Transparency International Canada Inc.

Financial Statements

December 31, 2012

Auditors' Report

To the members of
Transparency International Canada Inc.

Report of the Financial Statements

We have audited the accompanying financial statements of **Transparency International Canada Inc.**, which comprise the statement of financial position as at **December 31, 2012** and the statements of revenues, expenditures and surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation 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 audit. We conducted our audit in accordance with Canadian accounting standards for not-for-profit organizations. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 qualified audit opinion.

Basis for Qualified Opinion

The organization derives revenue from membership fees and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and surplus.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the membership fees and contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at **December 31, 2012** and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative information

Without modifying our opinion, we draw attention to Note 3 to the financial statements, which describes that **Transparency International Canada Inc.** adopted Canadian accounting standards for not-for-profits on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2011 and January 1, 2011, and the statements of income, retained earnings and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited

Clarkson Rouble LLP

Mississauga, Ontario
April 2, 2013

Clarkson Rouble LLP
Chartered Accountants
Licensed Public Accountants

Transparency International Canada Inc.

Statement of Financial Position

		December 31, 2012		December 31, 2011		January 1, 2011
Assets						
Current						
Cash	$	90,497	$	104,617	$	34,944
Accounts receivable		12,734		7,776		42,258
	$	**103,231**	**$**	**112,393**	**$**	**77,202**
Liabilities						
Current						
Accounts payable and accrued liabilities	$	11,291	$	5,847	$	5,260
Deferred income		13,156		24,756		-
		24,447		30,603		5,260
Surplus						
Surplus		78,784		81,790		71,942
	$	**103,231**	**$**	**112,393**	**$**	**77,202**

On behalf of the Board:

Director

Director

Transparency International Canada Inc.

Statement of Revenues, Expenditures and Surplus
Year Ended December 31

		2012		2011
Revenues				
Membership fees and contributions	$	70,303	$	80,536
Secretariat		649		1,338
Symposium		33,453		7,850
Comparative assessment		11,500		-
		115,905		89,724
Expenses				
Travel		7,015		3,097
Office expense		5,329		6,820
Professional fees		5,473		3,495
Executive Director and secretarial		70,700		60,450
Web page		4,622		2,547
Conferences		7,689		1,129
Symposium/AGM		3,901		502
Insurance		1,836		1,836
Laurence Cockcroft Seminar		846		-
Comparative assessment		11,500		-
		118,911		79,876
Excess of (expenses over revenues) revenues over expenditures		**(3,006)**		**9,848**
Surplus, beginning of year		81,790		71,942
Surplus, end of year	**$**	**78,784**	**$**	**81,790**

Transparency International Canada Inc.

Statement of Cash Flows
Year Ended December 31

		2012		2011
Operating activities				
Excess of (expenses over revenues) revenues over expenditures	$	(3,006)	$	9,848
Cash generated from (used for)				
Changes in non-cash working capital items				
Amounts receivable		(4,958)		34,482
Accounts payable and accrued liabilities		5,444		587
Deferred income		(11,600)		24,756
(Decrease) increase in cash		**(14,120)**		**69,673**
Cash, beginning of year		104,617		34,944
Cash, end of year	**$**	**90,497**	**$**	**104,617**

1. Objects and organization

The organization was incorporated on November 7, 1996 under the laws of the Government of Canada as a non-profit corporation without share capital. The organization received registered charity status on February 10, 2009.

The primary objects of the organization are:

a) To encourage compliance with Canadian laws and international conventions to which Canada is a signatory, against bribery and corruption ("Canadian Anti-Corruption Laws") by educating businesses, professional organizations, governments and the public at large about Canadian Anti-Corruption Laws and the adverse impact of non-compliance therewith;

b) To develop and promote ethical standards of conduct for businesses, professional organizations, governments and the public at large to assist them in complying with Canadian Anti-Corruption Laws;

c) To conduct or commission research on issues concerning the prevention and elimination of bribery and corruption and to communicate the results therefrom to businesses, professional organizations, governments and the public at large; and

d) To assist the Canadian Government in fulfilling its obligations under international conventions to which Canada is a signatory in the prevention of and the fight against bribery and corruption.

2. Significant accounting policies

The financial statements of Transparency International Canada Inc. prepared in accordance with Canadian accounting standards for not-for-profit organizations as described below.

(a) Accrual basis of accounting

These financial statements are prepared using the accrual basis of accounting whereby revenues are recognized as they become available and expenditures are recognized as they are incurred through the receipt of goods and services.

(b) Revenue recognition

The financial statements are prepared using the deferral method of accounting for contributions under which contributions are recorded as received and pledges receivable are excluded from recorded revenues.

2. Significant accounting policies (continued)

(c) Use of estimates by management

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results may differ from estimates.

(d) Deferred revenue

Deferred revenue consists of amounts received prior to the completion of the services required. The revenue will be recognized in the period of completion.

3. Adoption of Accounting standards for not-for-profit organizations

Effective January 1, 2012, the Organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations. These are the Organization's first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The Organization prepared financial statements for the year ended December 31, 2011 using generally accepted accounting principles and provisions set out in Section 1501, First-time Adoption by Not-for-Profit Organizations, for first-time adopters of this basis of accounting.

The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and equity of the Organization, and accordingly, no adjustments have been recorded in the comparative balance sheet, income statement, statement of retained earnings and the cash flow statement.

4. Related party transactions

The organization had no related party transactions other than contributions from directors or their employers' organizations and reimbursement of expenses paid for by the directors. In addition, some of the director's employer organizations contributed the use of board rooms.

5. Income taxes

The organization is registered as a charitable organization under Section 149 (1)(f) of the Income Tax Act (Canada) and, as such, is exempt from income taxes, and may issue receipts that are eligible for a non-refundable tax credit by an individual donor and a tax deduction by a corporate donor.

6. Financial instruments

Fair value

Canadian accounting standards for not-for-profit organizations require that the Organization disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for accounts receivable, accounts payable and accrued liabilities and deferred income on the statement of financial position approximate fair value because of the limited term of these instruments.

Credit risk

The Organization does not have a significant exposure to any individual customer. Bad debts in the past three years have been insignificant.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Organization does not currently have a significant exposure to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations associated with financial liabilities. Cash flows from operations provides a substantial portion of the Organization's cash requirement.