

CONSOLIDATED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Consolidated Statement of Financial Position, as of December 31, 2020, with Summarized Financial Information for 2019	4
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	5
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	6
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended December 31, 2020, with Summarized Financial Information for 2019	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8 - 18
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Consolidating Schedule of Financial Position, as of December 31, 2020	19
SCHEDULE 2 - Consolidating Schedule of Activities, for the Year Ended December 31, 2020	20
SCHEDULE 3 - Consolidating Schedule of Change in Net Assets, for the Year Ended December 31, 2020	21



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 consolidated financial statements of Center for Global Development and Affiliate (collectively, "CGD"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and change in net assets, consolidated functional expenses and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of CGD Europe (CGDE), which statements reflect total assets of \$5,701,396 as of December 31, 2020, and total support and revenue of \$10,605,405 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 CGDE, 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CGD as of December 31, 2020, and the consolidated change in its net assets, consolidated functional expenses and consolidated 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements (and the report of the other auditors) in our report dated April 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position on page 19, Consolidating Schedule of Activities on page 20 and Consolidating Schedule of Change in Net Assets on page 21, are presented for purposes of additional analysis and are not required as part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



April 20, 2021

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS		<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	21,746,883	\$ 10,267,699
Investments		22,111,875	22,697,378
Grants and contributions receivable		13,752,830	9,321,546
Prepaid expenses		<u>130,934</u>	<u>153,765</u>
Total current assets		<u>57,742,522</u>	<u>42,440,388</u>
PROPERTY AND EQUIPMENT			
Office condominium and improvements		16,442,919	16,442,919
Equipment		122,014	113,900
Furniture		1,960,095	1,960,095
Computer equipment and software		253,144	168,901
Website development		326,195	303,425
Leasehold improvements		<u>9,110</u>	<u>8,855</u>
		19,113,477	18,998,095
Less: Accumulated depreciation and amortization		<u>(5,347,033)</u>	<u>(4,576,141)</u>
Net property and equipment		<u>13,766,444</u>	<u>14,421,954</u>
NONCURRENT ASSETS			
Grants and contributions receivable, net of current portion and discount		<u>7,096,454</u>	<u>9,691,422</u>
TOTAL ASSETS	\$	<u>78,605,420</u>	\$ <u>66,553,764</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Bonds payable	\$	313,259	\$ 301,760
Accounts payable and accrued liabilities		724,150	578,555
Accrued salaries and related benefits		<u>236,258</u>	<u>191,452</u>
Total current liabilities		<u>1,273,667</u>	<u>1,071,767</u>
NONCURRENT LIABILITIES			
Bonds payable, net of current portion		<u>10,386,451</u>	<u>10,711,386</u>
Total liabilities		<u>11,660,118</u>	<u>11,783,153</u>
NET ASSETS			
Without donor restrictions		31,471,426	29,256,283
With donor restrictions		<u>35,473,876</u>	<u>25,514,328</u>
Total net assets		<u>66,945,302</u>	<u>54,770,611</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>78,605,420</u>	\$ <u>66,553,764</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,811,342	\$ 31,444,803	\$ 34,256,145	\$ 14,041,081
Award from Embassy of Denmark	-	450,000	450,000	-
Contract revenue	366,999	-	366,999	359,246
Investment income, net	1,608,918	-	1,608,918	3,400,059
Service revenue	78,120	-	78,120	31,316
Other income	87,585	-	87,585	104,435
Net assets released from donor restrictions	<u>21,935,255</u>	<u>(21,935,255)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>26,888,219</u>	<u>9,959,548</u>	<u>36,847,767</u>	<u>17,936,137</u>
EXPENSES				
Program Services	<u>20,903,958</u>	<u>-</u>	<u>20,903,958</u>	<u>20,779,923</u>
Supporting Services:				
Management and General	2,748,330	-	2,748,330	1,810,925
Fundraising	<u>1,020,788</u>	<u>-</u>	<u>1,020,788</u>	<u>872,537</u>
Total supporting services	<u>3,769,118</u>	<u>-</u>	<u>3,769,118</u>	<u>2,683,462</u>
Total expenses	<u>24,673,076</u>	<u>-</u>	<u>24,673,076</u>	<u>23,463,385</u>
Change in net assets	2,215,143	9,959,548	12,174,691	(5,527,248)
Net assets at beginning of year	<u>29,256,283</u>	<u>25,514,328</u>	<u>54,770,611</u>	<u>60,297,859</u>
NET ASSETS AT END OF YEAR	<u>\$ 31,471,426</u>	<u>\$ 35,473,876</u>	<u>\$ 66,945,302</u>	<u>\$ 54,770,611</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020				2019	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Management and General	Fundraising	Total Supporting Services		
Employee salaries and benefits	\$ 12,647,052	\$ 850,870	\$ 845,795	\$ 1,696,665	\$ 14,343,717	\$ 13,089,543
Contractors/partnerships	2,228,978	-	-	-	2,228,978	2,110,639
Program and research consultants	2,092,029	18,000	523	18,523	2,110,552	820,373
Subgrants	2,212,841	102,415	-	-	2,212,841	2,148,360
Other professional fees	359,526	87,396	69,091	156,487	516,013	595,630
Travel	184,910	11,414	1,891	13,305	198,215	1,229,978
Outreach activities	61,185	2,191	25,000	27,191	88,376	49,017
Meetings and conferences	104,015	766	1,502	2,268	106,283	331,299
Printing and production	69,353	6,231	580	6,811	76,164	109,378
Supplies and materials	52,163	13,907	10,026	23,933	76,096	157,496
Postage and shipping	769	5,381	-	5,381	6,150	10,522
Furnishings, equipment and software	156,306	54,796	11,162	65,958	222,264	307,547
Occupancy	660,187	623,448	48,911	672,359	1,332,546	1,442,498
Depreciation and amortization	-	802,512	-	802,512	802,512	787,283
Other	74,644	169,003	6,307	175,310	249,954	273,822
TOTAL	\$ 20,903,958	\$ 2,748,330	\$ 1,020,788	\$ 3,769,118	\$ 24,673,076	\$ 23,463,385

