

AFRICA DEVELOPMENT PROMISE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(With Independent Auditors' Report)

AFRICA DEVELOPMENT PROMISE

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DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Africa Development Promise
Denver, CO

We have audited the accompanying financial statements of Africa Development Promise, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Africa Development Promise as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ICL, LLC

ICL, LLC
Chicago, IL

June 29, 2021

AFRICA DEVELOPMENT PROMISE
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

Cash and cash equivalents	\$ 7,806
Pledges receivable	187
Prepaid expenses	7,058
Property and equipment, net	<u>54,704</u>
 Total assets	 <u><u>\$ 69,755</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 3,828
Corporate credit card	5,010
Unsecured notes payable	14,564
Accrued expenses	<u>6,292</u>
 Total liabilities	 <u>\$ 29,694</u>
 Net Assets:	
Net assets without donor restrictions	30,061
Net assets with donor restrictions	<u>10,000</u>
Total net assets	<u><u>40,061</u></u>
 Total liabilities and net assets	 <u><u>\$ 69,755</u></u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total
REVENUE AND SUPPORT:			
Foundation and corporate grants	\$ 84,674	\$ 10,000	\$ 94,674
Individual contributions	56,861	10,000	66,861
Program income and other	11,265	-	11,265
Special events	8,300	-	8,300
In-kind contributions	8,000	-	8,000
SBA PPP Loan Proceeds	12,110	-	12,110
Net assets released from restrictions	20,000	(20,000)	-
Total Revenue and Support	<u>201,210</u>	<u>-</u>	<u>201,210</u>
EXPENSES:			
Program services	165,176	-	165,176
Supporting services:			
Management and general	35,317	-	35,317
Fundraising	15,569	-	15,569
Total Expenses	<u>216,062</u>	<u>-</u>	<u>216,062</u>
CHANGE IN NET ASSETS	(14,852)	-	(14,852)
NET ASSETS, BEGINNING OF YEAR	<u>44,913</u>	<u>10,000</u>	<u>54,913</u>
NET ASSETS, END OF YEAR	<u>\$ 30,061</u>	<u>\$ 10,000</u>	<u>\$ 40,061</u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Salaries, wages and taxes	\$ 71,023	\$ 5,310	\$ 5,310	\$ 81,643
In-kind consulting services	-	8,000	-	8,000
Infrastructure support and capacity building	34,907	-	-	34,907
Travel, meetings and conferences	11,309	5,813	-	17,122
Office and supplies	14,738	2,747	-	17,485
Occupancy	252	3,075	-	3,327
Kiosks Operations	1,225	-	-	1,225
Bank charges and service charges	1,257	2,553	-	3,810
Meals	-	431	-	431
Leadership and management training	1,760	-	-	1,760
Local tax payments	1,523	-	-	1,523
Dues and registration fees	-	832	-	832
Advertising, printing, marketing	-	429	6,109	6,538
Consulting	-	450	-	450
Insurance	555	669	-	1,224
Direct fundraising expenses	-	-	4,150	4,150
Stipends and interns	20,717	-	-	20,717
Information technology	127	1,621	-	1,748
COVID-19 related expenses	5,783	-	-	5,783
Interest	-	1,141	-	1,141
Depreciation	-	2,246	-	2,246
Total expenses	<u>\$ 165,176</u>	<u>\$ 35,317</u>	<u>\$ 15,569</u>	<u>\$ 216,062</u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities:

Change in net assets	\$ (14,852)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,246
Change in assets and liabilities:	
Pledges receivable	9,813
Prepaid expenses	1,815
Corporate credit card	(525)
Accrued expenses	4,170
Net cash provided by operating activities	<u>2,667</u>

Cash Flows From Investing Activities:

-

Cash Flows From Financing Activities:

Proceeds from unsecured notes payable	6,014
Payments on unsecured notes payable	<u>(4,000)</u>
Net cash provided by financing activities	2,014

Net increase in cash and cash equivalents 4,681

Cash and cash equivalents, Beginning of Year 3,125

Cash and cash equivalents, End of Year \$ 7,806

Supplemental Disclosure:

Interest paid	<u>\$ 1,141</u>
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See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 1 – NATURE OF ORGANIZATION

Africa Development Promise (the “Organization”) is Colorado nonprofit corporation that was formed in 2013. The Organization works to build thriving rural African communities where everyone has the opportunity to realize their full potential through sustained economic development. Africa Development Promise works to stimulate economic activity by building strong, well-managed, and profitable agricultural cooperatives that strengthen local economies to achieve long-term positive outcomes. We are committed to the cooperative-enterprise model that is democratically owned and controlled and provides benefit to its members and the greater community.

Within the countries of Rwanda and Uganda, the Organization operates the following programs:

Cooperative Governance and Management Training – The Organization believes that education is the foundation of effective cooperative governance. Members are best served when cooperative leaders understand the basic democratic principles of running a co-op; their functions and responsibilities and those of members; the importance of financial management and record keeping; and strategic planning to name a few. Working with local Business Development Services we train the cooperative on the following topics:

- Introduction to cooperative principles and democratic governance process
- Business managing/planning with short-term and long-term actions
- Basic record keeping system
- Financial management and accounting system
- Internal controls
- Marketing and communications
- Leaders acquire “soft skills” —problem solving, critical thinking, negotiating, prioritizing, consensus building, conflict management, and partnership building

Agricultural Technical Assistance – In order for the cooperative to be competitive, the Organization offers specialized, hands-on technical training that addresses topics such as soil fertility and water resource management strategies, climate adaptation, use of reduced-toxicity pesticides, as well as techniques for successful harvests and post-harvest storage. In this case we will hire a local agronomy consultant who specializes in mushroom cultivation to build member capacity to increase their production to take advantage of the available market for their product.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 1 – NATURE OF ORGANIZATION - Continued

Building Networks and Coordinating Efforts – The Organization encourages the cooperative to see themselves as part of a larger network or eco-system that includes other businesses, cooperatives, government agencies, etc. As such, the Organization works with them to build their networks allowing them to work together to share market information; supplier, demand and distribution channels; and storage facilities. The Organization also link them microfinance institutions.

