AFRICAN DEVELOPMENT CENTER

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2015

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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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, 2015, 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 22 and 23 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 10, 2016

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
ASSETS		
Current assets:		
Cash	$ 562,259	$ 501,716
Certificates of deposit	163,965	163,063
Accounts receivable	15,638	73,383
Current portion of contributions and grants receivable	230,072	305,000
Current portion of loans receivable, net of allowance	556,556	646,709
Total current assets	1,528,490	1,689,871
Cash - restricted for loans	882,415	917,767
Contributions and grants receivable, less current portion	75,000	-
Loans receivable, less current portion, net of allowance	818,723	800,071
Land, buildings and equipment, net	1,686,487	1,772,630
Finance fees, net	8,341	2,314
Investment in AfroUniversal Studio, net	59,674	59,674
Total assets	$ 5,059,130	$ 5,242,327
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 60,382	$ 34,380
Deferred revenue	6,500	-
Funds held for loans	32,416	43,991
Accrued interest expense	8,973	7,033
Tenant security deposits	6,710	7,110
Line of credit	63,000	63,000
Current portion of loan participations and deferred profit	197,486	249,712
Current portion of Due to State of Minnesota	73,410	98,854
Current portion of long-term debt	528,314	890,451
Total current liabilities	977,191	1,394,531
Loan participations, less current portion	349,092	417,247
Due to State of Minnesota, less current portion	53,177	117,488
Long-term debt, less current portion	2,246,131	2,069,279
Total liabilities	3,625,591	3,998,545
Unrestricted net assets	1,151,039	898,782
Temporarily restricted net assets	282,500	345,000
Total net assets	1,433,539	1,243,782
Total liabilities and net assets	$ 5,059,130	$ 5,242,327

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, 2015
(With Comparative Totals for 2014)

	2015			
	Unrestricted	Temporarily restricted	Total	2014
Support and revenues:				
Contributions	$ 26,888	$ 282,500	$ 309,388	$ 364,481
Government grants	221,820	-	221,820	298,112
Net assets released from time and usage restrictions	345,000	(345,000)	-	-
Program service fees	83,231	-	83,231	28,074
In-kind contributions	69,678	-	69,678	24,139
Rental revenue	166,014	-	166,014	165,825
Interest income - loans	60,482	-	60,482	63,256
Interest income - cash accounts	2,705	-	2,705	2,073
Annual gala	-	-	-	43,940
Less direct donor benefits	-	-	-	(25,227)
Other income	3,384	-	3,384	11,515
Total support and revenues	979,202	(62,500)	916,702	976,188
Expenses:				
Program services	717,834	-	717,834	658,405
Management and general	126,697	-	126,697	150,669
Fundraising	46,794	-	46,794	52,621
Total expenses	891,325	-	891,325	861,695
Change in net assets - operating	87,877	(62,500)	25,377	114,493
Income from debt forgiveness	188,027	-	188,027	-
Provision for income tax	(23,647)	-	(23,647)	-
Cancelled pledge	-	-	-	(367,350)
Total change in net assets	252,257	(62,500)	189,757	(252,857)
Net assets - beginning of year	898,782	345,000	1,243,782	1,496,639
Net assets - end of year	$ 1,151,039	$ 282,500	$ 1,433,539	$ 1,243,782

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015				
	Program Services	Management and General	Fundraising	Total	2014
Salaries	$ 272,201	$ 23,995	$ 27,625	$ 323,821	$ 301,328
Payroll taxes	28,623	2,770	3,139	34,532	26,181
Employee benefits	13,350	2,780	3,201	19,331	33,524
Total salaries and related	314,174	29,545	33,965	377,684	361,033
Professional fees	30,637	73,882	-	104,519	38,858
Consultants	2,082	415	1,969	4,466	59,938
Occupancy	13,368	-	-	13,368	16,081
Office expenses	12,987	1,623	-	14,610	12,777
Telecommunications	10,049	1,608	-	11,657	12,007
Equipment expenses	2,361	417	-	2,778	3,249
Travel and entertainment	8,378	2,345	248	10,971	8,724
Dues and subscriptions	4,961	831	-	5,792	7,483
Marketing and promotions	1,457	234	-	1,691	1,462
Meetings and training	9,701	764	-	10,465	8,909
Board and gala	-	-	-	-	25,242
Grants and donations	2,882	68	-	2,950	1,209
Insurance	11,428	1,320	221	12,969	15,319
Loan and loan-related expenses	4,254	-	-	4,254	4,260
Provision for loan losses	12,861	-	-	12,861	4,808
Interest	91,965	3,440	2,795	98,200	101,281
Building operations	34,079	1,372	1,579	37,030	36,767
Utilities	35,666	1,436	1,653	38,755	37,987
Property taxes	11,538	465	535	12,538	13,136
Depreciation and amortization	101,539	6,673	3,829	112,041	113,732
Miscellaneous	1,467	259	-	1,726	2,660
Total expenses before removal of direct donor benefits	717,834	126,697	46,794	891,325	886,922
Direct donor benefits of gala	-	-	-	-	(25,227)
Total expenses less direct donor benefits	$ 717,834	$ 126,697	$ 46,794	$ 891,325	$ 861,695

