



GLOBAL FINANCIAL INTEGRITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



Independent Auditors' Report

The Board of Directors
Global Financial Integrity
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Global Financial Integrity (GFI), which comprise the statements 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 financial statements referred to above present fairly, in all material respects, the financial position of GFI 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. 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 Global Financial Integrity for the year ended December 31, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on March 26, 2021.

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

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The Board of Directors
Global Financial Integrity
Washington, D.C.

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.

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.

Bethesda, Maryland
April 14, 2022


Certified Public Accountants

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Global Financial Integrity

Statements of Financial Position December 31, 2021 and 2020

	Assets	
	2021	2020
Cash	\$ 316,439	\$ 779,078
Grants and Accounts Receivable	45,489	2
Prepaid Expenses	9,711	16,437
Security Deposit	22,628	22,628
Property and Equipment - Net	1,590	3,058
Total Assets	\$ 395,857	\$ 821,203
Liabilities and Net Assets		
Liabilities		
Accounts Payable, Accrued Expenses and Deferred Rent	\$ 124,715	\$ 97,224
Deferred Revenue	260,361	466,887
Total Liabilities	385,076	564,111
Net Assets		
Without Donor Restrictions	10,781	257,092
Total Net Assets	10,781	257,092
Total Liabilities and Net Assets	\$ 395,857	\$ 821,203

See Accompanying Notes to Financial Statements

Global Financial Integrity

Statements of Activities For The Years Ended December 31, 2021 and December 31, 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Grants	\$ 1,162,008	\$ 940,175
Contractual Services	120,269	786,855
Contributions and Other	<u>23,021</u>	<u>28,892</u>
Total Revenues	<u>1,305,298</u>	<u>1,755,922</u>
Expenses		
Program Services		
Advocacy	247,216	257,812
Research	<u>1,154,593</u>	<u>875,210</u>
Total Program Services	<u>1,401,809</u>	<u>1,133,022</u>
Supporting Services		
Management and General	76,364	94,837
Fundraising	<u>73,436</u>	<u>47,715</u>
Total Supporting Services	<u>149,800</u>	<u>142,552</u>
Total Expenses	<u>1,551,609</u>	<u>1,275,574</u>
Change in Net Assets	(246,311)	480,348
Net Assets, Beginning of Period	<u>257,092</u>	<u>(223,256)</u>
Net Assets, End of Period	<u>\$ 10,781</u>	<u>\$ 257,092</u>

See Accompanying Notes to Financial Statements

Global Financial Integrity

Statement of Functional Expenses For the Year Ended December 31, 2021

	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries, Payroll Taxes and Benefits	\$ 127,842	\$ 719,834	\$ 847,676	\$ 16,740	\$ 48,467	\$ 65,207	\$ 912,883
Rent	20,150	112,554	132,704	3,975	7,530	11,505	144,209
Office Expenses	12,549	197,739	210,288	10,861	2,059	12,920	223,208
Subscriptions and Resources	44,985	40,225	85,210	6,537	79	6,616	91,826
Professional Fees and Consultants	41,690	83,832	125,522	38,113	15,301	53,414	178,936
Travel	-	409	409	138	-	138	547
Total Expenses	\$ 247,216	\$ 1,154,593	\$ 1,401,809	\$ 76,364	\$ 73,436	\$ 149,800	\$ 1,551,609

See Accompanying Notes to Financial Statements

Global Financial Integrity

Statement of Functional Expenses For the Year Ended December 31, 2020

	Advocacy	Research	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
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
Total Expenses	\$ 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
Statements of Cash Flows
For The Years Ended December 31, 2021 and December 31, 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ (246,311)	\$ 480,348
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	1,468	1,345
<u>(Increase) Decrease in Assets</u>		
Grants and Accounts Receivable	(45,487)	(2)
Prepaid Expenses	6,726	(5,366)
Security Deposit	-	1,545
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable, Accrued Expenses and Deferred Rent	27,491	27,941
Deferred Revenues	(206,526)	(67,554)
Net Cash Provided by (Used in) Operating Activities	(462,639)	438,257
Cash Flows from Investing Activities		
Purchases of Property and Equipment	-	(4,403)
Net Cash Provided By (Used) in Investing Activities	-	(4,403)
Net Increase (Decrease) in Cash	(462,639)	433,854
Cash, Beginning of Year	779,078	345,224
Cash, End of Year	\$ 316,439	\$ 779,078

See Accompanying Notes to Financial Statements

Global Financial Integrity

Notes to Financial Statements December 31, 2021 and 2020

1. ORGANIZATION AND PURPOSE

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, 2021 and 2020.

