

Global Financial Integrity

Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

Global Financial Integrity

Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Global Financial Integrity

Opinion

We have audited the accompanying financial statements of Global Financial Integrity (GFI), which comprise the statement of financial position as of December 31, 2023; 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 financial statements referred to above present fairly, in all material respects, the financial position of GFI as of December 31, 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of GFI 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.

Other Matter

The financial statements of GFI as of December 31, 2022, were audited by other auditors whose report, dated June 22, 2023, expressed an unmodified opinion on those statements.

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.

Responsibilities of Management for the Financial Statements (continued)

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 GFI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 GFI'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 GFI's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
July 8, 2024

Global Financial Integrity

Statements of Financial Position December 31, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 551,450	\$ 765,752
Grants and contracts receivable	63,372	62,053
Prepaid expenses and other assets	23,118	23,345
Right-of-use asset – operating lease	-	41,264
Property and equipment, net	-	122
Total assets	<u>\$ 637,940</u>	<u>\$ 892,536</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 54,308	\$ 28,598
Lease liability	-	49,750
Deferred revenue	520,814	585,926
Total liabilities	<u>575,122</u>	<u>664,274</u>
Net Assets		
Without donor restrictions	<u>62,818</u>	<u>228,262</u>
Total net assets	<u>62,818</u>	<u>228,262</u>
Total liabilities and net assets	<u>\$ 637,940</u>	<u>\$ 892,536</u>

See accompanying notes.

Global Financial Integrity

Statement of Activities For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenue and Support		
Grants	\$ 1,448,716	\$ 1,422,680
Contractual services	43,267	25,000
Contributions	25,106	17,372
In-kind contributions	-	198,476
Other revenue	2,017	4,622
	<u>1,519,106</u>	<u>1,668,150</u>
Expenses		
Program services:		
Advocacy	186,526	299,633
Research	1,323,035	1,042,802
	<u>1,509,561</u>	<u>1,342,435</u>
Supporting services:		
Management and general	141,619	72,466
Fundraising	33,370	35,768
	<u>174,989</u>	<u>108,234</u>
Total expenses	<u>1,684,550</u>	<u>1,450,669</u>
Change in Net Assets	(165,444)	217,481
Net Assets, beginning of year	<u>228,262</u>	<u>10,781</u>
Net Assets, end of year	<u>\$ 62,818</u>	<u>\$ 228,262</u>

See accompanying notes.

Global Financial Integrity

Statement of Functional Expenses For the Year Ended December 31, 2023

	Program Services			Supporting Services			Total Expenses
	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 77,553	\$ 524,299	\$ 601,852	\$ 27,281	\$ 26,800	\$ 54,081	\$ 655,933
Rent	3,624	20,280	23,904	42,163	469	42,632	66,536
Office expenses	36,385	285,994	322,379	27,224	628	27,852	350,231
Subscriptions and resources	35,645	40,659	76,304	1,694	-	1,694	77,998
Professional fees and consultants	32,809	390,931	423,740	42,640	-	42,640	466,380
Travel	510	60,872	61,382	617	5,473	6,090	67,472
Total Expenses	\$ 186,526	\$ 1,323,035	\$ 1,509,561	\$ 141,619	\$ 33,370	\$ 174,989	\$ 1,684,550

See accompanying notes.

Global Financial Integrity

Statement of Functional Expenses For the Year Ended December 31, 2022

	Program Services			Supporting Services			Total Expenses
	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes, and benefits	\$ 140,928	\$ 630,845	\$ 771,773	\$ 28,096	\$ 28,622	\$ 56,718	\$ 828,491
Rent	24,243	108,060	132,303	6,943	4,685	11,628	143,931
Office expenses	29,437	189,613	219,050	10,182	688	10,870	229,920
Subscriptions and resources	38,198	23,805	62,003	1,028	-	1,028	63,031
Professional fees and consultants	60,117	80,275	140,392	26,217	136	26,353	166,745
Travel	6,710	10,204	16,914	-	1,637	1,637	18,551
Total Expenses	\$ 299,633	\$ 1,042,802	\$ 1,342,435	\$ 72,466	\$ 35,768	\$ 108,234	\$ 1,450,669

See accompanying notes.

