AFRICAN DEVELOPMENT CENTER

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2014

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
African Development Center
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of the African Development Center (a nonprofit organization) and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the African Development Center and subsidiaries as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited African Development Center's 2013 consolidated financial statements, and our report dated June 6, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 21 and 22 is presented for purposes of additional analysis of the financial statements rather than present the financial position and changes in net assets of the individual entities, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mahoney Ulbrich
Christiansen Russ P.A.

Saint Paul, Minnesota
June 11, 2015

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
ASSETS		
Current assets:		
Cash	$ 501,716	$ 185,556
Certificates of deposit	163,063	161,401
Accounts receivable	73,383	74,635
Current portion of contributions receivable	305,000	632,350
Current portion of loans receivable, net of allowance	646,709	784,410
Total current assets	1,689,871	1,838,352
Cash - restricted for loans	917,767	1,075,224
Contributions receivable, less current portion	-	125,000
Loans receivable, less current portion, net of allowance	800,071	890,765
Land, buildings and equipment, net	1,772,630	1,884,359
Finance fees, net	2,314	3,154
Investment in AfroUniversal Studio, net	59,674	59,674
Total assets	$ 5,242,327	$ 5,876,528
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 34,380	$ 100,196
Funds held for loans	43,991	101,231
Accrued interest expense	7,033	15,034
Tenant security deposits	7,110	6,310
Line of credit	63,000	63,000
Current portion of loan participations and deferred profit	249,712	382,550
Current portion of Due to State of Minnesota	98,854	98,854
Current portion of long-term debt	890,451	82,793
Total current liabilities	1,394,531	849,968
Loan participations, less current portion	417,247	502,849
Due to State of Minnesota, less current portion	117,488	113,622
Long-term debt, less current portion	2,069,279	2,913,450
Total liabilities	3,998,545	4,379,889
Unrestricted net assets	898,782	569,289
Temporarily restricted net assets	345,000	927,350
Total net assets	1,243,782	1,496,639
Total liabilities and net assets	$ 5,242,327	$ 5,876,528

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, 2014
(With Comparative Totals for 2013)

	2014			
	Unrestricted	Temporarily restricted	Total	2013
Support and revenues:				
Contributions	$ 184,481	$ 180,000	$ 364,481	$ 889,436
Government grants	298,112	-	298,112	134,664
Net assets released from time and usage restrictions	290,000	(290,000)	-	-
Program service fees	28,074	-	28,074	49,368
In-kind contributions	24,139	-	24,139	36,746
Rental revenue	165,825	-	165,825	149,486
Interest income - loans	63,256	-	63,256	65,562
Interest income - cash accounts	2,073	-	2,073	1,458
Annual gala	43,940	-	43,940	-
Less direct donor benefits	(25,227)	-	(25,227)	-
Other income	11,515	-	11,515	11,479
Total support and revenues	1,086,188	(110,000)	976,188	1,338,199
Expenses:				
Program services	658,404	-	658,404	830,579
Management and general	150,669	-	150,669	223,006
Fundraising	52,621	-	52,621	124,576
Total expenses	861,695	-	861,695	1,178,161
Change in net assets - operating	224,493	(110,000)	114,493	160,038
Net assets released from usage restrictions - loan fund	105,000	(105,000)	-	-
Cancelled pledge	(367,350)	-	(367,350)	-
Release of restriction from cancelled pledge	367,350	(367,350)	-	-
Total change in net assets	329,493	(582,350)	(252,857)	160,038
Net assets - beginning of year	569,289	927,350	1,496,639	1,336,601
Net assets - end of year	$ 898,782	$ 345,000	$ 1,243,782	$ 1,496,639

