

FINANCIAL STATEMENTS

GLOBAL INTEGRITY

**FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**

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 statements of financial position of Global Integrity as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Integrity as of December 31, 2008 and 2007, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

September 10, 2009

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GLOBAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008 AND 2007

ASSETS		<u>2008</u>	<u>2007</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	144,180	\$ 115,324
Grants receivable		180,649	423,275
Prepaid expenses		<u>10,021</u>	<u>2,501</u>
Total current assets		<u>334,850</u>	<u>541,100</u>
FURNITURE AND EQUIPMENT			
Equipment		845	845
Furniture		1,731	1,731
Computer equipment		<u>5,208</u>	<u>3,943</u>
		7,784	6,519
Less: Accumulated depreciation		<u>(3,646)</u>	<u>(2,216)</u>
Net furniture and equipment		<u>4,138</u>	<u>4,303</u>
OTHER ASSETS			
Security deposit		<u>4,988</u>	<u>1,309</u>
TOTAL ASSETS	\$	<u>343,976</u>	\$ <u>546,712</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	77,203	\$ 70,322
Deferred rent abatement (Note 4)		<u>2,776</u>	<u>-</u>
Total current liabilities		<u>79,979</u>	<u>70,322</u>
NET ASSETS			
Unrestricted		83,167	(25,458)
Temporarily restricted (Note 2)		<u>180,830</u>	<u>501,848</u>
Total net assets		<u>263,997</u>	<u>476,390</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>343,976</u>	\$ <u>546,712</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ -	\$ 761,100	\$ 761,100
Contributions	700	-	700
Interest income	16	-	16
Other revenue	1,425	-	1,425
Net assets released from donor restrictions (Note 3)	<u>1,082,118</u>	<u>(1,082,118)</u>	<u>-</u>
Total support and revenue	<u>1,084,259</u>	<u>(321,018)</u>	<u>763,241</u>
EXPENSES			
Program Services:			
Global Integrity Report	491,810	-	491,810
Liberia Sub-National	46,791	-	46,791
Global Integrity Access	92,487	-	92,487
Latin America Sub-National	115,260	-	115,260
User's Guide for Measuring Corruption	<u>116,971</u>	<u>-</u>	<u>116,971</u>
Total program services	<u>863,319</u>	<u>-</u>	<u>863,319</u>
Supporting Services:			
Management and General	37,059	-	37,059
Fundraising	<u>75,256</u>	<u>-</u>	<u>75,256</u>
Total supporting services	<u>112,315</u>	<u>-</u>	<u>112,315</u>
Total expenses	<u>975,634</u>	<u>-</u>	<u>975,634</u>
Changes in net assets	108,625	(321,018)	(212,393)
Net assets at beginning of year	<u>(25,458)</u>	<u>501,848</u>	<u>476,390</u>
NET ASSETS AT END OF YEAR	<u>\$ 83,167</u>	<u>\$ 180,830</u>	<u>\$ 263,997</u>

See accompanying notes to financial statements.

2007		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 1,082,000	\$ 1,082,000
350	-	350
967	-	967
5,047	-	5,047
<u>620,899</u>	<u>(620,899)</u>	<u>-</u>
<u>627,263</u>	<u>461,101</u>	<u>1,088,364</u>
515,435	-	515,435
28,483	-	28,483
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>543,918</u>	<u>-</u>	<u>543,918</u>
102,957	-	102,957
<u>7,327</u>	<u>-</u>	<u>7,327</u>
<u>110,284</u>	<u>-</u>	<u>110,284</u>
<u>654,202</u>	<u>-</u>	<u>654,202</u>
(26,939)	461,101	434,162
<u>1,481</u>	<u>40,747</u>	<u>42,228</u>
<u>\$ (25,458)</u>	<u>\$ 501,848</u>	<u>\$ 476,390</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services			
	Global Integrity Report	Liberia Sub- National	Global Integrity Access	Latin America Sub-National
Salaries and related benefits	\$ 147,658	\$ 24,882	\$ 8,518	\$ 58,531
Printing and production	27,180	13,360	4,325	60
Professional fees	27,758	-	56,855	-
Occupancy (Note 4)	21,376	3,448	1,121	8,208
Accounting	3,353	1,764	760	3,570
Insurance	1,011	286	52	187
Depreciation	619	88	29	155
Travel and entertainment	27,389	-	4,158	5,554
Local experts and contractors	157,980	-	15,865	35,000
Postage and delivery	16	-	-	-
Supplies	2,030	507	126	635
Meetings and conventions	115	-	10	-
Advertising and promotion	-	-	-	-
Bank and other fees	4,348	961	236	1,622
Equipment	999	205	52	259
Database/ telecommunications	69,978	1,290	380	1,438
Other	-	-	-	41
TOTAL	\$ 491,810	\$ 46,791	\$ 92,487	\$ 115,260

See accompanying notes to financial statements.

