DEVELOPMENT GATEWAY, INC.

AUDIT REPORT

FINANCIAL AND FEDERAL AWARD COMPLIANCE EXAMINATION

FOR THE YEAR ENDED JUNE 30, 2017

DEVELOPMENT GATEWAY, INC.

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CONSOLIDATED FINANCIAL STATEMENTS

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FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Development Gateway, Inc. and Affiliate, collectively "the Organizations", which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statement of activities and changes in net assets, consolidated functional expenses and consolidated statement of cash flows for the year 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 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 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, 2017, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page I-18 and the Consolidating Schedule of Activities and Change in Net Assets on page I-19 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Schedule of Development Gateway, Inc.'s Expenditures of Federal Awards on pages I-20, as required by *Title 2 U.S. Code of Federal Regulations (CFR) 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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 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 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 on internal control 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, Inc.'s internal control over financial reporting and compliance.

Gelman Rozenberg & Freedman

December 1, 2017

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,308,067
Note receivable	50,000
Grants and contracts receivable	1,710,272
Accounts receivable	142,167
Prepaid expenses and other assets	97,026
Total current assets	3,307,532
NONCURRENT ASSETS	
Accounts receivable, net of current portion	160,000
TOTAL ASSETS	**$ 3,467,532**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Letter of credit loan	$ 47,333
Accounts payable and accrued liabilities	428,578
Deferred contract revenue	98,835
Deferred rent liability	12,029
Total current liabilities	586,775
NONCURRENT LIABILITIES	
Letter of credit loan, net of current portion	23,667
Deferred rent liability, net of current portion	232,999
Total noncurrent liabilities	256,666
Total liabilities	843,441
NET ASSETS	
Unrestricted	923,286
Temporarily restricted	1,700,805
Total net assets	2,624,091
TOTAL LIABILITIES AND NET ASSETS	**$ 3,467,532**

See accompanying notes to consolidated financial statements.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contracts:			
Grant Funded Programs	$ 31,160	$ -	$ 31,160
Client Research Projects	-	2,099,367	2,099,367
Aid Management Program	770,932	-	770,932
dgMarket	301,578	-	301,578
AidData Research, including in-kind contributions of $912,543	1,822,692	-	1,822,692
Client Research Projects	1,513,761	-	1,513,761
Rental income	45,986	-	45,986
Currency loss	(40,471)	-	(40,471)
Other income	45,311	-	45,311
Net assets released from donor restrictions	956,412	(956,412)	-
Total support and revenue	5,447,361	1,142,955	6,590,316
EXPENSES			
Program Services:			
Grant Funded Programs	10,168	-	10,168
Zunia	6,917	-	6,917
Aid Management Program	537,318	-	537,318
dgMarket	211,089	-	211,089
AidData Research, including in-kind contributions of $912,543	1,615,464	-	1,615,464
Client Research Projects	1,931,637	-	1,931,637
Total program services	4,312,593	-	4,312,593
Supporting Services:			
Management and General	1,816,937	-	1,816,937
Fundraising	438,309	-	438,309
Total supporting services	2,255,246	-	2,255,246
Total expenses	6,567,839	-	6,567,839
Changes in net assets before other item	(1,120,478)	1,142,955	22,477
OTHER ITEM			
Sale and transfer of dgMarket	400,000	-	400,000
Changes in net assets	(720,478)	1,142,955	422,477
Net assets at beginning of year, as restated	1,643,764	557,850	2,201,614
NET ASSETS AT END OF YEAR	**$ 923,286**	**$ 1,700,805**	**$ 2,624,091**

See accompanying notes to consolidated financial statements.

