

GLOBAL DEVELOPMENT NETWORK

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2017

GLOBAL DEVELOPMENT NETWORK

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REPORT OF INDEPENDENT AUDITORS**

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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, 2017, 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, 2017, 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

08 NOV 2017



Rajesh Kumar

1.

Global Development Network

Statements of Financial Position

June 30, 2017 and 2016

Assets	<u>2017</u>	<u>2016</u>
	Amount (US\$)	Amount (US\$)
Current assets		
Cash and cash equivalents	1,100,423	592,874
Short Term Deposit	-	9,760
Contributions receivable	317,282	1,377,130
Prepaid expenses	91,619	59,233
Other current assets	<u>25,933</u>	<u>8,968</u>
Total current assets	1,535,257	2,047,965
Property and equipment, net	4,605	6,407
Other assets		
Long Term Deposit and Advances	-	41,440
Security deposits & Investment	86,396	157,913
Intangible Assets	<u>16,131</u>	<u>-</u>
Total assets	<u>1,642,389</u>	<u>2,253,725</u>
 Liabilities and Net Assets		
Current liabilities		
Grants payable	201,796	167,903
Accounts payable	131,890	25,778
Accrued expenses	811,580	621,414
Obligation in the Operating Cycle	<u>-</u>	<u>18,676</u>
Total liabilities	1,145,266	833,770
Net assets		
Unrestricted	68,423	1,144,068
Temporarily restricted	<u>428,700</u>	<u>275,888</u>
Total net assets	<u>497,123</u>	<u>1,419,955</u>
 Total liabilities and net assets	<u>1,642,389</u>	<u>2,253,725</u>

See accompanying notes to the financial statements.



2.



Global Development Network

Statements of Activities

Years Ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted Amount (US\$)	Temporarily Restricted Amount (US\$)	Total Amount (US\$)	Unrestricted Amount (US\$)	Temporarily Restricted Amount (US\$)	Total Amount (US\$)
Support and revenue						
Grants, contracts, and contributions	(26,525)	1,467,110	1,440,585	2,034,602	383,720	2,418,322
Interest income	4,797	-	4,797	726	-	726
Foreign currency exchange gain / (loss)	5,289	-	5,289	(19,002)	-	(19,002)
Other income	16,439	-	16,439	12,426	-	12,426
Net assets released from restrictions	1,314,298	(1,314,298)	-	303,600	(303,600)	-
Total support and revenue	1,314,298	152,812	1,467,110	2,332,353	80,120	2,412,473
Expenses						
Program services						
Research Capacity Building Program	288,041	-	288,041	61,087	-	61,087
Global Collaborative Research	943,384	-	943,384	323,917	-	323,917
Other programs	-	-	-	-	-	-
Total program	1,231,425	-	1,231,425	385,003	-	385,003
Supporting services						
Donor coordination and fundraising	33,705	-	33,705	6,434	-	6,434
Secretariat (indirect costs)	1,124,812	-	1,124,812	796,848	-	796,848
Total expenses	2,389,942	-	2,389,942	1,188,285	-	1,188,285
Change in net assets	(1,075,645)	152,812	(922,832)	1,144,068	80,120	1,224,187
Transfer of Reserve	-	-	-	-	-	-
Net assets (deficit)						
Beginning of period	1,144,068	275,888	1,419,955	-	195,768	195,768
End of period	68,423	428,700	497,123	1,144,068	275,888	1,419,955

See accompanying notes to the financial statements.



Global Development Network

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
	Amount (US\$)	Amount (US\$)
Cash flows from operating activities		
Contributions, grants, and contract payments received	2,481,758	1,041,192
Interest income received	4,797	726
Other revenue / (loss)	21,728	(6,575)
Payments to grantees, vendors, and employees	<u>(2,102,160)</u>	<u>(413,171)</u>
Net cash provided by operating activities	406,123	622,172
Cash flows from investing activities		
Increase in Long term deposit	112,957	(199,353)
Purchases of property and equipment	<u>(21,291)</u>	<u>(15,952)</u>
Net cash from (used) investing activities	101,427	(225,065)
Net increase in cash and cash equivalents	507,550	397,106
Cash and cash equivalents		
Transfer to Retained Earning		195,768
Beginning of period	<u>592,874</u>	<u>-</u>
End of year	<u>1,100,423</u>	<u>592,874</u>
Actual Cash	<u>\$ 1,100,423</u>	<u>\$ 592,874</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	(922,832)	1,224,187
Adjustments	-	-
Depreciation and amortization	6,961	9,545
Other revenue / (loss)	-	-
Decrease / (increase) in assets	-	-
Short term deposit	-	-
Contributions receivable	1,059,849	(1,377,130)
Prepaid expenses and security deposits	(49,351)	(68,201)
Increase / (decrease) in liabilities	-	-
Grants payable	33,893	167,903
Accounts payable and accrued expenses	<u>277,603</u>	<u>665,868</u>
Other Payable		
Net cash provided by operating activities	<u>406,123</u>	<u>622,172</u>

See accompanying notes to the financial statements.



