

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

GLOBAL INTEGRITY

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2015 and 2014, 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, 2015 and 2014, 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.

June 28, 2016

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GLOBAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 661,140	\$ 533,383
Accounts receivable	15,953	14,297
Grants receivable	1,293,500	1,962,519
Prepaid expenses	<u>88,222</u>	<u>69,068</u>
Total current assets	<u>2,058,815</u>	<u>2,579,267</u>
FIXED ASSETS		
Equipment	845	845
Furniture	147,568	129,391
Computer equipment	46,910	49,500
Leasehold improvements	<u>32,039</u>	<u>23,285</u>
	227,362	203,021
Less: Accumulated depreciation and amortization	<u>(74,429)</u>	<u>(63,646)</u>
Net fixed assets	<u>152,933</u>	<u>139,375</u>
OTHER ASSETS		
Security deposit	71,000	71,000
Grants receivable, net of current portion	<u>145,125</u>	<u>1,089,858</u>
Total other assets	<u>216,125</u>	<u>1,160,858</u>
TOTAL ASSETS	<u>\$ 2,427,873</u>	<u>\$ 3,879,500</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Capital lease payable	\$ -	\$ 37,243
Accounts payable and accrued liabilities	49,413	251,060
Deferred revenue	48,057	43,841
Sublease security deposit	<u>6,500</u>	<u>6,500</u>
Total current liabilities	<u>103,970</u>	<u>338,644</u>
NONCURRENT LIABILITIES		
Deferred rent	<u>359,433</u>	<u>306,531</u>
Total liabilities	<u>463,403</u>	<u>645,175</u>
NET ASSETS		
Unrestricted	556,017	50,719
Temporarily restricted	<u>1,408,453</u>	<u>3,183,606</u>
Total net assets	<u>1,964,470</u>	<u>3,234,325</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,427,873</u>	<u>\$ 3,879,500</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ 270,000	\$ 477,767	\$ 747,767
Interest income	92	-	92
Other revenue	578,335	-	578,335
Net assets released from donor restrictions	<u>2,252,920</u>	<u>(2,252,920)</u>	<u>-</u>
Total support and revenue	<u>3,101,347</u>	<u>(1,775,153)</u>	<u>1,326,194</u>
EXPENSES			
Program Services:			
Africa Integrity Indicators	493,269	-	493,269
Political Finance Transparency	97,109	-	97,109
Indaba	153,155	-	153,155
Open Government Partnership	101,741	-	101,741
State Integrity Investigation	332,563	-	332,563
Global Integrity Report	-	-	-
Governance Data Alliance	1,948	-	1,948
UNDP User's Guide	6,390	-	6,390
Hewlett Videoconferencing	4,880	-	4,880
Follow the Money - Mexico	93,000	-	93,000
Opening Government T/AI	<u>188,943</u>	<u>-</u>	<u>188,943</u>
Total program services	<u>1,472,998</u>	<u>-</u>	<u>1,472,998</u>
Supporting Services:			
Management and General	1,033,580	-	1,033,580
Fundraising	<u>89,471</u>	<u>-</u>	<u>89,471</u>
Total supporting services	<u>1,123,051</u>	<u>-</u>	<u>1,123,051</u>
Total expenses	<u>2,596,049</u>	<u>-</u>	<u>2,596,049</u>
Changes in net assets before other item	505,298	(1,775,153)	(1,269,855)
OTHER ITEM			
Return of funds	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	505,298	(1,775,153)	(1,269,855)
Net assets at beginning of year	<u>50,719</u>	<u>3,183,606</u>	<u>3,234,325</u>
NET ASSETS AT END OF YEAR	<u>\$ 556,017</u>	<u>\$ 1,408,453</u>	<u>\$ 1,964,470</u>

