

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS YAYASAN INDONESIA CORRUPTION WATCH

FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004

No. 648-EK/02-2006
February 27, 2006



KANTOR AKUNTAN PUBLIK EDDY KASLIM

(REGISTERED PUBLIC ACCOUNTANT)

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INDEPENDENT AUDITORS' REPORT

No.: 648-EK/02-2006

Board of Executives
Yayasan Indonesia Corruption Watch (ICW)
Jakarta - Indonesia

We have audited the accompanying statement on financial position of Yayasan Indonesia Corruption Watch (ICW) as of December 31, 2005 and 2004, activities report and cash flows for the year then ended, which are expressed in Indonesia Rupiah. These financial statements are the responsibility of the Board of Yayasan Indonesia Corruption Watch. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Accountants. 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. The audits also include 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 Yayasan Indonesia Corruption Watch (ICW) as of December 31, 2005 and 2004 and the results of their operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

REGISTERED PUBLIC ACCOUNTANT
EDDY KASLIM
Business License No. KEP-610/KM.17/1998

Eddy Kaslim, SE, MM, MAcc.
License No. 98.1.0057

Jakarta, February 27, 2006.

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2005 AND 2004

	Notes	2005 Rp	2004 Rp
ASSETS			
Current Assets			
Cash and equivalents	2c,2e,4	1.863.571.027,34	889.718.843,00
Prepayment	5	262.894.339,00	109.473.662,00
Total current assets		2.126.465.366,34	999.192.505,00
Fixed Assets			
Cost of acquisition	2f,6	307.114.925,00	240.017.900,00
Accumulated depreciation		(307.114.925,00)	(200.491.075,00)
Total Fixed Assets		-	39.526.825,00
TOTAL ASSETS		2.126.465.366,34	1.038.719.330,00
LIABILITIES AND FUND BALANCES			
Liabilities	7	213.731.949,25	204.148.922,00
Fund Balances			
Unrestricted	8,2g	20.100.083,36	66.347.764,00
Temporary restricted	8,2g	1.892.633.333,73	768.222.644,00
Total Fund balances		1.912.733.417,09	834.570.408,00
TOTAL LIABILITIES AND FUND BALANCES		2.126.465.366,34	1.038.719.330,00

See the accompanying notes to the financial statements which are integral part of the financial statements.

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 ACTIVITIES REPORT
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Notes</u>	<u>2005</u> Rp	<u>2004</u> Rp
RECEIPT			
Fund from Grantor	2c,2d,9	4.778.477.053,73	3.766.599.324,00
Non Program	2c,2d,11	9.372.578,29	95.467.613,00
Total Receipt		<u>4.787.849.632,02</u>	<u>3.862.066.937,00</u>
EXPENITURES			
Programmes	2d,10	3.678.020.206,00	3.314.932.128,00
Expenditures non program	2d,12	98.763.441,93	167.729.972,00
Total Expenditures		<u>3.776.783.647,93</u>	<u>3.482.662.100,00</u>
Excess Receipt Over Expenditures		<u>1.011.065.984,09</u>	<u>379.404.837,00</u>

See the accompanying notes to the financial statements which are integral part of the financial statements.

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 STATEMENTS OF CHANGES IN FUND BALANCES
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Unrestricted</u> Rp	<u>Temporary Restricted</u> Rp	<u>TOTAL</u> Rp
Beginning Balance at January 01, 2004	176.497.461,00	278.668.110,00	455.165.571,00
Excess Receipt Over Expenditures Year 2004	<u>(110.149.697,00)</u>	<u>489.554.534,00</u>	<u>379.404.837,00</u>
Ending Balance, December 31, 2004	66.347.764,00	768.222.644,00	834.570.408,00
Received from TAF Aceh	-	685.100.000,00	685.100.000,00
Received from TAF	-	721.830.000,00	721.830.000,00
Received from 11.11.11	-	503.500.567,00	503.500.567,00
Received from Hivos Aceh	-	882.298.995,00	882.298.995,00
Received from OWA Aceh	-	19.040.000,00	19.040.000,00
Received from 11.11.11 Aceh	-	392.806.800,00	392.806.800,00
Received from ICCO	-	474.440.000,00	474.440.000,00
Received from Imparsial	-	86.177.000,00	86.177.000,00
Received from Hivos Capacity	-	117.050.000,00	117.050.000,00
Received from Hivos Korpol	-	428.900.000,00	428.900.000,00
Received from SEACA	-	9199366,23	9199366,23
Received from OWA CPLG	-	224.824.831,50	224.824.831,50
Received from Tyfa	-	9.239.740,00	9.239.740,00
Received from Fitra	-	201.000.000,00	201.000.000,00
Others Receipt	9.372.578,29	23.069.754,00	32.442.332,29
Programme	-	(3.678.020.206,00)	(3.678.020.206,00)
Personnal and Organization	(31.666.416,93)	-	(31.666.416,93)
Depreciation	(67.097.025,00)	-	(67.097.025,00)
Unjustified funds	43.143.183,00	23.953.842,00	67.097.025,00
Ending Balance, December 31, 2005	<u><u>20.100.083,36</u></u>	<u><u>1.892.633.333,73</u></u>	<u><u>1.912.733.417,09</u></u>

