

COMBINED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

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, 2018, 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 Combined 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 did not audit the financial statements of the Center for Global Development Europe, which statements reflect total assets of \$3,314,510 as of December 31, 2018, and total support and revenue of \$4,186,590 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Center for Global Development Europe, is based solely on the report of the other auditors. 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.

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Opinion

In our opinion, based on our audit and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of CGD as of December 31, 2018, and the combined 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.

Report on Summarized Comparative Information

We have previously audited CGD's 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements (and the report of the other auditors) in our report dated April 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combined 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 22, Combining Schedule of Activities on page 23 and Combining Schedule of Change in Net Assets on page 24, 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 23, 2019

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,527,381	\$ 10,172,141
Investments	19,325,391	21,275,630
Accounts receivable	-	59,606
Contributions receivable	318,228	322,948
Grants receivable	11,244,193	5,008,257
Prepaid expenses	<u>118,431</u>	<u>125,438</u>
Total current assets	<u>43,533,624</u>	<u>36,964,020</u>
PROPERTY AND EQUIPMENT		
Office condominium and improvements	16,442,919	16,442,919
Equipment	91,888	51,874
Furniture	1,851,917	1,841,962
Computer equipment and software	210,489	282,352
Website development	275,575	253,220
Leasehold improvements	<u>8,514</u>	<u>-</u>
	18,881,302	18,872,327
Less: Accumulated depreciation and amortization	<u>(3,897,031)</u>	<u>(3,245,857)</u>
Net property and equipment	<u>14,984,271</u>	<u>15,626,470</u>
NONCURRENT ASSETS		
Contributions receivable, net of current portion and discount	3,138,662	3,104,300
Grants receivable, net of current portion and discount	<u>10,413,411</u>	<u>4,952,380</u>
Total noncurrent assets	<u>13,552,073</u>	<u>8,056,680</u>
TOTAL ASSETS	<u>\$ 72,069,968</u>	<u>\$ 60,647,170</u>