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

Increase (Decrease) in Cash

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 189,757	$ (252,857)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	112,041	113,732
Provision for loan losses	12,861	4,808
Cancelled pledge	-	367,350
Income from debt forgiveness	(188,027)	-
Interest reinvested on certificates of deposit	(902)	(1,662)
Changes in operating assets and liabilities:		
Accounts receivable	57,745	1,252
Contributions receivable	(72)	85,000
Accounts payable and other accrued expenses	26,002	(59,316)
Deferred revenue	6,500	-
Accrued interest	1,940	(8,001)
Tenant security deposits	(400)	800
Net cash from operating activities	217,445	251,106
Cash flows from investing activities:		
Loans issued	(388,000)	(480,000)
Collections on loans	330,939	479,669
Change in cash - restricted for loan programs	35,352	157,457
Purchase of equipment	(24,334)	(7,663)
Net cash from investing activities	(46,043)	149,463
Cash flows from financing activities:		
Funds received from (paid to) participatory lenders, net	(106,010)	(47,896)
Proceeds of long-term debt, net	130,803	80,000
Payments of long-term debt	(128,061)	(116,513)
Purchase of finance fees	(7,591)	-
Net cash from financing activities	(110,859)	(84,409)
Net increase in cash	60,543	316,160
Cash - beginning of year	501,716	185,556
Cash - end of year	$ 562,259	$ 501,716
Supplemental cash flow information:		
Cash paid for interest expense	$ 96,260	$ 109,282
Participant loan losses forgiven	$ 101,410	$ 245,187
Debt refinanced into new debt	$ 805,947	$ -

See accompanying notes to consolidated financial statements.

AFRICAN DEVELOPMENT CENTER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

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.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ADC Business Consulting Inc. (ADC BC) is a 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.

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.

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 and Grants Receivable - Accounts 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. Management has determined that no allowance is necessary at December 31, 2015 and 2014.

(Continued)

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

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 Urban Initiative Program (UIP) or 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 has been deferred and included in the loan participations liability account (See Note 5).

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.

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

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

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.

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. No impairment was recognized in 2015 or 2014.

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 ($33,932) 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 is valued using Level 3 inputs.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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.

Contributed Services and Materials - Contributed materials are recorded as contributions at their fair value when received. Contributed services are recorded when the service creates or enhances a nonfinancial asset or the service requires specialized skills, is provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. ADC received in-kind legal services valued at $69,678 in 2015 and legal and business planning services of $24,139 in 2014.

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.

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, 2014, from which the summarized information was derived.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2015 or 2014.

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

In 2015, ADC CRE owed income taxes primarily due to the debt forgiveness. At December 31, 2015, $23,647 has been accrued.

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.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable of $230,072 are due in 2016 and $75,000 are due in 2017.

4. LOANS RECEIVABLE

Loans receivable consist of the following:

	2015	2014	Number of loans at December 31, 2015
Small business loans	$1,489,402	$1,567,893	153
Allowance for loan losses	(114,123)	(121,113)	
	1,375,279	1,446,780	
Less current portion	(556,556)	(646,709)	
	$ 818,723	$ 800,071	

(Continued)

4. LOANS RECEIVABLE (Continued)

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 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 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 follows:

	2015		2014	
Current	$ 1,263,047	85%	$ 1,330,438	85%
1 – 30 days	92,641	6%	82,298	5%
31 – 60 days	60,849	4%	108,625	7%
61 – 90 days	-	0%	-	0%
Over 90 days	72,865	5%	46,532	3%
	$ 1,489,402	100%	$ 1,567,893	100%

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

	2015	2014
Beginning balance	$ 121,113	$ 141,884
Provision for loan losses	12,861	4,808
Loans written off	(19,851)	(25,579)
Ending balance	$ 114,123	$ 121,113

4. LOANS RECEIVABLE (Continued)

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, 2015:

- Management has identified two loans with ADC's portion totaling $42,500 at December 31, 2015, whose payment schedules were restructured.
- 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:

	2015	2014
CPED loan participations	$ 295,818	$ 361,452
MCCD loan participations	91,753	105,812
NDC loan participations	74,923	84,396
FCF loan participation	11,985	28,909
Deferred profit on loans	72,099	86,390
	546,578	666,959
Less current portion	(197,486)	(249,712)
	$ 349,092	$ 417,247

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:

	2015	2014
Current portion	$ 73,410	$ 98,854
Long-term portion	53,177	117,488
Total UIP	$ 126,587	$ 216,342

7. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	2015	2014	Estimated useful lives (in years)
ADC:			
Computers and equipment	$ 242,376	$ 233,042	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	46,928	31,928	5 - 7
	2,401,234	2,376,900	
Less accumulated depreciation	(714,747)	(604,270)	
	$ 1,686,487	$ 1,772,630	

(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 CRE 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 as of December 31, 2015.

On April 10, 2016, ADC and its partner reached an agreement through mediation to terminate their working relationship with AfroUniversal which ADC obtains full control of the Corporation.

9. LONG-TERM DEBT

Notes payable consists of the following:

	2015	2014
ADC:		
Wells Fargo EQ2 loans	$ 500,000	$ 500,000
BMO Harris EQ2 loan	500,000	500,000
SBA microloan	351,569	411,569
MN DEED promissory note	236,750	140,000
ADC CRE:		
MMCDC New Markets Fund - senior loan	-	805,947
MMCDC New Markets Fund - subordinate loan	-	214,053
MMCDC loan	840,000	-
Park Midway Bank	66,480	81,717
City of Minneapolis	200,000	200,000
City of Minneapolis	5,233	27,685
Bremer Bank	74,413	78,759
	2,774,445	2,959,730
Less current portion	(528,314)	(890,451)
	$ 2,246,131	$ 2,069,279

(Continued)

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

ADC:

Wells Fargo EQ2 loans – 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. ADC has submitted such request which Wells Fargo has tentatively approved.

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%.

(Continued)

9. LONG-TERM DEBT (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 .25% during the thirteenth through the twenty-fourth month of the note. If the average size of microloans is greater than $10,000, the interest will accrue at 1%, and 3) recalculation of interest will take place (as previously described) at regular intervals on the twenty-first month and annually thereafter. At December 31, 2015, the interest rate was 1%.

No payments of principal or interest are required during the first year from the date of the note. Interest accrued during the first year will be divided into 108 equal installments and added to the calculated payments of principal and interest during the thirteenth through one-hundred twentieth month of the note. Monthly principal and interest payments of $4,694 begin the thirteenth month, along with the deferred interest calculated in the first year, through July 25, 2021.

The loan 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%. Principal and interest were due on November 5, 2015. Secured by the ADC Headquarters Building and all leases and rents with respect to the property. This loan was retired in 2015.

(Continued)

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

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 were due on November 5, 2038. Secured by the ADC Headquarters and all leases and rents with respect to the property. This loan was retired in 2015.

MMCDC - First mortgage payable to MMCDC for $840,000 dated December 23, 2015, with interest at 4.75%. Principal and interest are due on January 1, 2021. Secured by the ADC Headquarters, personal property, and leases and rents with respect to the property.

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 2015 or 2014. 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 June 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 (3.75% as of December 31, 2015). Payable in monthly principal and interest payments of $600. A final principal and unpaid interest payment is due June 9, 2021. Secured by the Willmar Building.

9. LONG-TERM DEBT (Continued)

Maturities of long-term debt are as follows:

2016	$ 528,314
2017	74,091
2018	575,119
2019	78,456
2020	310,365
Thereafter	1,208,100
	$ 2,774,445

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, 2016. The interest rate is 1% over the Wall Street Journal Prime Rate, however, the rate will never be less than 5%. At December 31, 2015, 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:

	2015	2014
Operating:		
Program services in greater Minnesota	$ 150,000	$ 75,000
Business development and wealth creation	75,000	100,000
Upgrade technology	36,000	-
ADC business consulting	-	90,000
Commerce and community conversations	-	20,000
Other program activities	21,500	-
General operating support – time restricted	-	60,000
	$ 282,500	$ 345,000

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

11. NET ASSETS (Continued)

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 month-to-month.

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

2016	$ 26,226
2017	10,805
2018	8,347
	$ 45,378

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, 2015, deposits exceeded the federally insured limit by $1,013,915.