2014		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 2,236,328	\$ 2,236,328
-	-	-
471,017	-	471,017
<u>2,790,600</u>	<u>(2,790,600)</u>	<u>-</u>
<u>3,261,617</u>	<u>(554,272)</u>	<u>2,707,345</u>
580,778	-	580,778
572,502	-	572,502
567,019	-	567,019
165,100	-	165,100
121,298	-	121,298
94,126	-	94,126
42,598	-	42,598
24,538	-	24,538
8,545	-	8,545
2,655	-	2,655
<u>2,020</u>	<u>-</u>	<u>2,020</u>
<u>2,181,179</u>	<u>-</u>	<u>2,181,179</u>
750,299	-	750,299
<u>109,132</u>	<u>-</u>	<u>109,132</u>
<u>859,431</u>	<u>-</u>	<u>859,431</u>
<u>3,040,610</u>	<u>-</u>	<u>3,040,610</u>
221,007	(554,272)	(333,265)
<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>
221,007	(624,272)	(403,265)
<u>(170,288)</u>	<u>3,807,878</u>	<u>3,637,590</u>
<u>\$ 50,719</u>	<u>\$ 3,183,606</u>	<u>\$ 3,234,325</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services				
	Africa Integrity Indicators	Political Finance Transparency	Indaba	Open Government Partnership	State Integrity Investigation
Salaries and related benefits	\$ 215,362	\$ 30,092	\$ 85,033	\$ 83,600	\$ 123,306
Printing and production	-	-	-	-	-
Utilities and other facilities expense	-	-	-	-	-
Professional fees	13,665	14	16,572	48	553
Occupancy	24,827	3,291	7,449	6,796	24,985
Accounting	18,542	2,411	6,685	5,297	19,319
Insurance	3,127	378	950	779	3,063
Depreciation and amortization	4,927	645	1,454	1,307	4,779
Travel	4,455	1,088	79	-	115
Local experts and contractors	184,244	56,986	-	-	141,286
Postage and delivery	33	5	11	7	28
Repairs and maintenance	-	-	-	-	-
Supplies	804	139	435	279	1,085
Meetings and conventions	614	125	177	-	276
Advertising and promotion	139	-	-	-	-
Bank and other fees	4,913	891	1,652	1,605	5,658
Interest expense	34	8	11	17	75
Equipment	658	26	9	41	55
Grants	-	-	-	-	-
Database/telecommunications	16,909	1,009	32,577	1,963	7,769
Other	16	1	61	2	211
TOTAL	\$ 493,269	\$ 97,109	\$ 153,155	\$ 101,741	\$ 332,563

See accompanying notes to financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Program Services (Continued)						
	Governance Data Alliance	UNDP User's Guide	Hewlett Videoconferencing	Follow the Money - Mexico	Opening Government T/AI	Total Program Services
Salaries and related benefits	\$ 1,432	\$ 2,762	\$ -	\$ 39,891	\$ 38,586	\$ 620,064
Printing and production	-	-	-	-	-	-
Utilities and other facilities expense	-	-	-	-	-	-
Professional fees	3	6	-	72	63	30,996
Occupancy	203	409	-	4,822	4,532	77,314
Accounting	72	175	-	2,556	2,297	57,354
Insurance	26	32	-	588	578	9,521
Depreciation and amortization	39	78	4,880	922	861	19,892
Travel	-	2,162	-	7,112	32,070	47,081
Local experts and contractors	-	500	-	-	10,389	393,405
Postage and delivery	-	-	-	7	9	100
Repairs and maintenance	-	-	-	-	-	-
Supplies	1	3	-	91	137	2,974
Meetings and conventions	58	-	-	58	872	2,180
Advertising and promotion	-	-	-	-	-	139
Bank and other fees	18	53	-	721	691	16,202
Interest expense	-	-	-	6	4	155
Equipment	3	21	-	47	36	896
Grants	-	-	-	34,200	96,000	130,200
Database/telecommunications	93	189	-	1,903	1,810	64,222
Other	-	-	-	4	8	303
TOTAL	\$ 1,948	\$ 6,390	\$ 4,880	\$ 93,000	\$ 188,943	\$ 1,472,998

