

DEVELOPMENT GATEWAY, INC.

Washington, D.C.

FINANCIAL STATEMENTS

June 30, 2020

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4 and 5
Statements of cash flows	6
Notes to financial statements	7-19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20 and 21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	22 and 23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26 and 27



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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 statements of financial position as of June 30, 2020 and 2019, the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Development Gateway's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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

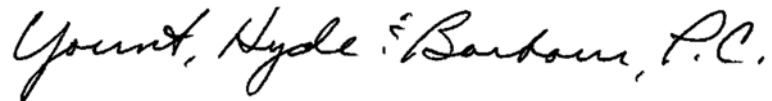
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Gateway as of June 30, 2020 and 2019, and the changes in net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted 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 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 audits 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 February 2, 2021, 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.



Winchester, Virginia
February 2, 2021

DEVELOPMENT GATEWAY, INC.

Statements of Financial Position

June 30, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 4,480,325	\$ 1,261,998
Grants and contracts receivable, net	5,013,399	2,023,397
Accounts receivable	35,349	120,921
Prepaid expenses and other assets	<u>346,402</u>	<u>179,329</u>
Total current assets	<u>9,875,475</u>	<u>3,585,645</u>
Noncurrent Assets		
Accounts receivable, net of current portion	45,387	80,000
Grants receivable, net of current portion	<u>2,969,294</u>	<u>1,831,944</u>
	<u>3,014,681</u>	<u>1,911,944</u>
Total assets	<u>\$ 12,890,156</u>	<u>\$ 5,497,589</u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 412,624	\$ 238,766
Note payable	298,744	--
Letter of credit loan payable	23,667	23,667
Deferred revenue	167,455	467,210
Deferred rent liability, current portion	<u>34,488</u>	<u>29,894</u>
Total current liabilities	<u>936,978</u>	<u>759,537</u>
Noncurrent Liabilities		
Letter of credit loans payable	136,161	23,666
Deferred rent liability	<u>134,805</u>	<u>169,340</u>
Total noncurrent liabilities	<u>270,966</u>	<u>193,006</u>
Total liabilities	<u>1,207,944</u>	<u>952,543</u>
Net Assets		
Without donor restrictions	(408,597)	(461,828)
With donor restrictions	<u>12,090,809</u>	<u>5,006,874</u>
Total net assets	<u>11,682,212</u>	<u>4,545,046</u>
Total liabilities and net assets	<u>\$ 12,890,156</u>	<u>\$ 5,497,589</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants and contracts	\$ 3,360,708	\$ 10,254,103	\$ 13,614,811
Rental income	2,189	--	2,189
Other income	28,641	--	28,641
Net assets released from restrictions	<u>3,170,168</u>	<u>(3,170,168)</u>	<u>--</u>
Total support and revenue	<u>6,561,706</u>	<u>7,083,935</u>	<u>13,645,641</u>
Expenses			
Program Services:			
Resource Governance (RG)	839,162	--	839,162
Effective Service Delivery (ESD)	4,444,038	--	4,444,038
Data Strategy Policy (DSP)	<u>134,452</u>	<u>--</u>	<u>134,452</u>
Total program services	<u>5,417,652</u>	<u>--</u>	<u>5,417,652</u>
Supporting Services:			
Management and general	947,097	--	947,097
Fundraising	<u>143,726</u>	<u>--</u>	<u>143,726</u>
Total supporting services	<u>1,090,823</u>	<u>--</u>	<u>1,090,823</u>
Total expenses	<u>6,508,475</u>	<u>--</u>	<u>6,508,475</u>
Changes in net assets	53,231	7,083,935	7,137,166
Net assets, beginning of year	<u>(461,828)</u>	<u>5,006,874</u>	<u>4,545,046</u>
Net assets, end of year	<u>\$ (408,597)</u>	<u>\$ 12,090,809</u>	<u>\$ 11,682,212</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 3,161,925	\$ 5,763,576	\$ 8,925,501
Rental income	51,331	--	51,331
Other income	37,393	--	37,393
Net assets released from restrictions	<u>1,686,386</u>	<u>(1,686,386)</u>	<u>--</u>
Total support and revenue	<u>4,937,035</u>	<u>4,077,190</u>	<u>9,014,225</u>
Expenses			
Program Services:			
Resource Governance (RG)	1,141,541	--	1,141,541
Effective Service Delivery (ESD)	2,275,429	--	2,275,429
Data Strategy Policy (DSP)	<u>672,660</u>	<u>--</u>	<u>672,660</u>
Total program services	<u>4,089,630</u>	<u>--</u>	<u>4,089,630</u>
Supporting Services:			
Management and general	1,154,832	--	1,154,832
Fundraising	<u>257,433</u>	<u>--</u>	<u>257,433</u>
Total supporting services	<u>1,412,265</u>	<u>--</u>	<u>1,412,265</u>
Total expenses	<u>5,501,895</u>	<u>--</u>	<u>5,501,895</u>
Changes in net assets	(564,860)	4,077,190	3,512,330
Net assets, beginning of year	<u>103,032</u>	<u>929,684</u>	<u>1,032,716</u>
Net assets, end of year	<u>\$ (461,828)</u>	<u>\$ 5,006,874</u>	<u>\$ 4,545,046</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statements of Cash Flows

