

CONSOLIDATED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Center for Global Development and Affiliate (collectively, CGD), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and change in net assets,, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CGD as of December 31, 2022, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of CGD Europe (CGDE), which reflect total assets of \$8,623,510 as of December 31, 2022, and total support and revenues of \$12,668,401 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us. Those statements, which were prepared in accordance with the relevant accounting standards in the UK and the Statement of Recommended Practice (SORP) for charities in the UK, were audited by other auditors, whose report has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of CGDE, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for CGDE, prior to these conversion adjustments, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CGD and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CGD' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CGD's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CGD's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the CGD's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position and the Consolidating Statement of Activities and Changes in Net Assets on pages 21 - 23 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 11, 2023

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	27,044,439	\$ 23,506,362
Investments		23,369,061	25,432,455
Grants and contributions receivable		7,361,262	4,731,535
Other receivables		452,936	47,965
Prepaid expenses		<u>240,144</u>	<u>102,463</u>
Total current assets		<u>58,467,842</u>	<u>53,820,780</u>
PROPERTY AND EQUIPMENT			
Office condominium and improvements		16,413,570	16,442,919
Equipment		141,760	153,041
Furniture		2,118,676	1,960,095
Computer equipment and software		241,639	244,322
Website development		502,162	458,268
Leasehold improvements		<u>8,073</u>	<u>9,031</u>
		19,425,880	19,267,676
Less: Accumulated depreciation and amortization		<u>(6,408,741)</u>	<u>(5,853,163)</u>
Net property and equipment		<u>13,017,139</u>	<u>13,414,513</u>
NONCURRENT ASSETS			
Grants and contributions receivable, net of current portion and discount		<u>176,773</u>	<u>3,868,617</u>
TOTAL ASSETS		<u>\$ 71,661,754</u>	<u>\$ 71,103,910</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bonds payable	\$	337,450	\$ 325,152
Accounts payable and accrued liabilities		1,356,451	1,482,930
Accrued salaries and related benefits		<u>378,650</u>	<u>197,454</u>
Total current liabilities		<u>2,072,551</u>	<u>2,005,536</u>
NONCURRENT LIABILITIES			
Bonds payable, net of current portion		<u>9,706,793</u>	<u>10,051,492</u>
Total liabilities		<u>11,779,344</u>	<u>12,057,028</u>
NET ASSETS			
Without donor restrictions		36,141,885	39,328,033
With donor restrictions		<u>23,740,525</u>	<u>19,718,849</u>
Total net assets		<u>59,882,410</u>	<u>59,046,882</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 71,661,754</u>	<u>\$ 71,103,910</u>

See accompanying notes to consolidated financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,630,959	\$ 26,199,078	\$ 28,830,037	\$ 16,514,794
Contract revenue	169,660	-	169,660	613,416
Investment (loss) income, net	(2,664,779)	-	(2,664,779)	3,815,456
Other income	95,147	-	95,147	6,061
Net assets released from donor restrictions	<u>21,927,402</u>	<u>(21,927,402)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>22,158,389</u>	<u>4,271,676</u>	<u>26,430,065</u>	<u>20,949,727</u>
EXPENSES				
Program Services	<u>21,285,590</u>	<u>-</u>	<u>21,285,590</u>	<u>21,295,072</u>
Supporting Services:				
Management and General	3,047,466	-	3,047,466	2,389,764
Fundraising	<u>1,011,481</u>	<u>-</u>	<u>1,011,481</u>	<u>1,160,823</u>
Total supporting services	<u>4,058,947</u>	<u>-</u>	<u>4,058,947</u>	<u>3,550,587</u>
Total expenses	<u>25,344,537</u>	<u>-</u>	<u>25,344,537</u>	<u>24,845,659</u>
Change in net assets before other item	(3,186,148)	4,271,676	1,085,528	(3,895,932)
OTHER ITEM				
Deobligations of awards	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(4,002,488)</u>
Change in net assets	(3,186,148)	4,021,676	835,528	(7,898,420)
Net assets at beginning of year	<u>39,328,033</u>	<u>19,718,849</u>	<u>59,046,882</u>	<u>66,945,302</u>
NET ASSETS AT END OF YEAR	<u>\$ 36,141,885</u>	<u>\$ 23,740,525</u>	<u>\$ 59,882,410</u>	<u>\$ 59,046,882</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022				2021	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Employee salaries and benefits	\$ 13,612,235	\$ 925,070	\$ 833,952	\$ 1,759,022	\$ 15,371,257	\$ 14,752,457
Subgrants	2,689,130	7,612	-	7,612	2,696,742	2,442,610
Program and research consultants	2,064,296	62,952	-	62,952	2,127,248	2,283,409
Occupancy	610,025	682,645	33,117	715,762	1,325,787	1,353,457
Other professional fees	341,050	330,930	23,362	354,292	695,342	478,010
Depreciation and amortization	-	621,814	-	621,814	621,814	596,256
Travel	438,297	163,232	10,778	174,010	612,307	74,302
Other	463,195	98,705	14,635	113,340	576,535	436,590
Meetings and conferences	313,514	25,809	53,751	79,560	393,074	75,076
Outreach activities	385,530	(61,874)	15,201	(46,673)	338,857	246,039
Furnishings, equipment and software	202,760	51,834	7,601	59,435	262,195	247,124
Supplies and materials	113,602	57,548	19,084	76,632	190,234	219,268
Contractors/partnerships	51,956	81,189	-	81,189	133,145	1,633,870
Postage and shipping	-	-	-	-	-	4,978
Printing and production	-	-	-	-	-	2,213
TOTAL	\$ 21,285,590	\$ 3,047,466	\$ 1,011,481	\$ 4,058,947	\$ 25,344,537	\$ 24,845,659