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services				
	Grant Funded Programs	Zunia	Aid Management Program	dgMarket	AidData Research
Salaries and related benefits	$ 3,790	$ 1,039	$ 71,774	$ 28,167	$ 308,949
Printing and production	-	-	-	-	-
Professional fees	-	-	-	-	-
Occupancy	-	-	-	-	-
Accounting and audit	-	-	-	-	-
Insurance	-	-	-	-	-
Telephone	-	-	10	-	70
Travel and entertainment	2,109	-	49,258	-	89,793
Consulting fees	4,269	5,866	390,542	171,544	259,592
Postage and delivery	-	-	227	104	508
Supplies	-	-	1,448	-	54
Subscriptions and publications	-	-	-	-	-
Training, meetings and conferences	-	-	13,161	-	19,046
Marketing	-	-	-	5,037	212
Bank fees	-	-	9,465	5,765	15
Equipment, software and IT	-	12	1,433	472	24,682
In-kind	-	-	-	-	912,543
TOTAL	**$ 10,168**	**$ 6,917**	**$ 537,318**	**$ 211,089**	**$ 1,615,464**

Client Research Projects	Total Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
$ 584,642	$ 998,361	$ 920,579	$ 305,097	$ 1,225,676	$ 2,224,037
8,163	8,163	7,029	732	7,761	15,924
7,154	7,154	65,831	-	65,831	72,985
-	-	265,095	-	265,095	265,095
-	-	122,155	-	122,155	122,155
-	-	63,056	-	63,056	63,056
1,696	1,776	15,338	36	15,374	17,150
203,558	344,718	60,721	49,386	110,107	454,825
1,058,475	1,890,288	177,491	73,414	250,905	2,141,193
596	1,435	696	574	1,270	2,705
5,394	6,896	22,389	246	22,635	29,531
-	-	31	2,175	2,206	2,206
37,934	70,141	5,042	4,712	9,754	79,895
350	5,599	1,062	3,536	4,598	10,197
75	15,320	21,114	-	21,114	36,434
23,600	50,199	69,308	(1,599)	67,709	117,908
-	912,543	-	-	-	912,543
$ 1,931,637	$ 4,312,593	$ 1,816,937	$ 438,309	$ 2,255,246	$ 6,567,839

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ 422,477
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
(Increase) decrease in:	
Grants and contracts receivable	(816,543)
Accounts receivable	280,382
Note receivable	(50,000)
Prepaid expenses and other assets	(6,094)
Increase (decrease) in:	
Accounts payable and accrued liabilities	45,698
Deferred contract revenue	(100,948)
Deferred rent liability	(2,542)
Net cash used by operating activities	(227,570)
Net decrease in cash and cash equivalents	(227,570)
Cash and cash equivalents at beginning of year	1,535,637
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 1,308,067**

See accompanying notes to consolidated financial statements.

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) 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 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. 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 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.

Development Gateway International (referred to as 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.

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

Organization (continued) -

DGl'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 builds relations with European stakeholders and participates 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 focuses on areas where small investments in proven technologies and open source software can yield large returns.

On April 18, 2016, the Board of Directors of DGI commenced an investigation related to the possible dissolution and closure of the Brussels office. During the year ended June 30, 2017, a formal vote to dissolve the corporation was concluded. As a result the office lease was terminated, and subsequent to year-end DGI was dissolved.

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.

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, 2017. All amounts reported in the accompanying Consolidated Statement of Activities and Changes in Net Assets have been translated to U.S. Dollars using an average exchange rate calculated during the month incurred.

Receivables -

Receivables are recorded at their net realizable value, which approximates fair value.

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

Receivables (continued) -

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, 2017, there was no allowance for doubtful accounts as management was of the opinion that all receivables are deemed fully collectible.

Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contracts revenue.

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. DGI is a non-taxable organization governed under the laws of Belgium. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the year ended June 30, 2017, the Organizations have 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 consolidated 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 Consolidated Statement of Activities and Changes in Net Assets. For the year ended June 30, 2017, the Organizations received donated time and short-term (less than one year) licenses for use of software in the amount of $912,543 that benefited the AidData Research 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.

- **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 Statement of Activities and Changes in Net Assets as net assets released from restrictions.

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

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 the 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 Consolidated Statement of Financial Position.

The Organizations receive funding under awards from the U.S. and foreign governments, international organizations and other donors 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 awards are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the award agreements.

