

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

GLOBAL INTEGRITY

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2012 and 2011	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2012 and 2011	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2012	6 - 7
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2011	8 - 9
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2012 and 2011	10
NOTES TO FINANCIAL STATEMENTS	11 - 15

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Global Integrity (a non-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and change in net assets, 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.

Auditor's 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 auditor's 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 auditor considers 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 Integrity as of December 31, 2012 and 2011, and the change 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.

Bethesda, Maryland
July 30, 2013

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GLOBAL INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 655,832	\$ 695,835
Accounts receivable (Note 8)	47,456	27,300
Grants receivable (Note 2)	1,545,355	1,427,424
Prepaid expenses	<u>43,796</u>	<u>19,838</u>
Total current assets	<u>2,292,439</u>	<u>2,170,397</u>
FURNITURE AND EQUIPMENT		
Equipment	845	845
Furniture	28,187	1,731
Computer equipment	24,167	18,248
Leasehold improvements	<u>17,939</u>	<u>-</u>
	71,138	20,824
Less: Accumulated depreciation and amortization	<u>(19,366)</u>	<u>(8,886)</u>
Net furniture and equipment	<u>51,772</u>	<u>11,938</u>
OTHER ASSETS		
Security deposit	18,570	4,988
Grants receivable, net of current portion (Note 2)	<u>2,546,644</u>	<u>1,870,444</u>
Total other assets	<u>2,565,214</u>	<u>1,875,432</u>
TOTAL ASSETS	<u>\$ 4,909,425</u>	<u>\$ 4,057,767</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 258,535	\$ 184,252
Current portion of deferred rent (Note 6)	<u>35,123</u>	<u>3,321</u>
Total current liabilities	<u>293,658</u>	<u>187,573</u>
NONCURRENT LIABILITIES		
Deferred rent (Note 6)	<u>9,222</u>	<u>953</u>
Total liabilities	<u>302,880</u>	<u>188,526</u>
NET ASSETS		
Unrestricted	(1,430,927)	(1,109,098)
Temporarily restricted (Note 4)	<u>6,037,472</u>	<u>4,978,339</u>
Total net assets	<u>4,606,545</u>	<u>3,869,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,909,425</u>	<u>\$ 4,057,767</u>

GLOBAL INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Foundation grants	\$ -	\$ 2,861,395	\$ 2,861,395
Contributions	4,000	-	4,000
Other revenue (Note 6)	176,762	-	176,762
Net assets released from donor restrictions (Note 5)	<u>1,802,262</u>	<u>(1,802,262)</u>	<u>-</u>
Total support and revenue	<u>1,983,024</u>	<u>1,059,133</u>	<u>3,042,157</u>
EXPENSES			
Program Services:			
Global Integrity Report	178,910	-	178,910
Open Government Partnership	305,396	-	305,396
Innovation Fund	27,315	-	27,315
Foglamp	217,608	-	217,608
Latin America Sub-National	-	-	-
Pattiro Indonesia	31,674	-	31,674
Mexico Sub-National	314,438	-	314,438
Implementation Gap Manual	3,661	-	3,661
CIPE-Kenya	-	-	-
Indaba	193,592	-	193,592
State Integrity Investigation	337,913	-	337,913
Africa Integrity Indicators	340,821	-	340,821
Philippines and PNG Sub-National	15,568	-	15,568
Health and Education	<u>37,048</u>	<u>-</u>	<u>37,048</u>
Total program services	<u>2,003,944</u>	<u>-</u>	<u>2,003,944</u>
Supporting Services:			
Management and General	261,921	-	261,921
Fundraising	<u>38,988</u>	<u>-</u>	<u>38,988</u>
Total supporting services	<u>300,909</u>	<u>-</u>	<u>300,909</u>
Total expenses	<u>2,304,853</u>	<u>-</u>	<u>2,304,853</u>
Change in net assets	(321,829)	1,059,133	737,304
Net assets at beginning of year	<u>(1,109,098)</u>	<u>4,978,339</u>	<u>3,869,241</u>
NET ASSETS AT END OF YEAR	<u>\$ (1,430,927)</u>	<u>\$ 6,037,472</u>	<u>\$ 4,606,545</u>

See accompanying notes to financial statements.

