Developments in Literacy
Educating Children • Empowering Communities

DIL

FINANCIAL STATEMENTS
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Developments in Literacy, Inc.

I have audited the accompanying financial statements of Developments in Literacy, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Developments in Literacy, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors of
Developments in Literacy, Inc.

Report on Summarized Comparative Information

I have previously audited the Developments in Literacy Inc.'s 2015 financial statements, and my report dated March 15, 2017, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Troy K Yoshida

Troy Yoshida CPA, Inc.
Garden Grove, CA
December 4, 2017

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(with summarized totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
ASSETS				
CURRENT ASSETS:				
Cash	$ 759,753	$ -	$ 759,753	$ 905,170
Accounts Receivable	2,740		2,740	-
Current Portion of Pledges Receivable, Net	254,189	-	254,189	45,000
Note Receivable	25,620		25,620	-
Prepaid Expenses	10,738	-	10,738	13,747
TOTAL CURRENT ASSETS	1,053,040	-	1,053,040	963,917
PROPERTY & EQUIPMENT, Net	-	-	-	-
OTHER ASSETS:				
Investments	300,772	-	300,772	574,855
Deposits	4,732	-	4,732	4,802
TOTAL OTHER ASSETS	305,504	-	305,504	579,657
TOTAL ASSETS	$ 1,358,544	$ -	$ 1,358,544	$ 1,543,574
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	$ 37,778	$ -	$ 37,778	$ 32,070
Deferred Revenue	1,274	-	1,274	-
Payroll Taxes Payable	882	-	882	-
Accrued Liabilities	22,427	-	22,427	15,864
TOTAL CURRENT LIABILITIES	62,361	-	62,361	47,934
NET ASSETS:				
Unrestricted				
Designated	500,000	-	500,000	500,000
Undesignated	796,183	-	796,183	912,858
Temporarily Restricted	-	-	-	82,782
TOTAL NET ASSETS	1,296,183	-	1,296,183	1,495,640
TOTAL LIABILITIES & NET ASSETS	$ 1,358,544	$ -	$ 1,358,544	$ 1,543,574

See Notes to Financial Statements

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
REVENUES AND OTHER SUPPORT				
Special events, net of direct benefit to donors of $359,995	$ 1,780,584	$ -	$ 1,780,584	$ 1,801,895
Contributions	633,114	-	633,114	662,568
Interest and Dividend Income	13,855	-	13,855	9,787
Net Unrealized Gain (Loss)	14,307	-	14,307	(820)
Net Assets Released from Time Restriction	82,782	(82,782)	-	-
TOTAL REVENUES AND OTHER SUPPORT	2,524,642	(82,782)	2,441,860	2,473,430
EXPENSES				
Program Services	$ 2,268,185	$ -	$ 2,268,185	$ 2,502,098
Supporting Services				
Management and General	248,185	-	248,185	165,452
Fundraising	124,947	-	124,947	102,868
TOTAL EXPENSES	2,641,317	-	2,641,317	2,770,418
CHANGE IN NET ASSETS	$ (116,675)	$ (82,782)	$ (199,457)	$ (296,988)
NET ASSETS AT BEGINNING OF YEAR	$ 1,412,858	$ 82,782	$ 1,495,640	$ 1,792,628
NET ASSETS AT END OF YEAR	$ 1,296,183	$ -	$ 1,296,183	$ 1,495,640

See Notes to Financial Statements

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized totals for 2015)

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	2016 Totals	2015 Totals
Education:					
Personnel	$ 1,574,425	$ -	$ -	$ 1,574,425	$ 1,384,272
Other	115,538	-	-	115,538	1,900
Facilities Exp	76,453	-	-	76,453	49,435
Equip & Furniture Exp	21,866	-	-	21,866	-
Books & Materials	71,561	-	-	71,561	14,784
Student Services & Activities	31,829	-	-	31,829	2,031
Scholarships	38,603	-	-	38,603	8
Training & Monitoring	20,742	-	-	20,742	38,635
Monitoring & Evaluations	-	-	-	-	978
Curriculum Development	11,683	-	-	11,683	25,816
Library Establishment	11,829	-	-	11,829	1,942
IT Program	18,227	-	-	18,227	11,465
Operating Expenses	47,971	-	-	47,971	461,595
Capital Costs	5,844	-	-	5,844	192,835
Professional Fees	765	-	-	765	6,492
Travel Expense	15,888	-	-	15,888	99
Direct Fundraising Event Expense	-	-	359,995	359,995	229,297
Bank and Credit Card Fees	-	859	35,389	36,248	44,036
Database and Software	105	14,312	-	14,417	8,596
Depreciation	-	-	-	-	51
Insurance	-	4,904	-	4,904	3,874
Marketing	-	9,590	-	9,590	41,646
Miscellaneous	-	845	-	845	18,606
Payroll & Related Expenses	175,643	167,306	41,760	384,709	331,122
Postage and Printing	-	2,110	25,408	27,518	10,395
Professional Fees	16,680	27,984	243	44,907	62,097
Rent	10,950	10,950	10,950	32,850	34,162
Small Equipment	-	726	-	726	1,029
Supplies	75	3,746	10,081	13,902	12,145
Telephone	1,116	1,117	1,116	3,349	2,684
Travel	392	48	-	440	6,961
Website	-	-	-	-	727
Bad Debt	-	3,688	-	3,688	-
TOTAL EXPENSES	2,268,185	248,185	484,942	3,001,312	2,999,715
Less: Direct Benefit to Donors at Special Events Included in Revenue	-	-	(359,995)	(359,995)	(229,297)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	$ 2,268,185	$ 248,185	$ 124,947	$ 2,641,317	$ 2,770,418

