

GLOBAL DEVELOPMENT NETWORK

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2016

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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, 2016, 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, 2016, 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.

J.P. Kapur & J. Wella

New Delhi, India

13/12/2016



Global Development Network

Statements of Financial Position

June 30, 2016

Assets	<u>2016</u>
	Amount (US\$)
Current assets	
Cash and cash equivalents	592,874
Short Term Deposit	9,760
Contributions receivable	1,377,130
Prepaid expenses	59,233
Other current assets	<u>8,968</u>
Total current assets	2,047,965
Property and equipment, net	6,407
Other assets	
Long Term Deposit and Advances	41,440
Security deposits & Investment	157,913
Intangible Assets	-
Total assets	<u><u>2,253,725</u></u>
Liabilities and Net Assets	
Current liabilities	
Grants payable	167,903
Accounts payable	25,778
Accrued expenses	621,414
Other current Liabilities	18,676
Total liabilities	833,770
Net assets	
Unrestricted	1,144,068
Temporarily restricted	<u>275,888</u>
Total net assets	<u><u>1,419,955</u></u>
Total liabilities and net assets	<u><u>2,253,725</u></u>

See accompanying notes to the financial statements.



Global Development Network

Statements of Activities

Year Ended June 30, 2016

	2016		
	Unrestricted Amount (US\$)	Temporarily Restricted Amount (US\$)	Total Amount (US\$)
Support and revenue			
Grants, contracts, and contributions	2,034,602	383,720	2,418,322
In-kind contributions	-	-	-
Interest income	726	-	726
Foreign currency exchange gain / (loss)	(19,002)	-	(19,002)
Other income	12,426	-	12,426
Net assets released from restrictions	303,600	(303,600)	-
Total support and revenue	2,332,353	80,120	2,412,473
Expenses			
Program services			
Annual Conference	-	-	-
Regional Research Competitions/IRP	-	-	-
Global Development Awards	-	-	-
Research Capacity Building Program	61,087	-	61,087
Global Research Competition	-	-	-
GNet	-	-	-
Other programs	323,917	-	323,917
Total program	385,003	-	385,003
Supporting services			
Donor coordination and fundraising	6,434	-	6,434
Secretariat (indirect costs)	796,848	-	796,848
Total expenses	1,188,285	-	1,188,285
Change in net assets	1,144,068	80,120	1,224,187
Net assets (deficit)			
Beginning of period	-	195,768	195,768
End of period	1,144,068	275,888	1,419,955

See accompanying notes to the financial statements.



Global Development Network

Statements of Cash Flows

Year Ended June 30, 2016

	<u>2016</u>
	Amount (US\$)
Cash flows from operating activities	
Contributions, grants, and contract payments received	1,041,192
Interest income received	726
Other revenue / (loss)	(6,575)
Payments to grantees, vendors, and employees	<u>(413,171)</u>
Net cash provided by operating activities	622,172
Cash flows from investing activities	
Increase in Long term deposit	(199,353)
Purchases of property and equipment	<u>(15,952)</u>
Net cash from (used) investing activities	(225,065)
Net increase in cash and cash equivalents	397,106
Cash and cash equivalents	
Transfer to Retained Earning	195,768
Beginning of period	<u>-</u>
End of year	<u>592,874</u>
Actual Cash	<u><u>592,874</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	1,224,187
Adjustments	-
Depreciation and amortization	9,545
Other revenue / (loss)	-
Decrease / (increase) in assets	-
Short term deposit	-
Contributions receivable	(1,377,130)
Prepaid expenses and security deposits	(68,201)
Increase / (decrease) in liabilities	-
Grants payable	167,903
Accounts payable and accrued expenses	<u>665,868</u>
Other Payable	-
Net cash provided by operating activities	<u>622,172</u>

See accompanying notes to the financial statements.



GLOBAL DEVELOPMENT NETWORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.



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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.

Global Development Network has prepared its first independent financials for FY 2015-16 after split of books of accounts with GDN Inc. As this is the first year of operation, there are no comparative figures of last year.

