



Developments in Literacy

Educating Children • Empowering Communities

FINANCIAL STATEMENTS
DECEMBER 31, 2018



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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, 2018, and the related statements of activities, functional expenses 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, 2018, 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 2017 financial statements, and my report dated August 31, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads 'Troy Yoshida'.

Troy Yoshida CPA, Inc.
Cypress, CA
December 27, 2019

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(with summarized totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Totals</u>	<u>2017 Totals</u>
ASSETS				
CURRENT ASSETS:				
Cash	\$ 503,592	\$ -	\$ 503,592	\$ 722,209
Current Portion of Pledges Receivable, Net	144,120	-	144,120	179,710
Note Receivable	19,524	-	19,524	22,224
Prepaid Expenses	<u>7,675</u>	<u>-</u>	<u>7,675</u>	<u>25,824</u>
TOTAL CURRENT ASSETS	674,911	-	674,911	949,967
PROPERTY & EQUIPMENT				
Computers & Equipment	13,673	-	13,673	9,768
Accumulated Depreciation	<u>(10,305)</u>	<u>-</u>	<u>(10,305)</u>	<u>(9,768)</u>
TOTAL PROPERTY & EQUIPMENT	3,368	-	3,368	-
OTHER ASSETS:				
Investments	556,839	-	556,839	547,564
Right of Use Asset-Operating Lease	41,393	-	41,393	9,481
Lease Incentive	15,447	-	15,447	-
Deposits	<u>4,439</u>	<u>-</u>	<u>4,439</u>	<u>4,619</u>
TOTAL OTHER ASSETS	<u>618,118</u>	<u>-</u>	<u>618,118</u>	<u>561,664</u>
TOTAL ASSETS	<u>\$ 1,296,397</u>	<u>\$ -</u>	<u>\$ 1,296,397</u>	<u>\$ 1,511,631</u>
LIABILITIES & NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 26,541	\$ -	\$ 26,541	\$ 5,610
Deferred Revenue	-	-	-	22,363
Payroll Taxes Payable	-	-	-	961
Accrued Liabilities	22,868	-	22,868	20,000
Lease Liability-Current	<u>19,486</u>	<u>-</u>	<u>19,486</u>	<u>11,484</u>
TOTAL CURRENT LIABILITIES	68,895	-	68,895	60,418
OTHER LIABILITIES				
Lease Liability-Long Term	<u>53,680</u>	<u>-</u>	<u>53,680</u>	<u>-</u>
TOTAL OTHER LIABILITIES	<u>53,680</u>	<u>-</u>	<u>53,680</u>	<u>-</u>
TOTAL LIABILITIES	122,575	-	122,575	60,418
NET ASSETS:				
Without Donor Restrictions				
Designated by the Board for Operations	-	-	-	500,000
Undesignated	1,173,700	-	1,173,700	951,092
With Donor Restrictions				
TOTAL NET ASSETS	<u>1,173,700</u>	<u>-</u>	<u>1,173,700</u>	<u>1,451,092</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,296,275</u>	<u>\$ -</u>	<u>\$ 1,296,275</u>	<u>\$ 1,511,510</u>

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with summarized totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
REVENUES AND OTHER SUPPORT				
Special events, net of direct benefit to donors of \$351,206	\$ 1,580,398	\$ -	\$ 1,580,398	\$ 1,717,483
Contributions	652,048	-	652,048	809,954
Interest and Dividend Income	12,053	-	12,053	10,774
Net Unrealized Gain (Loss)	(7,265)	-	(7,265)	6,676
Net Assets Released from Time Restriction	-	-	-	-
TOTAL REVENUES AND OTHER SUPPORT	<u>2,237,234</u>	<u>-</u>	<u>2,237,234</u>	<u>2,544,887</u>
EXPENSES				
Program Services	\$ 1,991,166	\$ -	\$ 1,991,166	\$ 1,936,190
Supporting Services				
Management and General	129,485	-	129,485	316,556
Fundraising	<u>313,745</u>	<u>-</u>	<u>313,745</u>	<u>137,232</u>
TOTAL EXPENSES	<u>2,434,396</u>	<u>-</u>	<u>2,434,396</u>	<u>2,389,978</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(197,162)	-	(197,162)	154,909
OTHER EXPENSE				
Theft Loss	<u>(80,230)</u>	<u>-</u>	<u>(80,230)</u>	<u>-</u>
CHANGE IN NET ASSETS	\$ (277,392)	\$ -	\$ (277,392)	\$ 154,909
NET ASSETS AT BEGINNING OF YEAR	<u>\$ 1,451,092</u>	<u>\$ -</u>	<u>\$ 1,451,092</u>	<u>\$ 1,296,183</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,173,700</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,173,700</u></u>	<u><u>\$ 1,451,092</u></u>