See accompanying notes to financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Supporting Services</u>			
	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 416,739	\$ 54,438	\$ 471,177	\$ 1,091,241
Printing and production	5,585	-	5,585	5,585
Utilities and other facilities expense	12,363	-	12,363	12,363
Professional fees	42,952	18,103	61,055	92,051
Occupancy	346,017	6,073	352,090	429,404
Accounting	31,051	3,875	34,926	92,280
Insurance	6,492	754	7,246	16,767
Depreciation and amortization	9,747	1,159	10,906	30,798
Travel	5,472	98	5,570	52,651
Local experts and contractors	12,397	1,200	13,597	407,002
Postage and delivery	148	9	157	257
Repairs and maintenance	750	-	750	750
Supplies	21,667	202	21,869	24,843
Meetings and conventions	4,409	270	4,679	6,859
Advertising and promotion	1,150	-	1,150	1,289
Bank and other fees	13,306	1,114	14,420	30,622
Interest expense	3,796	11	3,807	3,962
Equipment	6,691	39	6,730	7,626
Grants	-	-	-	130,200
Database/telecommunications	77,375	2,121	79,496	143,718
Other	15,473	5	15,478	15,781
TOTAL	\$ 1,033,580	\$ 89,471	\$ 1,123,051	\$ 2,596,049

See accompanying notes to financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services					
	Africa Integrity Indicators	Political Finance Transparency	Indaba	Open Government Partnership	State Integrity Investigation	Global Integrity Report
Salaries and related benefits	\$ 211,195	\$ 83,823	\$ 271,140	\$ 112,174	\$ 24,647	\$ 52,893
Printing and production	-	-	700	-	-	-
Utilities and other facilities expense	-	-	-	-	-	-
Professional fees	76,569	12,064	656	3,551	-	500
Occupancy	59,271	31,477	82,211	34,471	8,403	18,238
Accounting	14,330	5,057	7,229	5,508	1,349	2,465
Insurance	2,206	1,040	4,336	1,357	147	740
Depreciation and amortization	5,316	3,588	7,495	3,499	1,122	1,589
Travel	13,501	3,923	8,170	1,196	1,058	45
Local experts and contractors	179,419	24,909	-	-	18,642	16,070
Postage and delivery	26	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-
Supplies	332	-	267	-	-	-
Meetings and conventions	-	-	-	-	-	-
Advertising and promotion	1,505	-	308	-	-	-
Bank and other fees	3,067	1,766	4,453	1,758	422	1,131
Interest expense	373	208	422	176	92	21
Equipment	1,113	-	-	-	-	-
Grants	-	402,815	-	-	64,600	-
Database/telecommunications	8,747	1,832	179,253	1,410	816	434
Other	3,808	-	379	-	-	-
TOTAL	\$ 580,778	\$ 572,502	\$ 567,019	\$ 165,100	\$ 121,298	\$ 94,126

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services (Continued)					
	Governance Data Alliance	UNDP User's Guide	Hewlett Videoconferencing	Follow the Money - Mexico	Opening Government T/AI	Total Program Services
Salaries and related benefits	\$ -	\$ 4,053	\$ -	\$ 1,903	\$ 1,455	\$ 763,283
Printing and production	-	-	-	-	-	700
Utilities and other facilities expense	-	-	-	-	-	-
Professional fees	22,362	19,200	-	-	-	134,902
Occupancy	-	874	-	427	367	235,739
Accounting	-	152	-	70	48	36,208
Insurance	-	26	-	3	5	9,860
Depreciation and amortization	-	124	3,253	140	69	26,195
Travel	16,236	-	-	-	-	44,129
Local experts and contractors	-	-	-	-	-	239,040
Postage and delivery	-	-	-	-	-	26
Repairs and maintenance	-	-	-	-	-	-
Supplies	-	-	-	-	-	599
Meetings and conventions	-	-	-	-	-	-
Advertising and promotion	-	-	-	-	-	1,813
Bank and other fees	-	49	-	52	28	12,726
Interest expense	-	6	-	3	4	1,305
Equipment	-	-	5,292	-	-	6,405
Grants	-	-	-	-	-	467,415
Database/telecommunications	4,000	54	-	57	44	196,647
Other	-	-	-	-	-	4,187
TOTAL	\$ 42,598	\$ 24,538	\$ 8,545	\$ 2,655	\$ 2,020	\$ 2,181,179