See accompanying notes to consolidated financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,174,691	\$ (5,527,248)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	802,512	787,283
Unrealized gain on investments	(773,748)	(1,397,693)
Realized gain on sales of investments	(458,016)	(1,418,194)
Receipt of donated securities	(274,326)	-
Proceeds from sale of donated securities	273,430	-
Change in discount of long-term contributions and grants receivable	(284,490)	(233,022)
Loss on disposal of fixed assets	-	5,668
(Increase) decrease in:		
Grants and contributions receivable	(1,551,827)	6,334,548
Prepaid expenses	22,831	(35,334)
Increase in:		
Accounts payable and accrued liabilities	145,596	261,016
Accrued salaries and related benefits	<u>44,806</u>	<u>54,098</u>
Net cash provided (used) by operating activities	<u>10,121,459</u>	<u>(1,168,878)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(112,172)	(195,804)
Purchases of investments	(2,490,867)	(1,354,992)
Proceeds from sales of investments	<u>4,309,030</u>	<u>798,892</u>
Net cash provided (used) by investing activities	<u>1,705,991</u>	<u>(751,904)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on bonds payable	<u>(348,266)</u>	<u>(338,900)</u>
Net cash used by financing activities	<u>(348,266)</u>	<u>(338,900)</u>
Net increase (decrease) in cash and cash equivalents	11,479,184	(2,259,682)
Cash and cash equivalents at beginning of year	<u>10,267,699</u>	<u>12,527,381</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,746,883</u>	<u>\$ 10,267,699</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 376,288</u>	<u>\$ 386,795</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

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

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

On January 31, 2014, CGD established CGD Europe (CGDE) in the United Kingdom, which was incorporated as a "company limited by guarantee and not having a share capital" in accordance with The Companies Act of 2006. CGD is the sole member of CGDE. The mission of CGDE is to promote, for the public benefit, education and research into poverty, health, sustainable development, economics, good governance and transparency in public life and administration and public finance.

Basis of presentation -

The accounts of CGD have been consolidated with CGDE (collectively, "CGD") in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) which require that financially interrelated organizations be consolidated. All intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, and Subtopic FASB Accounting Standards Codification (ASC) 958-810, *Consolidation*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CGD's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and cash equivalents -

CGD considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. 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, 2020, CGD held \$4,934,855 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, net in the accompanying Consolidated Statement of Activities and Change in Net Assets.

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair value as of the date of donation. CGD typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction.

