



# **Developments in Literacy**

Educating Children • Empowering Communities

FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**DEVELOPMENTS IN LITERACY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
 (with summarized totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	2017 Totals	2016 Totals
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash	\$ 722,209	\$ -	\$ 722,209	\$ 759,753
Accounts Receivable	-	-	-	2,740
Current Portion of Pledges Receivable, Net	179,710	-	179,710	254,189
Note Receivable	22,224	-	22,224	25,620
Prepaid Expenses	25,824	-	25,824	10,738
<b>TOTAL CURRENT ASSETS</b>	<b>949,967</b>	<b>-</b>	<b>949,967</b>	<b>1,053,040</b>
<b>PROPERTY &amp; EQUIPMENT, Net</b>				
<b>OTHER ASSETS:</b>				
Investments	547,564	-	547,564	300,772
Deposits	4,619	-	4,619	4,732
<b>TOTAL OTHER ASSETS</b>	<b>552,183</b>	<b>-</b>	<b>552,183</b>	<b>305,504</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,502,150</b>	<b>\$ -</b>	<b>\$ 1,502,150</b>	<b>\$ 1,358,544</b>
<b>LIABILITIES &amp; NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable	\$ 6,358	\$ -	\$ 6,358	\$ 37,778
Deferred Revenue	22,363	-	22,363	1,274
Payroll Taxes Payable	961	-	961	882
Accrued Liabilities	20,000	-	20,000	22,427
<b>TOTAL CURRENT LIABILITIES</b>	<b>49,682</b>	<b>-</b>	<b>49,682</b>	<b>62,361</b>
<b>NET ASSETS:</b>				
Unrestricted				
Designated	500,000	-	500,000	500,000
Undesignated	952,468	-	952,468	796,183
Temporarily Restricted	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>1,452,468</b>	<b>-</b>	<b>1,452,468</b>	<b>1,296,183</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 1,502,150</b>	<b>\$ -</b>	<b>\$ 1,502,150</b>	<b>\$ 1,358,544</b>

**DEVELOPMENTS IN LITERACY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
 (with summarized totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
<b>REVENUES AND OTHER SUPPORT</b>				
Special events, net of direct benefit to donors of \$283,355	\$ 1,717,483	\$ -	\$ 1,717,483	\$ 1,780,584
Contributions	809,954	- -	809,954	633,114
Interest and Dividend Income	10,774	- -	10,774	13,855
Net Unrealized Gain (Loss)	6,676	- -	6,676	14,307
Net Assets Released from Time Restriction	- -	- -	- -	- -
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>2,544,887</b>	<b>- -</b>	<b>2,544,887</b>	<b>2,441,860</b>
<b>EXPENSES</b>				
Program Services	\$ 1,936,190	\$ - -	\$ 1,936,190	\$ 2,268,185
Supporting Services				
Management and General	315,180	- -	315,180	248,185
Fundraising	137,232	- -	137,232	124,947
<b>TOTAL EXPENSES</b>	<b>2,388,602</b>	<b>- -</b>	<b>2,388,602</b>	<b>2,641,317</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 156,285</b>	<b>\$ - -</b>	<b>\$ 156,285</b>	<b>\$ (199,457)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>\$ 1,296,183</b>	<b>\$ - -</b>	<b>\$ 1,296,183</b>	<b>\$ 1,495,640</b>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,452,468</u></b>	<b><u>\$ - -</u></b>	<b><u>\$ 1,452,468</u></b>	<b><u>\$ 1,296,183</u></b>

**DEVELOPMENTS IN LITERACY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
 (with summarized totals for 2016)

	Supporting Services			2017	2016
	Program Services	Management and General	Fundraising	Totals	Totals
<b>Education:</b>					
Personnel	\$ 1,299,289	\$ -	\$ -	\$ 1,299,289	\$ 1,574,425
Other	7,031	-	-	7,031	115,538
Facilities Exp	104,722	-	-	104,722	76,453
Equip & Furniture Exp	34,937	-	-	34,937	21,866
Books & Materials	13,182	-	-	13,182	71,561
Student Services & Activities	739	-	-	739	31,829
Scholarships	22,963	-	-	22,963	38,603
Training & Monitoring	1,829	-	-	1,829	20,742
Monitoring & Evaluations	-	-	-	-	-
Program Development	-	-	-	-	-
Curriculum Development	4	-	-	4	11,683
Library Establishment	18,870	-	-	18,870	11,829
IT Program	18,862	-	-	18,862	18,227
Operating Expenses	89,550	-	-	89,550	47,971
Capital Costs	36,448	-	-	36,448	5,844
Professional Fees	12,833	-	-	12,833	765
Fundraising	-	-	-	-	-
Travel Expense	80,012	-	-	80,012	15,888
Direct Fundraising Event Expense	-	-	283,355	283,355	359,995
Bank and Credit Card Fees	-	706	25,511	26,217	36,248
Database and Software	105	10,425	-	10,530	14,417
Insurance	-	5,985	-	5,985	4,904
Marketing	-	12,012	-	12,012	9,590
Miscellaneous	-	1,738	-	1,738	845
Payroll & Related Expenses	174,343	227,399	83,500	485,242	384,709
Postage and Printing	-	1,709	12,598	14,307	27,518
Professional Fees	6,891	24,642	-	31,533	44,907
Rent	11,907	11,907	11,907	35,721	32,850
Small Equipment	-	3,974	-	3,974	726
Supplies	75	2,184	2,510	4,769	13,902
Telephone	1,206	1,205	1,206	3,617	3,349
Travel	392	11,294	-	11,686	440
Bad Debt	-	-	-	-	3,688
<b>TOTAL EXPENSES</b>	<b>1,936,190</b>	<b>315,180</b>	<b>420,587</b>	<b>2,671,957</b>	<b>3,001,312</b>
Less: Direct Benefit to Donors at Special Events Included in Revenue	-	-	(283,355)	(283,355)	(359,995)
<b>TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES</b>	<b><u>\$ 1,936,190</u></b>	<b><u>\$ 315,180</u></b>	<b><u>\$ 137,232</u></b>	<b><u>\$ 2,388,602</u></b>	<b><u>\$ 2,641,317</u></b>

