



DEVELOPMENT ASSOCIATES INTERNATIONAL

Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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, 2019 and 2018, 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 Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2019 financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
February 27, 2020

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Cash	\$ 841,103	\$ 756,333
Grants receivable; see Note 2	300,000	115,000
Prepaid expenses and other assets	31,378	22,777
Technology platform costs–net	59,290	69,172
Property and equipment–net	539,932	565,565
Total Assets	\$ 1,771,703	\$ 1,528,847
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 28,489	\$ 26,211
Note payable	266,184	291,546
	<u>294,673</u>	<u>317,757</u>
Net assets:		
Net assets without donor restrictions:		
Operating	307,731	113,343
Equity in technology platform costs	59,290	69,172
Equity in property and equipment	273,748	274,019
	<u>640,769</u>	<u>456,534</u>
Net assets with donor restrictions	836,261	754,556
	<u>1,477,030</u>	<u>1,211,090</u>
Total Liabilities and Net Assets	\$ 1,771,703	\$ 1,528,847

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
Support and Revenue:						
Contributions and grants	\$ 4,647,071	\$ 729,183	\$ 5,376,254	\$ 4,524,177	\$ 736,185	\$ 5,260,362
Other income	45,382	-	45,382	55,568	-	55,568
Total Support and Revenue	4,692,453	729,183	5,421,636	4,579,745	736,185	5,315,930
Net Assets Released:						
Purpose and time restrictions	647,478	(647,478)	-	808,235	(808,235)	-
Expenses:						
Program services	4,322,394	-	4,322,394	4,259,412	-	4,259,412
Supporting activities:						
General and administrative	312,696	-	312,696	344,151	-	344,151
Fund-raising	520,606	-	520,606	361,886	-	361,886
	833,302	-	833,302	706,037	-	706,037
Total Expenses	5,155,696	-	5,155,696	4,965,449	-	4,965,449
Change in Net Assets	184,235	81,705	265,940	422,531	(72,050)	350,481
Net Assets, Beginning of Year	456,534	754,556	1,211,090	34,003	826,606	860,609
Net Assets, End of Year	\$ 640,769	\$ 836,261	\$ 1,477,030	\$ 456,534	\$ 754,556	\$ 1,211,090

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Functional Expenses

	Year Ended December 31,							
	2019				2018			
	Program Services	Supporting Activities		Total	Program Services	Supporting Activities		Total
	General and Administrative	Fund - raising			General and Administrative	Fund - raising		
Grants to foreign organizations	\$ 2,680,060	\$ -	\$ -	\$ 2,680,060	\$ 2,655,811	\$ -	\$ -	\$ 2,655,811
Salaries and benefits	690,253	220,622	381,913	1,292,788	633,666	244,678	247,422	1,125,766
Contract services	574,024	2,900	23,116	600,040	526,845	-	23,951	550,796
Travel	229,445	864	29,445	259,754	273,244	2,344	29,431	305,019
Information technology	31,898	20,797	32,640	85,335	25,444	12,655	22,092	60,191
Depreciation and amortization	27,128	13,285	5,637	46,050	25,885	14,243	6,152	46,280
Rent and other facility expense	16,874	5,625	5,625	28,124	16,272	5,424	5,424	27,120
Telephone	10,920	9,047	8,011	27,978	1,796	24,097	83	25,976
Conference	19,692	1,093	-	20,785	58,808	-	-	58,808
Miscellaneous	8,205	10,683	506	19,394	6,305	10,193	-	16,498
Literature	15,252	521	1,805	17,578	13,841	1,370	2,242	17,453
Printing and reproduction	2,647	2,307	12,555	17,509	1,600	5,215	9,919	16,734
Interest	4,016	4,137	4,016	12,169	9,348	3,339	668	13,355
Professional fees	-	11,200	-	11,200	-	11,200	-	11,200
Office supplies	5,443	1,531	2,754	9,728	4,082	2,274	2,951	9,307
Postage	3,741	850	4,612	9,203	2,943	1,498	9,401	13,842
Hospitality	-	4,154	4,972	9,126	437	2,477	1,240	4,154
Insurance	2,796	2,881	2,796	8,473	3,085	3,085	-	6,170
Advertising	-	199	203	402	-	59	910	969
	\$ 4,322,394	\$ 312,696	\$ 520,606	\$ 5,155,696	\$ 4,259,412	\$ 344,151	\$ 361,886	\$ 4,965,449