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred or on 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 contract revenue in the accompanying Consolidated Statement of Financial Position.

During the year ended June 30, 2017, certain award agreements previously treated as contracts (acquisition transactions) were determined to be assistance transactions. Accordingly, the temporarily restricted net assets balance as of the beginning of the fiscal year were restated and increased by $557,850 (to properly reflect unearned assistance received as of that date).

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 accompanying Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncement not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958) (ASU 2016-14), intended to improve financial reporting for not-for-profit entities. ASU 2016-14 will reduce the current three classes of net assets into two: with and without donor restrictions.

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

New accounting pronouncement not yet adopted (continued) -

The change in each of the classes of net assets must be reported on the Consolidated Statement of Activities and Changes in Net Assets. ASU 2016-14 also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. ASU 2016-14 is effective for years beginning after December 15, 2017. Early adoption is permitted. ASU 2016-14 should be applied on a retrospective basis in the year ASU 2016-14 is first applied. While ASU 2016-14 will change the presentation of the Organizations' consolidated financial statements, it is not expected to alter the Organizations' reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). ASU 2014-09 establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year ASU 2014-09 is first applied. The Organizations plan to adopt ASU 2014-09 at the required implementation date.

In 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (Topic 842) (ASU 2016-02). ASU 2016-02 changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. ASU 2016-02 should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Organizations plan to adopt ASU 2016-02 at the required implementation date.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017:

Client Research Projects	**$ 1,700,805**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Client Research Projects	**$ 956,412**

3. 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 entered into 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 Consolidated Statement of Financial Position. As of June 30, 2017, the deferred rent liability aggregated $245,028.

The following is a schedule of the future minimum payments:

Year Ending June 30,	
2018	$ 284,113
2019	291,215
2020	298,496
2021	305,958
2022	313,607
Thereafter	678,900
	$ 2,172,289

Occupancy expense (including related costs), as recognized in the Consolidated Statement of Activities and Changes in Net Assets, for the year ended June 30, 2017 totaled $265,095.

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

4. LETTER OF CREDIT

Upon entering into the lease agreement (as discussed in Note 3), 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 co-tenant 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 Consolidated 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. At the end of Year 2 (June 30, 2017) and Year 3 (June 30, 2018) of the lease, the Organizations and the co-tenant will receive one third of their initial contributions to the letter of credit $41,105 and $23,667, respectively; accordingly, the balance will become $129,544 and $64,772 after Year 2 and Year 3, respectively. The co-tenant’s initial contribution to the letter of credit ($71,000) will be reduced to $47,333 at the end of Year 2 and $23,666 from Year 3 to the end of the lease, and that amount will be due by the Organizations to the co-tenant (at the end of the lease). On August 18, 2017, the landlord accepted the amendment to the letter of credit. Therefore, as of June 30, 2017, one third of the Organizations and the co-tenant's initial contributions to the letter of credit has not yet been distributed.

5. 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.

For the year ended June 30, 2017, contributions to the Plan totaled $60,027, and were included in salaries and related benefits expense in the accompanying Consolidated Statements of Functional Expenses. As of June 30, 2017, $19,466 of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying Consolidated Statement of Financial Position.

6. 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 (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

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.

7. SALE AND TRANSFER OF dgMARKET

On August 24, 2016, as authorized by the Board of Directors, the Organizations entered into an agreement (a Term Sheet) with a potential buyer to purchase and transfer dgMarket assets including, but limited to, software source code, operation manuals, dgMarket database, and dgMarket working capital.

On January 19, 2017, an agreement for sale and purchase of Organizations' right, title, and interests in and to the dgMarket assets was signed. In addition to the transfer of assets, the Organizations agreed to assist the buyer in arranging for transfer or assignment of existing contracts to, or execution of new contracts with the buyer. The Organizations continued to operate dgMarket through January 31, 2017. The purchase price for the dgMarket assets was $400,000 and was reported as "Other Item" in the accompanying Consolidated Statement of Activities and Changes in Net Assets. The Organizations received a payment of $350,000, and the buyer executed a non-assignable promissory note to the Organizations in the amount of $50,000 due and payable twelve months from date of sale; accordingly, such amount was reported as a "Note Receivable" in the accompanying Consolidated Statement of Financial Position.