See accompanying notes to consolidated financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 835,528	\$ (7,898,420)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	621,814	596,256
Unrealized loss (gain) on investments	4,010,889	(2,634,330)
Realized gain on sales of investments	(432,439)	(111,255)
Receipt of donated securities	(117,102)	(26,918)
Proceeds from sale of donated securities	99,520	26,900
Change in discount of long-term contributions and grants receivable	5,869	(318,087)
Deobligation of awards	250,000	4,002,488
Loss on disposal of fixed assets	31,868	-
Decrease (increase) in:		
Grants and contributions receivable	806,248	8,564,731
Other receivables	(404,971)	(47,965)
Prepaid expenses	(137,681)	28,471
(Decrease) increase in:		
Accounts payable and accrued liabilities	(126,479)	758,780
Accrued salaries and related benefits	<u>181,196</u>	<u>(38,804)</u>
Net cash provided by operating activities	<u>5,624,260</u>	<u>2,901,847</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(256,308)	(209,495)
Purchases of investments	(6,258,269)	(3,689,597)
Proceeds from sales of investments	<u>4,760,795</u>	<u>3,114,620</u>
Net cash used by investing activities	<u>(1,753,782)</u>	<u>(784,472)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	<u>(332,401)</u>	<u>(357,896)</u>
Net cash used by financing activities	<u>(332,401)</u>	<u>(357,896)</u>
Net increase in cash and cash equivalents	3,538,077	1,759,479
Cash and cash equivalents at beginning of year	<u>23,506,362</u>	<u>21,746,883</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,044,439</u>	<u>\$ 23,506,362</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 351,374</u>	<u>\$ 363,387</u>

See accompanying notes to consolidated financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

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.

On January 31, 2014, CGD established CGD Europe (CGDE) in the United Kingdom, which was incorporated as a "company limited by guarantee and not having a share capital" in accordance with The Companies Act of 2006. CGD is the sole member of CGDE. The mission of CGDE 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 accounts of CGD have been consolidated with CGDE (collectively, "CGD") in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated in consolidation.

The accompanying consolidated 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*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2022

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated 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.

The consolidated 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 consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2022, CGD adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosure of key information about leasing arrangements. CGD applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

During the year ended December 31, 2022, CGD adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

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, 2022, CGD held \$7,939,562 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**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 FSCS insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses, net of investment management fees, are included in investment (loss) income, net in the accompanying Consolidated 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.

Contributions and grants receivable -

Current 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 contributions revenue. Conditional promises to give are not included as support and revenue until the conditions are substantially met. All 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	15 years
Equipment and furniture	7 years
Computer equipment and software	3 years
Website development	3 years

During the year ended December 31, 2022, depreciation and amortization expense related to property and equipment totaled \$586,984.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge in the accompanying Consolidated 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, 2022.

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 consolidated 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 Consolidated Statement of Functional Expenses.

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

During the year ended December 31, 2022, amortization expense for bond financing and office condominium purchase fees totaled \$34,830. Accumulated amortization aggregated \$326,392 as of December 31, 2022.

