

GLOBAL DEVELOPMENT NETWORK

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2018

GLOBAL DEVELOPMENT NETWORK

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REPORT OF INDEPENDENT AUDITORS**

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GROVER BHASIN & ASSOCIATES
Chartered Accountants



H.O:C-34-A Ram Dutt Enclave, Uttam Nagar, New
Delhi 110059
B.O: C/o Ashoka Saw Mill, 118/7 Mile Stone, Near New
Anaj Mandi, Kamal-132001
Tel: +91-11-28566166
Mob: +91-9212209348; 9871975701
E-mail : rajeshca1971@gmail.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors

Global Development Network

We have audited the accompanying statements of financial position of Global Development Network (GDN) as of June 30, 2018, and the related statements of activities and cash flow for the year then ended. These financial statements are the responsibility of GDN's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Development Network as of June 30, 2018, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was done for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on functional expenses and contribution received and utilized is presented for purposes of additional analysis and is not a required part of the basic financial statements. That information is the responsibility of GDN's management. Such information has been subjected to auditing procedures applied in audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

New Delhi, India



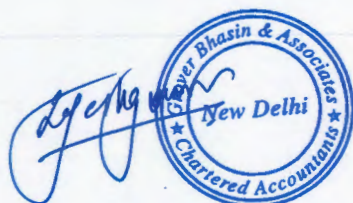
Global Development Network

Statements of Financial Position

June 30, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
	Amount (US\$)	Amount (US\$)
Current assets		
Cash and cash equivalents	513,153	1,100,423
Contributions receivable	1,976,591	317,282
Prepaid expenses	6,481	91,619
Other current assets	<u>52,241</u>	<u>25,933</u>
Total current assets	2,548,466	1,535,257
Property and equipment, net	5,844	4,605
Other assets		
Long Term Deposit and Advances	311	-
Security deposits & Investment	71,785	86,396
Intangible Assets	<u>10,082</u>	<u>16,131</u>
Total assets	<u>2,636,488</u>	<u>1,642,389</u>
 Liabilities and Net Assets		
Current liabilities		
Grants payable	174,020	201,796
Accounts payable	36,385	131,890
Accrued expenses	990,804	811,580
Total liabilities	<u>1,201,210</u>	<u>1,145,266</u>
Net assets		
Unrestricted	963,000	68,423
Temporarily restricted	<u>472,277</u>	<u>428,700</u>
Total net assets	<u>1,435,278</u>	<u>497,123</u>
 Total liabilities and net assets	<u>2,636,488</u>	<u>1,642,389</u>

See accompanying notes to the financial statements.



For GLOBAL DEVELOPMENT NETWORK

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Global Development Network

Statements of Activities

Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
	Amount (US\$)	Amount (US\$)	Amount (US\$)	Amount (US\$)	Amount (US\$)	Amount (US\$)
Support and revenue						
Grants, contracts, and contributions	2,257,748	1,985,050	4,242,797	(26,525)	1,467,110	1,440,585
Interest income	6,475	-	6,475	4,797	-	4,797
Foreign currency exchange gain / (loss)	(11,671)	-	(11,671)	5,289	-	5,289
Other income	34,913	-	34,913	16,439	-	16,439
Net assets released from restrictions	1,941,473	(1,941,473)	-	1,314,298	(1,314,298)	-
Total support and revenue	4,228,938	43,577	4,272,514	1,314,298	152,812	1,467,110
Expenses						
Program services						
Annual Conference	27,671	-	27,671	-	-	-
Research Capacity Building Program	624,075	-	624,075	288,041	-	288,041
Project Development	26,182	-	26,182	-	-	-
Global Collaborative Research	1,504,609	-	1,504,609	943,384	-	943,384
Other programs	876	-	876	-	-	-
Total program	2,183,412	-	2,183,412	1,231,425	-	1,231,425
Supporting services						
Donor coordination and fundraising	28,365	-	28,365	33,705	-	33,705
Secretariat (indirect costs)	1,122,582	-	1,122,582	1,124,812	-	1,124,812
Total expenses	3,334,359	-	3,334,359	2,389,942	-	2,389,942
Change in net assets	894,578	43,577	938,155	(1,075,645)	152,812	(922,832)
Net assets (deficit)						
Beginning of period	68,423	428,700	1,419,955	1,144,068	275,888	1,419,955
End of period	963,001	472,277	2,358,110	68,423	428,700	497,123

See accompanying notes to the financial statements.