8. AidDATA TRADEMARK ASSIGNMENT RECEIVABLE

Since 2009, DG and The College of William & Mary ("WM") 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 WM, in which WM became the exclusive owner of the Marks. WM 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, 2017, a balance of $240,000 was due from WM, and accordingly such amount was recorded as accounts receivable in the accompanying Consolidated Statement of Financial Position.

9. COLLABORATIVE ARRANGEMENT

In 2012 the Organizations 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, the Organizations are interpreted to be the "secondary" party and the other nonprofit is interpreted to be the "principal" in the arrangement. Accordingly, the Organizations only record OGH transactions to the extent of the net profit (loss) due at the end of each fiscal year. In application of this change in accounting treatment (different than in prior years), beginning unrestricted net assets were restated and cumulatively increased by $21,649.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through December 1, 2017, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS

	DG	DGI	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 1,307,215	$ 852	$ -	$ 1,308,067
Note receivable	50,000	-	-	50,000
Grants and contracts receivable	1,710,272	-	-	1,710,272
Accounts receivable	142,167	-	-	142,167
Prepaid expenses and other assets	97,026	-	-	97,026
Total current assets	3,306,680	852	-	3,307,532
NONCURRENT ASSETS				
Grants and contracts receivable, net of current portion	160,000	-	-	160,000
TOTAL ASSETS	**$ 3,466,680**	**$ 852**	**$ -**	**$ 3,467,532**

LIABILITIES AND NET ASSETS

	DG	DGI	Eliminations	Total
CURRENT LIABILITIES				
Letter of credit loan	$ 47,333	$ -	$ -	$ 47,333
Accounts payable and accrued liabilities	428,578	-	-	428,578
Deferred contract revenue	98,835	-	-	98,835
Deferred rent liability	12,029	-	-	12,029
Total current liabilities	586,775	-	-	586,775
NONCURRENT LIABILITIES				
Letter of credit loan, net of current portion	23,667	-	-	23,667
Deferred rent liability, net of current portion	232,999	-	-	232,999
Total noncurrent liabilities	256,666	-	-	256,666
Total liabilities	843,441	-	-	843,441
NET ASSETS				
Unrestricted	922,434	852	-	923,286
Temporarily restricted	1,700,805	-	-	1,700,805
Total net assets	2,623,239	852	-	2,624,091
TOTAL LIABILITIES AND NET ASSETS	**$ 3,466,680**	**$ 852**	**$ -**	**$ 3,467,532**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017

