

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

COALITION FOR INTEGRITY

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Coalition for Integrity
Washington, D.C.

We have audited the accompanying financial statements of the Coalition for Integrity (C4I), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes 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 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 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C4I as of December 31, 2020 and 2019, and the changes 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.

Gelman Rosenberg & Freedman

April 16, 2021

COALITION FOR INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 831,701	\$ 826,392
Contributions receivable	112,500	140,000
Prepaid expenses and other assets	<u>10,245</u>	<u>8,561</u>
Total current assets	<u>954,446</u>	<u>974,953</u>
FIXED ASSETS		
Furniture and equipment	10,407	10,407
Computer equipment	<u>6,697</u>	<u>6,697</u>
	17,104	17,104
Less: Accumulated depreciation	<u>(17,104)</u>	<u>(17,062)</u>
Net fixed assets	<u>-</u>	<u>42</u>
NONCURRENT ASSETS		
Security deposit	<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS	<u>\$ 959,341</u>	<u>\$ 979,890</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 22,747	\$ 25,871
Deferred rent	<u>576</u>	<u>-</u>
Total liabilities	<u>23,323</u>	<u>25,871</u>
NET ASSETS		
Without donor restrictions	936,018	829,019
With donor restrictions	<u>-</u>	<u>125,000</u>
Total net assets	<u>936,018</u>	<u>954,019</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 959,341</u>	<u>\$ 979,890</u>

COALITION FOR INTEGRITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 279,212	\$ -	\$ 279,212
Gala dinner, net of expenses totaling \$2,430 in 2020	155,070	-	155,070
In-kind contributions	1,461,095	-	1,461,095
Interest income	149	-	149
Net assets released from donor restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total support and revenue	<u>2,020,526</u>	<u>(125,000)</u>	<u>1,895,526</u>
EXPENSES			
Program Services	<u>1,693,076</u>	<u>-</u>	<u>1,693,076</u>
Supporting Services:			
Management and General	222,961	-	222,961
Fundraising	<u>30,650</u>	<u>-</u>	<u>30,650</u>
Total supporting services	<u>253,611</u>	<u>-</u>	<u>253,611</u>
Total expenses	<u>1,946,687</u>	<u>-</u>	<u>1,946,687</u>
Changes in net assets before other item	73,839	(125,000)	(51,161)
OTHER ITEM			
Extinguishment of debt	<u>33,160</u>	<u>-</u>	<u>33,160</u>
Changes in net assets after other item	106,999	(125,000)	(18,001)
Net assets at beginning of year	<u>829,019</u>	<u>125,000</u>	<u>954,019</u>
NET ASSETS AT END OF YEAR	<u>\$ 936,018</u>	<u>\$ -</u>	<u>\$ 936,018</u>

COALITION FOR INTEGRITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 365,891	\$ 125,000	\$ 490,891
Gala dinner, net of expenses totaling \$57,907 in 2019	177,593	-	177,593
In-kind contributions	139,827	-	139,827
Interest income	1,007	-	1,007
Net assets released from donor restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total support and revenue	<u>734,318</u>	<u>75,000</u>	<u>809,318</u>
EXPENSES			
Program Services	<u>346,296</u>	<u>-</u>	<u>346,296</u>
Supporting Services:			
Management and General	211,604	-	211,604
Fundraising	<u>58,450</u>	<u>-</u>	<u>58,450</u>
Total supporting services	<u>270,054</u>	<u>-</u>	<u>270,054</u>
Total expenses	<u>616,350</u>	<u>-</u>	<u>616,350</u>
Changes in net assets before other item	117,968	75,000	192,968
OTHER ITEM			
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets after other item	117,968	75,000	192,968
Net assets at beginning of year	<u>711,051</u>	<u>50,000</u>	<u>761,051</u>
NET ASSETS AT END OF YEAR	<u>\$ 829,019</u>	<u>\$ 125,000</u>	<u>\$ 954,019</u>