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014				
	Program Services	Management and General	Fundraising	Total	2013
Salaries	$ 231,453	$ 46,854	$ 23,021	$ 301,328	$ 461,403
Payroll taxes	19,225	4,589	2,367	26,181	45,202
Employee benefits	25,888	5,458	2,178	33,524	50,516
Total salaries and related	276,566	56,901	27,566	361,033	557,121
Professional fees	13,367	25,491	-	38,858	53,046
Consultants	16,946	27,399	15,593	59,938	114,213
Occupancy	13,213	2,868	-	16,081	14,522
Office expenses	10,712	2,065	-	12,777	16,841
Telecommunications	9,252	2,755	-	12,007	14,994
Equipment expenses	2,762	487	-	3,249	4,157
Travel and entertainment	5,451	3,273	-	8,724	5,992
Dues and subscriptions	6,413	1,070	-	7,483	9,962
Marketing and promotions	1,293	169	-	1,462	5,781
Meetings and training	7,204	1,705	-	8,909	5,450
Board and gala	15	-	25,227	25,242	613
Grants and donations	1,029	180	-	1,209	500
Insurance	15,006	210	103	15,319	8,263
Loan and loan-related expenses	4,260	-	-	4,260	3,824
Provision for loan losses	4,808	-	-	4,808	21,863
AfroUniversal Studio write down	-	-	-	-	33,932
Interest	92,506	6,165	2,610	101,281	101,490
Building operations	32,504	2,858	1,404	36,767	29,494
Utilities	33,583	2,953	1,451	37,987	44,162
Property taxes	11,613	1,021	502	13,136	16,403
Depreciation and amortization	99,697	10,644	3,392	113,732	113,082
Miscellaneous	205	2,455	-	2,659	2,456
Total expenses before removal of direct donor benefits	658,404	150,669	77,848	886,922	1,178,161
Direct donor benefits of gala	-	-	(25,227)	(25,227)	-
Total expenses less direct donor benefits	$ 658,404	$ 150,669	$ 52,621	$ 861,695	$ 1,178,161

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

Increase (Decrease) in Cash

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (252,857)	$ 160,038
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	113,732	113,083
Provision for loan losses	4,808	21,863
Write down of investment in AfroUniversal Studio	-	33,932
Rescinded pledge	367,350	-
Interest reinvested on certificates of deposit	(1,662)	(898)
Changes in operating assets and liabilities:		
Accounts receivable	1,252	(42,517)
Contributions receivable	85,000	(257,350)
Accounts payable and other accrued expenses	(59,316)	18,900
Accrued interest	(8,001)	(6,363)
Tenant security deposits	800	1,505
Net cash from operating activities	251,106	42,193
Cash flows from investing activities:		
Loans issued	(480,000)	(335,500)
Collections on loans	479,669	490,320
Change in cash - restricted for loan programs	157,457	(200,681)
Purchase of land, building and equipment	(7,663)	(17,006)
Investment in AfroUniversal Studio	-	(93,606)
Net cash from investing activities	149,463	(156,473)
Cash flows from financing activities:		
Funds received from (paid to) participatory lenders, net	(47,896)	(254,517)
Proceeds of long-term debt	80,000	421,334
Payments of long-term debt	(116,513)	(47,966)
Advance on line of credit	-	63,000
Net cash from financing activities	(84,409)	181,851
Net increase in cash	316,160	67,571
Cash - beginning of year	185,556	117,985
Cash - end of year	$ 501,716	$ 185,556
Supplemental cash flow information:		
Cash paid for interest expense	$ 109,282	$ 107,853
Participant loans forgiven	$ 245,187	$ 24,770
Purchase of land, building and equipment included in accounts payable	$ -	$ 6,500

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

1. ORGANIZATION

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADC Financial Services, Inc. (ADC FS) has temporarily discontinued operations and has minimal activity.

ADC Commercial Real Estate, Inc. (ADC CRE) was formed in 2009 to own and operate two buildings utilized by ADC. One building is located in Minneapolis, Minnesota (ADC Headquarters Building) and is being used as its main office and training center. The building has excess space that is being rented to office tenants and a retail tenant. The other building is located in Willmar, Minnesota (Willmar Building) and serves as a satellite office.

