CONSOLIDATED FINANCIAL STATEMENTS

DEVELOPMENT
GATEWAY

DEVELOPMENT GATEWAY, INC.
AND AFFILIATE

FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Development Gateway, Inc. and Affiliate
Washington, D.C.

We have audited the accompanying consolidated financial statements of Development Gateway, Inc. and Affiliate, collectively "the Organizations", which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organizations as of June 30, 2014 and 2013, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 18 and the Consolidating Schedule of Activities and Change in Net Assets on page 19 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gelman Rosenberg & Freedman

May 7, 2015

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 856,670	$ 518,636
Grants and contracts receivable, net of allowance for doubtful accounts of $113,829 and $0 in 2014 and 2013, respectively	1,621,810	972,314
Prepaid expenses and other assets	28,882	114,973
Total current assets	2,507,362	1,605,923
FIXED ASSETS		
Furniture (Note 3)	101,252	-
Computers and related equipment	53,436	53,436
Less: Accumulated depreciation	(58,699)	(45,032)
Net fixed assets	95,989	8,404
TOTAL ASSETS	**$ 2,603,351**	**$ 1,614,327**

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Office furniture loan, current portion (Note 3)	$ 42,062	$ -
Liquidity loan (Note 4)	47,595	-
Accounts payable and accrued liabilities (Note 6)	349,323	226,059
Deferred contract revenue	810,019	668,742
Deferred rent liability, current portion (Note 2)	-	58,812
Accrued severance liability, current portion (Note 5)	67,292	102,708
Total current liabilities	1,316,291	1,056,321
NONCURRENT LIABILITIES		
Office furniture loan, net of current portion (Note 3)	29,562	-
Letter of credit loan (Note 3)	71,000	-
Deferred rent liability, net of current portion (Note 2)	102,177	-
Accrued severance liability, net of current portion (Note 5)	-	67,292
Total noncurrent liabilities	202,739	67,292
Total liabilities	1,519,030	1,123,613
NET ASSETS		
Unrestricted	1,084,321	490,714
TOTAL LIABILITIES AND NET ASSETS	**$ 2,603,351**	**$ 1,614,327**

See accompanying notes to consolidated financial statements.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	Unrestricted	
	2014	**2013**
SUPPORT AND REVENUE		
Grants:		
Grant Funded programs	$ 226,201	$ 899,674
Zunia	16,500	100,074
Contracts:		
Aid Management Program	1,976,684	2,270,729
dgMarket	483,320	702,506
AidData Research, including in-kind contributions of $1,085,695 in 2014 and $418,954 in 2013 (Note 1)	3,678,111	2,132,724
Client Research Projects	522,382	709,596
Currency gain (loss)	32,011	(21,782)
Other income (Note 2)	221,047	85,250
Total support and revenue	7,156,256	6,878,771
EXPENSES		
Program Services:		
Grants:		
Grant Funded Programs	76,933	265,134
Country Gateways	-	1,509
Zunia	5,549	53,801
Contracts:		
Aid Management Program	1,094,083	1,877,504
dgMarket	493,727	587,810
AidData Research, including in-kind contributions of $1,085,695 in 2014 and $418,954 in 2013 (Note 1)	3,030,736	1,591,479
Client Research Projects	265,450	270,082
Total program services	4,966,478	4,647,319
Supporting Services:		
Management and General	1,455,319	1,996,860
Fundraising	140,852	305,949
Total supporting services	1,596,171	2,302,809
Total expenses	6,562,649	6,950,128
Changes in net assets	593,607	(71,357)
Unrestricted net assets at beginning of year	490,714	562,071
UNRESTRICTED NET ASSETS AT END OF YEAR	**$ 1,084,321**	**$ 490,714**

