

# **CONSOLIDATED FINANCIAL STATEMENTS**



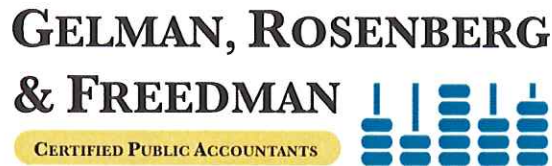
**AND AFFILIATE**

**FOR THE YEARS ENDED  
JUNE 30, 2012 AND 2011**

# **DEVELOPMENT GATEWAY, INC. AND AFFILIATE**

## **CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Consolidated Statements of Financial Position, as of June 30, 2012 and 2011	3
EXHIBIT B - Consolidated Statements of Activities and Changes in Net Assets, for the Years Ended June 30, 2012 and 2011	4
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2012	5 - 6
EXHIBIT D - Consolidated Statement of Functional Expenses, for the Year Ended June 30, 2011	7 - 8
EXHIBIT E - Consolidated Statements of Cash Flows, for the Years Ended June 30, 2012 and 2011	9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	10 - 15
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION	16
SCHEDULE 1 - Consolidating Schedule of Financial Position, as of June 30, 2012	17
SCHEDULE 2 - Consolidating Schedule of Activities and Change in Net Assets, for the Year Ended June 30, 2012	18



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Development Gateway, Inc. and Affiliate, collectively "the Organizations", as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

December 27, 2012

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**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012 AND 2011**

**ASSETS**

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 587,477	\$ 1,033,014
Accounts receivable	914,361	694,410
Prepaid expenses and other assets	<u>81,706</u>	<u>82,674</u>
Total current assets	<u>1,583,544</u>	<u>1,810,098</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	-	340,603
Computers and related equipment	53,436	525,386
Leasehold improvements	<u>-</u>	<u>5,322</u>
	53,436	871,311
Less: Accumulated depreciation and amortization	<u>(27,153)</u>	<u>(812,708)</u>
Net property and equipment	<u>26,283</u>	<u>58,603</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,609,827</u></b>	<b><u>\$ 1,868,701</u></b>

**LIABILITIES AND NET ASSETS (DEFICIT)**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 286,933	\$ 413,966
Refundable advances	-	100,000
Deferred revenue	637,167	365,658
Deferred rent liability (Note 2)	<u>67,389</u>	<u>57,357</u>
Total current liabilities	<u>991,489</u>	<u>936,981</u>
<b>NONCURRENT LIABILITIES</b>		
Borrowings (Note 5)	-	1,192,918
Deferred rent liability, net of current portion (Note 2)	<u>56,267</u>	<u>123,656</u>
Total noncurrent liabilities	<u>56,267</u>	<u>1,316,574</u>
Total liabilities	<u>1,047,756</u>	<u>2,253,555</u>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	<u>562,071</u>	<u>(384,854)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b><u>\$ 1,609,827</u></b>	<b><u>\$ 1,868,701</u></b>

See accompanying notes to consolidated financial statements.

## DEVELOPMENT GATEWAY, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<b>Unrestricted</b>	
	<b>2012</b>	<b>2011</b>
<b>SUPPORT AND REVENUE</b>		
Grants:		
Grant funded programs	\$ 1,489,163	\$ 1,327,791
Country Gateways	104,440	76,023
Research and Innovation	835,519	-
Zunia	335,138	68,487
Contracts:		
Aid Management Program	2,747,820	2,164,790
dgMarket	771,676	1,139,506
AidData	408,632	397,921
Custom Solutions (ICT)	542,114	487,604
Currency (loss) gain	(56,931)	83,323
Other income (Note 2)	<u>46,613</u>	<u>76,999</u>
Total support and revenue	<u>7,224,184</u>	<u>5,822,444</u>
<b>EXPENSES</b>		
Program Services:		
Grants:		
Grant Funded Programs	392,243	-
Country Gateways	11,128	72,541
Research and Innovation	226,458	-
Zunia	106,505	281,654
e-Government Grants	-	343
Contracts:		
Aid Management Program	2,220,187	1,991,945
dgMarket	605,857	467,737
AidData	660,761	373,164
Custom Solutions (ICT)	<u>513,063</u>	<u>-</u>
Total program services	<u>4,736,202</u>	<u>3,187,384</u>
Supporting Services:		
Management and General	1,872,664	3,865,538
Fundraising	<u>579,311</u>	<u>298,345</u>
Total supporting services	<u>2,451,975</u>	<u>4,163,883</u>
Total expenses	<u>7,188,177</u>	<u>7,351,267</u>
Changes in net assets before other items	36,007	(1,528,823)
<b>OTHER ITEMS</b>		
Deobligated grant liability (Note 3)	18,000	-
Forgiveness of debt (Note 5)	<u>892,918</u>	<u>-</u>
Changes in net assets	946,925	(1,528,823)
Unrestricted net assets (deficit) at beginning of year	<u>(384,854)</u>	<u>1,143,969</u>
<b>UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b><u>\$ 562,071</u></b>	<b><u>\$ (384,854)</u></b>

