

FINANCIAL STATEMENTS



**TRANSPARENCY
INTERNATIONAL**

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

TRANSPARENCY INTERNATIONAL-USA, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2011 and 2010	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2011 and 2010	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2011	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2010	7
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2011 and 2010	8
NOTES TO FINANCIAL STATEMENTS	9 - 12



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Transparency International-USA, Inc.
Washington, D.C.

We have audited the accompanying statements of financial position of Transparency International-USA, Inc. (TI-USA) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of TI-USA's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TI-USA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 TI-USA as of December 31, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

July 13, 2012

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

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2011 AND 2010

ASSETS		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 926,589	\$ 856,978
Grants and contributions receivable		100,879	217,790
Other receivables		3,257	15,621
Prepaid expenses		<u>10,080</u>	<u>10,532</u>
Total current assets		<u>1,040,805</u>	<u>1,100,921</u>
FIXED ASSETS			
Furniture and equipment		10,407	10,407
Computer equipment		<u>21,970</u>	<u>21,970</u>
		32,377	32,377
Less: Accumulated depreciation		<u>(30,336)</u>	<u>(30,086)</u>
Net fixed assets		<u>2,041</u>	<u>2,291</u>
NONCURRENT ASSETS			
Security deposit		<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS		<u>\$ 1,047,741</u>	<u>\$ 1,108,107</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 76,374	\$ 75,800
Deferred contract revenue		<u>35,351</u>	<u>-</u>
Total current liabilities		111,725	75,800
NONCURRENT LIABILITIES			
Grants payable		<u>32,673</u>	<u>32,673</u>
Total liabilities		<u>144,398</u>	<u>108,473</u>
NET ASSETS			
Unrestricted		727,513	936,372
Temporarily restricted (Note 2)		<u>175,830</u>	<u>63,262</u>
Total net assets		<u>903,343</u>	<u>999,634</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,047,741</u>	<u>\$ 1,108,107</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 521,769	\$ 350,000	\$ 871,769
Contracts	106,034	-	106,034
Special event, net of expenses	-	-	-
Interest income	68	-	68
In-kind contributions	506,889	-	506,889
Net assets released from donor restrictions (Note 3)	<u>237,432</u>	<u>(237,432)</u>	<u>-</u>
Total support and revenue	<u>1,372,192</u>	<u>112,568</u>	<u>1,484,760</u>
EXPENSES			
Program Services	1,189,278	-	1,189,278
Management and General	266,496	-	266,496
Fundraising	<u>125,277</u>	<u>-</u>	<u>125,277</u>
Total expenses	<u>1,581,051</u>	<u>-</u>	<u>1,581,051</u>
Changes in net assets	(208,859)	112,568	(96,291)
Net assets at beginning of year	<u>936,372</u>	<u>63,262</u>	<u>999,634</u>
NET ASSETS AT END OF YEAR	<u>\$ 727,513</u>	<u>\$ 175,830</u>	<u>\$ 903,343</u>

See accompanying notes to financial statements.

2010		
Unrestricted	Temporarily Restricted	Total
\$ 516,930	\$ 71,000	\$ 587,930
-	-	-
163,929	-	163,929
90	-	90
314,886	-	314,886
<u>24,876</u>	<u>(24,876)</u>	<u>-</u>
<u>1,020,711</u>	<u>46,124</u>	<u>1,066,835</u>
835,837	-	835,837
237,657	-	237,657
<u>144,700</u>	<u>-</u>	<u>144,700</u>
<u>1,218,194</u>	<u>-</u>	<u>1,218,194</u>
(197,483)	46,124	(151,359)
<u>1,133,855</u>	<u>17,138</u>	<u>1,150,993</u>
<u>\$ 936,372</u>	<u>\$ 63,262</u>	<u>\$ 999,634</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 355,881	\$ 125,773	\$ 64,585	\$ 546,239
Benefits and payroll taxes (Note 5)	46,337	16,662	8,556	71,555
Printing and production	2,173	358	122	2,653
Consultants and temporary staff	203,765	2,499	44,759	251,023
Occupancy (Note 4)	54,705	16,872	5,774	77,351
Accounting and audit	2,949	28,154	-	31,103
Insurance	3,102	957	327	4,386
Depreciation	177	54	19	250
Telecommunications	1,125	18,761	-	19,886
Travel and entertainment	11,880	2,437	598	14,915
Professional fees	21,908	-	-	21,908
Postage and delivery	1,458	230	120	1,808
Supplies	3,266	373	128	3,767
Equipment and repairs	898	39	13	950
Other	22,765	3,327	276	26,368
In-kind professional services	<u>456,889</u>	<u>50,000</u>	<u>-</u>	<u>506,889</u>
TOTAL	\$ <u>1,189,278</u>	\$ <u>266,496</u>	\$ <u>125,277</u>	\$ <u>1,581,051</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 429,513	\$ 125,908	\$ 77,759	\$ 633,180
Benefits and payroll taxes (Note 5)	44,463	13,352	8,296	66,111
Printing and production	2,648	729	450	3,827
Consultants and temporary staff	8,588	2,595	1,602	12,785
Occupancy (Note 4)	48,981	14,798	9,139	72,918
Accounting and audit	16,813	5,535	3,137	25,485
Insurance	2,662	804	497	3,963
Depreciation	140	43	26	209
Telecommunications	5,985	1,733	1,070	8,788
Travel and entertainment	47,233	2,160	967	50,360
Postage and delivery	2,742	260	161	3,163
Supplies	5,467	1,573	971	8,011
Equipment and repairs	1,383	418	258	2,059
Other	9,046	2,252	1,151	12,449
In-kind professional services	<u>210,173</u>	<u>65,497</u>	<u>39,216</u>	<u>314,886</u>
TOTAL	<u>\$ 835,837</u>	<u>\$ 237,657</u>	<u>\$ 144,700</u>	<u>\$ 1,218,194</u>

