



GLOBAL INTEGRITY

Data, Learning & Action for Open Governance

Financial Statements and Supplementary Information

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)



**and
Report Thereon**



GLOBAL INTEGRITY

TABLE OF CONTENTS
For the Year Ended December 31, 2019

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7-16
Supplementary Information	
Schedule of Expenses for the Department for International Development Grant: Anti-Corruption Evidence (ACE) Programme.....	17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Global Integrity

Report on the Financial Statements

We have audited the accompanying financial statements of Global Integrity, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditors' 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.

Continued

- 1 -

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Global Integrity as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Global Integrity's 2018 financial statements, and in our report dated June 17, 2019, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses for the Department for International Development Grant: Anti-Corruption Evidence (ACE) Programme (supplementary information), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Marcum LLP

Washington, DC
June 29, 2020

GLOBAL INTEGRITY
STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,956,299	\$ 909,626
Accounts receivable	11,028	2,202
Grants receivable, net	3,442,849	7,748,811
Prepaid expenses	4,821	14,741
Property and equipment, net	619,666	764,302
Security deposit	47,332	47,332
	\$ 7,081,995	\$ 9,487,014
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 109,050	\$ 75,869
Deferred revenue	3,624	7,346
Grants payable	3,006,297	1,596,800
Deferred rent and lease incentives	1,170,843	1,359,443
Sublease security deposit	6,500	6,500
	4,296,314	3,045,958
TOTAL LIABILITIES		
Net Assets		
Without donor restrictions	47,573	33,467
With donor restrictions	2,738,108	6,407,589
	2,785,681	6,441,056
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 7,081,995	\$ 9,487,014

The accompanying notes are an integral part of these financial statements.

GLOBAL INTEGRITY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING REVENUE AND SUPPORT				
Program revenue – OpenGov Hub	\$ 1,188,999	\$ -	\$ 1,188,999	\$ 1,221,829
Grants and contracts	83,768	1,906,430	1,990,198	8,266,048
Other revenue	28,601	-	28,601	17,593
Interest income	6,060	-	6,060	3,156
Net assets released from restrictions:				
Satisfaction of program restrictions	5,119,583	(5,119,583)	-	-
Satisfaction of time restrictions	600,000	(600,000)	-	-
	7,027,011	(3,813,153)	3,213,858	9,508,626
EXPENSES				
Program Services:				
Integrity and anti-corruption	4,910,462	-	4,910,462	2,196,798
OpenGov Hub	1,262,482	-	1,262,482	1,212,739
Open fiscal governance	150,386	-	150,386	148,236
Multistakeholder government initiatives	222,062	-	222,062	117,618
Advocacy	30,867	-	30,867	70,588
	6,576,259	-	6,576,259	3,745,979
Supporting Services:				
Management and general	338,466	-	338,466	312,226
Fundraising	88,339	-	88,339	130,205
	426,805	-	426,805	442,431
	7,003,064	-	7,003,064	4,188,410
Change in Net Assets from Operations	23,947	(3,813,153)	(3,789,206)	5,320,216
Nonoperating Activities:				
Foreign currency gain (loss)	(9,841)	143,672	133,831	(35,673)
CHANGE IN NET ASSETS	14,106	(3,669,481)	(3,655,375)	5,284,543
NET ASSETS, BEGINNING OF YEAR	33,467	6,407,589	6,441,056	1,156,513
NET ASSETS, END OF YEAR	\$ 47,573	\$ 2,738,108	\$ 2,785,681	\$ 6,441,056

The accompanying notes are an integral part of these financial statements.

GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(with Summarized Financial Information for the Year Ended December 31, 2018)

