



DEVELOPMENT ASSOCIATES  
INTERNATIONAL

Financial Statements  
With Independent Auditors' Report

December 31, 2016 and 2015

# 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, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### ***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, 2016 and 2015, 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 17, 2017

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Statements of Financial Position

	December 31,	
	2016	2015
<b>ASSETS:</b>		
Cash	\$ 873,254	\$ 1,615,810
Prepaid expenses and other assets	47,255	18,324
Technology platform costs–net	88,935	98,817
Property and equipment–net	606,080	642,310
<b>Total Assets</b>	<b>\$ 1,615,524</b>	<b>\$ 2,375,261</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and other liabilities	\$ 29,032	\$ 15,826
Note payable	338,933	361,116
	<u>367,965</u>	<u>376,942</u>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Operating	(333,534)	(165,298)
Board designated reserve	-	200,000
Equity in technology platform costs	88,935	98,817
Equity in property and equipment	267,147	281,194
	<u>22,548</u>	<u>414,713</u>
Temporarily restricted	1,225,011	1,583,606
	<u>1,247,559</u>	<u>1,998,319</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,615,524</b>	<b>\$ 2,375,261</b>

See notes to financial statements

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Statements of Activities

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING:</b>						
Support and Revenue:						
Contributions and grants	\$ 1,077,849	\$ 4,142,691	\$ 5,220,540	\$ 1,656,923	\$ 4,066,836	\$ 5,723,759
Other income	18,202	-	18,202	17,441	-	17,441
<b>Total Support and Revenue</b>	<b>1,096,051</b>	<b>4,142,691</b>	<b>5,238,742</b>	<b>1,674,364</b>	<b>4,066,836</b>	<b>5,741,200</b>
Net Assets Released:						
Purpose and time restrictions	4,501,286	(4,501,286)	-	4,433,033	(4,433,033)	-
Expenses:						
Program services	5,283,160	-	5,283,160	5,513,504	-	5,513,504
Supporting activities:						
General and administrative	385,711	-	385,711	372,758	-	372,758
Fund-raising	320,631	-	320,631	302,104	-	302,104
	706,342	-	706,342	674,862	-	674,862
<b>Total Expenses</b>	<b>5,989,502</b>	<b>-</b>	<b>5,989,502</b>	<b>6,188,366</b>	<b>-</b>	<b>6,188,366</b>
<b>Change in Net Assets From Operation</b>	<b>(392,165)</b>	<b>(358,595)</b>	<b>(750,760)</b>	<b>(80,969)</b>	<b>(366,197)</b>	<b>(447,166)</b>
<b>NON-OPERATING:</b>						
Loss on impairment	-	-	-	(256,426)	-	(256,426)
<b>Change in Net Assets</b>	<b>(392,165)</b>	<b>(358,595)</b>	<b>(750,760)</b>	<b>(337,395)</b>	<b>(366,197)</b>	<b>(703,592)</b>
Net Assets, Beginning of Year	414,713	1,583,606	1,998,319	752,108	1,949,803	2,701,911
<b>Net Assets, End of Year</b>	<b>\$ 22,548</b>	<b>\$ 1,225,011</b>	<b>\$ 1,247,559</b>	<b>\$ 414,713</b>	<b>\$ 1,583,606</b>	<b>\$ 1,998,319</b>

See notes to financial statements

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Statements of Cash Flows

	Year Ended December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (750,760)	\$ (703,592)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	53,735	39,491
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(28,931)	35,767
Pledges receivable	-	60,000
Impairment loss	-	256,427
Accounts payable and other liabilities	13,206	(28,512)
Net Cash Used by Operating Activities	(712,750)	(340,419)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for online curriculum development costs	-	(51,787)
Purchases of property and equipment	(7,623)	(24,598)
Net Cash Used by Investing Activities	(7,623)	(76,385)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(22,183)	(21,163)
Net Cash Used by Financing Activities	(22,183)	(21,163)
Change in Cash	(742,556)	(437,967)
Cash, Beginning of Year	1,615,810	2,053,777
Cash, End of Year	\$ 873,254	\$ 1,615,810
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest (none capitalized)	\$ 15,348	\$ 11,895

See notes to financial statements

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Statements of Functional Expenses

