



GLOBAL FINANCIAL INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

GLOBAL FINANCIAL INTEGRITY

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DECEMBER 31, 2019 AND 2018**

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Independent Auditors' Report

To the Board of Directors
Global Financial Integrity
Washington, D.C.

We have audited the accompanying financial statements of Global Financial Integrity (GFI), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Financial Integrity as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Councilor, Buchanan & Mitchell, P.C.

Bethesda, Maryland
May 18, 2020

Certified Public Accountants

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
Assets		
Cash	\$ 345,224	\$ 571,811
Receivables	-	30,716
Prepaid Expenses	11,071	8,081
Security Deposit	24,173	24,173
Property and Equipment, Net	-	-
Total Assets	\$ 380,468	\$ 634,781
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 69,283	\$ 73,621
Deferred Revenue	534,441	722,843
Total Liabilities	603,724	796,464
Net (Deficit) Assets		
Without Restrictions	(223,256)	(161,683)
Total Liabilities and Net Assets	\$ 380,468	\$ 634,781

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Revenues		
Grants	\$ 854,916	\$ 414,260
Contractual Services	400,000	303,220
Donated Services	39,600	118,800
Contributions and Other	34,313	22,051
Total Revenues	1,328,829	858,331
Expenses		
Program Services		
Advocacy	365,449	191,629
Research	871,119	773,861
Total Program Services	1,236,568	965,490
Supporting Services		
Management and General	106,112	106,166
Fundraising	47,722	61,912
Total Supporting Services	153,834	168,078
Total Expenses	1,390,402	1,133,568
Changes in Net Assets	(61,573)	(275,237)
Net (Deficit) Assets, Beginning of Year	(161,683)	113,554
Net (Deficit) Assets, End of Year	\$ (223,256)	\$ (161,683)

See accompanying Notes to Financial Statements.

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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services			2019 Total
	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, Payroll Taxes, and Benefits	\$ 221,223	\$ 539,770	\$ 760,993	\$ 13,769	\$ 30,674	\$ 44,443	\$ 805,436
Rent	41,685	124,085	165,770	5,065	6,915	11,980	177,750
Office Expenses	21,342	67,795	89,137	23,465	1,882	25,347	114,484
Subscriptions and Resources	26,012	11,542	37,554	2,678	235	2,913	40,467
Professional Fees and Consultants	35,252	67,749	103,001	59,900	-	59,900	162,901
Travel	19,935	60,178	80,113	1,235	8,016	9,251	89,364
Totals	<u>\$ 365,449</u>	<u>\$ 871,119</u>	<u>\$ 1,236,568</u>	<u>\$ 106,112</u>	<u>\$ 47,722</u>	<u>\$ 153,834</u>	<u>\$ 1,390,402</u>

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services			2018 Total
	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, Payroll Taxes, and Benefits	\$ 125,355	\$ 455,681	\$ 581,036	\$ 23,294	\$ 36,584	\$ 59,878	\$ 640,914
Rent	27,416	113,788	141,204	11,493	7,892	19,385	160,589
Office Expenses	4,247	59,999	64,246	15,997	1,841	17,838	82,084
Subscriptions and Resources	10,645	10,995	21,640	9,098	-	9,098	30,738
Professional Fees and Consultants	7,892	88,586	96,478	42,606	3,591	46,197	142,675
Travel	16,074	44,812	60,886	3,678	12,004	15,682	76,568
Totals	<u>\$ 191,629</u>	<u>\$ 773,861</u>	<u>\$ 965,490</u>	<u>\$ 106,166</u>	<u>\$ 61,912</u>	<u>\$ 168,078</u>	<u>\$ 1,133,568</u>

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ (61,573)	\$ (275,237)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Write-Off of Uncollectible Accounts Receivable	11,213	-
Changes in Operating Assets and Liabilities		
Receivables	19,503	(30,716)
Prepaid Expenses	(2,990)	4,567
Security Deposit	-	(1,545)
Accounts Payable and Accrued Expenses	(4,338)	33,760
Deferred Revenue	<u>(188,402)</u>	<u>676,333</u>
Total Adjustments	<u>(165,014)</u>	<u>682,399</u>
Net Cash (Used in) Provided by Operating Activities	<u>(226,587)</u>	<u>407,162</u>
Net (Decrease) Increase in Cash	(226,587)	407,162
Cash, Beginning of Year	<u>571,811</u>	<u>164,649</u>
Cash, End of Year	<u><u>\$ 345,224</u></u>	<u><u>\$ 571,811</u></u>

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. ORGANIZATION

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. GFI is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). 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 Presentation

The financial statements are presented in accordance with *U.S. Generally Accepted Accounting Principles* for not-for-profit organizations. Under those principles, GFI is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions represent resources that are not subject to donor-imposed stipulations and are available for operations at management's discretion.

