

# **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

# GLOBAL INTEGRITY

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Global Integrity, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**Emphasis of Matter Regarding Restatement  
of Prior Year Financial Statements**

As discussed in Note 11 to the financial statements, management clarified restrictions of amounts previously reported as temporarily restricted net assets as of December 31, 2013 and 2012. Accordingly, amounts reported for temporarily restricted net assets and unrestricted net assets have been restated in the 2012 financial statements now presented. Our opinion is not modified with respect to that matter.

*Gelman Rosenberg & Friedman*

June 25, 2014

**GLOBAL INTEGRITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013 AND 2012**

**ASSETS**

|  | <u>2013</u>                | <u>2012</u>                |
|--|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                              |                            |                            |
| Cash and cash equivalents                          | \$ 439,332                 | \$ 655,832                 |
| Accounts receivable (Note 10)                      | 12,626                     | 47,456                     |
| Note receivable (Note 2)                           | 95,190                     | -                          |
| Grants receivable (Note 3)                         | 1,512,990                  | 1,545,355                  |
| Prepaid expenses                                   | <u>32,710</u>              | <u>43,796</u>              |
| Total current assets                               | <u>2,092,848</u>           | <u>2,292,439</u>           |
| <b>FURNITURE AND EQUIPMENT</b>                     |                            |                            |
| Equipment  | 845                        | 845                        |
| Furniture  | 28,187                     | 28,187                     |
| Computer equipment                                 | 22,722                     | 24,167                     |
| Leasehold improvements                             | <u>17,939</u>              | <u>17,939</u>              |
|  | 69,693                     | 71,138                     |
| Less: Accumulated depreciation and amortization    | <u>(36,149)</u>            | <u>(19,366)</u>            |
| Net furniture and equipment                        | <u>33,544</u>              | <u>51,772</u>              |
| <b>OTHER ASSETS</b>                                |                            |                            |
| Security deposit                                   | 84,582                     | 18,570                     |
| Grants receivable, net of current portion (Note 3) | <u>1,636,698</u>           | <u>2,546,644</u>           |
| Total other assets                                 | <u>1,721,280</u>           | <u>2,565,214</u>           |
| <b>TOTAL ASSETS</b>                                | <b><u>\$ 3,847,672</u></b> | <b><u>\$ 4,909,425</u></b> |

**LIABILITIES AND NET ASSETS**

|   |                            |                            |
|---|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>                |                            |                            |
| Accounts payable and accrued liabilities  | \$ 195,175                 | \$ 258,535                 |
| Deferred revenue                          | 5,685                      | -                          |
| Current portion of deferred rent (Note 7) | <u>9,222</u>               | <u>35,123</u>              |
| Total current liabilities                 | <u>210,082</u>             | <u>293,658</u>             |
| <b>NONCURRENT LIABILITIES</b>             |                            |                            |
| Deferred rent (Note 7)                    | <u>-</u>                   | <u>9,222</u>               |
| Total liabilities                         | <u>210,082</u>             | <u>302,880</u>             |
| <b>NET ASSETS</b>                         |                            |                            |
| Unrestricted                              | (170,288)                  | (588,364)                  |
| Temporarily restricted (Note 5)           | <u>3,807,878</u>           | <u>5,194,909</u>           |
| Total net assets                          | <u>3,637,590</u>           | <u>4,606,545</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b><u>\$ 3,847,672</u></b> | <b><u>\$ 4,909,425</u></b> |

See accompanying notes to financial statements.