Income taxes -

The Center for Global Development 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 consolidated financial statements. CGD is not a private foundation.

CGD Europe is incorporated in the UK as a company limited by guarantee and not having share capital, whose charitable activities are not expected to give rise to taxable profits.

Uncertain tax positions -

For the year ended December 31, 2022, 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 consolidated financial statements.

Revenue recognition -

The majority of CGD's revenue is received through awards from the foreign governments, international organizations, individuals, foundations and other entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. CGD performs an analysis of the individual award to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Revenue recognition (continued) -

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" 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 consolidated financial statements.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome; generally, when qualifying expenditures are incurred); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional.

Contracts and service revenue are recognized as "without donor restrictions" in the period earned and as services are rendered; such revenue streams are under short term agreements and are based on a stipulated price.

Use of estimates -

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subgrants -

Subgrants are reported as an expense at the time of award; any amounts awarded but not disbursed are included in accounts payable and accrued liabilities. All intercompany subgrant transaction activity between CGD and CGDE are eliminated in consolidation.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated 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.

Investment risks and uncertainties -

CGD invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Investment risks and uncertainties (continued) -

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 consolidated 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 Consolidated 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 pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for CGD for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

CGD plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2022:

	<u>Fair Value</u>
Exchange traded funds	\$ 6,735,736
Mutual funds	16,612,155
Common stock	<u>21,170</u>
TOTAL INVESTMENTS	<u>\$ 23,369,061</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. INVESTMENTS (Continued)

Included in investment loss is the following during the year ended December 31, 2022:

Interest and dividends	\$ 948,550
Unrealized loss on investments	(4,010,889)
Realized gain on sales of investments	432,439
Investment management fees	<u>(34,879)</u>
TOTAL INVESTMENT LOSS, NET	\$ <u>(2,664,779)</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022, commitments made to CGD that are due beyond one year of the accompanying Consolidated 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, 2022, grants and contributions receivable are due as follows:

Less than one year	\$ 7,361,262
One year to five years	<u>182,642</u>
Subtotal	7,543,904
Less: Discount to present value	<u>(5,869)</u>
TOTAL	\$ <u>7,538,035</u>

During the year ended December 31, 2022, CGD was advised by one of its donors that the balance due under its restricted award (totaling \$250,000) was not going to be fulfilled. Accordingly, a total of \$250,000 was recognized as "Deobligations of awards" in the accompanying Consolidated Statement of Activities and Change in Net Assets.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2022:

Time Restricted	\$ <u>1,500,000</u>
Purpose Restricted:	
Education	3,474,464
Sustainable Development Finance	4,097,517
CGD in Europe	4,869,388
Migration, Refugees and Humanitarian Assistance	2,118,382
Global Health	1,344,497
Development in Africa	65,000
Development Technology	1,025,527
Women's Economic Empowerment	3,071,411
Development Policy	2,043,309
Development in China	<u>131,030</u>
Total purpose restricted	<u>22,240,525</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>23,740,525</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions during the year ended December 31, 2022 by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of Time	\$ <u>180,000</u>
Purpose Restricted:	
Global Health	2,219,956
CGD in Europe	8,435,657
Migration, Refugees and Humanitarian Assistance	1,582,536
Sustainable Development Finance	3,250,566
Development Technology	807,267
Women's Economic Empowerment	823,318
Development in Africa	185,000
Development in Latin America	25,000
U.S. Development Policy	1,018,100
Education	3,023,632
Development in China	<u>376,370</u>
Total purpose restrictions met	<u>21,747,402</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>21,927,402</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 Consolidated Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 27,044,439
Investments	23,369,061
Grants and contributions receivable, current portion	7,361,262
Other receivables	<u>452,936</u>
Total financial assets available within one year	58,227,698
Less: Purpose-restricted donor funds, net of noncurrent receivables	<u>(22,063,752)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>36,163,946</u>

CGD maintained financial assets of \$36,163,946 as of December 31, 2022, to conduct general operations during the next calendar year. 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 at least six months of normal operating expenses.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. LEASE COMMITMENTS

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). Subsequent to year end CGDE entered into a new five-year lease agreement commencing on March 28, 2023 and expiring on March 27, 2028. Base rent for the office space is £188,264 per year (approximately \$234,000).