See accompanying notes to consolidated financial statements.

**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Program Services</b>				
	<b>Grant Funded Programs</b>	<b>Country Gateways</b>	<b>Research and Innovation</b>	<b>Zunia</b>	<b>Aid Management Program</b>
Salaries and related benefits (Note 4)	\$ 234,821	\$ 3,497	\$ 121,642	\$ 37,917	\$ 571,055
Printing and production	300	-	-	-	3,892
Professional fees	4,685	303	-	2,508	10,624
Occupancy (Note 2)	9,275	-	-	4,800	30,714
Accounting/audit	1,007	304	-	949	760
Insurance	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-
Telephone	1,086	-	-	114	17,802
Travel and entertainment	14,048	-	34,890	2,024	468,978
Consulting fees	123,531	7,024	69,926	57,146	1,077,740
Postage and delivery	-	-	-	-	1,979
Supplies	-	-	-	-	14,016
Subscriptions and publications	-	-	-	-	234
Meetings and conventions	2,440	-	-	-	7,216
Advertising and promotion	77	-	-	-	736
Bank fees	-	-	-	1,047	2,923
Equipment	973	-	-	-	11,518
Bad debt	-	-	-	-	-
<b>TOTAL</b>	<b>\$ <u>392,243</u></b>	<b>\$ <u>11,128</u></b>	<b>\$ <u>226,458</u></b>	<b>\$ <u>106,505</u></b>	<b>\$ <u>2,220,187</u></b>

See accompanying notes to consolidated financial statements.

EXHIBIT C

				Supporting Services			
dgMarket	AidData	Custom Solutions (ICT)	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 82,085	\$ 301,185	\$ 291,375	\$ 1,643,577	\$ 748,001	\$ 389,208	\$ 1,137,209	\$ 2,780,786
-	875	-	5,067	1,239	1,549	2,788	7,855
1,550	3,649	-	23,319	57,916	-	57,916	81,235
2,375	950	-	48,114	480,412	-	480,412	528,526
646	-	-	3,666	127,545	-	127,545	131,211
-	-	-	-	17,939	-	17,939	17,939
-	-	-	-	26,945	-	26,945	26,945
38,870	1,268	-	59,140	54,264	4,030	58,294	117,434
1,347	37,107	36,747	595,141	57,736	59,942	117,678	712,819
440,370	312,049	183,585	2,271,371	152,286	122,323	274,609	2,545,980
91	-	-	2,070	8,050	270	8,320	10,390
-	-	30	14,046	12,891	-	12,891	26,937
649	-	-	883	6,721	471	7,192	8,075
-	26	-	9,682	7,138	40	7,178	16,860
9,241	-	-	10,054	23,836	149	23,985	34,039
28,501	632	302	33,405	34,469	28	34,497	67,902
132	3,020	1,024	16,667	19,719	1,301	21,020	37,687
-	-	-	-	35,557	-	35,557	35,557
<u>\$ 605,857</u>	<u>\$ 660,761</u>	<u>\$ 513,063</u>	<u>\$ 4,736,202</u>	<u>\$ 1,872,664</u>	<u>\$ 579,311</u>	<u>\$ 2,451,975</u>	<u>\$ 7,188,177</u>

See accompanying notes to consolidated financial statements.