ADC Business Consulting Inc. (ADC BC) is a new social venture that provides accounting assistance and tax preparation to African-owned businesses in Minnesota. ADC BC was formed in 2012 and has no significant activity.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 - Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- 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. Temporarily restricted net assets are released from restrictions when a stipulated time restriction ends or the usage restriction is met.
- Permanently restricted net assets arise from contributions that the donor as stipulated must be maintained in perpetuity. ADC has no permanently restricted net assets.

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, 2014, deposits exceeded the federally insured limit by $1,066,000.

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

Certificates of Deposit - ADC's certificates of deposits have maturity dates ranging from three to twelve months.

Accounts Receivable - Accounts 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. Management has determined that no allowance is necessary at December 31, 2014 and 2013.

Land, Building and Equipment - Land, building 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.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment - The impairment of an asset is recognized when the carrying amount of the asset exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset. The impairment recognized is measured as the amount by which the carrying amount of the asset exceeds it fair value.

The investment in AfroUniversal Studio was written down $33,932 in 2013.

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method.

Investments (See Note 8) - ADC owns a 51% interest in AfroUniversal Studio. This investment is recorded at cost less a 2013 write down to fair value. The cost approximates the equity method since there has been no activity.

Fair Value Measurements - ADC determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

The investment in AfroUniversal Studio was valued in 2013 using Level 3 inputs.

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.

Allowances are only established on ADC’s portion of loan balances. Allowances are not established on the portion of loans held for the State of Minnesota Urban Initiative Program (UIP) or other participating lenders because they bear the risk of loss on those loans.

A portion of ADC’s loans utilize the Muslim profit-based financing system. For these loans, the loan balance includes uncollected profit, which has been deferred and included in the loan participations liability account (See Note 5).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The allowance is an amount that management believes will be adequate to absorb possible losses on ADC's portion of 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.

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.

UIP Program and Loan Participations - Amounts provided by UIP and participating lenders are presented as liabilities.

Funds held for loans represent undisbursed loan proceeds and loan collections to be remitted to UIP or loan participants.

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 temporarily restricted net assets. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as unrestricted net assets.

Contributions of cash or other assets to be used to acquire property or equipment are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time the property or equipment is purchased. ADC does not imply a time restriction on the gifts of long lived assets.

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

The Community Development Financial Institutions (CDFI) Fund grants are to be used to make loans and to provide business development / technical assistance. CDFI grants are not reimbursement based and therefore are accounted for similar to contributions and reported in temporarily restricted net assets.

Program Service Fees - Program service fees are recorded as revenue when received, which approximates when the service is performed.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Materials - Contributed materials are recorded as contributions at their fair value when received. Contributed services are recorded when the service creates or enhances a nonfinancial asset or the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. ADC received in-kind legal and business planning services valued at $24,139 in 2014 and legal services of $36,746 in 2013.

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

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

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.

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

Comparative Total Column - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ADC’s financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Income Taxes - ADC is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and is subject to income taxes only on net unrelated business income. ADC did not have any unrelated business income in 2014 or 2013.

ADC FS, ADC CRE, and ADC BC are taxable corporations and file separate income tax returns.

Management believes that ADC and its subsidiaries have no uncertain income tax positions. Federal and state tax authorities generally have the right to examine the current and three previous years of income tax returns. The entities are not currently under examination by any taxing jurisdiction.

(Continued)

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due in 2015.

4. LOANS RECEIVABLE

Loans receivable consist of the following:

	2014	2013	Number of loans at December 31, 2014
Small business loans	$1,567,893	$1,817,059	176
Allowance for loan losses	(121,113)	(141,884)	
	1,446,780	1,675,175	
Less current portion	(646,709)	(784,410)	
	$ 800,071	$ 890,765	

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

- **Profit-based financing loans –** ADC helps Muslim and non-Muslim borrowers finance their business using a profit-based financing system. ADC agrees to buy business equipment or inventory on behalf of the borrower and then re-sells the equipment or inventory to the borrower at the original cost plus a profit. The uncollected profit is deferred and recorded as revenue over the term of the loan. The loans are repayable in monthly installments over 36 to 60 month terms. The loans are secured by vehicles, equipment or inventory of the borrower.
- **Conventional loans –** Interest bearing loans repayable in monthly installments over 36 to 60 months. The loans are secured by vehicles, equipment or inventory of the borrower.

