

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

CENTER FOR GLOBAL DEVELOPMENT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Global Development
Washington, D.C.

We have audited the accompanying financial statements of the Center for Global Development (CGD) (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change in net assets, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CGD as of December 31, 2012, and the change 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.

Report on Summarized Comparative Information

We have previously audited CGD's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bethesda, Maryland

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS		<u>2012</u>	<u>2011</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 5,998,292	\$ 8,762,877
Investments (Notes 2 and 9)		20,358,765	17,141,964
Accounts receivable		67,522	78,809
Pledges receivable, current portion (Note 3)		76,611	55,000
Grants receivable, current portion (Note 3)		4,800,388	3,233,597
Prepaid expenses		42,813	177,802
Deferred rents receivable (Note 7)		<u>-</u>	<u>24,576</u>
Total current assets		<u>31,344,391</u>	<u>29,474,625</u>
FIXED ASSETS			
Furniture		411,945	408,265
Computer equipment		473,961	310,511
Leasehold improvements		605,113	605,113
Other assets		<u>10,621</u>	<u>-</u>
		1,501,640	1,323,889
Less: Accumulated depreciation and amortization		<u>(830,457)</u>	<u>(680,569)</u>
Net fixed assets		<u>671,183</u>	<u>643,320</u>
OTHER ASSETS			
Pledges receivable, net of current portion (Note 3)		3,191,750	3,079,100
Grants receivable, net of current portion (Note 3)		4,164,591	6,013,332
Security deposit (Note 7)		300,000	-
Certificate of deposit - restricted (Notes 4 and 9)		<u>173,367</u>	<u>184,789</u>
Total other assets		<u>7,829,708</u>	<u>9,277,221</u>
TOTAL ASSETS		<u>\$ 39,845,282</u>	<u>\$ 39,395,166</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 190,425	\$ 137,296
Accrued salaries and related benefits	375,673	342,666
Deferred rent, current portion (Note 7)	45,387	-
Deferred rental income	<u>-</u>	<u>88,992</u>
Total current liabilities	<u>611,485</u>	<u>568,954</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion (Note 7)	371,097	412,644
Other liabilities	<u>-</u>	<u>97,250</u>
Total long-term liabilities	<u>371,097</u>	<u>509,894</u>
Total liabilities	<u>982,582</u>	<u>1,078,848</u>
NET ASSETS		
Unrestricted	23,744,811	21,186,149
Temporarily restricted (Note 5)	<u>15,117,889</u>	<u>17,130,169</u>
Total net assets	<u>38,862,700</u>	<u>38,316,318</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,845,282</u>	<u>\$ 39,395,166</u>

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 1,958,048	\$ 5,493,793	\$ 7,451,841	\$ 10,574,886
Grant income - DFID	-	-	-	6,407,775
Contract revenue	1,356,481	-	1,356,481	753,792
Investment income (loss) (Note 2)	2,533,588	-	2,533,588	(841,806)
Service revenue	46,107	-	46,107	24,356
Net assets released from donor restrictions (Note 6)	<u>7,506,073</u>	<u>(7,506,073)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>13,400,297</u>	<u>(2,012,280)</u>	<u>11,388,017</u>	<u>16,919,003</u>
EXPENSES				
Program Services	<u>9,155,425</u>	<u>-</u>	<u>9,155,425</u>	<u>7,944,107</u>
Supporting Services:				
Management and General	1,289,973	-	1,289,973	1,331,468
Fundraising	<u>396,237</u>	<u>-</u>	<u>396,237</u>	<u>513,755</u>
Total supporting services	<u>1,686,210</u>	<u>-</u>	<u>1,686,210</u>	<u>1,845,223</u>
Total expenses	<u>10,841,635</u>	<u>-</u>	<u>10,841,635</u>	<u>9,789,330</u>
Change in net assets	2,558,662	(2,012,280)	546,382	7,129,673
Net assets at beginning of year	<u>21,186,149</u>	<u>17,130,169</u>	<u>38,316,318</u>	<u>31,186,645</u>
NET ASSETS AT END OF YEAR	<u>\$ 23,744,811</u>	<u>\$ 15,117,889</u>	<u>\$ 38,862,700</u>	<u>\$ 38,316,318</u>

