

COMBINED FINANCIAL STATEMENTS

**CENTER FOR GLOBAL DEVELOPMENT
AND AFFILIATE**

**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statement of Financial Position, as of December 31, 2016, with Summarized Financial Information for 2015	4 - 5
EXHIBIT B - Combined Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	6
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	7
EXHIBIT D - Combined Statement of Cash Flows, for the Year Ended December 31, 2016, with Summarized Financial Information for 2015	8 - 9
NOTES TO COMBINED FINANCIAL STATEMENTS	10 - 19
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Combining Schedule of Financial Position, as of December 31, 2016	20
SCHEDULE 2 - Combining Schedule of Activities, for the Year Ended December 31, 2016	21
SCHEDULE 3 - Combining Schedule of Change in Net Assets, for the Year Ended December 31, 2016	22

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, 2016, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We did not audit the financial statements of the Center for Global Development Europe, which statements reflect total assets of \$330,525 as of December 31, 2016 and total revenues of \$1,146,482, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

Opinion

In our opinion, based on our audits 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, 2016, 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 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated April 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 20, Combining Schedule of Activities on page 21 and Combining Schedule of Change in Net Assets on page 22, 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 25, 2017

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,502,287	\$ 6,379,118
Investments	18,570,702	16,629,571
Accounts receivable	1,077	40,175
Contributions receivable, current portion	4,107,223	359,900
Grants receivable, current portion	6,305,589	6,269,368
Prepaid expenses	<u>131,068</u>	<u>220,878</u>
Total current assets	<u>37,617,946</u>	<u>29,899,010</u>
PROPERTY AND EQUIPMENT		
Office condominium	16,383,491	16,325,430
Equipment	51,874	51,874
Furniture	1,857,550	1,851,817
Computer equipment	<u>574,053</u>	<u>583,483</u>
	18,866,968	18,812,604
Less: Accumulated depreciation and amortization	<u>(2,618,184)</u>	<u>(1,876,138)</u>
Net property and equipment	<u>16,248,784</u>	<u>16,936,466</u>
OTHER ASSETS		
Contributions receivable, net of current portion and discount	-	3,642,350
Grants receivable, net of current portion and discount	<u>4,797,455</u>	<u>256,557</u>
Total other assets	<u>4,797,455</u>	<u>3,898,907</u>
TOTAL ASSETS	<u>\$ 58,664,185</u>	<u>\$ 50,734,383</u>