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Global Development Network

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	Amount (US\$)	Amount (US\$)
Cash flows from operating activities		
Contributions, grants, and contract payments received	2,583,488	2,481,758
Interest income received	6,475	4,797
Other revenue / (loss)	23,242	21,728
Payments to grantees, vendors, and employees	<u>(3,210,380)</u>	<u>(2,102,160)</u>
Net cash provided by operating activities	(597,175)	406,123
Cash flows from investing activities		
Increase in Long term deposit	14,301	112,957
Purchases of property and equipment	<u>(4,395)</u>	<u>(21,291)</u>
Net cash from (used) investing activities	9,905	101,427
Net increase in cash and cash equivalents	(587,270)	507,550
Cash and cash equivalents		
Transfer to Retained Earning		
Beginning of period	<u>592,874</u>	<u>592,874</u>
End of year	<u>5,604</u>	<u>1,100,423</u>
Actual Cash	<u>\$ 513,153</u>	<u>\$ 1,100,423</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	938,155	(922,832)
Adjustments	-	-
Depreciation and amortization	9,206	6,961
Other revenue / (loss)	-	-
Decrease / (increase) in assets	-	-
Short term deposit	-	-
Contributions receivable	(1,659,310)	1,059,849
Prepaid expenses and security deposits	58,830	(49,351)
Increase / (decrease) in liabilities	-	-
Grants payable	(27,776)	33,893
Accounts payable and accrued expenses	<u>83,719</u>	<u>277,603</u>
Other Payable	-	-
Net cash provided by operating activities	<u>(597,175)</u>	<u>406,123</u>

See accompanying notes to the financial statements.



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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - Financial statement presentation follows the guidance contained in Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Global Development Network (GDN) reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on existence and/or nature of donor restrictions, if any.

Cash and Cash Equivalents - Cash consists of monies held in demand deposit and money market accounts. Cash equivalents are all highly liquid investments with initial maturity dates of three months or less.

Investments- Current investments are carried at the lowest of cost of quoted/fair value computed category wise. Long term investments are stated at the fair market value.

Property and Equipment - Property and equipment are recorded at cost. Major additions are capitalized while replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are expensed currently. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or for use in a future period. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. The cost of property and equipment retired or disposed off is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in income. The property and equipments that are purchased specifically from the donor funds for any particular projects are recorded at a nominal value of \$1 per asset to keep a track of the assets. The balance is expensed off in the year of acquisition.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currency - GDN records pledges received in foreign currencies at the exchange rate on the date of the pledge. In case of Multiyear Foreign Currency Funding, the rate prevalent on the first-day of the financial year is taken to accrue the pledge relevant to that year. Increases or decreases due to fluctuations in exchange rates, whether realized or remaining unrealized as at the end of the financial year are included in "foreign currency exchange gain" in the Statement of Activities.

NOTE 2. ORGANIZATION AND TAX STATUS

GDN is a Public International Organization that promotes social science research in developing and transition countries. It empowers local researchers by giving them access to financial resources, to information, to training and mentoring services and to a global network of development researchers. Through its various projects, it contributes to the generation of policy-relevant knowledge on major development issues, and to the interaction between local researchers, their global peers, policymakers and other development stakeholders.

Created within the World Bank in 1999, GDN became independent in 2001 and was transformed into a Public International Organization in 2005 with the signature of an international agreement. Colombia, Hungary, India, Spain and Sri Lanka have become parties to this agreement. GDN is a public international organization established under an international agreement among sovereign States and is therefore governed by international law and an International Assembly and its strategy and activities are overseen by a Board of Directors.

The income of GDN is not liable to taxation in India. This is in accordance with an agreement between the Government of India and GDN dated 19th May 2008. The salaries and allowances of GDN's expatriate staff are also exempted from tax under the same agreement.

GDN is global. It:

- Supports multidisciplinary research in the social sciences and mobilizes resources around the world.
- Produces policy-relevant knowledge on a global scale.
- Promotes the application of global knowledge through its local "reinvention."

