



**DEVELOPMENT ASSOCIATES
INTERNATIONAL**

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2014 and 2013

DEVELOPMENT ASSOCIATES INTERNATIONAL

Table of Contents

| | <u>Page</u> |
|-----------------------------------|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Statements of Functional Expenses | 6 |
| Notes to Financial Statements | 7 |

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, 2014 and 2013, 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, 2014 and 2013, 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.

Correction of Error

As described in Note 8 to the financial statements, certain errors resulting in understatement of amounts previously reported for capitalized online curriculum development costs for the year ended December 31, 2013 were discovered during the current year. Accordingly, amounts reported for these costs have been restated in the 2013 financial statements now presented. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Colorado Springs, Colorado
February 19, 2015

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

| | December 31, | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| | | (as Restated) |
| ASSETS: | | |
| Cash | \$ 2,053,777 | \$ 1,999,360 |
| Prepaid expenses and other assets | 54,091 | 62,553 |
| Pledges receivable | 60,000 | 219,500 |
| Online curriculum development costs–net | 303,457 | 108,064 |
| Property and equipment–net | 657,203 | 666,221 |
| Total Assets | \$ 3,128,528 | \$ 3,055,698 |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable and other liabilities | \$ 44,338 | \$ 49,779 |
| Note payable | 382,279 | 402,816 |
| | 426,617 | 452,595 |
| Net assets: | | |
| Unrestricted: | | |
| Operating | (26,273) | 51,917 |
| Board designated reserve | 200,000 | 200,000 |
| Equity in online curriculum development costs | 303,457 | 108,064 |
| Equity in property and equipment | 274,924 | 263,405 |
| | 752,108 | 623,386 |
| Temporarily restricted | 1,949,803 | 1,979,717 |
| | 2,701,911 | 2,603,103 |
| Total Liabilities and Net Assets | \$ 3,128,528 | \$ 3,055,698 |

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

| | Year Ended December 31, | | | | | |
|--------------------------------------|-------------------------|---------------------------|---------------------|--------------------|---------------------------|---------------------|
| | 2014 | | | 2013 (as Restated) | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions and grants | \$ 1,225,552 | \$ 4,542,233 | \$ 5,767,785 | \$ 887,350 | \$ 4,703,587 | \$ 5,590,937 |
| Other income | 22,486 | - | 22,486 | 8,944 | - | 8,944 |
| Total Support and Revenue | 1,248,038 | 4,542,233 | 5,790,271 | 896,294 | 4,703,587 | 5,599,881 |
| NET ASSETS RELEASED: | | | | | | |
| Purpose and time restrictions | 4,572,147 | (4,572,147) | - | 4,199,356 | (4,199,356) | - |
| EXPENSES: | | | | | | |
| Program services | 5,122,386 | - | 5,122,386 | 4,258,025 | - | 4,258,025 |
| Supporting activities: | | | | | | |
| General and administrative | 322,685 | - | 322,685 | 294,272 | - | 294,272 |
| Fund-raising | 246,392 | - | 246,392 | 216,277 | - | 216,277 |
| | 569,077 | - | 569,077 | 510,549 | - | 510,549 |
| Total Expenses | 5,691,463 | - | 5,691,463 | 4,768,574 | - | 4,768,574 |
| Change in Net Assets | 128,722 | (29,914) | 98,808 | 327,076 | 504,231 | 831,307 |
| Net Assets, Beginning of Year | 623,386 | 1,979,717 | 2,603,103 | 296,310 | 1,475,486 | 1,771,796 |
| Net Assets, End of Year | \$ 752,108 | \$ 1,949,803 | \$ 2,701,911 | \$ 623,386 | \$ 1,979,717 | \$ 2,603,103 |