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Bonds payable	\$ 304,070	\$ 294,952
Accounts payable and accrued liabilities	317,538	409,559
Accrued salaries and related benefits	<u>137,354</u>	<u>86,847</u>
Total current liabilities	<u>758,962</u>	<u>791,358</u>
NONCURRENT LIABILITIES		
Bonds payable, net of current portion	<u>11,013,147</u>	<u>11,317,217</u>
Total liabilities	<u>11,772,109</u>	<u>12,108,575</u>
NET ASSETS		
Without donor restrictions	26,477,661	28,882,689
With donor restrictions	<u>33,820,198</u>	<u>19,655,906</u>
Total net assets	<u>60,297,859</u>	<u>48,538,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 72,069,968</u>	<u>\$ 60,647,170</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,562,552	\$ 31,496,045	\$ 33,058,597	\$ 13,685,046
Contract revenue	921,148	-	921,148	913,800
Investment (loss) income, net	(1,902,723)	-	(1,902,723)	2,823,988
Membership income	-	-	-	112,006
Service revenue	58,896	-	58,896	48,581
Other income	13,283	-	13,283	2,029
Net assets released from donor restrictions	<u>15,490,206</u>	<u>(15,490,206)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>16,143,362</u>	<u>16,005,839</u>	<u>32,149,201</u>	<u>17,585,450</u>
EXPENSES				
Program Services	<u>15,490,698</u>	<u>-</u>	<u>15,490,698</u>	<u>13,071,396</u>
Supporting Services:				
Management and General	2,290,781	-	2,290,781	1,661,738
Fundraising	<u>766,911</u>	<u>-</u>	<u>766,911</u>	<u>588,146</u>
Total supporting services	<u>3,057,692</u>	<u>-</u>	<u>3,057,692</u>	<u>2,249,884</u>
Total expenses	<u>18,548,390</u>	<u>-</u>	<u>18,548,390</u>	<u>15,321,280</u>
Change in net assets before other item	(2,405,028)	16,005,839	13,600,811	2,264,170
OTHER ITEM				
Write-off of NORAD award	<u>-</u>	<u>(1,841,547)</u>	<u>(1,841,547)</u>	<u>-</u>
Change in net assets	(2,405,028)	14,164,292	11,759,264	2,264,170
Net assets at beginning of year	<u>28,882,689</u>	<u>19,655,906</u>	<u>48,538,595</u>	<u>46,274,425</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,477,661</u>	<u>\$ 33,820,198</u>	<u>\$ 60,297,859</u>	<u>\$ 48,538,595</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018				2017	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Employee salaries and benefits	\$ 10,007,030	\$ 967,223	\$ 538,022	\$ 1,505,245	\$ 11,512,275	\$ 9,290,002
Field study	409,208	-	-	-	409,208	578,770
Contractors/partnerships	1,073,598	24,584	-	24,584	1,098,182	535,394
Program and research consultants	682,614	-	250	250	682,864	695,317
Other professional fees	39,447	438,478	43,697	482,175	521,622	497,215
Travel	931,624	103,442	18,515	121,957	1,053,581	654,916
Outreach activities	75,242	-	-	-	75,242	87,479
Meetings and conferences	170,012	4,098	32,514	36,612	206,624	380,764
Printing and production	115,216	721	11,237	11,958	127,174	192,757
Supplies and materials	90,738	78,025	12,206	90,231	180,969	214,951
Postage and shipping	5,076	19,086	423	19,509	24,585	12,986
Furnishings, equipment and software	90,666	136,761	1,843	138,604	229,270	98,448
Rent and utilities	7,608	210,089	-	210,089	217,697	473,174
Depreciation and amortization	-	776,141	-	776,141	776,141	772,292
Interest, taxes and condo maintenance fees	-	975,640	-	975,640	975,640	669,494
Other	9,741	447,575	-	447,575	457,316	167,321
Subtotal	13,707,820	4,181,863	658,707	4,840,570	18,548,390	15,321,280
Overhead allocation	1,782,878	(1,891,082)	108,204	(1,782,878)	-	-
TOTAL	\$ 15,490,698	\$ 2,290,781	\$ 766,911	\$ 3,057,692	\$ 18,548,390	\$ 15,321,280

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,759,264	\$ 2,264,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	776,141	772,292
Unrealized losses (gains) on investments	2,665,128	(2,183,880)
Realized gains on sales of investments	(197,311)	(156,294)
Change in discount of long-term contributions and grants receivable	173,070	532,683
Loss on disposal of fixed assets	-	1,358
Decrease (increase) in:		
Accounts receivable	59,606	(58,529)
Contributions receivable	130,252	132,157
Grants receivable	(12,029,931)	1,157,540
Prepaid expenses	7,007	5,630
(Decrease) increase in:		
Accounts payable and accrued liabilities	(92,021)	133,369
Accrued salaries and related benefits	<u>50,507</u>	<u>(128,471)</u>
Net cash provided by operating activities	<u>3,301,712</u>	<u>2,472,025</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(99,112)	(116,506)
Purchases of investments	(1,365,149)	(950,335)
Proceeds from sales of investments	<u>847,571</u>	<u>585,581</u>
Net cash used by investing activities	<u>(616,690)</u>	<u>(481,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	<u>(329,782)</u>	<u>(320,911)</u>
Net cash used by financing activities	<u>(329,782)</u>	<u>(320,911)</u>
Net increase in cash and cash equivalents	2,355,240	1,669,854
Cash and cash equivalents at beginning of year	<u>10,172,141</u>	<u>8,502,287</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 12,527,381</u>	<u>\$ 10,172,141</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>391,963</u>	\$ <u>336,488</u>
SCHEDULE OF NONCASH INVESTING TRANSACTIONS:		
Liquidated Donated Securities	\$ <u>-</u>	\$ <u>7,116</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

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. 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.

