

FINANCIAL STATEMENTS

**PARTNERSHIP FOR
TRANSPARENCY FUND, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2003
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2002**

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Partnership for Transparency Fund, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of the Partnership for Transparency Fund, Inc. as of December 31, 2003, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Partnership for Transparency Fund, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2002 financial statements and, in our report dated November 3, 2003, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Partnership for Transparency Fund, Inc. as of December 31, 2003, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman, Rosenberg & Freedman

March 26, 2004

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2003
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2002

| ASSETS | | <u>2003</u> | <u>2002</u> |
|---|--|--------------------------|-------------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | \$ 72,163 | \$ 27,911 |
| Grants receivable (Note 2) | | 276,200 | 5,000 |
| Accounts receivable | | <u>4,150</u> | <u>-</u> |
| TOTAL ASSETS | | \$ <u>352,513</u> | \$ <u>32,911</u> |
| LIABILITIES AND NET ASSETS | | | |
| LIABILITIES | | | |
| Accounts payable | | \$ 500 | \$ - |
| Grants payable (Note 3) | | <u>50,477</u> | <u>32,500</u> |
| Total liabilities | | <u>50,977</u> | <u>32,500</u> |
| NET ASSETS | | | |
| Unrestricted | | 25,336 | 411 |
| Temporarily restricted (Note 4) | | <u>257,400</u> | <u>-</u> |
| | | 282,736 | 411 |
| Adjustment for currency translation | | <u>18,800</u> | <u>-</u> |
| Total net assets | | <u>301,536</u> | <u>411</u> |
| TOTAL LIABILITIES AND NET ASSETS | | \$ <u>352,513</u> | \$ <u>32,911</u> |

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2002

| | 2003 | | | 2002 |
|---|-------------------------|---------------------------|--------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE | | | | |
| Grants and contributions | \$ 46,296 | \$ 386,100 | \$ 432,396 | \$ 45,045 |
| Interest | 396 | - | 396 | 339 |
| In-kind contributions (Note 6) | 9,229 | - | 9,229 | 22,811 |
| Currency exchange loss | (10,527) | - | (10,527) | - |
| Net assets released from donor restrictions (Note 5) | <u>128,700</u> | <u>(128,700)</u> | <u>-</u> | <u>-</u> |
| Total revenue | <u>174,094</u> | <u>257,400</u> | <u>431,494</u> | <u>68,195</u> |
| EXPENSES | | | | |
| Program Services | 127,346 | - | 127,346 | 63,085 |
| Management and General | <u>21,823</u> | <u>-</u> | <u>21,823</u> | <u>23,629</u> |
| Total expenses | <u>149,169</u> | <u>-</u> | <u>149,169</u> | <u>86,714</u> |
| Change in net assets | 24,925 | 257,400 | 282,325 | (18,519) |
| Net assets at beginning of year | <u>411</u> | <u>-</u> | <u>411</u> | <u>18,930</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 25,336</u> | <u>\$ 257,400</u> | <u>\$ 282,736</u> | <u>\$ 411</u> |

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2002**

| | 2003 | | | 2002 |
|--------------------------------|-----------------------------|-----------------------------------|---------------------------|---------------------------|
| | Program Services | Management and General | Total Expenses | Total Expenses |
| Printing and production | \$ 48 | \$ 274 | \$ 322 | \$ - |
| Professional fees | 675 | 3,825 | 4,500 | 610 |
| Legal (Note 6) | - | 9,254 | 9,254 | 22,811 |
| Accounting/audit | 680 | 3,850 | 4,530 | - |
| Telephone | 614 | 3,477 | 4,091 | - |
| Travel and entertainment | 2,040 | - | 2,040 | - |
| Postage and delivery | - | - | - | 39 |
| Supplies | 129 | 734 | 863 | - |
| Subscriptions and publications | 11 | 64 | 75 | - |
| Bank fees | 282 | 230 | 512 | 350 |
| Grants | 122,847 | - | 122,847 | 62,904 |
| Other | <u>20</u> | <u>115</u> | <u>135</u> | <u>-</u> |
| TOTAL | <u>\$ 127,346</u> | <u>\$ 21,823</u> | <u>\$ 149,169</u> | <u>\$ 86,714</u> |

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2002

| | <u>2003</u> | <u>2002</u> |
|--|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 282,325 | \$ (18,519) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Adjustment for currency translation | 18,800 | - |
| (Increase) decrease in: | | |
| Grants receivable | (271,200) | 920 |
| Other receivable | (4,150) | - |
| Increase (decrease) in: | | |
| Accounts payable | 500 | - |
| Grants payable | <u>17,977</u> | <u>7,500</u> |
| Net cash provided (used) by operating activities | <u>44,252</u> | <u>(10,099)</u> |
| Net increase (decrease) in cash and cash equivalents | 44,252 | (10,099) |
| Cash and cash equivalents at beginning of year | <u>27,911</u> | <u>38,010</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 72,163</u> | <u>\$ 27,911</u> |

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Partnership for Transparency Fund, Inc. is a nonprofit organization, incorporated in the State of New York and located in Washington, D.C. The Partnership for Transparency Fund, Inc. is organized exclusively for charitable and educational purposes, including for the purpose of educating the public and advocating an independent and effective role for civil society in the design, implementation and monitoring of anti-corruption programs in developing countries.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and cash equivalents -

The Partnership for Transparency Fund, Inc. considers all cash in checking and money market accounts to be cash and cash equivalents.

