

FINANCIAL STATEMENTS

GLOBAL INTEGRITY

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009, 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, 2010 and 2009, 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

June 10, 2011

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GLOBAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 444,829	\$ 34,511
Accounts receivable	874	1,106
Grants receivable	473,250	150,200
Prepaid expenses	<u>6,613</u>	<u>7,875</u>
Total current assets	<u>925,566</u>	<u>193,692</u>
FURNITURE AND EQUIPMENT		
Equipment	845	845
Furniture	1,731	1,731
Computer equipment	<u>6,475</u>	<u>6,475</u>
	9,051	9,051
Less: Accumulated depreciation	<u>(6,760)</u>	<u>(5,203)</u>
Net furniture and equipment	<u>2,291</u>	<u>3,848</u>
OTHER ASSETS		
Security deposit	<u>4,988</u>	<u>4,988</u>
TOTAL ASSETS	<u>\$ 932,845</u>	<u>\$ 202,528</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable (Note 5)	\$ -	\$ 30,000
Accounts payable and accrued liabilities	68,505	67,397
Deferred rent abatement (Note 4)	<u>4,695</u>	<u>5,130</u>
Total current liabilities	<u>73,200</u>	<u>102,527</u>
NONCURRENT LIABILITIES		
Deferred rent abatement, net of current portion (Note 4)	<u>953</u>	<u>-</u>
NET ASSETS		
Unrestricted	(392,671)	(335,725)
Temporarily restricted (Note 2)	<u>1,251,363</u>	<u>435,726</u>
Total net assets	<u>858,692</u>	<u>100,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 932,845</u>	<u>\$ 202,528</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ -	\$ 1,881,442	\$ 1,881,442
Contributions	100	-	100
Interest income	-	-	-
Other revenue	78,258	-	78,258
Net assets released from donor restrictions (Note 3)	<u>1,065,805</u>	<u>(1,065,805)</u>	<u>-</u>
Total support and revenue	<u>1,144,163</u>	<u>815,637</u>	<u>1,959,800</u>
EXPENSES			
Program Services:			
Global Integrity Report	188,387	-	188,387
Liberia Sub-National	-	-	-
Foglamp	82,209	-	82,209
Latin America Sub-National	39,624	-	39,624
Guatemala Justice Sector	108,291	-	108,291
Mexico Sub-National	119,613	-	119,613
Pre-Trial Detention	-	-	-
Guatemala Technical Support	32,646	-	32,646
Indaba	334,423	-	334,423
Rwanda Workshop	10,000	-	10,000
Philippines and PNG Sub-National	56,512	-	56,512
Health & Education	<u>69,500</u>	<u>-</u>	<u>69,500</u>
Total program services	<u>1,041,205</u>	<u>-</u>	<u>1,041,205</u>
Supporting Services:			
Management and General	125,916	-	125,916
Fundraising	<u>33,988</u>	<u>-</u>	<u>33,988</u>
Total supporting services	<u>159,904</u>	<u>-</u>	<u>159,904</u>
Total expenses	<u>1,201,109</u>	<u>-</u>	<u>1,201,109</u>
Changes in net assets	(56,946)	815,637	758,691
Net assets at beginning of year	<u>(335,725)</u>	<u>435,726</u>	<u>100,001</u>
NET ASSETS AT END OF YEAR	<u>\$ (392,671)</u>	<u>\$ 1,251,363</u>	<u>\$ 858,692</u>

See accompanying notes to financial statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 883,049	\$ 883,049
-	-	-
5	-	5
3,858	-	3,858
<u>628,153</u>	<u>(628,153)</u>	<u>-</u>
<u>632,016</u>	<u>254,896</u>	<u>886,912</u>
489,984	-	489,984
2,100	-	2,100
55,287	-	55,287
112,249	-	112,249
14,985	-	14,985
8,649	-	8,649
31,039	-	31,039
47,492	-	47,492
70,799	-	70,799
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>832,584</u>	<u>-</u>	<u>832,584</u>
125,794	-	125,794
<u>92,530</u>	<u>-</u>	<u>92,530</u>
<u>218,324</u>	<u>-</u>	<u>218,324</u>
<u>1,050,908</u>	<u>-</u>	<u>1,050,908</u>
(418,892)	254,896	(163,996)
<u>83,167</u>	<u>180,830</u>	<u>263,997</u>
<u>\$ (335,725)</u>	<u>\$ 435,726</u>	<u>\$ 100,001</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services						
	Global Integrity Report	Latin America Foglamp Sub-National	Guatemala Justice Sector	Mexico Sub- National	Guatemala Technical Support	Indaba	
Salaries and related benefits	\$ 11,951	\$ 15,786	\$ 11,340	\$ 92,887	\$113,589	\$ 31,106	\$ 71,438
Printing and production	17,700	-	-	-	-	-	-
Professional fees	-	28,100	-	-	-	-	-
Occupancy (Note 4)	1,809	2,631	3,770	8,211	4,091	1,525	2,846
Accounting	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Depreciation	723	104	34	63	225	15	120
Travel and entertainment	55	8,906	-	-	-	-	1,212
Local experts and contractors	136,324	25,245	24,000	6,280	-	-	-
Postage and delivery	-	27	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-
Supplies	-	477	-	-	128	-	-
Meetings and conventions	-	-	-	-	-	-	-
Advertising and promotion	790	-	-	-	-	-	-
Bank and other fees	40	-	-	-	43	-	65
Equipment	-	-	-	-	-	-	-
Database/ telecommunications	18,995	847	480	850	1,537	-	258,742
Other	-	86	-	-	-	-	-
TOTAL	\$ 188,387	\$ 82,209	\$ 39,624	\$ 108,291	\$119,613	\$ 32,646	\$ 334,423

See accompanying notes to financial statements.

