

DEVELOPMENT GATEWAY, INC.

Washington, D.C.

FINANCIAL STATEMENTS

June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Development Gateway, Inc., (DG), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Development Gateway, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DG and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DG's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 DG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gount, Hyde & Barbour, P.C.

Winchester, Virginia
December 13, 2024

DEVELOPMENT GATEWAY, INC.

Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Current Assets		
Cash and cash equivalents	\$ 4,222,937	\$ 4,921,532
Grants and contracts receivable, net	5,049,063	6,354,769
Accounts receivable	96,730	-
Prepaid expenses and other assets	111,611	86,800
Total current assets	<u>9,480,341</u>	<u>11,363,101</u>
Noncurrent Assets		
Grants and contracts receivable, net of current portion, less discount	2,429,656	2,421,495
Right of use assets - operating	8,245,495	1,485,620
Letter of credit	272,323	272,323
Security deposit	119,929	-
Total noncurrent assets	<u>11,067,403</u>	<u>4,179,438</u>
Property and Equipment		
Computer equipment	29,351	-
Leasehold improvements	2,258,940	-
Less accumulated depreciation and amortization	<u>(641,057)</u>	<u>-</u>
	<u>1,647,234</u>	<u>-</u>
Total assets	<u>\$ 22,194,978</u>	<u>\$ 15,542,539</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,903,130	\$ 1,555,500
Current portion of lease liabilities - operating	1,045,827	173,238
Deferred revenue	2,279	92,584
Total current liabilities	<u>2,951,236</u>	<u>1,821,322</u>
Noncurrent Liabilities		
Security deposits - subleases	6,500	-
Equity in collaborative agreement	-	772,373
Note payable	1,000,000	1,000,000
Letter of credit payable	-	136,161
Lease liabilities - operating, less current portion	9,577,385	1,480,823
Total noncurrent liabilities	<u>10,583,885</u>	<u>3,389,357</u>
Total liabilities	<u>13,535,121</u>	<u>5,210,679</u>
Net Assets		
Without donor restrictions	(1,299,924)	(1,417,881)
With donor restrictions	9,959,781	11,749,741
Total net assets	<u>8,659,857</u>	<u>10,331,860</u>
Total liabilities and net assets	<u>\$ 22,194,978</u>	<u>\$ 15,542,539</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Activities

For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 2,428,523	\$ 5,437,452	\$ 7,865,975
OpenGov Hub rental income	998,766	-	998,766
Net assets released from restrictions	<u>7,227,412</u>	<u>(7,227,412)</u>	<u>-</u>
Total support and revenue	<u>10,654,701</u>	<u>(1,789,960)</u>	<u>8,864,741</u>
Expenses			
Program Services:			
Resource Governance (RG)	842,227	-	842,227
Effective Service Delivery (ESD)	5,914,448	-	5,914,448
Data Strategy Policy (DSP)	1,223,699	-	1,223,699
Other	14,051	-	14,051
OpenGov Hub	<u>1,279,169</u>	<u>-</u>	<u>1,279,169</u>
Total program services	<u>9,273,594</u>	<u>-</u>	<u>9,273,594</u>
Supporting Services:			
Management and general	1,376,854	-	1,376,854
Business development	<u>378,250</u>	<u>-</u>	<u>378,250</u>
Total supporting services	<u>1,755,104</u>	<u>-</u>	<u>1,755,104</u>
Total expenses	<u>11,028,698</u>	<u>-</u>	<u>11,028,698</u>
Net changes from operations	(373,997)	(1,789,960)	(2,163,957)
Other Income (Expense)			
Contribution from OpenGov Hub	271,415	-	271,415
Rental income collaborative	49,313	-	49,313
Other income	382	-	382
Interest income	<u>170,844</u>	<u>-</u>	<u>170,844</u>
Net other income	<u>491,954</u>	<u>-</u>	<u>491,954</u>
Changes in net assets	<u>117,957</u>	<u>(1,789,960)</u>	<u>(1,672,003)</u>
Net assets, beginning of year	<u>(1,417,881)</u>	<u>11,749,741</u>	<u>10,331,860</u>
Net assets, end of year	<u>\$ (1,299,924)</u>	<u>\$ 9,959,781</u>	<u>\$ 8,659,857</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statement of Activities

