

FINANCIAL STATEMENTS



TRANSPARENCY INTERNATIONAL | USA

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

TRANSPARENCY INTERNATIONAL-USA, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2016 and 2015	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2016 and 2015	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2016	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2015	7
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2016 and 2015	8
NOTES TO FINANCIAL STATEMENTS	9 - 12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Transparency International-USA, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Transparency International-USA, Inc. (TI-USA), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TI-USA as of December 31, 2016 and 2015, 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.

June 27, 2017

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFPCA.COM

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

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,025,346	\$ 1,106,982
Contributions receivable	139,000	84,400
Prepaid expenses and other assets	<u>13,836</u>	<u>10,159</u>
Total current assets	<u>1,178,182</u>	<u>1,201,541</u>
FIXED ASSETS		
Furniture and equipment	10,407	10,407
Computer equipment	<u>6,697</u>	<u>4,638</u>
	17,104	15,045
Less: Accumulated depreciation	<u>(14,511)</u>	<u>(14,004)</u>
Net fixed assets	<u>2,593</u>	<u>1,041</u>
NONCURRENT ASSETS		
Security deposit	<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS	<u>\$ 1,185,670</u>	<u>\$ 1,207,477</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ <u>56,046</u>	\$ <u>105,785</u>
NONCURRENT LIABILITIES		
Deferred rent	<u>3,344</u>	<u>814</u>
Total liabilities	<u>59,390</u>	<u>106,599</u>
NET ASSETS		
Unrestricted	1,076,280	1,050,878
Temporarily restricted	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>1,126,280</u>	<u>1,100,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,185,670</u>	<u>\$ 1,207,477</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 549,934	\$ 51,200	\$ 601,134
Event, net of expenses totaling \$70,247 in 2016 and \$66,353 in 2015, respectively	187,671	-	187,671
Interest income	94	-	94
In-kind contributions	309,751	-	309,751
Net assets released from donor restrictions	<u>51,200</u>	<u>(51,200)</u>	<u>-</u>
Total support and revenue	<u>1,098,650</u>	<u>-</u>	<u>1,098,650</u>
EXPENSES			
Program Services	<u>698,685</u>	<u>-</u>	<u>698,685</u>
Supporting Services:			
Management and General	285,514	-	285,514
Fundraising	<u>89,049</u>	<u>-</u>	<u>89,049</u>
Total supporting services	<u>374,563</u>	<u>-</u>	<u>374,563</u>
Total expenses	<u>1,073,248</u>	<u>-</u>	<u>1,073,248</u>
Changes in net assets	25,402	-	25,402
Net assets at beginning of year	<u>1,050,878</u>	<u>50,000</u>	<u>1,100,878</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,076,280</u>	<u>\$ 50,000</u>	<u>\$ 1,126,280</u>

See accompanying notes to financial statements.

2015		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 611,664	\$ 50,000	\$ 661,664
202,147	-	202,147
90	-	90
90,804	-	90,804
<u>-</u>	<u>-</u>	<u>-</u>
<u>904,705</u>	<u>50,000</u>	<u>954,705</u>
<u>604,677</u>	<u>-</u>	<u>604,677</u>
209,928	-	209,928
<u>84,858</u>	<u>-</u>	<u>84,858</u>
<u>294,786</u>	<u>-</u>	<u>294,786</u>
<u>899,463</u>	<u>-</u>	<u>899,463</u>
5,242	50,000	55,242
<u>1,045,636</u>	<u>-</u>	<u>1,045,636</u>
<u>\$ 1,050,878</u>	<u>\$ 50,000</u>	<u>\$ 1,100,878</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 280,001	\$ 134,021	\$ 41,679	\$ 455,701
Benefits and payroll taxes	70,419	33,706	10,482	114,607
Printing and production	1,269	129	40	1,438
Consultants and temporary staff	13,652	834	259	14,745
Occupancy	52,920	25,330	7,878	86,128
Accounting and audit	29,598	14,167	4,405	48,170
Insurance	2,856	1,367	425	4,648
Depreciation	312	149	46	507
Telecommunications	5,474	296	92	5,862
Travel and entertainment	12,425	4	57	12,486
Postage and deliver	403	160	125	688
Supplies	2,322	865	371	3,558
Equipment and repairs	6,326	783	244	7,353
Other	6,127	1,109	370	7,606
In-kind professional services	214,581	72,594	22,576	309,751
TOTAL	\$ 698,685	\$ 285,514	\$ 89,049	\$ 1,073,248