**GLOBAL INTEGRITY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

|  | <b>2013</b>                |                                   |                            |
|--|----------------------------|-----------------------------------|----------------------------|
|  | <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted</b> | <b>Total</b>               |
| <b>SUPPORT AND REVENUE</b>                             |                            |                                   |                            |
| Foundation grants                                      | \$ -                       | \$ 844,704                        | \$ 844,704                 |
| Contributions  | -                          | -                                 | -                          |
| Other revenue (Note 7)                                 | 601,385                    | -                                 | 601,385                    |
| Net assets released from donor restrictions (Note 6)   | <u>2,131,735</u>           | <u>(2,131,735)</u>                | <u>-</u>                   |
| Total support and revenue                              | <u>2,733,120</u>           | <u>(1,287,031)</u>                | <u>1,446,089</u>           |
| <b>EXPENSES</b>  |                            |                                   |                            |
| Program Services:                                      |                            |                                   |                            |
| Africa Integrity Indicators                            | 559,323                    | -                                 | 559,323                    |
| Indaba   | 376,202                    | -                                 | 376,202                    |
| Web Index  | 355,961                    | -                                 | 355,961                    |
| Foglamp  | 160,844                    | -                                 | 160,844                    |
| Open Government Partnership                            | 131,324                    | -                                 | 131,324                    |
| Innovation Fund  | 100,975                    | -                                 | 100,975                    |
| State Integrity Investigation                          | 69,318                     | -                                 | 69,318                     |
| Global Integrity Report                                | 28,597                     | -                                 | 28,597                     |
| Health and Education                                   | -                          | -                                 | -                          |
| Philippines and PNG Sub-National                       | -                          | -                                 | -                          |
| Implementation Gap Manual                              | -                          | -                                 | -                          |
| Mexico Sub-National                                    | -                          | -                                 | -                          |
| Pattiro Indonesia                                      | <u>-</u>                   | <u>-</u>                          | <u>-</u>                   |
| Total program services                                 | <u>1,782,544</u>           | <u>-</u>                          | <u>1,782,544</u>           |
| Supporting Services:                                   |                            |                                   |                            |
| Management and General                                 | 501,966                    | -                                 | 501,966                    |
| Fundraising  | <u>30,534</u>              | <u>-</u>                          | <u>30,534</u>              |
| Total supporting services                              | <u>532,500</u>             | <u>-</u>                          | <u>532,500</u>             |
| Total expenses   | <u>2,315,044</u>           | <u>-</u>                          | <u>2,315,044</u>           |
| Changes in net assets before other item                | 418,076                    | (1,287,031)                       | (868,955)                  |
| <b>OTHER ITEM</b>                                      |                            |                                   |                            |
| Return of funds (Note 12)                              | <u>-</u>                   | <u>(100,000)</u>                  | <u>(100,000)</u>           |
| Changes in net assets                                  | 418,076                    | (1,387,031)                       | (968,955)                  |
| Net assets at beginning of year, as restated (Note 11) | <u>(588,364)</u>           | <u>5,194,909</u>                  | <u>4,606,545</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                       | <b><u>\$ (170,288)</u></b> | <b><u>\$ 3,807,878</u></b>        | <b><u>\$ 3,637,590</u></b> |

See accompanying notes to financial statements.

| <b>2012</b>         |                                   |                     |
|---------------------|-----------------------------------|---------------------|
| <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>        |
| \$ -                | \$ 2,861,395                      | \$ 2,861,395        |
| 4,000               | -                                 | 4,000               |
| 176,762             | -                                 | 176,762             |
| <u>2,644,825</u>    | <u>(2,644,825)</u>                | <u>-</u>            |
| <u>2,825,587</u>    | <u>216,570</u>                    | <u>3,042,157</u>    |
| 340,821             | -                                 | 340,821             |
| 193,592             | -                                 | 193,592             |
| -                   | -                                 | -                   |
| 217,608             | -                                 | 217,608             |
| 305,396             | -                                 | 305,396             |
| 27,315              | -                                 | 27,315              |
| 337,913             | -                                 | 337,913             |
| 178,910             | -                                 | 178,910             |
| 37,048              | -                                 | 37,048              |
| 15,568              | -                                 | 15,568              |
| 3,661               | -                                 | 3,661               |
| 314,438             | -                                 | 314,438             |
| <u>31,674</u>       | <u>-</u>                          | <u>31,674</u>       |
| <u>2,003,944</u>    | <u>-</u>                          | <u>2,003,944</u>    |
| 261,921             | -                                 | 261,921             |
| <u>38,988</u>       | <u>-</u>                          | <u>38,988</u>       |
| <u>300,909</u>      | <u>-</u>                          | <u>300,909</u>      |
| <u>2,304,853</u>    | <u>-</u>                          | <u>2,304,853</u>    |
| 520,734             | 216,570                           | 737,304             |
| <u>-</u>            | <u>-</u>                          | <u>-</u>            |
| 520,734             | 216,570                           | 737,304             |
| <u>(1,109,098)</u>  | <u>4,978,339</u>                  | <u>3,869,241</u>    |
| <u>\$ (588,364)</u> | <u>\$ 5,194,909</u>               | <u>\$ 4,606,545</u> |