	Program Services					Supporting Services				2019 Total	2018 Total
	Integrity and Anti-Corruption	OpenGov Hub	Open Fiscal Governance	Multistakeholder Government Initiatives	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Grants	\$ 4,071,951	\$ 14,700	\$ -	\$ 47,000	\$ -	\$ 4,133,651	\$ -	\$ -	\$ -	\$ 4,133,651	\$ 1,596,800
Salaries and related benefits	357,048	213,739	62,442	105,946	22,568	761,743	253,915	76,306	330,221	1,091,964	954,577
Occupancy, utilities and other facilities costs	50,097	705,424	8,200	11,207	3,098	778,026	20,750	4,746	25,496	803,522	817,288
Local experts and contractors	245,134	7,560	39,572	33,716	101	326,083	1,206	-	1,206	327,289	294,722
Depreciation and amortization	10,700	131,474	1,844	2,362	747	147,127	4,394	1,022	5,416	152,543	154,885
Professional fees	27,801	20,039	16,035	620	63	64,558	35,167	173	35,340	99,898	86,135
Travel	40,369	18,303	11,988	12,515	1,164	84,339	2,406	2,368	4,774	89,113	44,483
Meetings and conventions	62,947	11,810	3,673	839	171	79,440	1,059	177	1,236	80,676	20,111
Telecommunications	9,486	62,066	1,439	1,862	588	75,441	3,820	786	4,606	80,047	79,036
Supplies	2,066	35,522	439	562	735	39,324	1,427	222	1,649	40,973	34,958
Accounting	15,245	5,893	3,046	3,100	984	28,268	6,220	1,548	7,768	36,036	52,433
Equipment	-	22,958	-	-	-	22,958	-	-	-	22,958	21,415
Other	7,226	8,084	3	5	1	15,319	2,418	2	2,420	17,739	3,975
Insurance	5,935	2,747	1,023	1,328	408	11,441	2,463	570	3,033	14,474	15,304
Bank and other fees	4,405	2,124	677	977	237	8,420	3,144	415	3,559	11,979	12,064
Postage and delivery	52	39	5	23	2	121	27	4	31	152	18
Interest expense	-	-	-	-	-	-	50	-	50	50	206
TOTAL EXPENSES	\$ 4,910,462	\$ 1,262,482	\$ 150,386	\$ 222,062	\$ 30,867	\$ 6,576,259	\$ 338,466	\$ 88,339	\$ 426,805	\$ 7,003,064	\$ 4,188,410

The accompanying notes are an integral part of these financial statements.

GLOBAL INTEGRITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

(With Summarized Financial Information for the Year Ended December 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,655,375)	\$ 5,284,543
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	152,543	154,885
Discount on multiyear receivables	(8,916)	20,870
Changes in assets and liabilities:		
Accounts receivable	(8,826)	16,805
Grants receivable	4,314,878	(6,930,696)
Prepaid expenses	9,920	1,281
Accounts payable and accrued expenses	33,181	(13,982)
Deferred revenue	(3,722)	(40,936)
Grants payable	1,409,497	1,596,800
Deferred rent and lease incentives	(188,600)	(158,016)
	<u>2,054,580</u>	<u>(68,446)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,907)	(1,099)
	<u>(7,907)</u>	<u>(1,099)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,046,673	(69,545)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>909,626</u>	<u>979,171</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,956,299</u>	<u>\$ 909,626</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 50</u>	<u>\$ 206</u>

The accompanying notes are an integral part of these financial statements.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies

Organization

Global Integrity is a nonprofit 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.

Global Integrity established a registered entity in South Africa in 2011. The program, Global Integrity Trust, is currently inactive but has remained open for future use.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

Foreign Currency Transactions

The U.S. dollar is the functional currency for Global Integrity's operations. Transactions in currencies other than U.S. dollars are translated into U.S. 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 U.S. dollars at the exchange rate in effect at the date of the accompanying statement of financial position. During the year ended December 31, 2019, Global Integrity recognized a net gain of \$104,246 as a result of foreign currency fluctuations related to certain receivables and grants payable denominated in foreign currency and \$29,585 as a result of unrealized gains on cash equivalents held in a foreign currency.

Accounts and Grants Receivable

Global Integrity uses the allowance method to record potentially uncollectible accounts and grants receivable.

Property and Equipment and Related Depreciation and Amortization

Property and equipment with an acquisition value of \$1,000 or more are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

gain or loss is reflected in revenue and support or expenses in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Grant Expense Recognition

Unconditional grants are expensed in the year in which the unconditional grant commitment is made to the grantee. Grant amounts not paid in the year in which the grant commitments are made are recorded as grants payable in the accompanying statement of financial position. Conditional grants that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional grants for the year ended December 31, 2019.

Net Assets

The net assets of Global Integrity are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Global Integrity's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

Global Integrity recognizes all unconditional contributed support in the accounting period in which the unconditional commitment to give is made. Grants are considered increases in net assets without donor restrictions and available for general operations unless specifically restricted by the donor. Global Integrity reports grants of cash and other assets as increases in net assets with donor restrictions and support if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Revenue and support recognized on unconditional grants that have been committed to Global Integrity, but have not been received, are reflected as grants receivable in the accompanying statement of financial position. Contracts which represent services performed are recognized at the time the services are provided based on performance obligations established in the contracts. Conditional grants are not recognized until the conditions on which they depend have been met. There were no conditional grants for the year ended December 31, 2019.