COALITION FOR INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 86,110	\$ 88,225	\$ 16,400	\$ 104,625	\$ 190,735
Benefits and payroll taxes	24,860	25,470	4,735	30,205	55,065
Occupancy	37,596	38,519	7,160	45,679	83,275
Accounting and audit	-	60,892	-	60,892	60,892
Consultants	66,149	1,259	3,077	4,336	70,485
Catering	-	-	-	-	-
Insurance	2,609	2,673	497	3,170	5,779
Telecommunications	3,049	2,606	484	3,090	6,139
Printing and production	504	-	-	-	504
Depreciation	19	19	4	23	42
Travel and entertainment	1,142	70	122	192	1,334
Postage and deliver	586	601	112	713	1,299
Supplies	347	161	30	191	538
Equipment and repairs	4,777	701	130	831	5,608
Other	4,233	1,765	329	2,094	6,327
In-kind professional services	1,461,095	-	-	-	1,461,095
Subtotal	1,693,076	222,961	33,080	256,041	1,949,117
Less: Direct costs of gala dinner presented net of revenue	-	-	(2,430)	(2,430)	(2,430)
TOTAL	<u>\$ 1,693,076</u>	<u>\$ 222,961</u>	<u>\$ 30,650</u>	<u>\$ 253,611</u>	<u>\$ 1,946,687</u>

COALITION FOR INTEGRITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>		
Salaries	\$ 79,404	\$ 79,416	\$ 30,038	\$ 109,454	\$ 188,858
Benefits and payroll taxes	30,846	30,851	11,669	42,520	73,366
Occupancy	35,013	35,018	13,245	48,263	83,276
Accounting and audit	-	58,305	-	58,305	58,305
Consultants	35,360	46	5,751	5,797	41,157
Catering	-	-	41,107	41,107	41,107
Insurance	1,698	1,699	643	2,342	4,040
Telecommunications	3,355	2,682	1,014	3,696	7,051
Printing and production	2,121	-	569	569	2,690
Depreciation	286	285	108	393	679
Travel and entertainment	3,136	117	511	628	3,764
Postage and deliver	412	144	54	198	610
Supplies	1,477	973	1,599	2,572	4,049
Equipment and repairs	7,033	-	9,267	9,267	16,300
Other	6,328	2,068	782	2,850	9,178
In-kind professional services	139,827	-	-	-	139,827
Subtotal	346,296	211,604	116,357	327,961	674,257
Less: Direct costs of gala dinner presented net of revenue	-	-	(57,907)	(57,907)	(57,907)
TOTAL	\$ 346,296	\$ 211,604	\$ 58,450	\$ 270,054	\$ 616,350

COALITION FOR INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (18,001)	\$ 192,968
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	42	679
Extinguishment of debt	(33,160)	-
Decrease (increase) in:		
Contributions receivable	27,500	(42,500)
Prepaid expenses and other assets	(1,684)	1,802
(Decrease) increase in:		
Accounts payable and accrued expenses	(3,124)	7,840
Deferred rent	<u>576</u>	<u>(3,181)</u>
Net cash (used) provided by operating activities	<u>(27,851)</u>	<u>157,608</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	<u>33,160</u>	<u>-</u>
Net cash provided by financing activities	<u>33,160</u>	<u>-</u>
Net increase in cash and cash equivalents	5,309	157,608
Cash and cash equivalents at beginning of year	<u>826,392</u>	<u>668,784</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 831,701</u>	<u>\$ 826,392</u>

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Coalition for Integrity (C4I) is a non-profit organization, incorporated in the Commonwealth of Virginia in 1993 and located in Washington, D.C.

C4I is organized for the charitable and education purpose of educating the public, companies and governmental agencies as to the prevalence of corruption in governance, business and commerce (including international business transactions) and the daily lives of people, and to encourage the adoption of standards and practices to combat economic and political corruption in the United States and internationally.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

C4I considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, C4I maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Fixed assets -

Fixed assets in excess of \$1,500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$42 and \$679, respectively.

Income taxes -

C4I 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. C4I is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, C4I 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.

