



## **Financial Statements**

*For the Year Ended December 31, 2018*

*(With Summarized Financial Information for the Year Ended December 31, 2017)*



**and  
Report Thereon**



**GLOBAL INTEGRITY**

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**For the Year Ended December 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Global Integrity

### Report on the Financial Statements

We have audited the accompanying financial statements of Global Integrity, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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 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.

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## **Opinion**

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of Global Integrity as of December 31, 2018, 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.

## **Other Matter**

### *Report on Summarized Comparative Information*

Global Integrity's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated July 30, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
June 17, 2019

**GLOBAL INTEGRITY**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2018**

**(With Summarized Financial Information as of December 31, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 909,626	\$ 979,171
Accounts receivable	2,202	19,007
Grants receivable, net	7,748,811	838,985
Prepaid expenses	14,741	16,022
Property and equipment, net	764,302	918,088
Security deposit	47,332	47,332
	\$ 9,487,014	\$ 2,818,605
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 75,869	\$ 89,851
Deferred revenue	7,346	48,282
Grants payable	1,596,800	-
Deferred rent and lease incentives	1,359,443	1,517,459
Sublease security deposit	6,500	6,500
	3,045,958	1,662,092
<b>TOTAL LIABILITIES</b>		
<b>Net Assets</b>		
Without donor restrictions	33,467	60,945
With donor restrictions	6,407,589	1,095,568
	6,441,056	1,156,513
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,487,014</b>	<b>\$ 2,818,605</b>

The accompanying notes are an integral part of these financial statements.

**GLOBAL INTEGRITY**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>OPERATING REVENUE AND SUPPORT</b>				
Program revenue – OpenGov Hub	\$ 1,221,829	\$ -	\$ 1,221,829	\$ 1,162,274
Grants	-	8,266,048	8,266,048	1,340,894
Other revenue	17,593	-	17,593	48,503
Interest income	3,156	-	3,156	117
Net assets released from restrictions:				
Satisfaction of program restrictions	2,418,356	(2,418,356)	-	-
Satisfaction of time restrictions	500,000	(500,000)	-	-
	<u>4,160,934</u>	<u>5,347,692</u>	<u>9,508,626</u>	<u>2,551,788</u>
<b>TOTAL REVENUE AND SUPPORT</b>				
	<u>4,160,934</u>	<u>5,347,692</u>	<u>9,508,626</u>	<u>2,551,788</u>
<b>EXPENSES</b>				
Program Services:				
Integrity and anti-corruption	2,196,798	-	2,196,798	635,698
OpenGov Hub	1,212,739	-	1,212,739	1,165,806
Open fiscal governance	148,236	-	148,236	84,723
Multistakeholder government initiatives	117,618	-	117,618	246,948
Advocacy	70,588	-	70,588	34,086
Money, politics and transparency	-	-	-	8,881
	<u>3,745,979</u>	<u>-</u>	<u>3,745,979</u>	<u>2,176,142</u>
Total Program Services				
	<u>3,745,979</u>	<u>-</u>	<u>3,745,979</u>	<u>2,176,142</u>
Supporting Services:				
Management and general	312,226	-	312,226	327,974
Fundraising	130,205	-	130,205	144,338
	<u>442,431</u>	<u>-</u>	<u>442,431</u>	<u>472,312</u>
Total Supporting Services				
	<u>442,431</u>	<u>-</u>	<u>442,431</u>	<u>472,312</u>
<b>TOTAL EXPENSES</b>	<u>4,188,410</u>	<u>-</u>	<u>4,188,410</u>	<u>2,648,454</u>
Change in Net Assets from Operations	(27,476)	5,347,692	5,320,216	(96,666)
Nonoperating Activities:				
Foreign currency loss	<u>(2)</u>	<u>(35,671)</u>	<u>(35,673)</u>	<u>(2,462)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(27,478)</u>	<u>5,312,021</u>	<u>5,284,543</u>	<u>(99,128)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>60,945</u>	<u>1,095,568</u>	<u>1,156,513</u>	<u>1,255,641</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 33,467</u>	<u>\$ 6,407,589</u>	<u>\$ 6,441,056</u>	<u>\$ 1,156,513</u>

The accompanying notes are an integral part of these financial statements.

