



**GLOBAL INTEGRITY**

Data, Learning & Action for Open Governance

## **Financial Statements and Supplementary Information**

*For the Year Ended December 31, 2021*

*(With Summarized Financial Information for the Year Ended December 31, 2020)*



**and  
Report Thereon**



**GLOBAL INTEGRITY**

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**For the Year Ended December 31, 2021**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
**Global Integrity**

### ***Opinion***

We have audited the financial statements of Global Integrity, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Global Integrity as of December 31, 2021, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Global Integrity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Integrity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Global Integrity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Integrity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***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.

**Other Matter**

***Report on Summarized Comparative Information***

We have previously audited Global Integrity's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited statements in our report dated September 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
February 6, 2023

GLOBAL INTEGRITY

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Summarized Financial Information as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,462,313	\$ 1,652,557
Accounts receivable	621,643	458,998
Grants receivable, net	2,931,460	3,361,133
Prepaid expenses	115,717	114,880
Property and equipment, net	2,102,771	111,144
Security deposit	<u>117,758</u>	<u>136,161</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,351,662</u>	<u>\$ 5,834,873</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 182,241	\$ 633,196
Deferred revenue	39,167	2,187
Grants payable	261,871	985,667
Deferred rent and lease incentives	3,744,367	764,082
Sublease security deposit	6,500	6,500
Notes payable	<u>354,995</u>	<u>362,367</u>
<b>TOTAL LIABILITIES</b>	<u>4,589,141</u>	<u>2,753,999</u>
<b>Net Assets</b>		
Without donor restrictions	(261,784)	(471,860)
With donor restrictions	<u>3,024,305</u>	<u>3,552,734</u>
<b>TOTAL NET ASSETS</b>	<u>2,762,521</u>	<u>3,080,874</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,351,662</u>	<u>\$ 5,834,873</u>

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

**GLOBAL INTEGRITY**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2021**

**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Program revenue – OpenGov Hub	\$ 1,084,215	\$ -	\$ 1,084,215	\$ 1,451,514
Grants and contracts	502,173	1,333,633	1,835,806	2,523,669
Forgiveness of debt - PPP loan	212,367	-	212,367	-
Other revenue	40,811	-	40,811	21,496
Interest income	-	-	-	3,787
Net assets released from restrictions:				
Satisfaction of program restrictions	1,623,339	(1,623,339)	-	-
Satisfaction of time restrictions	225,000	(225,000)	-	-
	<b>3,687,905</b>	<b>(514,706)</b>	<b>3,173,199</b>	<b>4,000,466</b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
Integrity and anti-corruption	1,493,367	-	1,493,367	1,160,777
OpenGov Hub	1,394,156	-	1,394,156	2,017,842
Monitoring and Evaluation	160,706	-	160,706	3,926
Multistakeholder government initiatives	78,213	-	78,213	36,785
Open fiscal governance	52,975	-	52,975	98,942
	<b>3,179,417</b>	<b>-</b>	<b>3,179,417</b>	<b>3,318,272</b>
<b>Supporting Services:</b>				
Management and general	235,008	-	235,008	322,436
Fundraising	66,435	-	66,435	107,446
	<b>301,443</b>	<b>-</b>	<b>301,443</b>	<b>429,882</b>
	<b>3,480,860</b>	<b>-</b>	<b>3,480,860</b>	<b>3,748,154</b>
Change in Net Assets from Operations	207,045	(514,706)	(307,661)	252,312
<b>Nonoperating Activities:</b>				
Foreign currency gain (loss)	3,031	(13,723)	(10,692)	42,881
<b>CHANGE IN NET ASSETS</b>	210,076	(528,429)	(318,353)	295,193
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>(471,860)</b>	<b>3,552,734</b>	<b>3,080,874</b>	<b>2,785,681</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ (261,784)</b>	<b>\$ 3,024,305</b>	<b>\$ 2,762,521</b>	<b>\$ 3,080,874</b>