See accompanying notes to financial statements.

**GLOBAL INTEGRITY**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | <b>Program Services</b>                    |                   |                   |                   |  |                            |
|---|--|-------------------|-------------------|-------------------|--|----------------------------|
|   | <b>Africa<br/>Integrity<br/>Indicators</b> | <b>Indaba</b>     | <b>Web Index</b>  | <b>Foglamp</b>    | <b>Open<br/>Government<br/>Partnership</b> | <b>Innovation<br/>Fund</b> |
| Salaries and related benefits<br>(Note 8) | \$ 271,247                                 | \$ 157,821        | \$ 53,751         | \$ 106,003        | \$ 93,763                                  | \$ 49,730                  |
| Printing and production                   | -  | 116               | -                 | 58                | -  | -                          |
| Professional fees                         | 14,083                                     | 1,854             | 141,258           | 9,087             | 4,262                                      | 10,572                     |
| Occupancy (Note 7)                        | 38,565                                     | 26,254            | 6,570             | 2,260             | 9,989                                      | 8,524                      |
| Accounting                                | 5,236                                      | -                 | -                 | 1,600             | -  | -                          |
| Insurance                                 | 2,354                                      | 2,042             | 511               | 176               | 1,030                                      | 663                        |
| Depreciation and amortization             | 4,216                                      | 3,657             | 915               | 315               | 1,845                                      | 1,187                      |
| Travel and entertainment                  | 23,114                                     | 4,537             | 2,307             | 1,268             | 17,426                                     | -                          |
| Local experts and contractors             | 159,320                                    | -                 | 141,291           | 32,625            | -  | 27,188                     |
| Postage and delivery                      | 86   | -                 | -                 | 13                | 76   | -                          |
| Repairs and maintenance                   | -  | -                 | -                 | -                 | -  | -                          |
| Supplies                                  | 2,064                                      | 176               | -                 | 27                | -  | -                          |
| Meetings and conventions                  | -  | -                 | -                 | -                 | -  | -                          |
| Advertising and promotion                 | 7,407                                      | -                 | -                 | -                 | -  | -                          |
| Bank and other fees                       | 10,188                                     | 75                | 8,152             | 906               | 150  | 1,534                      |
| Interest expense                          | -  | -                 | -                 | -                 | -  | -                          |
| Equipment                                 | 2,695                                      | -                 | -                 | -                 | -  | -                          |
| Database/telecommunications               | 16,438                                     | 179,670           | 1,206             | 6,506             | 2,501                                      | 1,577                      |
| Other                                     | 2,310                                      | -                 | -                 | -                 | 282  | -                          |
| <b>TOTAL</b>                              | <b>\$ 559,323</b>                          | <b>\$ 376,202</b> | <b>\$ 355,961</b> | <b>\$ 160,844</b> | <b>\$ 131,324</b>                          | <b>\$ 100,975</b>          |