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Cash Flows

| | Year Ended December 31, | |
|--|-------------------------|-----------------------|
| | 2014 | 2013 (as Restated) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 98,808 | \$ 831,307 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 34,442 | 18,370 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses and other assets | 8,462 | (31,233) |
| Pledges receivable | 159,500 | (149,500) |
| Accounts payable and other liabilities | (5,441) | (14,032) |
| Net Cash Provided by Operating Activities | 295,771 | 654,912 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for online curriculum development costs | (195,393) | (108,064) |
| Purchases of property and equipment | (25,424) | (682,055) |
| Net Cash Used by Investing Activities | (220,817) | (790,119) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from note payable | 200,000 | 412,750 |
| Payments on note payable | (220,537) | (9,934) |
| Net Cash Provided (Used) by Financing Activities | (20,537) | 402,816 |
| Change in Cash | 54,417 | 267,609 |
| Cash, Beginning of Year | 1,999,360 | 1,731,751 |
| Cash, End of Year | \$ 2,053,777 | \$ 1,999,360 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Cash paid for interest (none capitalized) | \$ 16,993 | \$ 8,831 |

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Functional Expenses

| | Year Ended December 31, | | | | | | | |
|---------------------------------|-------------------------------|-----------------------|-------------------|---------------------|-------------------------------|-----------------------|-------------------|---------------------|
| | 2014 | | | | 2013 (as Restated) | | | |
| | Program Services | Supporting Activities | | Total | Program Services | Supporting Activities | | Total |
| | General and Administrative | Fund - raising | | | General and Administrative | Fund - raising | | |
| Grants to foreign organizations | \$ 3,590,249 | \$ - | \$ - | \$ 3,590,249 | \$ 3,103,950 | \$ - | \$ - | \$ 3,103,950 |
| Salaries and benefits | 787,070 | 244,647 | 152,678 | 1,184,395 | 544,456 | 219,123 | 125,983 | 889,562 |
| Travel | 343,547 | 3,362 | 17,476 | 364,385 | 262,392 | 2,986 | 13,557 | 278,935 |
| Contract services | 235,267 | - | 2,064 | 237,331 | 210,388 | - | 2,835 | 213,223 |
| Professional fees | - | 9,460 | 47,338 | 56,798 | - | 10,117 | 47,168 | 57,285 |
| Conference | 49,215 | - | 75 | 49,290 | 37,160 | - | 5,179 | 42,339 |
| Depreciation and amortization | 14,687 | 15,196 | 4,559 | 34,442 | 7,379 | 8,455 | 2,536 | 18,370 |
| Rent and other facility expense | 17,115 | 6,112 | 1,222 | 24,449 | 26,261 | 9,379 | 1,876 | 37,516 |
| Printing and reproduction | 14,799 | 1,733 | 7,559 | 24,091 | 5,195 | 1,168 | 3,676 | 10,039 |
| Telephone | 17,636 | 4,887 | 977 | 23,500 | 12,580 | 3,978 | 796 | 17,354 |
| Information technology | 8,138 | 7,731 | 6,386 | 22,255 | 7,439 | 8,835 | 5,633 | 21,907 |
| Interest | 11,895 | 4,248 | 850 | 16,993 | 6,182 | 2,208 | 441 | 8,831 |
| Miscellaneous | 5,650 | 11,302 | - | 16,952 | 7,701 | 14,295 | - | 21,996 |
| Literature | 15,167 | 624 | - | 15,791 | 15,048 | 42 | 180 | 15,270 |
| Office supplies | 4,183 | 4,451 | 1,947 | 10,581 | 3,613 | 3,589 | 1,530 | 8,732 |
| Postage | 5,826 | 1,101 | 3,081 | 10,008 | 3,046 | 1,082 | 4,887 | 9,015 |
| Insurance | 1,942 | 5,825 | - | 7,767 | 1,841 | 5,524 | - | 7,365 |
| Hospitality | - | 2,006 | - | 2,006 | - | 3,491 | - | 3,491 |
| Gifts-in-kind | - | - | 180 | 180 | 3,394 | - | - | 3,394 |
| | <u>\$ 5,122,386</u> | <u>\$ 322,685</u> | <u>\$ 246,392</u> | <u>\$ 5,691,463</u> | <u>\$ 4,258,025</u> | <u>\$ 294,272</u> | <u>\$ 216,277</u> | <u>\$ 4,768,574</u> |

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

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, 2014, pledges receivable were collected in full.

