

**FINANCIAL STATEMENTS**



**TRANSPARENCY INTERNATIONAL | USA**

**FOR THE YEARS ENDED  
DECEMBER 31, 2014 AND 2013**

**TRANSPARENCY INTERNATIONAL-USA, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2014 and 2013	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2014 and 2013	4
EXHIBIT C - Statements of Functional Expenses, for the Year Ended December 31, 2014	5
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2013	6
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2014 and 2013	7
NOTES TO FINANCIAL STATEMENTS	8 - 10

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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, 2014 and 2013, 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, 2014 and 2013, 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 25, 2015

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 920,549	\$ 891,483
Contracts receivable	36,215	12,205
Contributions and other receivables	122,250	36,800
Prepaid expenses	<u>12,161</u>	<u>10,935</u>
Total current assets	<u>1,091,175</u>	<u>951,423</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	10,407	10,407
Computer equipment	<u>11,401</u>	<u>11,401</u>
	21,808	21,808
Less: Accumulated depreciation	<u>(20,517)</u>	<u>(20,267)</u>
Net fixed assets	<u>1,291</u>	<u>1,541</u>
<b>NONCURRENT ASSETS</b>		
Security deposit	<u>4,895</u>	<u>4,895</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,097,361</u></b>	<b><u>\$ 957,859</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ <u>51,725</u>	\$ <u>48,192</u>
<b>NET ASSETS</b>		
Unrestricted	<u>1,045,636</u>	<u>909,667</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,097,361</u></b>	<b><u>\$ 957,859</u></b>

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Unrestricted</u> <u>2014</u>	<u>Unrestricted</u> <u>2013</u>
<b>SUPPORT AND REVENUE</b>		
Contributions and grants	\$ 668,291	\$ 668,874
Contracts	83,522	79,149
Special event, net of expenses	214,698	164,897
Interest income	86	81
In-kind contributions	<u>268,884</u>	<u>324,558</u>
Total support and revenue	<u>1,235,481</u>	<u>1,237,559</u>
<b>EXPENSES</b>		
Program Services	683,583	706,189
Management and General	280,144	302,215
Fundraising	<u>135,785</u>	<u>132,121</u>
Total expenses	<u>1,099,512</u>	<u>1,140,525</u>
Changes in net assets before other item	135,969	97,034
<b>OTHER ITEM</b>		
Donor release of liability (Note 4)	<u>-</u>	<u>32,673</u>
Changes in net assets	135,969	129,707
Net assets at beginning of year	<u>909,667</u>	<u>779,960</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,045,636</u></b>	<b><u>\$ 909,667</u></b>

## TRANSPARENCY INTERNATIONAL-USA, INC.

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 255,337	\$ 167,917	\$ 38,854	\$ 462,108
Benefits and payroll taxes (Note 3)	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 (Note 2)	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 delivery	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	<u>268,884</u>	<u>-</u>	<u>-</u>	<u>268,884</u>
<b>TOTAL</b>	<b><u>\$ 683,583</u></b>	<b><u>\$ 280,144</u></b>	<b><u>\$ 135,785</u></b>	<b><u>\$ 1,099,512</u></b>

## TRANSPARENCY INTERNATIONAL-USA, INC.

STATEMENTS 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 3)	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 2)	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>
<b>TOTAL</b>	<b>\$ <u>706,189</u></b>	<b>\$ <u>302,215</u></b>	<b>\$ <u>132,121</u></b>	<b>\$ <u>1,140,525</u></b>

**TRANSPARENCY INTERNATIONAL-USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 135,969	\$ 129,707
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	250	250
Donor release of liability	-	(32,673)
(Increase) decrease in:		
Contracts receivable	(24,010)	4,971
Contributions and other receivables	(85,450)	(30,300)
Prepaid expenses	(1,226)	(655)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>3,533</u>	<u>(12,951)</u>
Net cash provided by operating activities	<u>29,066</u>	<u>58,349</u>
Net increase in cash and cash equivalents	29,066	58,349
Cash and cash equivalents at beginning of year	<u>891,483</u>	<u>833,134</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 920,549</u></b>	<b><u>\$ 891,483</u></b>



**TRANSPARENCY INTERNATIONAL-USA, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 three to ten 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, 2014 and 2013, 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, 2014 AND 2013

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, 2014 and 2013.

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 \$268,884 and \$324,558 during the years ended December 31, 2014 and 2013, 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, 2014 AND 2013**

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

**2. LEASE COMMITMENT**

TI-USA rents its principal office space in Washington, D.C. under a lease which is set to expire 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. Future minimum lease payments required under the lease during the year ended December 31, 2015 total \$60,768.

Occupancy expense during the years ended December 31, 2014 and 2013 totaled \$78,852 and \$76,208, respectively.

**3. 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 2014 and 2013, contributions of \$27,585 and \$26,525, respectively, were made to the retirement plan.

**4. 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.

**5. SUBSEQUENT EVENTS**

In preparing these financial statements, TI-USA has evaluated events and transactions for potential recognition or disclosure through June 25, 2015, the date the financial statements were issued.