

FINANCIAL STATEMENTS

**PARTNERSHIP FOR
TRANSPARENCY FUND, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2007**

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. (the Fund) as of December 31, 2008, 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 Fund'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 2007 financial statements and, in our report dated March 3, 2008, 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 Fund as of December 31, 2008, 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, 2008

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PARTNERSHIP FOR TRANSPARENCY FUND, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

ASSETS		<u>2008</u>	<u>2007</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 228,449	\$ 468,661
Grants receivable, current portion (Note 2)		1,390,367	30,000
Prepaid expenses		<u>-</u>	<u>4,500</u>
Total current assets		<u>1,618,816</u>	<u>503,161</u>
OTHER ASSETS			
Grants receivable, net of current portion (Note 2)		<u>2,226,699</u>	<u>-</u>
TOTAL ASSETS		<u>\$ 3,845,515</u>	<u>\$ 503,161</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ -	\$ 950
Grants payable (Note 5)		<u>221,449</u>	<u>78,894</u>
Total liabilities		<u>221,449</u>	<u>79,844</u>
NET ASSETS			
Unrestricted		50,466	108,817
Temporarily restricted (Note 3)		<u>3,573,600</u>	<u>314,500</u>
Total net assets		<u>3,624,066</u>	<u>423,317</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,845,515</u>	<u>\$ 503,161</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, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

	<u>2008</u>			<u>2007</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Grants and contributions	\$ -	\$ 3,937,819	\$ 3,937,819	\$ 380,000
Interest income	6,074	-	6,074	1,274
Net assets released from donor restrictions (Note 4)	<u>678,719</u>	<u>(678,719)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>684,793</u>	<u>3,259,100</u>	<u>3,943,893</u>	<u>381,274</u>
EXPENSES				
Program Services	698,895	-	698,895	255,175
Management and General	<u>44,249</u>	<u>-</u>	<u>44,249</u>	<u>16,017</u>
Total expenses	<u>743,144</u>	<u>-</u>	<u>743,144</u>	<u>271,192</u>
Change in net assets	(58,351)	3,259,100	3,200,749	110,082
Net assets at beginning of year	<u>108,817</u>	<u>314,500</u>	<u>423,317</u>	<u>313,235</u>
NET ASSETS AT END OF YEAR	<u>\$ 50,466</u>	<u>\$ 3,573,600</u>	<u>\$ 3,624,066</u>	<u>\$ 423,317</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	2008			2007
	Program Services	Management and General	Total Expenses	Total Expenses
Audit and legal services	\$ 4,500	\$ 6,625	\$ 11,125	\$ 2,825
Consulting and evaluation services	40,000	23,697	63,697	10,432
Telephone	-	353	353	494
Travel	1,115	10,419	11,534	7,827
Postage and delivery	-	79	79	49
Repairs and maintenance	-	-	-	249
Supplies	-	-	-	157
Subscriptions and publications	-	75	75	75
Bank fees	2,412	-	2,412	67
Grants	650,868	-	650,868	182,207
Other	-	3,001	3,001	1,310
Global Integrity grant	-	-	-	65,500
TOTAL	\$ 698,895	\$ 44,249	\$ 743,144	\$ 271,192

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,200,749	\$ 110,082
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in:		
Grants receivable	(3,587,066)	250,000
Prepaid expenses	4,500	(4,500)
Increase (decrease) in:		
Accounts payable	(950)	235
Grants payable	<u>142,555</u>	<u>(42,771)</u>
Net cash provided (used) by operating activities	<u>(240,212)</u>	<u>313,046</u>
Net increase (decrease) in cash and cash equivalents	(240,212)	313,046
Cash and cash equivalents at beginning of year	<u>468,661</u>	<u>155,615</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 228,449</u>	<u>\$ 468,661</u>

See accompanying notes to financial statements.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

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. 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. Temporarily restricted 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.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

**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 the operation of the Fund and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services -

Program services are those expenses incurred in meeting the objectives and mission of the Fund and include grants made to civil society organizations.

Management and general -

Management and General expenses include the costs of those functions necessary to secure proper administrative functioning of the Fund's governing Board, to maintain an adequate working environment and to manage the financial responsibilities of the Fund.

Foreign currency translation -

The U.S. dollar is the functional currency used in the preparation of the 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.

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Fair value measurements -

The Fund adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Fund accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Fair value option -

SFAS No. 159 provides a fair value option election that allows companies to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. SFAS No. 159 permits the fair value option election on an instrument by instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Fund has no instruments to which this standard applies and has not elected for the fair value option in the current year.

2. GRANTS RECEIVABLE

As of December 31, 2008, contributors to the Fund have made written promises-to-give totaling \$3,784,647. Grants due in more than one year have been recorded at the fair value of the estimated cash flows, using a discount rate of 3.25%.

Grants are due as follows at December 31, 2008:

Less than one year	\$ 1,390,367
One to five years	<u>2,394,280</u>
	3,784,647
Less: Allowance to discount balance to present value	<u>(167,581)</u>
TOTAL	<u>\$ 3,617,066</u>

Grants receivable consisted of the following:

	Total Award	Amounts Received	2008 Balance
World Bank	\$ 550,000	\$ -	\$ 550,000
Department for International Development, UK	3,252,819	193,253	3,059,566
Group Civico Etica Transparencia - Refund	<u>10,000</u>	<u>2,500</u>	<u>7,500</u>
	<u>\$ 3,812,819</u>	<u>\$ 195,753</u>	<u>\$ 3,617,066</u>

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2008:

World Bank	\$ 550,000
Global Integrity	16,376
Department for International Development, UK	<u>3,007,224</u>
	<u>\$ 3,573,600</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:

World Bank	\$ 314,500
Global Integrity	118,624
Department for International Development, UK	<u>245,595</u>
	<u>\$ 678,719</u>

5. GRANTS AWARDED AND PAYABLE

<u>Country</u>	<u>Commitment</u>	<u>Paid</u>	<u>Fiscal Year</u>	<u>2008 Balance</u>	<u>Status</u>
Total 2000	\$ 12,725	\$ 12,725	2000	\$ -	Completed
Total 2001	126,200	126,200	2001	-	Completed
Total 2002	47,500	47,500	2002	-	Completed
Total 2003	139,824	139,824	2003	-	Completed
Total 2004	203,830	203,830	2004	-	Completed
Total 2005	260,630	258,530	2005	2,100	Completed/ Ongoing
Total 2006	183,347	183,347	2006/2007	-	Completed
Total 2007	252,344	252,344	2007/2008	-	Completed
NAMFREL (Philippines)	23,296	11,648	2008/2009	11,648	Ongoing
Environmental Cooperation and Linkages Inc. (Philippines)	28,801	28,801	2008/2009	-	Completed
Makati Business Club, Inc. (Philippines)	10,800	5,400	2008/2009	5,400	Ongoing
Institute for Democracy (Republic of Moldova)	23,682	14,001	2008/2009	9,681	Ongoing
Youth for Social Development (India)	15,000	11,000	2008/2009	4,000	Ongoing
Center for Economic and Social Development (Azerbaijan)	19,189	19,189	2008/2009	-	Ongoing

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

5. GRANTS AWARDED AND PAYABLE (Continued)

<u>Country</u>	<u>Commitment</u>	<u>Paid</u>	<u>Fiscal Year</u>	<u>2008 Balance</u>	<u>Status</u>
Kazakhstan Advocacy and Legal Advice Center	\$ 24,800	\$ 20,000	2008/2009	\$ 4,800	Ongoing
Transparency International (Mongolia)	23,681	23,581	2008/2009	100	Ongoing
Ateneo School of Government (Philippines)	27,500	24,750	2008/2009	2,750	Ongoing
Creative Associates (Uganda)	10,000	-	2008/2009	10,000	Ongoing
National Foundation for Democracy and Human Rights (Uganda)	30,000	27,000	2008/2009	3,000	Ongoing
Transparency International (Albania)	25,630	13,999	2008/2009	11,631	Ongoing
Fee and expenses for PTF Project Evaluations	42,923	42,923	2008/2009	-	Completed
International Center for Innovation, Transformation and Excellence in Governance (Philippines)	25,069	22,600	2008/2009	2,469	Ongoing
Uganda Ethic Network Outreach	24,000	12,000	2008/2009	12,000	Ongoing
Association of Professional Societies in East Africa (Uganda)	28,000	13,000	2008/2009	15,000	Ongoing
Transparency International (Uganda)	25,000	11,250	2008/2009	13,750	Ongoing
Transparency Rwanda	18,170	8,000	2008/2009	10,170	Ongoing
Society for Democratic Initiatives Freetown (Sierra Leone)	25,000	11,250	2008/2009	13,750	Ongoing
Uganda Law Society	25,000	11,250	2008/2009	13,750	Ongoing
Liberia Democratic Institute	25,000	11,000	2008/2009	14,000	Ongoing
Public Affairs Center (India)	26,454	22,800	2008/2009	3,654	Ongoing
Democratic Republic of the Congo LICOCO	25,000	14,000	2008/2009	11,000	Ongoing
Commitment to Fontra	80,000	80,000	2008/2009	-	Ongoing
Sustainable Aid through Voluntary Establishment (Ghana)	22,557	20,000	2008/2009	2,557	Ongoing
Transparency International (Delna - Latvia)	36,739	15,000	2008/2009	21,739	Ongoing
Promoting Transparency to Curb Government Corruption (Mongolia)	<u>25,000</u>	<u>2,500</u>	2008/2009	<u>22,500</u>	Ongoing
Total 2008	<u>716,291</u>	<u>496,942</u>		<u>219,349</u>	
	<u>\$ 2,658,982</u>	<u>\$ 2,218,184</u>		<u>\$ 440,798</u>	

PARTNERSHIP FOR TRANSPARENCY FUND, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

6. IN-KIND CONTRIBUTIONS

The Fund receives a significant amount of donated time from 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

The Fund and Instituto de Comunicaciones y Desarrollo (Institute for Communications and Development, ICD) of Montevideo, Uruguay manage the FONTRA program. The Inter-American Development Bank's Multilateral Investment Fund (IDB/MIF), made a three-year grant to FONTRA in September 2006 for \$600,000, to be disbursed as matching funds against contributions FONTRA secures from the private sector. FONTRA provides grant funds to Civil Society Organizations (CSOs) in Latin America, based upon policies and procedures developed by the Fund in its anti-corruption work with CSOs globally. Pursuant to a Memorandum of Agreement between the Fund and ICD, the Fund provides certain management and advisory services to ICD in ICD's management of the FONTRA program for IDB/MIF. ICD is the direct contracting party with IDB/MIF and receives and administers all FONTRA funds. The Fund is not a direct recipient of funds with respect to its work with ICD on FONTRA.

8. ECONOMIC DEPENDENCY

Approximately 83% of the Fund's revenue for the year ended December 31, 2008 was derived from a grant award from one organization. The Fund has no reason to believe that the relationship with this organization will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e. failure to renew the grant or withholding of funds) might possibly affect the Fund's ability to finance its operations. The significant organization for the economic dependency in 2008 is different from the one reported for 2007 and has had no adverse impact on the Fund's performance.