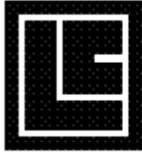


REVENUE WATCH INSTITUTE

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008



LUZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
300 EAST 42ND ST., NEW YORK, NY 10017
212-697-2299 Fax 212-949-1768

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, 2009 and 2008, 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, 2009 and 2008, 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
April 28, 2010

REVENUE WATCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents (Notes 1b and 2)	\$3,226,752	\$ 38,141
Contributions receivable (Notes 1c and 4)		
Unrestricted	-	722,373
Restricted for future periods	3,892,835	1,277,627
Prepaid insurance	10,769	10,977
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 5)	<u>191,458</u>	<u>139,473</u>
Total Assets	<u><u>\$7,321,814</u></u>	<u><u>\$ 2,188,591</u></u>
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 402,109	\$ 351,417
Due to Open Society Institute (Note 7)	438,488	142,914
Grants payable (Notes 1e and 9)	99,389	528,995
Total Liabilities	<u>939,986</u>	<u>1,023,326</u>
Net Assets		
Unrestricted net assets	1,558,490	(532,123)
Temporarily restricted (Note 3)	4,823,338	1,697,388
Total Net Assets	<u>6,381,828</u>	<u>1,165,265</u>
Total Liabilities and Net Assets	<u><u>\$7,321,814</u></u>	<u><u>\$ 2,188,591</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008 *</u>
Changes in Temporarily Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)		
William & Flora Hewlett Foundation	\$3,917,835	\$ 96,000
Bill and Melinda Gates Foundation	2,306,534	-
Norwegian government	1,041,654	1,036,220
Anonymous	365,000	-
Foundation Open Society Institute (OSI-ZUG)	69,848	-
Foundation to Promote Open Society	47,619	-
Returned grants	-	(28,340)
Total Temporarily Restricted Contributions	<u>7,748,490</u>	<u>1,103,880</u>
Interest income	1,412	29,691
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>(4,623,952)</u>	<u>(4,980,335)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>3,125,950</u>	<u>(3,846,764)</u>
Changes in Unrestricted Restricted Net Assets		
Revenue		
Contributions (Notes 1a and 1c)	3,000,000	2,996,153
Donated services (Note 7)	1,636,038	418,535
Amounts raised on behalf of others (Note 6)	46,364	-
Less: Amounts remitted to others	(46,364)	-
Consulting income	62,500	-
Interest and other income	4,078	39,537
Net assets released from restrictions	<u>4,623,952</u>	<u>4,980,335</u>
Total Revenue	<u>9,326,568</u>	<u>8,434,560</u>
Expenses (Note 8)		
Program		
Training and capacity building	2,655,746	2,177,813
Research	748,797	912,831
Monitoring	1,119,376	2,089,561
Advocacy	744,284	1,007,358
Technical assistance	544,085	692,744
Total Program Expenses	<u>5,812,288</u>	<u>6,880,307</u>
Supporting Services		
Management and general	1,340,372	1,793,119
Fundraising	83,295	52,662
Total Supporting Services	<u>1,423,667</u>	<u>1,845,781</u>
Total Expenses	<u>7,235,955</u>	<u>8,726,088</u>
Increase (Decrease) in Unrestricted Net Assets	<u>2,090,613</u>	<u>(291,528)</u>
Increase (decrease) in net assets	5,216,563	(4,138,292)
Net assets, beginning of year	<u>1,165,265</u>	<u>5,303,557</u>
Net Assets, End of Year	<u><u>\$6,381,828</u></u>	<u><u>\$ 1,165,265</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$5,216,563	\$(4,138,292)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operations:		
Depreciation	36,070	24,899
(Increase) decrease in contributions receivable	(1,892,835)	1,959,496
Decrease in prepaid insurance	208	14,484
Increase in accrued expenses	50,692	172,358
Increase (decrease) in due to Open Society Institute	295,574	(404,860)
Increase (decrease) in grants payable	(429,606)	4,995
Decrease in refundable contribution	-	(2,562)
Net Cash Provided (Used) By Operating Activities	<u>3,276,666</u>	<u>(2,369,482)</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(88,055)</u>	<u>(62,047)</u>
 Net increase (decrease) in cash and cash equivalents	3,188,611	(2,431,529)
Cash and cash equivalents, beginning of year	<u>38,141</u>	<u>2,469,670</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$3,226,752</u></u>	 <u><u>\$ 38,141</u></u>

