

**FINANCIAL STATEMENTS**

# **GLOBAL INTEGRITY**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**

# GLOBAL INTEGRITY

## CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2007 and 2006	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2007 and 2006	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2007	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2006	7
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2007 and 2006	8
NOTES TO FINANCIAL STATEMENTS	9 - 11



**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Global Integrity as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Global Integrity's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Integrity as of December 31, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

July 24, 2008

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · Fax (301) 951-3570 · [www.grfcpa.com](http://www.grfcpa.com)

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

**GLOBAL INTEGRITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2007 AND 2006**

**ASSETS**

	<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 115,324	\$ 29,642
Grants receivable	423,275	15,000
Prepaid expenses	2,501	1,830
Total current assets	541,100	46,472
<b>FURNITURE AND EQUIPMENT</b>		
Equipment	845	845
Furniture	1,731	1,731
Computer equipment	3,943	3,943
Less: Accumulated depreciation	6,519 (2,216)	6,519 (912)
Net furniture and equipment	4,303	5,607
<b>OTHER ASSETS</b>		
Security deposit	1,309	1,309
<b>TOTAL ASSETS</b>	<b>\$ 546,712</b>	<b>\$ 53,388</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 70,322	\$ 11,160
<b>NET ASSETS</b>		
Unrestricted	(25,458)	1,481
Temporarily restricted (Note 2)	501,848	40,747
Total net assets	476,390	42,228
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 546,712</b>	<b>\$ 53,388</b>

See accompanying notes to financial statements.

## GLOBAL INTEGRITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Foundation grants	\$ -	\$ 1,082,000	\$ 1,082,000
Contributions	350	-	350
Interest income	967	-	967
Other revenue	5,047	-	5,047
Net assets released from donor restrictions (Note 3)	<u>620,899</u>	<u>(620,899)</u>	<u>-</u>
Total support and revenue	<u>627,263</u>	<u>461,101</u>	<u>1,088,364</u>
<b>EXPENSES</b>			
Program services:			
Global Integrity Report	515,435	-	515,435
Liberia Project	<u>28,483</u>	<u>-</u>	<u>28,483</u>
Total program services	<u>543,918</u>	<u>-</u>	<u>543,918</u>
Supporting services:			
Management and General	102,957	-	102,957
Fundraising	<u>7,327</u>	<u>-</u>	<u>7,327</u>
Total supporting services	<u>110,284</u>	<u>-</u>	<u>110,284</u>
Total expenses	<u>654,202</u>	<u>-</u>	<u>654,202</u>
Changes in net assets	(26,939)	461,101	434,162
Net assets at beginning of year	<u>1,481</u>	<u>40,747</u>	<u>42,228</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ (25,458)</u></b>	<b><u>\$ 501,848</u></b>	<b><u>\$ 476,390</u></b>

See accompanying notes to financial statements.

<b>2006</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 24,215	\$ 392,000	\$ 416,215
250	-	250
1,031	-	1,031
-	-	-
<u>351,253</u>	<u>(351,253)</u>	<u>-</u>
<u>376,749</u>	<u>40,747</u>	<u>417,496</u>
302,450	-	302,450
<u>-</u>	<u>-</u>	<u>-</u>
<u>302,450</u>	<u>-</u>	<u>302,450</u>
63,942	-	63,942
<u>8,876</u>	<u>-</u>	<u>8,876</u>
<u>72,818</u>	<u>-</u>	<u>72,818</u>
<u>375,268</u>	<u>-</u>	<u>375,268</u>
1,481	40,747	42,228
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,481</u>	<u>\$ 40,747</u>	<u>\$ 42,228</u>

See accompanying notes to financial statements.

## GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Services			Supporting Services			Total Expenses
	Global Integrity Report	Liberia Project	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 215,008	\$ 9,801	\$ 224,809	\$ 35,334	\$ 79	\$ 35,413	\$ 260,222
Printing and production	11,484	150	11,634	14,963	-	14,963	26,597
Professional fees	32,691	8,150	40,841	4,406	1,741	6,147	46,988
Occupancy (Note 4)	9,592	-	9,592	8,077	-	8,077	17,669
Accounting	9,929	422	10,351	5,257	-	5,257	15,608
Insurance	1,775	-	1,775	1,809	-	1,809	3,584
Depreciation	-	-	-	1,304	-	1,304	1,304
Travel and entertainment	4,007	49	4,056	4,095	3,004	7,099	11,155
Local experts and contractors	210,524	5,861	216,385	-	-	-	216,385
Postage and delivery	52	-	52	180	-	180	232
Supplies	134	-	134	689	-	689	823
Advertising and promotion	555	-	555	-	-	-	555
Bank and other fees	2,458	-	2,458	3,107	3	3,110	5,568
Equipment	62	-	62	-	-	-	62
Database/ telecommunications	17,164	4,050	21,214	23,736	2,500	26,236	47,450
<b>TOTAL</b>	<b>\$ 515,435</b>	<b>\$ 28,483</b>	<b>\$ 543,918</b>	<b>\$ 102,957</b>	<b>\$ 7,327</b>	<b>\$ 110,284</b>	<b>\$ 654,202</b>