For the Year Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,137,166	\$ 3,512,330
Adjustments to reconcile changes in net assets in net cash provided by operating activities:		
(Increase) decrease in:		
Grants and contracts receivable	(4,127,352)	(2,676,606)
Accounts receivable	120,185	62,883
Prepaid expenses and other assets	(167,073)	(83,139)
Increase (decrease) in:		
Accounts payable and accrued liabilities	173,858	(251,061)
Deferred revenue	(299,755)	369,382
Deferred rent liability	<u>(29,941)</u>	<u>(18,844)</u>
Net cash provided by operating activities	<u>2,807,088</u>	<u>914,945</u>
 Cash Flows from Financing Activities		
Proceeds from note and loan payable	434,905	--
Payments on loan payable	<u>(23,666)</u>	<u>--</u>
Net cash provided by financing activities	<u>411,239</u>	<u>--</u>
 Net change in cash and cash equivalents	3,218,327	914,945
 Cash and Cash Equivalents, beginning of year	<u>1,261,998</u>	<u>347,053</u>
 Cash and Cash Equivalents, end of year	<u>\$ 4,480,325</u>	<u>\$ 1,261,998</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

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.

During 2019, DG restructured its programs into three focus areas: Resource Governance, Effective Service Delivery and Data Strategy and Policy, which are explained below:

- 1) Resource Governance: DG has a strong footprint in public financial management, beginning with the aid effectiveness agenda and continuing through contracting and extractives data management. DG serves as a link to country-level users of global data standards, providing critical feedback on what governments and civil society need in order to better use data.

Notes to Financial Statements

- 2) **Effective Service Delivery:** DG builds digital tools through an agile, user-centered process, and deliver stable, powerful systems to inform decisions. All of DG's systems are built using open source, modular components – making them easy to adopt, maintain and scale.
- 3) **Data Strategy and Policy:** DG collaborates with development actors and partnerships to prioritize smart investments in data and information systems; incentivize and empower users; and strengthen the impact of data in decision-making.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

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 Statements 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, 2020 and 2019, there was an allowance for doubtful accounts of \$14,461 and \$24,684, respectively. As of June 30, 2020 and 2019, receivables are offset by a discount of \$202,012 and \$164,638, respectively, using discount rates ranging from 1.56% to 2.99%, related to amounts due in future periods.

Notes to Financial Statements

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 years ended June 30, 2020 and 2019, as there was no net unrelated business income.

Uncertain Tax Positions

For the years ended June 30, 2020 and 2019, 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 Statements of Activities. For the years ended June 30, 2020 and 2019, in-kind contributions amounted to \$50,774 and \$27,277, respectively.

