COMMITTED TO SERVANT LEADERSHIP

DEVELOPMENT ASSOCIATES INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2018 and 2017

CAPINCROUSE LLP

DEVELOPMENT ASSOCIATES INTERNATIONAL

Table of Contents

	Page
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, 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.

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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.

Capin Crouse LLP

Colorado Springs, Colorado
February 21, 2019

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS:		
Cash	$ 756,333	$ 413,352
Grant receivable	115,000	60,000
Prepaid expenses and other assets	22,777	50,969
Technology platform costs–net	69,172	79,054
Property and equipment–net	565,565	593,577
Total Assets	$ 1,528,847	$ 1,196,952
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	$ 26,211	$ 20,621
Note payable	291,546	315,722
	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
	456,534	34,003
Net assets with donor restrictions	754,556	826,606
	1,211,090	860,609
Total Liabilities and Net Assets	$ 1,528,847	$ 1,196,952

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING:						
Support and Revenue:						
Contributions and grants	$ 1,726,756	$ 3,533,606	$ 5,260,362	$ 2,364,975	$ 2,825,094	$ 5,190,069
Other income	55,568	-	55,568	69,608	-	69,608
Total Support and Revenue	1,782,324	3,533,606	5,315,930	2,434,583	2,825,094	5,259,677
Net Assets Released:						
Purpose and time restrictions	3,605,656	(3,605,656)	-	3,223,499	(3,223,499)	-
Expenses:						
Program services	4,259,412	-	4,259,412	4,955,262	-	4,955,262
Supporting activities:						
General and administrative	344,151	-	344,151	378,598	-	378,598
Fund-raising	361,886	-	361,886	312,767	-	312,767
	706,037	-	706,037	691,365	-	691,365
Total Expenses	4,965,449	-	4,965,449	5,646,627	-	5,646,627
Change in Net Assets	422,531	(72,050)	350,481	11,455	(398,405)	(386,950)
Net Assets, Beginning of Year	34,003	826,606	860,609	22,548	1,225,011	1,247,559
Net Assets, End of Year	$ 456,534	$ 754,556	$ 1,211,090	$ 34,003	$ 826,606	$ 860,609

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 350,481	$ (386,950)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	46,281	46,272
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	28,192	(3,714)
Grant receivable	(55,000)	(60,000)
Loss on disposal of asset	-	6,918
Accounts payable and other liabilities	5,590	(8,411)
Net Cash Provided (used) by Operating Activities	375,544	(405,885)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(8,387)	(30,806)
Net Cash Used by Investing Activities	(8,387)	(30,806)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(24,176)	(23,211)
Net Cash Used by Financing Activities	(24,176)	(23,211)
Change in Cash	342,981	(459,902)
Cash, Beginning of Year	413,352	873,254
Cash, End of Year	$ 756,333	$ 413,352
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (none capitalized)	$ 13,355	$ 14,319

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Functional Expenses

	Year Ended December 31,							
	2018				2017			
		Supporting Activities				Supporting Activities		
	Program Services	General and Administrative	Fund - raising	Total	Program Services	General and Administrative	Fund - raising	Total
Grants to foreign organizations	$ 2,655,811	$ -	$ -	$ 2,655,811	$ 3,140,471	$ -	$ -	$ 3,140,471
Salaries and benefits	633,666	244,678	247,422	1,125,766	847,002	286,003	185,309	1,318,314
Contract services	526,845	-	23,951	550,796	557,312	3,250	36,598	597,160
Travel	273,244	2,344	29,431	305,019	239,182	2,114	38,563	279,859
Information technology	25,444	12,655	22,092	60,191	11,755	5,263	10,548	27,566
Conference	58,808	-	-	58,808	63,188	-	-	63,188
Depreciation and amortization	25,885	14,243	6,152	46,280	26,158	19,891	7,141	53,190
Rent and other facility expense	16,272	5,424	5,424	27,120	16,293	5,431	5,431	27,155
Telephone	1,796	24,097	83	25,976	6,992	15,587	3,447	26,026
Literature	13,841	1,370	2,242	17,453	14,895	110	53	15,058
Printing and reproduction	1,600	5,215	9,919	16,734	6,174	3,033	13,214	22,421
Miscellaneous	6,305	10,193	-	16,498	8,281	10,631	175	19,087
Postage	2,943	1,498	9,401	13,842	1,706	899	5,759	8,364
Interest	9,348	3,339	668	13,355	10,023	3,580	716	14,319
Professional fees	-	11,200	-	11,200	-	11,050	-	11,050
Office supplies	4,082	2,274	2,951	9,307	1,560	2,555	938	5,053
Insurance	3,085	3,085	-	6,170	2,303	6,908	-	9,211
Hospitality	437	2,477	1,240	4,154	1,967	2,293	3,099	7,359
Advertising	-	59	910	969	-	-	1,776	1,776
	$ 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 base 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.

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

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:

	December 31, 2018	December 31, 2017
Building and improvements	$ 662,568	$ 662,568
Furniture and equipment	107,803	101,416
Website costs	38,673	43,590
Accumulated depreciation and amortization	(243,479)	(213,997)
	$ 565,565	$ 593,577

Equity in property and equipment consists of:

	December 31, 2018	December 31, 2017
Property and equipment–net	$ 565,565	$ 593,577
Less related note payable	(291,546)	(315,722)
	$ 274,019	$ 277,855

5. NOTE PAYABLE:

Note payable consists of:

	December 31, 2018	December 31, 2017
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.	$ 291,546	$ 315,722

5. NOTE PAYABLE, continued:

Future minimum payments are:

Year Ending December 31,		
2019	$	25,324
2020		26,418
2021		27,625
2022		28,854
2023		30,138
Thereafter		153,187
	$	291,546

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:

	December 31,			
	2018		2017	
India projects	$	216,489	$	367,547
Missionary/Staff support		317,481		374,269
Haiti		67,621		-
Restructuring for growth		70,000		60,000
Russia/Ukraine projects		10,692		1,091
China		14,100		-
Grant receivable for where most needed		45,000		-
Other projects		13,173		23,699
	$	754,556	$	826,606

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.