**DEVELOPMENTS IN LITERACY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
 (with summarized totals for 2016)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 156,285	\$ (199,457)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	\$ -	\$ -
Unrealized (Gain) Loss on Investment	(6,676)	(14,307)
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	2,740	(2,740)
(Increase) Decrease in Pledges Receivable	74,479	(209,189)
(Increase) Decrease in Note Receivable	3,396	(25,620)
(Increase) Decrease in Prepaid Expenses	(15,086)	3,009
(Increase) Decrease in Deposits	113	70
Increase (Decrease) in Accounts Payable	(31,420)	5,708
Increase (Decrease) in Deferred Revenue	21,089	1,274
Increase (Decrease) in Payroll Taxes Payable	79	882
Increase (Decrease) in Accrued Liabilities	<u>(2,427)</u>	<u>6,563</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>202,572</b>	<b>(433,807)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in Investments	<u>(240,116)</u>	<u>288,390</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b><u>(240,116)</u></b>	<b><u>288,390</u></b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(37,544)</b>	<b>(145,417)</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<b>\$ 759,753</b>	<b>\$ 905,170</b>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b><u>\$ 722,209</u></b>	<b><u>\$ 759,753</u></b>

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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, 2017.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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, 2017**

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.

**DEVELOPMENTS IN LITERACY, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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 Pakhtunkwa. 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.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**1. Summary of Significant Accounting Policies – (Continued)**

**Subsequent Events**

Management has evaluated subsequent events through August 31, 2018 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, 2017 totaled \$722,209 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, 2017 was \$179,710 as shown below.

Pledges receivable as of December 31, 2017 are as follows:

Unrestricted pledges receivable	186,210
Less: Allowance for doubtful pledges	<u>(6,500)</u>
Total Pledges Receivable	<u><u>\$179,710</u></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 6% per annum. As of December 31, 2017, the balance on the note receivable totaled \$22,224. There was no allowance for loss at December 31, 2017.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**6. Property and Equipment**

Property and equipment consist of the following:

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

Depreciation expense for the year ended December 31, 2017 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.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2017:

	Fair Value Measurements at December 31, 2017			
	Total	Level 1	Level 2	Level 3
Common stock	\$ 44,167	\$44,167	\$ -	\$ -
Fixed Income Funds	221,052	221,052		
Money Market Funds	230,231	230,231		
Mutual Funds	<u>52,114</u>	<u>52,114</u>		
 Total Investments carried at fair value	 <u>\$547,564</u>	 <u>\$ 547,564</u>	 \$ -	 \$ -

The following schedule summarizes the investment return on cash equivalents and investments for the year ended December 31, 2017:

Interest and Dividends	\$ 10,774
Unrealized Gains/(Losses)	<u>6,676</u>
 Total Investment Return	 <u>\$ 17,450</u>

**8. Designated Net Assets**

The Board of Directors has designated a cash reserve for future operations of \$500,000 as of December 31, 2017.

**9. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2017 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 2017 was \$2,000,838 and the direct expense benefit to donors was \$283,355. In 2016, the gross revenue was \$2,140,579 and the direct expense benefit to donors was \$359,995. The Statement of Activities reports special event revenue net of the direct expense benefit to donors, totaling \$1,717,483 in 2017 and \$1,780,584 in 2016.

**DEVELOPMENTS IN LITERACY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**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, 2016 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, 2017 for the years ended December 31 are as follows:

<u>Year</u>	<u>Amount</u>
2018	<u>\$12,006</u>
Total	<u>\$12,006</u>

**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 \$2,564,809 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, 2017:

Total Assets	\$ 814,548
Total Liabilities, including	
\$389,119 of deferred revenue	\$ 484,980
Total Net Assets	\$ 329,568
Total Revenues	\$ 2,564,809
Total Expenses	\$ 2,564,809