Net Asset Classification

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

- **Net assets without donor restrictions** include amounts received without donor-imposed restrictions. These net assets are available for the operation of DG.
- **Net assets with donor restrictions** includes amounts received subject to donor-imposed stipulations that will be met by the actions of DG and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying Statements of Activities as net assets released from restrictions.

Revenue Recognition

Revenue Recognition Methodology for Exchange Transactions

For exchange transactions, DG recognizes revenue in accordance with Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers, as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocation the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Notes to Financial Statements

For any amounts received in advance and for which performance obligations have not been satisfied, a contract liability (deferred revenue) is recorded.

Revenue Recognition Methodology for Contributions

Contributions are recognized as revenue when they are received or unconditionally promised.

DG reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limited the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Gifts of land, property and equipment are presented as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, DG reports expirations of donor restrictions when the donated or acquired long lived assets are placed in service.

Donor-restricted contributions whose restrictions are met in the same year as received are classified as contributions without donor restrictions in the accompanying financial statements.

Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized, or are treated as a refundable advance, until the conditions on which they depend have been met.

Revenue Streams

DG's revenue consists of federal funding, grants, contracts, rental and other income.

DG's federal funding is considered an exchange transaction and is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Revenue is recorded to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

Grants received by DG are considered contributions and are restricted by donor stipulations that limit the use of the donated assets. These grants are recognized as revenue when they are received.

Contracts are considered exchange transactions and 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 Statements of Financial Position.

Other exchange transactions include rental income and other income. Rental income is recognized over time, over the life of the agreement(s). Other income is recognized at a point in time, when received.

Notes to Financial Statements

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 schedules of functional expenses. Certain costs have been allocated among program services, management and general, and fundraising. Such allocations have been made by management on an equitable basis. Salaries and related benefits have been allocated based on time and effort. All other expenses are allocated directly.

Upcoming 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, 2023. Early adoption is permitted. DG is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

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.

New Accounting Pronouncements

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. DG implemented the provisions of ASU 2018-08 for contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with DG's implementation of ASU 2018-08.

Notes to 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, 2021. Early adoption is permitted. DG adopted the standard early, in the current year. Analysis of various provisions of the standard resulted in no significant changes in the way DG recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced with the standard.

Note 2. Liquidity and Availability of Resources

DG has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. DG has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2020	2019
Financial assets, at year-end		
Cash and cash equivalents	\$ 4,480,325	\$ 1,261,998
Grants and contracts receivable, net, current portion only	5,013,399	2,023,397
Accounts receivable, current portion only	35,349	120,921
	9,529,073	3,406,316
Less: those unavailable for general expenditure within one year, donor-imposed restrictions	9,121,515	3,174,930
Financial assets available to meet cash needs for general expenditure within one year	\$ 407,558	\$ 231,386

Note 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 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 Statements of Financial Position. As of June 30, 2020 and 2019, the deferred rent liability aggregated \$169,293 and \$199,234, respectively.

Notes to Financial Statements

The following is a schedule of the future minimum payments:

<u>Year Ending June 30,</u>	
2021	\$ 177,261
2022	181,692
2023	186,235
2024	190,891
2025	16,204
	<u>\$ 752,283</u>

Occupancy expense, as recognized in the Statements of Activities, for the years ended June 30, 2020 and 2019, totaled \$146,219 and \$203,560, respectively.

Development Gateway is currently in the process of executing a new lease for office space (located at 1100 13th Street, NW, Washington, D.C.). The lease is to commence on March 1, 2021 and will continue through March 1, 2033. The lease agreement is being signed in conjunction with another tenant (referred to as “co-tenant”).

Note 4. Letters of Credit

Upon signing 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. 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 Statements 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 April 17, 2020, the landlord accepted an amendment to the letter of credit. As of June 30, 2020 and 2019, the balance of the letter of credit is \$64,772 and \$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 \$23,667 and \$47,333 as of June 30, 2020 and 2019, respectively.