**GLOBAL 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	
	Integrity and Anti-Corruption	OpenGov Hub	Open Fiscal Governance	Multistakeholder Government Initiatives	Advocacy	Total Program Services	Management and General	Fundraising			Total Supporting Services
Grants	\$ 1,596,800	\$ -	\$ -	\$ -	\$ -	\$ 1,596,800	\$ -	\$ -	\$ -	\$ 1,596,800	\$ -
Salaries and related benefits	227,547	177,398	83,467	88,174	56,940	633,526	215,476	105,575	321,051	954,577	915,334
Occupancy, utilities and other facilities costs	36,110	725,601	10,811	10,332	4,816	787,670	20,756	8,862	29,618	817,288	797,626
Local experts and contractors	267,286	15,651	11,431	-	-	294,368	354	-	354	294,722	344,091
Depreciation and amortization	9,243	131,263	2,794	2,669	1,251	147,220	5,366	2,299	7,665	154,885	153,098
Professional fees	16,981	9,517	11,769	51	24	38,342	47,748	45	47,793	86,135	31,088
Telecommunications	10,381	59,224	1,898	1,753	906	74,162	3,266	1,608	4,874	79,036	103,570
Accounting	15,836	10,497	5,202	4,506	2,268	38,309	10,025	4,099	14,124	52,433	93,801
Travel	4,766	5,838	16,844	7,488	2,925	37,861	1,524	5,098	6,622	44,483	50,409
Database and supplies	335	34,085	92	91	49	34,652	225	81	306	34,958	32,461
Equipment	-	21,330	85	-	-	21,415	-	-	-	21,415	5,362
Meetings and conventions	2,772	14,884	1,264	104	209	19,233	488	390	878	20,111	64,610
Bank and other fees	3,791	2,422	1,126	1,015	553	8,907	2,202	955	3,157	12,064	16,442
Insurance	4,777	3,084	1,447	1,386	644	11,338	2,779	1,187	3,966	15,304	15,508
Other	167	1,936	5	49	3	2,160	1,810	5	1,815	3,975	24,699
Interest expense	-	-	-	-	-	-	206	-	206	206	135
Postage and delivery	6	9	1	-	-	16	1	1	2	18	220
<b>TOTAL EXPENSES</b>	<b>\$ 2,196,798</b>	<b>\$ 1,212,739</b>	<b>\$ 148,236</b>	<b>\$ 117,618</b>	<b>\$ 70,588</b>	<b>\$ 3,745,979</b>	<b>\$ 312,226</b>	<b>\$ 130,205</b>	<b>\$ 442,431</b>	<b>\$ 4,188,410</b>	<b>\$ 2,648,454</b>

The accompanying notes are an integral part of these financial statements.

**GLOBAL INTEGRITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2018**

**(With Summarized Financial Information for the Year Ended December 31, 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,284,543	\$ (99,128)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	154,885	153,098
Discount on multiyear receivables	20,870	(2,064)
Changes in assets and liabilities:		
Accounts receivable	16,805	(9,228)
Grants receivable	(6,930,696)	143,671
Prepaid expenses	1,281	6,515
Security deposit	-	23,668
Accounts payable and accrued expenses	(13,982)	(6,730)
Deferred revenue	(40,936)	4,826
Grants payable	1,596,800	-
Deferred rent and lease incentives	(158,016)	(137,191)
	<u>(68,446)</u>	<u>77,437</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,099)	(17,778)
	<u>(1,099)</u>	<u>(17,778)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(69,545)	59,659
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>979,171</u>	<u>919,512</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 909,626</u>	<u>\$ 979,171</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 206</u>	<u>\$ 135</u>

The accompanying notes are an integral part of these financial statements.



## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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#### 1. Organization and Summary of Significant Accounting Policies

##### **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 supports progress toward open and accountable governance in countries and communities around the world. As an independent information provider, facilitator and advocate, Global Integrity supports progress toward more open governance through a combination of data and research, country-level engagement, and global advocacy.

Global Integrity established a registered entity in South Africa in 2011. The program, Global Integrity Trust, is currently inactive but has remained open for future use.

##### **Basis of Presentation**

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned, and expenses are recognized when incurred.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include demand deposits, money market accounts and all highly liquid investments with initial maturities of three months or less.