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Bonds payable, current portion	\$ 286,081	\$ 312,279
Accounts payable and accrued liabilities	276,191	293,618
Accrued salaries and related benefits	<u>215,318</u>	<u>433,137</u>
Total current liabilities	<u>777,590</u>	<u>1,039,034</u>
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	<u>11,612,170</u>	<u>11,849,605</u>
Total liabilities	<u>12,389,760</u>	<u>12,888,639</u>
NET ASSETS		
Unrestricted	25,808,272	22,973,295
Temporarily restricted	<u>20,466,153</u>	<u>14,872,449</u>
Total net assets	<u>46,274,425</u>	<u>37,845,744</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 58,664,185</u>	<u>\$ 50,734,383</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 1,057,510	\$ 18,578,089	\$ 19,635,599	\$ 9,826,102
Contract revenue	733,514	-	733,514	1,622,394
Investment income (loss)	1,994,450	-	1,994,450	(1,303,917)
Membership income	34,429	-	34,429	-
Rental income	29,407	-	29,407	32,100
Service revenue	53,157	-	53,157	42,791
Other income	38,997	-	38,997	17,460
Net assets released from donor restrictions	<u>12,984,385</u>	<u>(12,984,385)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>16,925,849</u>	<u>5,593,704</u>	<u>22,519,553</u>	<u>10,236,930</u>
EXPENSES				
Program Services	<u>11,531,578</u>	<u>-</u>	<u>11,531,578</u>	<u>13,079,368</u>
Supporting Services:				
Management and General	1,964,564	-	1,964,564	1,699,681
Fundraising	<u>594,730</u>	<u>-</u>	<u>594,730</u>	<u>507,768</u>
Total supporting services	<u>2,559,294</u>	<u>-</u>	<u>2,559,294</u>	<u>2,207,449</u>
Total expenses	<u>14,090,872</u>	<u>-</u>	<u>14,090,872</u>	<u>15,286,817</u>
Change in net assets	2,834,977	5,593,704	8,428,681	(5,049,887)
Net assets at beginning of year	<u>22,973,295</u>	<u>14,872,449</u>	<u>37,845,744</u>	<u>42,895,631</u>
NET ASSETS AT END OF YEAR	<u>\$ 25,808,272</u>	<u>\$ 20,466,153</u>	<u>\$ 46,274,425</u>	<u>\$ 37,845,744</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016				2015	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Employee salaries and benefits	\$ 7,648,954	\$ 695,821	\$ 411,331	\$ 1,107,152	\$ 8,756,106	\$ 9,022,361
Field study	244,079	-	-	-	244,079	504,554
Contractors/partnerships	367,260	-	-	-	367,260	936,390
Program and research consultants	366,699	10,000	3,960	13,960	380,659	762,389
Other professional fees	29,697	284,546	57,600	342,146	371,843	314,007
Travel	556,815	21,106	7,465	28,571	585,386	734,785
Outreach activities	21,626	16,632	-	16,632	38,258	92,470
Meetings and conferences	162,033	12,602	19,213	31,815	193,848	283,437
Printing and production	225,256	3,349	6,235	9,584	234,840	133,376
Supplies and materials	112,943	131,577	9,169	140,746	253,689	197,248
Postage and shipping	7,623	3,490	321	3,811	11,434	9,726
Furnishings, equipment and software	1,603	95,624	605	96,229	97,832	92,848
Rent and utilities	3,051	334,049	16	334,065	337,116	406,461
Depreciation and amortization	-	816,787	-	816,787	816,787	867,381
Investment fees	-	29,607	-	29,607	29,607	29,908
Interest, taxes and condo maintenance fees	-	879,841	-	879,841	879,841	865,710
Other	4,589	486,457	1,241	487,698	492,287	33,766
Subtotal	9,752,228	3,821,488	517,156	4,338,644	14,090,872	15,286,817
Overhead allocation	1,779,350	(1,856,924)	77,574	(1,779,350)	-	-
TOTAL	\$ 11,531,578	\$ 1,964,564	\$ 594,730	\$ 2,559,294	\$ 14,090,872	\$ 15,286,817

See accompanying notes to combined financial statements.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,428,681	\$ (5,049,887)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	816,787	867,381
Unrealized (gain) loss on investments	(1,538,198)	1,695,052
Realized gain on investments	-	(30,221)
Change in discount of long-term pledges and grants receivable	72,523	(190,147)
Loss on disposal of fixed assets	1,850	-
Decrease (increase) in:		
Accounts receivable	39,098	(37,017)
Contributions receivable	7,677	590,044
Grants receivable	(4,762,292)	4,373,190
Prepaid expenses	89,810	(78,691)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(17,427)	44,361
Accrued salaries and related benefits	<u>(217,819)</u>	<u>68,574</u>
Net cash provided by operating activities	<u>2,920,690</u>	<u>2,252,639</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(82,309)	(177,494)
Purchase of investments	(1,099,895)	(6,324,002)
Proceeds from sale of investments	<u>696,962</u>	<u>5,937,305</u>
Net cash used by investing activities	<u>(485,242)</u>	<u>(564,191)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(312,279)	(303,880)
Payments against notes payable	<u>-</u>	<u>(300,000)</u>
Net cash used by financing activities	<u>(312,279)</u>	<u>(603,880)</u>
Net increase in cash and cash equivalents	2,123,169	1,084,568
Cash and cash equivalents at beginning of year	<u>6,379,118</u>	<u>5,294,550</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,502,287</u>	<u>\$ 6,379,118</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>346,194</u>	\$ <u>353,758</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Liquidated Donated Securities	\$ <u>6,587</u>	\$ <u>6,053</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2016

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. The Center'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. The Center partners with other institutions in efforts to improve public understanding in industrial countries of the economic, political, and strategic benefits of promoting improved living standards and governance in developing countries.