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012				2011	
	Supporting Services				Total	Total
	Program	Management	Total			
	Services	and General	Fundraising	Services		
Employee salaries and benefits (Note 8)	\$5,688,409	\$ 675,925	\$ 310,182	\$ 986,107	\$ 6,674,516	\$ 6,245,301
Contractors/partnerships	118,813	-	-	-	118,813	-
Program and research consultants	925,090	-	-	-	925,090	659,808
Other professional fees	47,150	146,221	3,315	149,536	196,686	106,700
Travel	571,611	3,118	4,146	7,264	578,875	414,696
Outreach activities	102,762	-	-	-	102,762	79,048
Meetings and conferences	233,213	14,572	8,717	23,289	256,502	353,028
Printing and production	173,098	4,747	6,469	11,216	184,314	210,908
Supplies and materials	37,857	82,121	3,954	86,075	123,932	113,263
Postage and shipping	7,329	12,177	236	12,413	19,742	18,105
Furnishings, equipment and software	38,381	76,144	-	76,144	114,525	105,538
Rent and utilities (Note 7)	3,283	1,218,521	-	1,218,521	1,221,804	1,249,541
Depreciation and amortization	-	159,978	-	159,978	159,978	149,618
Investment exit fee	-	83,757	-	83,757	83,757	-
Other	-	80,339	-	80,339	80,339	83,776
Subtotal	7,946,996	2,557,620	337,019	2,894,639	10,841,635	9,789,330
Overhead allocation	1,208,429	(1,267,647)	59,218	(1,208,429)	-	-
TOTAL	<u>\$9,155,425</u>	<u>\$ 1,289,973</u>	<u>\$ 396,237</u>	<u>\$ 1,686,210</u>	<u>\$10,841,635</u>	<u>\$ 9,789,330</u>

See accompanying notes to financial statements.

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 546,382	\$ 7,129,673
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	159,978	149,618
Unrealized (gain) loss on investments	(2,027,906)	1,606,681
Realized (gain) loss on investments	(14,846)	10
Change in discount of long-term pledges and grants receivable	(142,109)	466,912
Loss on disposal of fixed assets	1,762	19,956
(Increase) decrease in:		
Pledges receivable	(21,611)	984,446
Grants receivable	311,409	(4,677,717)
Accounts receivable	11,287	(77,733)
Prepaid expenses	134,989	(125,930)
Deferred rents receivable	24,576	(24,576)
Increase (decrease) in:		
Accounts payable and accrued liabilities	53,129	61,061
Accrued salaries and related benefits	33,007	30,798
Deferred rent	3,840	37,348
Deferred rental income	(88,992)	69,903
Other liabilities	<u>(97,250)</u>	<u>63,875</u>
Net cash (used) provided by operating activities	<u>(1,112,355)</u>	<u>5,714,325</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(1,174,049)	(3,005,856)
Purchase of fixed assets	(189,603)	(67,274)
Maturity of certificate of deposit - restricted	184,789	184,789
Repurchase of certificate of deposit - restricted	(173,367)	(184,789)
Security deposit on office space lease with purchase option exercised	<u>(300,000)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,652,230)</u>	<u>(3,073,130)</u>
Net (decrease) increase in cash and cash equivalents	(2,764,585)	2,641,195
Cash and cash equivalents at beginning of year	<u>8,762,877</u>	<u>6,121,682</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,998,292</u>	<u>\$ 8,762,877</u>

See accompanying notes to financial statements.

CENTER FOR GLOBAL DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Global Development (CGD) is dedicated to reducing global poverty and inequality through policy-oriented research and active engagement on development issues with the policy community and the public. A principal focus of CGD's work is the policies of the United States and other industrial countries that affect development prospects in poor countries. CGD's research assesses the impact on poor people of globalization and of the policies of industrialized countries, developing countries and multilateral institutions.

