

COMBINED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

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.

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, 2019, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the Center for Global Development Europe, which statements reflect total assets of \$1,670,390 as of December 31, 2019, and total support and revenue of \$3,530,270 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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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2019, 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 2018 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 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 27, 2020

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,267,699	\$ 12,527,381
Investments	22,697,378	19,325,391
Contributions receivable	315,369	318,228
Grants receivable	9,006,177	11,244,193
Prepaid expenses	153,765	118,431
Total current assets	42,440,388	43,533,624
PROPERTY AND EQUIPMENT		
Office condominium and improvements	16,442,919	16,442,919
Equipment	113,900	91,888
Furniture	1,960,095	1,851,917
Computer equipment and software	168,901	210,489
Website development	303,425	275,575
Leasehold improvements	8,855	8,514
	18,998,095	18,881,302
Less: Accumulated depreciation and amortization	(4,576,141)	(3,897,031)
Net property and equipment	14,421,954	14,984,271
NONCURRENT ASSETS		
Contributions receivable, net of current portion and discount	3,142,662	3,138,662
Grants receivable, net of current portion and discount	6,548,760	10,413,411
Total noncurrent assets	9,691,422	13,552,073
TOTAL ASSETS	\$ 66,553,764	\$ 72,069,968

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Bonds payable	\$ 301,760	\$ 304,070
Accounts payable and accrued liabilities	578,555	317,538
Accrued salaries and related benefits	<u>191,452</u>	<u>137,354</u>
Total current liabilities	<u>1,071,767</u>	<u>758,962</u>
NONCURRENT LIABILITIES		
Bonds payable, net of current portion	<u>10,711,386</u>	<u>11,013,147</u>
Total liabilities	<u>11,783,153</u>	<u>11,772,109</u>
NET ASSETS		
Without donor restrictions	29,256,283	26,477,661
With donor restrictions	<u>25,514,328</u>	<u>33,820,198</u>
Total net assets	<u>54,770,611</u>	<u>60,297,859</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,553,764</u>	<u>\$ 72,069,968</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants	\$ 1,000,000	\$ 10,172,241	\$ 11,172,241	\$ 28,496,969
Contributions	1,549,233	1,319,607	2,868,840	4,561,628
Contract revenue	359,246	-	359,246	921,148
Investment income (loss), net	3,400,059	-	3,400,059	(1,902,723)
Service revenue	31,316	-	31,316	58,896
Other income	104,435	-	104,435	13,283
Net assets released from donor restrictions	<u>19,797,718</u>	<u>(19,797,718)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>26,242,007</u>	<u>(8,305,870)</u>	<u>17,936,137</u>	<u>32,149,201</u>
EXPENSES				
Program Services	<u>20,779,923</u>	<u>-</u>	<u>20,779,923</u>	<u>15,490,698</u>
Supporting Services:				
Management and General	1,810,925	-	1,810,925	2,290,781
Fundraising	<u>872,537</u>	<u>-</u>	<u>872,537</u>	<u>766,911</u>
Total supporting services	<u>2,683,462</u>	<u>-</u>	<u>2,683,462</u>	<u>3,057,692</u>
Total expenses	<u>23,463,385</u>	<u>-</u>	<u>23,463,385</u>	<u>18,548,390</u>
Change in net assets before other item	2,778,622	(8,305,870)	(5,527,248)	13,600,811
OTHER ITEM				
Write-off of NORAD award	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,841,547)</u>
Change in net assets	2,778,622	(8,305,870)	(5,527,248)	11,759,264
Net assets at beginning of year	<u>26,477,661</u>	<u>33,820,198</u>	<u>60,297,859</u>	<u>48,538,595</u>
NET ASSETS AT END OF YEAR	<u>\$ 29,256,283</u>	<u>\$ 25,514,328</u>	<u>\$ 54,770,611</u>	<u>\$ 60,297,859</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019				2018	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Management and General	Fundraising	Total Supporting Services		
Employee salaries and benefits	\$ 11,965,416	\$ 404,529	\$ 719,598	\$ 1,124,127	\$ 13,089,543	\$ 11,512,275
Field study	-	-	-	-	-	409,208
Contractors/partnerships	2,110,639	-	-	-	2,110,639	1,098,182
Program and research consultants	804,002	15,697	674	16,371	820,373	682,864
Subgrants	2,148,360	-	-	-	2,148,360	-
Other professional fees	471,238	98,255	26,137	124,392	595,630	521,622
Travel	1,168,576	48,817	12,585	61,402	1,229,978	1,053,581
Outreach activities	46,142	-	2,875	2,875	49,017	75,242
Meetings and conferences	273,905	11,362	46,032	57,394	331,299	206,624
Printing and production	89,261	14,161	5,956	20,117	109,378	127,174
Supplies and materials	118,365	27,455	11,676	39,131	157,496	180,969
Postage and shipping	3,991	6,349	182	6,531	10,522	24,585
Furnishings, equipment and software	225,367	72,949	9,231	82,180	307,547	229,270
Occupancy	1,091,232	317,738	33,528	351,266	1,442,498	1,193,337
Depreciation and amortization	21,312	765,971	-	765,971	787,283	776,141
Other	242,117	27,642	4,063	31,705	273,822	457,316
TOTAL	\$ 20,779,923	\$ 1,810,925	\$ 872,537	\$ 2,683,462	\$ 23,463,385	\$ 18,548,390

