

COMBINED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL
DEVELOPMENT AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combined financial statements of the Center for Global Development and Affiliate (collectively referred to as CGD), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of CGD as of December 31, 2014, and the combined statements of activities and change in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited CGD's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 25, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Schedule of Financial Position on page 19, Combining Schedule of Activities on page 20 and Combining Schedule of Change in Net Assets on page 21, are presented for purposes of additional analysis and are not required as part of the combined financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



April 28, 2015

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,294,550	\$ 4,738,593
Investments (Notes 2 and 11)	17,907,705	17,745,839
Accounts receivable	3,158	-
Pledges receivable, current portion (Note 3)	895,855	757,685
Grants receivable, current portion (Note 3)	9,019,731	7,986,534
Prepaid expenses	142,187	61,500
Total current assets	33,263,186	31,290,151
PROPERTY AND EQUIPMENT		
Office condominium (Note 8)	16,264,390	16,254,914
Furniture	1,844,561	1,723,367
Computer equipment	556,287	513,639
	18,665,238	18,491,920
Less: Accumulated depreciation and amortization	(1,067,083)	(322,323)
Net property and equipment	17,598,155	18,169,597
OTHER ASSETS		
Pledges receivable, net of current portion and discount (Note 3)	3,544,802	3,762,297
Grants receivable, net of current portion and discount (Note 3)	1,840,874	4,503,129
Bond financing and condominium purchase fees, net of accumulated amortization of \$40,569 and \$12,371 in 2014 and 2013, respectively	481,875	510,073
Certificate of deposit - restricted	-	173,367
Total other assets	5,867,551	8,948,866
TOTAL ASSETS	\$ 56,728,892	\$ 58,408,614

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Current portion of bonds payable (Note 8)	\$ 303,880	\$ 295,703
Note payable (Notes 6 and 8)	300,000	-
Accounts payable and accrued liabilities	249,257	474,184
Accrued salaries and related benefits	<u>364,563</u>	<u>345,530</u>
Total current liabilities	<u>1,217,700</u>	<u>1,115,417</u>
LONG-TERM LIABILITIES		
Note payable (Notes 6 and 8)	-	300,000
Bonds payable, net of current portion (Note 8)	<u>12,615,561</u>	<u>12,919,441</u>
Total long-term liabilities	<u>12,615,561</u>	<u>13,219,441</u>
Total liabilities	<u>13,833,261</u>	<u>14,334,858</u>
NET ASSETS		
Unrestricted	24,162,745	24,374,930
Temporarily restricted (Note 4)	<u>18,732,886</u>	<u>19,698,826</u>
Total net assets	<u>42,895,631</u>	<u>44,073,756</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,728,892</u>	<u>\$ 58,408,614</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 888,117	\$ 11,427,337	\$ 12,315,454	\$ 17,085,047
Contract revenue	560,297	-	560,297	487,469
Investment income (Note 2)	340,764	-	340,764	2,535,818
Service revenue	35,957	-	35,957	54,221
Rental income	21,500	-	21,500	-
Net assets released from donor restrictions (Note 5)	<u>12,393,277</u>	<u>(12,393,277)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>14,239,912</u>	<u>(965,940)</u>	<u>13,273,972</u>	<u>20,162,555</u>
EXPENSES				
Program Services	<u>12,226,416</u>	<u>-</u>	<u>12,226,416</u>	<u>11,022,343</u>
Supporting Services:				
Management and General	1,798,819	-	1,798,819	1,809,490
Fundraising	<u>426,862</u>	<u>-</u>	<u>426,862</u>	<u>436,150</u>
Total supporting services	<u>2,225,681</u>	<u>-</u>	<u>2,225,681</u>	<u>2,245,640</u>
Total expenses	<u>14,452,097</u>	<u>-</u>	<u>14,452,097</u>	<u>13,267,983</u>
Change in net assets before other item	(212,185)	(965,940)	(1,178,125)	6,894,572
OTHER ITEM				
Lease termination fees (Note 6)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,683,516)</u>
Change in net assets	(212,185)	(965,940)	(1,178,125)	5,211,056
Net assets at beginning of year	<u>24,374,930</u>	<u>19,698,826</u>	<u>44,073,756</u>	<u>38,862,700</u>
NET ASSETS AT END OF YEAR	<u>\$ 24,162,745</u>	<u>\$ 18,732,886</u>	<u>\$ 42,895,631</u>	<u>\$ 44,073,756</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014				2013	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
Program Services	Management and General	Fundraising				
Employee salaries and benefits (Note 10)	\$ 6,770,023	\$ 726,241	\$ 336,434	\$ 1,062,675	\$ 7,832,698	\$ 7,479,490
Field study	184,307	-	-	-	184,307	-
Contractors/partnerships	885,568	-	-	-	885,568	998,429
Program and research consultants	1,467,954	-	-	-	1,467,954	972,291
Sub-grants	160,261	-	-	-	160,261	-
Other professional fees	118,136	197,091	1,977	199,068	317,204	282,185
Travel	663,053	4,659	8,657	13,316	676,369	535,827
Outreach activities	134,941	-	185	185	135,126	43,297
Meetings and conferences	219,450	3,364	12,568	15,932	235,382	221,275
Printing and production	75,368	1,842	1,068	2,910	78,278	162,707
Supplies and materials	103,487	54,034	2,542	56,576	160,063	181,164
Postage and shipping	9,626	6,001	643	6,644	16,270	14,337
Furnishings, equipment and software	155,355	128,452	6,357	134,809	290,164	76,574
Rent and utilities (Note 7)	51,949	170,820	54	170,874	222,823	1,233,866
Depreciation and amortization	-	846,085	-	846,085	846,085	289,956
Investment fees	-	30,229	-	30,229	30,229	30,655
Interest, taxes and condo maintenance fees (Notes 7 and 8)	-	776,678	-	776,678	776,678	293,155
Other	63,139	72,800	699	73,499	136,638	452,775
Subtotal	11,062,617	3,018,296	371,184	3,389,480	14,452,097	13,267,983
Overhead allocation	1,163,799	(1,219,477)	55,678	(1,163,799)	-	-
TOTAL	\$ 12,226,416	\$ 1,798,819	\$ 426,862	\$ 2,225,681	\$ 14,452,097	\$ 13,267,983