See accompanying notes to consolidated financial statements.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services					
	Grant Funded Programs	Zunia	Aid Management Program	dgMarket	AidData Research	Client Research Projects
Salaries and related benefits (Note 6)	$ 14,330	$ 659	$ 234,936	$ 9,148	$ 776,243	$ 43,642
Printing and production	-	-	500	-	24,449	-
Professional fees	-	-	2,920	-	6,583	-
Occupancy (Note 2)	-	-	7,747	-	26,751	-
Accounting and audit	-	-	12,928	-	-	-
Insurance	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Telephone	-	-	1,209	10,149	2,129	-
Travel and entertainment	6,257	-	248,624	-	226,554	12,676
Consulting fees	38,602	4,890	541,420	424,322	701,288	208,538
Postage and delivery	-	-	1,167	-	752	574
Supplies	-	-	485	-	-	-
Subscriptions and publications	-	-	-	3,175	-	-
Meetings and conventions	-	-	-	-	4,179	-
Advertising and promotion	-	-	-	15,569	-	-
Bank fees	-	-	1,384	31,364	402	20
Interest expense	-	-	-	-	-	-
Equipment	17,744	-	40,763	-	175,711	-
Bad debt	-	-	-	-	-	-
In-kind software licenses (Note 1)	-	-	-	-	1,085,695	-
TOTAL	**$ 76,933**	**$ 5,549**	**$ 1,094,083**	**$ 493,727**	**$ 3,030,736**	**$ 265,450**

Total Program Services	Supporting Services: Management and General	Fundraising	Total Supporting Services	Total Expenses
$ 1,078,958	$ 411,876	$ 90,640	$ 502,516	$ 1,581,474
24,949	5,088	125	5,213	30,162
9,503	45,513	-	45,513	55,016
34,498	478,045	-	478,045	512,543
12,928	114,148	-	114,148	127,076
-	34,269	-	34,269	34,269
-	13,667	-	13,667	13,667
13,487	50,238	-	50,238	63,725
494,111	13,469	24,765	38,234	532,345
1,919,060	96,161	24,859	121,020	2,040,080
2,493	1,713	207	1,920	4,413
485	16,628	-	16,628	17,113
3,175	2,405	256	2,661	5,836
4,179	-	-	-	4,179
15,569	24	-	24	15,593
33,170	29,620	-	29,620	62,790
-	3,587	-	3,587	3,587
234,218	18,191	-	18,191	252,409
-	120,677	-	120,677	120,677
1,085,695	-	-	-	1,085,695
$ 4,966,478	**$ 1,455,319**	**$ 140,852**	**$ 1,596,171**	**$ 6,562,649**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services					
	Grant Funded Programs	Country Gateways	Zunia	Aid Management Program	dgMarket	AidData Research
Salaries and related benefits (Note 6)	$ 59,263	$ -	$ 9,343	$ 439,452	$ 38,874	$ 594,815
Printing and production	100	-	-	1,973	-	29,141
Professional fees	-	-	-	4,915	2,879	-
Occupancy (Note 2)	8,494	-	-	15,269	7,867	10,367
Accounting and audit	2,745	-	-	10,719	-	-
Insurance	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Telephone	172	-	-	17,444	37,936	3,089
Travel and entertainment	30,034	-	26	309,088	4,137	105,848
Consulting fees	162,614	1,509	44,432	944,353	464,823	382,515
Postage and delivery	-	-	-	522	-	-
Supplies	7	-	-	233	-	-
Subscriptions and publications	-	-	-	-	216	-
Meetings and conventions	805	-	-	43,630	-	300
Advertising and promotion	-	-	-	-	2,858	-
Bank fees	-	-	-	1,494	28,220	99
Equipment	900	-	-	63,412	-	46,351
Bad debt	-	-	-	25,000	-	-
In-kind software licenses (Note 1)	-	-	-	-	-	418,954
TOTAL	**$ 265,134**	**$ 1,509**	**$ 53,801**	**$ 1,877,504**	**$ 587,810**	**$ 1,591,479**