Program revenue is related to administrative services provided to other third-party nonprofit organizations under Global Integrity's collaborative arrangement of the OpenGov Hub (OGH) with another nonprofit organization, Development Gateway (DG) (see Note 6). As part of this program, other mission-aligned third-party nonprofit organizations pay licensing fees for the

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

use of shared office space and event space, along with related services. Program revenue is recognized under these contracts over time as the customer receives the benefit from the services over time and there is an enforceable right to payment. Payments from third parties received in advance are deferred until earned, and are reflected in the accompanying statement of financial position as deferred revenue. Any fees for service revenue that is earned but not received is recorded in accounts receivable in the accompanying statement of financial position.

In accordance with accounting standards, collaborative arrangements in which Global Integrity is considered the principal organization, which is the case with the OGH arrangement, require Global Integrity to record and report costs incurred and revenue generated from transactions with parties that do not participate in the arrangement on a gross basis in the financial statements. Profit and loss sharing obligations to participants of these arrangements are reported as occupancy, utilities and other facilities costs in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributed to specific functional areas of Global Integrity are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas on the basis of estimates deemed by management to be equitable. Salaries and certain onsite contractors are allocated based on approved monthly timesheet reports. Employee benefits and other payroll related costs are allocated on the basis of the ratio of total salaries by program or supporting service area (wage-driven basis) and overhead expenses such as occupancy, depreciation and amortization, accounting, insurance, telecommunications, database, and supplies are allocated on the basis of ratio of total staffs hours by program or supporting service area ("time and effort").

Measure of Operations

The accompanying statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Global Integrity's ongoing services and grants received. Nonoperating activities are limited to exchange rate fluctuations.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In May 2014, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Global Integrity adopted ASU 2014-09 and related amendments on January 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact Global Integrity's results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, subject to other guidance, and determining whether a contribution is conditional. Global Integrity adopted ASU 2018-08 on January 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of revenue recognition for Global Integrity's grants.

2. Grants Receivable

Grants receivable consist of grants from foundations and non-U.S. governmental entities and were due as follows at December 31, 2019:

Less than one year	\$ 2,911,645
One to five years	<u>547,047</u>
Total Grants Receivable	3,458,692
Less: Discount to Present Value	<u>(15,843)</u>
Grants Receivable, Net	<u>\$ 3,442,849</u>

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%. All amounts are expected to be fully collected.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

3. Property and Equipment and Accumulated Depreciation and Amortization

Global Integrity's property and equipment consisted of the following as of December 31, 2019:

Leasehold improvements	\$ 1,320,007
Furniture and fixtures	147,568
Computer and office equipment	49,873
Software	<u>4,993</u>
Total Property and Equipment	1,522,441
Less: Accumulated Depreciation and Amortization	<u>(902,775)</u>
Property and Equipment, Net	<u>\$ 619,666</u>

Depreciation and amortization expense totaled \$152,543 for the year ended December 31, 2019.

4. Grants Payable

Grants payable consisted of amounts due to various international universities at December 31, 2019, and totaled \$3,006,297. All amounts were due within one year.

5. Net Assets With Donor Restrictions

Global Integrity's net assets with donor restrictions were available for the following future periods and purposes as of December 31, 2019:

Subject to expenditure for specified purpose:	
Integrity and anti-corruption – DFID Anti-Corruption Evidence	\$ 1,284,910
Accountability Gap Mapping	655,270
Multistakeholder government initiative – OSF Multi-project	350,000
Integrity and anti-corruption – Africa Integrity Indicators	117,435
Integrity and anti-corruption – Fighting Kleptocracy in Central Africa	37,432
Multistakeholder government initiatives – TAI Learning Collaborative	31,758
Multistakeholder government initiative – African Agricultural Transformation	<u>11,306</u>
Total Subject to Expenditure for Specified Purpose	<u>2,488,111</u>
Subject to passage of time:	
General support – time-restricted for 2020	<u>249,997</u>
Total Subject to Passage of Time	<u>249,997</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,738,108</u>

Continued

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

6. Collaborative Arrangement

In 2012, Global Integrity and DG established OGH, governed and supported by a memorandum of understanding (MOU) between the organizations. The purpose of OGH is to serve as a center for collaboration, learning and innovation on issues related to promoting open government reforms and to house the organizations that pursue these causes. Each organization using OGH reimburses Global Integrity for the use of the shared office and equipment, which is typically governed by one-year agreements.