A summary of the loans receivable aging as of December 31, 2014, follows:

	Total	
Current	$ 1,330,438	85%
1 – 30 days	82,298	5%
31 – 60 days	108,625	7%
61 – 90 days	-	0%
Over 90 days	46,532	3%
	$ 1,567,893	100%

(Continued)

4. LOANS RECEIVABLE (Continued)

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

	2014	2013
Beginning balance	$ 141,884	$ 120,021
Provision for loan losses	4,808	21,863
Loans written off	(25,579)	-
Ending balance	$ 121,113	$ 141,884

Allowances are only established on ADC's portion of loan balances. Allowances are not established on the portion of loans held for UIP 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.

Other information as of December 31, 2014:

- Management has identified four impaired loans with ADC's portion totaling $27,683 at December 31, 2014. The payment terms for these loans have been temporarily suspended.
- There were no changes in ADC's accounting policies during the year. There have been no purchases, sales or reclassifications of financing receivables.

5. LOAN PARTICIPATIONS

The Minneapolis Community Planning and Economic Development Department (CPED), the Metropolitan Consortium of Community Developers (MCCD), the Neighborhood Development Center (NDC) and First Children's Finance (FCF) participate in loans with ADC. ADC services the loans and repays these organizations as loans are collected.

Loan participations and deferred profit consist of the following:

	2014	2013
CPED loan participations	$ 361,452	$ 532,092
MCCD loan participations	105,812	124,807
NDC loan participations	84,396	92,639
FCF loan participation	28,909	34,506
Deferred profit on loans	86,390	101,355
	666,959	885,399
Less current portion	(249,712)	(382,550)
	$ 417,247	$ 502,849

6. DUE TO STATE OF MINNESOTA (UIP)

ADC participates in the Urban Initiatives Loan Program (UIP) sponsored by the State of Minnesota's Department of Employment and Economic Development (MN DEED) with a funding commitment of $750,000. Under the UIP program, ADC services the loans and repays UIP as loans are collected. Interest earned is retained by ADC. UIP loan capital is provided to ADC on a non-recourse 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 may be made for a maximum of $25,000 (up to $50,000 if a private lender is participating in the loan).

Due to the State of Minnesota consists of:

	2014	2013
Current portion	$ 98,854	$ 98,854
Long-term portion	117,488	113,622
Total UIP	$ 216,342	$ 212,476

7. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	2014	2013	Estimated useful lives (in years)
ADC:			
Computers and equipment	$ 233,042	$ 231,879	3 - 7
ADC Commercial Real Estate:			
Land	170,127	170,127	-
Buildings	814,831	814,831	30
Building improvements	1,126,972	1,126,972	5 - 30
Equipment	31,928	31,928	5 - 7
	2,376,900	2,375,737	
Less accumulated depreciation	(604,270)	(491,378)	
	$ 1,772,630	$ 1,884,359	

(Continued)

8. INVESTMENTS

From time to time when appropriate and funds are available, ADC makes capital investments in social ventures as part of its mission to support community based business and grow revenue for organizational self-sufficiency.

In exchange for leasehold improvements, ADC has a profit sharing agreement with Afro Deli, a restaurant located in the ADC Headquarters Building.

ADC owns 51% of AfroUniversal Studio Inc. (AfroUniversal). AfroUniversal is a full-service, state-of-the-art television studio located in the ADC Headquarters Building. AfroUniversal had not begun operations by December 31, 2014, as ADC and its partner negotiate a termination to this investment.

