



GLOBAL INTEGRITY

Data, Learning & Action for Open Governance

Financial Statements and Supplementary Information

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)



**and
Report Thereon**



GLOBAL INTEGRITY

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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, 2020, 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.

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of Global Integrity as of December 31, 2020, 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 2019 financial statements, and in our report dated June 29, 2020, 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, 2019, 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 Foreign, Commonwealth and Development Office Grant *formerly* 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
September 27, 2021

GLOBAL INTEGRITY

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Summarized Financial Information as of December 31, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,652,557	\$ 2,956,299
Accounts receivable	458,998	11,028
Grants receivable, net	3,361,133	3,442,849
Prepaid expenses	114,880	4,821
Property and equipment, net	111,144	619,666
Security deposit	136,161	47,332
	\$ 5,834,873	\$ 7,081,995
TOTAL ASSETS		
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 633,196	\$ 109,050
Deferred revenue	2,187	3,624
Grants payable	985,667	3,006,297
Deferred rent and lease incentives	764,082	1,170,843
Sublease security deposit	6,500	6,500
Notes payable	362,367	-
	2,753,999	4,296,314
TOTAL LIABILITIES		
Net Assets		
Without donor restrictions	(471,860)	47,573
With donor restrictions	3,552,734	2,738,108
	3,080,874	2,785,681
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 5,834,873	\$ 7,081,995

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

GLOBAL INTEGRITY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
OPERATING REVENUE AND SUPPORT				
Program revenue – OpenGov Hub	\$ 1,451,514	\$ -	\$ 1,451,514	\$ 1,188,999
Grants and contracts	109,018	2,414,651	2,523,669	1,990,198
Other revenue	21,496	-	21,496	28,601
Interest income	3,787	-	3,787	6,060
Net assets released from restrictions:				
Satisfaction of program restrictions	1,274,567	(1,274,567)	-	-
Satisfaction of time restrictions	<u>399,998</u>	<u>(399,998)</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUE AND SUPPORT	 <u>3,260,380</u>	 <u>740,086</u>	 <u>4,000,466</u>	 <u>3,213,858</u>
 EXPENSES				
Program Services:				
Integrity and anti-corruption	1,160,777	-	1,160,777	4,910,462
OpenGov Hub	2,017,842	-	2,017,842	1,262,482
Open fiscal governance	98,942	-	98,942	150,386
Multistakeholder government initiatives	36,785	-	36,785	222,062
Advocacy	<u>3,926</u>	<u>-</u>	<u>3,926</u>	<u>30,867</u>
 Total Program Services	 <u>3,318,272</u>	 <u>-</u>	 <u>3,318,272</u>	 <u>6,576,259</u>
Supporting Services:				
Management and general	322,436	-	322,436	338,466
Fundraising	<u>107,446</u>	<u>-</u>	<u>107,446</u>	<u>88,339</u>
 Total Supporting Services	 <u>429,882</u>	 <u>-</u>	 <u>429,882</u>	 <u>426,805</u>
 TOTAL EXPENSES	 <u>3,748,154</u>	 <u>-</u>	 <u>3,748,154</u>	 <u>7,003,064</u>
 Change in Net Assets from Operations	 (487,774)	 740,086	 252,312	 (3,789,206)
Nonoperating Activities:				
Foreign currency gain (loss)	<u>(31,659)</u>	<u>74,540</u>	<u>42,881</u>	<u>133,831</u>
 CHANGE IN NET ASSETS	 (519,433)	 814,626	 295,193	 (3,655,375)
 NET ASSETS, BEGINNING OF YEAR	 <u>47,573</u>	 <u>2,738,108</u>	 <u>2,785,681</u>	 <u>6,441,056</u>
 NET ASSETS, END OF YEAR	 <u>\$ (471,860)</u>	 <u>\$ 3,552,734</u>	 <u>\$ 3,080,874</u>	 <u>\$ 2,785,681</u>

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

GLOBAL INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020
(With Summarized Financial Information for the Year Ended December 31, 2019)

