



GLOBAL FINANCIAL INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

GLOBAL FINANCIAL INTEGRITY

**TABLE OF CONTENTS
DECEMBER 31, 2020 AND 2019**

	<u>Pages</u>
Independent Auditors' Report.....	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-15

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, 2020 and 2019, 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, 2020 and 2019, 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.

Certified Public Accountants

Bethesda, Maryland
March 26, 2021

GLOBAL FINANCIAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Cash	\$ 779,078	\$ 345,224
Receivables	2	-
Prepaid Expenses	16,437	11,071
Security Deposit	22,628	24,173
Property and Equipment, Net	3,058	-
Total Assets	\$ 821,203	\$ 380,468
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 97,224	\$ 69,283
Deferred Revenue	466,887	534,441
Total Liabilities	564,111	603,724
Net Assets (Deficit)		
Without Restrictions	257,092	(223,256)
Total Liabilities and Net Assets	\$ 821,203	\$ 380,468

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
Revenues		
Grants	\$ 940,175	\$ 854,916
Contractual Services	786,855	400,000
Donated Services	-	39,600
Contributions and Other	28,892	34,313
Total Revenues	1,755,922	1,328,829
Expenses		
Program Services		
Advocacy	257,812	365,449
Research	875,210	871,119
Total Program Services	1,133,022	1,236,568
Supporting Services		
Management and General	94,837	106,112
Fundraising	47,715	47,722
Total Supporting Services	142,552	153,834
Total Expenses	1,275,574	1,390,402
Changes in Net Assets	480,348	(61,573)
Net Deficit, Beginning of Year	(223,256)	(161,683)
Net Assets (Deficit), End of Year	\$ 257,092	\$ (223,256)

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Supporting Services			2020 Total
	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, Payroll Taxes, and Benefits	\$ 127,537	\$ 621,983	\$ 749,520	\$ 36,963	\$ 37,564	\$ 74,527	\$ 824,047
Rent	24,527	118,325	142,852	5,155	7,281	12,436	155,288
Office Expenses	19,317	35,041	54,358	12,624	986	13,610	67,968
Subscriptions and Resources	41,608	17,548	59,156	4,574	87	4,661	63,817
Professional Fees and Consultants	39,174	75,706	114,880	35,483	-	35,483	150,363
Travel	5,649	6,607	12,256	38	1,797	1,835	14,091
Totals	\$ 257,812	\$ 875,210	\$ 1,133,022	\$ 94,837	\$ 47,715	\$ 142,552	\$ 1,275,574

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY
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	\$ 365,449	\$ 871,119	\$ 1,236,568	\$ 106,112	\$ 47,722	\$ 153,834	\$ 1,390,402

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 480,348	\$ (61,573)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Write-Off of Uncollectible Accounts Receivable	-	11,213
Depreciation Expense	1,345	-
Changes in Operating Assets and Liabilities		
Receivables	(2)	19,503
Prepaid Expenses	(5,366)	(2,990)
Security Deposit	1,545	-
Accounts Payable and Accrued Expenses	27,941	(4,338)
Deferred Revenue	(67,554)	(188,402)
	(42,091)	(165,014)
Total Adjustments		
Net Cash Provided by (Used in) Operating Activities	438,257	(226,587)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(4,403)	-
Net Cash Used in Investing Activities	(4,403)	-
Net Increase (Decrease) in Cash	433,854	(226,587)
Cash, Beginning of Year	345,224	571,811
Cash, End of Year	\$ 779,078	\$ 345,224

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 and 2019.

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, 2020 and 2019.

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 grant monies totaling \$350,948 at December 31, 2020, and \$338,221 at December 31, 2019, were held in separate checking accounts as required by the grant agreements.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020, management considers all receivables fully collectible. Therefore, no allowance for doubtful accounts had been recognized at December 31, 2020. At December 31, 2019, GFI had no receivables outstanding.

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.

