AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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(WITH COMPARATIVE TOTALS FOR 2021)

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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, 2022, 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, 2022, 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

We have previously audited ADC's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated September 29, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
African Development Center

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 30, 2023

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 2,215,159	$ 2,650,752
Accounts Receivable, Net	10,202	14,025
Current Portion of Contributions and Grants Receivable	1,266,035	441,671
Current Portion of Loans Receivable, Net of Allowance	1,323,762	1,032,721
Prepaid Expense	5,046	4,266
Total Current Assets	4,820,204	4,143,435
Cash-Restricted for Loans	5,998,663	8,448,419
Contributions and Grants Receivable, Less Current Portion	-	32,750
Loans Receivable, Less Current Portion, Net of Allowance	6,523,915	5,043,446
Assets Held for Sale	-	87,123
Land, Buildings, and Equipment, Net	1,612,639	1,216,703
Total Assets	$ 18,955,421	$ 18,971,876
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 354,445	$ 225,519
Refundable Advances	181,982	661,933
Funds Held for Grants and Loans	557,460	1,319,603
Accrued Interest Expenses	9,994	19,283
Tenant Security Deposits	3,301	5,785
Lines of Credit/Note Payable	1,694	7,578
Current Portion of Loan Participations	35,213	19,960
Current Portion of Due to CPED	64,049	25,798
Current Portion Due to State of Minnesota	163,925	224,270
Current Portion of Long-Term Debt	925,540	1,647,453
Total Current Liabilities	2,297,603	4,157,182
Loan Participations, Less Current Portion	43,078	42,916
Due to CPED, Less Current Portion	264,911	64,495
Due to State of Minnesota, Less Current Portion	867,767	1,109,949
Long-Term Debt, Less Current Portion	6,969,874	6,873,574
Total Liabilities	10,443,233	12,248,116
NET ASSETS		
Without Donor Restrictions:		
Undesignated	7,653,338	5,081,460
Designated-Loan Loss Reserve	-	-
Total Without Donor Restrictions	7,653,338	5,081,460
With Donor Restrictions	858,850	1,642,300
Total Net Assets	8,512,188	6,723,760
Total Liabilities and Net Assets	$ 18,955,421	$ 18,971,876

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021
Support and Revenues:				
Contributions	$ 769,049	$ 515,000	$ 1,284,049	$ 1,250,076
Government Grants	1,968,950	-	1,968,950	501,579
PPP Loan Forgiveness	82,603	-	82,603	-
Net Assets Released from Time and Usage Restrictions	1,298,450	(1,298,450)	-	-
Program Service Fees	272,217	-	272,217	467,862
Rental Revenue	62,468	-	62,468	85,520
Interest Income - Loans	380,998	-	380,998	281,197
Interest Income - Deposit Accounts	6,345	-	6,345	7,534
Other Income	30,002	-	30,002	42,509
Total Support and Revenues	4,871,082	(783,450)	4,087,632	2,636,277
Expenses:				
Programs Services:				
Empowerment and Success	1,960,497	-	1,960,497	1,392,017
Social Ventures	121,312	-	121,312	127,759
Total Program Services	2,081,809	-	2,081,809	1,519,776
Management and General	135,879	-	135,879	133,953
Fundraising	81,516	-	81,516	72,285
Total Expenses	2,299,204	-	2,299,204	1,726,014
CHANGE IN NET ASSETS-OPERATING	2,571,878	(783,450)	1,788,428	910,263
Government Grants/Contributions-Lending	-	-	-	2,791,409
			-	
TOTAL CHANGE IN NET ASSETS	2,571,878	(783,450)	1,788,428	3,701,672
Net Assets - Beginning of Year	5,081,460	1,642,300	6,723,760	3,022,088
NET ASSETS - END OF YEAR	$ 7,653,338	$ 858,850	$ 8,512,188	$ 6,723,760