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,527,248)	\$ 11,759,264
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	787,283	776,141
Unrealized (gains) losses on investments	(1,397,693)	2,665,128
Realized gains on sales of investments	(1,418,194)	(197,311)
Change in discount of long-term contributions and grants receivable	(233,023)	173,070
Loss on disposal of fixed assets	5,668	-
Decrease (increase) in:		
Accounts receivable	-	59,606
Contributions receivable	2,859	130,252
Grants receivable	6,331,689	(12,029,931)
Prepaid expenses	(35,334)	7,007
Increase (decrease) in:		
Accounts payable and accrued liabilities	261,017	(92,021)
Accrued salaries and related benefits	<u>54,098</u>	<u>50,507</u>
Net cash (used) provided by operating activities	<u>(1,168,878)</u>	<u>3,301,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(195,804)	(99,112)
Purchases of investments	(1,354,992)	(1,365,149)
Proceeds from sales of investments	<u>798,892</u>	<u>847,571</u>
Net cash used by investing activities	<u>(751,904)</u>	<u>(616,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	<u>(338,900)</u>	<u>(329,782)</u>
Net cash used by financing activities	<u>(338,900)</u>	<u>(329,782)</u>
Net (decrease) increase in cash and cash equivalents	(2,259,682)	2,355,240
Cash and cash equivalents at beginning of year	<u>12,527,381</u>	<u>10,172,141</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,267,699</u>	<u>\$ 12,527,381</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 386,795</u>	<u>\$ 391,963</u>

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The Center for Global Development and Affiliate (CGD) is dedicated to reducing global poverty and inequality through policy-oriented research and active engagement on development issues with the policy community and the public. A principal focus of CGD's work is the policies of the United States and other industrial countries that affect development prospects in poor countries. CGD's research assesses the impact on poor people of globalization and of the policies of industrialized countries, developing countries and multilateral institutions.

CGD seeks to identify alternative policies that promote equitable growth and participatory development in low-income and transitional economies, and, in collaboration with civil society and private sector groups, seeks to translate policy ideas into policy reforms. CGD partners with other institutions in efforts to improve public understanding in industrial countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

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

Basis of presentation -

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

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Subtopic FASB Accounting Standards Codification (ASC) 958-810, *Consolidation*. 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019

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

Basis of presentation (continued) -

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, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, CGD adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way CGD recognized revenue; however, the presentation and disclosures of revenue have been enhanced. CGD has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, the CGD adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. CGD adopted the ASU using a modified prospective basis.

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, 2019, CGD held \$1,293,496 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. Interest, dividends, realized and unrealized gains and losses, net of investment management fees, are included in investment income (loss), net in the accompanying Combined Statement of Activities and Change in Net Assets.

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair value as of the date of donation. CGD typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. During the year ended December 31, 2019, CGD did not receive any donated securities.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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

During the year ended December 31, 2019, depreciation and amortization expense related to property and equipment totaled \$752,453.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge in the accompanying Combined Statement of Activities and Change in Net Assets, to its current fair value. There was no impairment of long-lived assets recognized during the year ended December 31, 2019.

Bond financing and condominium purchase fees -

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

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

Office condominium purchase fees represent the costs incurred in negotiating the purchase of CGD's new office space (see Note 8). Purchase fees are being amortized over the life of the debt (15 years), on a straight-line basis.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

Bond financing and condominium purchase fees (continued) -

During the year ended December 31, 2019, amortization expense for bond financing and office condominium purchase fees totaled \$34,830. Accumulated amortization totaled \$221,902 as of December 31, 2019.