Contributions and grants receivable -

Current contributions and grants receivable are recorded at their net realizable value, which approximates fair value. Amounts that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support and revenue until the conditions are substantially met. All contributions and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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, 2020, depreciation and amortization expense related to property and equipment totaled \$767,682.

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 Consolidated Statement of Activities and Change in Net Assets, to its current fair value. There was no impairment of long-lived assets recognized during the year ended December 31, 2020.

Bond financing and condominium purchase fees -

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

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

During the year ended December 31, 2020, amortization expense for bond financing and office condominium purchase fees totaled \$34,830. Accumulated amortization aggregated \$256,732 as of December 31, 2020.

Income taxes -

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Income taxes (continued) -

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

Uncertain tax positions -

For the year ended December 31, 2020, CGD has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Revenue recognition -

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

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying consolidated financial statements.

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

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

Use of estimates -

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Subgrants -

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

Functional allocation of expenses -

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

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 consolidated financial statements.

Foreign currency translation -

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

Fair value measurement -

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

New accounting pronouncement not yet adopted -

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 Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

New accounting pronouncement not yet adopted (continued) -

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

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact CGD's operations. The overall potential impact is unknown at this time.

2. INVESTMENTS

Investments consisted of the following as of December 31, 2020:

	<u>Fair Value</u>
Ameritrade - Exchange traded funds	\$ 7,271,946
Ameritrade - Mutual funds	<u>14,839,929</u>
TOTAL INVESTMENTS	<u>\$ 22,111,875</u>

Included in investment income is the following during the year ended December 31, 2020:

Interest and dividends	\$ 408,314
Unrealized gain on investments	773,748
Realized gain on sales of investments	458,016
Investment management fees	<u>(31,160)</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 1,608,918</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2020, commitments made to CGD that are due beyond one year of the accompanying Consolidated Statement of Financial Position date have been recorded at their net present value of the estimated cash flows, using a discount rate ranging from one to five percent.

As of December 31, 2020, grants and contributions receivable are due as follows:

Less than one year	\$ 13,752,830
One year to five years	<u>7,472,460</u>
Subtotal	21,225,290
Less: Discount to present value	<u>(376,006)</u>
TOTAL	<u>\$ 20,849,284</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2020:

Time Restricted	\$ <u>5,874,085</u>
Purpose Restricted:	
Education	8,940,936
Sustainable Development Finance	4,947,784
CGD in Europe	4,805,151
Migration, Refugees and Humanitarian Assistance	1,674,275
Global Health	3,500,691
Financial Inclusion	271,258
Development Technology	1,116,265
Women's Economic Empowerment	1,721,527
Development Policy	1,409,654
Development in China	982,250
Special Projects	200,000
Commitment to Development Index	<u>30,000</u>
Total purpose restricted	<u>29,599,791</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>35,473,876</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, 2020 by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of Time	\$ <u>2,300,000</u>
Purpose Restricted:	
Global Health	3,471,270
CGD in Europe	4,572,165
Migration, Refugees and Humanitarian Assistance	2,210,277
Sustainable Development Finance	2,601,895
Development Technology	693,316
Women's Economic Empowerment	704,052
U.S. Development Policy	623,000
Education	3,743,449
Special Projects	100,000
Regulatory Standards for Financial Inclusion	300,000
Development in China	590,878
Commitment to Development Index	<u>24,953</u>
Total purpose restricted	<u>19,635,255</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>21,935,255</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

6. LIQUIDITY AND AVAILABILITY

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

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

Cash and cash equivalents	\$ 21,746,883
Investments	22,111,875
Grants and contributions receivable, current portion	<u>13,752,830</u>
Total financial assets available within one year	57,611,588
Less: Purpose-restricted donor funds	<u>(29,599,791)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 28,011,797</u>

CGD maintained financial assets of \$28,011,797 as of December 31, 2020, 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, 2020 was \$274,911, which is included in "Occupancy" in the accompanying Consolidated Statement of Functional Expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31

2021	\$ 276,227
2022	276,227
2023	<u>69,057</u>
	<u>\$ 621,511</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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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

As of December 31, 2020, the total outstanding balance of the bonds payable was as follows:

Bonds payable	\$ 10,965,423
Less deferred financing costs, net of accumulated amortization of \$256,732	<u>(265,713)</u>
BONDS PAYABLE, NET	<u>\$ 10,699,710</u>

Interest expense incurred during the year ended December 31, 2020 totaled \$376,288, and is included in "Occupancy" in the accompanying Consolidated Statement of Functional Expenses.