	Year Ended December 31,							
	2016				2015			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fund - raising			General and Administrative	Fund - raising		
Grants to foreign organizations	\$ 3,379,260	\$ -	\$ -	\$ 3,379,260	\$ 3,784,780	\$ -	\$ -	\$ 3,784,780
Salaries and benefits	1,031,920	293,336	191,384	1,516,640	944,747	280,717	181,363	1,406,827
Contract services	379,847	-	41,271	421,118	413,140	-	-	413,140
Travel	331,081	1,031	27,075	359,187	274,521	3,733	14,127	292,381
Conference	41,727	3,707	14,569	60,003	2,806	-	-	2,806
Depreciation and amortization	27,793	19,053	6,889	53,735	13,822	19,746	5,924	39,492
Information technology	12,480	8,442	9,717	30,639	17,772	9,131	5,713	32,616
Rent and other facility expense	16,269	5,423	5,423	27,115	14,755	4,918	4,918	24,591
Telephone	7,326	15,291	3,276	25,893	8,131	14,221	3,328	25,680
Printing and reproduction	12,823	2,258	10,312	25,393	4,384	2,161	17,206	23,751
Interest	10,744	3,837	767	15,348	11,458	4,092	818	16,368
Miscellaneous	4,075	11,086	71	15,232	4,946	10,302	116	15,364
Literature	13,879	104	240	14,223	10,804	564	5,333	16,701
Postage	6,298	1,047	3,628	10,973	2,553	1,004	8,245	11,802
Professional fees	-	10,050	-	10,050	-	9,000	53,433	62,433
Insurance	2,358	7,073	-	9,431	2,473	7,420	-	9,893
Hospitality	2,984	1,712	3,493	8,189	373	1,302	-	1,675
Office supplies	2,296	2,261	425	4,982	2,040	4,446	1,097	7,583
Advertising	-	-	2,091	2,091	-	-	483	483
	<u>\$ 5,283,160</u>	<u>\$ 385,711</u>	<u>\$ 320,631</u>	<u>\$ 5,989,502</u>	<u>\$ 5,513,505</u>	<u>\$ 372,757</u>	<u>\$ 302,104</u>	<u>\$ 6,188,366</u>

See notes to financial statements



# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Notes to Financial Statements

December 31, 2016 and 2015

### 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.

#### CONDITIONAL PLEDGES

As of December 31, 2016 and 2015, DAI was conditionally promised gifts of \$356,000 and \$350,000, respectively. All of these funds that were conditionally promised as of December 31, 2015 were received during the year ended December 31, 2016. These amounts have not been recorded as pledges receivable because they are contingent upon DAI meeting specific requirements.

#### TECHNOLOGY PLATFORM COSTS–NET

Technology platform costs consist of monies spent to develop a website intended to host online courses to further train church leaders. The project was completed in 2016, and amortization was recorded. During the year ended December 31, 2015, it was determined that this website would no longer be used to generate revenue. Therefore, it was impaired. During the year ended December 31, 2016, management decided to use this platform as a website. Its useful life is 10 years.

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Notes to Financial Statements

December 31, 2016 and 2015

### 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 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.

#### 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, 2016, DAI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Notes to Financial Statements

December 31, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### UNCERTAIN TAX POSITIONS, continued

DAI is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

#### OPERATING AND NON-OPERATING ACTIVITIES

The activity of DAI has been reported in the 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. No similar activity occurred during the year ended December 31, 2016.

### 3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consist of:

	December 31,	
	2016	2015
Building and improvements	\$ 662,568	\$ 662,568
Furniture and equipment	101,416	99,661
Website costs	19,701	13,834
Accumulated depreciation and amortization	(177,605)	(133,753)
	<u>\$ 606,080</u>	<u>\$ 642,310</u>

Equity in property and equipment consists of:

	December 31,	
	2016	2015
Property and equipment—net	\$ 606,080	\$ 642,310
Less related note payable	(338,933)	(361,116)
	<u>\$ 267,147</u>	<u>\$ 281,194</u>

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Notes to Financial Statements

December 31, 2016 and 2015

4. NOTE PAYABLE:

Note payable consists of:

	December 31,	
	2016	2015
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.	\$ 338,933	\$ 361,116

Future minimum payments are:

<u>Year Ending December 31,</u>		
2017	\$	23,213
2018		24,246
2019		25,324
2020		26,418
2021		27,625
Thereafter		212,107
	\$	338,933

As of December 31, 2016, DAI was in compliance with all debt covenants.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of:

	December 31,	
	2016	2015
India projects	\$ 785,717	\$ 963,380
Missionary support	426,769	438,453
Other projects	5,600	300
Middle East projects	5,452	165,000
Russia projects	1,473	16,473
	\$ 1,225,011	\$ 1,583,606

# DEVELOPMENT ASSOCIATES INTERNATIONAL

## Notes to Financial Statements

December 31, 2016 and 2015

6. EMPLOYEE BENEFIT PLAN:

DAI sponsors a 403(b) plan (the Plan) covering full-time employees who have been with DAI 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 \$92,557 and \$85,692 for the years ended December 31, 2016 and 2015, respectively.

7. CONCENTRATION:

DAI received contributions of approximately \$559,000 and \$706,000 from a contributor during the years ended December 31, 2016 and 2015, respectively. These gifts accounted for approximately 11% and 13% of total support and revenue, respectively.

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. FINANCIAL CONDITION:

DAI incurred negative results for change in net assets of \$750,760 and \$703,592 for the years ended December 31, 2016 and 2015, respectively. These results have created a deficit in unrestricted net assets of \$333,534 and \$165,298, as of December 31, 2016 and 2015, respectively, and have weakened the financial condition of the organization. In order to ensure that this does not happen again, DAI's board of directors has appropriately implemented a significantly restricted budget for 2017 with good controls. A full recovery is therefore expected in 2017. Additionally, they have set a goal of additional fund raising activity in 2018 to build a board reserve.

10. 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.