Income taxes -

CGD is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. CGD is not a private foundation.

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

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Revenue recognition -

Gifts, including unconditional pledges, grants and contracts are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by the CGD upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with 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 combined financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

CGD receives contracts for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Service revenue is recorded when the related services are performed. Any funds received in advance are classified as deferred revenue; funds earned but 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Use of estimates (continued) -

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 combination.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of CGD are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

CGD invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Foreign currency translation -

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

Fair value measurement -

CGD adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CGD accounts for a significant portion of their financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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, 2020. Early adoption is permitted.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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

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

The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. CGD plans to adopt the new ASU at the 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 combined financial statements.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2019:

	<u>Fair Value</u>
Ameritrade - Exchange traded funds	\$ 7,800,370
Ameritrade - Mutual funds	<u>14,897,008</u>
TOTAL INVESTMENTS	<u>\$ 22,697,378</u>

Included in investment income is the following during the year ended December 31, 2019:

Interest and dividends	\$ 616,781
Unrealized gains on investments	1,397,693
Realized gains on sales of investments	1,418,194
Investment management fees	<u>(32,609)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 3,400,059</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2019, contributions and grants due beyond one year of the accompanying Combined Statement of Financial Position date have been recorded at their net present value of the estimated cash flows, using a discount rate ranging from one to five percent.

As of December 31, 2019, contributions and grants receivable are due as follows:

	<u>Contributions Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 315,369	\$ 9,006,177
One year to five years	<u>3,526,586</u>	<u>6,825,331</u>
Subtotal	3,841,955	15,831,508
Less: Discount to present value	<u>(383,924)</u>	<u>(276,571)</u>
TOTAL	<u>\$ 3,458,031</u>	<u>\$ 15,554,937</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2019:

Time Restricted	\$ <u>3,142,661</u>
Purpose Restricted:	
Education	10,042,573
Sustainable Development Finance	2,040,232
CGD in Europe	1,436,977
Migration, Refugees and Humanitarian Assistance	2,382,358
Global Health	3,186,870
Financial Inclusion	568,690
Development Technology	510,000
Women's Economic Empowerment	757,181
Development Policy	751,786
Development in China	395,000
Special Projects	<u>300,000</u>
Total purpose restricted	<u>22,371,667</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>25,514,328</u>

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, 2019 by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of Time	\$ <u>1,774,700</u>
Purpose Restricted:	
Global Health	3,212,241
CGD in Europe	3,061,372
Migration, Refugees and Humanitarian Assistance	2,058,124
Sustainable Development Finance	2,073,013
Development Technology	1,125,278
Women's Economic Empowerment	957,000
Energy Access	478,160
Pacific Island Development	559,562
U.S. Development Policy	630,000
Education	3,143,690
Special Projects	50,000
Regulatory Standards for Financial Inclusion	619,578
Development in China	<u>55,000</u>
Total purpose restricted	<u>18,023,018</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>19,797,718</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. LIQUIDITY AND AVAILABILITY

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

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

Cash and cash equivalents	\$ 10,267,699
Investments	22,697,378
Contributions receivable, current portion	315,369
Grants receivable, current portion	<u>9,006,177</u>
Total financial assets available within one year	42,286,623
Less: Purpose-restricted donor funds	<u>(22,371,667)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 19,914,956**

CGD maintained financial assets of \$19,914,956 as of December 31, 2019, 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 six months of normal operating expenses. Also, as explained in more detail in Note 8, CGD has a committed line of credit, which is unsecured, with a negative pledge against the office condominium.

7. LEASE COMMITMENTS

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, 2019 was \$273,723, which is included in "Occupancy" in the accompanying Combined Statement of Functional Expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31

2020	\$ 276,227
2021	276,227
2022	276,227
2023	<u>69,057</u>
	 <u>\$ 897,738</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.

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8. LONG-TERM DEBT (Continued)

Additionally, the debt agreements contain various covenants, which among other things, place restrictions on CGD's ability to incur additional indebtedness and requires CGD to maintain certain financial ratios and submit various financial reports throughout their fiscal year.

Tax-Exempt Bonds Payable

During 2013, the District of Columbia issued \$13,360,000 of Revenue Bonds (Center for Global Development Issue Series 2013) on behalf of CGD at which time CGD entered into a loan and trust agreement with the District of Columbia and SunTrust Bank. The bonds bear an annualized fixed interest rate of 3.318% and are to be repaid on a monthly basis at principal plus accrued interest.

