DEVELOPMENT ASSOCIATES INTERNATIONAL

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2013 and 2012

CAPINCROUSE LLP
Certified Public Accountants

DEVELOPMENT ASSOCIATES INTERNATIONAL

Table of Contents

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 2435 Research Parkway, Suite 200 Colorado Springs, CO 80920 719.528.6225

INDEPENDENT AUDITORS' REPORT

Board of Directors
Development Associates International
Colorado Springs, Colorado

We have audited the accompanying financial statements of Development Associates International, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Board of Directors
Development Associates International
Colorado Springs, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Associates International as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
February 12, 2014

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

	December 31, 2013	December 31, 2012
ASSETS:		
Cash	$ 1,999,360	$ 1,731,751
Prepaid expenses and other assets	62,553	31,320
Pledges receivable	219,500	70,000
Property and equipment–net	666,221	2,536
Total Assets	$ 2,947,634	$ 1,835,607
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	$ 49,779	$ 63,811
Note payable	402,816	-
	452,595	63,811
Net assets:		
Unrestricted:		
Operating	51,917	293,774
Board designated reserve	200,000	-
Equity in property and equipment	263,405	2,536
	515,322	296,310
Temporarily restricted	1,979,717	1,475,486
	2,495,039	1,771,796
Total Liabilities and Net Assets	$ 2,947,634	$ 1,835,607

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions and grants	$ 447,350	$ 5,143,587	$ 5,590,937	$ 491,168	$ 4,537,974	$ 5,029,142
Other income	8,944	-	8,944	8,262	-	8,262
Total Support and Revenue	456,294	5,143,587	5,599,881	499,430	4,537,974	5,037,404
NET ASSETS RELEASED:						
Purpose and time restrictions	4,639,356	(4,639,356)	-	3,867,311	(3,867,311)	-
EXPENSES:						
Program services	4,366,089	-	4,366,089	3,261,624	-	3,261,624
Supporting activities:						
General and administrative	294,272	-	294,272	241,081	-	241,081
Fund-raising	216,277	-	216,277	234,817	-	234,817
	510,549	-	510,549	475,898	-	475,898
Total Expenses	4,876,638	-	4,876,638	3,737,522	-	3,737,522
Change in Net Assets	219,012	504,231	723,243	629,219	670,663	1,299,882
Net Assets, Beginning of Year	296,310	1,475,486	1,771,796	(332,909)	804,823	471,914
Net Assets, End of Year	$ 515,322	$ 1,979,717	$ 2,495,039	$ 296,310	$ 1,475,486	$ 1,771,796

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31, 2013	Year Ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 723,243	$ 1,299,882
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	18,370	11,241
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(31,233)	5,769
Pledges receivable	(149,500)	36,000
Accounts payable and other liabilities	(14,032)	30,379
Net Cash Provided by Operating Activities	546,848	1,383,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(682,055)	(1,074)
Net Cash Used by Investing Activities	(682,055)	(1,074)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	412,750	-
Payments on note payable	(9,934)	-
Net Cash Provided by Financing Activities	402,816	-
Change in Cash	267,609	1,382,197
Cash, Beginning of Year	1,731,751	349,554
Cash, End of Year	$ 1,999,360	$ 1,731,751
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (none capitalized)	$ 8,831	$ -

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Functional Expenses

	Year Ended December 31,							
	2013				2012			
		Supporting Activities				Supporting Activities		
	Program services	General and administrative	Fund - raising	Total	Program services	General and administrative	Fund - raising	Total
Grants to foreign organizations	$ 3,103,949	$ -	$ -	$ 3,103,949	$ 2,242,986	$ -	$ -	$ 2,242,986
Salaries and benefits	628,582	219,123	125,983	973,688	449,443	159,832	141,605	750,880
Travel	269,656	6,477	13,557	289,690	196,077	1,728	19,264	217,069
Contract services	219,714	-	2,835	222,549	207,655	140	1,828	209,623
Professional fees	-	10,117	47,168	57,285	-	11,698	48,579	60,277
Conference	37,160	-	5,179	42,339	40,640	1,383	3,257	45,280
Rent and other facility expense	23,365	8,345	1,669	33,379	27,997	9,999	2,000	39,996
Information technology	13,847	8,835	5,633	28,315	7,837	8,984	4,669	21,490
Miscellaneous	7,701	14,295	-	21,996	3,576	11,521	-	15,097
Depreciation and amortization	7,379	8,455	2,536	18,370	3,934	5,621	1,686	11,241
Telephone	13,127	3,978	796	17,901	17,563	5,665	1,181	24,409
Literature	15,048	42	180	15,270	9,359	291	2,186	11,836
Printing and reproduction	5,195	1,168	3,676	10,039	8,294	1,888	3,857	14,039
Postage	3,439	1,082	4,887	9,408	5,496	1,942	3,520	10,958
Interest	6,182	2,208	441	8,831	-	-	-	-
Office supplies	3,613	3,589	1,530	8,732	1,650	3,044	862	5,556
Insurance	1,841	5,524	-	7,365	1,574	4,723	-	6,297
Utilities	2,897	1,034	207	4,138	4,519	1,614	323	6,456
Gifts-in-kind	3,394	-	-	3,394	33,024	11,008	-	44,032
	$ 4,366,089	$ 294,272	$ 216,277	$ 4,876,638	$ 3,261,624	$ 241,081	$ 234,817	$ 3,737,522

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:

   Development Associates International (DAI) is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation under Section 509(a) of the Code. DAI is primarily supported by grants from foundations and contributions from churches and individuals.

