

FINANCIAL STATEMENTS

GLOBAL INTEGRITY

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

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, 2009 and 2008, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Global Integrity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009 and 2008, 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

October 6, 2010

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GLOBAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

ASSETS

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 34,511	\$ 144,180
Accounts receivable	1,106	-
Grants receivable	150,200	180,649
Prepaid expenses	<u>7,875</u>	<u>10,021</u>
Total current assets	<u>193,692</u>	<u>334,850</u>
FURNITURE AND EQUIPMENT		
Equipment	845	845
Furniture	1,731	1,731
Computer equipment	<u>6,475</u>	<u>5,208</u>
	9,051	7,784
Less: Accumulated depreciation	<u>(5,203)</u>	<u>(3,646)</u>
Net furniture and equipment	<u>3,848</u>	<u>4,138</u>
OTHER ASSETS		
Security deposit	<u>4,988</u>	<u>4,988</u>
TOTAL ASSETS	<u>\$ 202,528</u>	<u>\$ 343,976</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable (Note 5)	\$ 30,000	\$ -
Accounts payable and accrued liabilities	67,397	77,203
Deferred rent abatement (Note 4)	<u>5,130</u>	<u>2,776</u>
Total current liabilities	<u>102,527</u>	<u>79,979</u>
NET ASSETS		
Unrestricted	(335,725)	83,167
Temporarily restricted (Note 2)	<u>435,726</u>	<u>180,830</u>
Total net assets	<u>100,001</u>	<u>263,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 202,528</u>	<u>\$ 343,976</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ -	\$ 883,049	\$ 883,049
Contributions	-	-	-
Interest income	5	-	5
Other revenue	3,858	-	3,858
Net assets released from donor restrictions (Note 3)	<u>628,153</u>	<u>(628,153)</u>	<u>-</u>
Total support and revenue	<u>632,016</u>	<u>254,896</u>	<u>886,912</u>
EXPENSES			
Program Services:			
Global Integrity Report	489,984	-	489,984
Liberia Sub-National	2,100	-	2,100
Global Integrity Access	55,287	-	55,287
Latin America Sub-National	112,249	-	112,249
User's Guide for Measuring Corruption	14,985	-	14,985
Mexico Sub-National	8,649	-	8,649
Pre-Trial Detention	31,039	-	31,039
Guatemala Technical Support	47,492	-	47,492
INDABA	<u>70,799</u>	<u>-</u>	<u>70,799</u>
Total program services	<u>832,584</u>	<u>-</u>	<u>832,584</u>
Supporting Services:			
Management and General	125,794	-	125,794
Fundraising	<u>92,530</u>	<u>-</u>	<u>92,530</u>
Total supporting services	<u>218,324</u>	<u>-</u>	<u>218,324</u>
Total expenses	<u>1,050,908</u>	<u>-</u>	<u>1,050,908</u>
Changes in net assets	(418,892)	254,896	(163,996)
Net assets at beginning of year	<u>83,167</u>	<u>180,830</u>	<u>263,997</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (335,725)</u></u>	<u><u>\$ 435,726</u></u>	<u><u>\$ 100,001</u></u>

See accompanying notes to financial statements.

2008		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 761,100	\$ 761,100
700	-	700
16	-	16
1,425	-	1,425
<u>1,082,118</u>	<u>(1,082,118)</u>	<u>-</u>
<u>1,084,259</u>	<u>(321,018)</u>	<u>763,241</u>
491,810	-	491,810
46,791	-	46,791
92,487	-	92,487
115,260	-	115,260
116,971	-	116,971
-	-	-
-	-	-
-	-	-
-	-	-
<u>863,319</u>	<u>-</u>	<u>863,319</u>
37,059	-	37,059
<u>75,256</u>	<u>-</u>	<u>75,256</u>
<u>112,315</u>	<u>-</u>	<u>112,315</u>
<u>975,634</u>	<u>-</u>	<u>975,634</u>
108,625	(321,018)	(212,393)
<u>(25,458)</u>	<u>501,848</u>	<u>476,390</u>
<u>\$ 83,167</u>	<u>\$ 180,830</u>	<u>\$ 263,997</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Services					
	Global Integrity Report	Liberia Sub- National	Global Integrity Access	Latin America Sub-National	User's Guide for Measuring Corruption	Mexico Sub- National
Salaries and related benefits	\$ 170,611	\$ 2,100	\$ 44,911	\$ 5,782	\$ 9,497	\$ 8,510
Printing and production	30,205	-	-	-	-	-
Professional fees	-	-	10,000	-	-	-
Occupancy (Note 4)	13,660	-	-	324	-	-
Accounting	1,755	-	-	103	-	103
Insurance	278	-	-	17	-	17
Depreciation	362	-	-	7	-	7
Travel and entertainment	19,991	-	376	364	778	-
Local experts and contractors	201,133	-	-	105,640	4,710	-
Postage and delivery	298	-	-	-	-	-
Supplies	267	-	-	12	-	12
Meetings and conventions	-	-	-	-	-	-
Bank and other fees	10,621	-	-	-	-	-
Database/ telecommunications	40,803	-	-	-	-	-
Other	-	-	-	-	-	-
TOTAL	<u>\$ 489,984</u>	<u>\$ 2,100</u>	<u>\$ 55,287</u>	<u>\$ 112,249</u>	<u>\$ 14,985</u>	<u>\$ 8,649</u>

See accompanying notes to financial statements.

