



GLOBAL FINANCIAL INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

GLOBAL FINANCIAL INTEGRITY

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DECEMBER 31, 2016 AND 2015**

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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 statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2016, 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.

To the Board of Directors
Global Financial Integrity

Comparative Information

The financial statements of Global Financial Integrity as of December 31, 2015, were audited by other auditors whose report dated March 29, 2016, expressed an unmodified opinion on those financial statements.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 29, 2017

Certified Public Accountants

GLOBAL FINANCIAL INTEGRITY

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash	\$ 513,475	\$ 1,272,825
Grants and Accounts Receivable	-	110,040
Prepaid Expenses	11,403	8,990
Security Deposit	22,628	22,628
Property and Equipment, Net	<u>6,721</u>	<u>16,802</u>
Total Assets	<u><u>\$ 554,227</u></u>	<u><u>\$ 1,431,285</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 32,156	\$ 31,734
Deferred Revenue	<u>425,803</u>	<u>1,033,032</u>
Total Liabilities	457,959	1,064,766
Net Assets		
Unrestricted Net Assets	<u>96,268</u>	<u>366,519</u>
Total Liabilities and Net Assets	<u><u>\$ 554,227</u></u>	<u><u>\$ 1,431,285</u></u>

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Revenues		
Grants	\$ 1,420,243	\$ 1,675,328
Contractual Services	126,095	56,587
Donated Services	-	42,000
Contributions and Other	1,320	5,287
Total Revenues	1,547,658	1,779,202
Expenses		
Program Services		
Advocacy	538,920	447,023
Research	1,200,875	963,855
Total Program Services	1,739,795	1,410,878
Supporting Services		
Management and General	65,542	73,662
Fundraising	12,572	4,461
Total Supporting Services	78,114	78,123
Total Expenses	1,817,909	1,489,001
Changes in Net Assets	(270,251)	290,201
Net Assets, Beginning of Year	366,519	76,318
Net Assets, End of Year	\$ 96,268	\$ 366,519

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Cash Flows from Operating Activities		
Change in Net Assets	\$ (270,251)	\$ 290,201
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation Expense	10,081	10,082
Write-off of Uncollectible Accounts Receivable	17,219	-
Changes in Operating Assets and Liabilities		
Grants and Accounts Receivable	92,821	170,184
Prepaid Expenses	(2,413)	12,418
Accounts Payable and Accrued Expenses	422	3,137
Deferred Revenue	<u>(607,229)</u>	<u>662,860</u>
Total Adjustments	<u>(489,099)</u>	<u>858,681</u>
Net Cash (Used in) Provided by Operating Activities	<u>(759,350)</u>	<u>1,148,882</u>
Net (Decrease) Increase in Cash	(759,350)	1,148,882
Cash, Beginning of Year	<u>1,272,825</u>	<u>123,943</u>
Cash, End of Year	<u><u>\$ 513,475</u></u>	<u><u>\$ 1,272,825</u></u>

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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 three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor-imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by GFI is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of GFI. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

GFI had no temporarily or permanently restricted net assets at December 31, 2016 and 2015.

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, 2016 and 2015.

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 noninterest-bearing checking accounts used to fund operations and program activities. Certain grant monies totaling \$285,731 at December 31, 2016, and \$1,045,672 at December 31, 2015, respectively, 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. During 2016, management deemed receivables totaling \$17,219 uncollectible, which were written off to bad debt expense within program services research expenses in the statements of activities. At December 31, 2016 and 2015, management estimates that all receivables were fully collectible. Therefore, no allowance for doubtful accounts has been recognized at December 31, 2016 and 2015.

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, 2016 and 2015, GFI held depreciable property and equipment consisting of computer software/website as follows:

	2016	2015
Property and Equipment	\$ 30,244	\$ 30,244
Less Accumulated Depreciation	(23,523)	(13,442)
Total Property and Equipment, Net	<u>\$ 6,721</u>	<u>\$ 16,802</u>

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, 2016 and 2015, GFI did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2016 and 2015, 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 unrestricted, temporarily restricted, or permanently restricted support 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, 2016. Donated services for the year ended December 31, 2015, 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, certain costs have been allocated among programs and supporting services benefited.

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, 2016 and 2015.

3. 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, 2016 and 2015, deposits in excess of FDIC limits totaled \$264,132 and \$1,026,839, 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.

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**NOTES TO FINANCIAL STATEMENTS
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4. DEFERRED REVENUE

Deferred revenue at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Mulder Foundation	\$ 7,963	\$ -
Norway Ministry of Foreign Affairs	33,770	940,084
Finland Ministry of Foreign Affairs	152,610	7,955
Financial Transparency Coalition	-	27,896
Government of Spain	-	55,191
Government of Sweden	231,460	-
Denmark Embassy of Ghana	-	1,906
Total Deferred Revenue	<u>\$ 425,803</u>	<u>\$ 1,033,032</u>

5. GRANTS AND CONTRACTS REVENUE

Grants and contract revenues recognized for the years ended December 31, 2016 and 2015, were derived from the following sources:

Norway Ministry of Foreign Affairs	\$ 907,230	\$ 745,808
Finland Ministry of Foreign Affairs	116,951	285,820
Mulder Foundation	17,060	-
Ford Foundation	-	220,141
Financial Transparency Coalition	94,380	154,002
Government of Spain	55,191	94,840
Denmark Embassy of Ghana	74,206	111,833
Research for Development	22,500	-
United Nations Economic Commission for Africa	131,130	-
IBAHRI	-	32,884
FACT Coalition	-	30,000
Other	1,595	-
Total Grants Revenue	<u>\$ 1,420,243</u>	<u>\$ 1,675,328</u>
Research Council of Norway	\$ -	\$ 11,587
OXFAM	-	45,000
Government of Sweden	126,095	-
Total Contracts Revenue	<u>\$ 126,095</u>	<u>\$ 56,587</u>

6. 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

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6. DEFINED CONTRIBUTION PLAN (CONTINUED)

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 \$16,764 and \$19,500 for the years ended December 31, 2016 and 2015, respectively.

7. COMMITMENT

Operating lease

GFI has a six-year lease for the office space where it resides. The lease expires December 31, 2019, and future minimum lease payments, exclusive of additional operating costs, are as follows:

For the Years Ending December 31,

2017	\$ 132,645
2018	135,961
2019	<u>139,360</u>
Total	<u>\$ 407,966</u>

Total rent expense incurred under operating leases was \$140,703 and \$134,596 for the years ended December 31, 2016 and 2015, respectively.

8. RELATED PARTY TRANSACTIONS

GFI paid a board member \$4,800 for rendering program services unrelated to board service during the year ended December 31, 2015.

9. SUBSEQUENT EVENTS

In preparing the financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through March 29, 2017, 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.