

COMBINED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the Center for Global Development Europe, which statements reflect total assets of \$1,689,957 as of December 31, 2017, and total revenues of \$2,685,399 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, 2017, 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 2016 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 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 21, Combining Schedule of Activities on page 22 and Combining Schedule of Change in Net Assets on page 23, 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 24, 2018

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,172,141	\$ 8,502,287
Investments	21,275,630	18,570,702
Accounts receivable	59,606	1,077
Contributions receivable	322,948	4,107,223
Grants receivable	5,008,257	6,305,589
Prepaid expenses	<u>125,438</u>	<u>131,068</u>
Total current assets	<u>36,964,020</u>	<u>37,617,946</u>
PROPERTY AND EQUIPMENT		
Office condominium and improvements	16,442,919	16,383,491
Equipment	51,874	51,874
Furniture	1,841,962	1,857,550
Computer equipment and software	282,352	321,533
Website development	<u>253,220</u>	<u>252,520</u>
	18,872,327	18,866,968
Less: Accumulated depreciation and amortization	<u>(3,245,857)</u>	<u>(2,618,184)</u>
Net property and equipment	<u>15,626,470</u>	<u>16,248,784</u>
OTHER ASSETS		
Contributions receivable, net of current portion and discount	3,104,300	-
Grants receivable, net of current portion and discount	<u>4,952,380</u>	<u>4,797,455</u>
Total other assets	<u>8,056,680</u>	<u>4,797,455</u>
TOTAL ASSETS	<u>\$ 60,647,170</u>	<u>\$ 58,664,185</u>

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Bonds payable	\$ 294,952	\$ 286,081
Accounts payable and accrued liabilities	409,559	276,191
Accrued salaries and related benefits	<u>86,847</u>	<u>215,318</u>
Total current liabilities	<u>791,358</u>	<u>777,590</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	<u>11,317,217</u>	<u>11,612,170</u>
Total liabilities	<u>12,108,575</u>	<u>12,389,760</u>
NET ASSETS		
Unrestricted	28,882,689	25,808,272
Temporarily restricted	<u>19,655,906</u>	<u>20,466,153</u>
Total net assets	<u>48,538,595</u>	<u>46,274,425</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,647,170</u>	<u>\$ 58,664,185</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>			<u>2016</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 821,208	\$ 12,863,838	\$ 13,685,046	\$ 19,635,599
Contract revenue	913,800	-	913,800	733,514
Investment income	2,855,511	-	2,855,511	1,994,450
Membership income	112,006	-	112,006	34,429
Rental income	-	-	-	29,407
Service revenue	48,581	-	48,581	53,157
Other income	2,029	-	2,029	38,997
Net assets released from donor restrictions	<u>13,674,085</u>	<u>(13,674,085)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>18,427,220</u>	<u>(810,247)</u>	<u>17,616,973</u>	<u>22,519,553</u>
EXPENSES				
Program Services	<u>13,071,396</u>	<u>-</u>	<u>13,071,396</u>	<u>11,531,578</u>
Supporting Services:				
Management and General	1,693,261	-	1,693,261	1,964,564
Fundraising	<u>588,146</u>	<u>-</u>	<u>588,146</u>	<u>594,730</u>
Total supporting services	<u>2,281,407</u>	<u>-</u>	<u>2,281,407</u>	<u>2,559,294</u>
Total expenses	<u>15,352,803</u>	<u>-</u>	<u>15,352,803</u>	<u>14,090,872</u>
Change in net assets	3,074,417	(810,247)	2,264,170	8,428,681
Net assets at beginning of year	<u>25,808,272</u>	<u>20,466,153</u>	<u>46,274,425</u>	<u>37,845,744</u>
NET ASSETS AT END OF YEAR	<u>\$ 28,882,689</u>	<u>\$ 19,655,906</u>	<u>\$ 48,538,595</u>	<u>\$ 46,274,425</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017				2016	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Employee salaries and benefits	\$ 7,631,621	\$ 1,344,064	\$ 314,317	\$ 1,658,381	\$ 9,290,002	\$ 8,756,106
Field study	578,770	-	-	-	578,770	244,079
Contractors/partnerships	535,394	-	-	-	535,394	367,260
Program and research consultants	695,317	-	-	-	695,317	380,659
Other professional fees	55,270	339,523	102,422	441,945	497,215	371,843
Travel	595,371	44,622	14,923	59,545	654,916	585,386
Outreach activities	77,303	10,176	-	10,176	87,479	38,258
Meetings and conferences	345,516	751	34,497	35,248	380,764	193,848
Printing and production	174,981	6,239	11,537	17,776	192,757	234,840
Supplies and materials	66,670	111,278	37,003	148,281	214,951	253,689
Postage and shipping	7,771	4,840	375	5,215	12,986	11,434
Furnishings, equipment and software	10,058	88,390	-	88,390	98,448	97,832
Rent and utilities	3,989	469,185	-	469,185	473,174	337,116
Depreciation and amortization	-	772,292	-	772,292	772,292	816,787
Investment fees	-	31,523	-	31,523	31,523	29,607
Interest, taxes and condo maintenance fees	-	669,494	-	669,494	669,494	879,841
Other	81,878	85,443	-	85,443	167,321	492,287
Subtotal	10,859,909	3,977,820	515,074	4,492,894	15,352,803	14,090,872
Overhead allocation	2,211,487	(2,284,559)	73,072	(2,211,487)	-	-
TOTAL	\$ 13,071,396	\$ 1,693,261	\$ 588,146	\$ 2,281,407	\$ 15,352,803	\$ 14,090,872