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and contracts	\$ 2,980,289	\$ 8,506,779	\$ 11,487,068
Net assets released from restrictions	<u>5,903,957</u>	<u>(5,903,957)</u>	<u>- -</u>
Total support and revenue	<u>8,884,246</u>	<u>2,602,822</u>	<u>11,487,068</u>
Expenses			
Program Services:			
Resource Governance (RG)	361,168	- -	361,168
Effective Service Delivery (ESD)	5,695,289	- -	5,695,289
Data Strategy Policy (DSP)	1,437,408	- -	1,437,408
Other	<u>19,571</u>	<u>- -</u>	<u>19,571</u>
Total program services	<u>7,513,436</u>	<u>- -</u>	<u>7,513,436</u>
Supporting Services:			
Management and general	1,370,868	- -	1,370,868
Fundraising	<u>338,488</u>	<u>- -</u>	<u>338,488</u>
Total supporting services	<u>1,709,356</u>	<u>- -</u>	<u>1,709,356</u>
Total expenses	<u>9,222,792</u>	<u>- -</u>	<u>9,222,792</u>
Net changes from operations	(338,546)	2,602,822	2,264,276
Other Income (Expense)			
Other Income	4,353	- -	4,353
Rental (loss) collaborative	(66,000)	- -	(66,000)
Investment income, net	<u>178,773</u>	<u>- -</u>	<u>178,773</u>
Net other income (expense)	<u>117,126</u>	<u>- -</u>	<u>117,126</u>
Changes in net assets	(221,420)	\$ 2,602,822	2,381,402
Net assets, beginning of year	<u>(1,196,461)</u>	<u>9,146,919</u>	<u>7,950,458</u>
Net assets, end of year	<u>\$ (1,417,881)</u>	<u>\$ 11,749,741</u>	<u>\$ 10,331,860</u>

See Notes to Financial Statements.

DEVELOPMENT GATEWAY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,672,003)	\$ 2,381,402
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Depreciation expense	148,521	--
Bad debt expense	14,696	6,254
Net realized and unrealized investment (gain)	--	(36,052)
Contribution of OpenGov Hub	(128,392)	--
Rental (income) loss from collaborative agreement	(49,313)	66,000
Amortization of right of use asset - operating leases - original	33,193	130,391
Amortization of right of use asset - operating leases	659,043	
Decrease (increase) in:		
Grants and contracts receivable	1,087,462	(5,255,306)
Accounts receivable	(283)	--
Deferred rent asset	--	12,810
Prepaid expenses and other assets	78,675	31,025
Security deposit	119,929	--
Increase (decrease) in:		
Accounts payable and accrued liabilities	(101,608)	825,180
Deferred revenue	(92,584)	62,230
Security deposit subleases	6,500	--
Lease liabilities - operating	(31,152)	(133,600)
Lease liabilities - operating - original	(771,279)	
Deferred rent liability	<u>--</u>	<u>(12,810)</u>
Net cash (used in) operating activities	<u>(698,595)</u>	<u>(1,922,476)</u>
Cash Flows from Investing Activities,		
proceeds received from the sale of investments	<u>--</u>	<u>2,956,912</u>
Net change in cash and cash equivalents	(698,595)	1,034,436
Cash and Cash Equivalents, beginning of year	<u>4,921,532</u>	<u>3,887,096</u>
Cash and Cash Equivalents, end of year	<u>\$ 4,222,937</u>	<u>\$ 4,921,532</u>
Noncash Investing and Financing Activities		
Right-of-use asset - operating lease recognized with adoption of ASC 842 <i>Leases</i>	<u>\$ --</u>	<u>\$ 1,616,011</u>
Lease liability - operating lease recognized with adoption of ASC 842 <i>Leases</i>	<u>\$ --</u>	<u>\$ 1,787,661</u>
Right-of-use asset - OpenGov Hub operating lease	<u>\$ 8,904,538</u>	<u>\$ --</u>
Lease liability - OpenGov Hub operating lease	<u>\$ 11,394,491</u>	<u>\$ --</u>
Supplemental Cash Flow information,		
cash paid during the year for interest	<u>\$ 25,552</u>	<u>\$ 13,262</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. Effective October 1, 2023, OpenGov Hub was assumed by DG and the collaborative terminated. See footnote 8.

