

# **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

# COALITION FOR INTEGRITY

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

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

#### **Opinion**

We have audited the accompanying financial statements of the Coalition for Integrity (C4I), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of C4I as of December 31, 2022 and 2021, 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.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of C4I and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about C4I's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 C4I's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about C4I's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

April 27, 2023

**COALITION FOR INTEGRITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 932,734	\$ 806,432
Contributions receivable	45,000	138,500
Prepaid expenses and other assets	<u>3,360</u>	<u>3,386</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 981,094</u></b>	<b><u>\$ 948,318</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 25,900	\$ 27,066
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**NET ASSETS**

Without donor restrictions	<u>955,194</u>	<u>921,252</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 981,094</u></b>	<b><u>\$ 948,318</u></b>
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## COALITION FOR INTEGRITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Without Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
<b>SUPPORT AND REVENUE</b>		
Grants and contributions	\$ 179,221	\$ 265,110
Gala dinner, net of expenses totaling \$1,954	128,046	-
In-kind contributions	146,500	345,103
Interest income	<u>297</u>	<u>63</u>
Total support and revenue	<u>454,064</u>	<u>610,276</u>
<b>EXPENSES</b>		
Program Services	<u>278,747</u>	<u>510,005</u>
Supporting Services:		
Management and General	108,704	124,329
Fundraising	<u>32,671</u>	<u>21,080</u>
Total supporting services	<u>141,375</u>	<u>145,409</u>
Total expenses	<u>420,122</u>	<u>655,414</u>
Changes in net assets before other item	33,942	(45,138)
<b>OTHER ITEM</b>		
Extinguishment of debt	<u>-</u>	<u>30,372</u>
Changes in net assets after other item	33,942	(14,766)
Net assets at beginning of year	<u>921,252</u>	<u>936,018</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 955,194</u></b>	<b><u>\$ 921,252</u></b>

## COALITION FOR INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 79,203	\$ 42,051	\$ 21,519	\$ 63,570	\$ 142,773
Benefits and payroll taxes	26,053	13,832	7,079	20,911	46,964
Occupancy	4,315	2,291	1,172	3,463	7,778
Accounting and audit	-	45,258	-	45,258	45,258
Consultants	15,459	2,563	3,440	6,003	21,462
Insurance	1,847	980	502	1,482	3,329
Printing and production	1,395	-	-	-	1,395
Travel and entertainment	321	24	41	65	386
Postage and delivery	35	18	9	27	62
Other	3,619	1,687	863	2,550	6,169
In-kind professional services	146,500	-	-	-	146,500
Subtotal	278,747	108,704	34,625	143,329	422,076
Less: Direct costs of gala dinner presented net of revenue	-	-	(1,954)	(1,954)	(1,954)
<b>TOTAL</b>	<b>\$ 278,747</b>	<b>\$ 108,704</b>	<b>\$ 32,671</b>	<b>\$ 141,375</b>	<b>\$ 420,122</b>

## COALITION FOR INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 87,639	\$ 50,713	\$ 13,921	\$ 64,634	\$ 152,273
Benefits and payroll taxes	26,438	15,298	4,200	19,498	45,936
Occupancy	8,760	5,069	1,391	6,460	15,220
Accounting and audit	-	49,131	-	49,131	49,131
Consultants	34,100	1,445	834	2,279	36,379
Insurance	1,509	873	240	1,113	2,622
Telecommunications	374	216	59	275	649
Printing and production	3,220	-	-	-	3,220
Travel and entertainment	196	40	11	51	247
Postage and delivery	21	12	3	15	36
Supplies	86	50	14	64	150
Other	2,559	1,482	407	1,889	4,448
In-kind professional services	345,103	-	-	-	345,103
<b>TOTAL</b>	<b>\$ 510,005</b>	<b>\$ 124,329</b>	<b>\$ 21,080</b>	<b>\$ 145,409</b>	<b>\$ 655,414</b>



**COALITION FOR INTEGRITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 33,942	\$ (14,766)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Extinguishment of debt	-	(30,372)
Decrease (increase) in:		
Contributions receivable	93,500	(26,000)
Prepaid expenses and other assets	26	6,859
Security deposit	-	4,895
(Decrease) increase in:		
Accounts payable and accrued expenses	(1,166)	4,319
Deferred rent	<u>-</u>	<u>(576)</u>
Net cash provided (used) by operating activities	<u>126,302</u>	<u>(55,641)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	<u>-</u>	<u>30,372</u>
Net cash provided by financing activities	<u>-</u>	<u>30,372</u>
Net increase (decrease) in cash and cash equivalents	126,302	(25,269)
Cash and cash equivalents at beginning of year	<u>806,432</u>	<u>831,701</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 932,734</u></b>	<b><u>\$ 806,432</u></b>

**COALITION FOR INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

Organization -

The 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 pronouncements adopted -

During the year ended December 31, 2022, C4I adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles in the United States (U.S. GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

**COALITION FOR INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

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 collectable within one year. Accordingly, an allowance for doubtful accounts has not been established.

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, 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. Grants and contributions 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.

Grants and contributions 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, 2022 and 2021.

**COALITION FOR INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

Revenue recognition (continued) -

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".

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 \$146,500 and \$345,103 during the years ended December 31, 2022 and 2021, 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.

C4I's operations are heavily dependent on private and public donations from individuals and corporations. The outbreak may have a continued material adverse impact in economic market conditions, triggering a period of global economic slowdown. Given C4I's financial condition and liquidity, management does not believe this will hinder the Organization's ability to advance its mission. Management believes that C4I has adequate resources to cover its obligations, operations, and core activities.

**COALITION FOR INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

New accounting pronouncements not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for C4I for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach. 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.

**2. EXTINGUISHMENT OF DEBT**

On February 12, 2021, C4I received loan proceeds in the amount of \$30,372 with a 1% fixed interest rate under the second round of funding of 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 Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. On September 27, 2021, 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. LIQUIDITY AND AVAILABILITY**

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

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 932,734	\$ 806,432
Contributions receivable	45,000	138,500
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ 977,734</b>	<b>\$ 944,932</b>

C4I has a policy to structure its financial assets to be available and liquid as its obligations become due.

**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. The lease was not renewed at the end of the term.

**COALITION FOR INTEGRITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**4. LEASE COMMITMENT (Continued)**

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.

Occupancy expense during the years ended December 31, 2022 and 2021 totaled \$7,778 and \$15,220, 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, 2022 and 2021, respectively.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, C4I has evaluated events and transactions for potential recognition or disclosure through April 27, 2023, the date the financial statements were issued.