

CONSOLIDATED FINANCIAL STATEMENTS



**DEVELOPMENT GATEWAY, INC.
AND AFFILIATE**

**FOR THE YEARS ENDED
JUNE 30, 2015 AND 2014**

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, 2015 and 2014, 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, 2015 and 2014, 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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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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 17 and the Consolidating Schedule of Activities and Change in Net Assets on page 18 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

December 22, 2015

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,808,833	\$ 856,670
Grants and contracts receivable, net of allowance for doubtful accounts of \$9,007 and \$113,829 in 2015 and 2014, respectively	860,534	1,621,810
Prepaid expenses and other assets	<u>66,658</u>	<u>28,882</u>
Total current assets	<u>2,736,025</u>	<u>2,507,362</u>
FIXED ASSETS		
Furniture (Note 3)	119,430	101,252
Computers and related equipment	<u>45,821</u>	<u>53,436</u>
	165,251	154,688
Less: Accumulated depreciation	<u>(72,952)</u>	<u>(58,699)</u>
Net fixed assets	<u>92,299</u>	<u>95,989</u>
TOTAL ASSETS	<u>\$ 2,828,324</u>	<u>\$ 2,603,351</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Office furniture loan, current portion (Note 3)	\$ 24,358	\$ 42,062
Liquidity loan (Note 4)	-	47,595
Accounts payable and accrued liabilities (Note 6)	337,439	349,323
Deferred contract and other revenue	897,279	810,019
Accrued severance liability, current portion (Note 5)	<u>-</u>	<u>67,292</u>
Total current liabilities	<u>1,259,076</u>	<u>1,316,291</u>
NONCURRENT LIABILITIES		
Office furniture loan, net of current portion (Note 3)	-	29,562
Letter of credit loan (Note 3)	71,000	71,000
Deferred rent liability (Note 2)	<u>354,253</u>	<u>102,177</u>
Total noncurrent liabilities	<u>425,253</u>	<u>202,739</u>
Total liabilities	<u>1,684,329</u>	<u>1,519,030</u>
NET ASSETS		
Unrestricted	<u>1,143,995</u>	<u>1,084,321</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,828,324</u>	<u>\$ 2,603,351</u>

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, 2015 AND 2014**

	<u>Unrestricted</u>	
	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUE		
Grants:		
Grant Funded programs	\$ 197,712	\$ 226,201
Zunia	13,566	16,500
Contracts:		
Aid Management Program	1,718,276	1,976,684
dgMarket	468,571	483,320
AidData Research, including in-kind contributions of \$879,817 in 2015 and \$1,085,695 in 2014 (Note 1)	2,917,098	3,678,111
Client Research Projects	986,701	522,382
Currency gain	44,425	32,011
Other income (Note 2)	<u>344,339</u>	<u>221,047</u>
Total support and revenue	<u>6,690,688</u>	<u>7,156,256</u>
EXPENSES		
Program Services:		
Grants:		
Grant Funded Programs	87,562	76,933
Zunia	7,347	5,549
Contracts:		
Aid Management Program	1,125,888	1,094,083
dgMarket	413,505	493,727
AidData Research, including in-kind contributions of \$879,817 in 2015 and \$1,085,695 in 2014 (Note 1)	2,523,745	3,030,736
Client Research Projects	<u>685,916</u>	<u>265,450</u>
Total program services	<u>4,843,963</u>	<u>4,966,478</u>
Supporting Services:		
Management and General	1,506,959	1,455,319
Fundraising	<u>280,092</u>	<u>140,852</u>
Total supporting services	<u>1,787,051</u>	<u>1,596,171</u>
Total expenses	<u>6,631,014</u>	<u>6,562,649</u>
Changes in net assets	59,674	593,607
Unrestricted net assets at beginning of year	<u>1,084,321</u>	<u>490,714</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 1,143,995</u>	<u>\$ 1,084,321</u>