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, 2021 and 2020.

Use of Estimates

The preparation of financial statements in conformity with *U.S. Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Global Financial Integrity

Notes to Financial Statements December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-interest bearing checking accounts used to fund operations and program activities. Certain grant monies totaling \$301,807 at December 31, 2021 and \$350,948 at December 31, 2020 were held in separate non-interest bearing 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, 2021, GFI considered all receivables fully collectible. Therefore, no allowance for doubtful accounts has been recognized at December 31, 2021.

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 and other 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Computer Software / Website	\$ 30,244	\$ 30,244
Computer and Other Equipment	<u>4,403</u>	<u>4,403</u>
Total	34,647	34,647
Less Accumulated Depreciation	<u>(33,057)</u>	<u>(31,589)</u>
Total Property and Equipment, Net	<u>\$ 1,590</u>	<u>\$ 3,058</u>

At December 31, 2021 and 2020 depreciation expense totaled \$1,468 and \$1,345.

Global Financial Integrity
Notes to Financial Statements
December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

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, 2021 and 2020, 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 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, 2021 and 2020, 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 without donor restrictions or support with 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 years ended December 31, 2021 and 2020, respectively.

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.

Global Financial Integrity

Notes to Financial Statements December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

3. LIQUIDITY AND AVAILABILITY

GFI's cash flows 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. As of December 31, 2021 and 2020, the following financial assets and liquidity sources were available for general operating expenditures within one year:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash	\$ 316,439	\$ 779,078
Grants and Accounts Receivable	45,489	2
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 361,928</u>	<u>\$ 779,080</u>

4. CONCENTRATION 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, 2021 and 2020, deposits in excess of FDIC limits totaled \$66,239 and \$530,759, 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.

5. DEFERRED REVENUE

Deferred revenue at December 31, 2021 and 2020 was comprised of the following:

	<u>2021</u>	<u>2020</u>
Financial Transparency Coalition	\$ -	\$ 26,237
Government of Togo	-	99,852
Norwegian Agency for Development Cooperation	245,778	340,798
City National Bank	14,583	-
Total	<u>\$ 260,361</u>	<u>\$ 466,887</u>

Global Financial Integrity

Notes to Financial Statements December 31, 2021 and 2020

6. GRANTS AND CONTRACTS REVENUE

Grants and contract revenues recognized for the years ended December 31, 2021 and 2020 were derived from the following sources:

Grants:	2021	2020
Norwegian Agency for Development Cooperation	\$ 823,570	\$ 632,663
United States Department of State	257,263	62,118
Small Business Administration	-	162,800
Foreign Commonwealth and Development Office	19,483	-
Financial Transparency Coalition	41,692	62,594
FACT Coalition	20,000	20,000
Total Grant Revenue	\$ 1,162,008	\$ 940,175
Contracts:	2021	2020
Government of Togo	\$ 99,852	\$ 399,856
Ezrah Charitable Trust	-	365,000
Western Hemisphere Drug Policy Commission	-	20,000
City National Bank	10,417	-
Center for International Private Enterprise	6,000	-
Other	4,000	1,999
Total Contract Revenue	\$ 120,269	\$ 786,855

7. 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 \$21,075 and \$14,474 for the years ended December 31, 2021 and 2020, respectively.

Global Financial Integrity

Notes to Financial Statements December 31, 2021 and 2020

8. COMMITMENTS

Operating Lease

GFI has 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. The future minimum lease payments, exclusive of additional operating costs, are as follows:

2022	\$ 160,404
2023	<u>40,183</u>
Total	<u>\$ 200,587</u>

Total rent expense incurred under operating leases was \$144,209 and \$155,288 for the years ended December 31, 2021 and 2020, respectively. Deferred rent totaling \$42,101 and \$71,804 as of December 31, 2021 and 2020, respectively, has been reported as accounts payable, accrued expenses, and deferred rent in the statements of financial position and represents the unamortized rent reduction from straight-lining rent expense over the term of the lease.

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 amount as grants revenue in the statements of activities for the year ended December 31, 2020.

9. RELATED PARTY TRANSACTIONS

On January 22, 2020, GFI obtained a \$200,000 no interest loan from the former President to fund operations as needed and was repaid on September 15, 2020.

10. SUBSEQUENT EVENTS

In preparing the financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through April 14, 2022, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.