DEVELOPMENT GATEWAY, INC.

Washington, D.C.

FINANCIAL STATEMENTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Development Gateway, Inc., (DG), which comprise of the statement of financial position as of June 30, 2018, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit considers internal control relevant to Development Gateway's preparation and fair presentation of the financial statements in order to design audit procedures that area appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Development Gateway'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Gateway as of June 30, 2018, and the changes in net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of Development Gateway, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Development Gateway's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 15, 2018

DEVELOPMENT GATEWAY, INC.

Statement of Financial Position
June 30, 2018

Assets	
Current Assets	
Cash and cash equivalents	$ 347,053
Grants and contracts receivable, net of allowance for doubtful accounts of $44,277	1,178,735
Accounts receivable	183,804
Prepaid expenses and other assets	96,190
Total current assets	1,805,782
Noncurrent Assets,	
accounts receivable, net of current portion	80,000
Total assets	$ 1,885,782
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued liabilities	489,827
Letter of credit loan	23,667
Deferred grants and contracts revenue	97,828
Deferred rent liability, current portion	17,845
Total current liabilities	629,167
Noncurrent Liabilities	
Letter of credit loan	23,666
Deferred rent liability	200,233
Total noncurrent liabilities	223,899
Total liabilities	853,066
Net Assets	
Unrestricted	103,032
Temporarily restricted	929,684
Total net assets	1,032,716
Total liabilities and net assets	$ 1,885,782

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Grants and contracts	$ 3,754,414	$ 543,311	$ 4,297,725
Rental income	22,755	- -	22,755
Other income	13,897	- -	13,897
Net assets released from restrictions	1,314,432	(1,314,432)	- -
Total support and revenue	5,105,498	(771,121)	4,334,377
Expenses			
Program Services:			
USAID	1,035,199	- -	1,035,199
Aid Management Program (AMP)	569,836	- -	569,836
dgMarket	18,054	- -	18,054
Client Research Projects (CRP)	1,377,812	- -	1,377,812
FBL	145,435	- -	145,435
Grant Funded Programs	1,124,078	- -	1,124,078
Total program services	4,270,414	- -	4,270,414
Supporting Services:			
Management and General	1,391,146	- -	1,391,146
Fundraising	264,192	- -	264,192
Total supporting services	1,655,338	- -	1,655,338
Total expenses	5,925,752	- -	5,925,752
Changes in net assets	(820,254)	(771,121)	(1,591,375)
Net assets, beginning of year	923,286	1,700,805	2,624,091
Net assets, end of year	$ 103,032	$ 929,684	$ 1,032,716

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows from Operating Activities	
Changes in net assets	$ (1,591,375)
Adjustments to reconcile changes in net assets in net cash (used in) operating activities:	
(Increase) decrease in:	
Grants and contracts receivable	531,537
Accounts receivable	38,363
Note receivable	50,000
Prepaid expenses and other assets	836
Increase (decrease) in:	
Accounts payable and accrued liabilities	61,249
Deferred grants and contracts revenue	(1,007)
Deferred rent liability	(26,950)
Net cash (used in) operating activities	(937,347)
Cash Flows from Financing Activities, payments on loan payable	(23,667)
Net change in cash and cash equivalents	(961,014)
Cash and Cash Equivalents, beginning of year	1,308,067
Cash and Cash Equivalents, end of year	$ 347,053

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies and General Information

Organization

Development Gateway, Inc. (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) Client Research Projects (CRP) Activities: over the past several years, DG has focused on research and innovation under three pillars; the *first* is to improve the functionality and capabilities of existing tools and programs, the *second* is to create innovative tools and programs to facilitate the effective and transparent use of resources for current and future clients; and the *third* is to do applied research on the use of data for decision making at all levels. 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. 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 five-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. Under the third pillar, DG has been conducting applied research funded by the Bill and Melinda Gates Foundation (The Results Data Initiative) that analyzes the use of results data by all levels of decision makers with a view to facilitate evidence based decision-making and adaptive management.

DG also works with a network of associated research and training centers in several developing countries, where ideas can be exchanged and programs tested.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting.

Cash and Cash Equivalents

DG considers 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, DG may maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal. DG has not experienced any losses on its accounts.

Functional Currency

DG incurs transactions in foreign currencies. All amounts reported in the financials have been translated to U.S. Dollars using the exchange rate at the time of the transaction. Any exchange rate gains and losses are included in grants and contracts revenue in the accompanying Statement of Activities. The U.S. Dollar is considered to be the functional and reporting current of DG.

Receivables

Receivables 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/donor. As of June 30, 2018, there was an allowance for doubtful accounts of $44,277.

Income Taxes

DG is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code; additionally, DG is not a private foundation. As such, DG is taxed only on its net unrelated business income. No provision for income taxes has been made in the accompanying financial statements for the year ended June 30, 2018, as there was no net unrelated business income.

Uncertain Tax Positions

For the year ended June 30, 2018, DG has documented their consideration of FASB ASC 740-10, *Income Taxes,* that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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 accompanying Statement of Activities. For the year ended June 30, 2018, in-kind contributions amounted to $344,474.