				<u>Supporting Services</u>			
<u>Rwanda Workshop</u>	<u>Philippines and PNG Sub-National</u>	<u>Health & Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 3,932	\$ 37,963	\$ 51,733	\$ 441,725	\$ 40,156	\$ 12,129	\$ 52,285	\$ 494,010
-	-	-	17,700	1,351	80	1,431	19,131
-	-	-	28,100	5,000	-	5,000	33,100
-	2,999	5,565	33,447	20,979	13,723	34,702	68,149
-	-	-	-	22,842	-	22,842	22,842
-	-	-	-	4,092	-	4,092	4,092
-	37	59	1,380	118	59	177	1,557
5,977	5,609	-	21,759	3,857	6,623	10,480	32,239
-	7,938	10,636	210,423	-	1,000	1,000	211,423
33	-	-	60	368	-	368	428
-	-	-	-	1,435	-	1,435	1,435
-	-	-	605	2,834	-	2,834	3,439
-	-	-	-	698	374	1,072	1,072
-	-	-	790	-	-	-	790
2	237	-	387	9,113	-	9,113	9,500
-	-	-	-	884	-	884	884
56	1,474	1,507	284,488	11,439	-	11,439	295,927
-	255	-	341	750	-	750	1,091
<u>\$ 10,000</u>	<u>\$ 56,512</u>	<u>\$ 69,500</u>	<u>\$ 1,041,205</u>	<u>\$ 125,916</u>	<u>\$ 33,988</u>	<u>\$ 159,904</u>	<u>\$ 1,201,109</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

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

	Program Services					
	Global	Liberia Sub-		Latin America	Guatemala	Mexico
	Integrity	National	Foglamp	Sub-National	Justice Sector	Sub-
	Report	National		Sub-National	Justice Sector	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	\$ 489,984	\$ 2,100	\$ 55,287	\$ 112,249	\$ 14,985	\$ 8,649

Pre-Trial Detention	Guatemala Technical Support	Indaba	Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
				Management and General	Fundraising			
\$ 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	
\$ 31,039	\$ 47,492	\$ 70,799	\$ 832,584	\$ 125,794	\$ 92,530	\$ 218,324	\$ 1,050,908	

See accompanying notes to financial statements.

GLOBAL INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 758,691	\$ (163,996)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	1,557	1,557
(Increase) decrease in:		
Accounts receivable	232	(1,106)
Grants receivable	(323,050)	30,449
Prepaid expenses	1,262	2,146
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,110	(9,806)
Deferred rent abatement	<u>516</u>	<u>2,354</u>
Net cash provided (used) by operating activities	<u>440,318</u>	<u>(138,402)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(1,267)</u>
Net cash used by investing activities	<u>-</u>	<u>(1,267)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	30,000
Payment of loan payable	<u>(30,000)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(30,000)</u>	<u>30,000</u>
Net increase (decrease) in cash and cash equivalents	410,318	(109,669)
Cash and cash equivalents at beginning of year	<u>34,511</u>	<u>144,180</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 444,829</u>	<u>\$ 34,511</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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*.

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.

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 years ended December 31, 2010 and 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.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Global Integrity Report	\$ 155,239	\$ -
Guatemala Technical Support	-	32,647
Guatemala Justice Sector	-	108,292
Mexico Sub-National	421,877	91,490
NED - LATAM	45,377	-
INDABA	32,078	-
Time Restricted (Future Year's Support)	<u>596,792</u>	<u>203,297</u>
	<u>\$ 1,251,363</u>	<u>\$ 435,726</u>

GLOBAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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:

	2010	2009
Global Integrity Report	\$ 126,011	\$ 156,052
Latin America Sub-National	-	111,700
Kenya	49,000	-
Rwanda Workshop	10,000	-
Guatemala Technical Support	32,647	47,353
Guatemala Justice Sector	108,292	14,985
Mexico Sub-National	119,613	8,510
NED - LATAM	39,623	-
Egypt Indicators	-	2,100
Pre-Trial Detention	-	30,750
Foglamp	-	25,000
INDABA	334,422	
Passage of time	246,197	231,703
	<u>\$ 1,065,805</u>	<u>\$ 628,153</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, 2010 and 2009, the aggregate amount of the deferred rent liability was \$4,695 and \$5,130, respectively.

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

<u>Year Ended December 31,</u>			
2011		\$	64,934
2012			66,882
2013			16,843
		<u>\$</u>	<u>148,659</u>

Total occupancy expense for the years ended December 31, 2010 and 2009 was \$68,149 and \$67,916, respectively. The deferred rent liability for the years ended December 31, 2010 and 2009 totaled \$4,695 and \$5,130, respectively.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

4. LEASE COMMITMENT (Continued)

Global Integrity entered into a sublease agreement in 2010 for a period of six months. For the year ended December 31, 2010, Global Integrity received \$ 12,300 of rental income, which is included in other revenue in the accompanying Statement of Activities and Changes in Net Assets.

5. LOAN PAYABLE

During the year ended December 31, 2009, Global Integrity borrowed \$30,000 from a private party. The loan was non-interest bearing, with a principal amount to be repaid as soon as possible. The loan was paid in full during the year ended December 31, 2010.

6. SUBSEQUENT EVENTS

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through June 10, 2011, the date the financial statements were issued.