The redemption schedule is amortized over a 15-year period starting on July 1, 2013. The bonds mature on June 1, 2028, at which time a balloon payment of the remaining outstanding principal and interest will be due.

As of December 31, 2019, the total outstanding balance of the bonds payable was as follows:

Bonds payable	\$ 11,313,689
Less deferred financing costs, net of accumulated amortization of \$221,902	<u>(300,543)</u>
BONDS PAYABLE, NET	<u>\$ 11,013,146</u>

Interest expense incurred during the year ended December 31, 2019 totaled \$386,795, and is included in "Occupancy" in the accompanying Combined Statement of Functional Expenses.

Principal payments on the bonds are due as follows:

Year Ending December 31,

2020	\$ 301,760
2021	313,259
2022	325,152
2023	337,450
2024	350,169
2025 and Thereafter	<u>9,385,356</u>
	<u>\$ 11,013,146</u>

Line of Credit

As part of the bond issuance, CGD also entered into an agreement for a revolving line of credit with SunTrust Bank. The line of credit, in the amount of \$1,000,000, is renewable annually and bears interest at Libor plus 1.75% (4.76% at December 31, 2019). 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.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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8. **LONG-TERM DEBT (Continued)**

Line of Credit (continued)

There were no outstanding borrowings on the line of credit as of December 31, 2019.

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, 2019, CGD contributed \$846,391 to the Plan, which is included in employee salaries and benefits in the accompanying Combined Statement of Functional Expenses.

CGDE operates a defined contribution pension plan. The assets of the Plan are held separately from those of CGDE in an independently administered fund. During the year ended December 31, 2019, 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. Investments recorded in the accompanying Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2019. 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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, CGD's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Real estate investment index	\$ 1,353,292	\$ -	\$ -	\$ 1,353,292
Domestic stocks	3,557,550	-	-	3,557,550
Foreign stocks	<u>2,889,528</u>	<u>-</u>	<u>-</u>	<u>2,889,528</u>
Total exchange traded funds	<u>7,800,370</u>	<u>-</u>	<u>-</u>	<u>7,800,370</u>
Mutual funds:				
Bond funds	5,359,467	-	-	5,359,467
Real estate investment index	246,772	-	-	246,772
Foreign stocks	4,129,297	-	-	4,129,297
Domestic stocks	3,488,048	-	-	3,488,048
Collateralized commodities futures	<u>1,673,424</u>	<u>-</u>	<u>-</u>	<u>1,673,424</u>
Total mutual funds	<u>14,897,008</u>	<u>-</u>	<u>-</u>	<u>14,897,008</u>
TOTAL	<u>\$ 22,697,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,697,378</u>

11. GRANT COMMITMENTS

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 Government of Denmark grant funds were expended as follows:

**Financial Report Embassy of Denmark Grant (USD) for
the Year Ended December 31, 2019:**

CDI Membership	\$ 30,000
Research and Engagement on Humanitarian Assistance	<u>32,525</u>
TOTAL	<u>\$ 62,525</u>

Additionally, CGD was awarded a three year (2019-2021) grant by the IKEA Foundation in the amount of \$1,118,627. The purpose of the grant is to support Mobilizing Businesses to Expand Refugee Labor Market Access and associated activities. During the year ended December 31, 2019, total expenses incurred under this grant totaled \$289,543; the remaining balance to be made available under this award is \$829,084.

12. SUBSEQUENT EVENTS

In preparing these combined financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 27, 2020, the date the combined financial statements were issued.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

12. SUBSEQUENT EVENTS (Continued)

Subsequent to year end, the global financial markets have declined due to the worldwide Coronavirus Disease 2019 (COVID-19) pandemic. The fair value of the investment portfolio of CGD has experienced a net decrease of \$3,250,000 (a 14% fair value decline) as of the date of the audit report.

The impact on CGD's calendar year 2020 financial activities cannot be assessed as of the date of our audit report, April 27, 2020, as there exists a significant uncertainty about the future impact of COVID-19 on the global economy during this ongoing pandemic situation.

