

FINANCIAL STATEMENTS

GLOBAL INTEGRITY

FOR THE YEAR ENDED DECEMBER 31, 2006

GLOBAL INTEGRITY

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Global Integrity
Washington, D.C.

We have audited the accompanying statement of financial position of Global Integrity as of December 31, 2006, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Global Integrity'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 the 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 management, as well as evaluating the 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 the Global Integrity as of December 31, 2006, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

May 2, 2007

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GLOBAL INTEGRITY
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 29,642
Grants receivable	15,000
Prepaid expenses	<u>1,830</u>
Total current assets	<u>46,472</u>

FURNITURE AND EQUIPMENT

Equipment	845
Furniture	1,731
Computer equipment	<u>3,943</u>
	6,519
Less: Accumulated depreciation	<u>(912)</u>
Net furniture and equipment	<u>5,607</u>

OTHER ASSETS

Security deposit	<u>1,309</u>
TOTAL ASSETS	<u>\$ 53,388</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>11,160</u>
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NET ASSETS

Unrestricted	1,481
Temporarily restricted (Note 2)	<u>40,747</u>
Total net assets	<u>42,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,388</u>

GLOBAL INTEGRITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Foundation grants	\$ 24,215	\$ 392,000	\$ 416,215
Contributions	250	-	250
Interest income	1,031	-	1,031
Net assets released from donor restrictions (Note 3)	<u>351,253</u>	<u>(351,253)</u>	<u>-</u>
Total support and revenue	<u>376,749</u>	<u>40,747</u>	<u>417,496</u>
EXPENSES			
Program services:			
Global Integrity Report	<u>302,450</u>	<u>-</u>	<u>302,450</u>
Supporting services:			
Management and General	63,942	-	63,942
Fundraising	<u>8,876</u>	<u>-</u>	<u>8,876</u>
Total supporting services	<u>72,818</u>	<u>-</u>	<u>72,818</u>
Total expenses	<u>375,268</u>	<u>-</u>	<u>375,268</u>
Change in net assets	1,481	40,747	42,228
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,481</u>	<u>\$ 40,747</u>	<u>\$ 42,228</u>

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Global Integrity Report	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 24,973	\$ 254	\$ 457	\$ 711	\$ 25,684
Printing and production	26,658	37	-	37	26,695
Professional fees	46,843	13,505	5,866	19,371	66,214
Occupancy (Note 4)	6,254	6,254	-	6,254	12,508
Accounting	-	2,927	-	2,927	2,927
Insurance	-	1,192	-	1,192	1,192
Depreciation	-	912	-	912	912
Travel and entertainment	6,418	7,899	2,553	10,452	16,870
Local experts and contractors	166,551	-	-	-	166,551
Postage and delivery	-	547	-	547	547
Supplies	-	1,274	-	1,274	1,274
Bank and other fees	-	5,033	-	5,033	5,033
Equipment	-	368	-	368	368
Database/telecommunications	24,753	23,677	-	23,677	48,430
Other	-	63	-	63	63
TOTAL	\$ 302,450	\$ 63,942	\$ 8,876	\$ 72,818	\$ 375,268

GLOBAL INTEGRITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 42,228
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	912
(Increase) decrease in:	
Grants receivable	(15,000)
Prepaid expenses	(1,830)
Security deposit	(1,309)
Increase (decrease) in:	
Accounts payable and accrued liabilities	<u>11,160</u>
Net cash provided by operating activities	<u>36,161</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	<u>(6,519)</u>
Net cash used by investing activities	<u>(6,519)</u>
Net increase in cash and cash equivalents	29,642
Cash and cash equivalents at beginning of year	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>29,642</u>

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Integrity is a nonprofit organization, organized and incorporated in Washington, D.C. during September 2005, commencing operations on January 1, 2006. Global Integrity generates, synthesizes, and disseminates credible, comprehensive and timely information on governance and corruption trends around the world. As an independent information provider employing on-the-ground expertise, Global Integrity produces original reporting and quantitative analysis in the global public interest regarding accountable and democratic governance. Global Integrity is meant to serve simultaneously as a roadmap for engaged citizens, a reform checklist for policymakers, and a guide to the business climate for investors.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

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

At times during the year, Global Integrity maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment within a acquisition value of \$500 or more are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

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

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 Global Integrity 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 Global Integrity and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006

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

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants 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. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates -

The preparation of 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 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2006:

The World Bank - Global Integrity Report	\$ 38,767
Wallace Global Fund - 2007 General Support	<u>1,980</u>
	<u>\$ 40,747</u>

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

The World Bank - Global Integrity Report	\$ 111,233
Sunshine Foundation - Global Integrity Report	10,000
Sovereign Global Development - Global Integrity Report	157,000
Wallace Global Fund - Passage of Time	<u>73,020</u>
	<u>\$ 351,253</u>

GLOBAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

4. LEASE COMMITMENT

During February 2006, Global Integrity entered into an operating lease agreement for office space. The lease term is for a two year period, commencing on March 1, 2006. Following is a schedule of future minimum lease payments required under the operating lease agreement:

<u>Year Ended December 31,</u>	
2007	\$ 17,419
2008	<u>2,780</u>
	<u>\$ 20,199</u>