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 combined financial statements reflect the activity of CGD and CGDE, collectively referred to as CGD. The financial statements have been combined because CGD and CGDE are under common control. All intercompany transactions have been eliminated in combination.

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Subtopic FASB Accounting Standards Codification (ASC) 958-810, *Consolidation*.

The combined 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 combined financial statements for the year ended December 31, 2017, 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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Cash and cash equivalents (continued) -

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, 2018, CGD held \$2,912,276 of cash and cash equivalents in a local institution of the UK. Bank deposit accounts are insured by the Financial Services Compensation Scheme (FSCS) up to a limit of £85,000. At times during the year, CGD maintains cash balances in excess of the FSCS insurance 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, net of investment management fees, are included in "investment (loss) income, net" in the accompanying Combined Statement of Activities and Change in Net Assets.

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair value as of the date of donation. CGD typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. During the year ended December 31, 2018, CGD did not receive any donated securities.

Accounts, contributions and grants receivable -

Current accounts, contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Amounts 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 and revenue until the conditions are substantially met.

All accounts, contributions and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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 (office condominium) improvements are capitalized and amortized over the remaining useful life of the property. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

Property (office condominium)	39 years
Property improvements	39 years
Leasehold improvements (office condominium)	15 years
Equipment and furniture	7 years
Computer equipment and software	3 years
Website development	3 years

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

Property and equipment (continued) -

During the year ended December 31, 2018, depreciation and amortization expense related to property and equipment totaled \$741,311.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge in the accompanying Combined Statement of Activities and Change in Net Assets, to its current fair value. There was no impairment of long-lived assets recognized during the year ended December 31, 2018.

Bond financing and condominium purchase fees -

In accordance with FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, CGD presents debt issuance costs in the combined financial statements as a direct deduction from the related debt liability. Amortization of these costs is reflected in depreciation and amortization expense in the accompanying Combined Statement of Functional Expenses.

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.

Office 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 life of the debt (15 years), on a straight-line basis.

During the year ended December 31, 2018, amortization expense for bond financing and office condominium purchase fees totaled \$34,830. Accumulated amortization totaled \$187,072 as of December 31, 2018.

Income taxes -

CGD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial.

CGDE is registered as a tax-exempt organization under the laws that govern charities in the UK.

Uncertain tax positions -

For the year ended December 31, 2018, 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue recognition -

Grants and contributions are recorded as support and revenue in the year notification is received from the donor. Donor restricted grants and contributions are recognized as unrestricted support and revenue 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 net assets with donor restrictions in the accompanying combined financial statements.

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 advances; funds not received upon incurring qualifying expenditures are recorded as accounts receivable.

Membership income and service revenue is recorded when earned. Any funds received in advance are classified as refundable advances; funds earned by not received are recorded as accounts receivable.

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 as of 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

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. Expenses directly attributed to a specific functional area of CGD are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Occupancy cost, depreciation, and office costs are allocated based on square footage

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 United States Dollar (USD) is the functional currency for CGD's operations. Transactions in currencies other than USD are translated into USD at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in non-USD are translated into USD at the exchange rate in effect as of the date of the accompanying 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.

New accounting pronouncements (adopted during 2018) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

New accounting pronouncements (adopted during 2018) -

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted and CGD has selected a transition method.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. CGD has decided on a transition method.

New accounting pronouncement (not yet adopted) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Combined Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

CGD plans to adopt the new ASU at the respective required implementation date.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$28,882,689 are now classified as net assets without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$19,655,906, are now classified as net assets with donor restrictions.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2018:

	<u>Fair Value</u>
Ameritrade - exchange traded funds	\$ 6,267,693
Ameritrade - mutual funds	<u>13,057,698</u>
TOTAL INVESTMENTS	<u>\$ 19,325,391</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. INVESTMENTS (Continued)

Included in investment loss is the following during the year ended December 31, 2018:

Interest and dividends	\$ 597,994
Unrealized loss on investments	(2,665,128)
Realized gain on sales of investments	197,311
Investment management fees	<u>(32,900)</u>
TOTAL INVESTMENT LOSS, NET	\$ <u>(1,902,723)</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2018, contributions and grants due beyond one year of the accompanying Combined Statement of Financial Position date have been recorded at their net present value of the estimated cash flows, using a discount rate ranging from one to five percent. As of December 31, 2018, contributions and grants are due as follows:

	<u>Contributions Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 318,228	\$ 11,244,193
One year to five years	<u>3,526,586</u>	<u>10,919,004</u>
Subtotal	3,844,814	22,163,197
Less: Discount to present value	<u>(387,924)</u>	<u>(505,593)</u>
TOTAL	\$ <u>3,456,890</u>	\$ <u>21,657,604</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2018:

Time Restricted	\$ <u>4,913,360</u>
Purpose restricted:	
Education	12,959,085
Sustainable Development Finance	3,867,761
CGD in Europe	3,058,846
Migration, Refugees and Humanitarian Assistance	2,468,618
Global Health	1,821,852
Financial Inclusion	1,188,268
Development Technology	1,035,278
Women's Economic Empowerment	882,000
Development Policy	837,630
Energy Access	400,000
Development Finance Small States	<u>387,500</u>
Total purpose restricted	<u>28,906,838</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>33,820,198</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions during the year ended December 31, 2018 by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of Time	\$ <u>2,900,532</u>
Purpose Restricted:	
Global Health	4,154,398
CGD in Europe	1,279,819
Migration, Refugees and Humanitarian Assistance	1,143,024
Sustainable Development Finance	1,049,232
Development Technology	1,000,000
Women's Economic Empowerment	968,737
Energy Access	700,000
Finance and De-Risking	634,618
U.S. Development Policy	614,268
Education	400,000
Special Projects	245,844
Financial Inclusion	212,234
Regulatory Standards for Financial Inclusion	<u>187,500</u>
Total purpose restricted	<u>12,589,674</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>15,490,206</u>

6. LIQUIDITY AND AVAILABILITY

CGD regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. CGD is substantially supported by restricted contributions. As a donor's restriction requires resources to be used in a particular manner or in a future period, CGD must maintain sufficient resources to meet those responsibilities to its donors.

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position, comprise the following:

Cash and cash equivalents	\$ 12,527,381
Investments	19,325,391
Contributions receivable, current portion	318,228
Grants receivable, current portion	<u>11,244,193</u>
Total financial assets available within one year	43,415,193
Less: donor restricted funds, current portion	<u>(10,918,880)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>32,496,313</u>

CGD has financial assets of \$32,496,313 as of December 31, 2018, to conduct general operations during the next calendar year.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. LIQUIDITY AND AVAILABILITY (Continued)

These assets include cash, investments, and receivables. CGD does not have board-designated funds or other endowments.

CGD's goal is to maintain financial assets to meet six months of normal operating expenses. Also, as explained in more detail in Note 8, CGD has a committed line of credit, which is unsecured, with a negative pledge against the office condominium.

7. LEASE COMMITMENTS

During 2014, CGDE entered into an agreement for office space in the UK, which expired on May 31, 2017. On February 1, 2017, CGDE entered into a new agreement for office space, which expired on January 31, 2018. Base rent for the office space is £16,500 per month (approximately \$21,000). CGDE entered into a five-year lease agreement commencing on March 28, 2018 and expiring on March 27, 2023. Base rent for the office space is £214,360 per year (approximately \$276,000).

Total CGDE rent expense during the year ended December 31, 2018 was \$180,862, which is included in "Rent and utilities" in the accompanying Combined Statement of Functional Expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31

2019	\$ 276,227
2020	276,227
2021	276,227
2022	276,227
2023	<u>69,057</u>
	<u>\$ 1,173,965</u>

8. LONG-TERM DEBT

During 2013, CGD entered into a debt agreement to provide funding to acquire and renovate new office space (office condominium), which was purchased in June 2013 for \$13,520,918. The debt is collateralized by the condominium office space at 2055 L Street, NW, 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.