This bundle of services will translate into increased benefit for all members in form of increased productivity, maximize land use, guaranteed market, more competitive process and some modules are designed to benefit them in their personal life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation

The Organization presents financial information pursuant to FASB Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions. In addition, the Organization is required to present a statement of cash flows.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions are net assets without donor restrictions. These assets include the revenues and expenses of the primary operations of the Organization. Donor restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

Net Assets With Donor Restrictions – Net assets subject to donor or grant-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers short-term, highly liquid instruments that are both readily convertible to cash on demand without penalty, and having maturities of three months or less, when purchased, to be cash equivalents.

Cash and cash equivalents held in the United States are insured according to FDIC regulations. Cash amounts maintained overseas are largely unsecured. Cash and cash equivalents held in the United States as of December 31, 2020 was \$5,823. Cash and cash equivalents held outside of the United States as of December 31, 2020 was \$1,983.

Accounts and Pledges Receivable

Accounts and pledges receivable represent unconditional commitments made by donors. Receivables that are expected to be collected in less than one year are reported at net realizable value. Receivables that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management determines a reserve for doubtful contributions receivable based on estimates of collectability with certain donors with past experience as well as a general reserve for the remaining amount. Based on the review of outstanding receivables, management determined that an allowance for doubtful accounts was not necessary at December 31, 2020.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specified by the donor. Contributions are recognized as revenues when the contributions or pledges are received.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are recorded at cost. Additions and improvements to existing property and equipment and leasehold improvements over \$5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets. These lives range up to 3 years for computers and equipment.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, prepaid expenses, accounts receivable, pledges receivable and accounts payable and accrued expenses approximate fair value because of the short-term maturity of these financial instruments.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The Organization classifies its expenses into their functional categories. Expenses directly identified with a functional area are charged to that area and, where expenses affect more than one area, they are allocated to the respective areas based on estimates made by management.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosures through June 29, 2021, the date the financial statements were available to be issued.

AFRICA DEVELOPMENT PROMISE
NOTES TO FINANCIAL STATEMENTS
(Continued)
YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax-Exempt Status

The Organization is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and the related State of Colorado statutes, respectively.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization maintains bank cash balances, which at times could exceed the \$250,000 insurance coverage provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on cash and cash equivalents.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020, consists of the following:

Land	\$	19,920
Buildings		33,337
Computers and equipment		3,186
Vehicles		5,000
		<u>61,443</u>
Less: accumulated depreciation		<u>(6,739)</u>
Property and equipment, net	\$	<u>54,704</u>

Depreciation expense in 2020 was \$2,247 as included in the statement of functional expenses.

NOTE 5 – LEASE COMMITMENTS

The Organization is currently operating on a month-to-month lease arrangement for office space at a rate of \$230 per month. Rent expense was approximately \$3,075, which is included in occupancy costs in the statement of functional expenses for the year ended December 31, 2020.

NOTE 6 – IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended December 31, 2020 consisted of \$8,000 of professional services.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2019

NOTE 7 – LIQUIDITY AND AVAILABILITY

The Organization has \$7,993 of financial assets available within one year of the statement of financial position date consisting of cash and cash equivalents (\$7,806) and accounts receivable (\$187), all of which is subject to donor restrictions that is scheduled for expenditure for programmatic purposes in 2021.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (\$20,000) were expended for women’s entrepreneurial programs in 2020. Net assets with donor restrictions (\$10,000) are available for the purpose of purchasing technology for programmatic purposes in 2021.

NOTE 9 – UNSECURED NOTES PAYABLE

The Organization has entered into two short-term unsecured notes payable arrangements for cash flow purposes in 2020. Payment terms are within one year at no interest. Such borrowings total \$14,564 as of December 31, 2020.

NOTE 10 – SBA PPP LOAN PROCEEDS

In May 2020, the Organization was granted a loan for \$12,110 pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan may be prepaid the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent obligations, and covered utility payments. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. If the SBA does not confirm forgiveness of the loan or only partially confirms loan forgiveness, the Organization will be obligated to repay the unforgiven loan balance within two years (or five years of the original note in amended as allowed under the PPP Flexibility Act) from the loan funding date plus interest of 1% per annum. The Organization has substantially met the requirements for forgiveness and has selected to recognize PPP loan proceeds pursuant to FASB ASC 958-605 in fiscal 2020.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2019

NOTE 11 – COVID-19

On March 11, 2020, the World Health Organization (WHO) recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities, and other geographic regions have taken preventive or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Given the uncertainty regarding the spread of this coronavirus, the related financial impact on the Organization cannot be reasonably estimated at this time.

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires increased transparency and comparability among organizations by requiring them to recognize lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The provisions of this standard are effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. Management is currently evaluating the impact of adopting this standard.