GDN is for *development*. It:

- Builds research capacity to advance development and alleviate poverty.
- Fosters research in developing and transition economies.
- Disseminates development knowledge to the public and policymakers.
- Bridges the gap between ideas and policies.

GDN is a *network*. It:

- Links research institutes from 10 regions and more than 100 countries.
- Coordinates research and strengthens partnerships worldwide.
- Facilitates knowledge sharing among researchers and policymakers.
- Promotes multidisciplinary collaboration among researchers.



GDN activities are designed to meet the needs of research institutes, as determined through surveys and direct consultations, as well as to provide policymakers with relevant and timely information.

These activities include:

Research Capacity Building Project (RCBP):- This project supports quality research in many countries, involving local research teams from across the world. The multi-country studies allow for both comprehensive and comparative perspective across regions and countries.

Tripartite Collaboration - GDN-USAID-AERC - Development Aid Effectiveness in Africa

The USAID PIO grant, after four years of roll-out that produced 23 studies, 5 national policy seminars in Africa, 1 regional senior policy seminar in Nairobi, and 2 high-level roundtables in Washington DC and one high-level policy dialogue in Dakar, attended by minister- and central bank governor-level participants.

The program was designed to support the twin contribution local development research can make to development debates in the sub-Saharan region: to feed domestic development debates with quality analysis on development challenges; and to support discussions on aid effectiveness, through an analysis of how aid works from a recipient country perspective.

The papers stretch across three main strands or work pursued by the program, and a number of cross-cutting themes: the role of aid and aid effectiveness in Sub-Saharan Africa, 'from a recipient country perspective' (led by GDN); financial inclusion, seen through a multi-country lens applied to the whole region (led by AERC); and a number of works that analyze development challenges at the country level (led by AERC, with a focus on young researchers and capacity building grants). Papers cover research in agriculture, health, financial inclusion, and productivity. A compendium of the research produced is available on GDN's website.

The closing event of the program was held in partnership with AERC and the Africa Growth Initiative at the Brookings Institution on May 24th 2018. The private roundtable features Homi Kharas (Vice President and Director of the Global Economy and Development at Brookings), Louise Fox (Chief Economist of USAID) and Pierre Jacquet as opening speakers, and brought together the AERC, the Centre for Global Development, the Gates Foundation, GDN, the Hewlett Foundation, IDRC, USAID, the World Bank in a frank discussion about the strategy and expectations of donors who fund local research and research capacity building. A key point of the discussion was that donors are increasingly aware that the pace and channels to support local research capacities should change in light of what we now know (as opposed to two decades ago) about research development in developing countries. Many suggested, however, that the change requires significant time and a new political momentum.

GDN is aiming to pursue discussions with a number of Bureaus at USAID to fund a follow-up program at the regional level.



EIB-GDN Program in Applied Development Finance:

The Global Development Network (GDN) and the European Investment Bank (EIB) have partnered to create the ambitious EIB-GDN Program in Applied Development Finance for deepening understanding of EIB's investment operations in African, Caribbean and Pacific (ACP) countries. Under this partnership, GDN and EIB will identify, train and deploy teams of research professionals in the ACP regions to conduct "deep dive" studies of selected projects funded under EIB's Impact Financing Envelope (IFE). The purpose of the Fellowships is to provide qualified young researchers interested in evaluation of Development Finance and Private Sector Development a practical opportunity to hone their impact assessment skills by working on real-world projects funded by one of the world's leading financial institutions, under the guidance of top international experts in evaluation and impact assessment

Productivity improvement in the private sector and public sector – Jointly with JICA-RI

The program looks at the relationships between management methods and firm-level productivity with a focus on the 'Kaizen' approach. With a firm level perspective on productivity issues, this program comes as a complement to the program on industrial policies with the World Bank, has a more macro perspective. It will add on the existing knowledge on the topic, especially by bringing some case studies that can provide insights on the important firm-level heterogeneity in developing countries. The expected outcome is a book on the role and lessons of Kaizen approaches to generate productivity increase in firms. The book will be co-edited by Akio Hosono (JICA-RI), John Page (Brookings Institute), Go Shimada (Meiji University). JICA-RI will also contribute to the book with 5 chapters.

