

AFRICAN DEVELOPMENT CENTER

**CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2008**

AFRICAN DEVELOPMENT CENTER
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

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To the Board of Directors
African Development Center
Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statement of financial position of the African Development Center as of December 31, 2008, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the African Development Center's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the African Development Center's 2007 financial statements and, in our report dated April 24, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the African Development Center as of December 31, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 14 and 15 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Saint Paul, Minnesota
April 2, 2009

*Mahoney Ulbrich
Christiansen Russ P.A.*

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2008
(With Comparative Totals for 2007)

	2008	2007
ASSETS		
Current assets:		
Cash	\$ 258,066	\$ 361,727
Temporary cash investment	52,949	50,643
Accounts receivable	7,563	2,450
Current portion of contributions receivable	148,000	160,000
Current portion of loans receivable	450,766	351,736
Prepaid expenses and lease deposit	992	995
Total current assets	<u>918,336</u>	<u>927,551</u>
Cash - restricted for loan programs	505,181	149,661
Contributions receivable, less current portion	75,000	50,000
Loans receivable, less current portion	1,034,711	1,010,703
Building acquisition costs	16,635	-
Office and computer equipment, less accumulated depreciation of \$63,189 in 2008 and \$39,403 in 2007	<u>84,897</u>	<u>81,171</u>
Total assets	<u>\$ 2,634,760</u>	<u>\$ 2,219,086</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 19,555	\$ 11,484
Contract advances	13,500	6,750
Funds held for loans	24,749	28,218
Deposit held for loan purchase	25,000	-
Accrued interest	12,113	1,250
Current portion of loan participations	224,655	179,829
Current portion of due to State of Minnesota	142,963	171,907
Total current liabilities	<u>462,535</u>	<u>399,438</u>
Loan participations, less current portion	582,784	437,920
Due to State of Minnesota, less current portion	257,088	403,261
Notes payable	750,000	250,000
Total liabilities	<u>2,052,407</u>	<u>1,490,619</u>
Unrestricted net assets	298,853	420,467
Temporarily restricted net assets	<u>283,500</u>	<u>308,000</u>
Total net assets	<u>582,353</u>	<u>728,467</u>
Total liabilities and net assets	<u>\$ 2,634,760</u>	<u>\$ 2,219,086</u>

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

	2008			2007
	Unrestricted	Temporarily restricted	Total	
Support and revenues:				
Contributions	\$ 148,294	\$ 351,000	\$ 499,294	\$ 626,915
Net assets released from:				
Time restrictions	75,000	(75,000)	-	-
Usage restrictions	300,500	(300,500)	-	-
Government grants	33,750	-	33,750	26,250
Program service fees	104,300	-	104,300	76,340
Interest income - loans	46,905	-	46,905	34,461
Interest income - cash accounts	18,074	-	18,074	18,860
Miscellaneous income	490	-	490	999
Total support and revenues	<u>727,313</u>	<u>(24,500)</u>	<u>702,813</u>	<u>783,825</u>
Expenses:				
Program services	658,339	-	658,339	436,076
Management and general	136,834	-	136,834	127,692
Fundraising	53,754	-	53,754	44,262
Total expenses	<u>848,927</u>	<u>-</u>	<u>848,927</u>	<u>608,030</u>
Change in net assets	(121,614)	(24,500)	(146,114)	175,795
Net assets - beginning of year	<u>420,467</u>	<u>308,000</u>	<u>728,467</u>	<u>552,672</u>
Net assets - end of year	<u>\$ 298,853</u>	<u>\$ 283,500</u>	<u>\$ 582,353</u>	<u>\$ 728,467</u>

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2008

(With Comparative Totals for 2007)

	2008				2007
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 311,842	\$ 78,476	\$ 44,358	\$ 434,676	\$ 322,963
Payroll taxes	23,362	5,873	3,313	32,548	27,055
Employee benefits	22,944	5,736	-	28,680	24,778
Total personnel expense	358,148	90,085	47,671	495,904	374,796
Professional fees	23,867	15,453	5,271	44,591	41,593
Subcontract services	28,901	3,172	-	32,073	20,204
Telephone/Internet	7,807	3,360	-	11,167	8,052
Rent and occupancy	34,147	8,473	-	42,620	40,361
Equipment expenses	5,871	267	-	6,138	2,589
Travel and meetings	19,840	990	-	20,830	13,673
Office expense	11,134	1,443	-	12,577	11,976
Printing and reproduction	14,658	2,960	-	17,618	32,225
Publications	692	60	-	752	1,352
Registrations and conferences	10,629	1,073	-	11,702	9,559
Insurance	4,708	1,177	-	5,885	1,578
Loan and other expenses	13,304	-	-	13,304	8,623
Board and annual meeting	6,227	1,557	812	8,596	4,650
Marketing/Advertising	9,908	1,114	-	11,022	6,963
Interest	15,896	8	-	15,904	4,990
Provision for loan losses, net	73,573	-	-	73,573	-
Depreciation	19,029	4,757	-	23,786	22,141
Miscellaneous	-	885	-	885	2,705
	<u>\$ 658,339</u>	<u>\$ 136,834</u>	<u>\$ 53,754</u>	<u>\$ 848,927</u>	<u>\$ 608,030</u>