During fiscal year 2020, DG paid a security deposit in the form of a letter of credit related to the new lease (as discussed in Note 3). The security deposit, in the amount of \$272,323, is held in cash and cash equivalents in the accompanying Statements of Financial Position. 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 \$136,161 as of June 30, 2020.

Notes to Financial Statements

Note 5. Note Payable

Development Gateway has a \$298,744 note payable, uncollateralized, to Bank of America, administered by the U.S. Small Business Administration, and fully guaranteed by the U.S. Government. Development Gateway applied for and received this loan under the Paycheck Protection Program, a program enacted as a result of COVID-19. Interest is at 1%. Proceeds are to be used for certain business expenses, including payroll, employee benefits, rent, utilities and interest on debt obligations. The note may be fully or partially forgiven if certain conditions are met. Payments begin October 29, 2020. The note is due April 2022.

Note 6. 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 years ended June 30, 2020 and 2019, contributions to the Plan totaled \$61,741 and \$61,755, respectively and were included in salaries and related benefits expense in the accompanying schedules of functional expenses. As of June 30, 2020 and 2019, \$15,921 and \$14,525, respectively, of such expenses were accrued and included in accounts payable and accrued liabilities in the accompanying Statements of Financial Position.

Note 7. 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 2019. 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.

Notes to Financial Statements

Note 8. 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 became 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, 2020 and 2019, a balance of \$80,000 and \$160,000, respectively, was due from W&M, and accordingly such amount is included in accounts receivable in the accompanying Statements of Financial Position.

Note 9. 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, 2020 and 2019, accounts receivable in the accompanying Statements of Financial Position includes an amount of \$33,159 and \$40,921, respectively, due from the other nonprofit. The accompanying Statements of Activities includes rental income in the amount of \$2,189 and \$51,331, respectively, for the years ended June 30, 2020 and 2019 as a result of the arrangement mentioned above.

Notes to Financial Statements

Note 10. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Open Contracting Data in Uganda and Senegal	\$ --	\$ 114,385
Extractive Data in Senegal, Nigeria and Guinea	--	29,910
Administrative Work in Africa	58,845	413,118
Extractive Data in Nigeria	38,114	113,342
Open Heroine	31,037	35,415
Fertilizer Dashboard for Africa	2,949,083	4,300,704
Monitoring Seed Systems	3,393,833	--
Tobacco Data in Africa	5,454,355	--
Open Contracting Data in Uganda and Senegal Phase 2	<u>165,542</u>	<u>--</u>
	<u>\$ 12,090,809</u>	<u>\$ 5,006,874</u>

Net assets released from donor restrictions were as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Open Contracting Data in Uganda and Senegal	\$ 114,385	\$ 167,560
Results Data Initiative, Phase 2	--	505,814
Extractive Data in Senegal, Nigeria and Guinea	29,910	112,017
Administrative Work in Africa	354,273	211,882
Extractive Data in Nigeria	175,228	96,657
Open Heroine	4,378	64,584
Fertilizer Dashboard for Africa	1,447,816	527,872
Monitoring Seed Systems	553,778	--
Tobacco Data in Africa	455,942	--
Open Contracting Data in Uganda and Senegal Phase 2	<u>34,458</u>	<u>--</u>
	<u>\$ 3,170,168</u>	<u>\$ 1,686,386</u>

Notes to Financial Statements

Note 11. Related Party Transactions

One of DG's board members serves as the Vice President for a subcontractor used by DG. During 2020 and 2019, DG made payments in the amount of \$20,000 and \$75,000 to this subcontractor.

One of DG's board members serves as the Executive Director for a subcontractor used by DG. During 2020, DG made payments in the amount of \$40,328. There were no payments to this subcontractor during 2019.

Note 12. Revenue Concentration

DG receives a significant amount of its support from one grantor. Support received from this grantor was \$9,954,103 and \$4,993,215 during the years ended June 30, 2020 and 2019, respectively.