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 3.318% 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 principal and interest due on June 1, 2028.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. LONG-TERM DEBT (Continued)

Tax-Exempt Bonds Payable (continued)

As of December 31, 2018, the total outstanding balance of the bonds payable was as follows:

Bonds payable	\$ 11,652,589
Less deferred financing costs, net of accumulated amortization of \$187,072	<u>(335,373)</u>
BONDS PAYABLE, NET	<u>\$ 11,317,216</u>

Interest expense incurred during the year ended December 31, 2018 totaled \$391,963.

Principal payments on the bonds are due as follows:

Year Ending December 31,

2019	\$ 290,640
2020	301,760
2021	313,259
2022	325,152
2023	337,450
2024 and Thereafter	<u>9,748,956</u>
	<u>\$ 11,317,217</u>

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% (4.76% at December 31, 2018). The line of credit is unsecured, with a negative pledge against the new property (office condominium).

In addition to the aforementioned covenants as they apply to the bonds, the line of credit is also subject to additional financial covenants.

There were no outstanding borrowings on the line of credit as of December 31, 2018.

9. RETIREMENT PLANS

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. During the year ended December 31, 2018, CGD contributed \$788,668 to the plan, which is included in employee salaries and benefits in the accompanying Combined Statement of Functional Expenses.

CGDE operates a defined contribution pension plan. The assets of the plan are held separately from those of CGDE in an independently administered fund. During the year ended December 31, 2018, CGDE did not make contributions to the plan.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

10. 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 accompanying 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.

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 as of December 31, 2018.

- *Exchange traded funds* - Valued at the closing price reported on the active market in which the funds are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by CGD are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by CGD are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, CGD's investments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Real estate investment index	\$ 1,146,193	\$ -	\$ -	\$ 1,146,193
Domestic stocks	2,662,868	-	-	2,662,868
Foreign stocks	<u>2,458,632</u>	<u>-</u>	<u>-</u>	<u>2,458,632</u>
Total exchange traded funds	<u>6,267,693</u>	<u>-</u>	<u>-</u>	<u>6,267,693</u>
Mutual funds:				
Bond funds	5,274,663	-	-	5,274,663
Real estate investment index	380,544	-	-	380,544
Foreign stocks	3,255,616	-	-	3,255,616
Domestic stocks	2,722,801	-	-	2,722,801
Collateralized commodities futures	<u>1,424,074</u>	<u>-</u>	<u>-</u>	<u>1,424,074</u>
Total mutual funds	<u>13,057,698</u>	<u>-</u>	<u>-</u>	<u>13,057,698</u>
TOTAL	<u>\$ 19,325,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,325,391</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

11. DENMARK GRANT

CGD was awarded a three-year grant by the Government of Denmark in the amount of DKK 1,000,000 (approximately \$138,788) in December 2016. The grants covers the period 2017-2019. The purpose of this grant is to support annual membership to the Commitment to Development Index (CDI), and associated activities, as well as broader research partnership around areas of mutual interest.

The funds were expended as follows:

**Financial Report Embassy of Denmark Grant (USD)
for the Year Ended December 31, 2018**

CDI Membership	\$ <u>30,000</u>
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12. SUBSEQUENT EVENTS

In preparing these combined financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 23, 2019, 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, 2018