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				
	Grant Funded Programs	Zunia	Aid Management Program	dgMarket	AidData Research
Salaries and related benefits (Note 6)	\$ 29,255	\$ 6,308	\$ 292,429	\$ 9,107	\$ 556,340
Printing and production	-	-	157	-	3,597
Professional fees	-	-	6,212	-	16,052
Occupancy (Note 2)	-	-	1,320	-	10,953
Accounting and audit	-	-	-	-	-
Insurance	-	-	-	-	-
Depreciation	-	-	-	-	-
Telephone	12	-	539	1,371	2,503
Travel and entertainment	11,764	-	160,730	55	159,373
Consulting fees	46,531	1,039	600,133	361,990	748,669
Postage and delivery	-	-	1,574	65	85
Supplies	-	-	-	-	-
Subscriptions and publications	-	-	-	-	-
Meetings and conventions	-	-	9,136	-	774
Advertising and promotion	-	-	-	17,583	-
Bank fees	-	-	3,417	19,663	660
Interest expense	-	-	-	-	-
Equipment	-	-	50,241	3,671	144,922
Bad debt (recovery)	-	-	-	-	-
In-kind software licenses (Note 1)	-	-	-	-	879,817
TOTAL	\$ 87,562	\$ 7,347	\$ 1,125,888	\$ 413,505	\$ 2,523,745

Client Research Projects	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
\$ 255,832	\$ 1,149,271	\$ 485,679	\$ 194,658	\$ 680,337	\$ 1,829,608
-	3,754	15,214	808	16,022	19,776
-	22,264	18,424	1,006	19,430	41,694
-	12,273	472,090	-	472,090	484,363
-	-	147,992	-	147,992	147,992
-	-	35,811	-	35,811	35,811
-	-	22,068	-	22,068	22,068
5,751	10,176	59,792	-	59,792	69,968
28,989	360,911	25,829	24,749	50,578	411,489
389,533	2,147,895	163,069	50,991	214,060	2,361,955
506	2,230	1,128	1,274	2,402	4,632
4,484	4,484	4,273	7	4,280	8,764
62	62	-	234	234	296
709	10,619	624	35	659	11,278
-	17,583	998	-	998	18,581
35	23,775	25,395	50	25,445	49,220
-	-	421	-	421	421
15	198,849	105,350	6,280	111,630	310,479
-	-	(77,198)	-	(77,198)	(77,198)
-	879,817	-	-	-	879,817
\$ 685,916	\$ 4,843,963	\$ 1,506,959	\$ 280,092	\$ 1,787,051	\$ 6,631,014

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
Salaries and related benefits (Note 6)	\$ 14,330	\$ 659	\$ 234,936	\$ 9,148	\$ 776,243
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
Consulting fees	38,602	4,890	541,420	424,322	701,288
Postage and delivery	-	-	1,167	-	752
Supplies	-	-	485	-	-
Subscriptions and publications	-	-	-	3,175	-
Meetings and conventions	-	-	-	-	4,179
Advertising and promotion	-	-	-	15,569	-
Bank fees	-	-	1,384	31,364	402
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

		Supporting Services				
Client Research Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
\$ 43,642	\$ 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	
12,676	494,111	13,469	24,765	38,234	532,345	
208,538	1,919,060	96,161	24,859	121,020	2,040,080	
574	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	
20	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	
-	<u>1,085,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,085,695</u>	
\$ 265,450	\$ 4,966,478	\$ 1,455,319	\$ 140,852	\$ 1,596,171	\$ 6,562,649	

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 59,674	\$ 593,607
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	22,068	13,667
Change in allowance for doubtful accounts	(104,822)	113,829
(Increase) decrease in:		
Accounts and grants receivable	866,098	(763,325)
Prepaid expenses and other assets	(37,776)	86,091
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,884)	123,263
Deferred contract and other revenue	87,260	141,277
Accrued severance liability	(67,292)	(102,708)
Deferred rent liability	<u>252,076</u>	<u>43,365</u>
Net cash provided by operating activities	<u>1,065,402</u>	<u>249,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(18,378)</u>	<u>(101,252)</u>
Net cash used by investing activities	<u>(18,378)</u>	<u>(101,252)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from office furniture loan	18,177	78,194
Repayment of office equipment loan	(65,443)	(6,569)
Proceeds from letter of credit loan	-	71,000
Proceeds from liquidity loan	-	95,190
Repayments on liquidity loan	<u>(47,595)</u>	<u>(47,595)</u>
Net cash (used) provided by financing activities	<u>(94,861)</u>	<u>190,220</u>
Net increase in cash and cash equivalents	952,163	338,034
Cash and cash equivalents at beginning of year	<u>856,670</u>	<u>518,636</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,808,833</u>	<u>\$ 856,670</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 421</u>	<u>\$ 3,587</u>

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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) 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; new versions of AMP are released regularly to include improvements and innovations such as: 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. DG has also 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 Country 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.