		Supporting Services			
Client Research Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
$ 117,045	$ 1,258,792	$ 861,516	$ 235,900	$ 1,097,416	$ 2,356,208
-	31,214	2,272	11	2,283	33,497
-	7,794	51,793	-	51,793	59,587
-	41,997	497,474	-	497,474	539,471
-	13,464	98,315	-	98,315	111,779
-	-	26,170	-	26,170	26,170
-	-	17,879	-	17,879	17,879
-	58,641	41,567	178	41,745	100,386
8,328	457,461	45,188	17,452	62,640	520,101
144,100	2,144,346	148,869	51,463	200,332	2,344,678
-	522	6,093	287	6,380	6,902
510	750	43,987	-	43,987	44,737
-	216	261	246	507	723
-	44,735	874	412	1,286	46,021
-	2,858	27,307	-	27,307	30,165
99	29,912	41,325	-	41,325	71,237
-	110,663	115,695	-	115,695	226,358
-	25,000	(29,725)	-	(29,725)	(4,725)
-	418,954	-	-	-	418,954
$ 270,082	**$ 4,647,319**	**$ 1,996,860**	**$ 305,949**	**$ 2,302,809**	**$ 6,950,128**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 593,607	$ (71,357)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	13,667	17,879
Change in allowance for doubtful accounts	113,829	-
(Increase) decrease in:		
Accounts and grants receivable	(763,325)	(57,953)
Prepaid expenses and other assets	86,091	(33,267)
Increase (decrease) in:		
Accounts payable and accrued liabilities	123,263	(60,874)
Deferred contract revenue	141,277	31,575
Deferred rent liability	43,365	(64,844)
Accrued severance liability	(102,708)	170,000
Net cash provided (used) by operating activities	249,066	(68,841)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(101,252)	-
Net cash used by investing activities	(101,252)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from office furniture loan	78,194	-
Repayment of office equipment loan	(6,569)	-
Proceeds from letter of credit loan	71,000	-
Proceeds from liquidity loan	95,190	-
Repayments on liquidity loan	(47,595)	-
Net cash provided by financing activities	190,220	-
Net increase (decrease) in cash and cash equivalents	338,034	(68,841)
Cash and cash equivalents at beginning of year	518,636	587,477
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 856,670**	**$ 518,636**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 3,587**	**$ -**

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

On November 5, 2009, the Development Gateway Foundation, Inc. changed its name to Development Gateway, Inc. The organization (referred to as DG) is a not-for-profit organization based in Washington, D.C. whose mission is to reduce poverty and enable change in developing nations through information technology.

DG provides all stakeholders of the development process (partner countries, development partners, civil society organizations, and private sector firms) with the information and knowledge they need to participate effectively in the process; this is accomplished via the following products and services:

1) the Aid Management Program (AMP) and AidData for aid effectiveness, greater transparency and better governance;

2) dgMarket, an online public procurement listing system;

3) Zunia for online knowledge sharing and collaboration by development practitioners worldwide; and

4) Country Gateways, a network of more than 30 locally managed social enterprises delivering Web-based services in support of national development objectives.

5) Client Research Projects (CRP) Activities: over the past several years, DG has focused on research and innovation under two pillars; the first is to improve the functionality and capabilities of existing tools and programs, and the second is to create innovative tools and programs to facilitate the effective and transparent use of resources for current and future clients. Under the first pillar, DG has improved AMP's capabilities and user experience; a new version of AMP (AMP 2.0) was released at the end of 2011, which included several innovations: a sleek new user interface; a new public portal; the capability of importing data using the International Aid Transparency Initiative (IATI) standard; an advanced GIS module; and new Dashboards. Progress has been made on the new Results Monitoring product/program code named “LeapFrog"; an “alpha” version of the software was presented at the annual workshop in Senegal in December 2012 with an explanation of the additional services DG will offer to over 20 countries. A new version of the software (2.10) was developed and will be presented to the 2014 annual workshop in Nepal. In addition, DG has modified dgMarket (www.dgmarket.com) to offer a more comprehensive solution (online bid management) and Development Gateway has revamped ZUNIA (www.zunia.org), the knowledge exchange platform. Under the second pillar, a group consisting of the College of William & Mary, Brigham Young University, the University of Texas at Austin, Development Gateway, and Esri formed the “AidData Development Center” and were awarded a 5 year grant by USAID in response to a tender (RFP) geared towards the formation of a Higher Education Solutions Network (HESN). The intent of the network is to leverage the power of US universities and technology to support USAID’s Research and Innovation efforts abroad.