	ASSETS			
	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 9,615,105	\$ 2,912,276	-	\$ 12,527,381
Investments	19,325,391	-	-	19,325,391
Contributions receivable	318,228	-	-	318,228
Grants receivable	10,913,040	331,153	-	11,244,193
Prepaid expenses	110,157	8,274	-	118,431
Total current assets	40,281,921	3,251,703	-	43,533,624
PROPERTY AND EQUIPMENT				
Office condominium and improvements	16,442,919	-	-	16,442,919
Equipment	-	91,888	-	91,888
Furniture	1,851,917	-	-	1,851,917
Computer equipment and software	210,489	-	-	210,489
Website development	275,575	-	-	275,575
Leasehold improvements	-	8,514	-	8,514
	18,780,900	100,402	-	18,881,302
Less: Accumulated depreciation and amortization	(3,859,436)	(37,595)	-	(3,897,031)
Net property and equipment	14,921,464	62,807	-	14,984,271
OTHER ASSETS				
Contributions receivable, net of current portion and discount	3,138,662	-	-	3,138,662
Grants receivable, net of current portion and discount	10,413,411	-	-	10,413,411
Total other assets	13,552,073	-	-	13,552,073
TOTAL ASSETS	\$ 68,755,458	\$ 3,314,510	\$ -	\$ 72,069,968
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable	\$ 304,070	\$ -	\$ -	\$ 304,070
Accounts payable and accrued liabilities	199,410	118,128	-	317,538
Accrued salaries and related benefits	79,853	57,501	-	137,354
Total current liabilities	583,333	175,629	-	758,962
LONG-TERM LIABILITIES				
Bonds payable, net of current portion	11,013,147	-	-	11,013,147
Total liabilities	11,596,480	175,629	-	11,772,109
NET ASSETS				
Without donor restrictions	26,397,626	80,035	-	26,477,661
With donor restrictions	30,761,352	3,058,846	-	33,820,198
Total net assets	57,158,978	3,138,881	-	60,297,859
TOTAL LIABILITIES AND NET ASSETS	\$ 68,755,458	\$ 3,314,510	\$ -	\$ 72,069,968

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	CGD	CGDE	Eliminations	Total
SUPPORT AND REVENUE, WITHOUT DONOR RESTRICTIONS				
Grants and contributions	\$ 1,458,925	\$ 1,072,077	\$ (968,450)	\$ 1,562,552
Contract revenue	921,148	-	-	921,148
Investment loss, net	(1,902,723)	-	-	(1,902,723)
Service revenue	58,896	-	-	58,896
Other income	-	13,283	-	13,283
Net assets released from donor restrictions	14,210,387	1,279,819	-	15,490,206
Total support and revenue, without donor restrictions	14,746,633	2,365,179	(968,450)	16,143,362
EXPENSES				
Program Services	13,809,574	2,649,574	(968,450)	15,490,698
Supporting Services:				
Management and General	2,290,781	-	-	2,290,781
Fundraising	766,911	-	-	766,911
Total supporting services	3,057,692	-	-	3,057,692
Total expenses	16,867,266	2,649,574	(968,450)	18,548,390
Change in net assets without donor restrictions	(2,120,633)	(284,395)	-	(2,405,028)
SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Grants and contributions	28,394,815	3,101,230	-	31,496,045
Net assets released from donor restrictions	(14,210,387)	(1,279,819)	-	(15,490,206)
Total support and revenue, with donor restrictions	14,184,428	1,821,411	-	16,005,839
OTHER ITEM				
Write-off of NORAD award	(1,841,547)	-	-	(1,841,547)
Change in net assets with donor restrictions	12,342,881	1,821,411	-	14,164,292
CHANGE IN NET ASSETS	\$ 10,222,248	\$ 1,537,016	\$ -	\$ 11,759,264

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>CGD</u>	<u>CGDE</u>	<u>Elimination</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 28,518,259	\$ 364,430	\$ -	\$ 28,882,689
Change in net assets without donor restrictions	(2,120,633)	(284,395)	-	(2,405,028)
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 26,397,626</u>	<u>\$ 80,035</u>	<u>\$ -</u>	<u>\$ 26,477,661</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 18,418,471	\$ 1,237,435	\$ -	\$ 19,655,906
Change in net assets with donor restrictions	12,342,881	1,821,411	-	14,164,292
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 30,761,352</u>	<u>\$ 3,058,846</u>	<u>\$ -</u>	<u>\$ 33,820,198</u>