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.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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 \$77,209 and \$3,414 as of June 30, 2015 and 2014, 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, 2015 and 2014. 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.

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.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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, 2015 and 2014, 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, 2015 and 2014, the Organizations received donated short-term (less than one year) licenses for use of software in the amount of \$879,817 and \$1,085,695, 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, 2015 and 2014.

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.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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

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 rent office space (located at 1110 Vermont Avenue, NW, Washington, D.C.) under a lease which commenced on April 1, 2014 and is set to expire on July 31, 2024. The lease agreement was signed in conjunction with another tenant (Global Integrity), and accordingly, the Organizations are only responsible for 50% of the terms, as set forth in the agreement. Furthermore, as part of the 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, 2015 and 2014, the deferred rent liability aggregated \$354,253 and \$102,177, respectively.

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

<u>Year Ending June 30,</u>	
2016	\$ 801,678
2017	821,743
2018	842,315
2019	866,478
2020	897,400
Thereafter	<u>3,903,742</u>
	<u>\$ 8,133,356</u>

Occupancy expense for the years ended June 30, 2015 and 2014 totaled \$484,363 and \$512,543, respectively.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2015 AND 2014

2. COMMITMENTS (Continued)

Additionally, the 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 27 sublease agreements in place which commenced on April 1, 2014 and expire on March 31, 2016. Future minimum sublease revenue for year ended June 30, 2016 is expected to total \$278,610.

Licensing income for the years ended June 30, 2015 and 2014 was \$337,218 and \$220,124, respectively, and is included in Other Income in 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. At the end of Year 2 (March 31, 2016) and Year 3 (March 31, 2017) of the lease, Development Gateway and Global Integrity will receive one third of their initial contributions to the Letter Of Credit \$41,105.17 and \$23,666.67 respectively. The Letter Of Credit new balance will be \$129,543.66 and \$64,771.82 after Year 2 and Year 3 respectively. Global Integrity's initial contribution to the Letter Of Credit of \$71,000 will be reduced to \$47,333.33 at the end of Year 2 and \$23,666.67 from Year 4 to the end of the lease, which will be the amount due by Development Gateway to Global Integrity at the end of the lease.

Furthermore, during the year ended June 30, 2014, 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.

During 2015, the tenants purchased additional office furniture for the office space, under the same cost sharing conditions as in previous year. The furniture purchased during the year however was obtained under a one year leasing agreement 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 bear 8.5% interest, due in equal installments of \$1,550 starting January 2015 through December 2015. An initial payment of \$4,650 (covering October 2015, November 2015 and December 2015) was made at purchase time and monthly payments of \$1,550 afterwards.

The total liability under the office furniture loan totaled \$24,358 and \$71,624 as of June 30, 2015 and 2014 respectively. During the year ended June 30, 2015 and 2014, total interest expense aggregated \$421 and \$3,587 respectively.

4. LIQUIDITY LOAN

During the year ended June 30, 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, and was paid off in full during the fiscal year ended June 30, 2015 (the balance due as of June 30, 2014 aggregated \$47,595).

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

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 was 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 was paid in 41 equal bi-monthly payments. As of June 30, 2014, the total due under the agreement was \$67,292; the balance was paid in full as of June 30, 2015.

6. RETIREMENT PLAN

The Organizations maintain a 403(b)(7) defined contribution retirement plan (the "Plan") for all full-time employees. Under the terms of the Plan, the Organizations contribute the equivalent of 4% of the employee's annual compensation to each employee retirement account. 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 \$59,942 and \$51,966 (June 30, 2015 and 2014, respectively) are included in Salaries and Related Benefits expense in the accompanying Consolidated Statements of Activities and Changes in Net Assets. At June 30, 2015 and 2014, \$13,164 and \$10,638, respectively, of such expenses were accrued in Accounts Payable and Accrued Liabilities in the accompanying Consolidated Statements of Financial Position.