See accompanying notes to financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Supporting Services</u>			
	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries and related benefits	\$ 340,427	\$ 68,929	\$ 409,356	\$ 1,172,639
Printing and production	1,808	34	1,842	2,542
Utilities and other facilities expense	31,439	-	31,439	31,439
Professional fees	66,826	1,776	68,602	203,504
Occupancy	99,252	15,692	114,944	350,683
Accounting	25,246	5,571	30,817	67,025
Insurance	6,858	392	7,250	17,110
Depreciation and amortization	119	1,183	1,302	27,497
Travel	40,540	10,918	51,458	95,587
Local experts and contractors	-	-	-	239,040
Postage and delivery	365	-	365	391
Repairs and maintenance	532	-	532	532
Supplies	22,788	-	22,788	23,387
Meetings and conventions	-	2,409	2,409	2,409
Advertising and promotion	-	-	-	1,813
Bank and other fees	4,734	502	5,236	17,962
Interest expense	2,424	69	2,493	3,798
Equipment	12,897	939	13,836	20,241
Grants	-	-	-	467,415
Database/telecommunications	83,181	705	83,886	280,533
Other	10,863	13	10,876	15,063
TOTAL	\$ 750,299	\$ 109,132	\$ 859,431	\$ 3,040,610

See accompanying notes to financial statements.

GLOBAL INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,269,855)	\$ (403,265)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,798	27,497
Loss on disposal of furniture and equipment	514	-
(Increase) decrease in:		
Accounts receivable	(1,656)	(1,671)
Note receivable	-	95,190
Grants receivable	1,613,752	97,311
Prepaid expenses	(19,154)	(36,358)
Security deposit	-	13,582
Increase (decrease) in:		
Accounts payable and accrued liabilities	(201,647)	55,885
Deferred revenue	4,216	38,156
Deferred rent	52,902	297,309
Sublease security deposit	-	6,500
Net cash provided by operating activities	<u>209,870</u>	<u>190,136</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(26,692)</u>	<u>(58,082)</u>
Net cash used by investing activities	<u>(26,692)</u>	<u>(58,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	<u>(55,421)</u>	<u>(38,003)</u>
Net cash used by financing activities	<u>(55,421)</u>	<u>(38,003)</u>
Net increase in cash and cash equivalents	127,757	94,051
Cash and cash equivalents at beginning of year	<u>533,383</u>	<u>439,332</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 661,140</u>	<u>\$ 533,383</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 3,962</u>	<u>\$ 3,798</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Capital Lease Obligation Incurred for Use of Equipment	<u>\$ 18,178</u>	<u>\$ 101,204</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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 supports progress toward open and accountable governance in countries and communities around the world. As an independent information provider, facilitator, and advocate, Global Integrity supports progress toward more open governance through a combination of data and research, country-level engagement and global advocacy.

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. Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Combined Statements of Financial Position.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants revenue. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets are stated at cost. Fixed assets with an acquisition value of \$1,000 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, 2015 AND 2014

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

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, 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.

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.

Grants -

Unrestricted and temporarily restricted grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted 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 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. 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%.

GLOBAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. GRANTS RECEIVABLE (Continued)

Grants are due as follows at December 31, 2015 and 2014:

	2015	2014
Less than one year	\$ 1,293,500	\$ 1,962,519
One to five years	150,000	1,130,000
Total	1,443,500	3,092,519
Less: Allowance to discount balance to present value	(4,875)	(40,142)
GRANTS RECEIVABLE, NET	\$ 1,438,625	\$ 3,052,377

3. CAPITAL LEASE

During 2014, Global Integrity entered into a capital lease obligation for office furniture. The lease was shared with another organization and Global Integrity was responsible for 50% of the obligation. Global Integrity's proportionate share of payments in the amount of \$3,285 began April 2014 and ended December 2015. On January 8, 2015, Global Integrity entered into a second capital lease obligation for equipment. The lease was also shared with another organization and Global Integrity was responsible for 50% of the obligation. Global Integrity's proportionate share of payments in the amount of \$1,550 began January 2015 and ended September 2015. As of December 31, 2015, the cost and related accumulated amortization of Global Integrity's share of the leased assets were \$119,382 and \$306,531, respectively. Amortization of assets held under the capital lease is included with depreciation expense in the accompany Statements of Functional Expenses.