2011		
Unrestricted	Temporarily Restricted	Total
\$ -	\$ 4,618,814	\$ 4,618,814
500	-	500
183,577	-	183,577
<u>891,838</u>	<u>(891,838)</u>	<u>-</u>
<u>1,075,915</u>	<u>3,726,976</u>	<u>4,802,891</u>
461,850	-	461,850
21,849	-	21,849
-	-	-
337,731	-	337,731
51,113	-	51,113
8,207	-	8,207
107,438	-	107,438
39,365	-	39,365
10,282	-	10,282
205,740	-	205,740
58,038	-	58,038
93,159	-	93,159
75,828	-	75,828
<u>88,020</u>	<u>-</u>	<u>88,020</u>
<u>1,558,620</u>	<u>-</u>	<u>1,558,620</u>
156,567	-	156,567
<u>77,155</u>	<u>-</u>	<u>77,155</u>
<u>233,722</u>	<u>-</u>	<u>233,722</u>
<u>1,792,342</u>	<u>-</u>	<u>1,792,342</u>
(716,427)	3,726,976	3,010,549
<u>(392,671)</u>	<u>1,251,363</u>	<u>858,692</u>
<u>\$ (1,109,098)</u>	<u>\$ 4,978,339</u>	<u>\$ 3,869,241</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Program Services							
	Global Integrity Report	Open Government Partnership	Innovation Fund	Foglamp	Pattiro Indonesia	Mexico Sub- National	Implementation Gap Manual	Indaba
Salaries and related benefits (Note 7)	\$ 27,729	\$ 180,833	\$ 24,425	\$ 130,853	\$ 28,637	\$ 102,944	\$ 486	\$ 5,752
Printing and production	6,261	40	-	1,744	-	39	-	1,556
Professional fees	7,900	499	-	-	-	-	-	1,949
Occupancy (Note 6)	5,602	12,641	2,156	7,475	2,448	13,049	42	599
Accounting	-	-	-	-	-	-	-	-
Insurance	-	-	-	68	-	-	-	-
Depreciation and amortization	1,444	1,969	332	1,768	55	380	6	87
Travel and entertainment	11,699	30,424	-	14,129	-	2,533	120	10,092
Local experts and contractors	96,180	-	-	48,780	-	67,526	3,000	-
Postage and delivery	422	-	-	12	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-
Supplies	30	200	-	1,040	-	667	-	-
Meetings and conventions	30	-	-	-	-	-	-	-
Advertising and promotion	984	-	-	6,717	-	-	-	-
Bank and other fees	16	-	-	534	-	291	-	-
Equipment	-	-	-	1,820	-	-	-	-
Database/ telecommunications	20,467	78,699	402	2,668	534	127,009	7	173,557
Bad debt	-	-	-	-	-	-	-	-
Other	146	91	-	-	-	-	-	-
TOTAL	\$ 178,910	\$ 305,396	\$ 27,315	\$ 217,608	\$ 31,674	\$ 314,438	\$ 3,661	\$ 193,592

See accompanying notes to financial statements.

Supporting Services									
State Integrity Investigation	Africa Integrity Indicators	Philippines and PNG Sub-National	Health and Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	
\$ 272,861	\$ 160,836	\$ 12,540	\$ 25,139	\$ 973,035	\$ 65,386	\$ 24,349	\$ 89,735	\$ 1,062,770	
-	-	-	-	9,640	5,901	8,831	14,732	24,372	
-	4,253	-	-	14,601	3,299	-	3,299	17,900	
19,208	12,059	1,470	2,156	78,905	37,724	2,139	39,863	118,768	
-	7,229	-	-	7,229	42,840	-	42,840	50,069	
-	-	-	-	68	9,139	-	9,139	9,207	
1,465	688	33	327	8,554	1,889	653	2,542	11,096	
8,777	14,761	24	-	92,559	10,856	1,816	12,672	105,231	
15,842	123,136	1,000	9,024	364,488	7,690	-	7,690	372,178	
-	233	-	-	667	57	-	57	724	
-	-	-	-	-	221	-	221	221	
203	715	54	-	2,909	8,758	-	8,758	11,667	
400	-	-	-	430	2,110	421	2,531	2,961	
-	9,196	-	-	16,897	-	-	-	16,897	
-	484	-	-	1,325	15,729	38	15,767	17,092	
-	1,237	-	-	3,057	17,765	-	17,765	20,822	
19,157	5,994	447	402	429,343	9,060	741	9,801	439,144	
-	-	-	-	-	21,283	-	21,283	21,283	
-	-	-	-	237	2,214	-	2,214	2,451	
\$ 337,913	\$ 340,821	\$ 15,568	\$ 37,048	\$ 2,003,944	\$ 261,921	\$ 38,988	\$ 300,909	\$ 2,304,853	

See accompanying notes to financial statements.