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,178,125)	\$ 5,211,056
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	846,085	289,956
Unrealized loss (gain) on investments	81,641	(1,289,703)
Realized gain on investments	(6,241)	(883,896)
Change in discount of long-term pledges and grants receivable	(225,229)	(102,911)
Loss on disposal of fixed assets	4,369	330,192
Donated securities	-	(12,866)
(Increase) decrease in:		
Accounts receivable	(3,158)	67,522
Pledges receivable	240,384	(1,113,717)
Grants receivable	1,693,227	(3,559,677)
Prepaid expenses	(80,687)	(18,687)
Security deposit	-	300,000
Increase (decrease) in:		
Accounts payable and accrued liabilities	(224,926)	283,759
Accrued salaries and related benefits	19,033	(30,143)
Deferred rent	-	(416,484)
Net cash provided (used) by operating activities	<u>1,166,373</u>	<u>(945,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(250,815)	(18,116,812)
Purchase of investments	(874,170)	(3,188,042)
Proceeds from sale of investments	636,905	7,987,433
Maturity of certificate of deposit - restricted	<u>173,367</u>	<u>-</u>
Net cash used by investing activities	<u>(314,713)</u>	<u>(13,317,421)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bond issuance	-	13,360,000
Payments on long term debt	(295,703)	(144,856)
Obligation due to landlord for termination of lease	-	2,100,000
Payments made to landlord for termination of lease	-	(1,800,000)
Cash paid for bond financing and condominium fees	<u>-</u>	<u>(511,823)</u>
Net cash (used) provided by financing activities	<u>(295,703)</u>	<u>13,003,321</u>
Net increase (decrease) in cash and cash equivalents	555,957	(1,259,699)
Cash and cash equivalents at beginning of year	<u>4,738,593</u>	<u>5,998,292</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>5,294,550</u>	\$ <u>4,738,593</u>

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	<u>2014</u>	<u>2013</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>362,047</u>	\$ <u>182,534</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Liquidated Donated Securities	\$ <u>146,224</u>	\$ <u>160,788</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Global Development and Affiliate (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. The Center'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. The Center 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.