4. LINE OF CREDIT

During 2011, Global Integrity opened a line of credit (LOC) with Square 1 Bank that expires on December 31, 2016. 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, 2015 and 2014, 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, 2015 and 2014:

	2015	2014
Africa Integrity Indicators	\$ 445,838	\$ 919,514
Political Finance Transparency	-	22,500
Open Government Partnership	61,057	143,510
State Integrity Investigation	35,539	368,102
Governance Data Alliance	20,551	-
UNDP User's Guide	-	24,237
Hewlett Videoconferencing	15,769	20,649
Follow the Money - Mexico	26,999	-
Hewlett Organizational Effectiveness	31,871	-
Time Restricted (Future Year's Support)	770,829	1,685,094
	\$ 1,408,453	\$ 3,183,606

GLOBAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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:

	2015	2014
Africa Integrity Indicators	\$ 493,204	\$ 580,778
Political Finance Transparency	22,500	572,502
Indaba		150,789
Open Government Partnership	332,453	165,100
State Integrity Investigation	332,563	121,298
Global Integrity Report	-	43,750
Governance Data Alliance	1,949	35,800
UNDP User's Guide	24,237	24,538
Hewlett Videoconferencing	4,880	8,545
Follow the Money - Mexico	93,001	-
Hewlett Organizational Effectiveness	18,129	-
Passage of Time	930,004	1,087,500
	\$ 2,252,920	\$ 2,790,600

7. LEASE COMMITMENT

During 2014, 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. The lease includes nine months of abated rent. Payments under the lease began 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. During 2014, the lease converted to a month-to-month basis. Monthly rent expense for the year ended December 31, 2014 is included in the Statements of Activities and Changes in Net Assets.

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

<u>Year Ending December 31,</u>		
2016	\$	405,824
2017		415,983
2018		426,396
2019		441,688
2020		454,276
Thereafter		1,723,339
		\$ 3,867,506

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

7. LEASE COMMITMENT (Continued)

Total occupancy expense for the years ended December 31, 2015 and 2014 was \$429,404 and \$350,683, respectively. The deferred rent liability for the years ended December 31, 2015 and 2014 totaled \$359,433 and \$306,531, respectively.

During 2015 and 2014, Global Integrity entered into several agreements to sublease portions of its office space. For the years ended December 31, 2015 and 2014, Global Integrity received \$560,945 and \$392,616, respectively, 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, Global Integrity matches 100% of employee contributions up to 3%. Employee contributions over 3% are matched 50% by Global Integrity up to 5%. Contributions to the plan during the years ended December 31, 2015 and 2014 totaled \$44,518 and \$20,081, respectively.

9. CONCENTRATION OF REVENUE

Approximately 70% of Global Integrity's revenue for the year ended December 31, 2014, was derived from several grants awarded by two private foundations. During the year ended December 31, 2015, Global Integrity was able to secure funding from various donors and no longer has a concentration of revenue.

10. FOREIGN OPERATIONS

Global Integrity established a registered entity in South Africa in 2011. All activity from the South Africa entity is included in the accompanying financial statements. The program, Global Integrity Trust, is currently inactive but has remained open for future use. Global Integrity wired funds to South Africa in prior years 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, 2015 and 2014, the balance of the advance totaled \$2,206 and \$5,064, respectively.

11. RETURN OF FUNDS

During 2014, Global Integrity returned funds of \$70,000 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. Global Integrity did not have to return funds related to any of its grants during the year ended December 31, 2015.

12. SUBSEQUENT EVENTS

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through June 28, 2016, the date the financial statements were issued.