GLOBAL INTEGRITY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Services							
	Global Integrity Report	Open Government Partnership	Foglamp	Latin America Sub- National	Pattiro Indonesia	Mexico Sub- National	Implementation Gap Manual	CIPE- Kenya
Salaries and related benefits (Note 7)	\$ 158,278	\$ 17,287	\$ 249,788	\$ 18,494	\$ 4,080	\$ 15,430	\$ 30,329	\$ 1,318
Printing and production	21,839	-	5,276	-	-	4,217	-	-
Professional fees	13,000	-	-	-	-	-	-	-
Occupancy (Note 6)	13,474	1,411	16,757	-	1,000	2,840	2,304	-
Accounting	-	-	-	-	-	-	-	-
Insurance	-	-	136	-	-	-	-	-
Depreciation and amortization	453	47	563	4	42	91	81	4
Travel and entertainment	7,528	2,181	5,069	8,538	2,697	8,377	1,982	5,460
Local experts and contractors	228,219	-	57,280	24,000	-	74,725	2,675	3,500
Postage and delivery	188	-	3	-	-	-	-	-
Supplies	-	-	121	-	-	-	-	-
Meetings and conventions	-	-	-	-	-	-	-	-
Advertising and promotion	195	-	-	-	-	-	-	-
Bank and other fees	-	-	600	-	-	-	90	-
Equipment	-	-	-	-	-	-	-	-
Database/ telecommunications	18,676	923	2,138	77	388	1,758	1,904	-
Miscellaneous	-	-	-	-	-	-	-	-
Equipment and Furniture	-	-	-	-	-	-	-	-
South African field office	-	-	-	-	-	-	-	-
TOTAL	\$ 461,850	\$ 21,849	\$ 337,731	\$ 51,113	\$ 8,207	\$ 107,438	\$ 39,365	\$ 10,282

										<u>Supporting Services</u>	
<u>Indaba</u>	<u>State Integrity Indicators</u>	<u>Africa Integrity Indicators</u>	<u>Philippines and PNG Sub-National</u>	<u>Health and Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>		
\$ 46,043	\$ 52,106	\$ -	\$ 14,151	\$ 61,656	\$ 668,960	\$ 61,842	\$ 46,767	\$ 108,609	\$ 777,569		
-	-	-	-	-	31,332	3,352	390	3,742	35,074		
9,144	-	60,333	-	-	82,477	1,314	16,675	17,989	100,466		
7,882	4,251	3,471	1,373	5,149	59,912	4,641	2,176	6,817	66,729		
-	-	-	-	-	-	30,676	-	30,676	30,676		
-	-	-	-	-	136	5,070	-	5,070	5,206		
265	143	-	46	131	1,870	183	73	256	2,126		
12,487	422	16,717	6,191	2,777	80,426	4,962	10,196	15,158	95,584		
485	-	-	54,017	18,276	463,177	-	-	-	463,177		
20	-	34	-	-	245	548	-	548	793		
156	-	1,182	-	-	1,459	3,951	-	3,951	5,410		
-	-	-	-	-	-	567	436	1,003	1,003		
-	-	670	-	-	865	355	-	355	1,220		
30	-	191	-	-	911	19,720	41	19,761	20,672		
-	-	-	-	-	-	2,021	-	2,021	2,021		
129,228	1,116	387	50	31	156,676	16,861	401	17,262	173,938		
-	-	11	-	-	11	-	-	-	11		
-	-	600	-	-	600	504	-	504	1,104		
-	-	9,563	-	-	9,563	-	-	-	9,563		
\$ 205,740	\$ 58,038	\$ 93,159	\$ 75,828	\$ 88,020	\$ 1,558,620	\$ 156,567	\$ 77,155	\$ 233,722	\$ 1,792,342		

See accompanying notes to financial statements.

GLOBAL INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 737,304	\$ 3,010,549
Adjustments to reconcile in net assets to net cash provided by operating activities:		
Depreciation and amortization	11,096	2,126
Loss on disposal of furniture and equipment	116	-
(Increase) decrease in:		
Accounts receivable	(20,156)	(26,426)
Grants receivable	(794,131)	(2,824,618)
Prepaid expenses	(23,958)	(13,225)
Security deposit	(13,582)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	74,283	115,746
Deferred rent	<u>40,071</u>	<u>(1,373)</u>
Net cash provided by operating activities	<u>11,043</u>	<u>262,779</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(52,021)	(11,773)
Proceeds from sale of furniture and equipment	<u>975</u>	<u>-</u>
Net cash used by investing activities	<u>(51,046)</u>	<u>(11,773)</u>
Net (decrease) increase in cash and cash equivalents	(40,003)	251,006
Cash and cash equivalents at beginning of year	<u>695,835</u>	<u>444,829</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 655,832</u>	<u>\$ 695,835</u>

See accompanying notes to financial statements.

GLOBAL INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Integrity is a non-profit 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 FASB ASC 958, *Not-for-Profit Entities*.

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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). Global Integrity maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment within an 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.

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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

Uncertain tax positions -

For the years ended December 31, 2012 and 2011, Global Integrity has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

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.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted 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. Temporarily restricted 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 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 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.