	DG	DGI	Eliminations	Total
UNRESTRICTED SUPPORT AND REVENUE				
Grants and contracts:				
Grant Funded Programs	$ -	$ 31,160	$ -	$ 31,160
Client Research Projects	1,513,761	-	-	1,513,761
Aid Management Program	770,932	-	-	770,932
dgMarket	301,578	-	-	301,578
AidData Research, including in-kind contributions of $912,543	1,822,692	-	-	1,822,692
Rental income	45,986	-	-	45,986
Currency loss	-	(40,471)	-	(40,471)
Other income	45,311	-	-	45,311
Net assets released from donor restrictions	956,412	-	-	956,412
Total unrestricted support and revenue	5,456,672	(9,311)	-	5,447,361
EXPENSES				
Program Services:				
Grant Funded Programs	8,349	1,819	-	10,168
Zunia	6,917	-	-	6,917
Aid Management Program	521,095	16,223	-	537,318
dgMarket	147,187	63,902	-	211,089
AidData Research, including in-kind contributions of $912,543	1,604,976	10,488	-	1,615,464
Client Research Projects	1,923,661	7,976	-	1,931,637
Total program services	4,212,185	100,408	-	4,312,593
Supporting Services:				
Management and General	1,771,480	45,457	-	1,816,937
Fundraising	434,041	4,268	-	438,309
Total supporting services	2,205,521	49,725	-	2,255,246
Total expenses	6,417,706	150,133	-	6,567,839
Changes in unrestricted net assets before other items	(961,034)	(159,444)	-	(1,120,478)
OTHER ITEMS				
Forgiveness of related party debt	(648,182)	648,182	-	-
Sale and transfer of dgMarket	400,000	-	-	400,000
Total other items	(248,182)	648,182	-	400,000
Changes in unrestricted net assets	(1,209,216)	488,738	-	(720,478)
Unrestricted net assets (deficit) at beginning of year, as restated	2,131,650	(487,886)	-	1,643,764
UNRESTRICTED NET ASSETS AT END OF YEAR	**$ 922,434**	**$ 852**	**$ -**	**$ 923,286**
TEMPORARILY RESTRICTED SUPPORT AND REVENUE				
Grants:				
Client Research Projects	2,099,367	-	-	2,099,367
Net assets released from donor restrictions	(956,412)	-	-	(956,412)
Changes in temporarily restricted net assets	1,142,955	-	-	1,142,955
Temporarily restricted net assets at beginning of year, as restated	557,850	-	-	557,850
TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR	**$ 1,700,805**	**$ -**	**$ -**	**$ 1,700,805**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

SCHEDULE OF DEVELOPMENT GATEWAY, INC.'S EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through Organization	Pass-Through to Subrecipients	Total Federal Expenditures
United States Agency for International Development - Foreign Assistance for Programs Overseas					
Where the Money Goes: Mapping Aid for Better Impact	98.001	74068-A	College of William and Mary	$ -	$ 910,149
Department of Defense					
Basic Scientific Research - Program on Complex Emergencies and Political Stability in Asia	12.431	UTA14-000976	University of Texas	-	246,522
Basic and Applied Scientific Research - MINERVA Aiding Resilience	12.300	Z8153003	University of Maryland	-	12,332
TOTAL EXPENDITURES OF FEDERAL AWARDS				**$ -**	**$ 1,169,003**

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, 2017. 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, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. DG has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Revenue Reconciliation

Included in support and revenue are the following components:

Assistance awards (under CFDA 98.001)	$ 910,149
Non-federal in-kind contributions	912,543
TOTAL AidDATA RESEARCH	**$ 1,822,692**
Assistance awards (under CFDA 12.431 and 12.300)	$ 258,854
Non-federal grants and contracts	1,254,907
TOTAL CLIENT RESEARCH PROJECTS	**$ 1,513,761**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

**SCHEDULE OF DEVELOPMENT GATEWAY, INC.'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: **Unmodified**

2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ **Yes** ☒ **No**
- Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

3). Noncompliance material to financial statements noted? ☐ **Yes** ☒ **No**

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified? ☐ **Yes** ☒ **No**
- Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

5). Type of auditor's report issued on compliance for major federal programs: **Unmodified**

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ **Yes** ☒ **No**

7). 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

8). Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

9). Auditee qualified as a low-risk auditee? ☒ **Yes** ☐ **No**

DEVELOPMENT GATEWAY, INC. AND AFFILIATE

SCHEDULE OF DEVELOPMENT GATEWAY, INC.'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.56(a))

There were no reportable findings.

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

To the Board of Directors
Development Gateway, Inc. and Affiliate
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 the Development Gateway, Inc. and Affiliate (the Organizations) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Organizations' basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gelman Rosenberg & Freedman

December 1, 2017

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Development Gateway, Inc. and Affiliate's (the Organizations') 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 Organizations' major federal programs for the year ended June 30, 2017. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Development Gateway, Inc.'s Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the 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 the Organizations' 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 the Organizations' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organizations 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, 2017.

Report on Internal Control Over Compliance

Management of the Organizations is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organizations' 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 the Organizations' 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.

Gelman Rosenberg & Freedman

December 1, 2017