DG used to provide grants for innovative information and communication technologies projects and programs, principally within the context of the Country Gateways Program. Grants to County Gateways have been discontinued and a number of Country Gateways have become self-sustaining social enterprises. DG also works with a network of associated research and training centers in several developing countries, where ideas can be exchanged and programs tested.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Development Gateway International (DGI) was established in Belgium in 2007 to further extend the intentions of DG and pursue collaborative opportunities with organizations and aid agencies in Europe. Based in Brussels, this office works primarily with European donors. DGI's objective is to work with European stakeholders to provide web-based platforms to make aid and development efforts more effective around the world. DGI plans to build relations with European stakeholders and participate in the international dialogue on development effectiveness. DGI recognizes that open source software, open standards and common systems offer scope for more affordable and sustainable solutions for developing countries. DGI will focus on areas where small investments in proven technologies and open source software can yield large returns.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation.*

Consolidated financial statements -

The accompanying consolidated financial statements reflect the activity of DG and DGI, collectively "the Organizations". The financial statements of the two organizations have been consolidated, as DG exercises significant influence with respect to DGI and both are under common control. All significant intercompany transactions have been eliminated in consolidation.

Cash and cash equivalents -

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, the Organizations maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

The Organizations maintain bank accounts in foreign countries which are largely uninsured. Total cash and cash equivalents held overseas was $3,414 and $262,760 as of June 30, 2014 and 2013, respectively.

Functional currency -

The Organizations incur transactions in U.S. Dollars, European Euros and CFA Francs (XOF). All amounts reported in the Statement of Financial Position have been translated to U.S. Dollars using published exchange rates in effect at June 30, 2014 and 2013. All amounts reported in the Consolidated Statements of Activities and Changes in Net Assets have been translated to U.S. Dollars using an average exchange rate calculated during the month incurred.

Accounts and grants receivable -

Accounts and grants receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fixed assets -

Fixed assets in excess of $3,000 are capitalized and stated at cost. Furniture, computers, and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Fixed assets purchased with Federal funds are expensed at the time of acquisition and charged against the respective Federal grant.

Income taxes -

DG is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. DG is not a private foundation. DGI is a non-taxable organization governed under the laws of Belgium.

Uncertain tax positions -

For the years ended June 30, 2014 and 2013, the Organizations have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

In-kind contributions and expenses -

In-kind contributions and expenses are recorded at fair value if they create or enhance a nonfinancial asset or require specialized skills that the provider possesses and that normally have to be purchased. The estimated fair value of these donations is reflected in the Consolidated Statements of Activities and Changes in Net Assets. For the years ended June 30, 2014 and 2013, the Organizations received donated short-term (less than on year) licenses for use of software in the amount of $1,085,695 and $418,954, respectively, that benefited the AidData program.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. There was no temporarily restricted net asset activity during the year or as of June 30, 2014 and 2013.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition -

The Organizations receive funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred or on a percentage of completion of project milestones (if a fixed price agreement). Contract funding received in advance of incurring the related expenses is recorded as deferred revenue in the accompanying Consolidated Statements of Financial Position.