As of December 31, 2014 and 2013, DAI was conditionally promised gifts of \$525,030 and \$1,690,700, respectively. \$1,117,248 that was conditionally promised as of December 31, 2013, was received during the year ended December 31, 2014. These amounts have not been recorded as pledges receivable because they are contingent upon DAI meeting specific requirements.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ONLINE CURRICULUM DEVELOPMENT COSTS–NET

Online curriculum development costs consist of monies spent to develop a website that will host online courses that will further train church leaders. The project is currently in process, so no amortization has been recorded. Useful lives of the project will be determined upon its completion, which is anticipated to be in 2015.

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 online curriculum development costs and 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.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

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, 2014, 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, 2013, 2012, and 2011 are subject to examination by the IRS, generally for three years after they were filed.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with current year presentation.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

| | December 31, | |
|---|-------------------|-------------------|
| | 2014 | 2013 |
| Building and improvements | \$ 662,568 | \$ 662,568 |
| Furniture and equipment | 84,037 | 64,547 |
| Website costs | - | 22,377 |
| Accumulated depreciation and amortization | (95,336) | (83,271) |
| | 651,269 | 666,221 |
| Construction in process - website | 5,934 | - |
| | <u>\$ 657,203</u> | <u>\$ 666,221</u> |

Equity in property and equipment consists of:

| | December 31, | |
|----------------------------|-------------------|-------------------|
| | 2014 | 2013 |
| Property and equipment—net | \$ 657,203 | \$ 666,221 |
| Less related note payable | (382,279) | (402,816) |
| | <u>\$ 274,924</u> | <u>\$ 263,405</u> |

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

4. NOTE PAYABLE:

Note payable consists of:

| | December 31, | |
|---|-------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Note payable to a financial institution secured by property, due in monthly installments of \$3,128, including interest at 4.3%. The note matures in June 2028. | <u>\$ 382,279</u> | <u>\$ 402,816</u> |

Future minimum payments are:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2015 | \$ 21,280 |
| 2016 | 22,182 |
| 2017 | 23,213 |
| 2018 | 24,246 |
| 2019 | 25,324 |
| Thereafter | <u>266,034</u> |
| | <u>\$ 382,279</u> |

During the year ended December 31, 2014, DAI borrowed \$200,000 from an individual. This was a non-interest bearing note that was paid off during December 2014.

As of December 31, 2014, DAI was in compliance with all debt covenants.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

| | December 31, | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| India projects | \$ 1,206,257 | \$ 1,120,547 |
| Missionary support | 475,120 | 391,152 |
| Middle East projects | 165,000 | 75,000 |
| Masters of Organizational Leadership Program | 50,000 | 278,333 |
| Capacity building | 50,000 | - |
| South Africa projects | 1,900 | - |
| Russia projects | 950 | 2,185 |
| Matching grants | 400 | 45,000 |
| Other projects | 176 | 14,600 |
| East African projects | - | 37,900 |
| Sri Lanka conference | - | 15,000 |
| | <u>\$ 1,949,803</u> | <u>\$ 1,979,717</u> |

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 \$52,204 and \$47,048 for the years ended December 31, 2014 and 2013, respectively.

7. CONCENTRATION:

DAI received contributions of approximately \$1,394,000 and \$1,284,000 from two different contributors during the years ended December 31, 2014 and 2013, respectively. These gifts accounted for approximately 24% and 23% of total support and revenue during the years ended December 31, 2014 and 2013, respectively.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2014 and 2013

8. PRIOR PERIOD ADJUSTMENT:

During the fiscal year ended December 31, 2014, an error was identified in the recording of capitalized online curriculum development costs as of December 31, 2013, resulting in a prior period adjustment. The result was to increase this asset and reduce expenses by \$108,064 and to increase unrestricted net assets by \$108,064 as of December 31, 2013.

The impact on the financial statements is as follows:

| | <u>As Previously Stated</u> | <u>Prior Period Adjustment</u> | <u>As Restated</u> |
|---|---------------------------------|------------------------------------|--------------------|
| Online curriculum development costs as of December 31, 2013 | \$ - | \$ 108,064 | \$ 108,064 |
| Unrestricted net assets as of December 31, 2013 | \$ 515,322 | \$ 108,064 | \$ 623,386 |
| Total expenses for 2013 | \$ 4,876,638 | \$ (108,064) | \$ 4,768,574 |
| Change in unrestricted net assets for the year ended December 31, 2013 | \$ 219,012 | \$ 108,064 | \$ 327,076 |

9. 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.