

**FINANCIAL STATEMENTS**



**TRANSPARENCY INTERNATIONAL | USA**

**FOR THE YEARS ENDED  
DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014, 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.

**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, 2015 and 2014, 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.



June 24, 2016

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## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2015 AND 2014

		<b>ASSETS</b>	
		<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	1,106,982	\$ 920,549
Contracts receivable		-	36,215
Contributions receivable		84,400	122,250
Prepaid expenses		<u>10,159</u>	<u>12,161</u>
Total current assets		<u>1,201,541</u>	<u>1,091,175</u>
<b>FIXED ASSETS</b>			
Furniture and equipment		10,407	10,407
Computer equipment		<u>4,638</u>	<u>11,401</u>
		15,045	21,808
Less: Accumulated depreciation		<u>(14,004)</u>	<u>(20,517)</u>
Net fixed assets		<u>1,041</u>	<u>1,291</u>
<b>NONCURRENT ASSETS</b>			
Security deposit		<u>4,895</u>	<u>4,895</u>
<b>TOTAL ASSETS</b>		<u><b>\$ 1,207,477</b></u>	<u><b>\$ 1,097,361</b></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued expenses	\$	<u>105,785</u>	\$ <u>51,725</u>
<b>OTHER LIABILITIES</b>			
Deferred rent		<u>814</u>	<u>-</u>
Total liabilities		<u>106,599</u>	<u>51,725</u>
<b>NET ASSETS</b>			
Unrestricted		1,050,878	1,045,636
Temporarily restricted		<u>50,000</u>	<u>-</u>
Total net assets		<u>1,100,878</u>	<u>1,045,636</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><b>\$ 1,207,477</b></u>	<u><b>\$ 1,097,361</b></u>

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total Unrestricted
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 611,664	\$ 50,000	\$ 661,664	\$ 668,291
Contracts	-	-	-	83,522
Special event, net of expenses totaling \$66,353 in 2015 and \$61,402 in 2014	202,147	-	202,147	214,698
Interest income	90	-	90	86
In-kind contributions	<u>90,804</u>	<u>-</u>	<u>90,804</u>	<u>268,884</u>
Total support and revenue	<u>904,705</u>	<u>50,000</u>	<u>954,705</u>	<u>1,235,481</u>
<b>EXPENSES</b>				
Program Services	<u>604,677</u>	<u>-</u>	<u>604,677</u>	<u>683,583</u>
Supporting Services:				
Management and General	209,928	-	209,928	280,144
Fundraising	<u>84,858</u>	<u>-</u>	<u>84,858</u>	<u>135,785</u>
Total supporting services	<u>294,786</u>	<u>-</u>	<u>294,786</u>	<u>415,929</u>
Total expenses	<u>899,463</u>	<u>-</u>	<u>899,463</u>	<u>1,099,512</u>
Changes in net assets	5,242	50,000	55,242	135,969
Net assets at beginning of year	<u>1,045,636</u>	<u>-</u>	<u>1,045,636</u>	<u>909,667</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,050,878</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 1,100,878</u></b>	<b><u>\$ 1,045,636</u></b>

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries	\$ 285,788	\$ 127,119	\$ 43,287	\$ 456,194
Benefits and payroll taxes	89,364	39,749	13,536	142,649
Printing and production	1,317	-	-	1,317
Consultants and temporary staff	6,927	687	13,314	20,928
Occupancy	51,501	22,908	7,801	82,210
Accounting and audit	39,754	14,892	5,071	59,717
Insurance	2,867	1,275	434	4,576
Depreciation	156	70	24	250
Telecommunications	4,370	1,492	508	6,370
Travel and entertainment	20,651	16	159	20,826
Postage and deliver	2,051	524	237	2,812
Supplies	2,498	705	320	3,523
Equipment and repairs	2,792	-	-	2,792
Other	3,837	491	167	4,495
In-kind professional services	90,804	-	-	90,804
	<b>\$ 604,677</b>	<b>\$ 209,928</b>	<b>\$ 84,858</b>	<b>\$ 899,463</b>

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries	\$ 255,337	\$ 167,917	\$ 38,854	\$ 462,108
Benefits and payroll taxes	37,246	29,850	6,907	74,003
Printing and production	19,848	-	-	19,848
Consultants and temporary staff	16,217	169	62,492	78,878
Occupancy	28,509	38,367	11,976	78,852
Accounting and audit	31,656	33,784	10,545	75,985
Insurance	1,712	2,305	719	4,736
Depreciation	90	122	38	250
Telecommunications	2,596	2,424	792	5,812
Travel and entertainment	11,567	1,218	2,494	15,279
Postage and deliver	861	532	171	1,564
Supplies	2,562	343	177	3,082
Equipment and repairs	3,224	205	-	3,429
Other	3,274	2,908	620	6,802
In-kind professional services	268,884	-	-	268,884
	<b>\$ 683,583</b>	<b>\$ 280,144</b>	<b>\$ 135,785</b>	<b>\$ 1,099,512</b>

**TRANSPARENCY INTERNATIONAL-USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 55,242	\$ 135,969
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	250	250
(Increase) decrease in:		
Contracts receivable	36,215	(24,010)
Contributions receivable	37,850	(85,450)
Prepaid expenses	2,002	(1,226)
Increase (decrease) in:		
Accounts payable and accrued expenses	54,060	3,533
Deferred rent	<u>814</u>	<u>-</u>
Net cash provided by operating activities	<u>186,433</u>	<u>29,066</u>
Net increase in cash and cash equivalents	186,433	29,066
Cash and cash equivalents at beginning of year	<u>920,549</u>	<u>891,483</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,106,982</u></b>	<b><u>\$ 920,549</u></b>



**TRANSPARENCY INTERNATIONAL-USA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 and contributions) -

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 three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2015 and 2014 totaled \$250 each year.

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, 2015 and 2014, 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, 2015 AND 2014

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

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, 2014.

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 Statements of Functional Expenses, and totaled \$90,804 and \$268,884 during the years ended December 31, 2015 and 2014, 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.

TRANSPARENCY INTERNATIONAL-USA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Restricted for Time: General Support	\$ <u>50,000</u>	\$ <u>-</u>

3. LEASE COMMITMENT

TI-USA rents office space in Washington, D.C. under a lease currently set to expire on November 30, 2018. Under the terms of the lease, TI-USA is responsible for its proportionate share of the building's real estate taxes. Additionally, the lease requires an annual three and one-half percent rent escalation adjustment. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes has been recorded as a deferred rent liability in the Statements of Financial Position. As of December 31, 2015, the deferred rent liability was \$814.

Future minimum lease payments at December 31, 2015 are as follow:

<u>Year Ending December 31,</u>	
2016	\$ 83,598
2017	86,526
2018	<u>81,896</u>
	<u>\$ 252,020</u>

Occupancy expense during the years ended December 31, 2015 and 2014 totaled \$82,210 and \$78,852, respectively.

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.

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 2015 and 2014, contributions of \$17,380 and \$27,585, respectively, were made to the retirement plan.

5. SUBSEQUENT EVENTS

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through June 24, 2016, the date the financial statements were issued.