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REVENUE WATCH INSTITUTE

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Revenue Watch Institute

We have audited the accompanying statements of financial position of Revenue Watch Institute (a not-for-profit corporation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Organization. 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 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 audits provide 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 Revenue Watch Institute as of December 31, 2010 and 2009, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
July 15, 2011

REVENUE WATCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$ 4,545,383	\$3,226,752
Contributions receivable (Notes 1c and 4)		
Restricted for future periods and programs	3,562,212	3,892,835
Prepaid expenses	68,082	10,769
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 5)	217,357	191,458
Security deposit	<u>7,646</u>	<u>-</u>
Total Assets	<u><u>\$ 8,400,680</u></u>	<u><u>\$7,321,814</u></u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 582,942	\$ 402,109
Due to Open Society Institute (Note 7)	735,232	438,488
Grants payable (Notes 1e and 10)	785,857	99,389
Refundable grant	36,386	-
Total Liabilities	<u>2,140,417</u>	<u>939,986</u>
Commitments (Note 9)		
Net Assets		
Unrestricted	1,500,580	1,558,490
Temporarily restricted (Note 3)	<u>4,759,683</u>	<u>4,823,338</u>
Total Net Assets	<u>6,260,263</u>	<u>6,381,828</u>
Total Liabilities and Net Assets	<u><u>\$ 8,400,680</u></u>	<u><u>\$7,321,814</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Change in Temporarily Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)		
Bill and Melinda Gates Foundation	\$ 2,139,447	\$2,306,534
Norwegian government	1,017,252	1,041,654
World Bank	997,645	-
Foundation to Promote Open Society	601,139	47,619
Anonymous	565,000	365,000
Oxford University	251,220	-
Foreign and Commonwealth Office	171,321	-
Ford Foundation	150,000	-
William & Flora Hewlett Foundation	107,165	3,917,835
United Nations Office for Project Services	32,000	-
Foundation Open Society Institute (OSI-ZUG)	-	69,848
Refundable grant	(36,386)	-
Total Temporarily Restricted Contributions	<u>5,995,803</u>	<u>7,748,490</u>
Interest income	1,042	1,412
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(6,060,500)</u>	<u>(4,623,952)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(63,655)</u>	<u>3,125,950</u>
Change in Unrestricted Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)	4,500,000	3,000,000
Donated services (Note 7)	-	1,636,038
Amounts raised on behalf of others (Note 6)	-	46,364
Less Amounts remitted to others	-	(46,364)
Consulting income	62,500	62,500
Interest and other income	11,344	4,078
Net assets released from restrictions	<u>6,060,500</u>	<u>4,623,952</u>
Total Revenue	<u>10,634,344</u>	<u>9,326,568</u>
Expenses		
Program Services		
Training and capacity building	4,142,960	2,655,746
Research	1,043,612	748,797
Monitoring	1,722,543	1,119,376
Advocacy	1,113,779	744,284
Technical assistance	585,940	544,085
Total Program Services	<u>8,608,834</u>	<u>5,812,288</u>
Supporting Services		
Management and general	1,985,065	1,340,372
Fundraising	98,355	83,295
Total Supporting Services	<u>2,083,420</u>	<u>1,423,667</u>
Total Expenses	<u>10,692,254</u>	<u>7,235,955</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(57,910)</u>	<u>2,090,613</u>
Increase (decrease) in net assets	(121,565)	5,216,563
Net assets, beginning of year	<u>6,381,828</u>	<u>1,165,265</u>
Net Assets, End of Year	<u>\$ 6,260,263</u>	<u>\$6,381,828</u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (121,565)	\$5,216,563
Adjustments to reconcile change in net assets to net cash provided by operations		
Gain on sale of equipment	(1,973)	-
Depreciation	56,684	36,070
(Increase) decrease in		
Contributions receivable	330,623	(1,892,835)
Prepaid expenses	(57,313)	208
Security deposit	(7,646)	-
Increase (decrease) in		
Accrued expenses	180,833	50,692
Due to Open Society Institute	296,744	295,574
Grants payable	686,468	(429,606)
Refundable grant	36,386	-
Net Cash Provided By Operating Activities	<u>1,399,241</u>	<u>3,276,666</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(94,485)	(88,055)
Proceeds from sale of equipment	13,875	-
Net Cash Used By Investing Activities	<u>(80,610)</u>	<u>(88,055)</u>
Net increase in cash and cash equivalents	1,318,631	3,188,611
Cash and cash equivalents, beginning of year	<u>3,226,752</u>	<u>38,141</u>
Cash and Cash Equivalents, End of Year	<u><u>\$4,545,383</u></u>	<u><u>\$3,226,752</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Revenue Watch Institute ("RWI") was incorporated as a District of Columbia non-profit corporation on March 2, 2006. RWI engages in activities directed to the promotion of sustainable development, good governance and poverty reduction in natural resource-dependent countries through improvement of public finance transparency and accountability. Specifically, RWI shall support efforts to increase the transparency, accountability and effectiveness of resource revenue management and public expenditures by conducting research, publishing reports, providing information, training and funding to individuals and organizations that monitor or seek to monitor government revenues and expenditures, and facilitating technical assistance to journalists, non-governmental organizations ("NGOs"), policy-makers and government officials.