**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Program Services</b>			
	<b>Country Gateways</b>	<b>Zunia</b>	<b>e-Government Grants</b>	<b>Aid Management Program</b>
Salaries and related benefits (Note 4)	\$ 4,550	\$ 82,555	\$ 343	\$ 507,012
Printing and production	-	405	-	1,220
Professional fees	-	-	-	29,931
Occupancy (Note 2)	-	12,680	-	45,498
Accounting/audit	-	-	-	-
Insurance	-	-	-	772
Depreciation and amortization	-	-	-	-
Telephone	1,857	226	-	31,166
Travel and entertainment	3,549	6,957	-	421,584
Consulting fees	47,383	174,566	-	922,318
Postage and delivery	-	102	-	2,378
Supplies	-	37	-	10,633
Subscriptions and publications	-	46	-	78
Meetings and conventions	-	-	-	933
Advertising and promotion	6	-	-	3,076
Bank fees	196	2,670	-	9,766
Equipment	-	1,410	-	5,580
Bad debt	-	-	-	-
Grants	15,000	-	-	-
<b>TOTAL</b>	<b>\$ <u>72,541</u></b>	<b>\$ <u>281,654</u></b>	<b>\$ <u>343</u></b>	<b>\$ <u>1,991,945</u></b>

See accompanying notes to consolidated financial statements.



		Supporting Services					
dgMarket	AidData	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
\$ 47,236	\$ 179,723	\$ 821,419	\$ 1,931,803	\$ 101,280	\$ 2,033,083	\$ 2,854,502	
130	-	1,755	2,440	258	2,698	4,453	
-	33,999	63,930	60,071	7,100	67,171	131,101	
-	-	58,178	458,000	27,627	485,627	543,805	
-	-	-	77,486	-	77,486	77,486	
-	-	772	44,743	-	44,743	45,515	
-	-	-	100,564	-	100,564	100,564	
2,537	2,891	38,677	79,842	8,814	88,656	127,333	
9,358	5,814	447,262	137,680	34,895	172,575	619,837	
347,807	144,652	1,636,726	769,096	115,325	884,421	2,521,147	
213	329	3,022	6,366	551	6,917	9,939	
-	-	10,670	9,286	-	9,286	19,956	
2,094	-	2,218	5,343	1,243	6,586	8,804	
-	-	933	4,165	643	4,808	5,741	
25,562	1,948	30,592	8,102	-	8,102	38,694	
32,167	749	45,548	15,253	5	15,258	60,806	
633	3,059	10,682	98,587	604	99,191	109,873	
-	-	-	56,711	-	56,711	56,711	
-	-	15,000	-	-	-	15,000	
<u>\$ 467,737</u>	<u>\$ 373,164</u>	<u>\$ 3,187,384</u>	<u>\$ 3,865,538</u>	<u>\$ 298,345</u>	<u>\$ 4,163,883</u>	<u>\$ 7,351,267</u>	

See accompanying notes to consolidated financial statements.

## DEVELOPMENT GATEWAY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 946,925	\$ (1,528,823)
Adjustments to reconcile changes in net assets (deficit) to net cash used by operating activities:		
Depreciation and amortization	26,945	100,564
Forgiveness of debt	(892,918)	-
Deferred rent benefit	(57,357)	(47,524)
Loss on sale of property and equipment	5,375	-
(Increase) decrease in:		
Accounts receivable	(219,951)	(282,555)
Grants receivable	-	578,929
Prepaid expenses and other assets	968	77,450
Increase (decrease) in:		
Accounts payable and accrued liabilities	(127,033)	10,240
Refundable advances	(100,000)	(1,542,313)
Deferred revenue	<u>271,509</u>	<u>(59,303)</u>
Net cash used by operating activities	<u>(145,537)</u>	<u>(2,693,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>-</u>	<u>(55,244)</u>
Net cash used by investing activities	<u>-</u>	<u>(55,244)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	<u>(300,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(300,000)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(445,537)	(2,748,579)
Cash and cash equivalents at beginning of year	<u>1,033,014</u>	<u>3,781,593</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 587,477</u></b>	<b><u>\$ 1,033,014</u></b>

See accompanying notes to consolidated financial statements.