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,264,170	\$ 8,428,681
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	772,292	816,787
Unrealized gain on investments	(2,183,880)	(1,538,198)
Realized gain on sales of investments	(156,294)	-
Change in discount of long-term pledges and grants receivable	532,683	72,523
Loss on disposal of fixed assets	1,358	1,850
(Increase) decrease in:		
Accounts receivable	(58,529)	39,098
Contributions receivable	132,157	7,677
Grants receivable	1,157,540	(4,762,291)
Prepaid expenses	5,630	89,810
Increase (decrease) in:		
Accounts payable and accrued liabilities	133,369	(17,428)
Accrued salaries and related benefits	<u>(128,471)</u>	<u>(217,819)</u>
Net cash provided by operating activities	<u>2,472,025</u>	<u>2,920,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(116,506)	(82,309)
Purchases of investments	(950,335)	(1,099,895)
Proceeds from sales of investments	<u>585,581</u>	<u>696,962</u>
Net cash used by investing activities	<u>(481,260)</u>	<u>(485,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(320,911)</u>	<u>(312,279)</u>
Net cash used by financing activities	<u>(320,911)</u>	<u>(312,279)</u>
Net increase in cash and cash equivalents	1,669,854	2,123,169
Cash and cash equivalents at beginning of year	<u>8,502,287</u>	<u>6,379,118</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,172,141</u>	<u>\$ 8,502,287</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>336,488</u>	\$ <u>346,194</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Liquidated Donated Securities	\$ <u>7,116</u>	\$ <u>6,587</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) ASC 958-810, *Not-for-Profit Entities, 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, 2016, from which the summarized information was derived.

Basis of combination -

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

Cash and cash equivalents -

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

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**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, 2017, CGD held \$1,308,607 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 are included in investment income in the Combined Statement of Activities and Change in Net Assets.

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair 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, 2017, CGD received a total of \$7,116 in donated securities, which were sold immediately in accordance with their policy.

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
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, 2017**

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

Property and equipment (continued) -

During the year ended December 31, 2017, depreciation and amortization expense related to property and equipment totaled \$737,463.

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 to Combined Statement of Activities and Change in Net Assets, to its current fair value.

Bond financing and condominium purchase fees -

In accordance with FASB Accounting Standard Update (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 7). 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 7). Purchase fees are being amortized over the life of the debt (15 years), on a straight-line basis.

During the year ended December 31, 2017, amortization expense for bond financing and office condominium purchase fees totaled \$34,830. Accumulated amortization totaled \$152,243 as of December 31, 2017.

Income taxes -

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

Uncertain tax positions -

For the year ended December 31, 2017, 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, 2017

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include support and revenue received without donor-imposed restrictions. These net assets are available for the operations of CGD and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include support and revenue subject to donor-imposed stipulations that will be met by the actions of CGD and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Revenue recognition -

Unrestricted and temporarily restricted grants and contributions are recorded as support and revenue in the year notification is received from the donor. Temporarily 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 temporarily restricted net assets 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 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 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 (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of CGD's combined financial statements, it is not expected to alter CGD's reported combined financial position.

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. 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, except for not-for-profit entities who have public debt (i.e. bonds payable), in which case the ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

New accounting pronouncements (not yet adopted) (continued) -

CGD has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its combined financial statements.