7. CONTINGENCY

The Organizations receive United States Agency for International Development (USAID) funding from a non-governmental pass-through entity, and accordingly, such funds are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under Federal awards is based upon the allowance of costs reported to and accepted by the United States Government (and the pass-through entity) 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 2015; until such audits have been accepted by the United States Government (and the pass-through entity), there exists a contingency to refund any amounts 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 December 22, 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, 2015

ASSETS				
	DG	DGI	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,731,624	\$ 77,209	\$ -	\$ 1,808,833
Grants and contracts receivable	1,012,039	13,637	(165,142)	860,534
Prepaid expenses and other assets	65,798	860	-	66,658
Total current assets	<u>2,809,461</u>	<u>91,706</u>	<u>(165,142)</u>	<u>2,736,025</u>
FIXED ASSETS				
Furniture	119,430	-	-	119,430
Computers and related equipment	45,821	-	-	45,821
Less: Accumulated depreciation	<u>165,251</u>	<u>-</u>	<u>-</u>	<u>165,251</u>
	(72,952)	-	-	(72,952)
Net fixed assets	<u>92,299</u>	<u>-</u>	<u>-</u>	<u>92,299</u>
TOTAL ASSETS	<u>\$ 2,901,760</u>	<u>\$ 91,706</u>	<u>\$ (165,142)</u>	<u>\$ 2,828,324</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
	DG	DGI	Eliminations	Total
CURRENT LIABILITIES				
Office furniture loan, current portion	\$ 24,358	\$ -	\$ -	\$ 24,358
Accounts payable and accrued liabilities	310,510	192,071	(165,142)	337,439
Deferred contract and other revenue	742,877	154,402	-	897,279
Total current liabilities	<u>1,077,745</u>	<u>346,473</u>	<u>(165,142)</u>	<u>1,259,076</u>
NONCURRENT LIABILITIES				
Letter of credit loan	71,000	-	-	71,000
Deferred rent liability	354,253	-	-	354,253
Total noncurrent liabilities	<u>425,253</u>	<u>-</u>	<u>-</u>	<u>425,253</u>
Total liabilities	<u>1,502,998</u>	<u>346,473</u>	<u>(165,142)</u>	<u>1,684,329</u>
NET ASSETS (DEFICIT) - Unrestricted	<u>1,398,762</u>	<u>(254,767)</u>	<u>-</u>	<u>1,143,995</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,901,760</u>	<u>\$ 91,706</u>	<u>\$ (165,142)</u>	<u>\$ 2,828,324</u>

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>DG</u>	<u>DGI</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants:				
Grant Funded programs	\$ -	\$ 197,712	\$ -	\$ 197,712
Zunia	13,566	-	-	13,566
Contracts:				
Aid Management Program	1,456,380	261,896	-	1,718,276
dgMarket	318,069	150,502	-	468,571
AidData Research, including in-kind contributions of \$879,817	2,917,098	-	-	2,917,098
Client Research Projects	949,446	37,255	-	986,701
Currency (loss) gain	(3,095)	47,520	-	44,425
Other income	344,339	-	-	344,339
	<u>5,995,803</u>	<u>694,885</u>	<u>-</u>	<u>6,690,688</u>
EXPENSES				
Program Services:				
Grants:				
Grant Funded programs	75,594	11,968	-	87,562
Zunia	7,268	79	-	7,347
Contracts:				
Aid Management Program	992,506	133,382	-	1,125,888
dgMarket	198,833	214,672	-	413,505
AidData Research, including in-kind contributions of \$879,817	2,490,171	33,574	-	2,523,745
Client Research Projects	660,976	24,940	-	685,916
	<u>4,425,348</u>	<u>418,615</u>	<u>-</u>	<u>4,843,963</u>
Supporting Services:				
Management and General	1,411,375	95,584	-	1,506,959
Fundraising	259,924	20,168	-	280,092
	<u>1,671,299</u>	<u>115,752</u>	<u>-</u>	<u>1,787,051</u>
	<u>6,096,647</u>	<u>534,367</u>	<u>-</u>	<u>6,631,014</u>
Change in net assets	(100,844)	160,518	-	59,674
Net assets (deficit) at beginning of year	1,499,606	(415,285)	-	1,084,321
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 1,398,762</u>	<u>\$ (254,767)</u>	<u>\$ -</u>	<u>\$ 1,143,995</u>