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019
Computer Software/Website	\$ 30,244	\$ 30,244
Computer and Other Equipment	4,403	-
	34,647	30,244
Less Accumulated Depreciation	(31,589)	(30,244)
Total Property and Equipment, Net	\$ 3,058	\$ -

At December 31, 2020 and 2019, depreciation expense totaled \$1,345 and \$-0-, respectively.

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, 2020 and 2019, 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

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2020 and 2019, 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. There were no donated services for the year ended December 31, 2020. Donated services for the year ended December 31, 2019, 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 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.

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, 2020 and 2019.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATES

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)*:

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

3. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)

Adoption of New Accounting Pronouncements for Year 2019 (Continued)

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.

Adoption of New Accounting Pronouncements in 2020

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

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, 2021, 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.

As of December 31, 2020 and 2019, the following financial assets and liquidity sources were available for general operating expenditures within one year:

	2020	2019
<i>Financial Assets</i>		
Cash and Cash Equivalents	\$ 779,078	\$ 345,224
Receivables	2	-
Total Financial Assets Available within One Year	\$ 779,080	\$ 345,224

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, 2020 and 2019, deposits in excess of FDIC limits totaled \$530,759 and \$97,622, 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.

GLOBAL FINANCIAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

6. DEFERRED REVENUE

Deferred revenue at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Financial Transparency Coalition	\$ 26,237	\$ 8,831
Government of Togo	99,852	99,856
Norwegian Agency for Development Cooperation	340,798	425,754
Total Deferred Revenue	<u>\$ 466,887</u>	<u>\$ 534,441</u>

7. GRANTS AND CONTRACTS REVENUE

Grants and contract revenues recognized for the years ended December 31, 2020 and 2019, were derived from the following sources:

	<u>2020</u>	<u>2019</u>
Norwegian Agency for Development Cooperation	\$ 632,663	\$ 730,149
United States Department of State	62,118	-
Small Business Administration	162,800	-
Mulder Foundation	-	1,507
Ford Foundation	-	7,500
Financial Transparency Coalition	62,594	87,482
Denmark Embassy of Ghana	-	8,278
FACT Coalition	20,000	20,000
Total Grants Revenue	<u>\$ 940,175</u>	<u>\$ 854,916</u>
Government of Togo	\$ 399,856	\$ 400,000
Ezrah Charitable Trust	365,000	-
Western Hemisphere Drug Policy Commission	20,000	-
Other	1,999	-
Total Contracts Revenue	<u>\$ 786,855</u>	<u>\$ 400,000</u>

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 \$14,474 and \$13,654 for the years ended December 31, 2020 and 2019, respectively.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

9. 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 that will 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. The future minimum lease payments, exclusive of additional operating costs, are as follows:

For the Years Ending December 31,

2021	\$ 156,492
2022	160,404
2023	<u>40,183</u>
Total	<u>\$ 357,079</u>

Total rent expense incurred under operating leases was \$155,288 and \$177,750 for the years ended December 31, 2020 and 2019, respectively.

Paycheck Protection Program

On April 27-28, 2020, GFI received loan proceeds totaling \$162,800 under the Paycheck Protection Program and the Economic Injury Disaster Loan Advance. The promissory notes called for monthly principal and interest payments amortized over the term of the promissory notes with deferral of payments for a minimum six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory notes may be forgiven by the Small Business Administration in whole or in part. GFI used the proceeds for purposes consistent with the Paycheck Protection Program and CARES Act and met the conditions for forgiveness of the loans, and accordingly, has reflected the forgiveness amounts as grants revenue in the statements of activities.

Coronavirus Disease Contingencies

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and companies 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 time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

10. RELATED PARTY TRANSACTIONS

On January 22, 2020, GFI obtained a \$200,000 unsecured, no interest loan from the former President of GFI to fund operations as needed and was repaid on September 15, 2020. In addition, GFI received \$6,612 for office space sublease from the former President of GFI during the year ended December 31, 2019.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

11. SUBSEQUENT EVENTS

In preparing these financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through March 26, 2021, 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.