See accompanying notes to financial statements.

## GLOBAL INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Global Integrity Report	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$ 24,973	\$ 254	\$ 457	\$ 711	\$ 25,684
Printing and production	26,658	37	-	37	26,695
Professional fees	46,843	13,505	5,866	19,371	66,214
Occupancy (Note 4)	6,254	6,254	-	6,254	12,508
Accounting	-	2,927	-	2,927	2,927
Insurance	-	1,192	-	1,192	1,192
Depreciation	-	912	-	912	912
Travel and entertainment	6,418	7,899	2,553	10,452	16,870
Local experts and contractors	166,551	-	-	-	166,551
Postage and delivery	-	547	-	547	547
Supplies	-	1,274	-	1,274	1,274
Bank and other fees	-	5,033	-	5,033	5,033
Equipment	-	368	-	368	368
Database/ telecommunications	24,753	23,677	-	23,677	48,430
Other	-	63	-	63	63
<b>TOTAL</b>	<b>\$ 302,450</b>	<b>\$ 63,942</b>	<b>\$ 8,876</b>	<b>\$ 72,818</b>	<b>\$ 375,268</b>

See accompanying notes to financial statements.



**GLOBAL INTEGRITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 434,162	\$ 42,228
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,304	912
(Increase) decrease in:		
Grants receivable	(408,275)	(15,000)
Prepaid expenses	(671)	(1,830)
Security deposit	-	(1,309)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>59,162</u>	<u>11,160</u>
Net cash provided by operating activities	<u>85,682</u>	<u>36,161</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>-</u>	<u>(6,519)</u>
Net cash used by investing activities	<u>-</u>	<u>(6,519)</u>
Net increase in cash and cash equivalents	85,682	29,642
Cash and cash equivalents at beginning of year	<u>29,642</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 115,324</u></b>	<b><u>\$ 29,642</u></b>

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Global Integrity is a nonprofit organization, organized and incorporated in Washington, D.C. during September 2005, commencing operations on January 1, 2006. Global Integrity generates, synthesizes, and disseminates credible, comprehensive and timely information on governance and corruption trends around the world. As an independent information provider employing on-the-ground expertise, Global Integrity produces original reporting and quantitative analysis in the global public interest regarding accountable and democratic governance. Global Integrity is meant to serve simultaneously as a roadmap for engaged citizens, a reform checklist for policymakers, and a guide to the business climate for investors.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

##### Cash and cash equivalents -

Global Integrity considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, Global Integrity maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

##### Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment within a acquisition value of \$500 or more are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Income taxes -

Global Integrity is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Global Integrity is not a private foundation.

##### Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Global Integrity and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Global Integrity and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

##### Use of estimates -

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

##### 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 and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### 2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Global Integrity Report	\$ 240,331	\$ 38,767
Liberia Project	11,517	-
Time Restricted (Future Year's Support)	<u>250,000</u>	<u>1,980</u>
	<u>\$ 501,848</u>	<u>\$ 40,747</u>

#### 3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2007</u>	<u>2006</u>
Global Integrity Report	\$ 515,436	\$ 278,233
Liberia Project	28,483	-
Passage of time	<u>76,980</u>	<u>73,020</u>
	<u>\$ 620,899</u>	<u>\$ 351,253</u>

**GLOBAL INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**4. LEASE COMMITMENT**

During February 2008, Global Integrity entered into an operating lease agreement for office space. The lease term is for a period of five years commencing on April 1, 2008. Following is a schedule of future minimum lease payments required under the operating lease agreement:

**Year Ended December 31,**

2008	\$ 47,675
2009	61,209
2010	63,043
2011	64,934
2012	66,882
Thereafter	<u>16,843</u>
	<b><u>\$ 320,586</u></b>

Total occupancy expense for the years ended December 31, 2007 and 2006 was \$17,669 and \$12,508, respectively.