

FINANCIAL STATEMENTS

**PARTNERSHIP FOR
TRANSPARENCY FUND, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2004**

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

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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, 2005, 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 2004 financial statements and, in our report dated March 2, 2005, 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, 2005, 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

March 24, 2006

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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, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

ASSETS		<u>2005</u>	<u>2004</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 151,043	\$ 192,121
Grants receivable (Note 2)		38,000	189,250
Accounts receivable		<u>-</u>	<u>4,650</u>
TOTAL ASSETS		<u>\$ 189,043</u>	<u>\$ 386,021</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 1,643	\$ 2,527
Grants payable (Note 5)		<u>76,002</u>	<u>52,022</u>
Total liabilities		<u>77,645</u>	<u>54,549</u>
NET ASSETS			
Unrestricted		75,398	49,372
Temporarily restricted (Note 3)		<u>36,000</u>	<u>250,875</u>
		111,398	300,247
Adjustment for currency translation		<u>-</u>	<u>31,225</u>
Total net assets		<u>111,398</u>	<u>331,472</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 189,043</u>	<u>\$ 386,021</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Grants and contributions	\$ -	\$ 98,939	\$ 98,939	\$ 240,000
Interest	169	-	169	239
Net assets released from donor restrictions (Note 4)	<u>313,814</u>	<u>(313,814)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>313,983</u>	<u>(214,875)</u>	<u>99,108</u>	<u>240,239</u>
EXPENSES				
Program Services	280,558	-	280,558	209,853
Management and General	<u>15,160</u>	<u>-</u>	<u>15,160</u>	<u>14,230</u>
Total expenses	<u>295,718</u>	<u>-</u>	<u>295,718</u>	<u>224,083</u>
Change in net assets before other item	18,265	(214,875)	(196,610)	16,156
OTHER ITEM				
Currency exchange gain (loss)	<u>7,761</u>	<u>-</u>	<u>7,761</u>	<u>1,355</u>
Change in net assets	26,026	(214,875)	(188,849)	17,511
Net assets at beginning of year	<u>49,372</u>	<u>250,875</u>	<u>300,247</u>	<u>282,736</u>
NET ASSETS AT END OF YEAR	<u>\$ 75,398</u>	<u>\$ 36,000</u>	<u>\$ 111,398</u>	<u>\$ 300,247</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	2005			2004
	Program Services	Management and General	Total Expenses	Total Expenses
Printing and production	\$ 89	\$ -	\$ 89	\$ 58
Audit, legal and accounting services	2,089	11,838	13,927	11,364
Consultants	1,200	-	1,200	-
Telephone	463	2,622	3,085	5,033
Travel	1,791	-	1,791	2,053
Postage and delivery	2	13	15	120
Repairs and maintenance	91	514	605	-
Supplies	2	13	15	5
Subscriptions and publications	-	75	75	-
Bank fees	80	-	80	623
Grants	274,751	-	274,751	204,827
Other	-	85	85	-
TOTAL	\$ 280,558	\$ 15,160	\$ 295,718	\$ 224,083

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (188,849)	\$ 17,511
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Adjustment for currency translation	(31,225)	12,425
(Increase) decrease in:		
Grants receivable	151,250	86,950
Accounts receivable	4,650	(500)
Increase (decrease) in:		
Accounts payable	(884)	2,027
Grants payable	<u>23,980</u>	<u>1,545</u>
Net cash provided (used) by operating activities	<u>(41,078)</u>	<u>119,958</u>
Net increase (decrease) in cash and cash equivalents	(41,078)	119,958
Cash and cash equivalents at beginning of year	<u>192,121</u>	<u>72,163</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 151,043</u>	<u>\$ 192,121</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

**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>2005 Balance</u>
United Nations Office for Project Services (UNOPS)	\$ 60,000	\$ 24,000	\$ 36,000
Other	<u>2,981</u>	<u>981</u>	<u>2,000</u>
TOTAL	<u>\$ 62,981</u>	<u>\$ 24,981</u>	<u>\$ 38,000</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2005:

UNOPS	<u>\$ 36,000</u>
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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:

SIDA	\$ 160,875
World Bank	90,000
UNOPS	59,958
Other	<u>2,981</u>
	<u>\$ 313,814</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005**

5. GRANTS AWARDED AND PAYABLE

<u>Country</u>	<u>Commitment</u>	<u>Paid</u>	<u>Fiscal Year</u>	<u>2005 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	-	Ongoing
CIPPEC, Argentina	19,082	19,082	2004/2005	-	Ongoing
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	-	Ongoing
TI Kyrgyzstan	25,440	25,440	2004/2005	-	Ongoing
Providus Latvia	14,081	13,381	2005/2006	700	Ongoing
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	17,540	14,500	2005/2006	3,040	Ongoing
Poder Argentina	24,370	18,300	2005/2006	6,070	Ongoing
Uganda JCC	20,000	19,000	2005/2006	1,000	Ongoing
G-Watch Textbook 3 Philippines	29,472	29,472	2005/2006	-	Ongoing
TI Venezuela	21,000	7,500	2005/2006	13,500	Ongoing
Liberia Green Advocates	29,150	12,500	2005/2006	16,650	Ongoing
NAG Sierra Leone	21,350	20,426	2005/2006	924	Ongoing
India PAC	25,000	10,000	2005/2006	15,000	Ongoing
Russia supply chain audit	2,981	981	2005/2006	2,000	Ongoing
	\$ 806,366	\$ 727,139		\$ 76,002	

(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, 2005**

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.