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 United States Agency for International Development's (USAID) Bureau for Policy, Planning, and Learning in collaboration with the Bureau for Africa's Office for Sustainable Development is supporting a joint initiative between GDN and our partners in SSA AERC to promote African research on key development issues and capacity building on the continent. The initiative aims to build a thematic network of researchers-donors-policy makers addressing the issues of poverty reduction and development effectiveness. The program undertakes tailored activities to promote African voices and perspectives in debates about aid effectiveness and implications of the changing donor landscape in Africa, including through research and capacity building and facilitating dialogues and discussions between researchers and policymakers (from both aid recipient and donor countries).

Under this program, AERC has issued 5 grants under the Regional Research Competition, for which mentoring and peer review support has been set-up and organized a Communication and Policy Outreach Training Workshop in Addis Ababa on November 29th to December 3rd 2015 for grantees. The AERC team also commissioned the analytical papers that were at the center of an Africa-wide High-Level Senior Policy Seminar on Financial Inclusion in Nairobi, in March 24 – 25, 2016. GDN has commissioned three overview papers from senior African academics on the future of aid effectiveness research, specifically on recipient-driven ODA accounting practices, sub-regional debates on the concept of aid effectiveness, and on the spaces for collaborative research to inform SDG implementation by governments and ODA actors.

Over \$ 61,000 in 2016 was spent on RCBP.

Other Programs:

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 \$ 173,000 in 2016 was spent on Other Programs - 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.

Over \$150,000 was spent in 2016 on Other Program – Campbell Collaboration

NOTE 3. INTANGIBLE ASSETS*

Intangible assets consists of ERP software for internal use which was capitalized and amortized over its estimated useful life.

Particulars	2016	
	Amt (In US\$)	
GROSS CARRYING AMOUNT	59,929	
LESS ACCUMULATED AMORTIZATION	59,929	
NET CARRYING AMOUNT	NIL	

***Remark:** With the separation of books of Global Development Network Inc., (GDN Inc.) and Global Development Network as an International Organization (GDN IO), Intangible assets amounting to US\$ 59,929 were transferred to GDN IO.

NOTE 4. PROPERTY AND EQUIPMENT*

Property and equipment as of June 30, 2016, consists of the following:

Particulars	2016	
	Amt (In US\$)	
COMPUTER EQUIPMENTS	222,005	
FURNITURE AND FIXTURES	141,301	
VEHICLES	29,726	
OFFICE EQUIPMENT	45,215	
LESS ACCUMULATED DEPRECIATION	(431,840)	
TOTAL	6,407	



***REMARK:** With the separation of books of Global Development Network Inc., (GDN Inc.) and Global Development Network as an International Organization (GDN IO), fixed assets amounting to US\$ 435,486 were transferred to GDN IO. During the year, computer equipment amounting to \$ 4,851 were sold and has 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 year are available for the following purposes:

Particulars	2016
	Amt (In US\$)
Regional Research Competition	NIL
Research Capacity Building Program	147,597
GRC	NIL
Awards	NIL
Annual Conference	NIL
Others	128,290
Total	275,888

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, 2016 were:

Particulars	2016
	Amt (In US\$)
Annual Conference	NIL
Regional Research Competitions	NIL
Global Development Awards	NIL
Research Capacity Building Program	48,171
GRC	NIL
Secretariat	884,684
Other	255,430
Total	1,188,285

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, 2016 are as follows:

Particulars	Amount (In US\$)
Year Ending June 30, 2017	168,608
Year Ending June 30, 2018	173,877
Year Ending June 30, 2019	193,899
Year Ending June 30, 2020	153,504
Total	689,888

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, 2016, GDN had balances that exceeded the federally insured amount by approximately \$ 0.34 million. Cash in hand at the end of the year was US\$ 2,991, out of which \$95 was in INR, which is insured upto \$1,600 per month, whereas, \$2,896 was in foreign currency kept in secured bank locker. Uninsured balance with Indian banks as on June 30, 2016 is \$6,780.

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 83% of its total support and revenue from a single contributor for the year ended June 30, 2016 i.e. GDN, Inc.

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 1,911,104 over 4 years ending October 2020. As of June 30, 2016, this conditional promise to receive grants totaled approximately USD 1,632,226.

NOTE 10. GLOBAL DEVELOPMENT NETWORK'S RETIREMENT PLANS

During the year ended June 30, 2016, GDN contributed \$ 27,715 towards Provident Fund Scheme maintained by the Government of India for Indian employees.

NOTE 11.

Being the first year of operation of GDN IO as a separate entity, there are no previous year figures.