| <u>Supporting Services</u>                   |                                    |                                   |                                   |                    |  |                           |
|--|------------------------------------|-----------------------------------|-----------------------------------|--------------------|--|---------------------------|
| <u>State<br/>Integrity<br/>Investigation</u> | <u>Global Integrity<br/>Report</u> | <u>Total Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total<br/>Supporting<br/>Services</u> | <u>Total<br/>Expenses</u> |
| \$ 62,638                                    | \$ 6,437                           | \$ 801,390                        | \$ 257,679                        | \$ 21,301          | \$ 278,980                               | \$ 1,080,370              |
| -  | -                                  | 174                               | 2,273                             | -                  | 2,273                                    | 2,447                     |
| -  | -                                  | 181,116                           | 35,705                            | -                  | 35,705                                   | 216,821                   |
| 3,876  | 570                                | 96,608                            | 49,835                            | 1,348              | 51,183                                   | 147,791                   |
| -  | -                                  | 6,836                             | 54,190                            | -                  | 54,190                                   | 61,026                    |
| 301  | 44                                 | 7,121                             | 3,623                             | 105                | 3,728                                    | 10,849                    |
| 540  | 78                                 | 12,753                            | 6,490                             | 188                | 6,678                                    | 19,431                    |
| 997  | 2,010                              | 51,659                            | 12,118                            | 5,862              | 17,980                                   | 69,639                    |
| -  | 2,980                              | 363,404                           | -                                 | -                  | -  | 363,404                   |
| -  | -                                  | 175                               | 190                               | -                  | 190                                      | 365                       |
| -  | -                                  | -                                 | 3,150                             | -                  | 3,150                                    | 3,150                     |
| -  | -                                  | 2,267                             | 6,975                             | -                  | 6,975                                    | 9,242                     |
| -  | -                                  | -                                 | 1,792                             | 493                | 2,285                                    | 2,285                     |
| -  | -                                  | 7,407                             | 6,000                             | -                  | 6,000                                    | 13,407                    |
| -  | -                                  | 21,005                            | -                                 | -                  | -  | 21,005                    |
| -  | -                                  | -                                 | 3,583                             | -                  | 3,583                                    | 3,583                     |
| -  | -                                  | 2,695                             | -                                 | -                  | -  | 2,695                     |
| 966  | 16,478                             | 225,342                           | 46,910                            | 1,237              | 48,147                                   | 273,489                   |
| -  | -                                  | 2,592                             | 11,453                            | -                  | 11,453                                   | 14,045                    |
| <b>\$ 69,318</b>                             | <b>\$ 28,597</b>                   | <b>\$ 1,782,544</b>               | <b>\$ 501,966</b>                 | <b>\$ 30,534</b>   | <b>\$ 532,500</b>                        | <b>\$ 2,315,044</b>       |

See accompanying notes to financial statements.