Note 13. Subsequent Events

In preparing these financial statements, DG has evaluated all subsequent events through February 2, 2021, the date the financial statements were available to be issued.

Subsequent to year-end, DG is applying for forgiveness related to its note payable (Note 5). Also, DG received a grant award under a cooperative agreement through the U.S. Department of Agriculture in the amount of \$2,189,842. Lastly, DG applied for and was approved a \$149,900 Economic Injury Disaster Loan. The loan accrues interest at 2.75% but payments are not required to begin for one year after the funding of the loan. The loan is collateralized by all tangible and intangible personal property of DG. The loan matures in October 2050.

There were no additional subsequent events identified that are required to be recognized or disclosed in these financial statements.

Notes to Financial Statements

Note 14. Schedules of Functional Expenses

The schedule of functional expenses was as follows for the year ended June 30, 2020:

	2020							
	Program Services			Total Program Services	Supporting Services			Total Expenses
	RG	ESD	DSP		Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 189,923	\$ 1,102,961	\$ 101,006	\$ 1,393,890	\$ 416,744	\$ 106,282	\$ 523,026	\$ 1,916,916
Printing and shipping	444	19,611	1,695	21,750	633	214	847	22,597
Subcontracted services	35,000	1,618,314	15,000	1,668,314	--	--	--	1,668,314
Occupancy	--	3,061	--	3,061	156,444	--	156,444	159,505
Accounting and audit	--	--	--	--	62,987	--	62,987	62,987
Legal fees	--	--	--	--	9,240	--	9,240	9,240
Corporate insurance	--	--	--	--	56,239	--	56,239	56,239
Telephone and internet	84	923	--	1,007	2,152	--	2,152	3,159
Travel	73,421	166,814	7,588	247,823	14,525	1,572	16,097	263,920
Contracted services	532,466	1,032,972	4,078	1,569,516	108,243	31,999	140,242	1,709,758
Office supplies	--	1,477	--	1,477	849	--	849	2,326
Staff recruitment and awards	--	515	--	515	215	--	215	730
Training, meetings and conferences	3,782	38,695	5,074	47,551	30,597	747	31,344	78,895
Marketing and management fees	--	16	--	16	1,181	1,648	2,829	2,845
Other and fees	396	6,699	11	7,106	27,597	1,264	28,861	35,967
Information technology	3,646	401,206	--	404,852	59,722	--	59,722	464,574
Bad debt (recovery)	--	--	--	--	(271)	--	(271)	(271)
In-kind	--	50,774	--	50,774	--	--	--	50,774
Total	<u>\$ 839,162</u>	<u>\$ 4,444,038</u>	<u>\$ 134,452</u>	<u>\$ 5,417,652</u>	<u>\$ 947,097</u>	<u>\$ 143,726</u>	<u>\$ 1,090,823</u>	<u>\$ 6,508,475</u>

Notes to Financial Statements

The schedule of functional expenses was as follows for the year ended June 30, 2019:

	2019							
	Program Services			Total Program Services	Supporting Services			Total Expenses
	RG	ESD	DSP		Management and General	Fundraising	Total Supporting Services	
Salaries and related benefits	\$ 303,431	\$ 646,145	\$ 304,988	\$ 1,254,564	\$ 442,562	\$ 182,106	\$ 624,668	\$ 1,879,232
Printing and shipping	1,657	10,485	3,088	15,230	2,133	486	2,619	17,849
Subcontracted services	50,400	773,994	162,568	986,962	--	--	--	986,962
Occupancy	--	--	--	--	219,615	--	219,615	219,615
Accounting and audit	--	--	--	--	63,903	--	63,903	63,903
Legal fees	--	--	--	--	11,325	--	11,325	11,325
Corporate insurance	--	--	--	--	66,269	--	66,269	66,269
Telephone and internet	18	2,100	51	2,169	8,572	--	8,572	10,741
Travel	166,686	165,221	126,544	458,451	32,464	34,450	66,914	525,365
Contracted services	604,223	607,944	61,119	1,273,286	137,818	35,606	173,424	1,446,710
Office supplies	17	327	207	551	5,928	--	5,928	6,479
Staff recruitment and awards	97	97	110	304	30,232	--	30,232	30,536
Training, meetings and conferences	9,264	21,678	13,834	44,776	8,888	1,542	10,430	55,206
Marketing and management fees	--	9,280	151	9,431	1,084	3,000	4,084	13,515
Other and fees	3,489	2,984	--	6,473	24,602	--	24,602	31,075
Information technology	2,259	7,897	--	10,156	58,975	243	59,218	69,374
Bad debt	--	--	--	--	40,462	--	40,462	40,462
In-kind	--	27,277	--	27,277	--	--	--	27,277
Total	<u>\$ 1,141,541</u>	<u>\$ 2,275,429</u>	<u>\$ 672,660</u>	<u>\$ 4,089,630</u>	<u>\$ 1,154,832</u>	<u>\$ 257,433</u>	<u>\$ 1,412,265</u>	<u>\$ 5,501,895</u>



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**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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2021.

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.

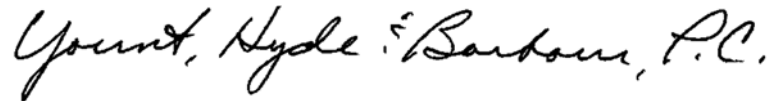
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

A handwritten signature in cursive script that reads "Yount, Hyde & Barbour, P.C.".

Winchester, Virginia
February 2, 2021



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**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, 2020. 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, 2020.

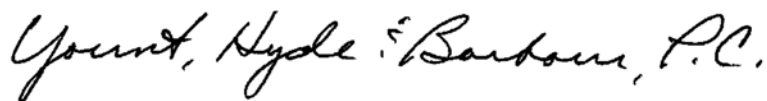
Report on Internal Control Over Compliance

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 our audit of 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.



Winchester, Virginia
February 2, 2021

DEVELOPMENT GATEWAY, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Agency for International Development - Foreign Assistance for Programs Overseas				
Passed through The College of William and Mary:				
Haiti Buy-In	98.001	741719-E	\$ --	\$ 147,165
Cote d'Ivoire PEPFAR GIS Innovation Project	98.001	741717-C	--	866,332
Global Development Lab Buy In: Operations Innovations Project	98.001	740681-74171G	--	8,540
Subtotal CFDA 98.001			--	1,022,037
Millennium Challenge Corporation - Foreign Assistance for Programs Overseas				
Data for Youth Services Collaborative (DYSC) Project in Cote d'Ivoire	85.002	N/A	776,922	1,136,151
Total Expenditures of Federal Awards			<u>\$ 776,922</u>	<u>\$ 2,158,188</u>

See Notes to the Schedule of Expenditures of Federal Awards.

DEVELOPMENT GATEWAY, INC.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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, 2020. 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	\$ 2,158,188
Plus: nonfederal program revenue	<u>11,456,623</u>
Grants and contracts per Statement of Activities	<u>\$ 13,614,811</u>

Note 4. Indirect Cost Rate

Beginning October 1, 2019, after notification of an approved provisional indirect cost rate, Development Gateway, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance, for the funding received through the Millennium Challenge Corporation. For the funding received through The College of William and Mary, DG has elected to use the rate negotiated with The College of William and Mary.

DEVELOPMENT GATEWAY, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

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?
Significant deficiency(ies) identified?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
Significant deficiency(ies) identified?

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 No

Identification of major programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Rows include 98.001 United States Agency for International Development – Foreign Assistance for Programs Overseas and 85.002 Data for Youth Services Collaborative (DYSC) - Project in Cote d’Ivoire

Dollar threshold used to distinguish between Type A and B programs

\$750,000

Auditee qualified as a low-risk auditee?

Yes No

DEVELOPMENT GATEWAY, INC.

Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

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.