

FINANCIAL STATEMENTS

**PARTNERSHIP FOR
TRANSPARENCY FUND, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2003**

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2004, with Summarized Financial Information for 2003	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2004, with Summarized Financial Information for 2003	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2004, with Summarized Financial Information for 2003	5
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2004, with Summarized Financial Information for 2003	6
NOTES TO FINANCIAL STATEMENTS	7 - 9



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, 2004, 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 2003 financial statements and, in our report dated March 26, 2004, 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, 2004, 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.

March 2, 2005

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

ASSETS		<u>2004</u>	<u>2003</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 192,121	\$ 72,163
Grants receivable (Note 2)		189,250	276,200
Accounts receivable		<u>4,650</u>	<u>4,150</u>
TOTAL ASSETS		\$ <u>386,021</u>	\$ <u>352,513</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 2,527	\$ 500
Grants payable (Note 3)		<u>52,022</u>	<u>50,477</u>
Total liabilities		<u>54,549</u>	<u>50,977</u>
NET ASSETS			
Unrestricted		49,372	25,336
Temporarily restricted (Note 4)		<u>250,875</u>	<u>257,400</u>
		300,247	282,736
Adjustment for currency translation		<u>31,225</u>	<u>18,800</u>
Total net assets		<u>331,472</u>	<u>301,536</u>
TOTAL LIABILITIES AND NET ASSETS		\$ <u>386,021</u>	\$ <u>352,513</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

	2004			2003
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ -	\$ 240,000	\$ 240,000	\$ 432,396
Interest	239	-	239	396
In-kind contributions (Note 6)	-	-	-	9,229
Net assets released from donor restrictions (Note 5)	<u>246,525</u>	<u>(246,525)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>246,764</u>	<u>(6,525)</u>	<u>240,239</u>	<u>442,021</u>
EXPENSES				
Program Services	209,973	-	209,973	127,346
Management and General	<u>14,110</u>	<u>-</u>	<u>14,110</u>	<u>21,823</u>
Total expenses	<u>224,083</u>	<u>-</u>	<u>224,083</u>	<u>149,169</u>
Change in net assets before other item	22,681	(6,525)	16,156	292,852
OTHER ITEM				
Currency exchange gain (loss)	<u>1,355</u>	<u>-</u>	<u>1,355</u>	<u>(10,527)</u>
Change in net assets	24,036	(6,525)	17,511	282,325
Net assets at beginning of year	<u>25,336</u>	<u>257,400</u>	<u>282,736</u>	<u>411</u>
NET ASSETS AT END OF YEAR	<u>\$ 49,372</u>	<u>\$ 250,875</u>	<u>\$ 300,247</u>	<u>\$ 282,736</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	2004			2003
	Program Services	Management and General	Total Expenses	Total Expenses
Printing and production	\$ 9	\$ 49	\$ 58	\$ 322
Professional fees	403	2,281	2,684	4,500
Legal	-	25	25	9,254
Accounting/audit	1,298	7,357	8,655	4,530
Telephone	755	4,278	5,033	4,091
Travel	2,053	-	2,053	2,040
Postage and delivery	120	-	120	-
Supplies	1	4	5	863
Subscriptions and publications	-	-	-	75
Bank fees	507	116	623	512
Grants	204,827	-	204,827	122,847
Other	-	-	-	135
TOTAL	<u>\$ 209,973</u>	<u>\$ 14,110</u>	<u>\$ 224,083</u>	<u>\$ 149,169</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,511	\$ 282,325
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Adjustment for currency translation	12,425	18,800
(Increase) decrease in:		
Grants receivable	86,950	(271,200)
Accounts receivable	(500)	(4,150)
Increase (decrease) in:		
Accounts payable	2,027	500
Grants payable	<u>1,545</u>	<u>17,977</u>
Net cash provided by operating activities	<u>119,958</u>	<u>44,252</u>
Net increase in cash and cash equivalents	119,958	44,252
Cash and cash equivalents at beginning of year	<u>72,163</u>	<u>27,911</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 192,121</u>	<u>\$ 72,163</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Partnership for Transparency Fund, Inc. (the Fund) is a nonprofit organization, incorporated in the State of New York and located in Washington, D.C. The Fund 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 Fund considers all cash in checking and money market accounts to be cash and cash equivalents.

At times during the year, the Fund 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 Fund 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 Fund 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.

Foreign currency translation -

The U.S. Dollar is the functional currency used in the preparation of annual financial statements for the Fund. 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.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

2. GRANTS RECEIVABLE

Grants receivable consisted of the following:

	<u>Total Award</u>	<u>Amounts Received</u>	<u>2004 Balance</u>
Swedish International Development Cooperation Agency (SIDA)	\$ <u>386,100</u>	\$ <u>196,850</u>	\$ <u>189,250</u>

3. GRANTS AWARDED AND PAYABLE

<u>Country</u>	<u>Commitment</u>	<u>Paid</u>	<u>Fiscal Year</u>	<u>2004 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	8,350	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	17,500	2003/2004	-	Completed
PWI, Philippines	8,200	8,200	2003-2005	-	Ongoing
FACT, Nepal	3,573	3,573	2003/2004	-	Completed
ET, Nicaragua	25,000	25,000	2003/2004	-	Completed
Zorig Foundation #2, Mongolia	15,970	15,970	2003/2004	-	Completed
Proetica, Peru	24,000	24,000	2003/2004	-	Completed
G-Watch, Philippines	24,727	24,727	2003/2004	-	Completed
PORIS, Tanzania	22,000	22,000	2003/2004	-	Ongoing
RIRA, Tanzania	12,362	12,362	2004/2005	-	Ongoing
TI Czech Republic	13,846	13,846	2004	-	Completed
VETO, Tanzania	16,200	16,200	2004/2005	-	Ongoing
CIPPEC, Argentina	19,082	10,000	2004/2005	9,082	Ongoing
SERI, Nigeria	25,000	25,000	2004/2005	-	Ongoing
Poland 2004	20,000	10,000	2004/2005	10,000	Ongoing
ForDIA Tanzania	25,000	25,000	2004/2005	-	Ongoing
TI Slovakia	25,000	12,500	2004/2005	12,500	Ongoing
ACIJ Argentina	21,900	11,900	2004/2005	10,000	Ongoing
TI Kyrgyzstan	25,440	15,000	2004/2005	10,440	Ongoing
	\$ <u>545,804</u>	\$ <u>476,368</u>		\$ <u>52,022</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, 2004**

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2004:

SIDA (Time Restricted)	\$ 160,875
World Bank (Time Restricted)	<u>90,000</u>
	<u>\$ 250,875</u>

5. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions due to the passage of time specified by the donors:

SIDA	\$ 96,525
World Bank	90,000
UNDP	<u>60,000</u>
	<u>\$ 246,525</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. There were no in-kind contributions for the year ended December 31, 2004.

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.