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

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CGD's combined financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Basis of combination -

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

Cash and cash equivalents -

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

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Cash and cash equivalents (continued) -

Additionally, as of December 31, 2016, CGD held \$240,588 of cash and cash equivalents in a local institution of the United Kingdom (UK). Such funds are generally not insured.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) in the Combined Statement of Activities and Change in Net Assets.

Periodically, CGD receives contributions in the form of securities, which are recorded at their fair market value on the date of donation. CGD typically sells the securities immediately upon receipt, minimizing the amount of potential realized gains or losses from the transaction. For the year ended December 31, 2016, CGD received a total of \$6,587 in donated securities, which were sold immediately in accordance with their policy.

Contributions, grants and accounts receivable -

Contributions, grants and accounts receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

All contributions, grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established. Accounts receivable are recorded at net realizable value, which approximates fair value.

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

Property (Condominium)	39 years
Property improvements	39 years
Furniture and equipment	7 years
Computer equipment and software	3 years
Website development	3 years

For the year ended December 31, 2016, depreciation and amortization expense related to property and equipment totaled \$768,141.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Combined Statement of Activities and Change in Net Assets, to its current fair value.

Bond financing and condominium purchase fees -

Bond financing fees represent legal fees and other costs associated with obtaining the bond debt agreement (see Note 7).

These fees are being amortized over the life of the debt (15 years), on a straight-line basis.

Condominium purchase fees represent the costs incurred in negotiating the purchase of CGD's new office space (see Note 7). Purchase fees are being amortized over the life of the debt (15 years), on a straight-line basis.

For the year ended December 31, 2016, amortization expense for bond financing and condominium purchase fees totaled \$48,646. Accumulated amortization totaled \$117,414 at December 31, 2016.

Income taxes -

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

Uncertain tax positions -

For the year ended December 31, 2016, 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.

Net asset classification -

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

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

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Contracts -

Contracts that are awarded to CGD are accounted for as exchange transactions, and accordingly, revenue is recognized when the qualifying expenditures are incurred.

Any funds received in advance of expenditure are classified as refundable advance. Any funds not received upon incurring qualifying expenditures are recorded as contracts 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 at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

Risks and uncertainties -

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

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 dollar ("Dollars") is the functional currency for CGD's operations. Transactions in currencies other than Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in non-U.S. currencies are translated into dollars at the exchange rate in effect at the date of the Combined Statement of Financial Position.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Fair value measurement -

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

New accounting pronouncements -

In April 2015, the FASB issued Accounting Standards Update (ASU) 2015-03 related to *Simplifying the Presentation of Debt Issuance Costs*, as part of its simplification initiative. The ASU changes the presentation of debt issuance costs in the combined financial statements. Under the ASU, an entity presents such costs in the Combined Statement of Financial Position as a direct deduction from the related debt liability, rather than as an asset. Amortization of the costs is reported as interest expense. The guidance in the ASU is effective for fiscal years beginning after December 15, 2015. During the year ended December 31, 2016, the CGD adopted the new guidance above and applied it retrospectively. In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statement of Activities and Change in Net Assets.