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 285,788	\$ 127,119	\$ 43,287	\$ 456,194
Benefits and payroll taxes	89,364	39,749	13,536	142,649
Printing and production	1,317	-	-	1,317
Consultants and temporary staff	6,927	687	13,314	20,928
Occupancy	51,501	22,908	7,801	82,210
Accounting and audit	39,754	14,892	5,071	59,717
Insurance	2,867	1,275	434	4,576
Depreciation	156	70	24	250
Telecommunications	4,370	1,492	508	6,370
Travel and entertainment	20,651	16	159	20,826
Postage and deliver	2,051	524	237	2,812
Supplies	2,498	705	320	3,523
Equipment and repairs	2,792	-	-	2,792
Other	3,837	491	167	4,495
In-kind professional services	90,804	-	-	90,804
TOTAL	<u>\$ 604,677</u>	<u>\$ 209,928</u>	<u>\$ 84,858</u>	<u>\$ 899,463</u>

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 25,402	\$ 55,242
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	507	250
(Increase) decrease in:		
Contracts receivable	-	36,215
Contributions receivable	(54,600)	37,850
Prepaid expenses and other assets	(3,677)	2,002
Increase (decrease) in:		
Accounts payable and accrued expenses	(49,739)	54,060
Deferred rent	<u>2,530</u>	<u>814</u>
Net cash (used) provided by operating activities	<u>(79,577)</u>	<u>186,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(2,059)</u>	<u>-</u>
Net cash used by investing activities	<u>(2,059)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(81,636)	186,433
Cash and cash equivalents at beginning of year	<u>1,106,982</u>	<u>920,549</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,025,346</u>	<u>\$ 1,106,982</u>

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Transparency International-USA, Inc. (TI-USA) is a non-profit organization, incorporated in the Commonwealth of Virginia in 1993 and located in Washington, D.C. TI-USA 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. TI-USA is affiliated with Transparency International, with its headquarters in Berlin, Germany, as part of a growing worldwide network of separately organized and run organizations having a common goal of ending corruption. TI-USA provides expertise and raises funds to support Transparency International worldwide.

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 -

TI-USA 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, TI-USA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Receivables -

All receivables approximate fair value and are due within one year. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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, 2016 and 2015 totaled \$507 and \$250, respectively.

Income taxes -

TI-USA 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. TI-USA is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, TI-USA 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.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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

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 TI-USA's general operations.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of TI-USA 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.

Revenue recognition -

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. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consist of time donated by attorneys and other professionals who provide expertise related to TI-USA'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 TI-USA has been reported as "In-kind professional services" in the accompanying Statements of Functional Expenses, and totaled \$309,751 and \$90,804 during the years ended December 31, 2016 and 2015, 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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities.

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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

New accounting pronouncement (continued) -

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of TI-USA's financial statements, it is not expected to alter TI-USA's reported financial position. TI-USA has elected not to early adopt the new ASU.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Restricted for Time: General Support	\$ <u>50,000</u>	\$ <u>50,000</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), satisfying the restricted purposes specified by donors during the years ended December 31, 2016 and 2015:

	2016	2015
Beneficial Ownership - Transparency in Public Procurement	\$ 1,200	\$ -
Passage of Time: General Support	<u>50,000</u>	<u>-</u>
	\$ <u>51,200</u>	\$ <u>-</u>

4. LEASE COMMITMENT

TI-USA rents office space in Washington, D.C. under a lease currently set to expire on November 30, 2018. Under the terms of the lease, TI-USA is responsible for its proportionate share of the building's real estate taxes. Additionally, the lease requires an annual three and one-half percent rent escalation adjustment. 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, 2016, the deferred rent liability aggregated \$3,344. Future minimum lease payments as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>		
2017		\$ 86,526
2018		<u>81,896</u>
		\$ <u>168,422</u>

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

4. LEASE COMMITMENT (Continued)

Occupancy expense during the years ended December 31, 2016 and 2015 totaled \$86,128 and \$82,210, respectively.

5. RETIREMENT PLANS

TI-USA 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 TI-USA. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

The plan does not provide for TI-USA to make any mandatory contributions. However, TI-USA may make contributions to the plan if approved by the Board of Directors. During the year ended December 31, 2015, contributions totaling \$17,380 were made to the plan. There were no contributions made during the year ended December 31, 2016.

6. SUBSEQUENT EVENTS

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through June 27, 2017, the date the financial statements were issued.

As of January 2017, TI-USA is no longer affiliated with Transparency International. TI-USA changed its name to Coalition for Integrity, Inc. (Coalition for Integrity) in March 2017. During April 2017, the Internal Revenue Service confirmed Coalition for Integrity's continuing tax exempt status under Internal Revenue Code Section 501(c)(3).