Revenue recognition -

The majority of C4I's activities are supported by grants and contributions from foundations, corporations, and other private entities. These awards are for various activities performed by C4I. Grants and contributions are recognized in the appropriate category of net assets in the period received. C4I performs an analysis of the individual grant or contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits C4I on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. C4I recognizes revenue for conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. C4I did not receive any conditional awards for the years ended December 31, 2020 and 2019.

Sponsorship revenue received for the gala is considered a contribution and is recognized in the appropriate category of net assets in the period received. Sponsorship revenue received in advance for the gala is recorded as "net assets with donor restrictions".

COALITION FOR INTEGRITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

In-kind contributions -

In-kind contributions consisted of time donated by attorneys and other professionals who provide expertise related to C4I's programmatic purpose. These services are reported at their actual value, based on the number of donated hours and billing rates of the professionals donating their time. The value of contributed services provided for C4I has been reported as "In-kind professional services" in the accompanying Statements of Functional Expenses, and totaled \$1,461,095 and \$139,827 during the years ended December 31, 2020 and 2019, respectively.

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.

Expenses directly attributed to a specific functional area of C4I are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time spent.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact C4I's operations. The overall potential impact is unknown at this time.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

C4I plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

COALITION FOR INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

2. EXTINGUISHMENT OF DEBT

On May 4, 2020, C4I received loan proceeds in the amount of \$33,160 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note was eligible for forgiveness by the Small Business Administration in whole or in part.

On November 20, 2020, C4I received confirmation from the financial institution that the Small Business Administration approved forgiveness of the full loan amount and has recorded revenue from extinguishment of debt on the accompanying Statements of Activities and Changes in Net Assets.

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	2020	2019
Program Services	\$ -	\$ 75,000
Restricted for Time: General Support	-	50,000
	\$ -	\$ 125,000

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

	2020	2019
Program Services	\$ 75,000	\$ -
Passage of Time: General Support	50,000	50,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 125,000	\$ 50,000

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2020	2019
Cash and cash equivalents	\$ 831,701	\$ 826,392
Contributions receivable	112,500	140,000
Donor restricted funds, (programmatic restricted)	-	(75,000)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 944,201	\$ 891,392

C4I has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2020 and 2019, C4I has financial assets equal to approximately twenty-three and seventeen months, respectively, of operating expenses.

COALITION FOR INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

5. LEASE COMMITMENT

C4I rents office space in Washington, D.C. under a lease with an initial termination date of November 30, 2018. C4I extended the lease through January 31, 2021, which includes two months of base rent be 50% abated with no rent escalation adjustment. Under the terms of the lease, C4I is responsible for its proportionate share of the building's real estate taxes. The lease was not renewed at the end of the term.

In February 2021, C4I entered an agreement to lease workstations in Washington, D.C. with an initial lease term through March 31, 2021. After the initial term the lease will continue on a month to month basis unless terminated with a 30 day notice. As part of the agreement C4I will pay a membership fee of \$305 per workstation per month.

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 has been recorded as a deferred rent liability in the Statements of Financial Position. As of December 31, 2020 and 2019, the deferred rent liability aggregated \$576 and \$0, respectively.

Future minimum lease payments as of December 31, 2020 are as follows:

Year Ending December 31, 2021	\$ <u>8,128</u>
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Occupancy expense during the years ended December 31, 2020 and 2019 totaled \$83,275 and \$83,276, respectively.

6. RETIREMENT PLAN

C4I has a retirement plan under Section 401(k) of the Internal Revenue Code. The Plan covers all employees. Employees with at least one year of service are eligible to receive discretionary contributions from C4I. Employees may make contributions to the Plan up to the maximum allowed by the Internal Revenue Code. The Plan does not provide for C4I to make any mandatory contributions; however, C4I may make contributions to the Plan if approved by the Board of Directors. There were no contributions made during the years ended December 31, 2020 and 2019, respectively.

7. SUBSEQUENT EVENTS

In preparing these financial statements, C4I has evaluated events and transactions for potential recognition or disclosure through April 16, 2021, the date the financial statements were issued.

On February 12, 2021, C4I entered into a five-year promissory note agreement in the amount of \$30,372 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Consolidated Appropriations Act, 2021, the promissory note may be forgiven by the Small Business Administration in whole or in part.