				<u>Supporting Services</u>			
	<u>Pre-Trial Detention</u>	<u>Guatemala Technical Support</u>	<u>INDABA</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>
\$ 15,223	\$ 45,302	\$ 11,299	\$ 313,235	\$ 38,793	\$ 72,008	\$ 110,801	\$ 424,036
-	-	-	30,205	1,626	-	1,626	31,831
8,000	-	-	18,000	5,081	-	5,081	23,081
280	876	-	15,140	38,363	14,413	52,776	67,916
-	103	-	2,064	18,585	-	18,585	20,649
17	17	-	346	3,126	-	3,126	3,472
7	7	-	390	1,167	-	1,167	1,557
1,250	1,025	-	23,784	6,948	4,149	11,097	34,881
6,250	-	-	317,733	1,659	1,019	2,678	320,411
-	-	-	298	279	80	359	657
12	12	-	315	2,087	-	2,087	2,402
-	-	-	-	868	857	1,725	1,725
-	-	-	10,621	852	-	852	11,473
-	150	59,500	100,453	6,166	4	6,170	106,623
-	-	-	-	194	-	194	194
<u>\$ 31,039</u>	<u>\$ 47,492</u>	<u>\$ 70,799</u>	<u>\$ 832,584</u>	<u>\$ 125,794</u>	<u>\$ 92,530</u>	<u>\$ 218,324</u>	<u>\$1,050,908</u>

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	-
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	\$ <u>491,810</u>	\$ <u>46,791</u>	\$ <u>92,487</u>	\$ <u>115,260</u>

<u>Program Services</u>		<u>Supporting Services</u>			
<u>User's Guide for Measuring Corruption</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 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
<u>\$ 116,971</u>	<u>\$ 863,319</u>	<u>\$ 37,059</u>	<u>\$ 75,256</u>	<u>\$ 112,315</u>	<u>\$ 975,634</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (163,996)	\$ (212,393)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,557	1,430
(Increase) decrease in:		
Accounts receivable	(1,106)	-
Grants receivable	30,449	242,626
Prepaid expenses	2,146	(7,520)
Security deposit	-	(3,679)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(9,806)	6,881
Deferred rent abatement	<u>2,354</u>	<u>2,776</u>
Net cash provided (used) by operating activities	<u>(138,402)</u>	<u>30,121</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(1,267)</u>	<u>(1,265)</u>
Net cash used by investing activities	<u>(1,267)</u>	<u>(1,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>30,000</u>	<u>-</u>
Net cash provided by financing activities	<u>30,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(109,669)	28,856
Cash and cash equivalents at beginning of year	<u>144,180</u>	<u>115,324</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 34,511</u>	<u>\$ 144,180</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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 FASB ASC 958, *Not-for-Profit Entities*.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, Global Integrity has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact Global Integrity's financial position or results of operations.

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.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

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

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, Global Integrity has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions 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 -

Unrestricted and temporarily restricted 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 the 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, 2009 AND 2008

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	2009	2008
Global Integrity Report	\$ -	\$ 69,130
Guatemala Technical Support	32,647	-
Guatemala Justice Sector	108,292	-
Latin America Sub-National	-	111,700
Mexico Sub-National	91,490	-
Time Restricted (Future Year's Support)	203,297	-
	<u>\$ 435,726</u>	<u>\$ 180,830</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:

	2009	2008
Global Integrity Report	\$ 156,052	\$ 355,971
Liberia Sub-National	-	46,007
Latin America Sub-National	111,700	114,800
Global Integrity Access	-	30,500
User's Guide for Measuring Corruption	-	44,500
Guatemala Technical Support	47,353	-
Guatemala Justice Sector	14,985	-
Mexico Sub-National	8,510	-
Egypt Indicators	2,100	-
Pre-Trial Detention	30,750	-
Foglamp	25,000	-
Passage of time	231,703	490,340
	<u>\$ 628,153</u>	<u>\$ 1,082,118</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.

GLOBAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. LEASE COMMITMENT (Continued)

As of December 31, 2009 and 2008 , the aggregate amount of the deferred rent liability were \$5,130 and \$2,776, respectively.

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

Year Ended December 31,

2010	\$ 63,043
2011	64,934
2012	66,882
2013	<u>16,843</u>
	<u>\$ 211,702</u>

Total occupancy expense for the years ended December 31, 2009 and 2008 were \$67,916 and \$52,824, respectively.

5. LOAN PAYABLE

During the year ended December 31, 2009, Global Integrity borrowed \$30,000 from a private party. The loan is non-interest bearing, with a principal amount to be repaid as soon as possible. As of December 31, 2009, the amount due was \$30,000.

6. SUBSEQUENT EVENTS

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through October 6, 2010, the date the financial statements were issued.