

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
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, 2019 and 2018, 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 15, 2020

COALITION FOR INTEGRITY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 826,392	\$ 668,784
Contributions receivable	140,000	97,500
Prepaid expenses and other assets	<u>8,561</u>	<u>10,363</u>
Total current assets	<u>974,953</u>	<u>776,647</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>(17,062)</u>	<u>(16,383)</u>
Net fixed assets	<u>42</u>	<u>721</u>
NONCURRENT ASSETS		
Security deposit	<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS	<u>\$ 979,890</u>	<u>\$ 782,263</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 25,871	\$ 18,031
Deferred rent	<u>-</u>	<u>3,181</u>
Total current liabilities	<u>25,871</u>	<u>21,212</u>
NET ASSETS		
Without donor restrictions	829,019	711,051
With donor restrictions	<u>125,000</u>	<u>50,000</u>
Total net assets	<u>954,019</u>	<u>761,051</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 979,890</u>	<u>\$ 782,263</u>

COALITION FOR INTEGRITY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 365,891	\$ 125,000	\$ 490,891
Contracts	-	-	-
Gala dinner, net of expenses totaling \$57,907 in 2019 and \$62,223 in 2018	177,593	-	177,593
Interest income	1,007	-	1,007
In-kind contributions	139,827	-	139,827
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	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>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 335,998	\$ 50,000	\$ 385,998
22,306	-	22,306
112,777	-	112,777
955	-	955
206,448	-	206,448
<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
<u>728,484</u>	<u>-</u>	<u>728,484</u>
<u>471,973</u>	<u>-</u>	<u>471,973</u>
231,836	-	231,836
<u>58,678</u>	<u>-</u>	<u>58,678</u>
<u>290,514</u>	<u>-</u>	<u>290,514</u>
<u>762,487</u>	<u>-</u>	<u>762,487</u>
(34,003)	-	(34,003)
<u>745,054</u>	<u>50,000</u>	<u>795,054</u>
<u>\$ 711,051</u>	<u>\$ 50,000</u>	<u>\$ 761,051</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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Program Services	General and Administrative	Fundraising		
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	-	67,930	-	67,930	67,930
Consultants	23,922	(13)	5,129	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	843	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	1,563	2,290	3,495
Equipment and repairs	6,460	412	8,893	9,305	15,765
Other	8,647	2,540	2,903	5,443	14,090
In-kind professional services	206,448	-	-	-	206,448
Subtotal	471,973	231,836	120,901	352,737	824,710
Less: Direct costs of Gala Dinner presented net of revenue	-	-	(62,223)	(62,223)	(62,223)
TOTAL	\$ 471,973	\$ 231,836	\$ 58,678	\$ 290,514	\$ 762,487

COALITION FOR INTEGRITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 192,968	\$ (34,003)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	679	936
(Increase) decrease in:		
Contributions receivable	(42,500)	150,290
Prepaid expenses and other assets	1,802	3,362
Increase (decrease) in:		
Accounts payable and accrued expenses	7,840	(52,805)
Deferred revenue	-	(22,306)
Deferred rent	<u>(3,181)</u>	<u>236</u>
Net cash provided by operating activities	<u>157,608</u>	<u>45,710</u>
Net increase in cash and cash equivalents	157,608	45,710
Cash and cash equivalents at beginning of year	<u>668,784</u>	<u>623,074</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 826,392</u>	<u>\$ 668,784</u>

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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.

New accounting pronouncement adopted -

During 2019, C4I adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. C4I adopted the ASU using a modified prospective basis.

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.

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

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.

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, 2019 and 2018 totaled \$679 and \$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, 2019 and 2018, 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 -

Gifts, including unconditional pledges, grants and contracts are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the condition on which they depend is substantially met. Contributions and grants qualifying as contributions are recorded by C4I upon notification of the contribution and grant award and satisfaction of all conditions, if applicable.

Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. 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. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

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, 2019 AND 2018

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 \$139,827 and \$206,448 during the years ended December 31, 2019 and 2018, 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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 non public entities beginning after December 15, 2020. Early adoption is 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, 2019 AND 2018**

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	2019	2018
Program Services	\$ 75,000	\$ -
Restricted for Time: General Support	50,000	50,000
	\$ 125,000	\$ 50,000

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:

	2019	2018
Passage of Time: General Support	\$ 50,000	\$ 50,000

3. LIQUIDITY AND AVAILABILITY

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

	2019	2018
Cash and cash equivalents	\$ 826,392	\$ 668,784
Contributions receivable	140,000	97,500
Donor restricted funds	(75,000)	-
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 891,392	\$ 766,284

C4I has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019 and 2018, C4I has financial assets equal to approximately seventeen and twelve months, respectively, of operating expenses.

4. 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.

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, 2019 and 2018, the deferred rent liability aggregated \$0 and \$3,181, respectively.

COALITION FOR INTEGRITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

4. LEASE COMMITMENT (Continued)

Future minimum lease payments as of December 31, 2019 are as follows:

Year Ending December 31,

2020	\$	82,698
2021		<u>7,518</u>
	\$	<u>90,216</u>

Occupancy expense during the years ended December 31, 2019 and 2018 totaled \$83,276 and \$85,890, 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, 2019 and 2018, respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, C4I has evaluated events and transactions for potential recognition or disclosure through April 15, 2020, the date the financial statements were issued.

The COVID-19 outbreak in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the global financial markets have declined, the related financial impact on C4I's operations at the time of the auditor's report has been minimal.