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

**GLOBAL INTEGRITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2021**  
**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	Program Services					Supporting Services			2021 Total	2020 Total	
	Integrity and Anti-Corruption	OpenGov Hub	Monitoring and Evaluation	Multistakeholder Government Initiatives	Open Fiscal Governance	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries and related benefits	\$ 641,531	\$ 205,529	\$ 118,356	\$ 12,842	\$ 1,183	\$ 979,441	\$ 152,026	\$ 46,172	\$ 198,198	\$ 1,177,639	\$ 1,141,544
Occupancy, utilities and other facilities costs	72,120	793,475	8,612	1,773	990	876,970	10,566	2,997	13,563	890,533	792,015
Local experts and contractors	349,972	43,518	16,974	24,739	40,611	475,814	16,619	10,287	26,906	502,720	410,861
Grants	210,507	10,000	-	34,733	-	255,240	-	-	-	255,240	133,142
Depreciation and amortization	5,047	201,705	584	97	91	207,524	1,641	222	1,863	209,387	515,561
Accounting	95,091	18,339	11,062	2,026	1,484	128,002	18,654	4,502	23,156	151,158	151,355
Telecommunications	8,921	75,398	763	46	127	85,255	9,604	261	9,865	95,120	68,816
Professional fees	31,383	1,264	-	950	8,000	41,597	6,492	399	6,891	48,488	61,949
Bank and other fees	20,599	7,435	2,424	523	281	31,262	9,964	866	10,830	42,092	33,850
Insurance	16,919	6,450	1,923	484	205	25,981	2,545	722	3,267	29,248	21,533
Meetings and conventions	29,169	9	1	-	1	29,180	248	2	250	29,430	11,936
Other	219	11,767	-	-	-	11,986	5,269	-	5,269	17,255	29,347
Supplies	436	10,752	4	-	1	11,193	1,223	3	1,226	12,419	12,627
Travel	11,420	957	-	-	-	12,377	25	-	25	12,402	7,103
Equipment	-	7,484	-	-	-	7,484	-	-	-	7,484	13,527
Postage and delivery	33	74	3	-	1	111	132	2	134	245	11
Lease cancelation penalty	-	-	-	-	-	-	-	-	-	-	342,777
Interest expense	-	-	-	-	-	-	-	-	-	-	200
<b>TOTAL EXPENSES</b>	<b>\$ 1,493,367</b>	<b>\$ 1,394,156</b>	<b>\$ 160,706</b>	<b>\$ 78,213</b>	<b>\$ 52,975</b>	<b>\$ 3,179,417</b>	<b>\$ 235,008</b>	<b>\$ 66,435</b>	<b>\$ 301,443</b>	<b>\$ 3,480,860</b>	<b>\$ 3,748,154</b>

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



**GLOBAL INTEGRITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2021**

**(With Summarized Financial Information for the Year Ended December 31, 2020)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (318,353)	\$ 295,193
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	209,387	515,561
Discount on multiyear receivables	14,382	(11,587)
Loss on disposal property and equipment	73,923	-
Forgiveness of loan- PPP	(212,367)	-
Changes in assets and liabilities:		
Accounts receivable	(162,645)	(447,970)
Grants receivable	415,291	93,303
Prepaid expenses	(837)	(110,059)
Security deposit	18,403	(88,829)
Accounts payable and accrued expenses	(450,955)	(11,615)
Deferred revenue	36,980	(1,437)
Grants payable	(723,796)	(2,020,630)
Deferred rent and lease incentives	781,715	129,000
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(318,872)</b>	<b>(1,659,070)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(76,367)	(7,039)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(76,367)</b>	<b>(7,039)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	204,995	362,367
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>204,995</b>	<b>362,367</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(190,244)</b>	<b>(1,303,742)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,652,557</b>	<b>2,956,299</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,462,313</b>	<b>\$ 1,652,557</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ -	\$ 200
<b>SCHEDULE OF NONCASH OPERATING TRANSACTIONS</b>		
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)
	\$ -	\$ -
Investing activities		
Property and equipment – leasehold improvement	\$ 2,198,570	\$ -
Deferred rent and lease incentive	(2,198,570)	-
	\$ -	\$ -
Financing activities		
Forgiveness of debt – PPP loan	\$ 212,367	\$ -

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

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 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, 2021, Global Integrity recognized a net loss of \$13,723 as a result of foreign currency fluctuations related to certain receivables and grants payable denominated in a foreign currency and a gain of \$3,031 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,

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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

##### **Property and Equipment and Related Depreciation and Amortization (continued)**

and any 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, 2021.

##### **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, 2021.

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, 2021

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#### 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, Global Integrity is required 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 statement of functional expenses.

##### **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.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 2. Grants Receivable

Grants receivable consist of grants from foundations and non-U.S. governmental entities and were due as follows at December 31, 2021:

Less than one year	\$ 2,003,461
One to five years	<u>969,812</u>
Total Grants Receivable	2,793,273
Less: Discount to Present Value	<u>(41,813)</u>
Grants Receivable, Net	<u>\$ 2,931,460</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 3.25%. 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, 2021:

Leasehold improvements	\$ 2,258,940
Computer and office equipment	72,541
Furniture and fixtures	19,908
Software	<u>4,993</u>
Total Property and Equipment	2,356,382
Less: Accumulated Depreciation and Amortization	<u>(253,611)</u>
Property and Equipment, Net	<u>\$ 2,102,771</u>

Depreciation and amortization expense totaled \$209,387 for the year ended December 31, 2021.

#### 4. Grants payable

Grants payable consists of amounts due to various international universities at December 31, 2021, and totals \$261,871. All amounts are due within one year.

#### 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 was to mature on May 8, 2022, with a fixed interest rate of 1% per annum. Consecutive monthly payments of principal and interest were commenced one month

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

#### 5. Notes Payable (continued)

##### **Paycheck Payroll Protection Program Loan (continued)**

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 was 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 believed it would meet these requirements for forgiveness. On July 6, 2021, Global Integrity received formal notification of the financial institution's and SBA's approval of its loan forgiveness application.