Net Assets With Donor Restrictions represent resources restricted by donors as to purpose or by the passage of time or held in perpetuity and only the investment earnings may be expended for the purposes indicated by the donors. GFI had no net assets with donor restrictions at December 31, 2019 and 2018.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when obligations are incurred.

Presentation of Financial Statements

These financial statements reflect the financial results of GFI's activities for the years ended December 31, 2019 and 2018.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses and their functional allocation, during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, GFI considers highly liquid investments with an original maturity of three months or less as cash equivalents. Cash amounts are held by GFI in noninterest-bearing checking accounts used to fund operations and program activities. Certain

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

grant monies totaling \$338,221 at December 31, 2019, and \$479,248 at December 31, 2018, were held in separate checking accounts as required by the grant agreements.

Grants and Accounts Receivable

Receivables consist primarily of amounts billed to various governments and other organizations for services performed under contracts and grants, 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. At December 31, 2019, GFI had no receivables outstanding and wrote-off \$11,213 of December 31, 2018 receivables that were deemed uncollectible. At December 31, 2018, management considered all receivables fully collectible. Therefore, no allowance for doubtful accounts had been recognized at December 31, 2018.

Property and Equipment

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation. Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Computer Equipment and Software	3 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Life of Lease

GFI's policy is to capitalize major additions and improvements over \$3,000. Repairs and maintenance which do not significantly add to the value of assets are expensed as incurred.

At December 31, 2019 and 2018, GFI held depreciable property and equipment consisting of computer software/website with a historical cost of \$30,244 that was fully depreciated during 2017.

Income Taxes

GFI is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables GFI to accept donations that qualify as charitable contributions to the donor. GFI is subject to tax on net income from unrelated business activities. For the years ended December 31, 2019 and 2018, GFI did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

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 Accounting Standards Codification (ASC) for 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

GLOBAL FINANCIAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2019 and 2018, GFI did not recognize a liability as there were no uncertain tax positions.

Revenue Recognition

Grants and Contracts - Grants and contract revenues are reported as exchange transactions and recognized when the qualifying costs are incurred. Amounts received in advance of qualifying costs incurred are reported as deferred revenue.

Contributions and Other - Contributions are recognized as revenue when received or promised as support with donor restrictions or support without donor restrictions depending on the existence and nature of any donor restrictions. Revenue from all other sources is recognized in the period earned.

Donated Services - Donated services are recorded at fair value if the donated services create or enhance a nonfinancial asset or require specialized skills that the providers possess and that normally would have to be purchased. Donated services for the years ended December 31, 2019 and 2018, included executive services and were reflected in the accompanying statements of activities as donated services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, expenses are allocated among the benefiting program and supporting service 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, taxes, and benefits which are allocated on the basis of estimates of time and effort by employees; office rent, repairs, and other expenses are based on departmental averages and number of staff in each department. Expenses directly identifiable to specific programs and supporting activities are allocated accordingly.

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. Transaction gains and losses are included in the statements of activities and were not significant for the years ended December 31, 2019 and 2018.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATES

Adoption of Accounting Standards Update 2016-14 and 2014-09 for Year 2018

For the year ended December 31, 2018, GFI adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (*Topic 958*): *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity

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DECEMBER 31, 2019 AND 2018

3. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)

Adoption of Accounting Standards Update 2016-14 and 2014-09 for Year 2018 (Continued)

and understandability of net asset classification and provides information about liquidity and availability of resources. The changes required by the update have been applied retrospectively to all periods presented. A key change under ASU 2016-14 is the terminology of net asset classes used in these financial statements. Amounts previously reported as temporarily restricted and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Additionally, ASU 2016-14 requires a presentation of expenses on a functional basis.

During the year ended December 31, 2018, on a modified prospective basis GFI adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Adoption of this pronouncement had no significant impact on GFI's financial statements.

Adoption of New Accounting Pronouncements for Year 2019

During the year ended December 31, 2019, GFI adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Adoption of this pronouncement had no significant impact on GFI's financial statements.