## GLOBAL INTEGRITY

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012

|   | Program Services                  |                   |                   |                                   |                    |                                  |                               |
|---|-----------------------------------|-------------------|-------------------|-----------------------------------|--------------------|----------------------------------|-------------------------------|
|   | Africa<br>Integrity<br>Indicators | Indaba            | Foglamp           | Open<br>Government<br>Partnership | Innovation<br>Fund | State Integrity<br>Investigation | Global<br>Integrity<br>Report |
| Salaries and related benefits<br>(Note 8) | \$ 160,836                        | \$ 5,752          | \$ 130,853        | \$ 180,833                        | \$ 24,425          | \$ 272,861                       | \$ 27,729                     |
| Printing and production                   | -                                 | 1,556             | 1,744             | 40                                | -                  | -                                | 6,261                         |
| Professional fees                         | 4,253                             | 1,949             | -                 | 499                               | -                  | -                                | 7,900                         |
| Occupancy (Note 7)                        | 12,059                            | 599               | 7,475             | 12,641                            | 2,156              | 19,208                           | 5,602                         |
| Accounting                                | 7,229                             | -                 | -                 | -                                 | -                  | -                                | -                             |
| Insurance                                 | -                                 | -                 | 68                | -                                 | -                  | -                                | -                             |
| Depreciation and amortization             | 688                               | 87                | 1,768             | 1,969                             | 332                | 1,465                            | 1,444                         |
| Travel and entertainment                  | 14,761                            | 10,092            | 14,129            | 30,424                            | -                  | 8,777                            | 11,699                        |
| Local experts and contractors             | 123,136                           | -                 | 48,780            | -                                 | -                  | 15,842                           | 96,180                        |
| Postage and delivery                      | 233                               | -                 | 12                | -                                 | -                  | -                                | 422                           |
| Repairs and maintenance                   | -                                 | -                 | -                 | -                                 | -                  | -                                | -                             |
| Supplies                                  | 715                               | -                 | 1,040             | 200                               | -                  | 203                              | 30                            |
| Subscriptions and publications            | -                                 | -                 | -                 | -                                 | -                  | 400                              | -                             |
| Meetings and conventions                  | -                                 | -                 | -                 | -                                 | -                  | -                                | 30                            |
| Advertising and promotion                 | 9,196                             | -                 | 6,717             | -                                 | -                  | -                                | 984                           |
| Bank and other fees                       | 484                               | -                 | 534               | -                                 | -                  | -                                | 16                            |
| Equipment                                 | 1,237                             | -                 | 1,820             | -                                 | -                  | -                                | -                             |
| Database/telecommunications               | 5,994                             | 173,557           | 2,668             | 78,699                            | 402                | 19,157                           | 20,467                        |
| Miscellaneous                             | -                                 | -                 | -                 | 91                                | -                  | -                                | 146                           |
| Bad debt                                  | -                                 | -                 | -                 | -                                 | -                  | -                                | -                             |
| <b>TOTAL</b>                              | <b>\$ 340,821</b>                 | <b>\$ 193,592</b> | <b>\$ 217,608</b> | <b>\$ 305,396</b>                 | <b>\$ 27,315</b>   | <b>\$ 337,913</b>                | <b>\$ 178,910</b>             |