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022						
	Empowerment and Success	Social Ventures	Total Program Services	Management and General	Fundraising	Total	2021
Salaries	$ 512,694	$ -	$ 512,694	$ 64,883	$ 60,188	$ 637,765	$ 506,371
Payroll Taxes	38,490	-	38,490	4,947	4,599	48,036	37,037
Employee Benefits	37,509	-	37,509	4,858	4,006	46,373	44,650
Total Salaries and Related	588,693	-	588,693	74,688	68,793	732,174	588,058
Consultants and Contractors	56,306	-	56,306	4,514	-	60,820	136,012
Professional Fees	9,788	50	9,838	480	367	10,685	41,912
Legal	19,301	-	19,301	2,226	-	21,527	11,543
Accounting	84,696	3,096	87,792	14,894	310	102,996	70,285
Occupancy	27,303	-	27,303	4,300	-	31,603	26,870
Supplies and Office Expenses	16,142	-	16,142	2,875	-	19,017	18,765
Telecommunications	10,222	-	10,222	1,774	-	11,996	13,347
Equipment Expenses	9,512	-	9,512	1,676	-	11,188	22,376
Travel and Entertainment	29,164	-	29,164	5,711	-	34,875	9,045
Dues and Subscriptions	11,503	-	11,503	1,772	-	13,275	9,286
Marketing and Promotions	-	-	-	-		-	1,006
Meetings and Training	9,018	-	9,018	1,523	-	10,541	6,929
Grants and Donations	338,997	-	338,997	1,459	-	340,456	100,540
Insurance	11,586	3,537	15,123	1,885	584	17,592	16,086
Loan and Loan Related Expenses	15,100	-	15,100	-	-	15,100	17,663
Provision for Loan Losses	476,392	-	476,392	-	-	476,392	267,192
Interest	166,978	22,403	189,381	3,336	2,240	194,957	155,090
Licensing and Bank Fees	5,005	679	5,684	381	67	6,132	1,600
Building Operations	11,750	15,065	26,815	1,808	1,507	30,130	29,686
Utilities	11,326	20,325	31,651	2,439	2,033	36,123	33,203
Property Taxes	7,655	9,814	17,469	1,178	981	19,628	18,663
Depreciation	43,131	45,180	88,311	6,817	4,518	99,646	99,887
Miscellaneous	929	1,163	2,092	143	116	2,351	30,970
Total Functional Expenses	$ 1,960,497	$ 121,312	$ 2,081,809	$ 135,879	$ 81,516	$ 2,299,204	$ 1,726,014

See accompanying Notes to Consolidated Financial Statements.

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,788,428	$ 3,701,672
Adjustment to Reconcile the Change in Net Assets to Net Cash Provided from Operating Activities:		
Depreciation	99,646	99,887
Provision for Loan Losses	476,392	267,192
Loss on Sale of Property and Equipment	12,598	-
Government Grants/Contributions for Lending	-	(2,791,409)
Income from PPP Loan Forgiveness	(82,603)	-
Net Loss on Disposal and Dissolution of Subsidiaries	87,123	-
(Increase) Decrease in Assets:		
Accounts Receivable	3,823	(1,088)
Contributions and Grants Receivables	(791,614)	2,529,401
Prepaid Expenses	(780)	(614)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	128,926	177,810
Refundable Advances	(479,951)	(229,567)
Accrued Interest	(9,289)	(29,292)
Tenant Security Deposits	(2,484)	42
Deferred Revenue	(762,143)	904,338
Net Cash Provided by Operating Activities	468,072	4,628,372
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans Issued	(4,903,438)	(3,728,209)
Collections on Loans	2,655,536	1,897,245
Purchase of Building Improvements and Equipment	(508,180)	(22,424)
Net Cash Used by Investing Activities	(2,756,082)	(1,853,388)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds Received from Participatory Lenders	200,607	217,101
Funds Paid to Participatory Lenders	(249,052)	(342,315)
Proceeds on Long-Term Debt	423,869	2,600,000
Proceeds of PPP Loan	-	82,603
Payments of Long-Term Debt	(966,879)	(320,436)
Payments on Lines of Credit/Note Payable	(5,884)	(22,851)
Net Cash Provided (Used) by Financing Activities	(597,339)	2,214,102
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS	(2,885,349)	4,989,086
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year	11,099,171	6,110,085
CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR	$ 8,213,822	$ 11,099,171
RECONCILIATION TO THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash	$ 2,215,159	$ 2,650,752
Cash - Restricted for Loans	5,998,663	8,448,419
Total	$ 8,213,822	$ 11,099,171
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest Expenses	$ 160,149	$ 131,583
Participants' Share of Loan Losses	$ 90,282	$ 21,405

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 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, 2022 and 2021.