ADC received 14% ($150,000) of its support and revenue from a foundation in 2015. The debt forgiveness represented 17% ($188,027) of its 2015 support and revenue.

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.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2016, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.

(Continued)

SUPPLEMENTARY INFORMATION

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Eliminations	Total
ASSETS						
Current assets:						
Cash	$ 485,260	$ -	$ 76,875	$ 124	$ -	$ 562,259
Certificates of deposit	-	56,748	107,217	-	-	163,965
Accounts receivable	66,456	-	22,629	-	(73,447)	15,638
Current portion of contributions and grants receivable	230,072	-	-	-	-	230,072
Current portion of loans receivable, net of allowance	561,788	-	-	-	(5,232)	556,556
Total current assets	1,343,576	56,748	206,721	124	(78,679)	1,528,490
Cash - restricted for loans	882,415	-	-	-	-	882,415
Contributions and grants receivable, less current portion	75,000	-	-	-	-	75,000
Loans receivable, less current portion, net of allowance	848,711	-	-	-	(29,988)	818,723
Land, buildings and equipment, net	30,994	-	1,655,493	-	-	1,686,487
Finance fees, net	-	-	8,341	-	-	8,341
Investment in AfroUniversal Studio, net	59,674	-	-	-	-	59,674
Investment in subsidiaries	605,110	-	-	-	(605,110)	-
Total assets	$ 3,845,480	$ 56,748	$ 1,870,555	$ 124	$ (713,777)	$ 5,059,130
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	$ 37,059	$ -	$ 96,770	$ -	$ (73,447)	$ 60,382
Deferred revenue	6,500	-	-		-	6,500
Funds held for loans	32,416	-	-	-	-	32,416
Accrued interest expense	6,250	-	2,723	-	-	8,973
Tenant security deposits	-	-	6,710	-	-	6,710
Line of credit	63,000	-	-	-	-	63,000
Current portion of loan participations and deferred profit	202,718	-	-	-	(5,232)	197,486
Current portion of Due to State of Minnesota	73,410	-	-	-	-	73,410
Current portion of long-term debt	302,869	-	225,445	-	-	528,314
Total current liabilities	724,222	-	331,648	-	(78,679)	977,191
Loan participations, less current portion	349,092	-	-	-	-	349,092
Loan payable to ADC	-	-	29,988	-	(29,988)	-
Due to State of Minnesota, less current portion	53,177	-	-	-	-	53,177
Long-term debt, less current portion	1,285,450	-	960,681	-	-	2,246,131
Total liabilities	2,411,941	-	1,322,317	-	(108,667)	3,625,591
Net assets	1,433,539	56,748	548,238	124	(605,110)	1,433,539
Total liabilities and net assets	$ 3,845,480	$ 56,748	$ 1,870,555	$ 124	$ (713,777)	$ 5,059,130

AFRICAN DEVELOPMENT CENTER

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015

	ADC	ADC Financial Services	ADC Commercial Real Estate	ADC Business Consulting	Eliminations	Total
Support and revenues:						
Contributions	$ 309,388	$ -	$ -	$ -	$ -	$ 309,388
Government grants	221,820	-	-	-	-	221,820
Program service fees	83,231	-	-	-	-	83,231
In-kind contributions	69,678	-	-	-	-	69,678
Rental revenue	-	-	268,014	-	(102,000)	166,014
Interest income - loans	60,482	-	-	-	-	60,482
Interest income - cash accounts	1,691	534	480	-	-	2,705
Other income	3,384	-	-	-	-	3,384
Total support and revenues	749,674	534	268,494	-	(102,000)	916,702
Expenses:						
Program services	540,195	-	264,005	-	(86,366)	717,834
Management and general	133,113	-	9,218	-	(15,634)	126,697
Fundraising	36,182	-	10,612	-	-	46,794
Total expenses	709,490	-	283,835	-	(102,000)	891,325
Change in net assets - operating	40,184	534	(15,341)	-	-	25,377
Income from debt forgiveness	-	-	188,027	-	-	188,027
Provision for income tax	-	-	(23,647)	-	-	(23,647)
Income from subsidiaries	149,573	-	-	-	(149,573)	-
Total change in net assets	189,757	534	149,039	-	(149,573)	189,757
Net assets - beginning of year	1,243,782	56,214	391,199	124	(447,537)	1,243,782
Investment from ADC	-	-	8,000	-	(8,000)	-
Net assets - end of year	$ 1,433,539	$ 56,748	$ 548,238	$ 124	$ (605,110)	$ 1,433,539