

The Development Training Institute, Inc.

Financial Report
May 31, 2007

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
The Development Training Institute, Inc.
Ellicott City, Maryland

We have audited the accompanying statements of financial position of The Development Training Institute, Inc. (the Corporation) as of May 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of The Development Training Institute, Inc. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Development Training Institute, Inc. as of May 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Baltimore, Maryland
February 28, 2008

The Development Training Institute, Inc.

Statements Of Financial Position
May 31, 2007 And 2006

| Assets | 2007 | 2006 |
|---|---------------------|---------------------|
| Cash and cash equivalents (Note 1) | \$ 1,933,478 | \$ 907,334 |
| Grants and contracts receivable (Note 1) | 1,596 | 314,729 |
| Prepaid expenses and other assets | 5,764 | 7,004 |
| Property, net (Notes 1 and 2) | 10,185 | 11,928 |
| Total assets | \$ 1,951,023 | \$ 1,240,995 |
| Liabilities And Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 235,231 | \$ 279,551 |
| Accrued expenses and other payables | 71,409 | 52,273 |
| Deferred grant and contract balances (Note 1) | 909,674 | 376,028 |
| Total liabilities | 1,216,314 | 707,852 |
| Commitments (Notes 3 and 4) | | |
| Net Assets, Unrestricted (Note 1) | 734,709 | 533,143 |
| Total liabilities and net assets | \$ 1,951,023 | \$ 1,240,995 |

See Notes To Financial Statements.

The Development Training Institute, Inc.

Statements Of Activities
Years Ended May 31, 2007 And 2006

| Unrestricted Net Assets | 2007 | 2006 |
|----------------------------------|-------------------|-------------------|
| Revenue and support: | | |
| Grants and contracts (Note 1) | \$ 2,276,283 | \$ 2,051,317 |
| Interest income | 38,657 | 13,802 |
| Other income | 3,570 | 3,018 |
| Total revenue and support | 2,318,510 | 2,068,137 |
| Expenses (Notes 2, 3, and 4) | | |
| Program expenses | 1,473,157 | 1,344,606 |
| Supporting services: | | |
| Management and general | 608,644 | 618,515 |
| Fund-raising | 35,143 | 11,545 |
| Total supporting services | 643,787 | 630,060 |
| Total expenses | 2,116,944 | 1,974,666 |
| Change in net assets | 201,566 | 93,471 |
| Net assets at beginning of year | 533,143 | 439,672 |
| Net assets at end of year | \$ 734,709 | \$ 533,143 |

See Notes To Financial Statements.

The Development Training Institute, Inc.

Statements Of Cash Flows
Years Ended May 31, 2007 And 2006

| | 2007 | 2006 |
|--|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 201,566 | \$ 93,471 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 10,950 | 24,246 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Grants and contracts receivable | 313,133 | (189,077) |
| Prepaid expenses | 1,240 | 9,340 |
| Increase (decrease) in: | | |
| Accounts payable | (44,320) | (29,686) |
| Accrued expenses and other payables | 19,136 | (45,643) |
| Deferred grant and contract balances | 533,646 | 61,572 |
| Net cash provided by (used in) operating activities | 1,035,351 | (75,777) |
| Cash Flows From Investing Activities | | |
| Acquisition of property | (9,207) | (17,609) |
| Cash Flows From Financing Activities | | |
| Principal payments on capital lease obligations | - | (15,184) |
| Net increase (decrease) in cash and cash equivalents | 1,026,144 | (108,570) |
| Cash and cash equivalents, beginning of year | 907,334 | 1,015,904 |
| Cash and cash equivalents, end of year | \$ 1,933,478 | \$ 907,334 |
| Supplemental Disclosure Of Cash Flow Information | | |
| Cash paid during the year for interest | \$ - | \$ 225 |

See Notes To Financial Statements.

The Development Training Institute, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The Development Training Institute, Inc. (the Corporation) has been recognized by the Internal Revenue Service (IRS) as a tax-exempt, publicly supported organization as defined by §501(c)(3) of the Internal Revenue Code (IRC) and, therefore, is not a private foundation. The Corporation was incorporated under the laws of Maryland on February 15, 1985.