In January 2013, CGD established an office in the United Kingdom (UK) and registered as an overseas company in the UK under the appropriate UK laws. The Center for Global Development in Europe (CGDE) began independent operations in 2014. CGDE is a company limited by guarantee and a UK-registered charity whose mission is to promote, for the public benefit, education and research into poverty, health, sustainable development, economics, good governance and transparency in public life and administration and public finance.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

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, 2013, from which the summarized information was derived.

Basis of combination -

The accompanying combined financial statements reflect the activity of the Center of Global Development and CGDE, collectively referred to as "CGD". The financial statements have been combined because the organizations are under common control. All intercompany transactions have been eliminated during combination.

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, CGD maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Additionally, as of December 31, 2014, CGD held \$169,561 of cash and cash equivalents in a local institution of the United Kingdom (UK). Such funds are generally not insured.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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

Investments -

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

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair market value on the date of donation. CGD typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. For the year ended December 31, 2014, CGD received a total of \$146,224 in donated securities, which were sold immediately in accordance with their policy.

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. 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.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Renewals and betterments are capitalized while repairs and maintenance are charged to expenses as they are incurred. Property (Condominium) improvements are capitalized and amortized over the remaining useful life of the property. Depreciation is computed using the straight-line method over the following estimated useful lives:

Property (Condominium)	39 years
Property improvements	39 years
Furniture and equipment	7 years
Computer equipment and software	3 years
Website development	3 years

For the year ended December 31, 2014, depreciation and amortization expense related to property and equipment totaled \$817,887.

Bond financing and condominium purchase fees -

Bond financing fees represent legal fees and other costs associated with obtaining the bond debt agreement (see Note 8). These fees are being amortized over the life of the debt (15 years), on a straight-line basis.

Condominium purchase fees represent the costs incurred in negotiating the purchase of CGD's new office space (see Note 8). Purchase fees are being amortized over the estimated life of the condominium (39 years).

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Bond financing and condominium purchase fees (continued) -

For the year ended December 31, 2014, amortization expense for bond financing and condominium purchase fees totaled \$28,198. Accumulated amortization totaled \$40,569 at December 31, 2014.

Income taxes -

CGD is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CGDE is registered as a tax exempt organization under the laws that govern charities in the U.K. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. CGD is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2014, CGD has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined 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 Combined Statement of Activities and Change in Net Assets as net assets released from restrictions.

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 combined financial statements.

Contracts -

Contracts that are awarded to CGD are accounted for as exchange transactions, and accordingly, revenue is recognized when the qualifying expenditures are incurred. Any funds received in advance of expenditure are classified as refundable advance. Any funds not received upon incurring qualifying expenditures are recorded as contracts receivable.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Use of estimates -

The preparation of combined 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 combined 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 Combined 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 combined financial statements.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for CGD's operations. Transactions in currencies other than Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in non-U.S. currencies are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

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 their financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2014:

	<u>Fair Value</u>
Ameritrade - Exchange Traded Funds	\$ 12,019,716
Ameritrade - Mutual Funds	<u>5,887,989</u>
TOTAL INVESTMENTS	<u>\$ 17,907,705</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

2. INVESTMENTS (Continued)

Included in investment income are the following at December 31, 2014:

Interest and dividends	\$ 416,164
Unrealized loss	(81,641)
Realized gain	<u>6,241</u>
TOTAL INVESTMENT INCOME	<u>\$ 340,764</u>

3. PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2014, 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, 2014:

	<u>Pledges Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 895,855	\$ 9,019,731
One year to five years	<u>3,809,089</u>	<u>1,881,975</u>
Subtotal	4,704,944	10,901,706
Less: Discount to present value	<u>(264,287)</u>	<u>(41,101)</u>
TOTAL	<u>\$ 4,440,657</u>	<u>\$ 10,860,605</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014:

Time restricted	\$ <u>6,984,483</u>
Purpose restricted:	
CGD in Europe	2,066,089
Global Health Policy	2,044,705
Tropical Forests for Climate and Development	1,623,654
Transparency, Accountability and Corruption	1,660,343
Development Scholar Visiting Fellowships	1,087,106
Regulatory Standards for Financial Inclusion	823,818
Labor Mobility	774,010
Future International Financial Institutions	475,223
Energy Access	400,000
Aid Innovation and Effectiveness	389,025
Global Development Innovation Fund Incubation	159,430
Rethinking U.S. Foreign Assistance	125,000
Commitment to Development Index	<u>120,000</u>
Total purpose restricted	<u>11,748,403</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 18,732,886</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2014, by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of time	\$ <u>2,324,121</u>
Purpose restricted:	
Tropical Forests for Climate and Development	2,034,345
Transparency, Accountability and Corruption	1,747,111
Global Health Policy	1,443,627
CGD in Europe	751,100
Rethinking US Foreign Assistance	697,234
Aid Innovation and Effectiveness	653,175
Agriculture and Trade	562,494
Regulatory Standards for Financial Inclusion	540,000
Future International Financial Institutions	488,000
Labor Mobility	400,000
Global Development Innovation Fund Incubation	349,070
Development Scholar Visiting Fellowships	283,000
Commitment to Development Index	<u>120,000</u>
Total purpose restricted	<u>10,069,156</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>12,393,277</u>

6. NOTE PAYABLE

CGD was committed for leased office space under an agreement that was set to expire in 2016. As a result of CGD's decision to purchase new office space (see Note 8), CGD negotiated the termination of the existing lease agreement, effective December 23, 2013. As a result of the early termination, CGD was liable to pay the landlord a total sum of \$2.1 million in penalty fees, of which \$1,800,000 was paid in 2013. The remaining \$300,000 obligation is due to the landlord on January 2 2015 and is presented as a note payable on the accompanying Combined Statement of Financial Position. The balance was subsequently paid on the due date in January 2015.

7. LEASE COMMITMENTS

During 2014, CGDE entered into an agreement for office space in the UK, which is set to expire May 31, 2017. Base rent is £89,902 per year (approximately \$140,000).

Total CGDE rent expense for the year ended December 31, 2014 was \$38,646, which is included in "Rent and utilities" on the accompanying Combined Statement of Functional Expenses.

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

<u>Year Ending December 31.</u>	
2015	\$ 139,986
2016	139,986
2017	<u>58,328</u>
	\$ <u>338,300</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014

7. LEASE COMMITMENTS (Continued)

CGD subleases a portion of its office space under one short-term lease agreement. The sublease was entered into on February 4, 2014 for a six-month period. The agreement was renewed for another six months through February 4, 2015. Subsequent to year-end, a third extension was made through August 4, 2016.

The following is a schedule of the future minimum rental income:

Year Ending December 31, 2015 \$ 14,500

Rental income for the year ended December 31, 2014 was \$21,500.

8. LONG-TERM DEBT

During 2013, CGD entered into the following debt instrument agreement to provide funding to acquire and renovate new office space (condominium), which was purchased in June 2013 for \$13,520,918. The debt is collateralized by the condominium office space at 2055 L Street, Washington, D.C. Additionally, the debt agreements contain various covenants, which among other things, place restrictions on CGD's ability to incur additional indebtedness and requires CGD to maintain certain financial ratios and submit various financial reports throughout their fiscal year. For the year ended December 31, 2014, CGD was in compliance with the debt covenants. As of the date of this report, CGD was in substantial compliance with all debt covenants.

