,517	$ 78,291

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.

As of December 31, 2023 and 2022 Due to CPED consists of $508,326 and $328,960.

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 micro-enterprise 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.

As of December 31, 2023 and 2022 Due to the State of Minnesota consists of $1,019,698 and $1,031,692.

NOTE 8 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consists of the following:

	2023	2022	Estimated Useful Lives (in Years)
ADC:			
Computers and Equipment	$ 300,708	$ 300,708	3 to 7
Leasehold Improvements	14,759	14,759	3 to 7
Affiliates:			
Land	170,127	170,127	-
Land Improvement	338,218	333,958	-
Buildings	814,831	814,831	30
Building Improvements	1,457,620	1,362,376	5 to 30
Subtotal	3,096,263	2,996,759	
Less: Accumulated Depreciation	(1,510,977)	(1,384,120)	
Total	$ 1,585,286	$ 1,612,639	

NOTE 9 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, 2022. On September 4, 2023, this line of credit was extended to September 4, 2024. The interest rate is 1% over *The Wall Street Journal* prime rate; however, the rate will never be less than 7%. At December 31, 2023 and 2022, 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. At December 31, 2023, this note was paid off.

NOTE 10 LONG-TERM DEBT

Long-term debt consists of the following:

Description	2023	2022
ADC:		
Wells Fargo EQ2 Loans	$ 250,000	$ 250,000
SBA Microloan #2	99,990	128,138
SBA Microloan #3	294,687	352,057
MN DEED Promissory Note	-	277,985
Blandin Foundation	200,000	200,000
Minneapolis Foundation	300,000	300,000
Minneapolis Foundation	200,000	200,000
MMCDC Loan	500,000	500,000
Initiative Foundation	49,000	49,000
Otto Bremer Trust	1,000,000	1,000,000
Otto Bremer Trust #2	500,000	-
PRI Women Foundation of MN	150,000	150,000
PRI Northwest Area Foundation	1,000,000	500,000
PRI Opportunity Finance Network	250,000	-
PRI Google	1,500,000	1,500,000
Mortenson Family Foundation	150,000	150,000
Religious Communities Impact Fund, Inc.	200,000	200,000
US Bancorp	1,000,000	1,000,000
Subtotal	7,643,677	6,757,180

NOTE 10 LONG-TERM DEBT (CONTINUED)

Description (Continued)	2023	2022
ADC CRE:		
MMCDC Loan	$ 713,782	$ 739,149
MMCDC #849	143,787	148,929
MMCDC #086	68,144	75,000
City of Minneapolis	105,314	126,640
Bremer Bank	44,266	48,516
Subtotal	1,075,293	1,138,234
Total Debt	$ 8,718,970	$ 7,895,414

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.

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.

NOTE 10 LONG-TERM DEBT (CONTINUED)

ADC (Continued)

SBA Microloan #2 (Continued)

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, 2023 and 2022, 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.

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 0.75% 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, 2023, and 2022, the interest rate was 1.50%.

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.

NOTE 10 LONG-TERM DEBT (CONTINUED)

ADC (Continued)

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. The final principal payment was made in 2023.

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, 2024. Currently this note is in good-standing and expected to be extended with an anticipated maturity date of June 1, 2024. 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, 2024. 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, 2023, $500,000 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, 2023, $49,000 has been advanced.

NOTE 10 LONG-TERM DEBT (CONTINUED)

ADC (Continued)

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.

Otto Bremer Trust #2

Note payable the Otto Bremer Trust for $500,000 dated March 1, 2023, with interest at 4.5%. Equal interest payments of $22,500 are due annually commencing March 17, 2024 until March 17, 2027. Beginning March 17, 2028, both principal and interest payments will be due annually until maturity March 17, 2030. 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 July1, 2028.

PRI Northwest Area Foundation

Note payable to Northwest Area Foundation for $500,000 dated July 1, 2020, with interest at 1%. During 2023, an additional $500,000 has been advanced. 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 30, 2023, a one-time payment of $9,722 on June 30, 2024, followed by $10,000 payments until June 30, 2026. 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 10, 2030.

Principal is due on or before the maturity date of May 31, 2030. At December 31, 2020, ADC has drawn $1,000,000. An additional $500,000 was drawn during 2021 bringing the total drawn to $1,500,000.