*See the accompanying notes to the financial statements
 which are integral part of the financial statements.*

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005 Rp	2004 Rp
Cash Flows From Operating Activities		
Excess Receipt over Expenditures	1.011.065.984,09	379.404.837,00
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	67.097.025,00	60.004.475,00
Charged book value of fixed assets	106.623.850,00	-
Changes in fund balance:		
(Increase)/decrease in prepayment	(153.420.677,00)	122.270.027,00
Increase / (decrease) in liabilities	9.583.027,25	204.148.922,00
Net cash provided by operating activities	<u>1.040.949.209,34</u>	<u>765.828.261,00</u>
Cash Flows From Investing Activities		
Addition in equipment	(67.097.025,00)	(4.039.000,00)
Cash Flows From Financing Activities	-	-
Net increase (decrease) in cash	973.852.184,34	761.789.261,00
Cash On Hand And In Banks, Beginning	889.718.843,00	127.929.582,00
Cash On Hand And In Banks, Ending	<u><u>1.863.571.027,34</u></u>	<u><u>889.718.843,00</u></u>

See the accompanying notes to the financial statements which are integral part of the financial statements.

1. GENERAL

Yayasan Indonesia Corruption Watch, which is abbreviated into ICW was established on June 21, 1998, for an indefinite period under the Deed of Notary DR. H. Teddy Anwar, SH.SpN. dated April 28, 2000 Number: 54.

The above mentioned Articles of Association were amended by the statement Deed on Decision of the meeting held on July 5, 2000 Number: 20, which was prepared in the presence of the same Notary.

ICW has Pancasila and the 1945 constitution as the principle.

The purpose and objective of ICW is:

To empower the community to realize the bureaucracy, legal, social, political, and economic system which have justice and is free from corruption.

In Order to achieve the above mentioned purpose and objective, this Foundation sets up Indonesia Corruption Watch offices in Jakarta and other places and makes the following efforts:

- a. Receiving complaints from the community regarding corruption practices committed by the authorities.
- b. Implementing the education and creating public awareness in order to encourage anti corruption social movement on social and economic rights in relation to the government and the private sector.
- c. Conducting studies and researches regarding sources and methods of corruption for and/or as well as uncovering corruption practices.
- d. Submitting opinions, both recommendation, criticisms and comments to the authorized institutions (judicative, legislative, and executive areas) as well as to the general public regarding problems of corruption in various areas (social, political and economic areas).
- e. Conducting campaigns to stigmatize business circle, politicians and public officials who get involved in corruption practices and corruption indicator.
- f. Encouraging the process of ethics and moral standards enforcement in the circles of officials, the general public, businessman, accountants, engineers, notaries, lawyers and other professional circles.
- g. Organizing publications and setting up libraries.
- h. Establishing cooperation with governmental and non governmental institutions and/or agencies in Indonesia as well as international institutions.
- i. And other efforts, which are not against the purpose and objective of the Foundation.

1. GENERAL (Continued)

Yayasan Indonesia Corruption Watch is an independent corporate which is non profit and has member. And also does not have shareholders or the member who have an interest of ownership in the income or wealth of the Foundation.

The first wealth of the Foundation comprises the initial wealth in the form of cash totaling Rp. 1,000,000.00 (one million rupiahs) and it can be increased by the following activities:

- a. Assistance and donations from the community, both individuals, companies and other bodies which are interested in Foundation and the assistance and donations are not binding in nature.
- b. Assistance and donations from the government, both as the central level and region level, which are not binding in nature.
- c. Results of fund raising, which is conducted officially, openly and is not against the laws.
- d. Grants, testaments, inheritance and wakaf.
- e. Income and interests obtained and not used from the wealth of the Foundation
- f. Assistance and donation from international institutions which are not binding and not against the existing regulations.
- g. Other legal incomes of the activities carried out by the Foundation.

The Foundation does not permit its income or wealth to be distributed or used for personal interest/benefit of someone or a non-charitable organization.