|                             |   |                                  |                            |                          |                               |                               |                    |                                  |                       |  | <u>Supporting Services</u> |  |  |
|-----------------------------|---|----------------------------------|----------------------------|--------------------------|-------------------------------|-------------------------------|--------------------|----------------------------------|-----------------------|--|----------------------------|--|--|
| <u>Health and Education</u> | <u>Philippines and PNG Sub-National</u> | <u>Implementation Gap Manual</u> | <u>Mexico Sub-National</u> | <u>Pattiro Indonesia</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Supporting Services</u> | <u>Total Expenses</u> |  |                            |  |  |
| \$ 25,139                   | \$ 12,540                               | \$ 486                           | \$ 102,944                 | \$ 28,637                | \$ 973,035                    | \$ 65,386                     | \$ 24,349          | \$ 89,735                        | \$ 1,062,770          |  |                            |  |  |
| -                           | -                                       | -                                | 39                         | -                        | 9,640                         | 5,901                         | 8,831              | 14,732                           | 24,372                |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 14,601                        | 3,299                         | -                  | 3,299                            | 17,900                |  |                            |  |  |
| 2,156                       | 1,470                                   | 42                               | 13,049                     | 2,448                    | 78,905                        | 37,724                        | 2,139              | 39,863                           | 118,768               |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 7,229                         | 42,840                        | -                  | 42,840                           | 50,069                |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 68                            | 9,139                         | -                  | 9,139                            | 9,207                 |  |                            |  |  |
| 327                         | 33                                      | 6                                | 380                        | 55                       | 8,554                         | 1,889                         | 653                | 2,542                            | 11,096                |  |                            |  |  |
| -                           | 24                                      | 120                              | 2,533                      | -                        | 92,559                        | 10,856                        | 1,816              | 12,672                           | 105,231               |  |                            |  |  |
| 9,024                       | 1,000                                   | 3,000                            | 67,526                     | -                        | 364,488                       | 7,690                         | -                  | 7,690                            | 372,178               |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 667                           | 57                            | -                  | 57                               | 724                   |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | -                             | 221                           | -                  | 221                              | 221                   |  |                            |  |  |
| -                           | 54                                      | -                                | 667                        | -                        | 2,909                         | 8,758                         | -                  | 8,758                            | 11,667                |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 400                           | -                             | -                  | -                                | 400                   |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 30                            | 2,110                         | 421                | 2,531                            | 2,561                 |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 16,897                        | -                             | -                  | -                                | 16,897                |  |                            |  |  |
| -                           | -                                       | -                                | 291                        | -                        | 1,325                         | 15,729                        | 38                 | 15,767                           | 17,092                |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 3,057                         | 17,765                        | -                  | 17,765                           | 20,822                |  |                            |  |  |
| 402                         | 447                                     | 7                                | 127,009                    | 534                      | 429,343                       | 9,060                         | 741                | 9,801                            | 439,144               |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | 237                           | 2,214                         | -                  | 2,214                            | 2,451                 |  |                            |  |  |
| -                           | -                                       | -                                | -                          | -                        | -                             | 21,283                        | -                  | 21,283                           | 21,283                |  |                            |  |  |
| <u>\$ 37,048</u>            | <u>\$ 15,568</u>                        | <u>\$ 3,661</u>                  | <u>\$ 314,438</u>          | <u>\$ 31,674</u>         | <u>\$ 2,003,944</u>           | <u>\$ 261,921</u>             | <u>\$ 38,988</u>   | <u>\$ 300,909</u>                | <u>\$ 2,304,853</u>   |  |                            |  |  |

**GLOBAL INTEGRITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

|  | <u>2013</u>              | <u>2012</u>              |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                          |
| Change in net assets   | \$ (968,955)             | \$ 737,304               |
| Adjustments to reconcile in net assets to net cash<br>(used) provided by operating activities: |                          |                          |
| Depreciation and amortization  | 19,431                   | 11,096                   |
| (Gain) loss on disposal of furniture and equipment   | (535)                    | 116                      |
| (Increase) decrease in:  |                          |                          |
| Accounts receivable  | 34,830                   | (20,156)                 |
| Note receivable  | (95,190)                 | -                        |
| Grants receivable  | 942,311                  | (794,131)                |
| Prepaid expenses   | 11,086                   | (23,958)                 |
| Security deposit   | (66,012)                 | (13,582)                 |
| Increase (decrease) in:  |                          |                          |
| Accounts payable and accrued liabilities   | (63,360)                 | 74,283                   |
| Deferred revenue   | 5,685                    | -                        |
| Deferred rent  | <u>(35,123)</u>          | <u>40,071</u>            |
| Net cash (used) provided by operating activities   | <u>(215,832)</u>         | <u>11,043</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                          |
| Purchase of furniture and equipment  | (2,651)                  | (52,021)                 |
| Proceeds from sale of furniture and equipment  | <u>1,983</u>             | <u>975</u>               |
| Net cash used by investing activities  | <u>(668)</u>             | <u>(51,046)</u>          |
| Net decrease in cash and cash equivalents  | (216,500)                | (40,003)                 |
| Cash and cash equivalents at beginning of year   | <u>655,832</u>           | <u>695,835</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 439,332</u></b> | <b><u>\$ 655,832</u></b> |
| <b>SUPPLEMENTAL INFORMATION:</b>   |                          |                          |
| Interest Paid  | <b><u>\$ 3,583</u></b>   | <b><u>\$ -</u></b>       |

**GLOBAL INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Global Integrity maintains cash balances in excess of the FDIC limits. Management believes the risk in these situations to be minimal.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for Global Integrity operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction.