9. LONG-TERM DEBT

Notes payable consists of the following:

	2014	2013
ADC:		
Wells Fargo EQ2 loans	$ 500,000	$ 500,000
BMO Harris EQ2 loan	500,000	500,000
SBA microloan	411,569	470,984
MN DEED promissory note	140,000	88,000
ADC CRE:		
MMCDC New Markets Fund - senior loan	805,947	805,947
MMCDC New Markets Fund - subordinate loan	214,053	214,053
Park Midway Bank	81,717	96,658
City of Minneapolis	200,000	200,000
City of Minneapolis	27,685	37,718
Bremer Bank	78,759	82,883
	2,959,730	2,996,243
Less current portion	(890,451)	(82,793)
	$ 2,069,279	$ 2,913,450

9. LONG-TERM DEBT (Continued)

ADC:

Wells Fargo EQ2 loan – EQ2 loan agreement with the Wells Fargo Community Development Corporation for $250,000 dated June 5, 2006. The loan is to be used to make loans for community development purposes. The loan has an initial fixed interest rate equal to 2% for the first ten years of the loan and thereafter a fixed interest rate equal to the greater of 2% or the Treasury Rate minus 3.5% determined as of the tenth anniversary of the date of loan, until the loan is fully paid. Interest is payable quarterly.

The outstanding principal balance of the loan and accrued interest are due June 21, 2016. If prior to the maturity date ADC delivers to Wells Fargo a written request for a two year extension, then the term of the loan shall be extended for an additional two years.

During 2010, ADC entered into a second agreement with the Wells Fargo Community Development Corporation for a $250,000 EQ2 loan for the same purpose as the original loan. The interest rate is 2% for the first ten years of the loan. Interest is payable quarterly. Principal and unpaid interest are due in 2020. Within 30 days prior to maturity, ADC may request an extension of two additional years.

BMO Harris EQ2 loan – 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 is payable quarterly. The agreement required principal and unpaid interest to be paid March 31, 2013; however, the maturity date may be extended through March 31, 2018, with the consent of the lender. ADC and the bank are in negotiations to extend the loan.

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

Interest will be reduced as follows: 1) during the first through the twelfth month, interest will be reduced by 2 percentage points, 2) in the ninth month after the date of the note, the program portfolio will be evaluated and if the average size of microloans made is equal to $10,000 or less, interest will continue to accrue at .25% during the thirteenth through the twenty-fourth month of the note. If the average size of microloans is greater than $10,000, the interest will accrue at 1%, and 3) recalculation of interest will take place (as previously described) at regular intervals on the twenty-first month and annually thereafter.

(Continued)

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

No payments of principal or interest are required during the first year from the date of the note. Interest accrued during the first year will be divided into 108 equal installments and added to the calculated payments of principal and interest during the thirteenth through one-hundred twentieth month of the note. Monthly principal and interest payments of $4,694 begin the thirteenth month, along with the deferred interest calculated in the first year.

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

ADC CRE:

MMCDC New Markets Fund - First mortgage, senior loan for $805,947 dated March 3, 2009, payable to MMCDC (Midwest Minnesota Community Development Corporation) New Markets Fund XVIII, LLC with fixed interest of 4.967%. Interest is payable in monthly installments beginning April 1, 2009. Principal and interest are due on November 5, 2015. Secured by the ADC Headquarters Building and all leases and rents with respect to the property.

MMCDC New Markets Fund - First mortgage, subordinate loan for $214,053 dated March 3, 2009, payable to MMCDC New Markets Fund XVIII, LLC with fixed interest at 4.967%. Principal and interest are due on November 5, 2038. Secured by the ADC Headquarters and all leases and rents with respect to the property.

ADC CRE and MMCDC have entered into a Put and Call agreement which is intended to facilitate an ownership restructuring at the end of the NMTC compliance period (any time after November 5, 2015). In general MMCDC may "put" their interest in the subordinate note to ADC CRE for a pre-determined price. The pre-determined price to purchase MMCDC's interest is $26,020 (Put Purchase Price). The option grants MMCDC the option (Put Option) to sell the subordinate note of $214,053 to ADC CRE for the Put Purchase Price.