CGD seeks to identify alternative policies that promote equitable growth and participatory development in low-income and transitional economies, and, in collaboration with civil society and private sector groups, seeks to translate policy ideas into policy reforms. CGD partners with other institutions in efforts to improve public understanding in industrial countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

Basis of presentation -

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

The financial statements include certain prior year summarized comparative information in total but not by 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 CGD's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Cash and cash equivalents -

CGD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, CGD maintains 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.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) in the Statement of Activities and Change in Net Assets.

Pledges, grants and accounts receivable -

Pledges, grants and accounts receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

Pledges, grants and accounts receivable (continued) -

Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All pledges, grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are recorded at net realizable value, which approximates fair value.

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. CGD capitalizes all fixed assets with a unit cost over \$1,000.

Income taxes -

CGD 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 financial statements. CGD is not a private foundation.

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 year ended December 31, 2012, CGD has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal 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 CGD 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 CGD and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 20121. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

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 at the date of the 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

CGD invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

CGD adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CGD accounts for a significant portion of its financial instruments at fair value or considers fair value in its measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2012:

	Market Value
Ameritrade - Exchange Traded Funds	\$14,069,202
Ameritrade - Mutual Funds	<u>6,289,563</u>
TOTAL INVESTMENTS	<u>\$20,358,765</u>

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**2. INVESTMENTS (Continued)**

Included in investment income are the following at December 31, 2012:

Interest and dividends	\$ 490,836
Unrealized gain	2,027,906
Realized gain	<u>14,846</u>
TOTAL INVESTMENT INCOME	<u>\$ 2,533,588</u>

3. PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2012, pledges and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from one to five percent.

The pledges and grants are due as follows at December 31, 2012:

	<u>Pledges Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 76,611	\$ 4,800,388
One year to five years	<u>3,755,000</u>	<u>4,234,868</u>
Subtotal	3,831,611	9,035,256
Less: Discount to present value	<u>(563,250)</u>	<u>(70,277)</u>
TOTAL	<u>\$ 3,268,361</u>	<u>\$ 8,964,979</u>

CGD has an existing conditional promise to receive up to \$3,000,000 from The William and Flora Hewlett Foundation (the Foundation) during the period from June 13, 2011 until June 13, 2014. Payment is contingent upon the submission of narrative and financial reports on CGD's activities during the grant period, strategy and other documentation and qualified dollar-for-dollar matching provisions. During the year ended December 31, 2012, CGD received a payment \$1,000,000 payment under this agreement. The remaining conditional promise available to be received as of December 31, 2012 totals \$2,000,000, and is not included in fiscal year 2012 revenues and pledges receivable.

4. LETTER OF CREDIT/CERTIFICATE OF DEPOSIT

CGD has a restricted letter of credit with SunTrust Bank, secured by a certificate of deposit totaling \$173,367. The terms of its office lease agreement stipulate that CGD maintain this letter of credit in lieu of a security deposit. Only the landlord may draw on this letter of credit and only if CGD is in default and has been notified. This may be reduced over the life of the lease when certain conditions are met. At December 31, 2012, the letter of credit had no balance outstanding. As the certificate of deposit is collateral for this letter of credit, it may not be drawn upon.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2012:

Time restricted	<u>\$ 5,608,236</u>
Purpose restricted:	
Global Health Policy	1,741,420
Aid Innovation and Effectiveness	1,334,767
Rethinking U.S. Foreign Assistance	1,639,234
Commitment to Development Index	120,000
CGD in Europe	835,589
Fragile States and Corruption	1,244,767
Agriculture and Trade	1,011,391
Development Scholar Visiting Fellowships	1,420,485
Research on Population and Development	<u>162,000</u>
Total purpose restricted	<u>9,509,653</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 15,117,889</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2012, by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of time	<u>\$ 1,550,000</u>
Purpose restricted:	
Global Health Policy	1,134,219
Aid Innovation and Effectiveness	716,258
Rethinking U.S. Foreign Assistance	1,054,804
Commitment to Development Index	120,000
International Migration	306,138
CGD in Europe	89,000
Fragile States and Corruption	1,015,000
Agriculture and Trade	647,825
Development Scholar Visiting Fellowships	56,274
Research on Population and Development	534,000
Responsible Lending and Debt Issues	<u>282,555</u>
Total purpose restricted	<u>5,956,073</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 7,506,073</u>