See Notes to Financial Statements

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(with summarized totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (199,457)	$ (296,988)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	$ -	$ 51
Unrealized (Gain) Loss on Investment	(14,307)	820
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(2,740)	-
(Increase) Decrease in Pledges Receivable	(209,189)	79,707
(Increase) Decrease in Note Receivable	(25,620)	-
(Increase) Decrease in Prepaid Expenses	3,009	(5,278)
(Increase) Decrease in Deposits	70	-
Increase (Decrease) in Accounts Payable	5,708	(55,003)
Increase (Decrease) in Deferred Revenue	1,274	-
Increase (Decrease) in Payroll Taxes Payable	882	-
Increase (Decrease) in Accrued Liabilities	6,563	5,960
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(433,807)	(270,731)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	288,390	165,095
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	288,390	165,095
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(145,417)	(105,636)
BEGINNING CASH AND CASH EQUIVALENTS	$ 905,170	$ 1,010,806
ENDING CASH AND CASH EQUIVALENTS	$ 759,753	$ 905,170

See Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

Developments in Literacy, Inc. ("the Organization") was founded in February 1997 as a California nonprofit public benefit corporation. The purpose of the Organization is to promote literacy and provide education to underprivileged children in Pakistan. The Organization's support comes entirely from donor contributions.

Net Assets

Net assets are classified as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

Unrestricted, Undesignated Net Assets – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets generally result from unrestricted contributions and interest and dividends, less expenses incurred in providing services and fundraising and other administrative expenses.

Unrestricted, Designated Net Assets – Unrestricted, designated net assets consist of an operating reserve established by the Board of Directors and increased or decreased each year based on the Board's discretion.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event to become available for unrestricted use.

Permanently Restricted Net Assets – Net assets are subject to donor-imposed restrictions that may be maintained permanently while permitting the Organization to use or expense part or all of the income derived from the donated assets. There were no permanently restricted net assets at December 31, 2016.

1. Summary of Significant Accounting Policies – (Continued)

Use of Estimates and Assumptions

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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Note Receivable

Notes Receivable are carried at cost, net of any allowance for losses. The allowance for losses is based on the Organization's evaluation of the collectability of the note. Interest income on notes receivable are recorded on the accrual basis.

1. Summary of Significant Accounting Policies – (Continued)

Property and Equipment

Property and equipment are stated at fair value at the date of donation or at cost, if purchased. Depreciation is computed using the straight-line method over the estimated useful lives of ten years for furniture and equipment and five years for computers. It is the policy of the Organization to capitalize assets costing $1,000 or more with a useful life exceeding one year.

Promises to Give

Unconditional promises to give (i.e. contributions) are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give (i.e. contributions) are recognized when the conditions on which they depend are substantially met.

Revenue Recognition

The Organization receives the majority of its revenues from donors at fundraising events. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.
All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

1. Summary of Significant Accounting Policies – (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The major programs of the Organization are as follows:

Cooperation for Advancement Rehabilitation and Education (CARE)

The Organization's partnership with CARE began in 2002. The objective of this project is to provide quality, marketable education to underprivileged children in the Sheikhupura District of the Punjab Province.

Orangi

The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration in the outskirts of Northwest Orangi. This project began in 2001.

Indus Resource Center (IRC)

The Organization's partnership with IRC began in 2001. The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration in the Khairpur district of Karachi.

Kala Shah Kaku (KSK)

The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration for children living in the low income housing scheme of Khuda Ki Basti in the Sheikhupura district. This project began in 2009.

1. Summary of Significant Accounting Policies – (Continued)

Functional Allocation of Expenses (Continued)

Khwendo Kor (KK)

The objective of this project is to provide quality education through grassroots collaboration and efforts, and mobilize local resources to address the social sector needs of underserved communities, particularly for women and girls living in the North West Frontier Province of Pakistan. The Organization's partnership with KK began in 2001.

Naz Old Boys Welfare Association (NOWA)

The objective of this project is to provide quality primary education for girls in the remote villages of Khairpur. The Organization's partnership with NOWA began in 1998.

Islamabad Central Territory (ICT)

The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration in the underserved communities in ICT. This project began in 2006.

Rural Rawalpindi (RRP)

The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration in areas of Rural Rawalpindi. This project began in late 2003.