TRANSPARENCY INTERNATIONAL-USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (96,291)	\$ (151,359)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	250	209
Unrealized gain on investments	-	(10)
(Increase) decrease in:		
Bequest receivable	-	343,080
Grants and contributions receivable	116,911	(217,790)
Other receivables	12,364	72,006
Prepaid expenses	452	(1,647)
Increase (decrease) in:		
Accounts payable and accrued expenses	574	(32,995)
Deferred contract revenue	<u>35,351</u>	<u>-</u>
Net cash provided by operating activities	<u>69,611</u>	<u>11,494</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	-	(2,500)
Proceeds from sales of investments	<u>-</u>	<u>500,000</u>
Net cash provided by investing activities	<u>-</u>	<u>497,500</u>
Net increase in cash and cash equivalents	69,611	508,994
Cash and cash equivalents at beginning of year	<u>856,978</u>	<u>347,984</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 926,589</u>	<u>\$ 856,978</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Transparency International-USA, Inc. (TI-USA) is a non-profit organization, incorporated in the Commonwealth of Virginia in 1993 and located in Washington, D.C. TI-USA was organized for the charitable and educational purpose of educating the public, companies and governmental agencies as to the prevalence of corruption and extortion in international business transactions and mobilizing reform efforts. TI-USA encourages the adoption of international business standards of conduct, supports multilateral governmental initiatives to reduce corruption, and works with other chapters to promote reform. TI-USA is affiliated with Transparency International, with its headquarters in Berlin, Germany, as part of a growing worldwide network of separately organized and run organizations having a common goal of ending corruption. TI-USA provides expertise and raises funds to support Transparency International worldwide.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

TI-USA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). TI-USA maintains a portion of its cash balances at financial institutions in noninterest-bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, TI-USA maintains a portion of its cash balances in a bank deposit sweep account at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Receivables (grants, contributions and other) -

All receivables approximate fair value and are due with-in one year. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

TI-USA 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. TI-USA is not a private foundation.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2011 and 2010, TI-USA has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions; these net assets are available for TI-USA's general operations.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of TI-USA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Revenue recognition -

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

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred; contract funding received in advance of incurring the related expenses is recorded as deferred contract revenue in the accompanying Statements of Financial Position. Contract revenue earned but not collected is recorded as a contract receivable in the accompanying statement of financial position.

In-kind contributions -

In-kind contributions consist of time donated by attorneys and other professionals who provide expertise related to TI-USA's programmatic purpose. These services are reported at their actual value, based on the number of donated hours and billing rates of professional services rendered. The value of contributed services provided for TI-USA has been reported as "In-kind professional services" in the accompanying Statement of Functional Expenses, and totaled \$506,889 and \$314,886 during the years ended December 31, 2011 and 2010, respectively.

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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

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.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 consisted of the following:

	2011	2010
GE Foundation - APEC	\$ 1,589	\$ 63,262
World Bank - Strengthening Governance	174,241	-
	<u>\$ 175,830</u>	<u>\$ 63,262</u>

3. 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:

	2011	2010
SME Toolkit	\$ -	\$ 3,294
CIPE - APEC Transparency Monitoring	-	9,844
GE Foundation - APEC	61,673	11,738
World Bank - Strengthening Governance	175,759	-
	<u>\$ 237,432</u>	<u>\$ 24,876</u>

4. LEASE COMMITMENT

TI-USA rents its principal office space in Washington, D.C. under a lease which expires on September 30, 2012. The lease includes a 2.5% annual escalation clause, and TI-USA is responsible for its proportionate share of the building's real estate taxes and operating expenses. Future minimum annual rental payments required under this lease total \$55,377. Occupancy expense during the years ended December 31, 2011 and 2010 totaled \$77,351 and \$72,918, respectively.

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5. RETIREMENT PLANS

TI-USA has a retirement plan under Section 401(k) of the Internal Revenue Code. The plan covers all employees who are at least 21 years of age and with at least two years of service. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code. The plan does not provide for TI-USA to make any mandatory contributions; however, TI-USA may make contributions to the plan if approved by the Board of Directors. During 2011 and 2010, contributions of \$14,897 and \$21,405, respectively, were made to the retirement plan.

TI-USA has a defined contribution retirement plan that covers all employees who are at least 21 years of age and with at least 24 months of service. Employer contributions to the plan are discretionary. The plan does not provide for any employee contributions. Employees are 100% vested in the employer contribution upon entering the plan. There were no contributions made in 2011 or 2010.

6. SUBSEQUENT EVENTS

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through July 13, 2012, the date the financial statements were issued.