DG accomplishes its mission via the focus areas noted 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.
- 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.
- 4) Other: Media and disinformation; and education.

Basis of Presentation

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

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 currency of DG.

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.

Notes to Financial Statements

Grants and Contracts Receivable

Receivables are recorded at their net realizable value, which approximates fair value. Unconditional promises to give that are due beyond one year of the statement of financial position date are reflected at the present value of the estimated future cash flows using a discount rate of 4.5 % at June 30, 2024 and 2023. The discount at June 30, 2024 and 2023 was \$443,304 and \$371,550, respectively. 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, 2024 and 2023, there was an allowance for doubtful accounts of \$36,397 and \$21,701, respectively.

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 5,049,063	\$ 6,354,769
One to five years	<u>2,429,656</u>	<u>2,421,495</u>
Total	<u>\$ 7,478,719</u>	<u>\$ 8,776,264</u>

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The opening balance of accounts receivable at July 1, 2022 was \$0. An allowance for doubtful accounts is provided when deemed necessary and is based on a review of each receivable, historical collection information, and existing economic conditions. Delinquent receivables are written off when management believes that all reasonable collection efforts have been exhausted. Management has evaluated accounts receivable at June 30, 2024 and 2023 and determined an allowance was not considered necessary. Bad debt expense for the years ended June 30, 2024 and 2023 was \$210,083 and \$6,254, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Donated property and equipment is recorded at estimated fair value at the time of donation. Depreciation and amortization on equipment and computers is thirty-six months. Leasehold improvements are amortized over the life of the lease.

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, 2024 and 2023, as there was no net unrelated business income.

Uncertain Tax Positions

For the years ended June 30, 2024 and 2023, 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.

Notes to Financial Statements

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.

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
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

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.

For the year ended June 30, 2024 donor-restricted contributions were record as with donor restrictions. For the year ended June 30, 2023 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.

Notes to Financial Statements

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. Any grants that have been unconditionally promised and for which amounts have not been received as of year-end are included in grants and contracts receivable in the accompanying Statements of Financial Position.

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). Revenue recognized on contracts for which billings have not been billed or received as of year-end is included in grants and contracts receivable in the accompanying Statements of Financial Position. Contract funding received in advance of incurring the related expenses is recorded as deferred revenue in the accompanying Statements of Financial Position.

OpenGov Hub rental income is recognized based on the terms of the agreement. Agreements are generally for a term of one year or less. Rent paid in advance is recognized in the period earned.

Security deposits represent a contract liability. Security deposits are recorded as a liability when received and refunded, net of forfeitures, at lease termination. Forfeitures are recognized in revenue when forfeited.

Rental income (loss) collaborative is recognized when earned, see Note 8.

Other income is recognized when earned.

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.

Notes to Financial Statements

Leases

DG determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

DG recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition on the statement of activities.

DG made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, DG made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

DG has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to DG, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Recently Adopted Accounting Pronouncement

The Foundation adopted ASC 326, *Financial Instruments--Credit Losses*, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss ("CECL") methodology is applicable to financial assets measured at amortized cost, which include trade receivables and other receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the financial statements.

Notes to Financial Statements

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.

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 4,222,937	\$ 4,921,532
Accounts receivable	96,730	-
Grants and contracts receivable, net	<u>7,478,719</u>	<u>8,776,264</u>
	<u>11,798,386</u>	<u>13,697,796</u>
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions (includes grants due in greater than one year)	9,959,781	11,749,741
Grants receivable due in greater than one year without restriction	<u>8,679</u>	<u>204,066</u>
Financial assets not available to be used within one year	<u>9,968,460</u>	<u>11,953,807</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,829,926</u>	<u>\$ 1,743,989</u>

Note 3. Leases

During fiscal year 2021, DG signed a lease agreement in conjunction with another tenant for office space located at 1100 13th Street, N.W., Washington, D.C. The lease agreement commenced on March 1, 2021 and expires on March 1, 2033. DG recorded a right of use asset and lease liability for the space utilized and rented by DG. Effective October 1, 2023, DG assumed the entire lease and recorded a right of use asset and lease liability of \$8,904,538 and \$11,394,491, respectively. The right of use asset and lease liability recorded on the portion utilized and rented by DG under the original agreement was written off September 30, 2023.

