

FINANCIAL STATEMENTS

**PARTNERSHIP FOR
TRANSPARENCY FUND, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2005**

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of December 31, 2006, with Summarized Financial Information for 2005	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2006, with Summarized Financial Information for 2005	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2006, with Summarized Financial Information for 2005	5
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2006, with Summarized Financial Information for 2005	6
NOTES TO FINANCIAL STATEMENTS	7 - 10



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2006, 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 2005 financial statements and, in our report dated March 24, 2006, 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, 2006, 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

February 21, 2007

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

ASSETS		<u>2006</u>	<u>2005</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 155,615	\$ 151,043
Grants receivable (Note 2)		<u>280,000</u>	<u>38,000</u>
TOTAL ASSETS		<u>\$ 435,615</u>	<u>\$ 189,043</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 715	\$ 1,643
Grants payable (Note 5)		<u>121,665</u>	<u>76,002</u>
Total liabilities		<u>122,380</u>	<u>77,645</u>
NET ASSETS			
Unrestricted		283,235	75,398
Temporarily restricted (Note 3)		<u>30,000</u>	<u>36,000</u>
Total net assets		<u>313,235</u>	<u>111,398</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 435,615</u>	<u>\$ 189,043</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

	2006			2005
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ 250,000	\$ 150,000	\$ 400,000	\$ 98,939
Interest	-	-	-	169
Net assets released from donor restrictions (Note 4)	<u>156,000</u>	<u>(156,000)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>406,000</u>	<u>(6,000)</u>	<u>400,000</u>	<u>99,108</u>
EXPENSES				
Program Services	186,396	-	186,396	280,558
Management and General	<u>11,767</u>	<u>-</u>	<u>11,767</u>	<u>15,160</u>
Total expenses	<u>198,163</u>	<u>-</u>	<u>198,163</u>	<u>295,718</u>
Change in net assets before other item	207,837	(6,000)	201,837	(196,610)
OTHER ITEM				
Currency exchange gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,761</u>
Change in net assets	207,837	(6,000)	201,837	(188,849)
Net assets at beginning of year	<u>75,398</u>	<u>36,000</u>	<u>111,398</u>	<u>300,247</u>
NET ASSETS AT END OF YEAR	<u>\$ 283,235</u>	<u>\$ 30,000</u>	<u>\$ 313,235</u>	<u>\$ 111,398</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	2006			2005
	Program Services	Management and General	Total Expenses	Total Expenses
Printing and production	\$ -	\$ -	\$ -	\$ 89
Audit, legal and accounting services	-	11,335	11,335	13,927
Consultants	500	-	500	1,200
Telephone	113	191	304	3,085
Travel	2,206	-	2,206	1,791
Postage and delivery	-	28	28	15
Repairs and maintenance	-	125	125	605
Supplies	-	-	-	15
Subscriptions and publications	-	75	75	75
Bank fees	-	3	3	80
Grants	183,577	-	183,577	274,751
Other	-	10	10	85
TOTAL	\$ <u>186,396</u>	\$ <u>11,767</u>	\$ <u>198,163</u>	\$ <u>295,718</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 201,837	\$ (188,849)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Adjustment for currency translation	-	(31,225)
(Increase) decrease in:		
Grants receivable	(242,000)	151,250
Accounts receivable	-	4,650
Increase (decrease) in:		
Accounts payable	(928)	(884)
Grants payable	<u>45,663</u>	<u>23,980</u>
Net cash provided (used) by operating activities	<u>4,572</u>	<u>(41,078)</u>
Net increase (decrease) in cash and cash equivalents	4,572	(41,078)
Cash and cash equivalents at beginning of year	<u>151,043</u>	<u>192,121</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 155,615</u>	<u>\$ 151,043</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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.

The prior year summarized comparative information has been derived from PTF's 2005 financial statements and, in our report dated March 24, 2006, we expressed an unqualified opinion on those financial statements.

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.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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.