Mansehra

The objective of this project is to provide quality education through teacher training, strengthening curriculum and grassroots collaboration in Mansehra District, in Khyber Pakhtunwa. This project began in 2006.

Income Taxes

The Organization is a not-for-profit organization, as described in Section 501(c)(3) of the Internal Revenue Code and corresponding state law. Accordingly, the Organization is exempt from federal and state income taxes. The Organization takes no tax positions that it considers to be uncertain.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

1. Summary of Significant Accounting Policies – (Continued)

Subsequent Events

Management has evaluated subsequent events through December 4, 2017 the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

2. Cash & Cash Equivalents

The total cash held by the Organization at December 31, 2016 totaled $759,753 maintained in various accounts. Balances in bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. Federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

3. Contributed Services

A substantial number of unpaid volunteers have made significant contributions to the different Organization program services. The value of these contributions is not reflected in these statements since they do not meet the criteria for recognition as contributed services.

4. Pledges Receivable

In addition to contributions received during the fiscal year, many donors have made pledges for current and future contributions. Pledges are primarily made at fundraisers. Pledges receivable at December 31, 2016 was $254,189 as shown below.

Pledges receivable as of December 31, 2016 are as follows:

Unrestricted pledges receivable	254,189
Less: Allowance for doubtful pledges	(0)
Total Pledges Receivable	$254,189

5. Note Receivable

The Organization carried an unsecured note receivable with repayment terms of 24 months commencing on August 1, 2016 with interest at 6% per annum. As of December 31, 2016, the balance on the note receivable totaled $25,620. There was no allowance for loss at December 31, 2016.

6. Property and Equipment

Property and equipment consist of the following:

Computers	$8,768
Furniture and equipment	1,000
	9,768
Less accumulated depreciation	(9,768)
Total Property and Equipment (net)	$ 0

Depreciation expense for the year ended December 31, 2016 totaled $0.

7. Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB ASC, *Fair Value Measurements* are described as follows:

The three levels of fair value hierarchy under FASB ASC, *Fair Value Measurements* are described as follows:

Level 1 -	Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
Level 2 -	Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
Level 3 -	Unobservable inputs supported by little or no market data, and require significant judgment or estimation. The Organization does not hold any level 3 financial instruments.

7. Investments (Continued)

Fair value methods and assumptions on investments consisting of common stock, preferred stock, mutual funds and bond funds are based on the Level 1 market approach. The following table present the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2016:

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
Common stock	$ 10,051	$10,051	$ -	$ -
Fixed Income Funds	220,339	220,339		
Mutual Funds	70,382	70,382	-	-
Total Investments carried at fair value	$300,772	$ 300,772	$ -	$ -

The following schedule summarizes the investment return on cash equivalents and investments for the year ended December 31, 2016:

Interest and Dividends	$ 13,855
Unrealized Gains/(Losses)	14,307
Total Investment Return	$ 28,162

8. Designated Net Assets

The Board of Directors has designated a cash reserve for future operations of $500,000 as of December 31, 2016.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016 totaled $0 and usually consists of donations restricted by time.

10. Special Events

Special event revenue and expenses are directly related to fundraising events. The gross revenue in 2016 was $2,140,579 and the direct expense benefit to donors was $359,995. In 2015, the gross revenue was $2,031,192 and the direct expense benefit to donors was $229,297. The Statement of Activities reports special event revenue net of the direct expense benefit to donors, totaling $1,780,584 in 2016 and $1,801,895 in 2015.

11. Financial Statement Summarized Prior Year Information

The financial statements include certain prior-year summarized comparative information in total but not by the net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015 from which the summarized information was derived.

12. Commitments

The Organization entered into a 51 month operating lease for office space which expires in May 2018. Future minimum lease commitments as of December 31, 2016 for the years ended December 31 are as follows:

Year	Amount
2017	$27,972
2018	12,006
Total	$39,978

13. Developments in Literacy, Pakistan

The Organization is affiliated with an entity named Developments in Literacy, Pakistan. The Organization sends money to Developments in Literacy, Pakistan to support the programs of the Organization. Developments in Literacy, Pakistan then distributes the money to the schools that the Organization supports. The amount of money sent to each school is determined by letters of agreement between the Organization and the schools. The Board of Developments in Literacy, U.S.A. occasionally authorizes more money to be distributed to a school based on specific needs. The Organization also pays for the majority of expenses incurred by the Developments in Literacy, Pakistan office.

Expenses for program services of $2,063,224 are for educational projects and disaster relief provided by Developments in Literacy, Pakistan.

The Organization monitors the finances of Developments in Literacy, Pakistan. A majority of the expenses for Developments in Literacy, Pakistan are paid using funds generated by the fundraising activities of the Organization.

The Organization is disclosing the following summarized financial data for Developments in Literacy, Pakistan as of December 31, 2016:

Total Assets	$ 796,513
Total Liabilities, including $395,843 of deferred revenue	$ 494,526
Total Net Assets	$ 301,987
Total Revenues	$ 3,376,129
Total Expenses	$ 3,376,129