

FINANCIAL STATEMENTS



TRANSPARENCY INTERNATIONAL | USA

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

TRANSPARENCY INTERNATIONAL-USA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Transparency International-USA, Inc. (TI-USA), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
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 TI-USA as of December 31, 2013 and 2012, 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 & Friedman

June 25, 2014

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 891,483	\$ 833,134
Contracts receivable	12,205	17,176
Contributions and other receivables	36,800	6,500
Prepaid expenses	<u>10,935</u>	<u>10,280</u>
Total current assets	<u>951,423</u>	<u>867,090</u>
FIXED ASSETS		
Furniture and equipment	10,407	10,407
Computer equipment	<u>11,401</u>	<u>21,970</u>
	21,808	32,377
Less: Accumulated depreciation	<u>(20,267)</u>	<u>(30,586)</u>
Net fixed assets	<u>1,541</u>	<u>1,791</u>
NONCURRENT ASSETS		
Security deposit	<u>4,895</u>	<u>4,895</u>
TOTAL ASSETS	<u>\$ 957,859</u>	<u>\$ 873,776</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 48,192	\$ 61,143
NONCURRENT LIABILITIES		
Grants payable (Note 5)	<u>-</u>	<u>32,673</u>
Total liabilities	<u>48,192</u>	<u>93,816</u>
NET ASSETS		
Unrestricted	<u>909,667</u>	<u>779,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 957,859</u>	<u>\$ 873,776</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, 2013 AND 2012

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions and grants	\$ 668,874	\$ -	\$ 668,874
Contracts	79,149	-	79,149
Special event, net of expenses	164,897	-	164,897
Interest income	81	-	81
In-kind contributions	324,558	-	324,558
Net assets released from donor restrictions (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,237,559</u>	<u>-</u>	<u>1,237,559</u>
EXPENSES			
Program Services	706,189	-	706,189
Management and General	302,215	-	302,215
Fundraising	<u>132,121</u>	<u>-</u>	<u>132,121</u>
Total expenses	<u>1,140,525</u>	<u>-</u>	<u>1,140,525</u>
Changes in net assets before other item	97,034	-	97,034
OTHER ITEM			
Donor release of liability (Note 5)	<u>32,673</u>	<u>-</u>	<u>32,673</u>
Changes in net assets	129,707	-	129,707
Net assets at beginning of year	<u>779,960</u>	<u>-</u>	<u>779,960</u>
NET ASSETS AT END OF YEAR	<u>\$ 909,667</u>	<u>\$ -</u>	<u>\$ 909,667</u>

See accompanying notes to financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ 619,117	\$ 9,170	\$ 628,287
118,043	-	118,043
174,304	-	174,304
74	-	74
523,834	-	523,834
<u>185,000</u>	<u>(185,000)</u>	<u>-</u>
<u>1,620,372</u>	<u>(175,830)</u>	<u>1,444,542</u>
1,018,089	-	1,018,089
370,546	-	370,546
<u>179,290</u>	<u>-</u>	<u>179,290</u>
<u>1,567,925</u>	<u>-</u>	<u>1,567,925</u>
52,447	(175,830)	(123,383)
<u>-</u>	<u>-</u>	<u>-</u>
52,447	(175,830)	(123,383)
<u>727,513</u>	<u>175,830</u>	<u>903,343</u>
<u>\$ 779,960</u>	<u>\$ -</u>	<u>\$ 779,960</u>

See accompanying notes to financial statements.

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 243,352	\$ 164,230	\$ 29,662	\$ 437,244
Benefits and payroll taxes (Note 4)	21,701	39,658	2,989	64,348
Printing and production	386	14	212	612
Consultants and temporary staff	36,059	5,399	86,520	127,978
Occupancy (Note 3)	35,053	31,315	9,840	76,208
Accounting and audit	14,718	54,514	-	69,232
Insurance	1,989	1,790	586	4,365
Depreciation	118	100	32	250
Telecommunications	5,926	382	106	6,414
Travel and entertainment	10,902	1,590	1,071	13,563
Postage and delivery	1,050	541	224	1,815
Supplies	3,411	621	140	4,172
Equipment and repairs	2,332	-	-	2,332
Other	4,634	2,061	739	7,434
In-kind professional services	<u>324,558</u>	<u>-</u>	<u>-</u>	<u>324,558</u>
TOTAL	<u>\$ 706,189</u>	<u>\$ 302,215</u>	<u>\$ 132,121</u>	<u>\$ 1,140,525</u>

TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 232,239	\$ 165,310	\$ 36,194	\$ 433,743
Benefits and payroll taxes (Note 4)	28,025	20,798	4,556	53,379
Printing and production	486	44	21	551
Consultants and temporary staff	195,182	21,664	121,191	338,037
Occupancy (Note 3)	47,339	23,191	10,840	81,370
Accounting and audit	17,240	51,785	-	69,025
Insurance	2,510	1,271	594	4,375
Depreciation	143	73	34	250
Telecommunications	5,905	251	117	6,273
Travel and entertainment	28,086	1,229	1,166	30,481
Professional fees	7,793	-	-	7,793
Postage and delivery	2,372	179	132	2,683
Supplies	3,235	752	936	4,923
Equipment and repairs	1,876	40	18	1,934
Other	6,366	2,397	511	9,274
In-kind professional services	<u>439,292</u>	<u>81,562</u>	<u>2,980</u>	<u>523,834</u>
TOTAL	\$ <u>1,018,089</u>	\$ <u>370,546</u>	\$ <u>179,290</u>	\$ <u>1,567,925</u>

TRANSPARENCY INTERNATIONAL-USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 129,707	\$ (123,383)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	250	250
Donor release of liability	(32,673)	-
(Increase) decrease in:		
Contracts receivable	4,971	83,703
Contributions and other receivables	(30,300)	(3,243)
Prepaid expenses	(655)	(200)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,951)	(15,231)
Deferred contract revenue	<u>-</u>	<u>(35,351)</u>
Net cash provided (used) by operating activities	<u>58,349</u>	<u>(93,455)</u>
Net increase (decrease) in cash and cash equivalents	58,349	(93,455)
Cash and cash equivalents at beginning of year	<u>833,134</u>	<u>926,589</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 891,483</u>	<u>\$ 833,134</u>

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, TI-USA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Receivables (contracts, contributions and other) -

All receivables approximate fair value and are due within one year. Management considers all amounts to be fully collectible. 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 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.

Uncertain tax positions -

For the years ended December 31, 2013 and 2012, TI-USA 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.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

Uncertain tax positions (continued) -

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. There were no temporarily restricted net assets as of December 31, 2013 and 2012.

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 Statements 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 \$324,558 and \$523,834 during the years ended December 31, 2013 and 2012, 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.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

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. **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 at December 31, 2012:

TI Secretariat	\$	9,170
GE Foundation - APEC		1,589
World Bank - Strengthening Governance		<u>174,241</u>
	\$	<u>185,000</u>

3. **LEASE COMMITMENT**

TI-USA rents its principal office space in Washington, D.C. under a lease, which expired on September 30, 2012 and was extended for another three years, expiring on September 30, 2015. The lease includes a 3.5% annual escalation clause, and TI-USA is responsible for its proportionate share of the building's real estate taxes.

Occupancy expense during the years ended December 31, 2013 and 2012 totaled \$76,208 and \$81,370, respectively.

Year Ending December 31,

2014	\$	78,852
2015		<u>60,678</u>
	\$	<u>139,530</u>

4. **RETIREMENT PLANS**

TI-USA 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 TI-USA. Employees may make contributions to the plan up to the maximum allowed by the Internal Revenue Code.

TRANSPARENCY INTERNATIONAL-USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

4. RETIREMENT PLANS (Continued)

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 2013 and 2012, contributions of \$26,525 and \$20,917, respectively, were made to the retirement plan.

5. DONOR RELEASE OF LIABILITY

During 2003, TI-USA received funds from a donor for the purpose of distributing grants to civil society organizations outside the United States for specified purposes. TI-USA made substantial grants, however, a portion of the award (\$32,673) was ultimately not distributed and remained as a grants payable liability in TI-USA's financial statements. During 2013, TI-USA was granted permission by the donor to use the remaining undistributed grant funds for unrestricted purposes and in accordance with the general mission of TI-USA. Accordingly, as of December 31, 2013, TI-USA recorded \$32,673 as an Other Item in the accompanying Statements of Activities and Changes in Net Assets.

6. SUBSEQUENT EVENTS

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through June 25, 2014, the date the financial statements were issued.