2. GRANTS RECEIVABLE

Grants receivable consisted of the following:

	<u>Total Award</u>	<u>Amounts Received</u>	<u>2006 Balance</u>
Asian Development Bank	\$ 150,000	\$ 120,000	\$ 30,000
World Bank	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 400,000</u>	<u>\$ 120,000</u>	<u>\$ 280,000</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2006:

Asian Development Bank	<u>\$ 30,000</u>
-------------------------------	-------------------------

4. NET ASSETS RELEASED FROM RESTRICTIONS

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

Asian Development Bank	\$ 120,000
UNOPS	<u>36,000</u>
	<u>\$ 156,000</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

5. GRANTS AWARDED AND PAYABLE

<u>Country</u>	<u>Commitment</u>	<u>Paid</u>	<u>Fiscal Year</u>	<u>2006 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	12,500	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	17,500	2003/2004	-	Completed
PWI, Philippines	8,200	5,739	2003-2005	-	Completed
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	-	Completed
RIRA, Tanzania	12,362	12,362	2004/2005	-	Completed
TI Czech Republic	13,846	13,846	2004	-	Completed
VETO, Tanzania	16,200	16,200	2004/2005	-	Completed
CIPPEC, Argentina	19,082	19,082	2004/2005	-	Completed
SERI, Nigeria	25,000	25,000	2004/2005	-	Ongoing
Poland 2004	20,000	20,000	2004/2005	-	Completed
ForDIA Tanzania	25,000	25,000	2004/2005	-	Ongoing
TI Slovakia	25,000	25,000	2004/2005	-	Completed
ACIJ Argentina	21,900	21,900	2004/2005	-	Completed
TI Kyrgyzstan	25,440	25,440	2004/2005	-	Ongoing
Providus Latvia	14,081	13,381	2005/2006	700	Completed
GII Ghana	18,000	18,000	2005	-	Completed
ET Nicaragua	25,300	11,000	2005/2006	14,300	Ongoing
ALLCG Poland	24,818	22,000	2005/2006	2,818	Ongoing
IAHRP Russia	14,500	14,500	2005/2006	-	Discontinued
Poder Argentina	24,370	24,370	2005/2006	-	Ongoing
Uganda JCC	20,000	20,000	2005/2006	-	Ongoing
G-Watch Textbook 3 Philippines	29,472	29,472	2005/2006	-	Ongoing
TI Venezuela	21,000	18,900	2005/2006	2,100	Ongoing
Liberia Green Advocates	29,150	26,650	2005/2006	2,500	Ongoing
NAG Sierra Leone	20,720	20,720	2005/2006	-	Completed
India PAC	25,000	10,000	2005/2006	15,000	Ongoing
TI Latvia - Delna 2006	24,000	21,600	2006/2007	2,400	Ongoing
Ecuador Grupo Faro	24,000	21,600	2006/2007	2,400	Ongoing
Polish Green Network	16,500	15,000	2006/2007	1,500	Ongoing
Ecolink Phillipines-2006	16,500	7,400	2006/2007	9,100	Ongoing
G Watch Phillipines- 2006	22,555	10,000	2006/2007	12,555	Ongoing
Heartfile, Pakistan 2006	23,183	10,400	2006/2007	12,783	Ongoing
WSP Mongolia 2006	16,449	7,400	2006/2007	9,049	Ongoing
WWF, Mongolia 2006	21,500	9,600	2006/2007	11,900	Ongoing
Kyrgyzstan NurJol Ber 2006	22,560	-	2006/2007	22,560	Ongoing
Russia supply chain audit	2,956	2,956	2005/2006	-	Completed
	<u>\$ 989,918</u>	<u>\$ 865,028</u>		<u>\$ 121,665</u>	

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

5. GRANTS AWARDED AND PAYABLE (Continued)

- (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.

6. IN-KIND CONTRIBUTIONS

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.

7. ADVISORY AGREEMENT

PTF exercises a project advisory role with ICD (Institute for Communications and Development) in Montevideo, Uruguay, which is managing FONTRA (Fondo Regional para la Promocion de la Transparencia). FONTRA provides grant funds to Civil Society Organisations, using procedures consistent with PTF's approach. FONTRA is the designated grant intermediary for \$600,000 of donor funds provided by the Inter-American Development Bank's Multilateral Investment Fund following PTF and ICD negotiations with IDB/MIF. PTF will not receive any funding as a result of this project.