   The purpose of DAI is to enhance the effectiveness and integrity of Christian leaders worldwide in order to enable them to fulfill their role in extending the Kingdom of God and to complete the task of world evangelization. This is done by providing leadership development, management consulting, and program support.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

   DAI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

   CASH

   Cash consists of checking and savings accounts. These accounts may, at times, exceed federally insured limits. DAI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

   PLEDGES RECEIVABLE

   Pledges receivable are unconditional promises to give and are recognized as assets and support in the period made. All pledges are due within one year. An allowance for doubtful accounts has not been recorded as all pledges are considered to be fully collectible. Subsequent to December 31, 2013, pledges receivable were collected in full.

   As of December 31, 2013 and 2012, DAI was conditionally promised gifts of $1,889,400 and $348,000, respectively. $200,000 that was conditionally promised as of December 31, 2012, was received during the year ended December 31, 2013. These amounts have not been recorded as pledges receivable because they are contingent upon DAI meeting specific requirements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT–NET
Property and equipment are stated at cost, or if donated, at fair value at the date of the gift. DAI capitalizes purchases greater than $1,000. Depreciation is computed on the straight-line basis over estimated useful lives which range from 3-5 years for equipment, furniture, and software and 15-30 years for building and building improvements.

CLASSES OF NET ASSETS
The financial statements report amounts separately by class of net assets as follows:

Unrestricted net assets are those currently available for ministry purposes under the direction of the board and those resources invested in property and equipment.

Temporarily restricted net assets are comprised of donor-restricted contributions for missionary support and projects.

SUPPORT AND REVENUE
Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Donated assets are recorded at their estimated fair market value on the date of donation. Other income is recorded when earned.

ALLOCATION OF EXPENSES
The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, costs relating to more than one function (salaries, benefits, and facilities costs) have been allocated between program services and supporting activities benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2013, DAI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

DAI's federal Return of Organization Exempt from Income Tax Form 990 for the years ended December 31, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	December 31, 2013	December 31, 2012
Building and improvements	$ 662,568	$ -
Furniture and equipment	64,547	89,516
Website costs	22,377	22,377
Accumulated depreciation and amortization	(83,271)	(109,357)
	$ 666,221	$ 2,536

Equity in property and equipment consists of:

	December 31, 2013	December 31, 2012
Property and equipment–net	$ 666,221	$ 2,536
Less related note payable	(402,816)	-
	$ 263,405	$ 2,536

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2013 and 2012

4. NOTE PAYABLE:

Note payable consists of:

	December 31, 2013	December 31, 2012
Note payable to a financial institution, due in monthly installments of $3,128, including interest at 4.3%. The note matures in June 2028 and is secured by property.	$ 402,816	$ -

Future minimum payments are:

Year Ending December 31,	
2014	$ 20,374
2015	21,280
2016	22,182
2017	23,213
2018	24,246
Thereafter	291,521
	$ 402,816

As of December 31, 2013, DAI was in compliance with all debt covenants.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31, 2013	December 31, 2012
India projects	$ 1,120,547	$ 976,562
Missionary support	391,152	280,753
Masters of Organizational Leadership Program	278,333	195,000
Middle East projects	75,000	-
Matching grants	45,000	-
East African projects	37,900	-
Sri Lanka conference	15,000	-
Other projects	14,600	10,000
Russia projects	2,185	13,171
	$ 1,979,717	$ 1,475,486

6. EMPLOYEE BENEFIT PLAN:
DAI sponsors a 403(b) plan (the Plan) covering full-time employees who have been with the organization more than one year. Participants in the Plan vest immediately upon initial contribution. DAI contributes 5% for every eligible employee and matches another 3% of employee contributions. Employer contributions to the Plan totaled $47,048 and $45,282 for the years ended December 31, 2013 and 2012, respectively.

7. CONCENTRATION:
DAI received contributions of approximately $1,284,000 and $904,000 from two contributors during the years ended December 31, 2013 and 2012, respectively. These gifts accounted for approximately 23% and 18% of total support and revenue during the years ended December 31, 2013 and 2012, respectively.

8. SUBSEQUENT EVENTS:
Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.