

## **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

# COALITION FOR INTEGRITY

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## 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, 2017 and 2016, 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 C4I as of December 31, 2017 and 2016, 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.

August 15, 2018

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**COALITION FOR INTEGRITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 623,074	\$ 1,025,346
Contributions receivable	247,790	139,000
Prepaid expenses and other assets	<u>13,725</u>	<u>13,836</u>
Total current assets	<u>884,589</u>	<u>1,178,182</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	10,407	10,407
Computer equipment	<u>6,697</u>	<u>6,697</u>
Less: Accumulated depreciation	<u>17,104</u> <u>(15,447)</u>	<u>17,104</u> <u>(14,511)</u>
Net fixed assets	<u>1,657</u>	<u>2,593</u>
<b>NONCURRENT ASSETS</b>		
Security deposit	<u>4,895</u>	<u>4,895</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 891,141</u></b>	<b><u>\$ 1,185,670</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 70,836	\$ 56,046
Deferred revenue	22,306	-
Deferred rent	<u>2,945</u>	<u>399</u>
Total current liabilities	<u>96,087</u>	<u>56,445</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent	<u>-</u>	<u>2,945</u>
Total liabilities	<u>96,087</u>	<u>59,390</u>
<b>NET ASSETS</b>		
Unrestricted	745,054	1,076,280
Temporarily restricted	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>795,054</u>	<u>1,126,280</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 891,141</u></b>	<b><u>\$ 1,185,670</u></b>

**COALITION FOR INTEGRITY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 298,034	\$ 50,000	\$ 348,034
Contracts	2,694	-	2,694
Event, net of expenses totaling \$71,913 in 2017 and \$70,247 in 2016, respectively	142,502	-	142,502
Interest income	229	-	229
In-kind contributions	105,286	-	105,286
Net assets released from donor restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total support and revenue	<u>598,745</u>	<u>-</u>	<u>598,745</u>
<b>EXPENSES</b>			
Program Services	<u>436,652</u>	<u>-</u>	<u>436,652</u>
Supporting Services:			
Management and General	282,072	-	282,072
Fundraising	<u>211,247</u>	<u>-</u>	<u>211,247</u>
Total supporting services	<u>493,319</u>	<u>-</u>	<u>493,319</u>
Total expenses	<u>929,971</u>	<u>-</u>	<u>929,971</u>
Changes in net assets	(331,226)	-	(331,226)
Net assets at beginning of year	<u>1,076,280</u>	<u>50,000</u>	<u>1,126,280</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 745,054</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 795,054</u></b>

<b>2016</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 549,934	\$ 51,200	\$ 601,134
-	-	-
187,671	-	187,671
94	-	94
309,751	-	309,751
<u>51,200</u>	<u>(51,200)</u>	<u>-</u>
<u>1,098,650</u>	<u>-</u>	<u>1,098,650</u>
<u>698,685</u>	<u>-</u>	<u>698,685</u>
285,514	-	285,514
<u>89,049</u>	<u>-</u>	<u>89,049</u>
<u>374,563</u>	<u>-</u>	<u>374,563</u>
<u>1,073,248</u>	<u>-</u>	<u>1,073,248</u>
25,402	-	25,402
<u>1,050,878</u>	<u>50,000</u>	<u>1,100,878</u>
<b><u>\$ 1,076,280</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 1,126,280</u></b>

**COALITION FOR INTEGRITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 208,242	\$ 162,782	\$ 120,986	\$ 492,010
Benefits and payroll taxes	58,720	45,901	34,115	138,736
Printing and production	855	36	27	918
Consultants and temporary staff	6,474	225	167	6,866
Occupancy	36,454	28,495	21,179	86,128
Accounting and audit	24,446	19,109	14,203	57,758
Insurance	2,049	1,602	1,190	4,841
Depreciation	396	310	230	936
Telecommunications	7,045	1,262	938	9,245
Travel and entertainment	4,073	33	25	4,131
Postage and deliver	95	75	155	325
Supplies	1,740	726	540	3,006
Equipment and repairs	6,828	268	199	7,295
Other	8,760	1,279	2,451	12,490
In-kind professional services	70,475	19,969	14,842	105,286
<b>TOTAL</b>	<b><u>\$ 436,652</u></b>	<b><u>\$ 282,072</u></b>	<b><u>\$ 211,247</u></b>	<b><u>\$ 929,971</u></b>

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
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
<b>TOTAL</b>	<b><u>\$ 698,685</u></b>	<b><u>\$ 285,514</u></b>	<b><u>\$ 89,049</u></b>	<b><u>\$ 1,073,248</u></b>



**COALITION FOR INTEGRITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (331,226)	\$ 25,402
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	936	507
(Increase) decrease in:		
Contributions receivable	(108,790)	(54,600)
Prepaid expenses and other assets	111	(3,677)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,790	(49,739)
Deferred revenue	22,306	-
Deferred rent	<u>(399)</u>	<u>2,530</u>
Net cash used by operating activities	<u>(402,272)</u>	<u>(79,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	<u>-</u>	<u>(2,059)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,059)</u>
Net decrease in cash and cash equivalents	(402,272)	(81,636)
Cash and cash equivalents at beginning of year	<u>1,025,346</u>	<u>1,106,982</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 623,074</u></b>	<b><u>\$ 1,025,346</u></b>

## COALITION FOR INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

##### Organization -

Coalition for Integrity (C4I) (formerly known as Transparency International-USA, Inc.) 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 FASB ASC 958, *Not-for-Profit Entities*.

##### 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.

##### Receivables -

All receivables are recorded at their net realizable value, which approximates fair value. 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, 2017 and 2016 totaled \$936 and \$507, 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, 2017 and 2016, 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.

## COALITION FOR INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 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 C4I's general operations.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of C4I 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 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 \$105,286 and \$309,751 during the years ended December 31, 2017 and 2016, 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.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

**COALITION FOR INTEGRITY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<b>Restricted for Time: General Support</b>	<b>\$ <u>50,000</u></b>	<b>\$ <u>50,000</u></b>

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Beneficial Ownership - Transparency in Public Procurement	\$ -	\$ 1,200
Passage of Time: General Support	<u>50,000</u>	<u>50,000</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>\$ <u>50,000</u></b>	<b>\$ <u>51,200</u></b>

**4. LEASE COMMITMENT**

C4I rents office space in Washington, D.C. under a lease currently set to expire on November 30, 2018. Under the terms of the lease, C4I 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. Subsequent to year-end, C4I extended its lease through December 31, 2019, which includes two months of base rent be 50% abated with no 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, 2017, the deferred rent liability aggregated \$2,945.

Future minimum lease payments as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>		
2018		\$ 85,655
2019		<u>86,457</u>
		<b>\$ <u>172,112</u></b>

Occupancy expense during the years ended December 31, 2017 and 2016 totaled \$86,128 and \$86,128, respectively.

## COALITION FOR INTEGRITY

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 5. RETIREMENT PLANS

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, 2017 and 2016, respectively.

#### 6. NEW ACCOUNTING PRONOUNCEMENTS (NOT YET ADOPTED)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. 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 C4I's financial statements, it is not expected to alter C4I's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. C4I has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

C4I plans to adopt the new ASUs at the respective required implementation dates.

#### 7. SUBSEQUENT EVENTS

In preparing these financial statements, C4I has evaluated events and transactions for potential recognition or disclosure through August 15, 2018, the date the financial statements were issued.