GLOBAL INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

2. GRANTS RECEIVABLE

All grants receivable are considered to be collectible within one year, unless otherwise stated by the donor. Grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Grants are due as follows at December 31, 2012:

Less than one year		\$ 1,545,355
One to five years		<u>2,690,000</u>
 Total		 4,235,355
Less: Allowance to discount balance to present value		<u>(143,356)</u>
 GRANTS RECEIVABLE, NET		 <u>\$ 4,091,999</u>

3. LINE OF CREDIT

During 2011, Global Integrity opened a line of credit (LOC) with Square 1 Bank that expires on July 1, 2014. The maximum amount that may be borrowed against the LOC is the lesser of \$100,000, or an amount equal to 80% of eligible accounts as determined by the bank. Borrowings against the LOC bear interest at a variable annual rate equal to the greater of 2.25% above the prime rate then in effect or 6%. As of December 31, 2012 and 2011, there were no outstanding balances on the LOC.

Terms of the agreement require Global Integrity to maintain an open funded deposit account, held with Square 1, not less than \$50,000 and other loan covenants. As of the date of this report, Global Integrity was in compliance with these requirements.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Global Integrity Report	\$ 43,750	\$ 86,505
Mexico Sub-National	-	314,438
South Africa Conference	8,545	-
Open Government Partnership	254,934	-
Indaba	244,850	-
CPI/GI/Public Radio	69,047	406,962
Mo Ibrahim Foundation	1,986,706	2,265,153
CIPE	-	3,636
Time Restricted (Future Year's Support)	<u>3,429,640</u>	<u>1,901,645</u>
	<u>\$ 6,037,472</u>	<u>\$ 4,978,339</u>

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

5. 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:

	2012	2011
Global Integrity Report	\$ 217,754	\$ 159,785
South Africa Conference	9,455	-
Innovation Fund	17,765	-
Open Government Partnership	2,246	-
Mexico Sub-National	314,438	107,438
NED - LATAM	-	45,377
CPI/GI/Public Radio	337,915	58,038
Mo Ibrahim Foundation	331,367	93,161
CIPE	3,636	49,634
Indaba	31,250	124,628
Passage of Time	536,436	253,777
	\$ 1,802,262	\$ 891,838

6. LEASE COMMITMENT

On February 19, 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. Global Integrity is responsible for its proportionate share of operating costs and real estate taxes.

During 2012, Global Integrity entered into an operating lease agreement for office space. The lease term is 19-months, commencing on September 1, 2012. Global Integrity is responsible for its proportionate share of operating costs and real estate taxes.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statements of Financial Position.

During 2011, Global Integrity entered into a lease agreement in South Africa for its foreign operations through June 30, 2012. Monthly rent expense is included in the Statements of Activities and Changes in Net Assets and in the schedule of future minimum lease payments.

Following is a schedule of future minimum lease payments required under the operating lease agreement:

Year Ended December 31,

2013	\$ 181,189
2014	41,766
	\$ 222,955

GLOBAL INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

6. LEASE COMMITMENT (Continued)

Total occupancy expense for the years ended December 31, 2012 and 2011 was \$118,768 and \$66,729, respectively. The deferred rent liability for the years ended December 31, 2012 and 2011 totaled \$44,345 and \$4,275, respectively.

During 2012, Global Integrity entered into an agreement to sublease office space for five months commencing on November 1, 2012. For the year ended December 31, 2012, Global Integrity received \$27,793 of rental income, which is included in other revenue in the accompanying Statements of Activities and Changes in Net Assets.

7. RETIREMENT PLAN

Global Integrity has adopted a defined contribution plan, effective January 1, 2010, covering all full-time employees with a minimum age requirement of 18 years. For full-time employees, meeting one year of eligible experience or 1,000 hours, Global Integrity contributes 3.5% percent of gross wages. Contributions to the plan during the years ended December 31, 2012 and 2011 totaled \$26,806 and \$14,561, respectively.

8. CONCENTRATION OF REVENUE

Approximately 68% and 85% of Global Integrity's revenue for the years ended December 31, 2012 and 2011, respectively, was derived from several grants awarded by three private foundations and foreign governments. Global Integrity has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Global Integrity's ability to finance ongoing operations.

9. FOREIGN OPERATIONS

Global Integrity opened a field office in South Africa in 2011. The program, Global Integrity Trust, is being funded by the Mo Ibrahim Foundation. During the year, Global Integrity wired funds to South Africa for general expenses. Amounts that were not expended as of year-end are recorded in Global Integrity's accounts receivable as of December 31, 2012 and 2011 in the amount of \$36,800 and \$11,240, respectively.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through July 30, 2013, the date the financial statements were issued.