Use of estimates -

The preparation of the consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. COMMITMENTS

The Organizations leased office space at 1889 F Street in Washington, D.C. under an agreement that expired March 31, 2014. During the fiscal year, the Organizations signed an agreement for new office space located at 1110 Vermont Avenue, NW, Washington, D.C. The lease commenced on April 1, 2014 and expires on July 31, 2024. The new lease agreement was signed in conjunction with another tenant (Global Integrity), and accordingly, the Organizations are only responsible for 50% of the terms, set forth in the agreement. Furthermore, as part of the new agreement, the tenants received nine (9) free months of rent for part of the leased space and twelve (12) months for another part of the leased space.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Consolidated Statements of Financial Position. As of June 30, 2014 and 2013, the deferred rent liability aggregated $102,177 and $58,812, respectively.

2. COMMITMENTS (Continued)

The Organizations' share of future minimum rental commitment under this lease is as follows:

Year Ending June 30,	
2015	$ 313,263
2016	801,678
2017	821,743
2018	842,315
2019	866,478
Thereafter	4,801,142
	$ 8,446,619

Occupancy expense for the years ended June 30, 2014 and 2013 totaled $512,543 and $539,471, respectively.

Additionally, the new lease agreement is structured with an "Office Sharing" clause so that up to 75% of the office space can be licensed for use to other occupants. Accordingly, the Organizations have 26 sublease agreements in place, which commenced on April 1, 2014 and expire on either March 31, 2015 or March 31, 2016.

The following is a schedule of the future minimum receipts under these agreements:

Year Ending June 30,	
2015	$ 220,808
2016	4,230
	$ 225,038

Licensing income for the years ended June 30, 2014 and 2013 was $220,124 and $82,511, respectively, and is included in Other Income on the accompanying Consolidated Statements of Activities and Changes in Net Assets.

The Organizations also lease office space in Belgium under a short-term agreement which can be terminated by providing 30-days notice.

3. OFFICE FURNITURE AND LETTER OF CREDIT

Upon signing the new lease agreement (as discussed in Note 2), the landlord required a security deposit of $194,316 due in the form of a letter of credit. The Organizations were responsible for $123,316 and the other tenant (Global Integrity) was responsible for the remaining $71,000. The entire letter of credit was established by the Organizations and is held in cash and cash equivalents in the accompanying Statements of Financial Position. The total liability of $71,000 as of June 30, 2014 will be due back to Global Integrity upon expiration of the lease agreement.

3. OFFICE FURNITURE AND LETTER OF CREDIT (Continued)

Furthermore, the tenants purchased office furniture for the new office space, with the costs of the new furnishings to be split equally between the Organizations and Global Integrity. The furniture has been obtained under a two year leasing arrangement with purchase for a nominal amount at the end of the lease period. Lease payments are split 50/50 between the Organizations and Global Integrity. Payments on the lease at 5% interest, were scheduled to be due in equal installments of $3,285 starting April 2014 through March 2016. An initial payment of $13,139 (covering April 2014, January 2016, February 2016 and March 2016) was made at purchase time and monthly payments of $3,285 afterward. The total liability under the office furniture loan totaled $71,624 as of June 30, 2014. During the year ended June 30, 2014, total interest paid aggregated $3,587.

4. LIQUIDITY LOAN

During 2014, the Organizations borrowed $95,190 from Global Integrity. The interest free loan is due in monthly installments of $15,865 beginning April 2014 through September 2014. As of June 30, 2014, the balance due Global Integrity aggregated $47,595.

5. SEVERANCE LIABILITY

On July 23, 2013, the Organizations entered into a severance agreement with a departed employee. Under the terms of the agreement, $170,000 is due in installments beginning August 15, 2013 and terminating on April 15, 2015. An initial payment of $24,792 was made on July 31, 2013, and the balance will be paid in 41 equal bi-monthly payments. As of June 30, 2014 and 2013, the total due under the agreement was $67,292 and $170,000, respectively.

6. RETIREMENT PLAN

The Organizations maintain a 403(b)(7) defined contribution retirement plan (the "Plan") for all their full-time employees. Under the terms of the Plan, the Organizations will make contributions to employee retirement accounts equivalent to 4% of an employee's annual compensation as defined in the Plan.