Global Financial Integrity

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ (165,444)	\$ 217,481
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization of right-of-use asset	41,264	113,261
Depreciation	122	1,468
Contributed current year rent	-	(104,775)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Grants and contracts receivable	(1,319)	(16,564)
Prepaid expenses and other assets	227	(13,634)
Security deposit	-	22,628
(Decrease) increase in:		
Accounts payable and accrued expenses	25,710	(54,016)
Deferred rent	-	(42,101)
Lease liability	(49,750)	-
Deferred revenue	(65,112)	325,565
Net cash (used in) provided by operating activities	(214,302)	449,313
Net (Decrease) Increase in Cash	(214,302)	449,313
Cash, beginning of year	765,752	316,439
Cash, end of year	\$ 551,450	\$ 765,752
Supplementary Disclosure of Cash Flow Information		
Lease liability initial recognition	\$ -	\$ 154,525

See accompanying notes.

Global Financial Integrity

Notes to Financial Statements
December 31, 2023 and 2022

1. Nature of Operations

Global Financial Integrity (GFI) was organized as a District of Columbia not-for-profit corporation for the purpose of researching and analyzing the cross-border flow of illegal money and promoting national and multilateral policies, safeguards, and agreements aimed at curtailing such illicit activity. The mission of GFI is to put forward solutions, facilitate strategic partnerships, and conduct groundbreaking research to lead the way in efforts to curtail illicit financial flows and enhance global development and security. GFI's programs and activities include research and advocacy.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

GFI's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions at December 31, 2023 and 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Global Financial Integrity

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Grants and Contracts Receivable

Grants and contracts receivable consist primarily of amounts billed to various governments and other organizations for services performed under grants and contracts, which are all due in less than one year and are stated at their net realizable value. Receivables considered delinquent, based on periodic reviews by management and determined to be uncollectible, will be reserved, as a result of individual credit evaluation and specific circumstances. No allowance was recorded as management believes all receivables are fully collectible at both December 31, 2023 and 2022.

Leases

GFI determines if an arrangement is a lease at inception. Operating lease is included in right-of-use (“ROU”) assets, which represent GFI’s right to use an underlying asset for the lease term, and lease liabilities represent GFI’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As GFI’s leases do not provide an implicit rate, GFI used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. GFI’s lease terms may include options to extend or terminate the lease when it is reasonably certain that GFI will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

GFI does not apply the recognition requirements under Accounting Standards Codification (ASC) Topic 842, *Leases*, to short-term leases, which are leases with terms of a year or less.

Property and Equipment

Property and equipment acquisitions with a cost of \$3,000 or more and with a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Repair and maintenance costs are expensed as incurred.

Global Financial Integrity

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (continued)

Income Taxes

GFI is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes except for taxes on unrelated business activities. Contributions to GFI are deductible as provided in IRC Section 170(b)(1)(A)(vi). No provision for income taxes has been made, as there were no significant unrelated business activities for the years ended December 31, 2023 and 2022. Management has determined that no significant uncertain tax positions qualify for either recognition or disclosure in the financial statements.

GFI is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *ASC: Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is GFI's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2023 and 2022, GFI did not recognize a liability as there were no uncertain tax positions.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, 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 substantially met.

GFI reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of GFI's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers

Grants and contractual services that are exchange transactions are recognized as revenue when GFI satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration GFI expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, GFI combines it with other performance obligations until a distinct bundle of goods or services exists. Amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as in-kind contributions. In-kind consists of donated rent that benefit both program and supporting services. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

Functional Allocation of Expenses

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, expenses have been allocated among the programs and supporting services benefited based on specific identification or reasonable allocation methodologies, which are consistently applied using estimates of time and effort by employees. The expenses that are allocated include salaries, benefits, and general expenses, and expenses directly identifiable to the specific programs and supporting activities are recorded accordingly.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2022 financial statement have been reclassified to conform to the 2023 presentation. These reclassifications have no effect on the change in net assets previously reported.

Foreign Currency Transactions

Transactions denominated in foreign currency are converted into GFI's reporting currency, the U.S. dollar, on the date of the transaction. Net foreign currency transaction gains or losses are included in the accompanying statements of activities and were not significant for the years ended December 31, 2023 and 2022.

Subsequent Events

In preparing these financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through July 8, 2024, the date the financial statements were available to be issued.

3. Liquidity and Availability

GFI's cashflows have seasonal variations due to timing of grants and contracts. GFI manages its liquidity to meet general expenditures, liabilities, and other obligations as they become due.