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 ASUs at the respective required implementation dates.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2017:

	Fair Value
Ameritrade - exchange traded funds	\$ 7,536,569
Ameritrade - mutual funds	13,739,061
TOTAL INVESTMENTS	\$ <u>21,275,630</u>

Included in investment income is the following during the year ended December 31, 2017:

Interest and dividends	\$ 515,337
Unrealized gain on investments	2,183,880
Realized gain on sales of investments	156,294
TOTAL INVESTMENT INCOME	\$ <u>2,855,511</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2017, contributions and grants due beyond one year of the 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, 2017, contributions and grants are due as follows:

	Contributions Receivable	Grants Receivable
Less than one year	\$ 322,948	\$ 5,008,257
One year to five years	3,652,118	5,125,009
Subtotal	3,975,066	10,133,266
Less: Discount to present value	(547,818)	(172,629)
TOTAL	\$ <u>3,427,248</u>	\$ <u>9,960,637</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2017:

Time Restricted	\$ <u>4,647,355</u>
Purpose restricted:	
Development Finance and Impact Investing	3,576,081
Global Health	2,438,669
Development Technology	2,016,877
Tropical Forests for Climate and Development	1,899,876
Migration, Refugees and Humanitarian Assistance	1,388,530
CGD in Europe	1,237,435
Energy Access	700,000
Finance and De-Risking	634,618
Commitment to Development Index	451,025
Women's Economic Empowerment	435,737
Regulatory Standards for Financial Inclusion	187,500
Development Scholar Visiting Fellowships	<u>42,203</u>
Total purpose restricted	<u>15,008,551</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>19,655,906</u>

5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions during the year ended December 31, 2017 by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of Time	\$ <u>2,925,853</u>
Purpose Restricted:	
Global Health	2,016,999
Women's Economic Empowerment	1,208,310
CGD in Europe	1,041,953
Finance and De-Risking	998,043
Development Technology	949,607
Commitment to Development Index	852,387
Development Finance and Impact Investing	831,648
Tropical Forests for Climate and Development	778,069
Energy Access	500,000
Migration, Refugees and Humanitarian Assistance	485,243
U.S. Development Policy	393,473
Education	350,000
Regulatory Standards for Financial Inclusion	262,500
Development Scholar Visiting Fellowships	<u>80,000</u>
Total purpose restricted	<u>10,748,232</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>13,674,085</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. 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). Subsequent to year end, 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, 2017 was \$296,679, 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

2018	\$ 228,170
2019	276,227
2020	276,227
2021	276,227
2022	276,227
Thereafter	<u>69,057</u>
	<u>\$ 1,402,135</u>

7. LONG-TERM DEBT

During 2013, CGD entered into the following debt instrument 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 2.73% and are to be repaid on a monthly basis at principal plus accrued interest. The redemption schedule is amortized over a 30-year period starting on July 1, 2013. The bonds will be due in 15 years with a balloon payment of outstanding principal and interest due on June 1, 2028. As of December 31, 2017, the total outstanding balance of the bonds payable was as follows:

Bonds payable	\$ 11,982,371
Less deferred financing costs, net of accumulated amortization of \$152,243	<u>(370,202)</u>
BONDS PAYABLE, NET	<u>\$ 11,612,169</u>

Interest expense incurred during the year ended December 31, 2017 totaled \$336,488.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

7. LONG-TERM DEBT (Continued)

Tax-Exempt Bonds Payable (continued)

Principal payments on the bonds are due as follows:

Year Ending December 31,

2018	\$ 294,952
2019	304,070
2020	313,436
2021	323,066
2022	332,959
2023 and Thereafter	<u>10,043,686</u>
	<u>\$ 11,612,169</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% (3.86% at December 31, 2017). 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, 2017.

8. RETIREMENT PLAN

CGD sponsors a 403(b) retirement plan that is available to employees who meet certain eligibility requirements. CGD contributes 15% of each eligible employee's earnings to the plan, subject to legal limits. During the year ended December 31, 2017, CGD contributed \$675,064 to the plan.

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, 2017, CGDE contributed \$36,098 to the plan. CGDE has no liability under the plan other than for the payment of those contributions.

9. FAIR VALUE MEASUREMENT

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

9. FAIR VALUE MEASUREMENT (Continued)

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

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

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, 2017.

- *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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Real estate investment index	\$ 1,301,415	\$ -	\$ -	\$ 1,301,415
Domestic stocks	3,265,407	-	-	3,265,407
Foreign stocks	<u>2,969,747</u>	<u>-</u>	<u>-</u>	<u>2,969,747</u>
Total exchange traded funds	<u>7,536,569</u>	<u>-</u>	<u>-</u>	<u>7,536,569</u>
Mutual funds:				
Bond funds	4,884,189	-	-	4,884,189
Real estate investment index	254,267	-	-	254,267
Foreign stocks	3,689,313	-	-	3,689,313
Domestic stocks	3,404,907	-	-	3,404,907
Collateralized commodities futures	<u>1,506,385</u>	<u>-</u>	<u>-</u>	<u>1,506,385</u>
Total mutual funds	<u>13,739,061</u>	<u>-</u>	<u>-</u>	<u>13,739,061</u>
TOTAL	<u>\$ 21,275,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,275,630</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
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10. 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, 2017