**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

**Organization -**

On November 5, 2009, the Development Gateway Foundation, Inc. changed its name to Development Gateway, Inc. The organization (referred to as DG) is a not-for-profit organization based in Washington, D.C. whose mission is to reduce poverty and enable change in developing nations through information technology.

DG provides all stakeholders of the development process (partner countries, development partners, civil society organizations, and private sector firms) with the information and knowledge they need to participate effectively in the process; this is accomplished via the following products and services:

- 1) the Aid Management Program (AMP) and AidData for aid effectiveness, greater transparency and better governance;
- 2) dgMarket, an online public procurement listing system;
- 3) Zunia for online knowledge sharing and collaboration by development practitioners worldwide; and
- 4) Country Gateways, a network of more than 30 locally managed social enterprises delivering Web-based services in support of national development objectives.
- 5) Research and Innovation (R&I) Activities: over the past two years, DG has focused on research and innovation under two pillars; the first is to improve the functionality and capabilities of existing tools and programs, and the second is to create innovative tools and programs to facilitate the effective and transparent use of resources for current and future clients. Under the first pillar, DG has improved AMP's capabilities and user experience; a new version of AMP (AMP 2.0) was released at the end of 2011, which included several innovations: 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. Progress has been made on the new Results Monitoring product/program code named "LeapFrog"; an "alpha" version of the software will be demonstrated with an explanation of the additional services DG will offer to over 20 countries at the annual workshop in Senegal (in December 2012). In addition, DG has modified dgMarket ([www.dgmarket.com](http://www.dgmarket.com)) to offer a more comprehensive solution (online bid management) and DG is in process of revamping ZUNIA ([www.zunia.org](http://www.zunia.org)), the knowledge exchange platform. Under the second pillar, a group consisting of the College of William & Mary, Brigham Young University, the University of Texas at Austin, Development Gateway, and Esri proposed the creation of an "AidData Consortium Center" to 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; that proposal was shortlisted (formally) and accepted (informally) by USAID.

DG provides grants for innovative information and communication technologies projects and programs, principally within the context of the Country Gateways Program. DG also works with a network of associated research and training centers in several developing countries, where ideas can be exchanged and programs tested.

**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**Organization (continued) -**

Development Gateway International (DGI) was established in Belgium in 2007 to further extend the intentions of DG and pursue collaborative opportunities with organizations and aid agencies in Europe. Based in Brussels, this office works primarily with European donors. DGI's objective is to work with European stakeholders to provide web-based platforms to make aid and development efforts more effective around the world. DGI plans to build relations with European stakeholders and participate in the international dialogue on development effectiveness. DGI recognizes that open source software, open standards and common systems offer scope for more affordable and sustainable solutions for developing countries. DGI will focus on areas where small investments in proven technologies and open source software can yield large returns.

**Basis of presentation -**

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

**Combined financial statements -**

The accompanying consolidated financial statements reflect the activity of DG and DGI, collectively "the Organizations". The financial statements of the two organizations have been consolidated, as DG exercises significant influence with respect to DGI and both are under common control. All significant intercompany transactions have been eliminated in consolidation.

**Cash and cash equivalents -**

The Organizations consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Organizations maintain a portion of their cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, the Organizations maintain a portion of their cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

The Organizations maintain bank accounts in foreign countries which are largely uninsured. Total cash and cash equivalents held overseas was \$66,894 and \$160,775 as of June 30, 2012 and 2011, respectively.

**Functional currency -**

The Organizations incur transactions in U.S. Dollars, European Euros and Senegalese Francs. All amounts reported in the Statement of Financial Position have been translated to U.S. Dollars using published exchange rates in effect at June 30, 2012 and 2011. All amounts reported in the Consolidated Statements of Activities and Changes in Net Assets have been translated to U.S. Dollars using an average exchange rate calculated during the month incurred.



**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**Accounts receivable -**

Accounts receivable approximate fair value. Accounts receivable are considered fully collectable within one year. An allowance for doubtful accounts receivable has not been established due to an annual review process with respect to account balances, including the age of the balance, and the historical experience with collectibility.

**Property and equipment -**

Property and equipment with an acquisition value of \$3,000 or more are stated at cost. Furniture, computers, and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

**Income taxes -**

DG is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. DG is not a private foundation. DGI is a non-taxable organization governed under the laws of Belgium.