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 an 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. Leasehold improvements are amortized over the remaining life of the lease. 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, 2013 AND 2012

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

##### Uncertain tax positions -

For the years ended December 31, 2013 and 2012, Global Integrity has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### 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. Temporarily restricted 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. Temporarily restricted 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, 2013 AND 2012

#### 2. NOTE RECEIVABLE

On September 4, 2013, Global Integrity entered into a promissory note receivable with another organization for \$95,190. This note bears no interest and monthly payments of \$15,865 are due to Global Integrity beginning April 30, 2014.

#### 3. GRANTS RECEIVABLE

All grants receivable are considered to be collectible within one year, unless otherwise stated by the donor. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Grants are due as follows at December 31, 2013:

|  |                            |
|--|----------------------------|
| Less than one year                                   | \$ 1,512,990               |
| One to five years                                    | <u>1,705,000</u>           |
| Total  | 3,217,990                  |
| Less: Allowance to discount balance to present value | <u>(68,302)</u>            |
| <b>GRANTS RECEIVABLE, NET</b>                        | <b><u>\$ 3,149,688</u></b> |

#### 4. LINE OF CREDIT

During 2011, Global Integrity opened a line of credit (LOC) with Square 1 Bank that expires on July 1, 2014. The maximum amount that may be borrowed against the LOC is the lesser of \$100,000, or an amount equal to 80% of eligible accounts as determined by the bank. Borrowings against the LOC bear interest at a variable annual rate equal to the greater of 2.25% above the prime rate then in effect or 6%. As of December 31, 2013 and 2012, there were no outstanding balances on the LOC.

Terms of the agreement require Global Integrity to maintain an open funded deposit account, held with Square 1, not less than \$50,000 and other loan covenants. As of the date of this report, Global Integrity was in compliance with these requirements.

#### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013 and 2012:

|   | <u>2013</u>                | <u>2012</u>                |
|---|----------------------------|----------------------------|
| Global Integrity Report                 | \$ 43,750                  | \$ 43,750                  |
| Political Finance Transparency          | 587,288                    | -                          |
| South Africa Conference                 | -                          | 8,545                      |
| Open Government Partnership             | 203,611                    | 254,934                    |
| Indaba                                  | 152,041                    | 244,850                    |
| CPI/GI/Public Radio                     | -                          | 69,047                     |
| Mo Ibrahim Foundation                   | 1,479,844                  | 1,986,706                  |
| Time Restricted (Future Year's Support) | <u>1,341,344</u>           | <u>2,587,077</u>           |
|   | <b><u>\$ 3,807,878</u></b> | <b><u>\$ 5,194,909</u></b> |

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

#### 6. 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:

|                             | <u>2013</u>         | <u>2012</u>         |
|-----------------------------|---------------------|---------------------|
| Global Integrity Report     | \$ -                | \$ 217,754          |
| South Africa Conference     | 8,545               | 9,455               |
| Innovation Fund             | -                   | 17,765              |
| Open Government Partnership | 131,323             | 2,246               |
| Mexico Sub-National         | -                   | 314,438             |
| CPI/GI/Public Radio         | 69,047              | 337,915             |
| Mo Ibrahim Foundation       | 550,777             | 331,367             |
| CIPE                        | -                   | 3,636               |
| Indaba                      | 188,709             | 31,250              |
| Passage of Time             | <u>1,183,334</u>    | <u>1,378,999</u>    |
|                             | <u>\$ 2,131,735</u> | <u>\$ 2,644,825</u> |

#### 7. 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. The lease ended in 2013.

During 2012, Global Integrity entered into an operating lease agreement for office space. The lease term is 19-months, commencing on September 1, 2012. Global Integrity is responsible for its proportionate share of operating costs and real estate taxes.

