

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

COALITION FOR INTEGRITY

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2018 and 2017, 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, 2018 and 2017, 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.

May 2, 2019

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COALITION FOR INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 668,784	\$ 623,074
Contributions receivable	97,500	247,790
Prepaid expenses and other assets	<u>10,363</u>	<u>13,725</u>
Total current assets	<u>776,647</u>	<u>884,589</u>
FIXED ASSETS		
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>(16,383)</u>	<u>17,104</u> <u>(15,447)</u>
Net fixed assets	<u>721</u>	<u>1,657</u>
NONCURRENT ASSETS		
Security deposit	<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS	<u>\$ 782,263</u>	<u>\$ 891,141</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 18,031	\$ 70,836
Deferred revenue	-	22,306
Deferred rent	<u>3,181</u>	<u>2,945</u>
Total current liabilities	<u>21,212</u>	<u>96,087</u>
NET ASSETS		
Net assets without donor restrictions	711,051	745,054
Net assets with donor restrictions	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>761,051</u>	<u>795,054</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 782,263</u>	<u>\$ 891,141</u>

COALITION FOR INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 335,998	\$ 50,000	\$ 385,998
Contracts	22,306	-	22,306
Gala dinner, net of expenses totaling \$62,223 in 2018 and \$71,913 in 2017, respectively	112,777	-	112,777
Interest income	955	-	955
In-kind contributions	206,448	-	206,448
Net assets released from donor restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total support and revenue	<u>728,484</u>	<u>-</u>	<u>728,484</u>
EXPENSES			
Program Services	<u>505,982</u>	<u>-</u>	<u>505,982</u>
Supporting Services:			
Management and General	188,934	-	188,934
Fundraising	<u>67,571</u>	<u>-</u>	<u>67,571</u>
Total supporting services	<u>256,505</u>	<u>-</u>	<u>256,505</u>
Total expenses	<u>762,487</u>	<u>-</u>	<u>762,487</u>
Changes in net assets	(34,003)	-	(34,003)
Net assets at beginning of year	<u>745,054</u>	<u>50,000</u>	<u>795,054</u>
NET ASSETS AT END OF YEAR	<u>\$ 711,051</u>	<u>\$ 50,000</u>	<u>\$ 761,051</u>

2017		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 298,034	\$ 50,000	\$ 348,034
2,694	-	2,694
142,502	-	142,502
229	-	229
105,286	-	105,286
<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
<u>598,745</u>	<u>-</u>	<u>598,745</u>
<u>436,652</u>	<u>-</u>	<u>436,652</u>
282,072	-	282,072
<u>211,247</u>	<u>-</u>	<u>211,247</u>
<u>493,319</u>	<u>-</u>	<u>493,319</u>
<u>929,971</u>	<u>-</u>	<u>929,971</u>
(331,226)	-	(331,226)
<u>1,076,280</u>	<u>50,000</u>	<u>1,126,280</u>
<u>\$ 745,054</u>	<u>\$ 50,000</u>	<u>\$ 795,054</u>

COALITION FOR INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>					Total Expenses
	Program Services	General and Administrative	Fundraising	Direct Cost of Gala Dinner	Total Supporting Services	
Salaries	\$ 128,413	\$ 94,496	\$ 33,580	\$ -	\$ 128,076	\$ 256,489
Benefits and payroll taxes	42,994	31,638	11,243	-	42,881	85,875
Occupancy	43,002	31,643	11,245	-	42,888	85,890
Accounting and audit	34,009	25,028	8,893	-	33,921	67,930
Consultants	23,922	(13)	(4)	5,133	5,116	29,038
Catering	-	-	-	44,222	44,222	44,222
Insurance	2,470	1,818	646	-	2,464	4,934
Telecommunications	5,976	24	8	-	32	6,008
Printing and production	977	75	27	816	918	1,895
Depreciation	469	344	123	-	467	936
Travel and entertainment	815	118	99	-	217	1,032
Postage and deliver	175	84	404	-	488	663
Supplies	1,205	727	258	1,305	2,290	3,495
Equipment and repairs	6,460	412	146	8,747	9,305	15,765
Other	8,647	2,540	903	2,000	5,443	14,090
In-kind professional services	206,448	-	-	-	-	206,448
Subtotal	505,982	188,934	67,571	62,223	318,728	824,710
Less: Direct costs of Gala Dinner presented net of revenue	-	-	-	(62,223)	(62,223)	(62,223)
TOTAL	\$ 505,982	\$ 188,934	\$ 67,571	\$ -	\$ 256,505	\$ 762,487