SUPPLEMENTAL INFORMATION

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

ASSETS				
	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,974,203	\$ 1,293,496	\$ -	\$ 10,267,699
Investments	22,697,378	-	-	22,697,378
Contributions receivable	297,549	297,086	(279,266)	315,369
Grants receivable	9,006,177	-	-	9,006,177
Prepaid expenses	137,450	16,315	-	153,765
Total current assets	41,112,757	1,606,897	(279,266)	42,440,388
PROPERTY AND EQUIPMENT				
Office condominium and improvements	16,442,919	-	-	16,442,919
Equipment	-	113,900	-	113,900
Furniture	1,960,095	-	-	1,960,095
Computer equipment and software	168,901	-	-	168,901
Website development	303,425	-	-	303,425
Leasehold improvements	-	8,855	-	8,855
	18,875,340	122,755	-	18,998,095
Less: Accumulated depreciation and amortization	(4,516,879)	(59,262)	-	(4,576,141)
Net property and equipment	14,358,461	63,493	-	14,421,954
NONCURRENT ASSETS				
Contributions receivable, net of current portion and discount	3,142,662	-	-	3,142,662
Grants receivable, net of current portion and discount	6,548,760	-	-	6,548,760
Total noncurrent assets	9,691,422	-	-	9,691,422
TOTAL ASSETS	\$ 65,162,640	\$ 1,670,390	\$ (279,266)	\$ 66,553,764
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable	\$ 301,760	\$ -	\$ -	\$ 301,760
Accounts payable and accrued liabilities	741,116	116,705	(279,266)	578,555
Accrued salaries and related benefits	66,009	125,443	-	191,452
Total current liabilities	1,108,885	242,148	(279,266)	1,071,767
NONCURRENT LIABILITIES				
Bonds payable, net of current portion	10,711,386	-	-	10,711,386
Total liabilities	11,820,271	242,148	(279,266)	11,783,153
NET ASSETS				
Without donor restrictions	29,235,122	21,161	-	29,256,283
With donor restrictions	24,107,247	1,407,081	-	25,514,328
Total net assets	53,342,369	1,428,242	-	54,770,611
TOTAL LIABILITIES AND NET ASSETS	\$ 65,162,640	\$ 1,670,390	\$ (279,266)	\$ 66,553,764

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE, WITHOUT DONOR RESTRICTIONS				
Grants	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Contributions	1,518,438	922,006	(891,211)	1,549,233
Contract revenue	359,246	-	-	359,246
Investment income, net	3,400,059	-	-	3,400,059
Service revenue	31,316	-	-	31,316
Other income	-	104,435	-	104,435
Net assets released from donor restrictions	16,826,346	4,155,594	(1,184,222)	19,797,718
	<u>23,135,405</u>	<u>5,182,035</u>	<u>(2,075,433)</u>	<u>26,242,007</u>
Total support and revenue, without donor restrictions				
	<u>23,135,405</u>	<u>5,182,035</u>	<u>(2,075,433)</u>	<u>26,242,007</u>
EXPENSES				
Program Services	17,614,447	5,240,909	(2,075,433)	20,779,923
Supporting Services:				
Management and General	1,810,925	-	-	1,810,925
Fundraising	872,537	-	-	872,537
	<u>2,683,462</u>	<u>-</u>	<u>-</u>	<u>2,683,462</u>
Total supporting services				
	<u>2,683,462</u>	<u>-</u>	<u>-</u>	<u>2,683,462</u>
Total expenses	<u>20,297,909</u>	<u>5,240,909</u>	<u>(2,075,433)</u>	<u>23,463,385</u>
Change in net assets without donor restrictions	<u>2,837,496</u>	<u>(58,874)</u>	<u>-</u>	<u>2,778,622</u>
SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Grants	10,172,241	2,503,829	(1,184,222)	11,491,848
Net assets released from donor restrictions	(16,826,346)	(4,155,594)	1,184,222	(19,797,718)
Change in net assets with donor restrictions	<u>(6,654,105)</u>	<u>(1,651,765)</u>	<u>-</u>	<u>(8,305,870)</u>
CHANGE IN NET ASSETS	<u>\$ (3,816,609)</u>	<u>\$ (1,710,639)</u>	<u>-</u>	<u>\$ (5,527,248)</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 26,397,626	\$ 80,035	\$ -	\$ 26,477,661
Change in net assets without donor restrictions	2,837,496	(58,874)	-	2,778,622
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 29,235,122</u>	<u>\$ 21,161</u>	<u>\$ -</u>	<u>\$ 29,256,283</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 30,761,352	\$ 3,058,846	\$ -	\$ 33,820,198
Change in net assets with donor restrictions	(6,654,105)	(1,651,765)	-	(8,305,870)
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 24,107,247</u>	<u>\$ 1,407,081</u>	<u>\$ -</u>	<u>\$ 25,514,328</u>