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(with summarized totals for 2017)

	Program Services	Supporting Services		2018 Totals	2017 Totals
		Management and General	Fundraising		
Education:					
Personnel	\$ 1,201,048	\$ -	\$ -	\$ 1,201,048	\$ 1,299,289
Other	8,492	-	-	8,492	7,031
Facilities Exp	115,684	-	-	115,684	104,722
Equip & Furniture Exp	98,982	-	-	98,982	34,937
Books & Materials	52,861	-	-	52,861	13,182
Student Services & Activities	2,463	-	-	2,463	739
Scholarships	-	-	-	-	22,963
Training & Monitoring	359	-	-	359	1,829
Curriculum Development	-	-	-	-	4
Library Establishment	-	-	-	-	18,870
IT Program	8,553	-	-	8,553	18,862
Operating Expenses	74,061	-	-	74,061	89,550
Capital Costs	-	-	-	-	36,448
Professional Fees	7,249	-	-	7,249	12,833
Fundraising	22,361	-	-	22,361	-
Travel Expense	139,533	-	-	139,533	80,012
Direct Fundraising Event Expense	-	-	351,206	351,206	283,355
Bank and Credit Card Fees	-	738	25,866	26,604	26,217
Database and Software	462	608	11,073	12,143	10,530
Depreciation	-	537	-	537	-
Insurance	1,098	3,881	1,098	6,077	5,985
Marketing	811	-	41,199	42,010	12,012
Miscellaneous	19	1,093	1,185	2,297	1,738
Payroll & Related Expenses	217,802	95,047	202,283	515,132	485,242
Postage and Printing	23	935	9,243	10,201	14,307
Professional Fees	19,054	8,185	6,223	33,462	31,533
Rent Expenses	12,986	11,025	11,025	35,036	37,097
Small Equipment	-	431	131	562	3,974
Supplies	92	2,165	12	2,269	4,769
Telephone	1,234	1,235	1,234	3,703	3,617
Travel	5,939	3,605	3,173	12,717	11,686
TOTAL EXPENSES	1,991,166	129,485	664,951	2,785,602	2,673,333
Less: Direct Benefit to Donors at Special Events Included in Revenue	-	-	(351,206)	(351,206)	(283,355)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 1,991,166</u>	<u>\$ 129,485</u>	<u>\$ 313,745</u>	<u>\$ 2,434,396</u>	<u>\$ 2,389,978</u>

DEVELOPMENTS IN LITERACY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(with summarized totals for 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (277,392)	\$ 154,909
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	\$ 537	\$ -
Unrealized (Gain) Loss on Investment	7,265	(6,676)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	-	2,740
(Increase) Decrease in Pledges Receivable	35,591	74,479
(Increase) Decrease in Note Receivable	2,700	3,396
(Increase) Decrease in Prepaid Expenses	18,149	(15,086)
(Increase) Decrease in Right of Use Asset-Operating Lease	(31,912)	(9,481)
(Increase) Decrease in Lease Incentive	(15,447)	(627)
(Increase) Decrease in Deposits	180	113
Increase (Decrease) in Accounts Payable	20,931	(31,420)
Increase (Decrease) in Deferred Revenue	(22,363)	21,089
Increase (Decrease) in Payroll Taxes Payable	(961)	79
Increase (Decrease) in Accrued Liabilities	2,868	(2,427)
Increase (Decrease) in Lease Liability	61,682	11,484
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(198,172)	202,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Computers & Equipment	(3,905)	-
Change in Investments	(16,540)	(240,116)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(20,445)	(240,116)
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(218,617)	(37,544)
BEGINNING CASH AND CASH EQUIVALENTS	\$ 722,209	\$ 759,753
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 503,592</u>	<u>\$ 722,209</u>

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Without donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. This also includes net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 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 Sheikhpura 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 Sheikhpura district. This project began in 2009.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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.