The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of CGD's combined financial statements, it is not expected to alter CGD's reported financial position.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. INVESTMENTS

Investments consisted of the following at December 31, 2016:

	<u>Fair Value</u>
Ameritrade - Exchange Traded Funds	\$ 6,660,166
Ameritrade - Mutual Funds	<u>11,910,536</u>
TOTAL INVESTMENTS	<u>\$ 18,570,702</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. INVESTMENTS (Continued)

Included in investment income is the following for the year ended December 31, 2016:

Interest and dividends	\$	456,252
Unrealized gain		<u>1,538,198</u>
TOTAL INVESTMENT INCOME	\$	<u>1,994,450</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2016, contributions and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate ranging from one to five percent. The contributions and grants are due as follows at December 31, 2016:

	<u>Contributions Receivable</u>	<u>Grants Receivable</u>
Less than one year	\$ 4,107,223	\$ 6,305,589
One year to five years	<u>-</u>	<u>4,985,219</u>
Subtotal	4,107,223	11,290,808
Less: Discount to present value	<u>-</u>	<u>(187,764)</u>
TOTAL	<u>\$ 4,107,223</u>	<u>\$ 11,103,044</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Time restricted	\$	<u>7,203,426</u>
Purpose restricted:		
Aid Innovation and Effectiveness		2,966,484
Tropical Forests for Climate and Development		2,630,485
Global Health Policy		1,979,563
Transparency, Accountability and Corruption		1,617,826
U.S. Development Policy		1,300,000
Future International Financial Institutions		727,038
Energy Access		500,000
Women's Economic Empowerment		444,047
CGD in Europe		325,000
Development Finance and Impact Investing		268,473
Development Scholar Visiting Fellowships		238,040
Labor Mobility		157,498
Commitment to Development Index		90,000
Brexit Project		<u>18,273</u>
Total purpose restricted		<u>13,262,727</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$	<u>20,466,153</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions, at December 31, 2016, by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Passage of time	\$ <u>3,985,139</u>
Purpose restricted:	
Global Health Policy	1,953,413
Women's Economic Empowerment	1,100,000
Tropical Forests for Climate and Development	835,073
Aid Innovation and Effectiveness	781,813
Transparency, Governance and Corruption	722,705
Energy Access	650,000
U.S. Development Policy	615,000
Labor Mobility	560,000
Regulatory Standards for Financial Inclusion	334,132
Future of International Financial Institutions	281,765
Development Finance and Impact Investing	256,000
CGD in Europe	255,000
Development Scholar Visiting Fellowships	237,188
Commitment to Development Index	122,500
Agriculture and Trade	121,785
Education	99,978
Brexit Project	<u>72,894</u>
Total purpose restricted	<u>8,999,246</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ <u>12,984,385</u>

6. LEASE COMMITMENTS

During 2014, CGDE entered into an agreement for office space in the UK, which is set to expire May 31, 2017. Base rent is £89,902 per year (approximately \$140,000). Total CGDE rent expense for the year ended December 31, 2016 was \$144,222, which is included in "Rent and utilities" on the accompanying Combined Statement of Functional Expenses. The following is a schedule of the future minimum lease payments:

Year Ending December 31, 2017 **\$ 58,328**

CGD subleases a portion of its office space to two tenants under a six-month lease agreement. Subsequent to year-end, lease extensions were made for one tenant through June 30, 2017. The following is a schedule of the future minimum rental income:

Year Ending December 31, 2017 **\$ 12,000**

Rental income for the year ended December 31, 2016 was \$29,407.

7. LONG-TERM DEBT

During 2013, CGD entered into the following debt instrument agreement to provide funding to acquire and renovate new office space (condominium), which was purchased in June 2013 for \$13,520,918.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016

7. LONG-TERM DEBT (Continued)

The debt is collateralized by the condominium office space at 2055 L Street, Washington, D.C. Additionally, the debt agreements contain various covenants, which among other things, place restrictions on CGD's ability to incur additional indebtedness and requires CGD to maintain certain financial ratios and submit various financial reports throughout their fiscal year.

