



GLOBAL FINANCIAL INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

GLOBAL FINANCIAL INTEGRITY

**TABLE OF CONTENTS
DECEMBER 31, 2018 AND 2017**

	<u>Pages</u>
Independent Auditors' Report.....	3-4
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-14

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, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements. Additionally, we have audited the statement of functional expenses for the year ended December 31, 2018.

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, 2018 and 2017, and the changes in its net assets, functional expenses, and its cash flows for the years then ended, as well as the statement of functional expenses for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Global Financial Integrity

Emphasis of Matter

As discussed in Note 2 of the financial statements, GFI adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* and the Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The requirements of these ASUs have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
September 11, 2019

Certified Public Accountants

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
Assets		
Cash	\$ 571,811	\$ 164,649
Receivables	30,716	-
Prepaid Expenses	8,081	12,648
Security Deposit	24,173	22,628
Property and Equipment, Net	-	-
Total Assets	\$ 634,781	\$ 199,925
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	\$ 73,621	\$ 39,861
Deferred Revenue	722,843	46,510
Total Liabilities	796,464	86,371
Net (Deficit) Assets		
Without Restriction	(161,683)	113,554
Total Liabilities and Net Assets	\$ 634,781	\$ 199,925

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Revenues		
Grants	\$ 414,260	\$ 793,467
Contractual Services	303,220	472,292
Donated Services	118,800	87,254
Contributions and Other	22,051	17,305
Total Revenues	858,331	1,370,318
Expenses		
Program Services		
Advocacy	191,629	539,895
Research	773,861	731,686
Total Program Services	965,490	1,271,581
Supporting Services		
Management and General	106,166	60,220
Fundraising	61,912	21,231
Total Supporting Services	168,078	81,451
Total Expenses	1,133,568	1,353,032
Changes in Net Assets	(275,237)	17,286
Net Assets, Beginning of Year	113,554	96,268
Net Assets, End of Year	\$ (161,683)	\$ 113,554

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Services			Supporting Services			2018 Total	2017 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	\$ 828,906
Rent	27,416	113,788	141,204	11,493	7,892	19,385	160,589	143,731
Office Expenses	4,247	59,999	64,246	15,997	1,841	17,838	82,084	89,411
Subscriptions and Resources	10,645	10,995	21,640	9,098	-	9,098	30,738	22,436
Professional Fees and Consultants	7,892	88,586	96,478	42,606	3,591	46,197	142,675	124,532
Travel	16,074	44,812	60,886	3,678	12,004	15,682	76,568	144,016
Totals	\$ 191,629	\$ 773,861	\$ 965,490	\$ 106,166	\$ 61,912	\$ 168,078	\$ 1,133,568	\$ 1,353,032

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (275,237)	\$ 17,286
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	-	6,721
Changes in Operating Assets and Liabilities		
Receivables	(30,716)	-
Prepaid Expenses	4,567	(1,245)
Security Deposit	(1,545)	-
Accounts Payable and Accrued Expenses	33,760	7,705
Deferred Revenue	676,333	(379,293)
	682,399	(366,112)
Total Adjustments		
Net Cash Provided by (Used in) Operating Activities	407,162	(348,826)
Net Increase (Decrease) in Cash	407,162	(348,826)
Cash, Beginning of Year	164,649	513,475
Cash, End of Year	\$ 571,811	\$ 164,649

See accompanying Notes to Financial Statements.

GLOBAL FINANCIAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018 and 2017.

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, 2018 and 2017.

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.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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 \$479,248 at December 31, 2018, and \$82,388 at December 31, 2017, 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, 2018, management estimates that all receivables were fully collectible. Therefore, no allowance for doubtful accounts has been recognized at December 31, 2018. At December 31, 2017, 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.

At December 31, 2018 and 2017, 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, 2018 and 2017, 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

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2018 and 2017, 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 year ended December 31, 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, certain costs have been allocated among programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. 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, 2018 and 2017.

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards Updates

Accounting Standards Update 2016-14

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 and understandability of net asset classification, provides information about liquidity and availability of resources, and presentation of a schedule of functional expenses. The changes required by the update have been applied retrospectively to all periods presented.

Accounting Standards Update 2014-09

For the year ended December 31, 2018, GFI adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update provides a more robust framework for revenue issues and removes inconsistencies and weaknesses in revenue requirements.

3. 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, 2018, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2019:

Financial Assets

Cash and Cash Equivalents	\$ 571,811
Receivables	<u>30,716</u>
Total Financial Assets Available within One Year	<u><u>\$ 602,527</u></u>

4. 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, 2018 and 2017, deposits in excess of FDIC limits totaled \$338,621 and \$0-, 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, 2018 AND 2017

5. DEFERRED REVENUE

Deferred revenue at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Mulder Foundation	\$ 1,507	\$ 619
Government of Sweden	-	10,937
Ford Foundation	7,500	-
Denmark Embassy of Ghana	8,278	34,954
Financial Transparency Coalition	35,375	-
Government of Togo	100,000	-
Norwegian Agency for Development Cooperation	570,183	-
Total Deferred Revenue	<u>\$ 722,843</u>	<u>\$ 46,510</u>

6. GRANTS AND CONTRACTS REVENUE

Grants and contract revenues recognized for the years ended December 31, 2018 and 2017, were derived from the following sources:

	<u>2018</u>	<u>2017</u>
Norwegian Agency for Development Cooperation	\$ 5,885	\$ -
Finland Ministry of Foreign Affairs	-	152,610
Norway Ministry of Foreign Affairs	-	33,780
Mulder Foundation	12,115	29,580
Ford Foundation	142,500	150,000
Financial Transparency Coalition	42,802	52,136
Denmark Embassy of Uganda	87,613	-
Denmark Embassy of Ghana	103,345	265,153
Arcus	-	75,000
FACT Coalition	20,000	35,000
Other	-	208
Total Grants Revenue	<u>\$ 414,260</u>	<u>\$ 793,467</u>
United Nations Economic and Social Commission for Western Asia	\$ -	\$ 23,700
Government of Togo	300,000	-
Government of Sweden	3,220	448,592
Total Contracts Revenue	<u>\$ 303,220</u>	<u>\$ 472,292</u>

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

GLOBAL FINANCIAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. DEFINED CONTRIBUTION PLAN (CONTINUED)

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 \$12,396 and \$16,315 for the years ended December 31, 2018 and 2017, respectively.

8. 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,

2019	\$ 148,951
2020	152,675
2021	156,492
2022	<u>160,404</u>
Total	<u>\$ 618,523</u>

Total rent expense incurred under operating leases was \$160,589 and \$143,731 for the years ended December 31, 2018 and 2017, respectively.

9. RELATED PARTY TRANSACTIONS

GFI received \$6,612 for office space sublease from the President during the period ended December 31, 2018.

10. SUBSEQUENT EVENTS

In preparing the financial statements, GFI has evaluated events and transactions for potential recognition or disclosure through September 11, 2019, 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.