Total occupancy expense for office space was \$851,202 and \$196,592 for the years ended June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, DG's weighted average discount rate for its finance lease was 1.35% and 2.88%, and the weighted average remaining lease term was 8.67 and 9.67 years.

The following table summarizes the maturity of DG's operating lease liabilities on an undiscounted cash flow basis and a reconciliation to the lease liabilities recognized in DG's statement of financial position.

Notes to Financial Statements

The following is a schedule of the future minimum payments:

2025	\$ 1,182,823
2026	1,212,394
2027	1,242,704
2028	1,273,771
2029	1,305,616
Thereafter	<u>5,068,803</u>
Total lease payments	11,286,111
Less imputed interest	<u>(662,899)</u>
Present value of minimum lease payments	10,623,212
Less current portion	<u>(1,045,827)</u>
	<u>\$ 9,577,385</u>

Note 4. Letter of Credit

During fiscal year 2020, DG paid a security deposit in the form of a letter of credit related to the lease (discussed in Note 3, for 1100 13th Street). The security deposit, in the amount of \$272,323, is held in cash and cash equivalents in the accompanying Statements of Financial Position. DG was responsible for paying the co-tenant their initial contribution to the letter of credit. The amount due by DG to the co-tenant was \$0 and \$136,161 as of June 30, 2024 and 2023.

Note 5. Note Payable

As of June 30, 2021, DG had a \$150,000 collateralized note payable (Economic Injury Disaster Loan) authorized by the U.S. Small Business Administration. The date of the note was October 26, 2020; installment payments, including principal and interest, were to begin twelve (12) months from the date of the promissory note. The note matures in October of 2050. Interest accrues at a rate of 2.75% per annum. Proceeds from the loan are to be used for working capital to alleviate economic injury caused by the global pandemic COVID-19. On January 11, 2022, the collateralized loan was amended from \$150,000 to \$1,000,000. Installment payments, including principal and interest, are to begin thirty (30) months from the date of the promissory note. Payments are applied to accrued interest first and then to principal. Aggregate maturities of the note payable during the next five fiscal years are 2025, \$9,467; 2026, \$26,140; 2027, \$26,868, 2028, \$27,616; 2029, \$38,386, and \$871,523 thereafter.

Note 6. Retirement Plan

DG maintains a 403(b) 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.

Notes to Financial Statements

During the years ended June 30, 2024 and 2023, contributions to the Plan totaled \$87,893 and \$72,651, respectively, and were included in salaries and related benefits expense in the accompanying schedules of functional expenses. As of June 30, 2024 and 2023, \$19,699 and \$22,254, 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 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 2024. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Note 8. Collaborative Arrangement and Merger

In 2012, DG and another nonprofit established OpenGov Hub (OGH), which was 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 contributed equal capital, equally share in the profits and losses of OGH, as well as the related financial obligations. Transactions related to OGH were recorded in accordance with Accounting for Collaborative Agreements (FASB ASC 808 “Collaborative Arrangements”). Under such guidance, DG was interpreted to be the “secondary” party and the other nonprofit was interpreted to be the “principal” in the arrangement. Accordingly, DG only recorded OGH transactions to the extent of the net income or (loss) due at the end of each fiscal year.

As of June 30, 2023, DG’s equity in collaborative agreement in the accompanying statements of financial position was a deficit of \$772,373. At June 30, 2023, Grants and contracts receivable, net of current portion, less discount in the statement of financial position included \$195,387 due from OGH. This receivable was written off during the year ended June 30, 2024. The accompanying statements of activities includes rental income (loss) collaborative of \$49,313 and (\$66,000), respectively, for the years ended June 30, 2024 and 2023 as a result of the collaborative arrangement.

Effective October 1, 2023 the collaborative arrangement was terminated and DG assumed specified assets and liabilities of OGH and responsibility for operating OGH. DG’s portion of OGH net income under the collaborative for July 1, 2023 through September 30, 2023 was \$49,313 and is recorded in the statement of activities as rental income - collaborative. OGH revenue and expenses from October 1, 2023 through June 30, 2024 are recorded in the statement of activities and schedule of functional expenses. DG recognized a contribution of \$271,415 on the assumption of OGH net of write offs of due from OGH.

