DEVELOPMENT ASSOCIATES INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017
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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter
Development Associates International, has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 and 2017 financial statements.

CapinCrouse LLP
Colorado Springs, Colorado
February 21, 2019
DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$756,333</td>
<td>$413,352</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>115,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>22,777</td>
<td>50,969</td>
</tr>
<tr>
<td>Technology platform costs–net</td>
<td>69,172</td>
<td>79,054</td>
</tr>
<tr>
<td>Property and equipment–net</td>
<td>565,565</td>
<td>593,577</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$1,528,847</td>
<td>$1,196,952</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS:** |        |            |
| Liabilities:                  |        |            |
| Accounts payable and other liabilities | $26,211 | $20,621   |
| Note payable                  | 291,546 | 315,722    |
| **Total Liabilities**         | 317,757 | 336,343    |

| Net assets:                  |        |            |
| Net assets without donor restrictions: |        |            |
| Operating                     | 113,343 | (322,906) |
| Equity in technology platform costs | 69,172  | 79,054    |
| Equity in property and equipment | 274,019 | 277,855   |
| **Total Net Assets Without Donor Restrictions** | 456,534 | 34,003    |

| Net assets with donor restrictions | 754,556 | 826,606 |
| **Total Liabilities and Net Assets** | 1,211,090 | 860,609 |

See notes to financial statements
DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

<table>
<thead>
<tr>
<th></th>
<th>2018 Unrestricted</th>
<th>2018 Restricted</th>
<th>2018 Total</th>
<th>2017 Unrestricted</th>
<th>2017 Restricted</th>
<th>2017 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support and Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions and grants</td>
<td>$ 1,726,756</td>
<td>$ 3,533,606</td>
<td>$ 5,260,362</td>
<td>$ 2,364,975</td>
<td>$ 2,825,094</td>
<td>$ 5,190,069</td>
</tr>
<tr>
<td>Other income</td>
<td>55,568</td>
<td>-</td>
<td>55,568</td>
<td>69,608</td>
<td>-</td>
<td>69,608</td>
</tr>
<tr>
<td>Total Support and Revenue</td>
<td>1,782,324</td>
<td>3,533,606</td>
<td>5,315,930</td>
<td>2,434,583</td>
<td>2,825,094</td>
<td>5,259,677</td>
</tr>
<tr>
<td>Net Assets Released:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purpose and time restrictions</td>
<td>3,605,656</td>
<td>(3,605,656)</td>
<td>-</td>
<td>3,223,499</td>
<td>(3,223,499)</td>
<td>-</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>4,259,412</td>
<td>-</td>
<td>4,259,412</td>
<td>4,955,262</td>
<td>-</td>
<td>4,955,262</td>
</tr>
<tr>
<td>Supporting activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>344,151</td>
<td>-</td>
<td>344,151</td>
<td>378,598</td>
<td>-</td>
<td>378,598</td>
</tr>
<tr>
<td>Fund-raising</td>
<td>361,886</td>
<td>-</td>
<td>361,886</td>
<td>312,767</td>
<td>-</td>
<td>312,767</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>4,965,449</td>
<td>-</td>
<td>4,965,449</td>
<td>5,646,627</td>
<td>-</td>
<td>5,646,627</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>422,531</td>
<td>(72,050)</td>
<td>350,481</td>
<td>11,455</td>
<td>(398,405)</td>
<td>(386,950)</td>
</tr>
<tr>
<td>Net Assets, Beginning of Year</td>
<td>34,003</td>
<td>826,606</td>
<td>860,609</td>
<td>22,548</td>
<td>1,225,011</td>
<td>1,247,559</td>
</tr>
<tr>
<td>Net Assets, End of Year</td>
<td>$ 456,534</td>
<td>$ 754,556</td>
<td>$ 1,211,090</td>
<td>$ 34,003</td>
<td>$ 826,606</td>
<td>$ 860,609</td>
</tr>
</tbody>
</table>