##### **Foreign Currency Transactions**

The U.S. dollar is the functional currency for Global Integrity's operations. Transactions in currencies other than U.S. dollars are translated into U.S. dollars at the rate of exchange in effect during the month of the transaction. Current assets and liabilities denominated in non-U.S. currency are translated into U.S. dollars at the exchange rate in effect at the date of the accompanying statement of financial position. During the year ended December 31, 2018, Global Integrity recognized a loss of \$35,673 as a result of foreign currency devaluation on a receivable pledged in a foreign currency.

##### **Accounts and Grants Receivable**

Global Integrity uses the allowance method to record potentially uncollectible accounts and grants receivable.

##### **Property and Equipment and Related Depreciation and Amortization**

Property and equipment with an acquisition value of \$1,000 or more are capitalized at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support or expenses in the accompanying statement of activities. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

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## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Grant Expense Recognition**

Unconditional grants are expensed in the year in which the grant commitment is made to the grantee. Grant amounts not paid in the year in which the grant commitments are made are recorded as grants payable in the accompanying statement of financial position.

##### **Net Assets**

The net assets of Global Integrity are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of Global Integrity's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

##### **Revenue Recognition**

Global Integrity recognizes all unconditional contributed support in the accounting period in which the commitment to give is made. Grants are considered increases in net assets without donor restrictions and available for general operations unless specifically restricted by the donor. Global Integrity reports grants of cash and other assets as increases in net assets with donor restrictions and support if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on grants that have been committed to Global Integrity, but have not been received, is reflected as grants receivable in the accompanying statement of financial position.

Program revenue is related to administrative services provided to other third-party nonprofit organizations under Global Integrity's collaborative arrangement of the OpenGov Hub (OGH) with another nonprofit organization, Development Gateway (DG) (see Note 6). As part of this program, other mission-aligned third-party nonprofit organizations pay licensing fees for the use of shared office space and event space, along with related services. Program revenue is recognized in the accounting period to which it relates. Payments from third parties received in advance are deferred until earned, and are reflected in the accompanying statement of financial position as deferred revenue. Any fees for service revenue that is earned but not received is recorded in accounts receivable in the accompanying statement of financial position.

In accordance with accounting standards, collaborative arrangements in which Global Integrity is considered the principal organization, which is the case with the OGH arrangement, require Global Integrity to record and report costs incurred and revenue generated from transactions with parties that do not participate in the arrangement on a gross basis in the financial statements. Profit and loss sharing obligations to participants of these arrangements are reported as occupancy, utilities and other facilities costs in the accompanying financial statements.

Continued

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributed to specific functional areas of Global Integrity are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas on the basis of estimates deemed by management to be equitable. Salaries and certain onsite contractors are allocated based on approved monthly timesheet reports. Employee benefits and other payroll related costs are allocated on the basis of the ratio of total salaries by program or supporting service area (wage-driven basis) and overhead expenses such as occupancy, depreciation and amortization, accounting, insurance, telecommunications, database, and supplies are allocated on the basis of ratio of total staffs hours by program or supporting service area (“time and effort”).

##### **Measure of Operations**

The accompanying statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Global Integrity’s ongoing services and grants received. Nonoperating activities are limited to exchange rate fluctuations in receivables for amounts pledged in foreign currencies.

##### **Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Global Integrity has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The major changes of the ASU affecting Global Integrity include (a) requiring the representation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; and (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources.

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

#### 2. Grants Receivable

Grants receivable consist of grants from foundations and non-U.S. governmental entities and were due as follows at December 31, 2018:

Less than one year	\$ 6,932,296
One to five years	<u>841,274</u>
Total Grants Receivable	7,773,570
Less: Discount to Present Value	<u>(24,759)</u>
Grants Receivable, Net	<u>\$ 7,748,811</u>

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%. All amounts are expected to be fully collected.

During the year ended December 31, 2017, Global Integrity was awarded a multiyear grant totaling \$1,500,000. \$500,000 of the total grant was contingent upon Global Integrity's completion of certain matching requirements. During the year ended December 31, 2018, Global Integrity met the requirements and recognized the remaining \$500,000, which is included in grants receivable as of December 31, 2018, in the accompanying statement of financial position.

#### 3. Property and Equipment and Accumulated Depreciation and Amortization

Global Integrity's property and equipment consisted of the following as of December 31, 2018:

Leasehold improvements	\$ 1,317,093
Furniture and fixtures	147,568
Computer and office equipment	<u>49,873</u>
Total Property and Equipment	1,514,534
Less: Accumulated Depreciation and Amortization	<u>(750,232)</u>
Property and Equipment, Net	<u>\$ 764,302</u>

Depreciation and amortization expense totaled \$154,885 for the year ended December 31, 2018.