	Program Services					Supporting Services			2020 Total	2019 Total	
	Integrity and Anti-Corruption	OpenGov Hub	Open Fiscal Governance	Multistakeholder Government Initiatives	Monitoring and Evaluation	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries and related benefits	\$ 563,521	\$ 253,054	\$ 8,383	\$ 9,344	\$ 374	\$ 834,676	\$ 224,216	\$ 82,652	\$ 306,868	\$ 1,141,544	\$ 1,091,964
Occupancy, utilities and other facilities costs	63,533	696,885	3,438	2,313	324	766,493	19,609	5,913	25,522	792,015	803,522
Depreciation and amortization	11,300	475,200	630	403	60	487,593	26,928	1,040	27,968	515,561	152,543
Lease cancelation penalty	-	342,777	-	-	-	342,777	-	-	-	342,777	-
Local experts and contractors	293,519	11,092	72,445	17,787	2,508	397,351	6,510	7,000	13,510	410,861	327,289
Accounting	78,495	35,726	4,116	3,244	300	121,881	22,870	6,604	29,474	151,355	36,036
Grants	73,142	60,000	-	-	-	133,142	-	-	-	133,142	4,133,651
Telecommunications	10,775	53,498	533	331	51	65,188	2,802	826	3,628	68,816	80,047
Professional fees	21,688	26,642	8,013	467	-	56,810	4,536	603	5,139	61,949	99,898
Bank and other fees	16,575	6,908	829	549	237	25,098	7,090	1,662	8,752	33,850	11,979
Other	3,248	23,548	2	-	-	26,798	2,545	4	2,549	29,347	17,739
Insurance	10,983	4,820	483	370	65	16,721	3,780	1,032	4,812	21,533	14,474
Equipment	-	13,470	-	-	-	13,470	57	-	57	13,527	22,958
Supplies	266	12,139	12	13	-	12,430	169	28	197	12,627	40,973
Meetings and conventions	9,260	1,504	52	14	5	10,835	1,030	71	1,101	11,936	80,676
Travel	4,365	535	-	1,947	-	6,847	256	-	256	7,103	89,113
Interest expense	107	44	6	3	2	162	27	11	38	200	50
Postage and delivery	-	-	-	-	-	-	11	-	11	11	152
TOTAL EXPENSES	\$ 1,160,777	\$ 2,017,842	\$ 98,942	\$ 36,785	\$ 3,926	\$ 3,318,272	\$ 322,436	\$ 107,446	\$ 429,882	\$ 3,748,154	\$ 7,003,064

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

GLOBAL INTEGRITY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

(With Summarized Financial Information for the Year Ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 295,193	\$ (3,655,375)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	515,561	152,543
Discount on multiyear receivables	(11,587)	(8,916)
Changes in assets and liabilities:		
Accounts receivable	(447,970)	(8,826)
Grants receivable	93,303	4,314,878
Prepaid expenses	(110,059)	9,920
Accounts payable and accrued expenses	(11,615)	33,181
Deferred revenue	(1,437)	(3,722)
Grants payable	(2,020,630)	1,409,497
Deferred rent and lease incentives	129,000	(188,600)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(1,659,070)	2,054,580
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,039)	(7,907)
NET CASH USED IN INVESTING ACTIVITIES	(7,039)	(7,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	362,367	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	362,367	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,303,742)	2,046,673
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,956,299	909,626
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,652,557	\$ 2,956,299
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 200	\$ 50
SCHEDULE OF NONCASH OPERATING TRANSACTIONS		
Office space cancelation penalty paid by third party (new office space landlord)		
Accounts payable and accrued expenses	\$ 535,761	\$ -
Deferred rent and lease incentive	(535,761)	-
	\$ -	\$ -

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

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

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, 2020, Global Integrity recognized a net gain of \$74,541 as a result of foreign currency fluctuations related to certain receivables and grants payable denominated in foreign currency and a loss of \$31,660 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, 2020

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, 2020.

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, 2020.

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 7). 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, 2020

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 fee 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.

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

2. Grants Receivable

Grants receivable consist of grants from foundations and non-U.S. governmental entities and were due as follows at December 31, 2020:

Less than one year	\$ 2,639,779
One to five years	<u>748,784</u>
Total Grants Receivable	3,388,563
Less: Discount to Present Value	<u>(27,430)</u>
Grants Receivable, Net	<u>\$ 3,361,133</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.

