



COMMITTED TO
SERVANT LEADERSHIP

**DEVELOPMENT ASSOCIATES
INTERNATIONAL**

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2015 and 2014

DEVELOPMENT ASSOCIATES INTERNATIONAL

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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, 2015 and 2014, 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, 2015 and 2014, 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 18, 2016

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

	December 31,	
	2015	2014
ASSETS:		
Cash	\$ 1,615,810	\$ 2,053,777
Prepaid expenses and other assets	18,324	54,091
Pledges receivable	-	60,000
Online curriculum development costs–net	98,817	303,457
Property and equipment–net	642,310	657,203
	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,375,261</u>	<u>\$ 3,128,528</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 15,826	\$ 44,338
Note payable	361,116	382,279
	<u> </u>	<u> </u>
	376,942	426,617
	<u> </u>	<u> </u>
Net assets:		
Unrestricted:		
Operating	(165,298)	(26,273)
Board designated reserve	200,000	200,000
Equity in online curriculum development costs	98,817	303,457
Equity in property and equipment	281,194	274,924
	<u> </u>	<u> </u>
	414,713	752,108
Temporarily restricted	1,583,606	1,949,803
	<u> </u>	<u> </u>
	1,998,319	2,701,911
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 2,375,261</u>	<u>\$ 3,128,528</u>

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
Support and Revenue:						
Contributions and grants	\$ 1,656,923	\$ 4,066,836	\$ 5,723,759	\$ 1,225,552	\$ 4,542,233	\$ 5,767,785
Other income	17,441	-	17,441	22,486	-	22,486
Total Support and Revenue	1,674,364	4,066,836	5,741,200	1,248,038	4,542,233	5,790,271
Net Assets Released:						
Purpose and time restrictions	4,433,033	(4,433,033)	-	4,572,147	(4,572,147)	-
Expenses:						
Program services	5,513,504	-	5,513,504	5,122,386	-	5,122,386
Supporting activities:						
General and administrative	372,758	-	372,758	322,685	-	322,685
Fund-raising	302,104	-	302,104	246,392	-	246,392
Total Expenses	6,188,366	-	6,188,366	5,691,463	-	5,691,463
Change in Net Assets From Operation	(80,969)	(366,197)	(447,166)	128,722	(29,914)	98,808
NON-OPERATING:						
Loss on impairment	(256,426)	-	(256,426)	-	-	-
Change in Net Assets	(337,395)	(366,197)	(703,592)	128,722	(29,914)	98,808
Net Assets, Beginning of Year	752,108	1,949,803	2,701,911	623,386	1,979,717	2,603,103
Net Assets, End of Year	\$ 414,713	\$ 1,583,606	\$ 1,998,319	\$ 752,108	\$ 1,949,803	\$ 2,701,911

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (703,592)	\$ 98,808
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	39,491	34,442
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	35,767	8,462
Pledges receivable	60,000	159,500
Impairment loss	256,427	-
Accounts payable and other liabilities	(28,512)	(5,441)
Net Cash Provided (Used) by Operating Activities	(340,419)	295,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for online curriculum development costs	(51,787)	(195,393)
Purchases of property and equipment	(24,598)	(25,424)
Net Cash Used by Investing Activities	(76,385)	(220,817)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	-	200,000
Payments on note payable	(21,163)	(220,537)
Net Cash Used by Financing Activities	(21,163)	(20,537)
Change in Cash	(437,967)	54,417
Cash, Beginning of Year	2,053,777	1,999,360
Cash, End of Year	\$ 1,615,810	\$ 2,053,777
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (none capitalized)	\$ 11,895	\$ 16,993