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

	<u>Supporting Services</u>					<u>Total Expenses</u>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Direct Cost of Gala Dinner</u>	<u>Total Supporting Services</u>	
Salaries	\$ 208,242	\$ 162,782	\$ 120,986	\$ -	\$ 283,768	\$ 492,010
Benefits and payroll taxes	58,720	45,901	34,115	-	80,016	138,736
Occupancy	36,454	28,495	21,179	-	49,674	86,128
Accounting and audit	24,446	19,109	14,203	-	33,312	57,758
Consultants	6,474	225	167	19,716	20,108	26,582
Catering	-	-	-	46,629	46,629	46,629
Insurance	2,049	1,602	1,190	-	2,792	4,841
Telecommunications	7,045	1,262	938	-	2,200	9,245
Printing and production	855	36	27	1,291	1,354	2,209
Depreciation	396	310	230	-	540	936
Travel and entertainment	4,073	33	25	1,201	1,259	5,332
Postage and deliver	95	75	155	-	230	325
Supplies	1,740	726	540	1,076	2,342	4,082
Equipment and repairs	6,828	268	199	-	467	7,295
Other	8,760	1,279	2,451	2,000	5,730	14,490
In-kind professional services	70,475	19,969	14,842	-	34,811	105,286
Subtotal	436,652	282,072	211,247	71,913	565,232	1,001,884
Less: Direct costs of Gala Dinner presented net of revenue	-	-	-	(71,913)	(71,913)	(71,913)
TOTAL	\$ 436,652	\$ 282,072	\$ 211,247	\$ -	\$ 493,319	\$ 929,971

COALITION FOR INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (34,003)	\$ (331,226)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	936	936
Decrease (increase) in:		
Contributions receivable	150,290	(108,790)
Prepaid expenses and other assets	3,362	111
(Decrease) increase in:		
Accounts payable and accrued expenses	(52,805)	14,790
Deferred revenue	(22,306)	22,306
Deferred rent	<u>236</u>	<u>(399)</u>
Net cash provided (used) by operating activities	<u>45,710</u>	<u>(402,272)</u>
Net increase (decrease) in cash and cash equivalents	45,710	(402,272)
Cash and cash equivalents at beginning of year	<u>623,074</u>	<u>1,025,346</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 668,784</u>	<u>\$ 623,074</u>

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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 within one year. 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, 2018 and 2017 totaled \$936, 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, 2018 and 2017, 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, 2018 AND 2017

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

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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 (or certain grantors) 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.

Revenue recognition -

Contributions and grants received are recorded as revenue in the year notification is received from the donor. Contributions and grants with 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. Such funds in excess of expenses incurred are shown as net assets with donor restrictions 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 \$206,448 and \$105,286 during the years ended December 31, 2018 and 2017, 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.

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Functional allocation of expenses (continued) -

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.

Reclassification -

Certain amounts in the prior year's C4I financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$745,054 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted in the amount of \$50,000 are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. C4I has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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 statement 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.

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Restricted for Time: General Support	\$ <u>50,000</u>	\$ <u>50,000</u>

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:

	<u>2018</u>	<u>2017</u>
Passage of Time: General Support	\$ <u>50,000</u>	\$ <u>50,000</u>

3. LIQUIDITY AND AVAILABILITY

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

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 668,784	\$ 623,074
Contributions receivable	<u>97,500</u>	<u>247,790</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>766,284</u>	\$ <u>870,864</u>

C4I has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2018 and 2017, C4I has financial assets equal to approximately twelve and eleven, respectively, months of operating expenses.

4. LEASE COMMITMENT

C4I rents office space in Washington, D.C. under a lease 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, 2018 and 2017, the deferred rent liability aggregated \$3,181 and \$2,945, respectively.

COALITION FOR INTEGRITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

4. LEASE COMMITMENT (Continued)

Future minimum lease payments as of December 31, 2018 are as follows:

Year Ending December 31, 2019	\$ <u>86,457</u>
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Occupancy expense during the years ended December 31, 2018 and 2017 totaled \$85,890 and \$86,128, respectively.

5. 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, 2018 and 2017, respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, C4I has evaluated events and transactions for potential recognition or disclosure through May 2, 2019, the date the financial statements were issued.