

AFRICA DEVELOPMENT PROMISE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022
(With Independent Auditors' Report)

AFRICA DEVELOPMENT PROMISE

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DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Africa Development Promise
Denver, CO

Opinion

We have audited the accompanying financial statements of Africa Development Promise, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Africa Development Promise and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

ICL, LLC

ICL, LLC
Chicago, IL

July 31, 2023

AFRICA DEVELOPMENT PROMISE
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

ASSETS

Cash and cash equivalents	\$ 14,881
Pledges receivable	617
Prepaid expenses and other assets	2,907
Property and equipment, net	<u>59,450</u>
Total assets	<u>\$ 77,855</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 4,753
Corporate credit card	5,684
Unsecured notes payable	25,614
Deferred revenue	11,857
Accrued expenses	<u>7,950</u>
Total liabilities	<u>\$ 55,858</u>
Net Assets:	
Net assets without donor restrictions	11,997
Net assets with donor restrictions	<u>10,000</u>
Total net assets	<u>21,997</u>
Total liabilities and net assets	<u>\$ 77,855</u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2022 Total
REVENUE AND SUPPORT:			
Foundation and corporate grants	\$ 120,023	\$ 10,000	\$ 130,023
Individual contributions	51,174	-	51,174
Program income and other	17,248	-	17,248
Special events	18,850	-	18,850
Interest income	2	-	2
Net assets released from restrictions	49,994	(49,994)	-
Total Revenue and Support	<u>257,291</u>	<u>(39,994)</u>	<u>217,297</u>
EXPENSES:			
Program services	254,735	-	254,735
Supporting services:			
Management and general	22,938	-	22,938
Fundraising	14,873	-	14,873
Total Expenses	<u>292,546</u>	<u>-</u>	<u>292,546</u>
CHANGE IN NET ASSETS	(35,255)	(39,994)	(75,249)
NET ASSETS, BEGINNING OF YEAR	<u>47,252</u>	<u>49,994</u>	<u>97,246</u>
NET ASSETS, END OF YEAR	<u>\$ 11,997</u>	<u>\$ 10,000</u>	<u>\$ 21,997</u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>
Salaries, wages and taxes	\$ 77,340	\$ 2,730	\$ 2,730	\$ 82,800
Infrastructure support and capacity building	12,148	-	-	12,148
Travel, meetings and conferences, donor tour	61,963	1,361	-	63,324
Office and supplies	13,082	5,728	-	18,810
Occupancy and maintenance	1,826	400	-	2,226
Training center operations	2,170	-	-	2,170
Bank charges and service charges	1,988	2,760	34	4,782
Leadership, vocational and management training	39,227	-	-	39,227
Local tax payments	40	-	-	40
Dues and registration fees	-	1,362	-	1,362
Advertising, printing, marketing	-	-	3,259	3,259
Consulting	15,500	100	-	15,600
Insurance	139	683	-	822
Direct fundraising expenses	-	-	8,850	8,850
Donations to other nonprofit organizations	-	250	-	250
Stipends and interns	26,834	4,675	-	31,509
Information technology	-	1,669	-	1,669
Interest	-	1,220	-	1,220
Depreciation	2,478	-	-	2,478
Total expenses	<u>\$ 254,735</u>	<u>\$ 22,938</u>	<u>\$ 14,873</u>	<u>\$ 292,546</u>

See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:

Change in net assets	\$ (75,249)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,478
Change in assets and liabilities:	
Pledges receivable	101
Prepaid expenses	100
Corporate credit card	844
Deferred revenue	11,857
Accrued expenses	3,512
Net cash used in operating activities	<u>(56,357)</u>

Cash Flows From Investing Activities:

-

Cash Flows From Financing Activities:

Proceeds from unsecured notes payable	<u>15,801</u>
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Net decrease in cash and cash equivalents (40,556)

Cash and cash equivalents, Beginning of Year 55,437

Cash and cash equivalents, End of Year \$ 14,881

Supplemental Disclosure:

Interest paid	<u><u>\$ 1,220</u></u>
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See accompanying notes to the financial statements.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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, 2022

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, 2022

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, 2022 was \$14,424. Cash and cash equivalents held outside of the United States as of December 31, 2022 was \$457.

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. Receivable 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, 2022.

Revenue Recognition - Contributions

All contributions are considered to be available for unrestricted use unless specified by the donor. Contributions are recognized as revenues when the contributions are awarded. Revenue from grants is considered earned when it is expended in accordance with the agreement.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Contracts with Customers

The Organization usually enters into contracts that have multiple performance obligations, one or more of which may be delivered subsequent to the delivery of other performance obligations. These performance obligations predominately include donor tour revenue. Revenue for special events and donor tours is recognized on the date of the special events or donor tours. The Organization believes these policies best represents the pattern of transfers to customers. The Organization allocates the transaction price based on the estimated relative standalone selling prices of the promised events or services underlying each performance obligation. The Organization determines standalone selling prices based on the price at which the performance obligation is sold separately. The Organization estimates the standalone selling price taking into account available information such as market conditions and internally approved standard pricing related to the performance obligations.

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.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 July 31, 2023, the date the financial statements were available to be issued.

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, 2022, consists of the following:

Land	\$	19,920
Buildings		33,337
Computers and equipment		3,186
Vehicles		15,930
		<hr/> 72,373
Less: accumulated depreciation		(12,923)
Property and equipment, net	\$	<hr/> 59,450 <hr/>

Depreciation expense in 2022 was \$2,478 as included in the statement of functional expenses.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2022

NOTE 5 – IN-KIND CONTRIBUTIONS

In-kind contributions for the year ended December 31, 2022 consisted of \$8,000 of professional services.

NOTE 6 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that are, without donor or other restrictions limiting use, within one year as of December 31, 2022 is as follows:

Financial assets:

Cash and cash equivalents	\$ 14,881
Pledges receivable	617
Total financial assets	<u>15,498</u>

Less: financial assets held to meet donor-imposed restrictions (10,000)

Amount available for general expenditures within one year \$ 5,498

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (\$49,994) were expended for purchasing technology for programmatic purposes of infrastructure support, women’s entrepreneurial programs and Girls with Dreams program initiatives in 2022. Net assets with donor restrictions (\$10,000) are available for a cold storage facility program.

NOTE 8 – UNSECURED NOTES PAYABLE

The Organization has entered into short-term unsecured notes payable arrangements for cash flow purposes in 2022. Payment terms are within one year at no interest. Year-end balances for such borrowings total \$25,618 as of December 31, 2022.

AFRICA DEVELOPMENT PROMISE

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2022

NOTE 10 – 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 11 – NEW ACCOUNTING PRONOUNCEMENTS

In January 2022, the Organization adopted 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 had no material effect on the financial statements for the year ended December 31, 2022.