Under the MOU, both parties share equally in the profits and losses of OGH, as well as the related financial obligations. The revenue and expenses of OGH are recorded in the statement of activities of Global Integrity in accordance with FASB Accounting Standards Codification *Topic 808, Collaborative Arrangements*. Operating revenue and expenses related to OGH for the year ended December 31, 2019, were \$1,188,999 and \$1,262,482, respectively, and are reported as OpenGov Hub revenue and expenses, respectively, in the accompanying statement of activities. Revenue and expenses related to OGH for the year ended December 31, 2019, for purposes of determining Global Integrity's share and DG's share of the operating results of OGH were \$1,190,993 and \$1,146,434, respectively, resulting in a net income of \$44,559. Revenue and expenses for the purposes of determining operating results were adjusted to reflect certain items of inclusion and exclusion identified and agreed upon between the organizations. For the year ended December 31, 2019, \$22,280 representing the other organization's 50% share of the net operating results of OGH was included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. In April 2018, Global Integrity and DG amended certain terms of the MOU, adopting a policy that provides for the forgiveness of a portion of each organization's share of OGH's operating results. The amendment to the MOU required that this forgiveness be evaluated quarterly and would consist of 60% of the increase in quarters in which OGH generated net income. During the year ended December 31, 2019, this resulted in a reduction of the share due to DG by \$16,627, which is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. As of December 31, 2019, the outstanding balance due to DG was \$35,869, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

7. Commitments and Risks

Operating Leases

Global Integrity and DG entered into a noncancelable lease agreement for office space that commenced on April 1, 2014, and expires in July 2024. Both organizations have joint and several liability for obligations under the lease agreement and, under a separate MOU, agreed to share the responsibilities of the operating lease agreement equally. The terms of the office space lease required maintenance of a letter of credit, in lieu of a security deposit, which is equivalent to three months of rent payments totaling \$194,315, and provided nine months of abated rent. The letter of credit amount required to be maintained would be further reduced on the second and fifth anniversaries of the lease agreement. Global Integrity paid \$71,000 to DG for its agreed share and contribution toward the cost of obtaining the letter of credit with a

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. Commitments and Risks (continued)

Operating Leases (continued)

financial institution which the other organization has in its name. During the year ended December 31, 2017, the required letter of credit amount was reduced to \$47,332. The terms of the lease included a construction allowance totaling \$1,267,276, which Global Integrity and the other organization used to build out the office space. The lease also contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year, with the exception of lease year six, when the increase is 3.9%.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

As of December 31, 2019, future minimum lease payments required under this operating lease, exclusive of pass-through operating expenses, were as follows:

<u>For the Year Ending December 31,</u>	<u>Global Integrity</u>	<u>Development Gateway</u>	<u>Total</u>
2020	\$ 454,276	\$ 454,276	\$ 908,552
2021	465,618	465,618	931,236
2022	477,277	477,277	954,554
2023	489,210	489,210	978,420
2024	<u>291,234</u>	<u>291,234</u>	<u>582,468</u>
Total	<u>\$ 2,177,615</u>	<u>\$ 2,177,615</u>	<u>\$ 4,355,230</u>

Rent expense totaled \$705,089 for the year ended December 31, 2019, and is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses.

In March 2020, Global Integrity and DG provided formal notice to the landlord of its existing office lease that they are exercising their option to terminate the lease agreement effective March 31, 2021. As a result of this Global Integrity and DG have to pay an early termination fee of \$1,071,522 which will be covered by their new landlord. In March 2020, Global Integrity and DG entered into a twelve year office lease agreement with a new landlord that commences on March 1, 2021. Both organizations have joint and several liability for obligations under this lease agreement. The lease provides for four months of rent abatement and a leasehold improvement allowance of approximately \$2.2 million and requires maintenance of a letter of credit, in lieu of a security deposit of \$272,323. The base rent is \$90,774 with annual escalation of 2.5%. In addition to base rent Global Integrity and DG, are required to pay a proportionate share of the building expenses.