Activity: The Corporation's mission is to train and educate staff from organizations serving low- to moderate-income communities and the general public on issues and in skills and techniques regarding the physical and economic development of low- to moderate-income communities, both urban and rural. This training serves the purpose of helping to improve the quality of life, promote community self-improvement, alleviate poverty, eliminate blight, and lessen the burdens of government; of conducting research and disseminating information regarding community and economic development; and of providing advice, consultation, and technical assistance to individuals and organizations serving urban and rural low- to moderate-income communities.

A summary of the Corporation's significant accounting policies follows:

Financial statement presentation: The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of May 31, 2007 and 2006, the Corporation had only unrestricted net assets.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The Corporation is funded by various sources such as government units, not-for-profit organizations, corporations, etc. The Corporation's policy is to recognize conditional grants and contracts as revenue in proportion to the expenses incurred. All other sources of revenue, such as unconditional gifts and interest, are recognized when earned. Any conditional grants and contracts received in advance which are not recognized as revenue are classified as deferred grant and contract balances in the statements of financial position.

Cash and cash equivalents: The Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Corporation invests its excess funds in overnight sweep accounts. Periodically during the year, the Corporation's cash balances have exceeded federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash and cash equivalents.

Grants and contracts receivable and allowance for doubtful accounts: Grants and contracts receivables arise from services rendered through contracts and grant awards with corporations, not-for-profit organizations, and government units. The Corporation utilizes the reserve method of accounting for bad debts. Management establishes the allowance for doubtful accounts based on industry experience and receivable collections history. At May 31, 2007 and 2006, management believes no allowance for doubtful accounts is required.

Property: Property is recorded at cost, except for equipment purchased under grant agreements, which is charged directly to expense. The Corporation capitalizes all items over \$1,000 that have a useful life of at least one year. Depreciation is computed utilizing the straight-line method over estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of the asset life or the remaining life of the lease.

The Development Training Institute, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Recognition of temporarily restricted support: Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Upon the expiration of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities.

Revenue concentration: The Corporation received approximately 89% and 77% of its total revenue and support for the years ended May 31, 2007 and 2006, respectively, from one grantor.

Income taxes: The Corporation is exempt from federal income taxes under IRC §501(c)(3). Accordingly, no provision for income taxes is reflected in these financial statements. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Corporation had no unrelated business income for the years ended May 31, 2007 and 2006.

Note 2. Property

Pertinent information concerning the property is as follows:

| | May 31, | |
|--------------------------|------------------|------------------|
| | 2007 | 2006 |
| Furniture and equipment | \$ 87,461 | \$ 105,070 |
| Accumulated depreciation | (77,276) | (93,142) |
| Property, net | <u>\$ 10,185</u> | <u>\$ 11,928</u> |

Depreciation expense was \$10,950 and \$24,246 for the years ended May 31, 2007 and 2006, respectively.

The Development Training Institute, Inc.

Notes To Financial Statements

Note 3. Commitments

Lease commitment: The Corporation leases office space under a lease agreement which expires on June 30, 2008. Future minimum rental payments required under the terms of this lease are as follows:

| <u>Years Ending May 31,</u> | |
|-----------------------------|------------------|
| 2008 | \$ 53,194 |
| 2009 | 4,441 |
| | <u>\$ 57,635</u> |

Rent expense for the years ended May 31, 2007 and 2006, amounted to \$52,482 and \$52,365, respectively.

Note 4. Pension Plan

The Corporation has established an annuity program for its employees under IRC §403(b). Under the terms of the plan, employees may contribute pretax dollars toward the purchase of the annuity. In turn, the Corporation will make contributions based on 9% of each eligible employee's compensation, plus an additional 3% for employee compensation in excess of the taxable wage base for Social Security. In addition, the Corporation may make an additional discretionary contribution of up to 4%. The total pension expense for the years ended May 31, 2007 and 2006, was \$51,832 and \$56,712, respectively.