Since December 2017, the four selected teams (Brazil, Ghana, The Philippines and Vietnam) worked on a first version of their draft they presented during a peer-review workshop in Bangkok on 22-23 April 2018. During this workshop, every author (from the teams selected by GDN and the ones from JICA) presented their respective chapter and received comments from the other authors and the co-editors. The workshop was preceded by a Research communication training. The teams are revising their paper. An amendment to the agreement has been signed with JICA-RI to extend the grant until April 2019.

Over \$ 624,000 in 2018 and \$ 288,000 in 2017 was spent on RCBP.

Annual Global Development Conference:

GDN organized its 18th Global Development Conference, titled 'Science, Technology and Innovation for Development', in New Delhi on 22-23 March, 2018. The conference attracted 211 participants (exclusive of GDN staff, volunteers and other support staff) from 30 different countries. Only 25 participants were sponsored by GDN and the share of Indian participants accounted for 65% of the total attendance. The conference outcomes document was produced and is currently available on the GDN website. Its purpose is not only to draw on the conference discussions, but also to help identifying a role for GDN in the STI for Development sector. The document includes findings and recommendations about the nature of innovation, the role of technology, the question of scale, the digital disruption, and implications for economic growth and sustainable development.

Over \$ 27,000 in 2018 was spent on Annual Global Development Conference.



Global Collaborative Research:

Commitment to Equity Institute (Subcontract - The Administrators of the Tulane Educational Fund): Tulane's purpose is to create, communicate, and conserve knowledge in order to enrich the capacity of individuals, organizations and communities to think, to learn, and to act and lead with integrity and wisdom. Tulane pursues this mission by cultivating an environment that focuses on learning and the generation of new knowledge; by expecting and rewarding teaching and research of extraordinarily high quality; and by fostering community-building initiatives as well as scientific, cultural and social understanding that integrate with and strengthen learning and research. This mission is pursued in the context of the unique qualities of our location in New Orleans and their continual aspiration to be a truly distinctive international university. The Global Development Network Center will assist Tulane University's Commitment to Equity Institute in support of its activities under the Bill & Melinda Gates Foundation to support and strengthen the Research, Policy Tools, Data Center, Advisory and Training on Social Spending and Taxation.

In the case of the Global Development Network Center their mission and activities include:

- Supporting the research capacity of social scientists in developing countries, and connecting them as a cadre of global leaders in development research.
- Fostering new ways of producing, structuring and mobilizing development knowledge in key research areas.
- Interconnecting researchers, knowledge, expertise and resources in support of development research capacity in the Global South.

Over \$ 819,000 in 2018 and \$ 538,000 in 2017 was spent on Global Collaborative Research - Commitment to Equity Institute.

Campbell Collaboration: Campbell Collaboration, a non-profit organization is incorporated in the state of Pennsylvania, USA having its purpose to promote positive social and economic change through production and use of systematic reviews and other evidence synthesis for evidence-based policy and practice. The Campbell Collaboration (C2) comprises five Coordinating Groups (CGs: Crime and Justice, Education, International Development, Social Welfare and the Knowledge Translation and Implementation (KTI) Group), and a Methods Group. The C2 Steering Group has resolved to build the international profile of Campbell, with the ultimate goal of increasing the use of evidence in policy. To this end, the Campbell Collaboration will support the activities of the co-Chairs and CEO. GDN and Campbell Collaboration enter into an agreement on August 2, 2016 to develop a framework for close collaboration that would capture and mutually reinforce their respective synergies.

Over \$ 685,000 in 2018 and \$ 404,000 was spent in 2017 on Global Collaborative Research – Campbell Collaboration



NOTE 3. INTANGIBLE ASSETS*

Intangible assets consist of ERP software and Grant Management System software for internal use which was capitalized and amortized over its estimated useful life.

Particulars	2018	2017
	Amt (In US\$)	
GROSS CARRYING AMOUNT	78,077	78,077
LESS ACCUMULATED AMORTIZATION	(67,995)	(61,946)
NET CARRYING AMOUNT	10,082	16,131

NOTE 4. PROPERTY AND EQUIPMENT*

Property and equipment as of June 30, 2018, consists of the following:

Particulars	2018	2017
	Amt (In US\$)	
COMPUTER EQUIPMENT'S	219,965	219,362
FURNITURE AND FIXTURES	141,301	141,301
VEHICLES	29,726	29,726
OFFICE EQUIPMENT	45,580	44,879
LESS ACCUMULATED DEPRECIATION	(430,728)	(430,662)
TOTAL	5,844	4,605

*REMARK: During the year, computer equipments amounting to \$ 3,091 were sold and have been adjusted from the gross block and accumulated depreciation.

