

FINANCIAL STATEMENTS

**CENTER FOR GLOBAL
DEVELOPMENT**

**FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2008**

CENTER FOR GLOBAL DEVELOPMENT

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2009, with Summarized Financial Information for 2008	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	5
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2009, with Summarized Financial Information for 2008	6
NOTES TO FINANCIAL STATEMENTS	7 - 13



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of the Center for Global Development (CGD) as of December 31, 2009, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CGD's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CGD's 2008 financial statements and, in our report dated March 24, 2009, we expressed an unqualified opinion on those statements.

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 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 audit provides 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 CGD as of December 31, 2009, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 24, 2010

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,329,672	\$ 3,968,149
Investments (Notes 2 and 10)	11,981,853	8,418,091
Pledges receivable, current portion (Note 3)	34,375	-
Grants receivable, current portion (Note 3)	6,854,619	6,302,173
Accounts receivable	20,703	-
Prepaid expenses	<u>31,433</u>	<u>113,209</u>
Total current assets	<u>25,252,655</u>	<u>18,801,622</u>
FIXED ASSETS		
Furniture	408,265	172,374
Computer equipment	273,592	270,052
Leasehold improvements	<u>657,799</u>	<u>153,854</u>
	1,339,656	596,280
Less: Accumulated depreciation and amortization	<u>(459,215)</u>	<u>(333,205)</u>
Net fixed assets	<u>880,441</u>	<u>263,075</u>
OTHER ASSETS		
Pledges receivable, net of current portion (Note 3)	3,455,274	3,309,641
Grants receivable, net of current portion (Note 3)	3,324,860	6,119,320
Certificate of deposit - restricted (Notes 4 and 10)	<u>184,789</u>	<u>184,789</u>
Total other assets	<u>6,964,923</u>	<u>9,613,750</u>
TOTAL ASSETS	<u>\$ 33,098,019</u>	<u>\$ 28,678,447</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 120,886	\$ 661,048
Accrued salaries and related benefits	289,339	294,263
Deferred rent, current portion (Note 7)	<u>10,728</u>	<u>31,741</u>
Total current liabilities	<u>420,953</u>	<u>987,052</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion (Note 7)	328,150	87,487
Other liabilities	<u>105,625</u>	<u>-</u>
Total long-term liabilities	<u>433,775</u>	<u>87,487</u>
Total liabilities	<u>854,728</u>	<u>1,074,539</u>
NET ASSETS		
Unrestricted	13,159,475	8,489,110
Temporarily restricted (Note 5)	<u>19,083,816</u>	<u>19,114,798</u>
Total net assets	<u>32,243,291</u>	<u>27,603,908</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,098,019</u>	<u>\$ 28,678,447</u>

See accompanying notes to financial statements.

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 4,292,299	\$ 8,027,359	\$ 12,319,658	\$ 7,096,008
Contract revenue	743,175	-	743,175	352,088
Investment income (loss) (Note 2)	2,815,209	-	2,815,209	(1,830,107)
Service revenue	33,482	-	33,482	26,821
Net assets released from donor restrictions (Note 6)	<u>8,058,341</u>	<u>(8,058,341)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>15,942,506</u>	<u>(30,982)</u>	<u>15,911,524</u>	<u>5,644,810</u>
EXPENSES				
Program Services	<u>9,674,960</u>	<u>-</u>	<u>9,674,960</u>	<u>16,738,260</u>
Supporting Services:				
Management and General	1,168,557	-	1,168,557	675,526
Fundraising	<u>428,624</u>	<u>-</u>	<u>428,624</u>	<u>261,407</u>
Total supporting services	<u>1,597,181</u>	<u>-</u>	<u>1,597,181</u>	<u>936,933</u>
Total expenses	<u>11,272,141</u>	<u>-</u>	<u>11,272,141</u>	<u>17,675,193</u>
Change in net assets	4,670,365	(30,982)	4,639,383	(12,030,383)
Net assets at beginning of year	<u>8,489,110</u>	<u>19,114,798</u>	<u>27,603,908</u>	<u>39,634,291</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,159,475</u>	<u>\$ 19,083,816</u>	<u>\$ 32,243,291</u>	<u>\$ 27,603,908</u>

See accompanying notes to financial statements.

