

REVENUE WATCH INSTITUTE

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007



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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, 2008 and 2007, 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, 2008 and 2007, 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
August 31, 2009

REVENUE WATCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$ 38,141	\$2,469,670
Contributions receivable (Notes 1c and 4)		
Unrestricted	722,373	383,679
Restricted for future programs	1,277,627	3,575,817
Prepaid expenses	10,977	25,461
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	<u>139,473</u>	<u>102,325</u>
Total Assets	<u><u>\$ 2,188,591</u></u>	<u><u>\$6,556,952</u></u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 351,417	\$ 179,059
Due to Open Society Institute (Note 7)	142,914	547,774
Grants payable (Note 1e)	528,995	524,000
Refundable contribution (Note 6)	-	2,562
Total Liabilities	<u>1,023,326</u>	<u>1,253,395</u>
Commitment (Note 7)		
Net Assets		
Unrestricted net assets	(532,123)	(240,595)
Temporarily restricted (Note 3)	<u>1,697,388</u>	<u>5,544,152</u>
Total Net Assets	<u>1,165,265</u>	<u>5,303,557</u>
Total Liabilities and Net Assets	<u><u>\$ 2,188,591</u></u>	<u><u>\$6,556,952</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007 *</u>
Changes in Temporarily Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)	\$ 1,103,880	\$6,990,873
Interest income	29,691	632
Net assets released from restrictions		
Satisfaction of program restrictions	<u>(4,980,335)</u>	<u>(3,697,698)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(3,846,764)</u>	<u>3,293,807</u>
Changes in Unrestricted Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)	2,996,153	1,700,000
Donated services (Note 7)	418,535	-
Interest and other income	39,537	-
Net assets released from restrictions	<u>4,980,335</u>	<u>3,697,698</u>
Total Revenue	<u>8,434,560</u>	<u>5,397,698</u>
Expenses		
Program Service	6,880,307	4,450,448
Management and general	<u>1,845,781</u>	<u>1,187,845</u>
Total Expenses	<u>8,726,088</u>	<u>5,638,293</u>
Decrease in Unrestricted Net Assets	<u>(291,528)</u>	<u>(240,595)</u>
Increase (decrease) in net assets	(4,138,292)	3,053,212
Net assets, beginning of year	<u>5,303,557</u>	<u>2,250,345</u>
Net Assets, End of Year	<u><u>\$ 1,165,265</u></u>	<u><u>\$5,303,557</u></u>

* Certain amounts have been reclassified for comparative purposes.

See notes to financial statements.

REVENUE WATCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(4,138,292)	\$3,053,212
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operations:		
Depreciation	24,899	7,172
(Increase) decrease in contributions receivable	1,959,496	(3,096,844)
Decrease in prepaid expenses	14,484	1,940
Increase in accrued expenses	172,358	94,337
Increase (decrease) in due to Open Society Institute	(404,860)	50,641
Increase in grants payable	4,995	119,000
Decrease in refundable contribution	(2,562)	(40,796)
Net Cash Provided (Used) By Operating Activities	<u>(2,369,482)</u>	<u>188,662</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(62,047)</u>	<u>(107,077)</u>
Net increase (decrease) in cash and cash equivalents	(2,431,529)	81,585
Cash and cash equivalents, beginning of year	<u>2,469,670</u>	<u>2,388,085</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 38,141</u></u>	<u><u>\$2,469,670</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Revenue Watch Institute ("Revenue Watch") was incorporated as a District of Columbia non-profit corporation on March 2, 2006. Revenue Watch 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, Revenue Watch 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.

During 2008 and 2007, Revenue Watch received 100% of its contributions from three foundations and four government agencies.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization 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 Organization 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.

e - Grants Awarded

Grants awarded are recognized as expenses in the period the award is made at fair value. Grants payable later than one year from the end of a fiscal year are discounted to present value using a discount rate of 5%. At December 31, 2008 and 2007, all grants are expected to be paid within one year.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

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

f - Financial Statement Presentation

Revenue Watch 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

Revenue Watch 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, within the meaning of Section 509(a) of the IRC, under an advance ruling period which expires December 31, 2010.

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.

Note 2 - Concentration of Credit Risk

Revenue Watch maintains its cash balances in one financial institution. The balance at times may exceed federally insured limits.

Note 3 - Restrictions on Net Assets

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

Note 4 - Contributions Receivable

Contributions receivable are due as follows:

	<u>2008</u>	<u>2007</u>
Due in one year	\$2,000,000	\$2,055,496
Due in two years	-	<u>2,000,000</u>
	<u>2,000,000</u>	4,055,496
Less: Discount	-	<u>(96,000)</u>
	<u>\$2,000,000</u>	<u>\$3,959,496</u>

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 4 - Contributions Receivable (continued)

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

The Organization received awards which are conditional upon utilization of the funds. Only the amounts received have been reflected in these financial statements.

<u>Date of Award</u>		<u>Total</u>	<u>12/31/08 Conditional Balance</u>
2006	Oil for Development Program (NORAD)	\$3,000,000	\$ 995,544
2007	Bill and Melinda Gates Foundation	\$7,438,984	\$5,066,989

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2008</u>	<u>2007</u>
Furniture and equipment	10 years	\$ 40,894	\$ 40,894
Computer equipment	5 years	39,273	28,681
Other office equipment	7 years	1,618	1,349
Website	5 years	<u>89,886</u>	<u>38,700</u>
		171,671	109,624
Less: Accumulated depreciation		<u>(32,198)</u>	<u>(7,299)</u>
		<u>\$139,473</u>	<u>\$102,325</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$24,899 and \$7,172, respectively.

Note 6 - Refundable Contribution

In 2007, Revenue Watch received a grant for \$55,496 of which \$2,562 was not expended and returned in 2008.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

Note 7 - Commitment

Revenue Watch has a service agreement with the Open Society Institute (“OSI”) whereby OSI agreed to provide certain services to Revenue Watch. Pursuant to the agreement, OSI maintains on its payroll and benefit plans, certain employees who provide services to Revenue Watch and paid certain administrative expenses. Revenue Watch paid or accrued \$1,684,086 and \$1,113,805 for the periods ended December 31, 2008 and 2007, respectively; to reimburse OSI for these expenses; \$142,914 and \$547,774, respectively, of these amounts are reflected as a liability in the accompanying financial statements. Additionally, during 2008 OSI donated certain overhead services valued at \$418,535, which is reflected as donated services.

Note 8 - Functional Allocation of Expenses

The cost of providing the various programs and the 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.

Note 9 - Conditional Grant

During 2008, Revenue Watch awarded a grant of \$80,000 to Integrated Social Development Center in Ghana. Payment of this grant is 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. This conditional award will not be accrued until the terms have been satisfied.