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.

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 $25,123 related to assets held for sale was recorded during 2022. 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 forimpairment 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 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.

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 incurredor met. Funds received in advance are recorded as refundable advances.

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, 2021, 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 2022 or 2021. 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.

Subsequent Events

Management has evaluated subsequent events through June 30, 2023, the date on which the consolidated financial statements were available for issue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842).* This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirement of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard.

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:

	2022	2021
Cash	$ 2,215,159	$ 2,650,752
Accounts Receivable Net	10,202	14,025
Contributions and Grants Receivable	1,266,035	441,671
Less: Unavailable for General Expenditures		
Within One Year:		
Donor-Restricted for Purpose	(471,100)	(1,476,800)
Total	$ 3,020,296	$ 1,629,648

NOTE 3 CONTRIBUTIONS AND GRANTS RECEIVABLE

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. No allowance or present-value discount has been recorded. Contributions and grants receivable as of December 31, 2021 consist of $441,671 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.

NOTE 4 LOANS RECEIVABLE

Loans receivable consist of the following:

	2022	2021	Number of Loans at December 31, 2022
Small Business Loans	$ 8,963,817	$ 6,753,114	$ 254
Allowance for Loan Losses	(1,116,140)	(676,947)	
Subtotal	7,847,677	6,076,167	
Less: Current Portion	(1,323,762)	(1,032,721)	
Total	$ 6,523,915	$ 5,043,446	

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, 2022 and 2021, total loans outstanding under this program are $1,084,941 and $1,166,986 of which $897,821 and $908,827 is insured by the SBA, respectively.

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

	2022	Percent	2021	Percent
Current	$ 8,034,184	90%	$ 4,810,163	71%
1 to 30 Days	620,769	7%	1,416,692	21%
31 to 60 Days	117,842	1%	375,491	6%
61 to 90 Days	-	-	-	-
Over 90 Days	191,020	2%	150,768	2%
Total	$ 8,963,815	100%	$ 6,753,114	100%

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Conventional Loans (Continued)

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

	2022	2021
Beginning Balance	$ 676,947	$ 473,469
Provision for Loan Losses	476,652	267,452
Loans Written Off	(37,459)	(63,974)
Ending Balance	$ 1,116,140	$ 676,947

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 2022 and 2021 there were six loans and three loans written off, respectively.

Other information as of December 31, 2022:

- 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.

Loan participations consist of the following:

	2022	2021
MCCD Loan Participations	$ 31,072	$ 18,988
MEDA Loan Participations	6,175	19,450
NDC Loan Participations	41,044	24,438
Subtotal	78,291	62,876
Less: Current Portion	(35,213)	(19,960)
Total	$ 43,078	$ 42,916

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.

	2022	2021
CPED Loan Participations	$ 328,960	$ 90,293
Less: Current Portion	(64,049)	(25,798)
Total	$ 264,911	$ 64,495

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.

Due to the state of Minnesota consists of:

	2022	2021
Current Portion	$ 163,925	$ 224,270
Long-Term Portion	867,767	1,109,949
Total	$ 1,031,692	$ 1,334,219

NOTE 8 ASSETS HELD FOR SALE

As of December 31, 2021 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 Jambo! and to sell the restaurant's kitchen equipment and vehicles. In 2022, the kitchen equipment sold for $60,000 and the food truck sold for $40,000. A gain on the sale of $2,877 was recognized in 2022.