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

SEE EXCEL

Salaries
Benefits
Payroll taxes
Printing and production
Field Research
Professional fees
Occupancy (Note 7)
Depreciation and amortization
Travel and entertainment
Consulting fees
Postage and delivery
Supplies
Meetings and conventions
Advertising and promotion
Equipment
Grants
Other

Sub-total

TOTAL

CENTER FOR GLOBAL DEVELOPMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,639,383	\$ (12,030,383)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	149,253	107,054
Unrealized (gain) loss on investments	(2,404,153)	2,033,188
Realized loss on investments	-	332,612
(Increase) decrease in:		
Pledges receivable	(180,008)	1,919,988
Grants receivable	2,242,014	7,099,884
Accounts receivable	(20,703)	115,091
Prepaid expenses	81,776	(83,376)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(540,162)	265,570
Accrued salaries and related benefits	(4,924)	51,345
Deferred rent	219,650	(14,938)
Other liabilities	<u>105,625</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>4,287,751</u>	<u>(203,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of investments	(1,159,610)	(6,075,828)
Purchase of fixed assets	(766,618)	(100,973)
Purchase of certificate of deposit - restricted	<u>-</u>	<u>(173,367)</u>
Net cash used by investing activities	<u>(1,926,228)</u>	<u>(6,350,168)</u>
Net increase (decrease) in cash and cash equivalents	2,361,523	(6,554,133)
Cash and cash equivalents at beginning of year	<u>3,968,149</u>	<u>10,522,282</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,329,672</u>	<u>\$ 3,968,149</u>

See accompanying notes to financial statements.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

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.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, CGD has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact CGD's financial position or results of operations.

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, 2008, 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 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.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

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

Accounts receivable -

Accounts receivable approximate fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

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, 2009, 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.

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.

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. 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. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

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 financial statements.

Fair value measurements -

CGD adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS

Investments consisted of the following at December 31, 2009:

	<u>Market Value</u>
TIFF Multi-Asset Mutual Fund	<u>\$11,981,853</u>

CENTER FOR GLOBAL DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

2. INVESTMENTS (Continued)

Included in investment income are the following at December 31, 2009:

Interest and dividends	\$ 411,056
Unrealized gain on investments	<u>2,404,153</u>
	<u>\$ 2,815,209</u>

3. PLEDGES AND GRANTS RECEIVABLE

As of December 31, 2009, pledges and grants receivable are to be received over the next five years. The pledges and grants have been appropriately discounted using interest rates varying from one to five percent.

The pledges and grants are due as follows:

<u>Year Ended December 31,</u>	<u>Pledges Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 34,375	\$ 6,854,619
One year to five years	3,754,440	3,437,588
Less: Discount to present value	<u>(299,166)</u>	<u>(112,728)</u>
	<u>\$ 3,489,649</u>	<u>\$ 10,179,479</u>

CGD has an existing conditional promise to receive up to \$5,000,000 from the Bill and Melinda Gates Foundation (the Foundation) during the period from November 20, 2006 until June 20, 2012. Payment is contingent upon the receipt of new and undesignated funds from sources other than the Foundation. During the year ended December 31, 2009, CGD received \$2,481,285 under this agreement. The remaining conditional promise to receive as of December 31, 2009 was \$1,238,528.

As the conditions for the payment by the Foundation of this remaining promise have not been met as of December 31, 2009, these amounts are not included in fiscal year 2009 revenues and are not recorded in contributions receivable at December 31, 2009.