Tax-Exempt Bonds Payable

During 2013, the District of Columbia issued \$13,360,000 of Revenue Bonds (Center for Global Development Issue Series 2013) on behalf of CGD at which time CGD entered into a loan and trust agreement with the District of Columbia and SunTrust Bank. The bonds bear an annualized fixed interest rate of 2.73% and are to be repaid on a monthly basis at principal plus accrued interest. The redemption schedule is amortized over a 30-year period starting on July 1, 2013. The bonds will be due in 15 years with a balloon payment of outstanding principle and interest due on June 1, 2028. As of December 31, 2016, the total outstanding balance of the bonds payable in as follows:

Bonds payable	\$ 12,303,282
Less deferred financing costs, net of accumulated amortization of \$117,414	<u>(405,031)</u>
BONDS PAYABLE, NET	<u>\$ 11,898,251</u>

Total interest expense for the year ended was \$346,194.

Principal payments on the bonds are due as follows:

Year Ending December 31,

2017	\$ 286,081
2018	294,952
2019	304,070
2020	313,436
2021	323,066
Thereafter	<u>10,376,646</u>
	<u>\$ 11,898,251</u>

Line of Credit

As part of the bond issuance, CGD also entered into an agreement for a revolving line of credit with SunTrust Bank. The line of credit, in the amount of \$1,000,000, is renewable annually and bears interest at Libor plus 1.75% (3.44% at December 31, 2016). The line of credit is unsecured, with a negative pledge against the new property (condominium).

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

There was no outstanding balance on the line of credit as of December 31, 2016.

8. RETIREMENT PLAN

CGD sponsors a 403(b) retirement plan that is available to employees who meet certain eligibility requirements. CGD contributes 15% of each eligible employee's earnings to the plan, subject to legal limits. For the year ended December 31, 2016, CGD contributed \$686,582 to the plan.

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

9. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, CGD has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Combined Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

- *Exchange Traded Funds* - Valued at the closing price reported on the active market in which the funds are traded.
- *Mutual Funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, CGD's investments as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange Traded Funds:				
Real Estate Investment Index	\$ 1,168,089	\$ -	\$ -	\$ 1,168,089
Domestic Stocks	3,134,830	-	-	3,134,830
Foreign Stocks	<u>2,357,247</u>	<u>-</u>	<u>-</u>	<u>2,357,247</u>
Total exchange traded funds	<u>6,660,166</u>	<u>-</u>	<u>-</u>	<u>6,660,166</u>
Mutual Funds:				
Bond Funds	4,300,373	-	-	4,300,373
Real Estate Investment Index	116,339	-	-	116,339
Foreign Stocks	3,162,181	-	-	3,162,181
Domestic Stocks	2,893,444	-	-	2,893,444
Collateralized Commodities Futures	<u>1,438,199</u>	<u>-</u>	<u>-</u>	<u>1,438,199</u>
Total mutual funds	<u>11,910,536</u>	<u>-</u>	<u>-</u>	<u>11,910,536</u>
TOTAL	<u>\$ 18,570,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,570,702</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. SUBSEQUENT EVENTS

In preparing these combined financial statements, CGD has evaluated events and transactions for potential recognition or disclosure through April 25, 2017, the date the combined financial statements were issued.