See notes to financial statements.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The 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 96% of its contributions from three foundations and one government agency in 2009 and 100% of its contributions from three foundations and four government agencies in 2008. In 2009, RWI's primary donors included: The William & Flora Hewlett Foundation, the Open Society Institute, 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 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, 2009 AND 2008

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

e - Grants Awarded

Grants awarded are recognized as expenses in the period the terms of the award are satisfied. 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, 2009 and 2008, 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, 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.

i - Subsequent Events

RWI has evaluated subsequent events through April 28, 2010, the date that the financial statements are considered available to be issued.

Note 2 - Concentration of Credit Risk

RWI 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.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 4 - Contributions Receivable

During 2007, RWI received a \$4 million contribution from the William & Flora Hewlett Foundation to be used for general operating support in 2008 and 2009. In 2009, the William & Flora Hewlett Foundation awarded an additional \$4 million contribution to RWI to be used for general operating support in 2010 and 2011 and are due as follows:

	<u>2009</u>	<u>2008</u>
Due in one year	\$2,000,000	\$2,000,000
Due in two years	<u>2,000,000</u>	<u>-</u>
	4,000,000	2,000,000
Less: Discount	<u>(107,165)</u>	<u>-</u>
	<u>\$3,892,835</u>	<u>\$2,000,000</u>

Uncollectible contributions receivable are expected to be insignificant. Contributions due after one year are discounted to present value using a discount rate of 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. RWI received \$2,306,534 in 2009 and \$2,371,995 in 2007. The conditional balance of \$2,760,455 has not been reflected in these financial statements.

During 2009, RWI received an anonymous grant in the amount of \$600,000, of which \$200,000 was received during 2009 and has been reflected in these financial statements. The second and third installments of up to \$200,000 each are conditional and require RWI to raise qualifying funds during the match period from third parties on a 1:1 basis. The conditional portions of the grant have not been recorded in these financial statements.

Note 5 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2009</u>	<u>2008</u>
Furniture and equipment	10 years	\$ 41,094	\$ 40,894
Computer equipment	5 years	41,454	39,273
Other office equipment	7 years	1,618	1,618
Website	5 years	<u>175,560</u>	<u>89,886</u>
		259,726	171,671
Less: Accumulated depreciation		<u>(68,268)</u>	<u>(32,198)</u>
		<u>\$191,458</u>	<u>\$139,473</u>

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 5 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2009 and 2008 was \$36,070 and \$24,899, 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 provides 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 \$954,915 and \$1,684,086 for the periods ended December 31, 2009 and 2008, respectively; to reimburse OSI for these expenses, \$438,488 and \$142,914, respectively, of these amounts are reflected as a liability in the accompanying financial statements. Additionally, during 2009 and 2008, OSI donated certain personnel, administrative and overhead services valued at \$1,636,038 and \$418,535, respectively, that are 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.

REVENUE WATCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 9 - Grants Payable

Grants payable to individuals and organizations as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
<u>Individual Grants</u>		
Nelly Marion Busingye	\$ 4,653	\$ 5,467
Sarah Chhay (return grant)	(276)	-
Jamus O. Joseph	3,395	-
Lukomo Sophie Kutegeka	1,935	3,967
Dionisio A. Nombora	<u>4,932</u>	<u>-</u>
Total Grants Payable to Individuals	<u>14,639</u>	<u>9,434</u>
<u>Organizational Grants</u>		
Arab Parliamentarians Against Corruption	-	60,000
The Masters and Scholars of the University of Oxford	-	162,000
Parliamentary Centre	50,000	-
Pattiro - Center Regional Information and Studies	-	56,022
Peterson Institute for International Economies	4,750	4,750
Public Union	-	40,610
Publish What You Pay- Cameroon	30,000	-
Social Action	-	45,179
Trustees of Columbia University, Columbia Law School	<u>-</u>	<u>151,000</u>
Total Grants Payable to Organizations	<u>84,750</u>	<u>519,561</u>
 Total Grants Payable	 <u>\$99,389</u>	 <u>\$528,995</u>

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 are 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. As of December 31, 2009, the terms of the grant were not met, therefore, the grant remained conditional. 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.