Continued

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

7. Commitments and Risks (continued)

Concentration of Credit Risk

Global Integrity maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2019, Global Integrity had approximately \$436,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$186,000. Global Integrity monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Global Integrity also maintains a cash account in a foreign country for a specific grant to limit the impact of foreign currency fluctuations. As of December 31, 2019, Global Integrity had approximately \$1,564,000 held in British pounds, which is subject to valuation adjustments based on exchange rates in effect at any given time. This amount is not insured by the FDIC.

Concentration of Revenue

For the year ended December 31, 2019, Global Integrity received \$1,485,154 from three major grantors. The grants represented approximately 75% of the total grants and contracts revenue recognized by Global Integrity for the year ended December 31, 2019, and approximately 46% of Global Integrity's total revenue and support for the year ended December 31, 2019. As of December 31, 2019, Global Integrity was owed \$625,391 by the grantors and \$2,644,663 from a grantor where the promise to give was recorded in revenue and support in the prior year. These amounts represents approximately 95% of Global Integrity's grants receivable balance. If a significant reduction in funding from this grantor was to occur, it might adversely impact Global Integrity's financial position and ability to carry out its program activities.

8. Availability and Liquidity

Global Integrity's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2019, were as follows:

Cash and cash equivalents	\$ 2,956,299
Accounts receivable	11,028
Grants receivable	<u>3,442,849</u>
Total Financial Assets Available	6,410,176
Less amounts not available to be used within one year:	
Grants receivable due in one year or more	<u>(531,204)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 5,878,972</u>

Continued

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

8. Availability and Liquidity (continued)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Global Integrity considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2019, restricted contributions of \$2,206,904 were included in financial assets available to meet cash needs for general expenditures within one year.

Global Integrity's working capital and cash flows for program services arise from two main sources: grants and OGH licensing agreements. Cash available from grants varies during the year because of the requirements of Global Integrity's grant-based projects. Monthly licensing income from organizations maintaining desks at OGH is based on agreements with most having a one-year term, ending March 31 of each year. Monthly cash outflows associated with Global Integrity's grants vary on the basis of the specific requirements of each project. Global Integrity budgets for and reviews its regular monthly outflows for general Global Integrity and OGH operations.

To manage liquidity, Global Integrity reviews month-end cash balances and a 12-month look ahead on a rolling basis. In order to meet future needs, Global Integrity continually seeks additional grant funding by maintaining a pipeline of potential new project applications.

9. Retirement Plan

Global Integrity maintains a defined contribution pension plan covering substantially all full-time employees over the minimum age of 18 years. All contributions to the plan are fully vested. Global Integrity matches elective employee deferrals on a dollar-for-dollar basis up to 3% of compensation, and for deferrals over the 3% there is an additional 50% match up to 5% of compensation. Pension expense for the year ended December 31, 2019, totaled \$32,924.

10. Income Taxes

Global Integrity qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2019, as Global Integrity had no significant unrelated business income.

Global Integrity performed an evaluation of uncertainty in income taxes for the year ended December 31, 2019, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2019, tax years remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which Global Integrity files tax returns. There are currently no audits pending or in progress. It is Global Integrity's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2019, Global Integrity had no accruals for interest and/or penalties.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2019

11. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Global Integrity's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

12. Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 financial statements presentation.

13. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through June 29, 2020, the date the financial statements were available to be issued. Except as described in Note 7 and below, there were no subsequent events that were required to be disclosed.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. Global Integrity has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact Global Integrity's financial condition or results of operations is uncertain and being evaluated by management and the Board.

On April 16, 2020, Global Integrity's Small Business Administration loan application for the amount of \$212,367 was approved by a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. Commencing in November 2020, the loan will be paid in equal monthly installments through the maturity date. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which established minimum amounts of the loan to be used to cover payroll costs and the remainder can be used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; and the number of employees and compensation levels are maintained.

SUPPLEMENTARY INFORMATION

GLOBAL INTEGRITY

SCHEDULE OF EXPENSES FOR THE
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT GRANT:
ANTI-CORRUPTION EVIDENCE (ACE) PROGRAMME
For the Year Ended December 31, 2019

EXPENSES	
Grants	\$ 4,063,201
Personnel expenses	200,596
Meetings and conventions	46,228
Travel	39,807
Facility costs	21,876
Professional fees and contractors	12,055
Marketing	6,615
Accounting	5,003
Telecommunication and information technology	3,024
Insurance	2,130
Other	1,710
Supplies and materials	750
Foreign currency exchange gain	(17,262)
	<hr/>
TOTAL EXPENSES	\$ 4,385,733

See independent auditors' report on supplementary information.