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. CGD implemented the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. CGD also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. CGD adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. The current lease is short term and CGD has elected to not record a right-of-use asset and liability.

Total CGDE rent expense during the year ended December 31, 2022 was \$265,204, which is included in "Occupancy" in the accompanying Consolidated Statement of Functional Expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31

2023	\$ 147,000
2024	234,000
2025	234,000
2026	234,000
2027	234,000
Thereafter	<u>19,500</u>
	<u>\$ 1,102,500</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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. LONG-TERM DEBT (Continued)

Tax-Exempt Bonds Payable (continued)

Although the bond term is a 15-year period, the redemption schedule is amortized over a 30-year period starting on June 1, 2013. The bonds mature on June 1, 2028, at which time a balloon payment of the remaining outstanding principal (\$8,085,056) plus interest will be due.

As of December 31, 2022, the total outstanding balance of the bonds payable was as follows:

Bonds payable	\$ 10,240,296
Less deferred financing costs, net of accumulated amortization of \$326,392	<u>(196,053)</u>
BONDS PAYABLE, NET	<u>\$ 10,044,243</u>

Interest expense incurred during the year ended December 31, 2022 totaled \$351,374, and is included in "Occupancy" in the accompanying Consolidated Statement of Functional Expenses.

Principal payments on the bonds are due as follows:

Year Ending December 31,

2023	\$ 337,450
2024	350,169
2025	363,322
2026	376,925
2027	390,992
2028 and Thereafter	<u>8,225,385</u>
	<u>\$ 10,044,243</u>

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, 2022, CGD contributed \$1,036,652 to the Plan, which is included in employee salaries and benefits in the accompanying Consolidated 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, 2022, CGDE did not make contributions to the Plan.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

10. FAIR VALUE MEASUREMENT (Continued)

Investments recorded in the accompanying Consolidated 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 were no transfers between levels in the fair value hierarchy during the year ended December 31, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.
- *Common Stock* - Valued at the closing price reported on the active market in which the individual securities are traded.

The table below summarizes, by level within the fair value hierarchy, CGD's investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Real estate investment index	\$ 577,360	\$ -	\$ -	\$ 577,360
Domestic stocks	3,603,566	-	-	3,603,566
Foreign stocks	<u>2,554,810</u>	<u>-</u>	<u>-</u>	<u>2,554,810</u>
Total exchange traded funds	<u>6,735,736</u>	<u>-</u>	<u>-</u>	<u>6,735,736</u>
Mutual funds:				
Real estate investment index	<u>16,612,155</u>	<u>-</u>	<u>-</u>	<u>16,612,155</u>
Equities:				
Common stock	<u>21,170</u>	<u>-</u>	<u>-</u>	<u>21,170</u>
TOTAL	<u>\$ 23,369,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,369,061</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

11. GRANT COMMITMENTS

CGD was awarded a three-year (2019-2021) grant by the IKEA Foundation in the amount of \$1,118,627. In 2020, CGD was awarded an additional \$258,942 extending the term to 2022. The purpose of the grant is to support Mobilizing Businesses to Expand Refugee Labor Market Access and associated activities. Total expenses incurred through December 31, 2022 under this grant totaled \$1,377,569. In 2022, CGD was awarded a new three-year grant by the IKEA Foundation in the amount of \$2,000,000. The purpose of this grant is Improving Refugees and Forces Migrants' Socio-Economic Wellbeing. Total expenses through December 31, 2022 were \$656,600; the remaining balance made available under this award is \$1,343,400.

CGD was awarded three-year grant by the Embassy of Denmark of the Danish Foreign Ministry in the amount of DKK 3,000,000 (approximately \$450,000) in December 2020. The grant covers the period 2020-2023. The purpose of this grant is to provide real-time analysis, evidence-based solutions, and actionable recommendations to help policymakers and other stakeholders mitigate the impact of COVID-19 in LMICs and prepare for future global pandemics.

The funds were expended as follows:

Research on COVID 19 and Future Pandemic	\$ <u>154,000</u>
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12. CONCENTRATION OF REVENUE

Approximately 20% of CGD's support and revenue (and 40% of CGD's total gross grants and contributions receivable) for the year ended December 31, 2022 was derived from awards received by a single donor. CGD has no reason to believe that the relationship with this donor will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect CGD's ability to finance ongoing operations.

13. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through May 11, 2023, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

	ASSETS			
	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 19,104,878	\$ 7,939,561	\$ -	\$ 27,044,439
Investments	23,369,061	-	-	23,369,061
Grants and contributions receivable	7,353,688	82,221	(74,647)	7,361,262
Other receivable	7,029	445,907	-	452,936
Prepaid expenses	128,331	111,813	-	240,144
Total current assets	49,962,987	8,579,502	(74,647)	58,467,842
PROPERTY AND EQUIPMENT				
Office condominium and improvements	16,413,570	-	-	16,413,570
Equipment	-	141,760	-	141,760
Furniture	2,118,676	-	-	2,118,676
Computer equipment and software	241,639	-	-	241,639
Website development	502,162	-	-	502,162
Leasehold improvements	-	8,073	-	8,073
	19,276,047	149,833	-	19,425,880
Less: Accumulated depreciation and amortization	(6,302,916)	(105,825)	-	(6,408,741)
Net property and equipment	12,973,131	44,008	-	13,017,139
NONCURRENT ASSETS				
Grants and contributions receivable, net of current portion and discount	176,773	-	-	176,773
TOTAL ASSETS	\$ 63,112,891	\$ 8,623,510	\$ (74,647)	\$ 71,661,754
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable	\$ 337,450	\$ -	\$ -	\$ 337,450
Accounts payable and accrued liabilities	433,840	997,258	(74,647)	1,356,451
Accrued salaries and related benefits	142,130	236,520	-	378,650
Total current liabilities	913,420	1,233,778	(74,647)	2,072,551
NONCURRENT LIABILITIES				
Bonds payable, net of current portion	9,706,793	-	-	9,706,793
Total liabilities	10,620,213	1,233,778	(74,647)	11,779,344
NET ASSETS				
Without donor restrictions	33,582,857	863,147	1,695,881	36,141,885
With donor restrictions	18,909,821	6,526,585	(1,695,881)	23,740,525
Total net assets	52,492,678	7,389,732	-	59,882,410
TOTAL LIABILITIES AND NET ASSETS	\$ 63,112,891	\$ 8,623,510	\$ (74,647)	\$ 71,661,754

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE, WITHOUT DONOR RESTRICTIONS				
Grants and contributions	\$ 2,629,160	\$ 741,505	\$ (739,706)	\$ 2,630,959
Contract revenue	169,660	-	-	169,660
Investment loss, net	(2,664,779)	-	-	(2,664,779)
Other income	94,553	594	-	95,147
Net assets released from donor restrictions	15,111,746	9,166,116	(2,350,460)	21,927,402
Total support and revenue, without donor restrictions	15,340,340	9,908,215	(3,090,166)	22,158,389
EXPENSES				
Program Services	17,119,240	8,122,428	(3,956,078)	21,285,590
Supporting Services:				
Management and General	1,709,919	1,337,547	-	3,047,466
Fundraising	849,858	161,623	-	1,011,481
Total supporting services	2,559,777	1,499,170	-	4,058,947
Total expenses	19,679,017	9,621,598	(3,956,078)	25,344,537
Change in net assets without donor restrictions	(4,338,677)	286,617	865,912	(3,186,148)
SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Grants and contributions	17,489,148	11,926,302	(3,216,372)	26,199,078
Net assets released from donor restrictions	(15,111,746)	(9,166,116)	2,350,460	(21,927,402)
Change in net assets with donor restrictions	2,377,402	2,760,186	(865,912)	4,271,676
OTHER ITEM				
Deobligation of award	(250,000)	-	-	(250,000)
CHANGE IN NET ASSETS	\$ (2,211,275)	\$ 3,046,803	\$ -	\$ 835,528

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 37,921,534	\$ 576,530	\$ 829,969	\$ 39,328,033
Change in net assets without donor restrictions	<u>(4,338,677)</u>	<u>286,617</u>	<u>865,912</u>	<u>(3,186,148)</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 33,582,857</u>	<u>\$ 863,147</u>	<u>\$ 1,695,881</u>	<u>\$ 36,141,885</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 16,782,419	\$ 3,766,399	\$ (829,969)	\$ 19,718,849
Change in net assets with donor restrictions	<u>2,127,402</u>	<u>2,760,186</u>	<u>(865,912)</u>	<u>4,021,676</u>
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 18,909,821</u>	<u>\$ 6,526,585</u>	<u>\$ (1,695,881)</u>	<u>\$ 23,740,525</u>