4. LETTER OF CREDIT/CERTIFICATE OF DEPOSIT

CGD has two restricted letters of credit, secured by a certificate of deposit totaling \$184,789, with SunTrust Bank. The terms of the two office lease agreements stipulate that CGD maintain this letter of credit in lieu of a security deposit. Only the landlords 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, 2009, 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, 2009**

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009:

Time restricted	\$ <u>7,610,960</u>
Purpose restricted:	
Global Health Policy	2,453,248
Research on Aid Effectiveness	1,626,620
HIV/AIDS Donor Watch	272,574
Commitment to Development Index	177,530
International Migration	1,217,460
Weak and Fragile States	1,549,969
Climate Change	274,968
Capacity Building in Liberia	101,232
Girls and Development Issues	85,025
Development Scholar Visiting Fellowships	605,330
Research on Population and Development	1,963,783
Access to Financial Services	149,250
Responsible Lending and Debt Issues	<u>995,867</u>
Total purpose restricted	<u>11,472,856</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>19,083,816</u>

6. NET ASSETS RELEASED FROM RESTRICTIONS

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

Time restricted	\$ <u>450,000</u>
Purpose restricted:	
Global Health Policy	1,900,118
Research on Aid Effectiveness	1,091,404
HIV/AIDS Donor Watch	776,061
Commitment to Development Index	134,459
International Migration	379,540
Weak and Fragile States	724,786
Climate Change	597,000
Capacity Building in Liberia	898,563
Trade and Poverty	250,000
Girls and Development Issues	181,407
Development Scholar Visiting Fellowships	62,053
Research on Population and Development	412,317
Responsible Lending and Debt Issues	<u>200,633</u>
Total purpose restricted	<u>7,608,341</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>8,058,341</u>

CENTER FOR GLOBAL DEVELOPMENT

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

7. LEASE COMMITMENT

CGD entered into a lease for office space which commenced on November 30, 2001 and called for CGD to begin occupying the space on May 1, 2002. During 2006, CGD entered into a new lease for additional office space, which commenced on September 29, 2006, for a six-year period. The leases contained rent abatements and fixed increases in the annual rental amounts. At the end of 2008, CGD entered into a new lease for office space, which commenced in April 2009 and expires in November 2016.

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 liability on the Statement of Financial Position.

Minimum rental payments required under these leases are as follows:

<u>Year Ended December 31,</u>	
2010	\$ 1,674,415
2011	1,716,229
2012	1,326,349
2013	1,141,181
2014	1,189,706
Thereafter	<u>2,377,456</u>
	<u>\$ 9,425,336</u>

Net rent expense for the year ended December 31, 2009 was \$1,148,278. The deferred rent liability was \$338,878 at December 31, 2009.

CGD subleases its old office space under various leases expiring throughout 2012.

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

<u>Year Ended December 31,</u>	
2010	\$ 589,750
2011	607,918
2012	<u>205,444</u>
	<u>\$ 1,403,112</u>

Rental income for the year ended December 31, 2009 was \$333,518.

8. RELATED PARTY TRANSACTIONS

CGD shares common Board members with the Institute for International Economics (IIE), the organization that incubated CGD and provided administrative services to CGD through September 2002. Beginning in October 2002, CGD began operating independently and entered into a sublease agreement with IIE as discussed in Note 7.

CENTER FOR GLOBAL DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009

9. 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, 2009, CGD contributed \$489,862 to the plan.

10. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, 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 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 in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded on the Statement of Financial Position are categorized based on the inputs to the valuation technique as follows for the year ended December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Category:				
TIFF Multi-Asset Fund	\$11,981,853	\$ -	\$ -	\$11,981,853
Certificate of Deposit - Restricted	<u>-</u>	<u>184,789</u>	<u>-</u>	<u>184,789</u>
TOTAL	<u>\$11,981,853</u>	<u>\$ 184,789</u>	<u>\$ -</u>	<u>\$12,166,642</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through March 24, 2010, the date the financial statements were issued.