#### 4. Grants Payable

Grants payable consisted of amounts due to various international universities at December 31, 2018, and are scheduled to be paid as follows:

Less than one year	\$ 812,501
One to five years	<u>784,299</u>
Total Grants Payable	<u>\$ 1,596,800</u>

Grants obligations due in more than one year have not been recorded at the present value due to the insignificance of the amount.

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## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

#### 5. Net Assets With Donor Restrictions

Global Integrity's net assets with donor restrictions were available for the following future periods and purposes as of December 31, 2018:

Subject to expenditure for specified purpose:	
Integrity and anti-corruption – DFID Anti-Corruption Evidence	\$ 5,339,265
Multistakeholder government initiatives – TAI Learning Collaborative	159,954
OpenGov Hub – Global Network	100,000
Integrity and anti-corruption – Africa Integrity Indicators	30,787
Multistakeholder government initiatives – TAI Columbia & Nigeria	13,950
OpenGov Hub – Defending Democracy	13,203
Open fiscal governance – Follow the Money, Mexico 2.0	<u>431</u>
Total Subject to Expenditure for Specified Purpose	<u>5,657,590</u>
Subject to passage of time:	
General support – time-restricted for 2019-2020	<u>749,999</u>
Total Subject to Passage of Time	<u>749,999</u>
Total Net Assets With Donor Restrictions	<u>\$ 6,407,589</u>

#### 6. Collaborative Arrangement

In 2012, Global Integrity and DG established OGH, governed and supported by a memorandum of understanding (MOU) between the organizations. The purpose of OGH is to serve as a center for collaboration, learning and innovation on issues related to promoting open government reforms and to house the organizations that pursue these causes. Each organization using OGH reimburses Global Integrity for the use of the shared office and equipment, which is typically governed by one-year agreements.

Under the MOU, both parties share equally in the profits and losses of OGH, as well as the related financial obligations. The revenue and expenses of OGH are recorded in the statement of activities of Global Integrity in accordance with FASB Accounting Standards Codification Topic 808, *Collaborative Arrangements*. Operating revenue and expenses related to OGH for the year ended December 31, 2018, were \$1,221,829 and \$1,212,739, respectively, and are reported as OpenGov Hub revenue and expenses, respectively, in the accompanying statement of activities. Revenue and expenses related to OGH for the year ended December 31, 2018, for purposes of determining Global Integrity's share and DG's share of the operating results of OGH were \$1,340,062 and \$1,275,012, respectively, resulting in a net income of \$65,050. Revenue and expenses for the purposes of determining operating results were adjusted to reflect certain items of inclusion and exclusion identified and agreed upon between the organizations. For the year ended December 31, 2018, \$35,525 representing the other organization's 50% share of the net operating results of OGH was included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. In April 2018, Global Integrity and DG amended certain terms of the MOU, adopting a policy that provides for the forgiveness of a portion of each organization's

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## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

#### 6. Collaborative Arrangement (continued)

share of OGH's operating results. The amendment to the MOU required that this forgiveness be evaluated quarterly and would consist of 60% of the increase in quarters in which OGH generated net income. During the year ended December 31, 2018, this resulted in a reduction of the share due to DG by \$27,919, which is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses. As of December 31, 2018, the outstanding balance due to DG was \$30,216, which is included in accounts payable and accrued expenses in the accompanying statement of financial position.

#### 7. Commitments and Risks

##### Operating Leases

Global Integrity and DG entered into a noncancelable lease agreement for office space that commenced on April 1, 2014, and expires in July 2024. Both organizations have joint and several liability for obligations under the lease agreement and, under a separate MOU, agreed to share the responsibilities of the operating lease agreement equally. The terms of the office space lease required maintenance of a letter of credit, in lieu of a security deposit, which is equivalent to three months of rent payments totaling \$194,315, and provided nine months of abated rent. The letter of credit amount required to be maintained would be further reduced on the second and fifth anniversaries of the lease agreement. Global Integrity paid \$71,000 to DG for its agreed share and contribution toward the cost of obtaining the letter of credit with a financial institution which the other organization has in its name. During the year ended December 31, 2017, the required letter of credit amount was reduced to \$47,332. The terms of the lease included a construction allowance totaling \$1,267,276, which Global Integrity and the other organization used to build out the office space. The lease also contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year, with the exception of lease year six, when the increase is 3.9%.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatements and other incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statement of financial position.