7. LEASE COMMITMENT

CGD had leased office space under five leases, for periods ranging from six to ten years. Four of these leases expired in 2012, and the fifth lease expires in 2016. Base rent for the existing lease is \$86,684 per month. The lease contains rent abatements and fixed increases in the annual rental amounts.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

7. LEASE COMMITMENT (Continued)

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 asset and deferred rent liability in the Statement of Financial Position.

As the subleases expired in 2012, there was no deferred rent asset at December 31, 2012 for the subleased space. The deferred rent liability was \$416,484 at December 31, 2012, for the leased space.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2013	\$ 1,141,181
2014	1,189,706
2015	1,226,113
2016	<u>1,151,343</u>
	<u>\$ 4,708,343</u>

Rent, utilities and telephone expense for the year ended December 31, 2012 was as follows:

Straight line rent	\$ 1,337,464
Utilities and telephone	<u>65,208</u>
Subtotal	1,402,672
Less: Rental income	<u>(180,868)</u>
TOTAL RENT, UTILITIES AND TELEPHONE	<u>\$ 1,221,804</u>

CGD subleased office space under various leases that expired in April 2012. Rental income for the year ended December 31, 2012 was \$180,868.

On December 21, 2012, CGD entered into a new ten-year lease agreement for office space, commencing on December 1, 2013. The lease provided for a security deposit of \$300,000 which was recorded in the Statement of Financial Position. Subsequent to year-end, CGD exercised its option under the lease terms to purchase the office building (see Note 10). CGD plans to sublease their existing leased office space once this new agreement commences.

8. RETIREMENT PLAN

CGD sponsors a 403(b) retirement plan that is available to employees who meet certain eligibility requirements. CGD contributes 15% of each eligible employee's earnings to the plan, subject to legal limits. For the year ended December 31, 2012, CGD contributed \$579,792 to the plan.

9. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, CGD has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

9. FAIR VALUE MEASUREMENT (Continued)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market CGD has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

- *Exchange traded funds* - Valued at the closing price reported on the active market in which the funds are traded.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, CGD's investments as of December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds:				
Real Estate Investment Index	\$ 1,469,401	\$ -	\$ -	\$ 1,469,401
Domestic Stocks	6,360,713	-	-	6,360,713
Foreign Stocks	<u>6,239,088</u>	<u>-</u>	<u>-</u>	<u>6,239,088</u>
Total exchange traded funds	<u>14,069,202</u>	<u>-</u>	<u>-</u>	<u>14,069,202</u>
Mutual Funds:				
Bond Funds	4,827,492	-	-	4,827,492
Real Estate Investment Index	70,580	-	-	70,580
Collateralized Commodities Futures	<u>1,391,491</u>	<u>-</u>	<u>-</u>	<u>1,391,491</u>
Total mutual funds	<u>6,289,563</u>	<u>-</u>	<u>-</u>	<u>6,289,563</u>
TOTAL	<u>\$20,358,765</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,358,765</u>

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

10. SUBSEQUENT EVENTS

In preparing these financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through , the date the financial statements were issued.

In January 2013, CGD established an office in the United Kingdom (UK) and registered as an overseas company in the UK. This allows CGD to operate as a UK Establishment under UK laws.

CGD signed a purchase agreement in January 2013, to acquire 33,718 square feet of office space at 2055 L Street, NW for \$13,520,918. CGD expects to close on the sale in June 2013. CGD intends to pay 20% of total costs at the time of the closing with the remaining balance being financed through a bond offering.