Principal payments on the bonds are due as follows:

<u>Year Ending December 31,</u>	
2021	\$ 313,259
2022	325,152
2023	337,450
2024	350,169
2025	363,322
2026 and Thereafter	<u>9,010,358</u>
	<u>\$ 10,699,710</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 on June 3, 2013. The line of credit, in the amount of \$1,000,000, is renewable annually (current maturity is September 30, 2021), and bears interest at LIBOR (0.12%) plus 1.75% (a total of 1.87% as of December 31, 2020). 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. **LONG-TERM DEBT (Continued)**

Line of Credit (continued)

There were no outstanding borrowings on the line of credit as of December 31, 2020.

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, 2020, CGD contributed \$1,184,400 to the Plan, which is included in employee salaries and benefits in the accompanying Consolidated Statement of Functional Expenses.

CGDE operates a defined contribution pension plan. The assets of the Plan are held separately from those of CGDE in an independently administered fund. During the year ended December 31, 2020, 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 Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2020. 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.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

10. FAIR VALUE MEASUREMENT (Continued)

- *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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded funds:				
Real estate investment index	\$ 1,241,342	\$ -	\$ -	\$ 1,241,342
Domestic stocks	3,501,129	-	-	3,501,129
Foreign stocks	<u>2,529,475</u>	<u>-</u>	<u>-</u>	<u>2,529,475</u>
Total exchange traded funds	<u>7,271,946</u>	<u>-</u>	<u>-</u>	<u>7,271,946</u>
Mutual funds:				
Bond funds	4,953,608	-	-	4,953,608
Real estate investment index	356,100	-	-	356,100
Foreign stocks	4,441,230	-	-	4,441,230
Domestic stocks	3,452,176	-	-	3,452,176
Collateralized commodities futures	<u>1,636,815</u>	<u>-</u>	<u>-</u>	<u>1,636,815</u>
Total mutual funds	<u>14,839,929</u>	<u>-</u>	<u>-</u>	<u>14,839,929</u>
TOTAL	<u>\$ 22,111,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,111,875</u>

11. GRANT COMMITMENTS

CGD was awarded a three year (2019-2021) grant by the IKEA Foundation in the amount of \$1,118,627. In 2020, CGD was awarded an additional \$258,942 extending the term to 2022. The purpose of the grant is to support Mobilizing Businesses to Expand Refugee Labor Market Access and associated activities. Total expenses incurred through December 31, 2020 under this grant totaled \$806,343; the remaining balance to be made available under this award is \$571,226.

12. CONCENTRATION OF REVENUE

Approximately 42% of CGD's support and revenue (and 40% of CGD's total gross grants and contributions receivable) for the year ended December 31, 2020 was derived from awards received by a single donor. CGD has no reason to believe that the relationship with this donor will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect CGD's ability to finance ongoing operations.

13. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 20, 2021, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	ASSETS			
	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 16,812,028	\$ 4,934,855	\$ -	\$ 21,746,883
Investments	22,111,875	-	-	22,111,875
Grants and contributions receivable	13,520,093	664,092	(431,355)	13,752,830
Prepaid expenses	73,253	57,681	-	130,934
Total current assets	<u>52,517,249</u>	<u>5,656,628</u>	<u>(431,355)</u>	<u>57,742,522</u>
PROPERTY AND EQUIPMENT				
Office condominium and improvements	16,442,919	-	-	16,442,919
Equipment	-	122,014	-	122,014
Furniture	1,960,095	-	-	1,960,095
Computer equipment and software	253,144	-	-	253,144
Website development	326,195	-	-	326,195
Leasehold improvements	-	9,110	-	9,110
	<u>18,982,353</u>	<u>131,124</u>	<u>-</u>	<u>19,113,477</u>
Less: Accumulated depreciation and amortization	(5,260,677)	(86,356)	-	(5,347,033)
Net property and equipment	<u>13,721,676</u>	<u>44,768</u>	<u>-</u>	<u>13,766,444</u>
NONCURRENT ASSETS				
Grants and contributions receivable, net of current portion and discount	<u>7,096,454</u>	<u>-</u>	<u>-</u>	<u>7,096,454</u>
TOTAL ASSETS	<u>\$ 73,335,379</u>	<u>\$ 5,701,396</u>	<u>\$ (431,355)</u>	<u>\$ 78,605,420</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable	\$ 313,259	\$ -	\$ -	\$ 313,259
Accounts payable and accrued liabilities	823,874	331,631	(431,355)	724,150
Accrued salaries and related benefits	83,424	152,834	-	236,258
Total current liabilities	<u>1,220,557</u>	<u>484,465</u>	<u>(431,355)</u>	<u>1,273,667</u>
NONCURRENT LIABILITIES				
Bonds payable, net of current portion	<u>10,386,451</u>	<u>-</u>	<u>-</u>	<u>10,386,451</u>
Total liabilities	<u>11,607,008</u>	<u>484,465</u>	<u>(431,355)</u>	<u>11,660,118</u>
NET ASSETS				
Without donor restrictions	31,059,748	260,078	151,600	31,471,426
With donor restrictions	<u>30,668,623</u>	<u>4,956,853</u>	<u>(151,600)</u>	<u>35,473,876</u>
Total net assets	<u>61,728,371</u>	<u>5,216,931</u>	<u>-</u>	<u>66,945,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,335,379</u>	<u>\$ 5,701,396</u>	<u>\$ (431,355)</u>	<u>\$ 78,605,420</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE, WITHOUT DONOR RESTRICTIONS				
Grants and contributions	\$ 2,899,381	\$ 750,165	\$ (838,204)	\$ 2,811,342
Contract revenue	366,999	-	-	366,999
Investment income, net	1,608,918	-	-	1,608,918
Service revenue	78,120	-	-	78,120
Other income	-	87,585	-	87,585
Net assets released from donor restrictions	17,363,090	6,217,883	(1,645,718)	21,935,255
	<u>22,316,508</u>	<u>7,055,633</u>	<u>(2,483,922)</u>	<u>26,888,219</u>
Total support and revenue, without donor restrictions				
	<u>22,316,508</u>	<u>7,055,633</u>	<u>(2,483,922)</u>	<u>26,888,219</u>
EXPENSES				
Program Services	17,919,369	5,620,111	(2,635,522)	20,903,958
Supporting Services:				
Management and General	1,676,568	1,071,762	-	2,748,330
Fundraising	895,945	124,843	-	1,020,788
	<u>2,572,513</u>	<u>1,196,605</u>	<u>-</u>	<u>3,769,118</u>
Total supporting services				
	<u>2,572,513</u>	<u>1,196,605</u>	<u>-</u>	<u>3,769,118</u>
Total expenses	<u>20,491,882</u>	<u>6,816,716</u>	<u>(2,635,522)</u>	<u>24,673,076</u>
Change in net assets without donor restrictions	<u>1,824,626</u>	<u>238,917</u>	<u>151,600</u>	<u>2,215,143</u>
SUPPORT AND REVENUE, WITH DONOR RESTRICTIONS				
Grants and contributions	23,474,466	9,767,655	(1,797,318)	31,444,803
Award from Embassy of Denmark	450,000	-	-	450,000
Net assets released from donor restrictions	(17,363,090)	(6,217,883)	1,645,718	(21,935,255)
Change in net assets with donor restrictions	<u>6,561,376</u>	<u>3,549,772</u>	<u>(151,600)</u>	<u>9,959,548</u>
CHANGE IN NET ASSETS	<u>\$ 8,386,002</u>	<u>\$ 3,788,689</u>	<u>\$ -</u>	<u>\$ 12,174,691</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 29,235,122	\$ 21,161	\$ -	\$ 29,256,283
Change in net assets without donor restrictions	1,824,626	238,917	151,600	2,215,143
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 31,059,748</u>	<u>\$ 260,078</u>	<u>\$ 151,600</u>	<u>\$ 31,471,426</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Net assets at beginning of year	\$ 24,107,247	\$ 1,407,081	\$ -	\$ 25,514,328
Change in net assets with donor restrictions	6,561,376	3,549,772	(151,600)	9,959,548
NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 30,668,623</u>	<u>\$ 4,956,853</u>	<u>\$ (151,600)</u>	<u>\$ 35,473,876</u>