On March 30, 2021, Global Integrity entered into a second SBA loan with its financial institution under the PPP for the amount of \$204,995. The loan will mature on March 30, 2026, with a fixed interest rate of 1% per annum and has similar terms to the first PPP loan. On August 10, 2022, Global Integrity received formal notification of the financial institution's and SBA's approval of its loan forgiveness application.

##### **Economic Injury Disaster Loan**

On November 19, 2020, Global Integrity entered into an Economic Injury Disaster Loan with the 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 loans under the 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. 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, 2021:

Subject to expenditure for specified purpose:	
Multistakeholder government initiative- OXFAM IBIS	\$ 1,119,731
Integrity and anti-corruption – Africa Integrity Indicators	835,554
Integrity and anti-corruption – DFID Anti-Corruption Evidence	384,042
Accountability Gap Mapping	259,179
Multistakeholder government initiative – OSF Building Bridges	142,351
Multistakeholder government initiatives – TAI Learning Collaborative	28,931
Integrity and anti-corruption – Covid-19 Transparency & Accountability	16,251
Multistakeholder government initiative – OSF Multi-project	8,010
Integrity and anti-corruption – Fighting Kleptocracy in Central Africa	<u>5,256</u>
Total Subject to Expenditure for Specified Purpose	<u>2,799,305</u>

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 6. Net Assets With Donor Restrictions (continued)

(continued)

Subject to passage of time:

General support – time-restricted for 2022	<u>\$ 225,000</u>
Total Subject to Passage of Time	<u>225,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,024,305</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, 2021, were \$1,084,215 and \$1,394,156, 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, 2021, for purposes of determining Global Integrity's share and DG's share of the operating results of OGH were \$990,809 and \$1,474,901 respectively, resulting in a net loss of \$484,092. 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, 2021, \$239,020 representing the other organization's 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, 2021, this resulted in a decrease of the share due from DG by \$52,527, which is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. As of December 31, 2021, the outstanding balance due from DG was \$595,332, which is included in accounts receivable in the accompanying statement of financial position.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 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. 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).

###### ***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 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 and DG signed the first amendment to the lease agreement to defer a portion of total base rent, obtain additional abated rent and Global Integrity and DG would 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.

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.



## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

#### 8. Commitments and Risks (continued)

##### **Operating Leases (continued)**

##### ***Lease for New Office Space (continued)***

As of December 31, 2021, 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>
2022	\$ 586,573	\$ 586,573	\$ 1,173,146
2023	600,473	600,473	1,200,946
2024	584,140	584,140	1,168,280
2025	598,743	598,743	1,197,486
2026	613,712	613,712	1,227,424
Thereafter	<u>4,137,338</u>	<u>4,137,338</u>	<u>8,274,676</u>
Total	<u>\$ 7,120,979</u>	<u>\$ 7,120,979</u>	<u>\$ 14,241,958</u>

Rent expense for the year ended December 31, 2021, was \$846,995 and is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses.

##### **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, 2021, Global Integrity had approximately \$427,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$177,000. 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, 2021, Global Integrity had approximately \$107,000 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, 2021, Global Integrity received \$1,739,218 from three major grantors. The grants represented approximately 95% of the total grants and contracts revenue recognized by Global Integrity for the year ended December 31, 2021, and approximately 54% of Global Integrity's total revenue and support for the year ended December 31, 2021. As of December 31, 2021, Global Integrity was owed \$1,120,520 by the grantors. These amounts represents approximately 38% of Global Integrity's grants receivable balance. In addition, two other existing donors owe Global Integrity \$1,770,511 as of December 31, 2021. 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 INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 8. Commitments and Risks (continued)

##### **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 monitored 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, 2021, were as follows:

Cash and cash equivalents	\$ 1,462,313
Accounts receivable	621,643
Grants receivable	<u>2,931,460</u>
Total Financial Assets Available	5,015,416
Less amounts not available to be used within one year:	
Grants receivable due in one year or more	<u>(927,999)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,087,417</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, 2021, restricted contributions of \$2,096,306 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. 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.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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#### 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, 2021, totaled \$26,476.

#### 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, 2021, 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, 2021, 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, 2021, 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, 2021, 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, 2020, from which the summarized information was derived.

#### 13. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions, for potential recognition or disclosure, through February 6, 2023, the date the financial statements were available to be issued. Except as described in Notes 5 regarding the PPP loan forgiveness, 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, 2021**

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EXPENSES		\$
Grants		5,000
Personnel expenses		314,755
Meetings and conventions		29,149
Travel		5,008
Facility costs		34,086
Professional fees and contractors		76,759
Marketing		-
Accounting		41,695
Telecommunication and information technology		4,345
Insurance		7,589
Other		9,137
Supplies and materials		411
Foreign currency exchange gain		13,468
		13,468
TOTAL EXPENSES		\$ 541,402

See independent auditors' report on supplementary information.