New Accounting Pronouncements for Year 2021

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Earlier application is permitted. Management of GFI has not evaluated the impact of this ASU on its financial statements.

4. LIQUIDITY AND AVAILABLE RESOURCES

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

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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

4. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)

As of December 31, 2019 and 2018, the following financial assets and liquidity sources were available for general operating expenditures within one year:

	2019	2018
<i>Financial Assets</i>		
Cash and Cash Equivalents	\$ 345,224	\$ 571,811
Receivables	-	30,716
Total Financial Assets Available within One Year	\$ 345,224	\$ 602,527

5. CONCENTRATIONS OF CREDIT RISK

GFI maintains bank deposits with a commercial financial institution that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At December 31, 2019 and 2018, deposits in excess of FDIC limits totaled \$97,622 and \$338,621, respectively. GFI monitors the creditworthiness of the institution and has not experienced any credit losses on its bank deposits, nor does it expect to experience any such losses.

6. DEFERRED REVENUE

Deferred revenue at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Mulder Foundation	\$ -	\$ 1,507
Ford Foundation	-	7,500
Denmark Embassy of Ghana	-	8,278
Financial Transparency Coalition	8,831	35,375
Government of Togo	99,856	100,000
Norwegian Agency for Development Cooperation	425,754	570,183
Total Deferred Revenue	\$ 534,441	\$ 722,843

7. GRANTS AND CONTRACTS REVENUE

Grants and contract revenues recognized for the years ended December 31, 2019 and 2018, were derived from the following sources:

	2019	2018
Norwegian Agency for Development Cooperation	\$ 730,149	\$ 5,885
Mulder Foundation	1,507	12,115
Ford Foundation	7,500	142,500
Financial Transparency Coalition	87,482	42,802
Denmark Embassy of Uganda	-	87,613
Denmark Embassy of Ghana	8,278	103,345
FACT Coalition	20,000	20,000
Total Grants Revenue	\$ 854,916	\$ 414,260
Government of Togo	\$ 400,000	\$ 300,000
Government of Sweden	-	3,220
Total Contracts Revenue	\$ 400,000	\$ 303,220

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8. 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 \$13,654 and \$12,396 for the years ended December 31, 2019 and 2018, respectively.

9. COMMITMENT

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 that will expire on December 31, 2022. The future minimum lease payments, exclusive of additional operating costs, are as follows:

For the Years Ending December 31,

2020	\$ 152,675
2021	156,492
2022	<u>160,404</u>
Total	<u><u>\$ 469,572</u></u>

Total rent expense incurred under operating leases was \$177,750 and \$160,589 for the years ended December 31, 2019 and 2018, respectively.

10. RELATED PARTY TRANSACTIONS

GFI received \$6,612 and \$6,612 for office space sublease from the former President of GFI during the years ended December 31, 2019 and 2018, respectively. In addition, on January 22, 2020, GFI obtained a \$200,000 unsecured, no interest loan from the former President of GFI to fund operations as needed. Payback terms are flexible.

11. SUBSEQUENT EVENTS

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

11. SUBSEQUENT EVENTS (CONTINUED)

time, resulting in the reasonable possibility that changes in risks would materially affect financial balances and the amount reported in the financial statements. Consistent with its normal practices and procedures, GFI continues reviewing its ongoing operations, future events, cash management, fundraising strategies, etc., in an attempt to mitigate any adverse financial impact. Actions may include rescheduling certain events and other possibilities. While management continues working to provide the best outcomes, it cannot currently assess the likelihood of being able to successfully mitigate adverse financial impacts to GFI, if any.

GFI has received a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of \$153,800. PPP provides up to eight weeks of cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. The first loan payment is deferred for six months. If GFI maintains its employee headcount level, up to 100% of the loan is forgivable by the SBA, as long as the proceeds were used to cover the first eight weeks of payroll and certain other expenses. The Treasury Department and SBA anticipate that no more than 25% of the forgiven amount may be used for non-payroll costs. Also, if GFI does not retain its employee headcount level, the SBA loan amount forgivable is reduced by the percentage decrease in the employee headcount level. Loans under PPP have an interest rate of 1% and a maturity of two years. Management will continue monitoring updates and changes to the PPP program that may affect the terms and conditions aforementioned.

In preparing these financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through May 18, 2020, the date the financial statements were available to be issued. There were no subsequent events that required recognition of, or disclosure in, the financial statements.