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Functional Expenses

	Year Ended December 31,							
	2015				2014			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fund - raising			General and Administrative	Fund - raising		
Grants to foreign organizations	\$ 3,784,780	\$ -	\$ -	\$ 3,784,780	\$ 3,590,249	\$ -	\$ -	\$ 3,590,249
Salaries and benefits	944,747	280,717	181,363	1,406,827	787,070	244,647	152,678	1,184,395
Contract services	413,140	-	-	413,140	235,267	-	2,064	237,331
Travel	274,521	3,733	14,127	292,381	343,547	3,362	17,476	364,385
Professional fees	-	9,000	53,433	62,433	-	9,460	47,338	56,798
Depreciation and amortization	13,822	19,746	5,924	39,492	14,687	15,196	4,559	34,442
Information technology	17,772	9,131	5,713	32,616	8,138	7,731	6,386	22,255
Telephone	8,131	14,221	3,328	25,680	17,636	4,887	977	23,500
Rent and other facility expense	14,755	4,918	4,918	24,591	17,115	6,112	1,222	24,449
Printing and reproduction	4,384	2,161	17,206	23,751	14,799	1,733	7,559	24,091
Literature	10,804	564	5,333	16,701	15,167	624	-	15,791
Interest	11,458	4,092	818	16,368	11,895	4,248	850	16,993
Miscellaneous	4,946	10,302	116	15,364	5,650	11,302	-	16,952
Postage	2,553	1,004	8,245	11,802	5,826	1,101	3,081	10,008
Insurance	2,473	7,420	-	9,893	1,942	5,825	-	7,767
Office supplies	2,040	4,446	1,097	7,583	4,183	4,451	1,947	10,581
Conference	2,806	-	-	2,806	49,215	-	75	49,290
Hospitality	373	1,302	-	1,675	-	2,006	-	2,006
Advertising	-	-	483	483	-	-	-	-
Gifts-in-kind	-	-	-	-	-	-	180	180
	<u>\$ 5,513,505</u>	<u>\$ 372,757</u>	<u>\$ 302,104</u>	<u>\$ 6,188,366</u>	<u>\$ 5,122,386</u>	<u>\$ 322,685</u>	<u>\$ 246,392</u>	<u>\$ 5,691,463</u>

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015, pledges receivable were collected in full.

As of December 31, 2015 and 2014, DAI was conditionally promised gifts of \$350,000 and \$525,030, respectively. All of these funds that were conditionally promised as of December 31, 2014 were received during the year ended December 31, 2015. 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, 2015 and 2014

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 2016.

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, 2015 and 2014

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, 2015, DAI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

DAI is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

OPERATING AND NON-OPERATING ACTIVITIES

The activity of DAI has been reported in the consolidated statements of activities in the following two categories: operating and non-operating. Operating includes the core activities of the organization. Non-operating includes all other activities that are not recurring and normally not carried on in the course of DAI's operations, consisting of an impairment loss during the year ended December 31, 2015 related to previously capitalized online curriculum.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2015	2014
Building and improvements	\$ 662,568	\$ 662,568
Furniture and equipment	99,661	84,037
Website costs	13,834	0
Accumulated depreciation and amortization	(133,753)	(95,336)
	<u>642,310</u>	<u>651,269</u>
Construction in process - website	-	5,934
	<u>\$ 642,310</u>	<u>\$ 657,203</u>

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2015 and 2014

3. PROPERTY AND EQUIPMENT—NET, continued:

Equity in property and equipment consists of:

	December 31,	
	2015	2014
Property and equipment—net	\$ 642,310	\$ 657,203
Less related note payable	(361,116)	(382,279)
	\$ 281,194	\$ 274,924

4. NOTE PAYABLE:

Note payable consists of:

	December 31,	
	2015	2014
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.	\$ 361,116	\$ 382,279

Future minimum payments are:

Year Ending December 31,	
2016	22,182
2017	23,213
2018	24,246
2019	25,324
2020	26,418
Thereafter	239,733
	\$ 361,116

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, 2015, DAI was in compliance with all debt covenants.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2015 and 2014

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2015	2014
India projects	\$ 963,380	\$ 1,206,257
Missionary support	438,453	475,120
Middle East projects	165,000	165,000
Russia projects	16,473	950
Other projects	300	176
Masters of Organizational Leadership Program	-	50,000
Capacity building	-	50,000
South Africa projects	-	1,900
Matching grants	-	400
	<u>\$ 1,583,606</u>	<u>\$ 1,949,803</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 \$85,692 and \$52,204 for the years ended December 31, 2015 and 2014, respectively.

7. CONCENTRATION:

DAI received contributions of approximately \$706,000 and \$674,000 from two contributors during the year ended December 31, 2015. These gifts accounted for approximately 24% of total support and revenue. DAI also received contributions of approximately \$975,000 and \$650,000 from two contributors during the year ended December 31, 2014. These gifts accounted for approximately 28% of total support and revenue.

8. IMPAIRMENT LOSS:

During the fiscal year ended December 31, 2015, DAI decided not to collect any future revenue from online curriculum that was capitalized during the year ended December 31, 2014. Due to this change, the amount capitalized in prior years was therefore recorded as an impairment loss of \$256,426 as of December 31, 2015 on the Statements of Activities.

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.