Employees are enrolled in the Plan at the time of hire and are immediately vested 100% in employer contributions made to their account. Employees may also elect to have a portion of their compensation contributed to the Plan on a pre-tax basis. Contributions to the Plan of $51,966 and $73,879 are included as expense in the accompanying Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, $10,638 and $18,842, respectively, of these expenses were accrued.

7. CONTINGENCY

The Organizations receives pass-through funding in the form of grants from the United States Agency for International Development. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

8. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through May 7, 2015, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2014

ASSETS

	DG	DGI	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 853,255	$ 3,415	$ -	$ 856,670
Grants and contracts receivable	1,369,085	263,851	(11,126)	1,621,810
Prepaid expenses and other assets	28,882	-	-	28,882
Total current assets	2,251,222	267,266	(11,126)	2,507,362
FIXED ASSETS				
Furniture	101,252	-	-	101,252
Computers and related equipment	53,436	-	-	53,436
Less: Accumulated depreciation	(58,699)	-	-	(58,699)
Net fixed assets	95,989	-	-	95,989
TOTAL ASSETS	**$ 2,347,211**	**$ 267,266**	**$ (11,126)**	**$ 2,603,351**

LIABILITIES AND NET ASSETS (DEFICIT)

	DG	DGI	Eliminations	Total
CURRENT LIABILITIES				
Office furniture loan, current portion	$ 42,062	$ -	$ -	$ 42,062
Liquidity loan	47,595	-	-	47,595
Accounts payable and accrued liabilities	229,451	130,998	(11,126)	349,323
Deferred contract revenue	258,466	551,553	-	810,019
Accrued severance liability, current portion	67,292	-	-	67,292
Total current liabilities	644,866	682,551	(11,126)	1,316,291
NONCURRENT LIABILITIES				
Office furniture loan, net of current portion	29,562	-	-	29,562
Letter of credit loan	71,000	-	-	71,000
Deferred rent liability, net of current portion	102,177	-	-	102,177
Total noncurrent liabilities	202,739	-	-	202,739
Total liabilities	847,605	682,551	(11,126)	1,519,030
NET ASSETS (DEFICIT) - Unrestricted	1,499,606	(415,285)	-	1,084,321
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	**$ 2,347,211**	**$ 267,266**	**$ (11,126)**	**$ 2,603,351**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	DG	DGI	Eliminations	Total
SUPPORT AND REVENUE				
Grants:				
Grant Funded programs	$ 91,190	$ 135,011	$ -	$ 226,201
Zunia	16,500	-	-	16,500
Contracts:				
Aid Management Program	1,795,144	181,540	-	1,976,684
dgMarket	208,015	275,305	-	483,320
AidData Research, including in-kind contributions of $1,085,695	3,678,111	-	-	3,678,111
Client Research Projects	275,845	246,537	-	522,382
Currency gain	-	32,011	-	32,011
Other income	221,047	-	-	221,047
Total support and revenue	6,285,852	870,404	-	7,156,256
EXPENSES				
Program Services:				
Grants:				
Grant Funded programs	45,661	31,272	-	76,933
Zunia	5,549	-	-	5,549
Contracts:				
Aid Management Program	882,365	211,718	-	1,094,083
dgMarket	218,424	275,303	-	493,727
AidData Research, including in-kind contributions of $1,085,695	2,962,217	68,519	-	3,030,736
Client Research Projects	216,895	48,555	-	265,450
Total program services	4,331,111	635,367	-	4,966,478
Supporting Services:				
Management and General	1,373,635	81,684	-	1,455,319
Fundraising	129,594	11,258	-	140,852
Total supporting services	1,503,229	92,942	-	1,596,171
Total expenses	5,834,340	728,309	-	6,562,649
Change in net assets	451,512	142,095	-	593,607
Net assets (deficit) at beginning of year	1,048,094	(557,380)	-	490,714
NET ASSETS (DEFICIT) AT END OF YEAR	**$ 1,499,606**	**$ (415,285)**	**$ -**	**$ 1,084,321**