RWI received 87% of its contributions from two foundations, one international organization and one government agency in 2010, and 96% of its contributions from three foundations and one government agency in 2009. In 2010, RWI's primary donors included The Foundation to Promote Open Society, the Bill and Melinda Gates Foundation and The Norwegian Agency for Development Cooperation.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, RWI considers all unrestricted highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents.

c - Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the RWI, that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

d - Property and Equipment

Property and equipment consist primarily of equipment recorded at cost. Equipment is depreciated using the straight-line method over the estimated useful life of the related asset.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

e - Grants Awarded

Grants awarded are recognized as expenses in the period the award is made. Grants payable later than one year from the end of a fiscal year are discounted to present value using a discount rate of 3%. At December 31, 2010 and 2009, all grants are expected to be paid within one year.

f - Financial Statement Presentation

RWI reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - Tax Status

RWI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements.

h - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Subsequent Events

RWI has evaluated subsequent events through July 15, 2011, the date that the financial statements are considered available to be issued.

Note 2 - Concentration of Credit Risk

Cash balances in the United States, which comprise the majority of the RWI's cash balances, are maintained in one financial institution. The balance, at times, may exceed federally insured limits. RWI also maintains bank accounts in Ghana. There is no loss insurance on these accounts. The balance of these accounts at December 31, 2010 was approximately \$22,500.

Note 3 - Restrictions on Net Assets

Temporarily restricted net assets are restricted for future periods and programs.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 4 - Contributions Receivable

Contributions receivable are due as follows

	<u>2010</u>	<u>2009</u>
Due in one year	\$3,466,073	\$2,000,000
Due in two years	<u>100,000</u>	<u>2,000,000</u>
	3,566,073	4,000,000
Less Discount	<u>(3,861)</u>	<u>(107,165)</u>
	<u>\$3,562,212</u>	<u>\$3,892,835</u>

Uncollectible contributions receivable are expected to be insignificant. Contributions due after one year are discounted to present value using discount rates of 3% - 5%.

During 2007, RWI received a grant from The Bill and Melinda Gates Foundation in the amount of \$7,438,984, which is conditional upon utilization of the funds. As of December 31, 2010, the conditional balance of \$621,008 has not been reflected in these financial statements.

During 2010, RWI received a grant from the Norwegian Agency for Development Cooperation in the approximate amount of \$3,050,000, which is conditional upon utilization of funds. RWI received approximately \$1,017,000 in 2010. The conditional balance of \$2,033,000 has not been reflected in these financial statements.