3. Property and Equipment and Accumulated Depreciation and Amortization

Global Integrity's property and equipment consisted of the following as of December 31, 2020:

Leasehold improvements	\$ 1,320,007
Furniture and fixtures	147,568
Computer and office equipment	56,912
Software	<u>4,993</u>
Total Property and Equipment	1,529,480
Less: Accumulated Depreciation and Amortization	<u>(1,418,336)</u>
Property and Equipment, Net	<u>\$ 111,144</u>

Depreciation and amortization expense totaled \$515,561 for the year ended December 31, 2020. During the year ended December 31, 2020, Global Integrity changed the estimated useful life of the leasehold improvements related to its current office space. The additional amortization of the leasehold improvements due to this change in estimate is \$365,980 and is included in depreciation and amortization expense in the accompanying statement of functional expenses.

4. Grants Payable

Grants payable consist of amounts due to various international universities at December 31, 2020, and total \$985,667. All amounts are due within one year.

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

5. Notes Payable

Paycheck Payroll Protection Program Loan

On May 8, 2020, Global Integrity entered into a Small Business Administration (SBA) loan with its financial institution under the Paycheck Protection Program (PPP) for the amount of \$212,367. The loan will mature on May 8, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest will commence on one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the PPP, which established minimum amounts of the loan to be used to cover payroll costs and the remainder used for mortgage interest, rent and utility costs over a specified period of time after the loan is made; assuming the number of employees and compensation levels are maintained. Global Integrity believes it will meet these requirements for forgiveness at which point the forgiveness will be recognized as loan forgiveness in the financial statements. On July 6, 2021, Global Integrity received formal notification of the financial institution's and SBA's approval of its loan forgiveness application.

Small Business Administration

On November 19, 2020, Global Integrity entered into an Economic Injury Disaster Loan with the U.S. Small Business Administration (SBA) in the amount of \$150,000 for financial liquidity purposes after the onset of COVID-19. Monthly principal and interest payments of \$641 are due 12 months from the date of the promissory note and will be paid over 30 years. On March 16, 2021, the SBA announced an extended deferment period for all disaster loans and COVID-19 EIDL Program until 2022, resulting in an automatic additional 12 months deferment of principal and interest which for Global Integrity will be November 20, 2022, to fully amortize the loan 30 years from November 19, 2020. The loan bears a fixed interest rate of 2.75% per annum and is secured by Global Integrity's intangible and tangible assets as defined in the loan agreement.

6. 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, 2020:

Subject to expenditure for specified purpose:	
Integrity and anti-corruption – Africa Integrity Indicators	\$ 1,327,080
Integrity and anti-corruption – DFID Anti-Corruption Evidence	937,156
Accountability Gap Mapping	469,706
Multistakeholder government initiative – OSF Multi-project	191,649
Integrity and anti-corruption – Covid-19 Transparency & Accountability	142,957
Multistakeholder government initiatives – TAI Learning Collaborative	28,930
Integrity and anti-corruption – Fighting Kleptocracy in Central Africa	<u>5,256</u>
Total Subject to Expenditure for Specified Purpose	<u>\$ 3,102,734</u>

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

6. Net Assets With Donor Restrictions (continued)

(continued)

Subject to passage of time:

General support – time-restricted for 2021	<u>\$ 450,000</u>
Total Subject to Passage of Time	<u>450,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,552,734</u>

7. 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, 2020, were \$1,451,514 and \$2,017,842, respectively, and are reported as OpenGov Hub revenue and expenses in the accompanying statement of activities. Revenue and expenses related to OGH for the year ended December 31, 2020, for purposes of determining Global Integrity's share and DG's share of the operating results of OGH were \$1,142,084 and \$2,012,540 respectively, resulting in a net loss of \$870,456. 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, 2020, \$435,229 representing the other organization's 50% share of the net operating results of OGH was included in program revenue – OpenGov hub in the accompanying statement of activities. 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, 2020, this resulted in an increase of the share due from DG by \$9,479, which is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. As of December 31, 2020, the outstanding balance due from DG was \$408,840 which is included in accounts receivable in the accompanying statement of financial position.

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks

Operating Leases

Lease for Old Office Space

Global Integrity and DG entered into a noncancelable lease agreement for office space that commenced on April 1, 2014, with an expiration date 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 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 contained 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%.

In March 2020, Global Integrity and DG provided formal notice to the landlord of this lease exercising the option to terminate the lease agreement effective March 30, 2021 and pay an early termination fee of \$1,071,522. \$535,761 of this penalty was paid in March 2020 by the landlord for the new office space as a leasehold incentive and the remaining \$535,761 was paid in 2021 (\$235,761 by the new landlord and \$300,000 by Global Integrity and DG).