PRI Opportunity Finance Network

Note payable to Opportunity Finance Network in the original amount of $250,000 dated May 10, 2023, with interest at 3% through the maturity date. Interest payments are due quarterly commencing on June 30, 2023. Quarterly payment dates are the last business day of each March, June, September, December, and the Maturity Date of May 10, 2033. Principal is due on or before the maturity date of May 31, 2033.

NOTE 10 LONG-TERM DEBT (CONTINUED)

ADC CRE (Continued)

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, 2026.

U.S. Bancorp

On July 1, 2021, ADC received a loan from U.S. 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 23, 2027.

MMCDC

First mortgage payable to MMCDC for $840,000 dated December 23, 2015, withinterest at 4.25%. Equal payments of $4,789 are due and payable on the first of each month commencing February 1, 2016. The note matures April 1, 2031.

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 tothe 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 loanwill pay for ADC Headquarters Building roof replacement and other building repairs. As of December 31, 2022, $148,929 has been advanced.

On August 23, 2022, ADC CRE received a loan from Midwest Minnesota Community Development Corporations (MMCDC) of $75,000 with interest at 2% due September 1, 2032. Proceeds of the loanwill pay for ADC Headquarters Building roof replacement and other building repairs. As of December 31, 2022, $75,000 has been advanced.

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, 2029. Secured by the ADC Headquarters Building and assignment of all rents.

NOTE 10 LONG-TERM DEBT (CONTINUED)

ADC CRE (Continued)

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 is due December 9, 2031. 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:

Year Ending December 31,	Amount
2024	$ 950,871
2025	834,564
2026	1,082,737
2027	2,714,561
2028	403,256
Thereafter	2,732,981
Total	$ 8,718,970

NOTE 11 NET ASSETS

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

	2023	2022
African Development Center	$ 4,126,363	$ 2,617,628
Subsidiaries	91,745	180,078
Eliminations	-	(225,828)
Total	$ 4,218,108	$ 2,571,878

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.

NOTE 11 NET ASSETS (CONTINUED)

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

	2023	2022
Subject to Expenditure for Specified Purpose:		
Business Development - African Immigrants	$ -	$ 168,600
Lending	-	275,000
Credit Loss Reserve	-	27,500
Subject to the Passage of Time:		
General Operations	250,000	387,750
Total	$ 250,000	$ 858,850

Net assets were released during the years ended December 31, for the following purposes:

	2023	2022
Time Restriction	$ 287,750	$ 232,750
Credit Loss Reserve and Lending	302,500	645,500
Capacity Building	60,000	3,800
Financial Assistance	108,600	416,400
Total	$ 758,850	$ 1,298,450

NOTE 12 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, 2023 and 2022, deposits exceeded the federally insured limit by $6,430,509 and $5,296,725, respectively.

ADC received 63% of its support and revenue from one governmental agency in 2023. ADC received 60% ($1,622,010 and $300,000) of its support and revenue from two foundations and a governmental agency in 2022.

Three individual donors accounted for 77% of total pledges receivable at December 31, 2023. Four individual donors accounted for 81% of total pledges receivable at December 31, 2022.

NOTE 13 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:

NOTE 13 INCOME TAXES (CONTINUED)

	2023	2022
Expected Benefit (Taxes) Using Regular Rates	$ 19,266	$ (9,640)
State Minimum Fees	7,701	(3,914)
Deferred Tax Asset Valuation Allowance	17,490	14,184
Prior Year Accrual Differences and Other	(21,389)	20
Income Tax (Expense) Benefit	$ 23,068	$ 650

The deferred tax assets of $281,354 and $299,500 at December 31, 2023 and 2022, 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 $121,008 for federal and $56,127 for state are available to reduce future taxable income.

Realization of the net deferred tax asset and net operating loss carryforwards are dependent uponsufficient 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 $281,354 as of December 31, 2023 and $299,500 as of December 31, 2022, has been recorded for the entire amount of the net deferred tax asset. The valuation allowance decreased by $17,490 in 2023 and decreased by $14,184 in 2022.

NOTE 14 CONDITIONAL PROMISES TO GIVE

At December 31, 2023 and 2022, ADC has government grants with $2,740,984 and $765,481, 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.