As of December 31, 2018, future minimum lease payments required under this operating lease, exclusive of pass-through operating expenses, were as follows:

<u>For the Year Ending December 31,</u>	<u>Global Integrity</u>	<u>Development Gateway</u>	<u>Total</u>
2019	\$ 441,688	\$ 441,688	\$ 883,376
2020	454,276	454,276	908,552
2021	465,618	465,618	931,236
2022	477,277	477,277	954,554
2023	489,210	489,210	978,420
Thereafter	<u>291,234</u>	<u>291,234</u>	<u>582,468</u>
Total	<u>\$ 2,619,303</u>	<u>\$ 2,619,303</u>	<u>\$ 5,238,606</u>

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## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

#### 7. Commitments and Risks (continued)

##### Operating Leases (continued)

Rent expense totaled \$704,781 for the year ended December 31, 2018, and is included in occupancy, utilities and other facilities costs in the accompanying statement of functional expenses.

##### Concentration of Credit Risk

Global Integrity maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2018, Global Integrity had approximately \$909,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$204,000. Global Integrity monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

##### Concentration of Revenue

For the year ended December 31, 2018, Global Integrity received \$6,971,670 from a major grantor. The grant represented approximately 84% of the total grant revenue recognized by Global Integrity for the year ended December 31, 2018, and approximately 74% of Global Integrity's total revenue and support for the year ended December 31, 2018. As of December 31, 2018, Global Integrity was owed \$6,971,671 by this grantor, which represents approximately 90% of Global Integrity's grants receivable balance. If a significant reduction in funding from this grantor was to occur, it might adversely impact Global Integrity's financial position and ability to carry out its program activities.

#### 8. Availability and Liquidity

Global Integrity's financial assets available within one year of the statement of financial position date for general expenditures at December 31, 2018, were as follows:

Cash and cash equivalents	\$ 909,626
Accounts receivable	2,202
Grants receivable, net	<u>7,748,811</u>
Total Financial Assets Available	8,660,639
Less amounts not available to be used within one year:	
Grants receivable due in one year or more	<u>(816,515)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 7,844,124</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Global Integrity considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended December 31, 2018, restricted contributions of \$5,591,074 were included in financial assets available to meet cash needs for general expenditures within one year.

Continued

## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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#### 8. Availability and Liquidity (continued)

Global Integrity's working capital and cash flows for program services arise from two main sources: grants and OGH licensing agreements. Cash available from grants varies during the year because of the requirements of Global Integrity's grant-based projects. Monthly licensing income from organizations maintaining desks at OGH is based on agreements signed for a standard one-year term, ending March 31 of each year. Monthly cash outflows associated with Global Integrity's grants vary on the basis of the specific requirements of each project. Global Integrity budgets for and reviews its regular monthly outflows for general Global Integrity and OGH operations.

To manage liquidity, Global Integrity reviews month-end cash balances and a 12-month look ahead on a rolling basis. In order to meet future needs, Global Integrity continually seeks additional grant funding by maintaining a pipeline of potential new project applications.

#### 9. Retirement Plan

Global Integrity maintains a defined contribution pension plan covering substantially all full-time employees over the minimum age of 18 years. All contributions to the plan are fully vested. Global Integrity matches elective employee deferrals on a dollar-for-dollar basis up to 3% of compensation, and for deferrals over the 3% there is an additional 50% match up to 5% of compensation. Pension expense for the year ended December 31, 2018, totaled \$30,161.

#### 10. Income Taxes

Global Integrity qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2018, as Global Integrity had no significant unrelated business income.

Global Integrity performed an evaluation of uncertainty in income taxes for the year ended December 31, 2018, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which Global Integrity files tax returns. Global Integrity is not currently under audit by the U.S. Internal Revenue Service. It is Global Integrity's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2018, Global Integrity had no accruals for interest and/or penalties.



## GLOBAL INTEGRITY

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2018

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11. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

12. Reclassifications

Certain 2017 amounts have been reclassified to conform with the 2018 financial statement presentation.

13. Subsequent Events

In preparing these financial statements, Global Integrity has evaluated events and transactions for potential recognition or disclosure through June 17, 2019, the date the financial statements were issued. There were no events that would require recognition or disclosure.