Net Asset Classification

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

- **Unrestricted net assets** include unrestricted revenue and grants received without donor-imposed restrictions. These net assets are available for the operation of DG.

- **Temporarily restricted net assets** includes revenue and grants subject to donor-imposed stipulations that will be met by the actions of DG and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statement of Activities as net assets released from restrictions.

Revenue Recognition

Unrestricted and temporarily restricted grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying Statement of Financial Position.

DG receives 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 Statement of Financial Position.

Use of Estimates

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 at the date of the 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 accompanying Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for DG for its year ended June 30, 2021. Early adoption is permitted. DG is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by DG for its year ended June 30, 2020. ASU 2018-08 is effective for contributions made, if applicable, by DG for its year ended June 30, 2021. Early adoption is permitted. DG is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for DG for its year ended June 30, 2020. DG is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for DG for its year ended June 30, 2019. Early adoption is permitted. DG is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

Note 2. Commitments

DG rents 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 (referred to as "co-tenant").

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 accompanying Statement of Financial Position. As of June 30, 2018, the deferred rent liability aggregated $218,078.

The following is a schedule of the future minimum payments:

Year Ending June 30,	
2019	$ 240,135
2020	248,635
2021	254,851
2022	261,222
2023	267,753
Thereafter	297,744
	$ 1,570,340

Occupancy expense, as recognized in the Statement of Activities, for the year ended June 30, 2018, totaled $225,553.

DG also leases office space in Kenya under a short-term agreement which can be terminated by providing 30-days' notice (therefore, any future lease payments are not included in the table above.)

Note 3. Letter of Credit

Upon signing the 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. DG was responsible for $123,316 and the co-tenant was responsible for the remaining $71,000 (initial contribution). The entire letter of credit was established by DG and is held in cash and cash equivalents in the accompanying Statement of Financial Position.

The tenants shall deliver to landlord a consent to an amendment to the letter of credit reducing the amount of the letter of credit. On August 18, 2017, the landlord accepted an amendment to the letter of credit. As of June 30, 2018, the balance of the letter of credit is $129,544.

DG is responsible for paying the co-tenant their initial contribution to the letter of credit. Remaining amount due by DG to the co-tenant is $47,333 as of June 30, 2018.

Note 4. Retirement Plan

DG maintains a 403(b)(7) defined contribution retirement plan (the "Plan") for all-full-time employees.

Under the terms of the Plan, DG contributes 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.

During the year ended June 30, 2018, contributions to the Plan totaled $72,477, and were included in salaries and related benefits expense in the accompanying Statement of Functional Expenses. As of June 30, 2018, $17,125, of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position.

Note 5. Contingency

DG receives awards from various agencies of the United States Government. Such awards are subject to audit under the provisions of Title 2 *U.S. Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The ultimate determination of amounts received under the United States Government awards 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 applicable provisions have been completed for all required fiscal years through 2017. 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.

Note 6. AidData Trademark Assignment Receivable

Since 2009, DG and The College of William & Mary ("W&M") jointly owned all rights, title and interest, including joint copyright, in and to the software created, produced or developed, including computer programs in machine readable code and source code form, database, and related documentation and materials and the AidData name and trademarks, together with all registrations and applications and all associated goodwill, collectively referred to as "Marks".

On December 2, 2015, an agreement of termination and transfer of Marks was executed between DG and W&M, in which W&M because the exclusive owner of the Marks. W&M agreed to compensate DG for a total of $400,000, payable in five equal annual installments of $80,000 (beginning in fiscal year 2016). As of June 30, 2018, a balance of $240,000 was due from W&M, and accordingly such amount is included in accounts receivable in the accompanying Statement of Financial Position.

Note 7. Collaborative Arrangement

In 2012, DG and another nonprofit established OpenGov Hub (OGH), which is governed and supported by an MOU between the two parties. The purpose of OGH is to serve as a center for collaboration, learning and innovation on issues related to promoting open government reforms and to house the organizations that pursue these causes. Under the MOU, both parties equally share in the profits and losses of OGH, as well as the related financial obligations. Transactions related to OGH are recorded in accordance with Accounting for Collaborative Agreements (FASB ASC 808 "Collaborative Arrangements"). Under such guidance, DG is interpreted to be the "secondary" party and the other nonprofit is interpreted to be the "principal" in the arrangement. Accordingly, DG only records OGH transactions to the extent of the net profit (loss) due at the end of each fiscal year.

As of June 30, 2018, accounts receivable in the accompanying Statement of Financial Position includes an amount of $20,393 due from the other nonprofit. The accompanying Statement of Activities includes rental income in the amount of $22,755 for the year ended June 30, 2018 as a result of the arrangement mentioned above.

Note 8. Subsequent Events

In preparing these financial statements, DG has evaluated events and transactions for potential recognition or disclosure through November 15, 2018, the date the financial statements were issued. There were no subsequent events identified that are required to be recognized or disclosed in these financial statements.