During 2010, RWI also received a grant from the Foreign Commonwealth Office in the amount of approximately \$401,000, which is conditional upon utilization of funds. RWI received \$171,321 in 2010. The conditional balance of approximately \$229,700 has not been reflected in these financial statements.

Note 5 - Property and Equipment

Property and equipment consist of the following

	<u>Life</u>	<u>2010</u>	<u>2009</u>
Furniture and equipment	10 years	\$ 56,270	\$ 41,094
Computer equipment	5 years	64,032	41,454
Other office equipment	7 years	5,988	1,618
Website	5 years	<u>212,051</u>	<u>175,560</u>
		338,341	259,726
Less Accumulated depreciation		<u>(120,984)</u>	<u>(68,268)</u>
		<u>\$217,357</u>	<u>\$191,458</u>

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 5 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2010 and 2009 was \$56,684 and \$36,070, respectively

Note 6 - Fiscal Agent

During 2009, RWI entered into an agreement with the Open Society Fund-London ("OSF-London") to serve as an independent fiscal agent to administer funds collected from four different organizations to cover the personnel costs of one program coordinator in the OSF-London office. The program coordinator facilitated various programmatic duties in relation to the Publish What You Pay International coalition.

Note 7 - Due to Open Society Institute

RWI has a service agreement with the Open Society Institute ("OSI") whereby OSI agreed to provide certain services to RWI. Pursuant to the agreement, OSI maintains on its payroll and benefit plans certain employees who provide services to RWI and paid certain administrative expenses. RWI paid or accrued \$2,889,869 and \$954,915 for the periods ended December 31, 2010 and 2009, respectively, to reimburse OSI for these expenses, \$735,232 and \$438,488, respectively, of these amounts are reflected as a liability in the accompanying financial statements. Additionally, during 2009, OSI donated certain personnel, administrative and overhead services valued at \$1,636,038, that are reflected as donated services.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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Note 9 - Commitments

The Organization entered into two office lease agreements during 2010 for its branch offices in London, UK and Accra, Ghana through June 24, 2012 and August 31, 2015, respectively. The leases provide for minimum annual payments as follows:

<u>Year Ending December 31,</u>	
2011	\$83,400
2012	54,900
2013	26,400
2014	26,400
Through August 31, 2015	17,600

Rent expense for the year ended December 31, 2010 was \$42,397

Note 10 - Grants Payable

Grants payable to individuals and organizations as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
<u>Organizational Grants</u>		
Agenda Participation 2000	\$ 9,890	\$ -
Affiliated Network for Social Accountability in East Asia and the Pacific	100,319	-
China University of Petro	19,000	-
Fundacion Jubileo	6,211	-
Ghana Institute of Management	281,525	-
Indonesian Center for Environment	28,978	-
Indonesia Corruption Watch	40,000	-
Institute for Essential Service	30,000	-
International Renaissance	40,000	-
Jubilee Australia Debt and Development Research Center	38,600	-
Open Society Foundation - London	272	-
Parliamentary Centre	-	50,000
Peterson Institute for International Economies	4,750	4,750
Pontificia Universidad	176,312	-
Publish What You Pay- Cameroon	-	30,000
Zimbabwe Environmental Law Association	10,000	-
Total Grants Payable to Organizations	<u>785,857</u>	<u>84,750</u>
Grants payable to various individuals	<u>-</u>	<u>14,639</u>
Total Grants Payable	<u>\$785,857</u>	<u>\$99,389</u>

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 10 - Grants Payable (continued)

During 2008, Revenue Watch awarded a multi-year grant of \$148,000 to Integrated Social Development Center in Ghana. The first installment of \$68,400 was paid in 2008. The second and third installments of this grant were conditional upon the completion of a monitoring system for efficient management of revenues from the mineral sector and establishment of a Publish What You Pay Coalition. In March 2010, the terms related to the second installment of the grant were met and RWI paid the second installment of \$40,000. The third installment of \$40,000 will remain conditional until the terms have been satisfied.