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, 2020, future minimum lease payments required under the 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>
2021	\$ 114,266	\$ 114,266	\$ 228,532

Rent expense related to this lease totaled \$705,593 for the year ended December 31, 2020, and is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses.

Lease for New Office Space

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

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NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks (continued)

Operating Leases (continued)

Lease for New Office Space (continued)

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.

The new landlord originally agreed to pay the termination fee for the old lease of \$1,071,522. However, on February 20, 2021, Global Integrity signed the first amendment to the lease agreement to defer a portion of total base rent, obtain additional abated rent and to repay \$300,000 of the lease termination fee paid by the landlord. The total value of the rent deferral is \$122,323 for base rent due for the months of July 1, 2021 through December 31, 2021 and will be paid over 24 months starting in January 1, 2022 through December 31, 2023. The Landlord also agreed to abate rent for a period of six months (July 1, 2021 through December 31, 2021) with a total value of \$422,323 which represents \$544,646 less the deferred rent value of \$122,323 referenced above.

As of December 31, 2020, future minimum lease payments required under the new office space 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>
2021	\$ 181,548	\$ 181,548	\$ 363,096
2022	588,843	588,843	1,177,686
2023	602,799	602,799	1,205,598
2024	586,524	586,524	1,173,048
2025	601,187	601,187	1,202,374
Thereafter	<u>4,650,854</u>	<u>4,650,854</u>	<u>9,301,708</u>
Total	<u>\$ 7,211,755</u>	<u>\$ 7,211,755</u>	<u>\$ 14,423,510</u>

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, 2020, Global Integrity had approximately \$377,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$127,000. 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, 2020, Global Integrity had approximately \$218,374 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.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

8. Commitments and Risks (continued)

Concentration of Revenue

For the year ended December 31, 2020, Global Integrity received \$2,442,081 from three major grantors. The grants represented approximately 97% of the total grants and contracts revenue recognized by Global Integrity for the year ended December 31, 2020, and approximately 61% of Global Integrity's total revenue and support for the year ended December 31, 2020. As of December 31, 2020, Global Integrity was owed \$1,721,355 by the grantors. These amounts represents approximately 51% of Global Integrity's grants receivable balance. In addition, one other donor owes Global Integrity \$1,321,390 as of December 31, 2020. If a significant reduction in funding from these grantors was to occur, it might adversely impact Global Integrity's financial position and ability to carry out its program activities.

Global Pandemic

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.

9. 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, 2020, were as follows:

Cash and cash equivalents	\$ 1,652,557
Accounts receivable	458,998
Grants receivable	<u>3,361,133</u>
Total Financial Assets Available	5,472,688
Less amounts not available to be used within one year:	
Grants receivable due in one year or more	<u>(721,354)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,751,334</u>

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, 2020, restricted contributions of \$2,831,380 were included in financial assets available to meet cash needs for general expenditures within one year.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

9. Availability and Liquidity (continued)

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.

10. 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, 2020, totaled \$29,556.

11. 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, 2020, 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, 2020, 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, 2020, 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, 2020, Global Integrity had no accruals for interest and/or penalties.

12. 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, 2019, from which the summarized information was derived.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2020

13. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through September 27, 2021, the date the financial statements were available to be issued. Except as described in Notes 5 regarding the loan forgiveness and 8 regarding the new office space lease, there were no subsequent events that were required to be disclosed.

SUPPLEMENTARY INFORMATION

GLOBAL INTEGRITY

SCHEDULE OF EXPENSES FOR THE

FOREIGN, COMMONWEALTH AND DEVELOPMENT OFFICE GRANT

***formerly* DEPARTMENT FOR INTERNATIONAL DEVELOPMENT GRANT:**

ANTI-CORRUPTION EVIDENCE (ACE) PROGRAMME

For the Year Ended December 31, 2020

EXPENSES		\$
Grants		58,243
Personnel expenses		277,184
Meetings and conventions		8,210
Travel		4,365
Facility costs		29,268
Professional fees and contractors		31,312
Marketing		3,248
Accounting		28,762
Telecommunication and information technology		3,644
Insurance		4,272
Other		7,500
Supplies and materials		67
Foreign currency exchange gain		(33,478)
		<hr/>
TOTAL EXPENSES		<u>\$ 422,597</u>

See independent auditors' report on supplementary information.