See notes to financial statements
## Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 350,481</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>46,281</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>28,192</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>(55,000)</td>
</tr>
<tr>
<td>Loss on disposal of asset</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>5,590</td>
</tr>
<tr>
<td><strong>Net Cash Provided (used) by Operating Activities</strong></td>
<td><strong>375,544</strong></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Purchases of property and equipment</td>
<td>(8,387)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Investing Activities</strong></td>
<td>(8,387)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Payments on note payable</td>
<td>(24,176)</td>
</tr>
<tr>
<td><strong>Net Cash Used by Financing Activities</strong></td>
<td>(24,176)</td>
</tr>
<tr>
<td>Change in Cash</td>
<td>342,981</td>
</tr>
<tr>
<td>Cash, Beginning of Year</td>
<td>413,352</td>
</tr>
<tr>
<td><strong>Cash, End of Year</strong></td>
<td><strong>$ 756,333</strong></td>
</tr>
<tr>
<td><strong>SUPPLEMENTAL DISCLOSURE:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest (none capitalized)</td>
<td>$ 13,355</td>
</tr>
</tbody>
</table>

See notes to financial statements
# DEVELOPMENT ASSOCIATES INTERNATIONAL

**Statements of Functional Expenses**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program Services</td>
<td>Supporting Activities</td>
</tr>
<tr>
<td>Grants to foreign organizations</td>
<td>$2,655,811</td>
<td>$</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>633,666</td>
<td>244,678</td>
</tr>
<tr>
<td>Contract services</td>
<td>526,845</td>
<td>-</td>
</tr>
<tr>
<td>Travel</td>
<td>273,244</td>
<td>2,344</td>
</tr>
<tr>
<td>Information technology</td>
<td>25,444</td>
<td>12,655</td>
</tr>
<tr>
<td>Conference</td>
<td>58,808</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>25,885</td>
<td>14,243</td>
</tr>
<tr>
<td>Rent and other facility expense</td>
<td>16,272</td>
<td>5,424</td>
</tr>
<tr>
<td>Telephone</td>
<td>1,796</td>
<td>24,097</td>
</tr>
<tr>
<td>Literature</td>
<td>13,841</td>
<td>1,370</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>1,600</td>
<td>5,215</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6,305</td>
<td>10,193</td>
</tr>
<tr>
<td>Postage</td>
<td>2,943</td>
<td>1,498</td>
</tr>
<tr>
<td>Interest</td>
<td>9,348</td>
<td>3,339</td>
</tr>
<tr>
<td>Professional fees</td>
<td>-</td>
<td>11,200</td>
</tr>
<tr>
<td>Office supplies</td>
<td>4,082</td>
<td>2,274</td>
</tr>
<tr>
<td>Insurance</td>
<td>3,085</td>
<td>3,085</td>
</tr>
<tr>
<td>Hospitality</td>
<td>437</td>
<td>2,477</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>59</td>
</tr>
</tbody>
</table>

|                           | $4,259,412 | $344,151 | $361,886 | $4,965,449 | $4,955,262 | $378,598 | $312,767 | $5,646,627 |

See notes to financial statements
1. **NATURE OF ORGANIZATION:**
   Development Associates International (DAI) is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, DAI is subject to federal income tax on any unrelated business taxable income. In addition, DAI is not classified as a private foundation within the meaning of Section 509(a) of the IRC. 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 at times exceed federally insured limits. As of December 31, 2018 and 2017, amounts exceeding the federally insured limits were approximately $500,000 and $160,000, respectively. DAI, however, has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk.

   **CONDITIONAL PLEDGES**
   As of December 31, 2018 and 2017, DAI was conditionally promised gifts of $2,102,000 and $780,000 respectively. All of these funds that were conditionally promised as of December 31, 2017 were received during the year ended December 31, 2018. 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 for hosting online courses to further train church leaders. These courses are offered at no cost. Amortization was recorded in the amount of $9,881 during both of the year's ended December 31, 2018 and 2017. The website's useful life is 10 years.
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 2-5 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:

*Net assets without donor restrictions* 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.