**Uncertain tax positions -**

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended June 30, 2012 and 2011, the Organizations have documented their consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements. IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

**Net asset classification -**

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

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Development Gateway, Inc. and Affiliate and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Development Gateway, Inc. and Affiliate and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions. There were no temporarily restricted net asset activity during the year or as of June 30, 2012 and 2011.

**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

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

**Revenue recognition -**

The Organizations receive funding under grants and contracts from governments for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred or on a percentage of completion method (if a fixed price agreement). Contract funding received in advance of incurring the related expenses is recorded as deferred revenue in the accompanying Consolidated Statements of Financial Position.

**Use of estimates -**

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Functional allocation of expenses -**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Reclassification -**

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**2. COMMITMENTS**

During fiscal year 2010, the Organizations entered into a four-year operating lease for 11,785 square feet of office space located at 1889 F Street in Washington, D.C. expiring March 31, 2014. The office space may be sublet in full or in part at any time during the lease term, with any market rent increases being shared between the landlord and the Organizations.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Consolidated Statements of Financial Position. As of June 30, 2012 and 2011, the deferred rent liability aggregated \$123,656 and \$181,013, respectively.



**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**2. COMMITMENTS (Continued)**

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

<u>Year Ending June 30,</u>	
2013	\$ 511,553
2014	<u>389,391</u>
	<u><b>\$ 900,944</b></u>

The Organizations also lease office space in Belgium under a short-term agreement which can be terminated by providing 30-days notice.

Occupancy expense for the years ended June 30, 2012 and 2011 totaled \$528,526 and \$543,805, respectively. Rental income (under short-term agreements) of \$44,761 and \$46,042 is included in other miscellaneous income for the years ended June 30, 2012 and 2011, respectively.

**3. DEOBLIGATED GRANT LIABILITY**

During the year ended June 30, 2012, the Organizations determined that certain grant liabilities were deemed no longer payable as the grantees were unable to satisfy the purpose stipulated in the original agreements. As of June 30, 2012, \$18,000 was recorded as a deobligated grant liability in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

**4. RETIREMENT PLAN**

The Organizations maintain a 403(b)(7) defined contribution retirement plan (the "Plan") for all their full-time employees. Under the terms of the Plan, the Organizations will make contributions to employee retirement accounts equivalent to 10% of an employee's annual compensation as defined in the Plan.

Employees are enrolled in the Plan at the time of hire and are immediately vested 100% in employer contributions made to their account. Employees may also elect to have a portion of their compensation contributed to the Plan on a pre-tax basis. Contributions to the Plan of \$105,769 and \$253,743 are included as expense in the accompanying Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and 2011, \$12,651 and \$22,610, respectively, of these expenses were accrued.

**5. BORROWINGS/FORGIVENESS OF DEBT**

On March 15, 2005, the Organizations and the World Bank entered into an arrangement to repay amounts owed for services rendered under a Services Management Contract through June 30, 2005. Borrowings bore interest at 3.71% and were compounded quarterly; however, during 2011 the World Bank did not assess any interest on the outstanding balance. At June 30, 2011, the total amount due under this agreement aggregated \$1,192,918 and is presented as a noncurrent liability in the accompanying Statements of Financial Position. During the year ended June 30, 2012, the World Bank agreed to forgive the balance due under the Services Management Contract, provided the Organizations remitted \$300,000 to the World Bank prior to May 1, 2012. Payments of \$100,000 and \$200,000 were made in December 2011 and April 2012, respectively, releasing the Organizations from the remaining liability. The Organizations recognized a \$892,918 forgiveness of debt in the Consolidated Statements of Activities and Changes in Net Assets during the year ended June 30, 2012.



**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2012 AND 2011**

**5. BORROWINGS/FORGIVENESS OF DEBT (Continued)**

The World Bank, through the Development Grant Facility, made no contributions to the Organizations during fiscal years ending June 30, 2012 and 2011.