NOTE 5. NET ASSETS

Unrestricted Net Assets - Unrestricted net assets represent amounts available to carry out general operations of GDN without restriction imposed by donors.

Restricted Net Assets - GDN has received contributions to support specific programs, which have resulted in temporary restrictions on its net assets. The net assets will be released when expenses are incurred that satisfy the purpose restrictions.

Temporarily Restricted Net Assets - Temporarily restricted net assets as at the end of the financial year ended 2018 are available for the following purposes:

Particulars	2018	2017
	Amt (In US\$)	
Research Capacity Building Program	293,771	389,473
Global Collaborative Research	154,506	39,227
Others - GlobalDev Blog	24,000	
Total	472,277	428,700



Net Assets released from Donor Restrictions - Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by the donors.

Purpose restrictions accomplished for the year ended June 30, 2018 were:

Particulars	2018	2017
	Amt (In US\$)	
Annual Conference	24,903	NIL
Research Capacity Building Program	561,658	253,130
Global Collaborative Research	1,354,123	829,041
Others	789	NIL
Secretariat	NIL	232,126
Total	1,941,473	1,314,297

NOTE 6. OPERATING LEASES

GDN had a five-year lease starting from April 15, 2005 for office space for its head quarters in New Delhi, India. The lease was further renewed and negotiated in April 2015 for a further period of 5 years.

Future minimum annual rental payments required under these operating leases as of June 30, 2018 are as follows:

Particulars	Amount (In US\$)
Year Ending June 30, 2019	129,475
Year Ending June 30, 2020	102,501
Total	231,976

NOTE 7. UNINSURED CASH BALANCE

GDN maintains its cash accounts in India and USA. The banks in the USA are insured by Federal Deposit Insurance Corporation for the first \$250,000 of the deposit. On June 30, 2018, GDN had balances that exceeded the federally insured amount by approximately \$ 0.26 million. Cash in hand at the end of the year was US\$ 900, out of which \$460 was in INR, which is insured upto \$1,600 per month, whereas, \$ 440 in foreign currency kept in secured bank locker. Uninsured balance with Indian banks as on June 30, 2018 is \$2,334.77

GDN has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 8. CONCENTRATION OF CONTRIBUTIONS

GDN received approximately 22% of its total support and revenue from a single contributor for the year ended June 30, 2018



NOTE 9. CONDITIONAL PROMISES TO GIVE

There is one entity which has made conditional promises to give grant to GDN, revenue from which will be recognized when the respective conditions are met in future years. Detail of this conditional grant is:

1. Grantor agency's promise to give is conditioned upon GDN working on the program titled "Commitment to Equity Institute: Research and Policy Tools, Data Center and Advisory and Training on Fiscal Policy." The original grant was for USD 1,858,092 over 4 years ending October 2020. As of June 30, 2018, this conditional promise to receive grants totaled approximately USD 258,091
2. Grantor agency's promise to give is conditioned upon GDN working on the program titled "Applied Development Finance." The grant was for Euro 2,100,000 over 3 years ending June 2019. As of June 30, 2018, this conditional promise to receive grants totaled approximately Euro 1,410,111
3. Grantor agency's promise to give is conditioned upon GDN working on the program titled "Productivity improvement in the private and public sector: Roles and lessons from KAIZEN approaches". The grant was for USD 558,150 over 2 years ending September 30, 2018. As of June 30, 2018, this conditional promise to receive grants totaled approximately USD 167,445
4. Grantor agency's promise to give is conditioned upon GDN working on the program titled "Collaboration and Hosting to promote sound social and economic development." The grant was for USD 1,802,473 and further amended to USD 1,813,903 ending July 31, 2019. As of June 30, 2018, this conditional promise to receive grants totaled approximately USD 663,780

NOTE 10. GLOBAL DEVELOPMENT NETWORK'S RETIREMENT PLANS

During the year ended June 30, 2018, GDN contributed \$ 30,986 towards Provident Fund Scheme maintained by the Government of India for Indian employees.