*Net assets with donor restrictions* 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 support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or grantor. 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 financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. These expenses include depreciation and amortization, interest, the president’s office, communications, media production, information technology, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on usage of space. Costs of other categories were allocated on estimates of time and effort. Total expenses include all operating expenses and the net periodic pension cost other than service cost.
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS
In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. DAI adopted the provisions of this new standard during the year ended December 31, 2018. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (note 3) and disclosures related to functional allocation of expenses were expanded (note 2, above) Adoption of this standard had no effect on the change in net assets by class of net assets or in total.

3. LIQUIDITY AND FUNDS AVAILABLE:
The following table reflects the Organization’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for specific contingency reserves and projects or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$756,333</td>
<td>$413,352</td>
</tr>
<tr>
<td>Grant receivable</td>
<td>115,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>6,786</td>
<td>20,412</td>
</tr>
<tr>
<td>Financial assets, at year end:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>878,119</td>
<td>493,764</td>
</tr>
<tr>
<td>Less those unavailable for general expenditures within on year, due to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restrictions by donor with purpose restrictions</td>
<td>754,556</td>
<td>826,606</td>
</tr>
<tr>
<td>Financial assets available to meet cash needs for general expenditures within one year</td>
<td>$123,563</td>
<td>$(332,842)</td>
</tr>
</tbody>
</table>

As part of DAI's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization expects to expend 100% of the restricted balance that exists as of 12/31/2018 in the next 12 months.
4. **PROPERTY AND EQUIPMENT–NET:**
   Property and equipment–net consist of:

<table>
<thead>
<tr>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>$ 662,568</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>107,803</td>
</tr>
<tr>
<td>Website costs</td>
<td>38,673</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>(243,479)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 565,565</strong></td>
</tr>
</tbody>
</table>

   Equity in property and equipment consists of:

<table>
<thead>
<tr>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Property and equipment–net</td>
<td>$ 565,565</td>
</tr>
<tr>
<td>Less related note payable</td>
<td>(291,546)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 274,019</strong></td>
</tr>
</tbody>
</table>

5. **NOTE PAYABLE:**
   Note payable consists of:

<table>
<thead>
<tr>
<th>December 31,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Note payable to a financial institution secured by property, due in monthly installments of $3,128, including interest at 4.3%. The note matures in June 2028.</td>
<td>$ 291,546</td>
</tr>
</tbody>
</table>
5. **NOTE PAYABLE, continued:**

Future minimum payments are:

<table>
<thead>
<tr>
<th>Year Ending December 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>$25,324</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>26,418</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>27,625</td>
</tr>
<tr>
<td></td>
<td>2022</td>
<td>28,854</td>
</tr>
<tr>
<td></td>
<td>2023</td>
<td>30,138</td>
</tr>
<tr>
<td></td>
<td>Thereafter</td>
<td>153,187</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$291,546</td>
</tr>
</tbody>
</table>

As of December 31, 2018, DAI was in compliance with all debt covenants.

6. **NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions consist of:

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td>India projects</td>
<td>$216,489</td>
</tr>
<tr>
<td>Missionary/Staff support</td>
<td>317,481</td>
</tr>
<tr>
<td>Haiti</td>
<td>67,621</td>
</tr>
<tr>
<td>Restructuring for growth</td>
<td>70,000</td>
</tr>
<tr>
<td>Russia/Ukraine projects</td>
<td>10,692</td>
</tr>
<tr>
<td>China</td>
<td>14,100</td>
</tr>
<tr>
<td>Grant receivable for where most needed</td>
<td>45,000</td>
</tr>
<tr>
<td>Other projects</td>
<td>13,173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$754,556</strong></td>
</tr>
</tbody>
</table>

7. **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 $66,241 and $78,285 for the years ended December 31, 2018 and 2017, respectively.

8. **SUBSEQUENT EVENTS:**

Subsequent events were evaluated through February 21, 2019, which is the date the financial statement were available to be issued.