**6. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organizations have evaluated events and transactions for potential recognition or disclosure through December 27, 2012, the date the consolidated financial statements were issued.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL FINANCIAL INFORMATION

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

We have audited the consolidated financial statements of Development Gateway, Inc. and Affiliate as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012, which contained an unqualified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Gelman Rosenberg & Freedman*

December 27, 2012

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**DEVELOPMENT GATEWAY, INC. AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012**

	<b>ASSETS</b>			
	<b>DG</b>	<b>DGI</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 520,583	\$ 66,894	\$ -	\$ 587,477
Accounts receivable	1,243,254	294,855	(623,748)	914,361
Prepaid expenses and other assets	68,136	13,570	-	81,706
Total current assets	1,831,973	375,319	(623,748)	1,583,544
<b>PROPERTY AND EQUIPMENT</b>				
Computers and related equipment	53,436	-	-	53,436
Less: Accumulated depreciation	(27,153)	-	-	(27,153)
Net property and equipment	26,283	-	-	26,283
<b>TOTAL ASSETS</b>	<b>\$ 1,858,256</b>	<b>\$ 375,319</b>	<b>\$ (623,748)</b>	<b>\$ 1,609,827</b>
	<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>			
	<b>DG</b>	<b>DGI</b>	<b>Eliminations</b>	<b>Total</b>
<b>CURRENT LIABILITIES</b>				
Deferred rent liability	\$ 67,389	\$ -	\$ -	\$ 67,389
Accounts payable and accrued liabilities	186,931	723,750	(623,748)	286,933
Deferred contracts/subscriptions	495,036	142,131	-	637,167
Total current liabilities	749,356	865,881	(623,748)	991,489
<b>NONCURRENT LIABILITIES</b>				
Deferred rent liability, net of current portion	56,267	-	-	56,267
Total liabilities	805,623	865,881	(623,748)	1,047,756
<b>NET ASSETS (DEFICIT) - Unrestricted</b>	1,052,633	(490,562)	-	562,071
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b>\$ 1,858,256</b>	<b>\$ 375,319</b>	<b>\$ (623,748)</b>	<b>\$ 1,609,827</b>

## DEVELOPMENT GATEWAY, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	DG	DGI	Eliminations	Total
<b>SUPPORT AND REVENUE</b>				
Grants:				
Grant funded programs	\$ 1,223,063	\$ 266,100	\$ -	\$ 1,489,163
Country Gateways	104,440	-	-	104,440
Research and Innovation	835,519	-	-	835,519
Zunia	335,138	-	-	335,138
Contracts:				
Aid Management Program	2,287,091	460,729	-	2,747,820
dgMarket	620,304	151,372	-	771,676
AidData	408,632	-	-	408,632
Custom Solutions (ICT)	337,945	204,169	-	542,114
Currency gain (loss)	4,805	(61,736)	-	(56,931)
Other income	46,040	573	-	46,613
Total support and revenue	6,202,977	1,021,207	-	7,224,184
<b>EXPENSES</b>				
Program Services:				
Grants:				
Grant funded programs	357,526	34,717	-	392,243
Country Gateways	11,128	-	-	11,128
Research and Innovation	175,201	51,257	-	226,458
Zunia	104,962	1,543	-	106,505
Contracts:				
Aid Management Program	1,799,240	420,947	-	2,220,187
dgMarket	299,161	306,696	-	605,857
AidData	655,359	5,402	-	660,761
Custom Solutions (ICT)	458,640	54,423	-	513,063
Total program services	3,861,217	874,985	-	4,736,202
Supporting Services:				
Management and General	1,776,743	95,921	-	1,872,664
Fundraising	516,594	62,717	-	579,311
Total supporting services	2,293,337	158,638	-	2,451,975
Total expenses	6,154,554	1,033,623	-	7,188,177
Changes in net assets before other items	48,423	(12,416)	-	36,007
<b>OTHER ITEMS</b>				
Deobligated grant liability	18,000	-	-	18,000
Forgiveness of debt	892,918	-	-	892,918
Change in net assets	959,341	(12,416)	-	946,925
Net assets (deficit) at beginning of year	93,292	(478,146)	-	(384,854)
<b>NET ASSETS (DEFICIT) AT END OF YEAR</b>	<b>\$ 1,052,633</b>	<b>\$ (490,562)</b>	<b>\$ -</b>	<b>\$ 562,071</b>