GLOBAL DEVELOPMENT NETWORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 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 the African voices and perspectives in debates about aid effectiveness and the 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 8 grants under the Regional Research Competition, for which mentoring and peer review support has been carried out at a Communication and Policy Outreach Training Workshop at AERC bi-annuals in Addis Ababa in 2015, in Dakar in 2016 and in Nairobi in 2017. The AERC team also commissioned 8 analytical papers that were at the center of an Africa-wide High-Level Senior Policy Seminar on Financial Inclusion in Nairobi, in March 2016, and co-organized two high-level policy seminars with GDN, one in Washington DC in October 2016 and one in Dakar, Senegal in December 2016. 5 more National seminars have been carried out by AERC in the first 6 months of 2017. GDN has also commissioned and published 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.

EIB-GDN Program in Applied Development Finance:

The Global Development Network (GDN) and the European Investment Bank (EIB) have initiated an ambitious EIB-GDN Program in Applied Development Finance with the aim of deepening understanding of the results of selected investment operations of EIB's Africa, Caribbean and Pacific (ACP) Impact Financing Envelope (IFE). The program will focus on issues including regional integration, migration, and climate change adaptation and mitigation, within the framework of Private Sector Development. For operationalizing this program, EIB and GDN have instituted a Fellowship by means of which researchers and research professionals in the ACP region will be given research funding, mentoring and logistical support to conduct the evaluations of the IFE projects.



The purpose of the Fellowship 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 EIB, 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 Kaizen. The expected outcome is a book, co-edited by John Page, Akio Hosono and Go Shimada on the role and lessons of Kaizen approaches to generate productivity increase in firms. GDN IO launched a call for expressions for interest for teams based in developing and transition countries. GDN made a shortlist and John Page and Akio Hosono selected four teams in four different countries: Brazil, Ghana, The Philippines and Vietnam based on the quality of the proposal and to respect some geographical balance. The teams were invited to the kick-off event of the program, which took place in Japan from 19 to 22 June. A first tranche was received at the signature of the agreement in June 2016. The expenses of the workshop will be reimbursed based on actuals.

Over \$ 288,000 in 2017 and \$ 61,000 in 2016 was spent on RCBP.

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.



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 \$ 943,000 in 2017 and \$ 323,000 was spent in 2016 on Global Collaborative Research.

REMARK: The projects titled "Commitment to Equity Institute (Subcontract - The Administrators of the Tulane Educational Fund)" and "Campbell Collaboration" which were shown under the "Other Program" are now have been reclassified to a new core activity "Global Collaborative Research".

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	2017	2016
	Amt (In US\$)	
GROSS CARRYING AMOUNT	78,077	59,929
LESS ACCUMULATED AMORTIZATION	(61,946)	(59,929)
NET CARRYING AMOUNT	16,131	NIL

NOTE 4. PROPERTY AND EQUIPMENT*

Property and equipment as of June 30, 2017, consists of the following:

Particulars	2017	2016
	Amt (In US\$)	
COMPUTER EQUIPMENT'S	219,362	222,005
FURNITURE AND FIXTURES	141,301	141,301
VEHICLES	29,726	29,726
OFFICE EQUIPMENT	44,879	45,215
LESS ACCUMULATED DEPRECIATION	(430,662)	(431,840)
TOTAL	4,605	6,407

***REMARK:** During the year, computer equipment amounting to \$ 878 and office equipment's amounting to \$ 640 were sold and has been adjusted from the gross block and accumulated depreciation. Computer equipment amounting to \$4,851 sold last year has been adjusted from the previous year gross block and accumulated depreciation for the presentation purpose.



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 2017 are available for the following purposes:

Particulars	2017	2016
	Amt (In US\$)	
Research Capacity Building Program	389,473	147,597
Global Collaborative Research	39,227	128,290
Total	428,700	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, 2017 were:

Particulars	2017	2016
	Amt (In US\$)	
Research Capacity Building Program	253,130	48,171
Secretariat	232,126	884,684
Global Collaborative Research	829,042	255,430
Total	1,314,298	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, 2017 are as follows:

Particulars	Amount (In US\$)
Year Ending June 30, 2018	137,256
Year Ending June 30, 2019	137,256
Year Ending June 30, 2020	108,661
Total	383,173



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, 2017, GDN had balances that exceeded the federally insured amount by approximately \$ 0.84 million. Cash in hand at the end of the year was US\$ 618, out of which \$587 was in INR, which is insured upto \$1,600 per month, whereas, \$ 31 was in foreign currency kept in secured bank locker. Uninsured balance with Indian banks as on June 30, 2017 is \$9,424.

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 31% of its total support and revenue from a single contributor for the year ended June 30, 2017

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, 2017, this conditional promise to receive grants totaled approximately USD 1,238,778
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, 2017, this conditional promise to receive grants totaled approximately Euro 1,749,300
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, 2017, this conditional promise to receive grants totaled approximately USD 334,890
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 over 3 years ending July 31, 2019. As of June 30, 2017, this conditional promise to receive grants totaled approximately USD 1,381,200

NOTE 10. GLOBAL DEVELOPMENT NETWORK'S RETIREMENT PLANS

During the year ended June 30, 2017, GDN contributed \$ 29,598 towards Provident Fund Scheme maintained by the Government of India for Indian employees.