NOTE 9 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consists of the following:

	2022	2021	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	333,958	-	
Buildings	814,831	814,831	30
Building Improvements	1,362,376	1,200,752	5 to 30
Equipment and Vehicles	-	11,251	5 to 7
Subtotal	2,996,759	2,512,428	
Less: Accumulated Depreciation	(1,384,120)	(1,295,725)	
Total	$ 1,612,639	$ 1,216,703	

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, 2022. On September 4, 2022, this line of credit was extended to September 4, 2023. The interest rate is 1% over *The Wall Street Journal* prime rate; however, the rate will never be less than 7%. At December 31, 2022 and 2021, 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:

	2022	2021
ADC:		
Wells Fargo EQ2 Loans	$ 250,000	$ 250,000
BMO Harris EQ2 Loan	-	75,000
SBA Microloan #2	128,138	156,075
SBA Microloan #3	352,057	408,574
MN DEED Promissory Note	277,985	277,985
Blandin Foundation	200,000	200,000
Minneapolis Foundation	300,000	300,000
Minneapolis Foundation	200,000	200,000
MMCDC Loan	500,000	300,060
Initiative Foundation	49,000	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	1,500,000
Community Benefits Financial Company	-	750,000
Mortenson Family Foundation	150,000	150,000
Religious Communities Impact Fund, Inc.	200,000	200,000
US Bancorp	1,000,000	1,000,000
PPP #2	-	82,603
Subtotal	6,757,180	7,570,297
ADC CRE:		
MMCDC Loan	739,149	763,325
MMCDC #849	148,929	-
MMCDC #086	75,000	-
City of Minneapolis	126,640	134,720
Bremer Bank	48,516	52,685
	1,138,234	950,730
	7,895,414	8,521,027
Less: Current Portion	(925,540)	(1,647,453)
Total	$ 6,969,874	$ 6,873,574

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.

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC (Continued)

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 #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, 2022 and 2021, 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.

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, 2022, and 2021, 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. The final principal payment will be 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, 2022. 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, 2023. Unsecured.

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, 2022, $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, 2022, $49,000 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 July1, 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.

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. The loan was 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.

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 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 (PPP). 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 the SBA processed ADC's PPP Loan forgiveness application and ADC was notified that the PPP loan qualified for full forgiveness. The loan forgiveness was recorded on the consolidated 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.

ADC CRE

MMCDC

First mortgage payable to MMCDC for $840,000 dated December 23, 2015, withinterest 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.

NOTE 11 LONG-TERM DEBT (CONTINUED)

ADC CRE (Continued):

MMCDC (Continued)

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. 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 loan will 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, 2028. Secured by the ADC Headquarters Building and assignment of all rents.

Bremer Bank

First mortgage payable to Bremer Bank for $92,000 dated June 9, 2011, with a variable interest rate (3.5% 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
2023	$ 925,540
2024	450,266
2025	865,187
2026	1,082,402
2027	1,557,338
Thereafter	3,014,681
Total	$ 7,895,414

NOTE 12 NET ASSETS

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

	2022	2021
African Development Center	$ 2,617,628	$ 2,769,713
Subsidiaries	180,078	(65,041)
Eliminations	(225,828)	-
Total	$ 2,571,878	$ 2,704,672

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 therestrictions have components of both time and purpose restrictions.

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Development Services	$ -	$ 300,000
Business Development - African Immigrants	168,600	428,800
Lending	275,000	680,000
Loan Loss Reserve	27,500	68,000
Subject to the Passage of Time:		
General Operations	387,750	165,500
Total	$ 858,850	$ 1,642,300

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, 2022 and 2021, deposits exceeded the federally insured limit by $5,296,725 and $8,587,578, respectively.

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

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

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:

	2022	2021
Expected Benefit (Taxes) Using Regular Rates	$ (9,640)	$ (13,659)
State Minimum Fees	(3,914)	(6,277)
Deferred Tax Asset Valuation Allowance	14,184	20,566
Prior Year Accrual Differences and Other	20	-
Income Tax (Expense) Benefit	$ 650	$ 630

The deferred tax assets of $299,500 and $257,233 at December 31, 2022 and 2021, 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 $123,785 for federal and $57,359 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 $299,500 as of December 31, 2022 and $257,233 as of December 31, 2021, has been recorded for the entire amount of the net deferred tax asset. The valuation allowance decreased by $14,184 in 2022 and decreased by $20,566 in 2021.

NOTE 15 CONDITIONAL PROMISES TO GIVE

At December 31, 2022 and 2021, ADC has government grants with $765,481 and $1,728,698, 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.