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Education data-driven decision mapping research in East and West Africa	\$ 1,030	\$ 182,666
Digital Governance Design Clinics project	--	167,500
Digital Public	250,000	292,409
Open Heroine	1,861	1,861
Open Heroine Extension	--	51,920
Digital Activism Guide	30,000	30,000
Fertilizer Dashboard for Africa	568,761	1,638,957
Tobacco Data in Africa	--	513,371
Data on youth and tobacco in Africa	1,989,242	3,681,096
aLIVE implementation phase 2	2,475,289	4,017,690
Blockchain for Result	--	207,827
Digital Advisory Support Services for Accelerated Rural Transformation	230,357	964,444
Tobacco Control	4,413,241	--
	<u>\$ 9,959,781</u>	<u>\$ 11,749,741</u>

Net assets released from donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Education data-driven decision mapping research in East and West Africa	\$ 181,636	\$ --
Digital Governance Design Clinics project	167,500	--
Digital Public	292,409	160,000
Open Heroine Extension	51,919	102,918
Digital Activism Guide	--	60,000
Fertilizer Dashboard for Africa	1,070,197	1,749,137
Monitoring Seed Systems	--	698,672
Tobacco Data in Africa	513,371	2,223,410
Data on youth and tobacco in Africa	1,796,671	--
aLIVE implementation phase 2	1,670,742	--
Blockchain for Result	207,827	--
Digital Advisory Support Services for Accelerated Rural Transformation	734,087	909,820
Tobacco Control	541,053	--
	<u>\$ 7,227,412</u>	<u>\$ 5,903,957</u>

Notes to Financial Statements

Note 10. Related Party Transactions

In October 2021, DG entered into an MOU with IREX to undertake a mutual collaboration in shared areas of interest to increase their impact in the areas of youth empowerment, education, transparency and accountability of public and civic institutions and data driven decision-making. This MOU positions DG as a subsidiary of IREX. During fiscal year ended June 30, 2024 and 2023, total transactions between IREX and DG amounted to \$593,326 and \$222,234, respectively. Contract accounts receivable in the accompanying statement of financial position as of June 30, 2024 and 2023 include an amount of \$309,009 and \$101,255, respectively, due from IREX.

Note 11. Revenue Concentration

During fiscal years 2024 and 2023, DG received a significant amount of its support from one grantor each year. Support recognized from each significant grantor net of present value discounts was \$5,259,206 and \$8,639,419 during the years ended June 30, 2024 and 2023, respectively.

Note 12. Contingencies

In December of 2023 a former consultant filed a charge against DG with the District of Columbia Office of Human Rights (OHR) alleging discrimination, harassment, failure to accommodate, and retaliation. Management denies the allegations and contests this matter and legal counsel believes it is without merit. Mediation of the matter on October 28, 2024, was unsuccessful and OHR will investigate. The matter is covered by DG's insurance company who will provide legal counsel. The maximum exposure to DG is \$30,000, the amount of their insurance deductible. Management is not currently able to predict the outcome of this matter or accurately estimate the amount of an adverse judgment, if any. Therefore, no amount attributable to this matter has been accrued in the financial statements.

Note 13. Subsequent Events

In preparing these financial statements, DG has evaluated all subsequent events through December 13, 2024, the date the financial statements were available to be issued.

In September 2024 DG received a notice of charge of discrimination and mandatory mediation from OHR. Mediation of the matter on October 28, 2024, was not successful. (See footnote 12). There are no other subsequent events requiring disclosure in these financial statements. There were no subsequent events identified that are required to be recorded 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, 2024:

	2024									
	Program Services					Supporting Services				
	RG	ESD	DSP	Other	OpenGov Hub	Total Program Services	Management and General	Business Development	Total Supporting Services	Total Expenses
Salaries and related benefits	\$ 292,875	\$ 1,200,333	\$ 154,913	\$ 13,913	\$ 156,750	\$ 1,818,784	\$ 802,220	\$ 287,635	\$ 1,089,855	\$ 2,908,639
Printing and shipping	78	9,266	3,152	--	--	12,496	1,158	1,506	2,664	15,160
Subcontracted services	20,000	2,003,840	833,445	--	--	2,857,285	--	--	--	2,857,285
Rent - occupancy	--	6,072	580	--	--	6,652	53,929	--	53,929	60,581
Rent - lease	--	--	--	--	806,174	806,174	--	--	--	806,174
Depreciation	--	--	--	--	148,521	148,521	--	--	--	148,521
Accounting and audit	755	1,486	7,141	52	--	9,434	60,805	1,321	62,126	71,560
Legal fees	--	--	--	--	--	--	518	--	518	518
General and administrative costs	--	--	--	--	25,916	25,916	--	--	--	25,916
Program costs	--	--	--	--	77,560	77,560	--	--	--	77,560
Corporate insurance	--	--	--	--	--	--	77,013	--	77,013	77,013
Telephone and internet	480	2,230	--	--	--	2,710	1,676	39	1,715	4,425
Travel	101,420	333,494	47,795	--	--	482,709	30,285	21,073	51,358	534,067
Contracted services	408,200	2,174,442	172,128	80	4,610	2,759,460	149,965	41,452	191,417	2,950,877
Office supplies	20	397	--	--	--	417	847	--	847	1,264
Staff recruitment and awards	1,475	7,620	1,107	--	--	10,202	4,693	1,395	6,088	16,290
Training, meetings and conferences	3,909	77,877	2,098	--	--	83,884	32,992	6,625	39,617	123,501
Marketing and management fees	--	3,390	636	--	--	4,026	830	--	830	4,856
Other and fees	3,286	9,200	138	6	24,977	37,607	38,849	10,274	49,123	86,730
Information technology	9,729	84,801	566	--	34,661	129,757	78,878	6,930	85,808	215,565
Bad debt expense	--	--	--	--	--	--	14,696	--	14,696	14,696
Interest	--	--	--	--	--	--	27,500	--	27,500	27,500
Total	<u>\$ 842,227</u>	<u>\$ 5,914,448</u>	<u>\$ 1,223,699</u>	<u>\$ 14,051</u>	<u>\$ 1,279,169</u>	<u>\$ 9,273,594</u>	<u>\$ 1,376,854</u>	<u>\$ 378,250</u>	<u>\$ 1,755,104</u>	<u>\$ 11,028,698</u>

Notes to Financial Statements

The schedule of functional expenses was as follows for the year ended June 30, 2023:

	2023								
	Program Services				Supporting Services				
	RG	ESD	DSP	Other	Total Program Services	Management and General	Business Development	Total Supporting Services	Total Expenses
Salaries and related benefits	\$ 113,311	\$ 926,402	\$ 270,910	\$ 7,307	\$ 1,317,930	\$ 664,998	\$ 258,162	\$ 923,160	\$2,241,090
Printing and shipping	549	3,849	--	--	4,398	782	50	832	5,230
Subcontracted services	12,978	2,430,910	680,469	--	3,124,357	--	--	--	3,124,357
Occupancy	--	7,489	1,072	--	8,561	188,031	--	188,031	196,592
Accounting and audit	--	--	--	--	--	68,123	--	68,123	68,123
Legal fees	--	--	--	--	--	200	--	200	200
Corporate insurance	--	--	--	--	--	72,656	--	72,656	72,656
Telephone and internet	872	2,407	187	--	3,466	1,496	15	1,511	4,977
Travel	29,355	175,565	77,186	--	282,106	51,699	15,763	67,462	349,568
Contracted services	198,411	2,045,041	394,502	12,264	2,650,218	129,375	54,955	184,330	2,834,548
Office supplies	--	215	--	--	215	318	--	318	533
Staff recruitment and awards	--	--	--	--	--	1,140	105	1,245	1,245
Training, meetings and conferences	--	50,459	10,911	--	61,370	35,351	2,693	38,044	99,414
Marketing and management fees	--	4,165	--	--	4,165	253	19	272	4,437
Other and fees	141	--	234	--	375	41,086	84	41,170	41,545
Information technology	5,551	48,787	1,937	--	56,275	79,855	6,642	86,497	142,772
Bad debt expense	--	--	--	--	--	6,254	--	6,254	6,254
Interest	--	--	--	--	--	29,251	--	29,251	29,251
Total	<u>\$ 361,168</u>	<u>\$ 5,695,289</u>	<u>\$ 1,437,408</u>	<u>\$ 19,571</u>	<u>\$ 7,513,436</u>	<u>\$ 1,370,868</u>	<u>\$ 338,488</u>	<u>\$ 1,709,356</u>	<u>\$9,222,792</u>