Leases

At lease inception, the Organization determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right of use (ROU) assets, current operating lease liabilities, and noncurrent lease liabilities in the financial statements.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate at the commencement date of the

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Leases (continued)

lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Lease expense is recognized on a straight line basis over the lease term. The Organization has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short term leases is included in rent expense in the statement of functional expenses.

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.

New Accounting Pronouncements

The Organization early adopted the requirements of Accounting Standards Update (ASU) 2016-02, Leases (Topic 842) for the fiscal year 2018. The objectives of this ASU is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of right of use (ROU) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The adoption of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of \$9,481 and \$11,484, respectively as of December 31, 2017. A cumulative effect adjustment of \$1,255 was recorded at the initial application date of January 1, 2017.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

New Accounting Pronouncements (continued)

The requirements of Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expenses by functional and natural classification in one location; and (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets. The Organization implemented its provisions during fiscal year 2018 on a retrospective basis. As a result, 2017 net assets classified as temporarily and permanently restricted net assets prior to the adoption of ASU 2016-14 have been reclassified as net assets with donor restrictions in the 2017 summarized financial statements. In addition, 2017 changes therein have been reclassified in the accompanying footnotes to the 2017 consolidated financial statements as changes in net assets with donor restrictions. 2017 net assets classified as unrestricted net assets have been reclassified as net assets without donor restrictions. These reclassifications had no effect on the reported results of operations.

Subsequent Events

Management has evaluated subsequent events through December 27, 2019 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, 2018 totaled \$503,592 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.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

4. Pledges Receivable

In addition to contributions received during the fiscal year, donors have made pledges for current contributions. Pledges are primarily made at fundraisers. Pledges receivable at December 31, 2018 was \$144,120 as shown below.

Pledges receivable without donor restriction, due in less than one year	144,620
Less: Allowance for doubtful pledges	<u>(500)</u>
Total Pledges Receivable	<u>\$144,120</u>

5. Note Receivable

The Organization carried an unsecured note receivable with repayment terms of 24 months commencing on August 1, 2016 with interest at 0% per annum. As of December 31, 2018, the balance on the note receivable totaled \$22,224. There was no allowance for loss at December 31, 2018.

6. Property and Equipment

Property and equipment consist of the following:

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

Depreciation expense for the year ended December 31, 2018 totaled \$0.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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.

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, 2018:

	Fair Value Measurements at December 31, 2018			
	Total	Level 1	Level 2	Level 3
Common stock	\$101,667	\$101,667	\$ -	\$ -
Fixed Income Funds	215,415	215,415	-	-
Total Investments carried at fair value	\$317,082	\$ 317,082	\$ -	\$ -
Money Market Funds	239,757			
Total Investments	\$556,839			

The following schedule summarizes the investment return on cash equivalents and investments for the year ended December 31, 2018:

Interest and Dividends	\$ 12,053
Unrealized Gains/(Losses)	(7,265)
Total Investment Return	\$ 4,788

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

7. Leases

The Organization has an operating lease on office space that expires in August 2021. The components of lease expense were as follows:

Operating Lease Cost	\$17,273
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Lease Liability Maturities

2019	\$ 40,436
2020	41,750
2021	<u>28,548</u>
Total	\$110,734
Less: Interest	<u>(37,570)</u>
Lease Liability	\$ 73,166

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2018 totaled \$0 and usually consists of donations restricted by time.

9. Special Events

Special event revenue and expenses are directly related to fundraising events. The gross revenue in 2018 was \$1,931,604 and the direct expense benefit to donors was \$351,206. In 2017, the gross revenue was \$2,000,838 and the direct expense benefit to donors was \$283,355. The Statement of Activities reports special event revenue net of the direct expense benefit to donors, totaling \$1,580,398 in 2018 and \$1,717,483 in 2017.

10. 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, 2017 from which the summarized information was derived.

DEVELOPMENTS IN LITERACY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

11. 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 \$2,036,811 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, 2018:

Total Assets	\$ 885,803
Total Liabilities, including	
\$343,881 of deferred revenue	\$ 421,177
Total Net Assets	\$ 464,625
Total Revenues	\$ 2,036,811
Total Expenses	\$ 2,036,811