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

Increase (Decrease) in Cash Flows

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (146,114)	\$ 175,795
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	23,786	22,141
Accounts receivable	(5,113)	8,255
Contributions receivable	(13,000)	102,500
Loans written off, net of participations	43,294	-
Allowance for loan losses	30,279	-
Prepaid expenses and lease deposit	3	418
Accounts payable	3,171	(5,969)
Contract advances	6,750	(750)
Accrued interest	10,863	-
Net cash from operating activities	<u>(46,081)</u>	<u>302,390</u>
Cash flows from investing activities:		
Loans issued	(732,442)	(499,492)
Collections on loans	344,074	242,743
Change in cash - restricted for loan funds	(355,520)	106,906
Deposit held for loan purchase	25,000	-
Purchase of temporary cash investment	(2,306)	(50,643)
Purchase of office equipment	(22,612)	(14,226)
Building acquisition costs	(16,635)	-
Net cash from investing activities	<u>(760,441)</u>	<u>(214,712)</u>
Cash flows from financing activities:		
Funds received from UIP and others for loan participations, net	202,861	132,010
Proceeds of note payable	500,000	-
Net cash from financing activities	<u>702,861</u>	<u>132,010</u>
Net increase (decrease) in cash	(103,661)	219,688
Cash - beginning of year	<u>361,727</u>	<u>142,039</u>
Cash - end of year	<u>\$ 258,066</u>	<u>\$ 361,727</u>
Supplemental cash flow information:		
Cash paid for interest expense	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Purchase of office and computer equipment included in accounts payable	<u>\$ 4,900</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

1. ORGANIZATION

The African Development Center (ADC) is a non-profit organization founded in 2002. ADC is located in Minneapolis, Minnesota. ADC provides services to individuals in the Minneapolis/Saint Paul area and outstate Minnesota. ADC's operations are supported by contributions, government grants, program service fees and interest earned on loans.

Activities include:

Business development – ADC provides technical assistance in the area of business planning to new and existing African business owners as well as business loans.

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

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

In 2007, ADC founded ADC Financial Services, Inc., a community home lender corporation offering mortgage originations with a focus on clients in emerging markets. As of December 31, 2008, ADC Financial Services was in its start-up phase.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include African Development Center and ADC Financial Services, Inc., a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes. ADC has no permanently restricted net assets.

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AFRICAN DEVELOPMENT CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

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

Concentration of Credit Risk - ADC maintains its cash at two financial institutions. Balances may, at times, exceed federally insured limits. ADC has not experienced any losses as a result of these deposits. As of December 31, 2008, deposits exceeded the federally insured limit by \$476,916.

Cash Equivalents - For purposes of preparing the statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents. Investments with an original maturity date of greater than three months are considered temporary cash investments. The temporary cash investment is a bank certificate of deposit maturing in August 2009.

Restricted Cash - Restricted cash is for loan programs.

Office and Computer Equipment - Office and computer equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven years. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Loans Receivable and Allowance for Loan Losses - Loans are recorded when closed. Loans closed and not yet funded are included in funds held for loans.

Loans receivable are stated at unpaid balances, less an allowance for loan losses. A portion of ADC's loans utilize the Muslim profit-based financing system. Loans receivable include uncollected profit, which has been deferred and included in the loan participation liability account.

Past due status of loans is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Loans are charged against the allowance for loan losses when management believes that collection is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluation of the collectibility of loans. The evaluation takes into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay.

An allowance is established on only ADC's portion of loan balances. Allowances are not established for the portion held by UIP or other participating lenders.

Interest income is recognized over the term of the loan when received. Profit on loans is recorded as revenue over the term of the loan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2008
(With Comparative Totals for 2007)

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

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

Contributions Receivable - Contributions are recognized when the donor makes an unconditional promise to give to ADC. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Government Grants and Contracts - Government grants and contracts are considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as contract advances.

Contributed Services - Contributed services are recorded as contributions at their fair value when the service creates or enhances a nonfinancial asset or the service requires specialized skills, and is provided by an individual possessing those skills which would need to be purchased if not provided by donation. No contributed services were recorded in either year.

Functional Allocation of Expenses - Expenses have been allocated among program, management and general and fundraising classifications based upon direct expenditures and estimates made by ADC's management.

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with ADC's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications.

Income Taxes - ADC is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes. ADC Financial Services, Inc. is a taxable corporation and files a separate income tax return.

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