Tax-Exempt Bonds Payable

During 2013, the District of Columbia issued \$13,360,000 of Revenue Bonds (Center for Global Development Issue Series 2013) on behalf of CGD at which time CGD entered into a loan and trust agreement with the District of Columbia and SunTrust Bank. The bonds bear an annualized fixed interest rate of 2.73% and are to be repaid on a monthly basis at principal plus accrued interest. The redemption schedule is amortized over a 30-year period starting on July 1, 2013. The bonds will be due in 15 years with a balloon payment of outstanding principle and interest due on June 1, 2028.

As of December 31, 2014, the total outstanding balance of the bonds payable was \$12,919,441 and total interest was \$362,047.

Principal payments on the bonds are due as follows:

<u>Year Ending December 31,</u>	
2015	\$ 303,880
2016	312,279
2017	320,911
2018	329,782
2019	338,900
2020 and Thereafter	<u>11,313,689</u>
	<u>\$ 12,919,441</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

8. LONG-TERM DEBT (Continued)

Line of Credit

As part of the bond issuance, CGD also entered into an agreement for a revolving line of credit with SunTrust Bank. The line of credit, in the amount of \$1,000,000, is renewable annually and bears interest at Libor plus 1.75% (2.33% at December 31, 2014). The line of credit is unsecured, with a negative pledge against the new property (condominium).

In addition to the aforementioned covenants as they apply to the bonds, the line of credit is also subject to additional financial covenants. As of December 31, 2014, CGD was in substantial compliance with these additional covenants for the line of credit.

There was no outstanding balance on the line of credit as of December 31, 2014.

9. DENMARK GRANT

During the year ended December 31, 2014, CGD was awarded a grant by the Government of Denmark in the amount of DKK 1,923,180 (approximately \$348,600). The purpose of this grant was to support areas of mutual interest, to promote new ideas for enhanced development policy, and for membership to the Commitment to Development Consortium (CDI). The funds were expended as follows:

Financial Report Embassy of Denmark Grant (USD) for the Year Ended December 31, 2014

	<u>Budget</u>	<u>Actual</u>
Personnel	\$ 272,644	\$ 272,295
Travel	9,977	-
Outreach	1,814	-
Indirect	34,165	27,012
Loss on currency exchange	<u>-</u>	<u>19,293</u>
Subtotal	318,600	318,600
CDI	<u>30,000</u>	<u>30,000</u>
TOTAL	<u>\$ 348,600</u>	<u>\$ 348,600</u>

10. 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, 2014, CGD contributed \$616,679 to the plan.

11. 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. 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 Combined 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014**

11. FAIR VALUE MEASUREMENT (Continued)

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, 2014.

- *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, 2014:

	Level 1	Level 2	Level 3	Total
Exchange Traded Funds:				
Real Estate Investment Index	\$ 1,315,231	\$ -	\$ -	\$ 1,315,231
Domestic Stocks	5,704,001	-	-	5,704,001
Foreign Stocks	<u>5,000,484</u>	<u>-</u>	<u>-</u>	<u>5,000,484</u>
Total exchange traded funds	<u>12,019,716</u>	<u>-</u>	<u>-</u>	<u>12,019,716</u>
Mutual Funds:				
Bond Funds	4,526,870	-	-	4,526,870
Real Estate Investment Index	99,222	-	-	99,222
Foreign Stocks	147,224	-	-	147,224
Collateralized Commodities Futures	<u>1,114,673</u>	<u>-</u>	<u>-</u>	<u>1,114,673</u>
Total mutual funds	<u>5,887,989</u>	<u>-</u>	<u>-</u>	<u>5,887,989</u>
TOTAL	<u>\$ 17,907,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,907,705</u>