Subsequent to year-end, Global Integrity entered into an operating lease agreement for office space. The lease term is for a period of ten years, commencing on April 1, 2014. The lease is shared with another organization and Global Integrity is responsible for 50% of the rent and its proportionate share of operating costs and real estate taxes. Payments under the lease begin January 1, 2015.

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.

During 2011, Global Integrity entered into a lease agreement in South Africa for its foreign operations through June 30, 2012. Monthly rent expense is included in the Statements of Activities and Changes in Net Assets and in the schedule of future minimum lease payments.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

#### 7. LEASE COMMITMENT (Continued)

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

| <u>Year Ending December 31,</u> |                            |
|---------------------------------|----------------------------|
| 2014                            | \$ 41,766                  |
| 2015                            | 355,805                    |
| 2016                            | 405,824                    |
| 2017                            | 415,983                    |
| 2018                            | 426,396                    |
| Thereafter                      | <u>2,619,303</u>           |
|                                 | <b><u>\$ 4,265,077</u></b> |

Total occupancy expense for the years ended December 31, 2013 and 2012 was \$147,791 and \$118,768, respectively. The deferred rent liability for the years ended December 31, 2013 and 2012 totaled \$9,222 and \$44,345, respectively.

During 2012 and 2013, Global Integrity entered into several agreements to sublease portions of its office space. For the year ended December 31, 2013, Global Integrity received \$187,863 of rental income, which is included in other revenue in the accompanying Statements of Activities and Changes in Net Assets.

#### 8. RETIREMENT PLAN

Global Integrity has adopted a defined contribution plan, effective January 1, 2010, covering all full-time employees with a minimum age requirement of 18 years. For full-time employees, meeting one year of eligible experience or 1,000 hours, Global Integrity contributes 3.5% of gross wages. Contributions to the plan during the years ended December 31, 2013 and 2012 totaled \$19,656 and \$26,806, respectively.

#### 9. CONCENTRATION OF REVENUE

Approximately 41% and 68% of Global Integrity's revenue for the years ended December 31, 2013 and 2012, respectively, was derived from several grants awarded by three private foundations and foreign governments. Global Integrity has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Global Integrity's ability to finance ongoing operations.

#### 10. FOREIGN OPERATIONS

Global Integrity opened a field office in South Africa in 2011. The program, Global Integrity Trust, is being funded by the Mo Ibrahim Foundation. During the year, Global Integrity wired funds to South Africa for general expenses. Amounts that were not expended as of year-end are recorded in Global Integrity's accounts receivable as an advance as of December 31, 2013 and 2012 in the amount of \$10,963 and \$36,800, respectively.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

#### 11. PRIOR PERIOD ADJUSTMENT

During 2013, Global Integrity management clarified items previously reported as temporarily restricted net assets. As a result, temporarily restricted net assets were overstated and unrestricted net assets were understated by \$842,563. Accordingly, the net assets as of December 31, 2012 have been restated as follows:

|   | <u>Net Assets<br/>Released<br/>from Donor<br/>Restrictions</u> | <u>Unrestricted<br/>Net Assets</u> | <u>Temporarily<br/>Restricted<br/>Net Assets</u> |
|---|--|------------------------------------|--|
| December 31, 2012 Balance, as Previously Stated | \$ <u>1,802,262</u>  | \$ <u>(1,430,927)</u>              | \$ <u>6,037,472</u>                              |
| December 31, 2012 Balance, as Restated          | \$ <u>2,644,825</u>  | \$ <u>(588,364)</u>                | \$ <u>5,194,909</u>                              |

#### 12. RETURN OF FUNDS

During 2013, Global Integrity returned funds of \$100,000 related to a grant. It was reasonably determined by the Grantor that the organization had not achieved certain metrics during the grant period. Accordingly, the return of funds has been reflected in the financial statements.

#### 13. SUBSEQUENT EVENTS

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through June 25, 2014, the date the financial statements were issued.