DEVELOPMENT GATEWAY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services							Supporting Services			
	USAID	AMP	dgMarket	CRP	FBL	Grant Funded Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and related benefits	$ 249,946	$ 78,478	$ 876	$ 346,162	$ 34,838	$ 529,954	$ 1,240,254	$ 618,853	$ 167,569	$ 786,422	$ 2,026,676
Printing and shipping	217	1,660	- -	147	- -	430	2,454	6,604	1,578	8,182	10,636
Subcontracted services	- -	- -	- -	293,818	- -	228,062	521,880	- -	- -	- -	521,880
Occupancy	- -	- -	- -	- -	- -	- -	- -	225,553	- -	225,553	225,553
Accounting and audit	- -	- -	- -	- -	- -	- -	- -	92,618	- -	92,618	92,618
Legal fees	- -	- -	- -	- -	10,954	- -	10,954	20,170	3,000	23,170	34,124
Corporate insurance	- -	- -	- -	- -	- -	- -	- -	61,045	- -	61,045	61,045
Telephone and internet	10	2,760	- -	20	640	- -	3,430	13,115	- -	13,115	16,545
Travel	92,968	69,075	- -	89,604	5,158	188,672	445,477	34,616	25,631	60,247	505,724
Contracted services	304,510	296,178	16,918	616,219	80,588	163,607	1,478,020	133,089	62,888	195,977	1,673,997
Office supplies	18,499	2,645	- -	150	1,153	740	23,187	3,560	336	3,896	27,083
Staff recruitment and awards	- -	- -	- -	- -	190	399	589	14,481	- -	14,481	15,070
Training, meetings and conferences	1,875	- -	- -	3,829	5,136	11,711	22,551	4,031	308	4,339	26,890
Marketing and management fees	- -	- -	- -	- -	200	- -	200	1,080	- -	1,080	1,280
Other and fees	- -	1,017	260	10,330	1,560	383	13,550	18,410	2,882	21,292	34,842
Information technology	22,700	905	- -	893	5,018	120	29,636	54,220	- -	54,220	83,856
Bad debt	- -	117,118	- -	16,640	- -	- -	133,758	89,701	- -	89,701	223,459
In-kind	344,474	- -	- -	- -	- -	- -	344,474	- -	- -	- -	344,474
Total	$ 1,035,199	$ 569,836	$ 18,054	$ 1,377,812	$ 145,435	$ 1,124,078	$ 4,270,414	$ 1,391,146	$ 264,192	$ 1,655,338	$ 5,925,752

See Notes to Financial Statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Development Gateway, Inc. (DG), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DG's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DG's internal control. Accordingly, we do not express an opinion on the effectiveness of DG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of DG's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of DG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 15, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Development Gateway, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the DGs' major federal programs for the year ended June 30, 2018. DG's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of DG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit opinion provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of DG's compliance.

Opinion on Each Major Federal Program

In our opinion, DG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of DG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing out audit if compliance, we considered DG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DG's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
November 15, 2018

DEVELOPMENT GATEWAY, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor	Federal CFDA Number	Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
United States Agency for International Development - Foreign Assistance for Programs Overseas				
Passed through The College of William and Mary:				
Where the Money Goes: Mapping Aid for Better Impact	98.001	740681-A	$ - -	$ 573,718
Haiti Buy-In	98.001	741719-E	- -	137,086
Cote d'Ivoire PEPFAR GIS Innovation Project	98.001	741717-C	- -	187,139
Subtotal CFDA 98.001			- -	897,943
Department of Defense - Basic Scientific Research				
Passed through The University of Texas:				
Program on Complex Emergencies and Political Stability in Asia	12.431	UTA14-000976	- -	4,025
Department of Defense - Basic and Applied Scientific Research				
Passed through The University of Maryland:				
Aiding Resilience? The Impact of Foreign Assistance on the Dynamics of Intrastate Armed Conflict	12.300	18172- Z8153003	- -	41,441
Millennium Challenge Corporation - Foreign Assistance for Programs Overseas				
Data for Youth Services Collaborative (DYSC) Project in Cote d'Ivoire	85.002	N/A	- -	124,506
Total Expenditures of Federal Awards			$ - -	$ 1,067,915

See Notes to Schedule of Expenditures of Federal Awards.

DEVELOPMENT GATEWAY, INC.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of DG under programs of the Federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of DG, it is not intended to and does not present the financial position, changes in net assets or cash flows of DG.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal program revenue	$ 1,067,915
Plus: nonfederal program revenue	3,229,810
Grants and contracts per Statement of Activities	$ 4,297,725

Note 4. Indirect Cost Rate

Development Gateway, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

DEVELOPMENT GATEWAY, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	**Unmodified**			
Internal control over financial reporting:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None Reported
Noncompliance material to financial statements noted?	_____	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	_____	Yes	X	No
• Significant deficiency(ies) identified?	_____	Yes	X	None Reported
Type of auditor's report issued on compliance for major federal programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
98.001	United States Agency for International Development - Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and B programs	$750,000			
Auditee qualified as a low-risk auditee?	_____	Yes	X	No

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

None.

Section III – Findings and Questioned Costs for Federal Awards

None.

Section IV – Summary Schedule of Prior Audit Findings

None.