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 28, 2015, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,124,988	\$ 169,562	\$ -	\$ 5,294,550
Investments	17,907,705	-	-	17,907,705
Accounts receivable	3,158	-	-	3,158
Pledges receivable, current portion	895,855	-	-	895,855
Grants receivable, current portion	9,019,731	-	-	9,019,731
Prepaid expenses	83,114	59,073	-	142,187
Total current assets	33,034,551	228,635	-	33,263,186
PROPERTY AND EQUIPMENT				
Office condominium	16,264,390	-	-	16,264,390
Furniture	1,844,561	-	-	1,844,561
Computer equipment	556,287	-	-	556,287
	18,665,238	-	-	18,665,238
Less: Accumulated depreciation and amortization	(1,067,083)	-	-	(1,067,083)
Net property and equipment	17,598,155	-	-	17,598,155
OTHER ASSETS				
Pledges receivable, net of current portion and discount	3,544,802	-	-	3,544,802
Grants receivable, net of current portion and discount	1,840,874	-	-	1,840,874
Bond financing and condominium purchase fees, net of accumulated amortization of \$40,569	481,875	-	-	481,875
Total other assets	5,867,551	-	-	5,867,551
TOTAL ASSETS	\$ 56,500,257	\$ 228,635	\$ -	\$ 56,728,892
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current portion of bonds payable	\$ 303,880	\$ -	\$ -	\$ 303,880
Note payable	300,000	-	-	300,000
Accounts payable and accrued liabilities	228,655	20,602	-	249,257
Accrued salaries and related benefits	327,507	37,056	-	364,563
Total current liabilities	1,160,042	57,658	-	1,217,700
LONG-TERM LIABILITIES				
Bonds payable, net of current portion	12,615,561	-	-	12,615,561
Total long-term liabilities	12,615,561	-	-	12,615,561
Total liabilities	13,775,603	57,658	-	13,833,261
NET ASSETS				
Unrestricted	24,067,744	95,001	-	24,162,745
Temporarily restricted	18,656,910	75,976	-	18,732,886
Total net assets	42,724,654	170,977	-	42,895,631
TOTAL LIABILITIES AND NET ASSETS	\$ 56,500,257	\$ 228,635	\$ -	\$ 56,728,892

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUE				
Grants and contributions	\$ 888,117	\$ 572,975	\$ (572,975)	\$ 888,117
Contract revenue	560,297	-	-	560,297
Investment income	340,764	-	-	340,764
Service revenue	35,957	-	-	35,957
Rental income	21,500	-	-	21,500
Net assets released from donor restrictions	12,393,277	-	-	12,393,277
Total revenue	<u>14,239,912</u>	<u>572,975</u>	<u>(572,975)</u>	<u>14,239,912</u>
EXPENSES				
Program Services	12,321,417	477,974	(572,975)	12,226,416
Supporting Services:				
Management and General	1,798,819	-	-	1,798,819
Fundraising	426,862	-	-	426,862
Total supporting services	<u>2,225,681</u>	<u>-</u>	<u>-</u>	<u>2,225,681</u>
Total expenses	<u>14,547,098</u>	<u>477,974</u>	<u>(572,975)</u>	<u>14,452,097</u>
Change in unrestricted net assets	<u>(307,186)</u>	<u>95,001</u>	<u>-</u>	<u>(212,185)</u>
TEMPORARILY RESTRICTED REVENUE				
Grants and contributions	11,351,361	75,976	-	11,427,337
Net assets released from donor restrictions	<u>(12,393,277)</u>	<u>-</u>	<u>-</u>	<u>(12,393,277)</u>
Change in temporarily restricted net assets	<u>(1,041,916)</u>	<u>75,976</u>	<u>-</u>	<u>(965,940)</u>
CHANGE IN NET ASSETS	<u><u>\$ (1,349,102)</u></u>	<u><u>\$ 170,977</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,178,125)</u></u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>CGD</u>	<u>CGD-E</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS				
Net assets at beginning of year	\$24,374,930	\$ -	\$ -	\$24,374,930
Change in unrestricted net assets	(307,186)	95,001	-	(212,185)
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$24,067,744</u>	<u>\$ 95,001</u>	<u>\$ -</u>	<u>\$24,162,745</u>
TEMPORARILY RESTRICTED NET ASSETS				
Net assets at beginning of year	\$19,698,826	\$ -	\$ -	\$19,698,826
Change in temporarily restricted net assets	(1,041,916)	75,976	-	(965,940)
TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR	<u>\$18,656,910</u>	<u>\$ 75,976</u>	<u>\$ -</u>	<u>\$18,732,886</u>