(Continued)

9. LONG-TERM DEBT (Continued)

The Put Option may be exercised at MMCDC's discretion at any time during the two month period beginning on September 15, 2015.

Park Midway Bank - Second mortgage payable to Park Midway Bank for $150,000 dated March 3, 2009, with interest at 2%, payable on demand. Beginning April 3, 2010, 107 principal and interest payments of $1,396 are due with one final principal and interest payment of $16,165 due March 3, 2019. Secured by the ADC Headquarters Building and assignment of all rents.

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 are due annually beginning September 3, 2010. In addition to the interest only payments, ADC CRE will make principal payments each September 3 during the term of the note in an amount equal to 50% of the funds cumulatively collected by ADC CRE and ADC through any charitable donation made during the previous 12 months. No payments were made during 2014 or 2013. Principal and interest are due on September 3, 2016. Secured by the ADC Headquarters Building and assignment of all rents.

City of Minneapolis - Note payable to City of Minneapolis for $60,000 dated November 30, 2010, with an interest rate of 2%. Equal payments of $1,052 are due and payable on the first of each month commencing April 1, 2011. Note matures March 1, 2016. Secured by accounts, inventory, equipment, and general intangibles as described in the security agreement.

Bremer Bank - First mortgage payable to Bremer Bank for $92,000 dated June 9, 2011, with a variable interest rate (4.68% as of December 31, 2014). Monthly principal and interest payments of $602 began July 9, 2011. Effective July 9, 2014, the variable interest rate will change but the monthly payments will stay the same. A final principal and unpaid interest payment is due June 9, 2021. Secured by the Willmar Building.

Maturities of long-term debt are as follows:

2015	$ 890,451
2016	538,351
2017	74,091
2018	575,119
2019	78,431
Thereafter	803,287
	$ 2,959,730

(Continued)

10. LINE OF CREDIT

ADC has a $150,000 line of credit from Western Bank for general operating purposes. The line of credit matures July 31, 2015. The interest rate is 1% over the Wall Street Journal Prime Rate, however, the rate will never be less than 5%. At December 31, 2014, the interest rate was 5%. Advances are secured by accounts receivable, equipment and general intangibles.

11. NET ASSETS

Temporarily restricted net assets are available for use in future periods for:

	2014	2013
Operating:		
Program services in greater Minnesota	$ 75,000	$ 225,000
Business development and wealth creation	100,000	-
Technological training	-	15,000
ADC business consulting	90,000	457,350
Commerce and community conversations	20,000	-
General operating support – time restricted	60,000	125,000
Loan programs:		
CDFI	-	105,000
	$ 345,000	$ 927,350

On October 14, 2014 (via telephone message), the Pat and Tom Grossman Family Fund advised ADC they had cancelled $367,500 of a $410,000 grant awarded on May 15, 2013.

Restrictions are classified above according to their main restriction. Some of the restrictions have components of both time and purpose restrictions.

12. COMMERCIAL RENT REVENUE

ADC utilizes approximately 49% of the ADC Headquarters Building for its programs. The remaining space is available for lease for office (43%) and retail (8%) uses. There are eleven office suites and one retail suite. Lease terms for the office suites range from month-to-month to five years. The lease term for the retail suite is five years.

12. **COMMERCIAL RENT REVENUE (Continued)**

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

2015	$ 65,007
2016	26,226
2017	10,805
2018	8,347
	$ 110,385

13. **REVENUE CONCENTRATIONS**

ADC received 18% ($175,000), 15% ($140,000), and 15% ($141,000) of its support and revenue from two foundations and one governmental agency in 2014.

ADC received 31% ($420,000), 15% ($200,000), and 11% ($150,000) of its support and revenue from three foundations in 2013. However, a portion of the $420,000 was rescinded in 2014.

14. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 11, 2015, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2014

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Eliminations	Total
ASSETS						
Current assets:						
Cash	$ 450,008	$ (107)	$ 51,691	$ 124	$ -	$ 501,716
Certificates of deposit	-	56,321	106,742	-	-	163,063
Accounts receivable	128,387	-	8,103	-	(63,107)	73,383
Current portion of contributions receivable	305,000	-	-	-	-	305,000
Current portion of loans receivable, net of allowance	659,125	-	-	-	(12,416)	646,709
Total current assets	1,542,520	56,214	166,536	124	(75,523)	1,689,871
Cash - restricted for loans	917,767	-	-	-	-	917,767
Loans receivable, less current portion, net of allowance	840,142	-	-	-	(40,071)	800,071
Land, buildings and equipment, net	43,944	-	1,728,686	-	-	1,772,630
Finance fees, net	-	-	2,314	-	-	2,314
Investment in AfroUniversal Studio, net	59,674	-	-	-	-	59,674
Investment in subsidiaries	447,537	-	-	-	(447,537)	-
Total assets	$ 3,851,584	$ 56,214	$ 1,897,536	$ 124	$ (563,131)	$ 5,242,327
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	$ 38,256	$ -	$ 59,231	$ -	$ (63,107)	$ 34,380
Funds held for loans	43,991	-	-	-	-	43,991
Accrued interest expense	-	-	7,033	-	-	7,033
Tenant security deposits	-	-	7,110	-	-	7,110
Line of credit	63,000	-	-	-	-	63,000
Current portion of loan participations and deferred profit	262,128	-	-	-	(12,416)	249,712
Current portion of Due to State of Minnesota	98,854	-	-	-	-	98,854
Current portion of long-term debt	52,343	-	838,108	-	-	890,451
Total current liabilities	558,572	-	911,482	-	(75,523)	1,394,531
Loan participations, less current portion	432,516	-	-	-	(15,269)	417,247
Loan payable to ADC	-	-	24,802	-	(24,802)	-
Due to State of Minnesota, less current portion	117,488	-	-	-	-	117,488
Long-term debt, less current portion	1,499,226	-	570,053	-	-	2,069,279
Total liabilities	2,607,802	-	1,506,337	-	(115,594)	3,998,545
Net assets	1,243,782	56,214	391,199	124	(447,537)	1,243,782
Total liabilities and net assets	$ 3,851,584	$ 56,214	$ 1,897,536	$ 124	$ (563,131)	$ 5,242,327

See independent auditor's report.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2014

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Eliminations	Total
Support and revenues:						
Contributions	$ 364,481	$ -	$ -	$ -	$ -	$ 364,481
Government grants	298,112	-	-	-	-	298,112
Program service fees	28,074	-	-	-	-	28,074
In-kind contributions	24,139	-	-	-	-	24,139
Rental revenue	50	-	267,775	-	(102,000)	165,825
Interest income - loans	63,256	-	-	-	-	63,256
Interest income - cash accounts	1,480	-	593	-	-	2,073
Gala	43,940	-	-		-	43,940
Less direct donor benefits	(25,227)	-	-		-	(25,227)
Other income	11,515	-	-	-	-	11,515
Total support and revenues	809,820	-	268,368	-	(102,000)	976,188
Expenses:						
Program services	498,778	-	246,291	-	(86,665)	658,404
Management and general	143,826	-	22,179	-	(15,335)	150,669
Fundraising	43,159	-	9,462	-	-	52,621
Total expenses	685,763	-	277,932	-	(102,000)	861,695
Change in net assets - operating	124,057	-	(9,564)	-	-	114,493
Loss from subsidiaries	(9,564)	-	-	-	9,564	-
Cancelled pledge	(367,350)	-	-		-	(367,350)
Total change in net assets	(252,857)	-	(9,564)	-	9,564	(252,857)
Net assets - beginning of year	1,496,639	56,214	395,973	124	(452,311)	1,496,639
Investment from ADC	-	-	4,790	-	(4,790)	-
Net assets - end of year	$ 1,243,782	$ 56,214	$ 391,199	$ 124	$ (447,537)	$ 1,243,782

See accompanying notes to consolidated financial statements.