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 265,940	\$ 350,481
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	46,051	46,281
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(8,601)	28,192
Grants receivable	(185,000)	(55,000)
Accounts payable and other liabilities	2,278	5,590
Net Cash Provided by Operating Activities	120,668	375,544
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(10,536)	(8,387)
Net Cash Used by Investing Activities	(10,536)	(8,387)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(25,362)	(24,176)
Net Cash Used by Financing Activities	(25,362)	(24,176)
Change in Cash	84,770	342,981
Cash, Beginning of Year	756,333	413,352
Cash, End of Year	\$ 841,103	\$ 756,333
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (none capitalized)	\$ 12,169	\$ 13,355

See notes to financial statements

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, amounts exceeding the federally insured limits were approximately \$467,000 and \$430,000, respectively. DAI, however, has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk.

GRANTS RECEIVABLE

DAI records grants receivable in the year they are unconditionally promised. These amounts are recorded as revenue with donor restrictions as of December 31, 2019, and 2018. Based on adopting ASU 2018-08 as described in Note 2, a grant receivable in the amount of \$300,000 was recorded in 2019. These funds are intended to be used in operations or programs in the next fiscal year, as it is expected to be paid in 2020. No allowance is recorded as management expects to collect the amount in full. Grants receivable recorded as of December 31, 2018 were received in 2019.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$9,882 during both of the year's ended December 31, 2019 and 2018. The website's useful life is 10 years.

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 and grants 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. Contributions and grants restricted by the donor for a specific purpose and which the restrictions are fully satisfied on or before year-end are reported as support without donor restrictions. If the restrictions are not fully satisfied on or before year-end, the contributions and grants are recorded as support with donor restrictions. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions and grants 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 DAI. 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.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. DAI adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional.

In 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. DAI adopted the provisions of this new standard during the year ended December 31, 2019. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

RECLASSIFICATION

During the year ended December 31, 2019, DAI began accounting for contributions and grants restricted by donors with donor restrictions that were fully satisfied on or before year-end as support without donor restrictions. Amounts on the statement of activities for the year ended December 31, 2018 were reclassified to conform with current year presentation.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects DAI's financial assets as of December 31, 2019, 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.

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 841,103	\$ 756,333
Grants receivable	300,000	115,000
Accounts receivable	4,936	6,786
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,146,039</u>	<u>\$ 878,119</u>

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 grant receivable recorded in 2019 is intended to be used in operations or programs in the next fiscal year.

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Notes to Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2019	2018
Building and improvements	\$ 662,568	\$ 662,568
Furniture and equipment	61,824	107,803
Website costs	38,673	38,673
Accumulated depreciation and amortization	(223,133)	(243,479)
	\$ 539,932	\$ 565,565

5. NOTE PAYABLE:

Note payable consists of:

	December 31,	
	2019	2018
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.	\$ 266,184	\$ 291,546

Future minimum payments are:

Year Ending December 31,	
2020	\$ 26,418
2021	27,625
2022	28,854
2023	30,138
2024	31,460
Thereafter	121,689
	\$ 266,184

As of December 31, 2019, DAI was in compliance with all debt covenants.

DEVELOPMENT ASSOCIATES INTERNATIONAL

Notes to Financial Statements

December 31, 2019 and 2018

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2019	2018
Time restricted grants receivable	\$ 300,000	\$ 115,000
Missionary/Staff support	246,855	317,481
India projects	233,540	216,489
Russia/Ukraine projects	31,553	10,692
Other projects	24,313	13,173
Haiti	-	67,621
China	-	14,100
	<u>\$ 836,261</u>	<u>\$ 754,556</u>

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 \$64,290 and \$66,241 for the years ended December 31, 2019 and 2018, respectively.

8. SUPPORT AND REVENUE CONCENTRATION

During the years ended December 31, 2019 and 2018, two organizations donated \$1,167,625 and 1,637,000, respectively, which makes up approximately 23% and 31%, respectively, of total support and revenue.

9. SUBSEQUENT EVENTS:

Subsequent events were evaluated through February 27, 2020, which is the date the financial statements were available to be issued.