SUPPLEMENTAL INFORMATION

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

	CGD	CGDE	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 8,261,699	\$ 240,588	\$ -	\$ 8,502,287
Investments	18,570,702	-	-	18,570,702
Accounts receivable	1,077	-	-	1,077
Contributions receivable, current portion	4,107,223	-	-	4,107,223
Grants receivable, current portion	6,305,589	-	-	6,305,589
Prepaid expenses	75,718	55,350	-	131,068
Total current assets	37,322,008	295,938	-	37,617,946
PROPERTY AND EQUIPMENT				
Office condominium	16,383,491	-	-	16,383,491
Equipment	-	51,874	-	51,874
Furniture	1,857,550	-	-	1,857,550
Computer equipment	574,053	-	-	574,053
	18,815,094	51,874	-	18,866,968
Less: Accumulated depreciation and amortization	(2,600,897)	(17,287)	-	(2,618,184)
Net property and equipment	16,214,197	34,587	-	16,248,784
OTHER ASSETS				
Grants receivable, net of current portion and discount	4,797,455	-	-	4,797,455
TOTAL ASSETS	\$ 58,333,660	\$ 330,525	\$ -	\$ 58,664,185
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Bonds payable, current portion	\$ 286,081	\$ -	\$ -	\$ 286,081
Accounts payable and accrued liabilities	228,294	47,897	-	276,191
Accrued salaries and related benefits	200,947	14,371	-	215,318
Total current liabilities	715,322	62,268	-	777,590
LONG-TERM LIABILITIES				
Bonds payable, net of current portion	11,612,170	-	-	11,612,170
Total liabilities	12,327,492	62,268	-	12,389,760
NET ASSETS				
Unrestricted	25,558,288	249,984	-	25,808,272
Temporarily restricted	20,447,880	18,273	-	20,466,153
Total net assets	46,006,168	268,257	-	46,274,425
TOTAL LIABILITIES AND NET ASSETS	\$ 58,333,660	\$ 330,525	\$ -	\$ 58,664,185

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED REVENUE				
Grants and contributions	\$ 952,978	\$ 882,169	\$ (777,637)	\$ 1,057,510
Contract revenue	733,514	-	-	733,514
Investment income	1,994,450	-	-	1,994,450
Membership income	-	34,429	-	34,429
Rental income	29,407	-	-	29,407
Service revenue	53,157	-	-	53,157
Other income	258	38,739	-	38,997
Net assets released from donor restrictions	12,811,513	172,872	-	12,984,385
Total revenue	<u>16,575,277</u>	<u>1,128,209</u>	<u>(777,637)</u>	<u>16,925,849</u>
EXPENSES				
Program Services	11,134,661	1,174,554	(777,637)	11,531,578
Supporting Services:				
Management and General	1,964,564	-	-	1,964,564
Fundraising	594,730	-	-	594,730
Total supporting services	<u>2,559,294</u>	<u>-</u>	<u>-</u>	<u>2,559,294</u>
Total expenses	<u>13,693,955</u>	<u>1,174,554</u>	<u>(777,637)</u>	<u>14,090,872</u>
Change in unrestricted net assets	<u>2,881,322</u>	<u>(46,345)</u>	<u>-</u>	<u>2,834,977</u>
TEMPORARILY RESTRICTED REVENUE				
Grants and contributions	18,386,944	191,145	-	18,578,089
Net assets released from donor restrictions	<u>(12,811,513)</u>	<u>(172,872)</u>	<u>-</u>	<u>(12,984,385)</u>
Change in temporarily restricted net assets	<u>5,575,431</u>	<u>18,273</u>	<u>-</u>	<u>5,593,704</u>
CHANGE IN NET ASSETS	<u>\$ 8,456,753</u>	<u>\$ (28,072)</u>	<u>\$ -</u>	<u>\$ 8,428,681</u>

CENTER FOR GLOBAL DEVELOPMENT AND AFFILIATE

COMBINING SCHEDULE OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>CGD</u>	<u>CGDE</u>	<u>Eliminations</u>	<u>Total</u>
UNRESTRICTED NET ASSETS				
Net assets at beginning of year	\$ 22,676,966	\$ 296,329	\$ -	\$ 22,973,295
Change in unrestricted net assets	2,881,322	(46,345)	-	2,834,977
UNRESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 25,558,288</u>	<u>\$ 249,984</u>	<u>\$ -</u>	<u>\$ 25,808,272</u>
TEMPORARILY RESTRICTED NET ASSETS				
Net assets at beginning of year	\$ 14,872,449	\$ -	\$ -	\$ 14,872,449
Change in temporarily restricted net assets	5,575,431	18,273	-	5,593,704
TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR	<u>\$ 20,447,880</u>	<u>\$ 18,273</u>	<u>\$ -</u>	<u>\$ 20,466,153</u>