At times during the year, the Partnership for Transparency Fund, Inc. maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. 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. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Income taxes -

The Partnership for Transparency Fund, Inc. 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. The Partnership for Transparency Fund, Inc. is not a private foundation.

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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

Foreign currency translation -

The U.S. Dollar is the functional currency used in the preparation of annual financial statements for Partnership for Transparency Fund, Inc. All assets and liabilities reported in foreign currencies at year end have been translated to U.S. Dollars using the exchange rate in effect at year end. The gain resulting from such translation is reported under the net asset section of the accompanying Statement of Financial Position.

2. GRANTS RECEIVABLE

Grants receivable consisted of the following:

| | <u>Total Award</u> | <u>Amounts Received</u> | <u>2003 Balance</u> |
|--|--------------------------|-----------------------------|--------------------------|
| Swedish International Development Cooperation Agency (SIDA) | \$ <u>386,100</u> | \$ <u>109,900</u> | \$ <u>276,200</u> |

3. GRANTS AWARDED AND PAYABLE

| <u>Country</u> | <u>Commitment</u> | <u>Paid</u> | <u>Fiscal Year</u> | <u>2003 Balance</u> | <u>Status</u> |
|-------------------------------|--------------------------|--------------------------|--------------------|-------------------------|---------------|
| Bulgaria (1) (4) | \$ 12,877 | \$ 12,725 | 2000/2001 | \$ - | Completed |
| Latvia | 11,835 | 11,835 | 2001 | - | Completed |
| Paraguay (4) | 15,000 | 14,676 | 2001 | - | Completed |
| Brazil #1 | 5,000 | 5,000 | 2001 | - | Completed |
| India | 15,000 | 15,000 | 2001/2002 | - | Completed |
| Cambodia | 11,900 | 11,900 | 2001 | - | Completed |
| Pakistan #1 (2) (4) | 21,500 | 21,212 | 2001 | - | Completed |
| Brazil #2 | 7,350 | 7,350 | 2001 | - | Completed |
| Columbia | 2,323 | 2,323 | 2001 | - | Completed |
| Poland | 16,500 | 16,500 | 2001 | - | Completed |
| Mongolia | 15,000 | 15,000 | 2002 | - | Completed |
| Nigeria | 5,404 | 5,404 | 2002 | - | Completed |
| Ecuador | 15,000 | 15,000 | 2002 | - | Completed |
| Indonesia | 25,000 | 12,500 | 2002/2003 | - | Cancelled |
| Pakistan #2 | 20,000 | 20,000 | 2002/2003 | - | Completed |
| TI Morocco (3) | 1,315 | 1,315 | 2003 | - | Completed |
| TI Costa Rica | 17,500 | 8,750 | 2003/2004 | 8,750 | Ongoing |
| PWI, Philippines | 8,200 | 8,200 | 2003/2004 | - | Ongoing |
| FACT, Nepal | 2,576 | 2,576 | 2003/2004 | - | Ongoing |
| ET, Nicaragua | 25,000 | 25,000 | 2003/2004 | - | Completed |
| Zorig Foundation #2, Mongolia | 15,970 | 15,970 | 2003/2004 | - | Ongoing |
| Proetica, Peru | 24,000 | 12,000 | 2003/2004 | 12,000 | Ongoing |
| G-Watch, Philippines | 24,727 | 12,000 | 2003/2004 | 12,727 | Ongoing |
| PORIS, Tanzania | <u>22,000</u> | <u>5,000</u> | 2003/2004 | <u>17,000</u> | Ongoing |
| | \$ <u>340,977</u> | \$ <u>277,236</u> | | \$ <u>50,477</u> | |

(1) Includes Technical Assistance costs of \$1,557.

(2) Includes Technical Assistance costs of \$2,212.

(3) Includes Technical Assistance costs of \$1,315.

(4) Amount paid is net of unused funds returned to the Partnership for Transparency Fund, Inc.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2003:

| | |
|-------------------------------|--------------------------|
| SIDA (Time Restricted) | \$ <u>257,400</u> |
|-------------------------------|--------------------------|

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

| | |
|-------------------------------|--------------------------|
| SIDA (Time Restricted) | \$ <u>128,700</u> |
|-------------------------------|--------------------------|

6. IN-KIND CONTRIBUTIONS

In-kind contributions, which consist of donated legal services, are reported in the accompanying financial statements at the fair market value at the date the services were provided. The total value of in-kind contributions for the year ended December 31, 2003 was \$9,229.

In addition, the Partnership for Transparency Fund, Inc. receives a significant amount of donated time by volunteers in support of its programs and operations. Because no objective basis is available to measure the value of such time, no amount has been recorded in the accompanying financial statements for donated time by volunteers.