User's Guide for Measuring Corruption	Supporting Services				
	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 82,382	\$ 321,971	\$ 20,829	\$ 39,813	\$ 60,642	\$ 382,613
1,018	45,943	377	39	416	46,359
-	84,613	-	9,702	9,702	94,315
11,461	45,614	4,432	2,778	7,210	52,824
4,106	13,553	3,975	402	4,377	17,930
535	2,071	142	122	264	2,335
256	1,147	208	75	283	1,430
8,210	45,311	3,431	11,239	14,670	59,981
1,000	209,845	-	8,819	8,819	218,664
11	27	248	-	248	275
1,298	4,596	734	372	1,106	5,702
880	1,005	492	553	1,045	2,050
-	-	-	-	-	-
2,500	9,667	279	584	863	10,530
529	2,044	145	121	266	2,310
2,785	75,871	1,261	637	1,898	77,769
-	41	506	-	506	547
\$ 116,971	\$ 863,319	\$ 37,059	\$ 75,256	\$ 112,315	\$ 975,634

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Program Services		
	Global Integrity Report	Liberia Sub- National	Total Program Services
Salaries and related benefits	\$ 215,008	\$ 9,801	\$ 224,809
Printing and production	11,484	150	11,634
Professional fees	32,691	8,150	40,841
Occupancy (Note 4)	9,592	-	9,592
Accounting	9,929	422	10,351
Insurance	1,775	-	1,775
Depreciation	-	-	-
Travel and entertainment	4,007	49	4,056
Local experts and contractors	210,524	5,861	216,385
Postage and delivery	52	-	52
Supplies	134	-	134
Advertising and promotion	555	-	555
Bank and other fees	2,458	-	2,458
Equipment	62	-	62
Database/ telecommunications	<u>17,164</u>	<u>4,050</u>	<u>21,214</u>
TOTAL	<u>\$ 515,435</u>	<u>\$ 28,483</u>	<u>\$ 543,918</u>

See accompanying notes to financial statements.

<u>Supporting Services</u>			
<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 35,334	\$ 79	\$ 35,413	\$ 260,222
14,963	-	14,963	26,597
4,406	1,741	6,147	46,988
8,077	-	8,077	17,669
5,257	-	5,257	15,608
1,809	-	1,809	3,584
1,304	-	1,304	1,304
4,095	3,004	7,099	11,155
-	-	-	216,385
180	-	180	232
689	-	689	823
-	-	-	555
3,107	3	3,110	5,568
-	-	-	62
<u>23,736</u>	<u>2,500</u>	<u>26,236</u>	<u>47,450</u>
<u>\$ 102,957</u>	<u>\$ 7,327</u>	<u>\$ 110,284</u>	<u>\$ 654,202</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (212,393)	\$ 434,162
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,430	1,304
(Increase) decrease in:		
Grants receivable	242,626	(408,275)
Prepaid expenses	(7,520)	(671)
Security deposit	(3,679)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	6,881	59,162
Deferred rent abatement	<u>2,776</u>	<u>-</u>
Net cash provided by operating activities	<u>30,121</u>	<u>85,682</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(1,265)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,265)</u>	<u>-</u>
Net increase in cash and cash equivalents	28,856	85,682
Cash and cash equivalents at beginning of year	<u>115,324</u>	<u>29,642</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 144,180</u>	<u>\$ 115,324</u>

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Integrity is a non-profit 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.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, Global Integrity is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, Global Integrity has not implemented those provisions in the 2008 financial statements.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

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

Uncertain tax positions (continued) -

Since the provisions of FIN 48 have not been implemented in accounting for uncertain tax positions, Global Integrity continues to utilize its prior policy of accounting for these positions, following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, Global Integrity has no uncertain tax positions that qualify for either recognition or disclosure in the 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 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 Statements of Activities and Changes in Net Assets as net assets released from restrictions.

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 Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GLOBAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2008 and 2007:

	2008	2007
Global Integrity Report	\$ 69,130	\$ 240,331
Liberia Sub-National	-	11,517
Latin America Sub-National	111,700	-
Time Restricted (Future Year's Support)	-	250,000
	<u>\$ 180,830</u>	<u>\$ 501,848</u>

3. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2008	2007
Global Integrity Report	\$ 596,311	\$ 515,436
Liberia Sub-National	46,007	28,483
Latin America Sub-National	114,800	-
Global Integrity Access	30,500	-
User's Guide for Measuring Corruption	44,500	-
Passage of time	250,000	76,980
	<u>\$1,082,118</u>	<u>\$ 620,899</u>

4. LEASE COMMITMENT

On February 19, 2008, Global Integrity entered into an operating lease agreement for office space. The lease term is for a period of five years commencing on April 1, 2008. Global Integrity is responsible for its proportionate share of operating costs and real estate taxes.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statements of Financial Position. As of December 31, 2008, the aggregate amount of the deferred rent liability was \$2,776.

Following is a schedule of future minimum lease payments required under the operating lease agreement:

<u>Year Ended December 31,</u>		
2009		\$ 61,207
2010		63,043
2011		64,934
2012		66,882
2013		16,843
		<u>\$ 272,909</u>

GLOBAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. LEASE COMMITMENT (Continued)

Total occupancy expense for the years ended December 31, 2008 and 2007 totaled \$52,824 and \$17,669, respectively.