Financial assets available for general expenditures, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash	\$ 551,450	\$ 765,752
Grants and contracts receivable	<u>63,372</u>	<u>62,053</u>
Total available for general expenditures	<u>\$ 614,822</u>	<u>\$ 827,805</u>

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4. Concentration of Credit Risk

Financial instruments that potentially subject GFI to significant concentrations of credit risk consist of cash. GFI maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The uninsured portions of these accounts are backed solely by the assets of the underlying financial institution. Therefore, the failure of an underlying institution could result in financial loss for GFI. GFI has not experienced any such losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition and creditworthiness of these financial institutions and believes that the risk of any credit loss is minimal. At December 31, 2023 and 2022, deposits in excess of FDIC limits totaled \$307,236 and \$519,911, respectively.

5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Computer software/website	\$ 30,244	\$ 30,244
Computer and other equipment	<u>4,403</u>	<u>4,403</u>
Total property and equipment	34,647	34,647
Less: accumulated depreciation and amortization	<u>(34,647)</u>	<u>(34,525)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ 122</u>

Depreciation expense totaled \$122 and \$1,468 for the years ended December 31, 2023 and 2022, respectively.

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6. Deferred Revenue

Deferred revenue consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Finland Ministry	\$ 347,681	\$ -
Norwegian Agency for Development Cooperation	154,950	502,359
City National Bank	14,583	14,583
Financial Transparency Coalition	3,600	3,600
DC Forum	-	59,035
International Union for Conservation of Nature	-	6,349
	<u>520,814</u>	<u>585,926</u>
Total deferred revenue	<u>\$ 520,814</u>	<u>\$ 585,926</u>

7. Grants and Contractual Services Revenue

Grants and contractual services revenues were derived from the following sources for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Grants:		
Norwegian Agency for Development Cooperation	\$ 816,081	\$ 495,446
United State Department of State	331,679	196,963
Finland Ministry	139,060	-
Open Society Foundation	-	250,000
Financial Transparency Coalition	-	76,947
Foreign Commonwealth and Development Office	58,230	330,604
International Union for Conservation of Nature	17,131	22,255
DC Forum	86,535	30,465
FACT Coalition	-	20,000
	<u>1,448,716</u>	<u>1,422,680</u>
Total grants	<u>\$ 1,448,716</u>	<u>\$ 1,422,680</u>
Contractual Services:		
City National Bank	\$ 25,000	\$ 25,000
Other	18,267	-
	<u>43,267</u>	<u>25,000</u>
Total contractual services	<u>\$ 43,267</u>	<u>\$ 25,000</u>

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Notes to Financial Statements
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8. Commitments and Contingencies

Operating Lease

GFI had a six-year lease for the office space where it resides that originally expired December 31, 2019. On January 15, 2018 the lease was extended three additional years to expire on December 31, 2022, and during 2020 the lease was extended an additional three months to March 31, 2023 with a three-month rent abatement. On January 17, 2023 ongoing negotiations concluded to settle October 2021 through March 2023 rent for \$72,628, which included surrender of the \$22,628 security deposit as rent. Rent expense totaled \$66,536 and \$143,931 for the years ended December 31, 2023 and 2022, respectively.

9. Related Party Transactions

On May 3, 2022, GFI obtained a \$100,000 no interest loan from the former President to fund operations as needed and repaid the loan on September 29, 2022.

10. Defined Contribution Plan

GFI sponsors a single, employer-defined contribution plan called the 403(B) Thrift Plan for Global Financial Integrity (the Plan). There are no eligibility requirements for salary reduction agreements. To participate in employer contributions, an employee must have been employed for a minimum of two years of continuous service with GFI.

At inception, GFI made contributions to the Plan for its employees hired on May 1, 2013 by matching eligible employee contributions at 100% up to 6% of employee compensation up to the maximum limits allowed by law, and made contributions to the Plan for its employees hired after May 1, 2013 by matching eligible employee contributions at 100% up to 3% of employee compensation up to the maximum limits allowed by law. Beginning September 1, 2015, GFI changed its matching arrangement and made contributions to the Plan by matching all eligible employee contributions at 100% up to 5% of employee compensation up to the maximum limits allowed by law.

Employer contributions totaled \$21,819 and \$22,167 for the years ended December 31, 2023 and 2022, respectively.