CDI Membership	\$	30,000
Research and Engagement on Humanitarian Assistance		<u>16,263</u>
TOTAL	\$	<u>46,263</u>

11. SUBSEQUENT EVENTS

In preparing these combined financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 24, 2018, 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, 2017

	ASSETS			
	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,863,534	\$ 1,308,607	\$ -	\$ 10,172,141
Investments	21,275,630	-	-	21,275,630
Accounts receivable	12,664	46,942	-	59,606
Contributions receivable	322,948	-	-	322,948
Grants receivable	4,745,537	262,720	-	5,008,257
Prepaid expenses	82,565	42,873	-	125,438
Total current assets	35,302,878	1,661,142	-	36,964,020
PROPERTY AND EQUIPMENT				
Office condominium and improvements	16,442,919	-	-	16,442,919
Equipment	-	51,874	-	51,874
Furniture	1,841,962	-	-	1,841,962
Computer equipment and software	283,352	-	-	283,352
Website development	252,220	-	-	252,220
	18,820,453	51,874	-	18,872,327
Less: Accumulated depreciation and amortization	(3,222,798)	(23,059)	-	(3,245,857)
Net property and equipment	15,597,655	28,815	-	15,626,470
OTHER ASSETS				
Contributions receivable, net of current portion and discount	3,104,300	-	-	3,104,300
Grants receivable, net of current portion and discount	4,952,380	-	-	4,952,380
Total other assets	8,056,680	-	-	8,056,680
TOTAL ASSETS	\$ 58,957,213	\$ 1,689,957	\$ -	\$ 60,647,170
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable	\$ 294,952	\$ -	\$ -	\$ 294,952
Accounts payable and accrued liabilities	344,850	64,709	-	409,559
Accrued salaries and related benefits	63,464	23,383	-	86,847
Total current liabilities	703,266	88,092	-	791,358
LONG-TERM LIABILITIES				
Bonds payable, net of current portion	11,317,217	-	-	11,317,217
Total liabilities	12,020,483	88,092	-	12,108,575
NET ASSETS				
Unrestricted	28,518,259	364,430	-	28,882,689
Temporarily restricted	18,418,471	1,237,435	-	19,655,906
Total net assets	46,936,730	1,601,865	-	48,538,595
TOTAL LIABILITIES AND NET ASSETS	\$ 58,957,213	\$ 1,689,957	\$ -	\$ 60,647,170

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	CGD	CGDE	Eliminations	Total
UNRESTRICTED SUPPORT AND REVENUE				
Grants and contributions	\$ 1,212,106	\$ 635,249	\$ (1,026,147)	\$ 821,208
Contract revenue	913,800	-	-	913,800
Investment income	2,855,511	-	-	2,855,511
Membership income	-	112,006	-	112,006
Service revenue	48,581	-	-	48,581
Other income	-	2,029	-	2,029
Net assets released from donor restrictions	12,957,132	716,953	-	13,674,085
Total support and revenue	17,987,130	1,466,237	(1,026,147)	18,427,220
EXPENSES				
Program Services	12,745,752	1,351,791	(1,026,147)	13,071,396
Supporting Services:				
Management and General	1,693,261	-	-	1,693,261
Fundraising	588,146	-	-	588,146
Total supporting services	2,281,407	-	-	2,281,407
Total expenses	15,027,159	1,351,791	(1,026,147)	15,352,803
Change in unrestricted net assets	2,959,971	114,446	-	3,074,417
TEMPORARILY RESTRICTED SUPPORT AND REVENUE				
Grants and contributions	10,927,723	1,936,115	-	12,863,838
Net assets released from donor restrictions	(12,957,132)	(716,953)	-	(13,674,085)
Change in temporarily restricted net assets	(2,029,409)	1,219,162	-	(810,247)
CHANGE IN NET ASSETS	\$ 930,562	\$ 1,333,608	\$ -	\$ 2,264,170

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS				
Net assets at beginning of year	\$ 25,558,288	\$ 249,984	\$ -	\$ 25,808,272
Change in unrestricted net assets	2,959,971	114,446	-	3,074,417
UNRESTRICTED NET ASSETS AT END OF YEAR				
	<u>\$ 28,518,259</u>	<u>\$ 364,430</u>	<u>\$ -</u>	<u>\$ 28,882,689</u>
TEMPORARILY RESTRICTED NET ASSETS				
Net assets at beginning of year	\$ 20,447,880	\$ 18,273	\$ -	\$ 20,466,153
Change in temporarily restricted net assets	(2,029,409)	1,219,162	-	(810,247)
TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR				
	<u>\$ 18,418,471</u>	<u>\$ 1,237,435</u>	<u>\$ -</u>	<u>\$ 19,655,906</u>