Amendment, Supplement and Dissolution:

1. The decision to amend and/or supplement the Articles of Association and to dissolve this Foundation is only legal, if it is made in a meeting of the members of the ethics council, which is attend by at least $\frac{3}{4}$ (three fourths) of the votes legally released in the meeting.
2. If the quorum established in paragraph 1 is not reached, the chairman of the meeting can hold a meeting at the earliest within a period of 14 (fourteen) days and the latest within a period of 30 (thirty) days after the first meeting and in the meeting, legal decisions can be made regarding the agendas in the just meeting by ignoring the number of members who are present, provided that the decisions are approved by at least $\frac{3}{4}$ (three fourths) of the number of votes legally released in the meeting.
3. The decision to dissolve the Foundation can only be made by the meeting of members of the ethics council, if it is definitely concrete that the Foundation does not have capacity any longer or the wealth of the Foundation has been use up in such a way that, according to the ethics council, it is not possible any longer for the Foundation to work in order to be able to achieve and realize the purpose and objective of the Foundation.

1. GENERAL (Continued)

4. In the above mentioned meetings, the chairman of the ethics council can invite members of the Body of worker who have the right to speak up, but they do not have votes.
5. The provisions in the above mentioned paragraph 3 do not minimize the provisions in article 12 paragraph 2.

If the Foundation is dissolved, the body of worker is obligated to settle the debts and credits of the Foundation under the auspices of the chairman of the body of worker or another person appointed by the ethics council and if there is a remainder of the wealth of the Foundation, it will be provided to the bodies or associations which have the same purpose and objective as that of the Foundation and other social bodies stipulated by the ethics council.

2. ACCOUNTING POLICY

a. Financial Statement

Organization's financial report presented in full Rupiah is prepared on the accrual basis with the concept of historical value. The report on cash flow is prepared with the indirect method.

b. Report Period

Report period of the financial statement from 01 January up to 31 December for 2004 and 2003.

c. Recognition of Receipt

Contribution is entered on the basis of cash receipt.

Receipt is entered on the basis of the delivery of service to employer.

Burden is recognized in accordance with the period of utilization (accrual basis).

d. Receipt and Expenditure

All funds received, and bank interest was recorded as receipt then all program and bank administration were recorded as expenditure.

e. Exchange Rate

Financial transactions were recorded in rupiah currency. Every Transactions in Foreign Currency were converted with exchange rate at the day of the transaction occurred.

Rates for cash and equivalent at the end of the year based on USD 1 = Rp 9,520.00 and Euro 1= Rp 11,533.00 for 2005, USD 1= RP 9,000.00 and Euro 1 = RP 11,000.00 for 2004.

2. ACCOUNTING POLICY (Continued)

f. Fixed assets

Assets are expressed on the basis of the acquisition price. Depreciation on assets is constantly calculated on the basis of straight line method by estimating the period of utilization of the relevant assets, namely as follow:

Office equipment = 4 years

Cost of acquisition of fixed assets was recorded on the balance sheet and the fixed assets depreciated. The normal maintenance burden is charged to the report on the on-going activity, while the repair, addition, rehabilitation, expansion, etc which increase the period of utilization or capacity of assets are capitalized.

Since 2005 cost of acquisition of fixed assets directly charged as expense on the period occurred. Previous book value are charged as expense for 2005.

g. Fund Balance

The net balance of income against expenses during the year is accumulated as fund balance. The organization presents grant or wakaf in the forms of cash or other assets as a committed contribution, if the grant or wakaf is received with the condition which restricts the use of funds (the assets). If the restriction of the contribution has expired, namely at the time the period of the restriction has ended or the restriction of the goal has been met, the temporarily committed fund balance (net assets) is regrouped into the uncommitted fund balance (net asset) and presented in the report on activities as the fund balance (net asset) which is exempted from restriction.

The organization presents grant or wakaf in the form of land, building and equipment as uncommitted contribution, except if there is a restriction which explicitly states the goal of the utilization of the assets from contributor. The grant or wakaf for fixed asset with explicit restriction stating the goal of utilization of the asset and the contribution in the form of cash or other assets which must be used to acquire fixed asset, are presented as committed contribution. If there is no explicit restriction from the contributor concerning the restriction on the period of utilization of the fixed assets, the exemption of the restriction is reported at the same time the fixed asset is utilized.

h. Grantor

During 2005 ICW received fund from:

- | | |
|-----------------------------|---------|
| - TAF (The Asia Foundation) | - SEACA |
| - OWA | - ICCO |
| - 11.11.11 | - HIVOS |
| - TYFA | - FITRA |

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

3. LIST BOARDS OF ETHICS COUNCIL AND BODY WORKERS

Board of Ethics Council	: Adi Andojo ; Bambang Widjojanto ; Dadang Trisasongko ; Kemala Chandra Kirana ; Masdar F. Masudi ; Teten Masduki
Body of Workers	
Coordinator	: Teten Masduki
Co. Coordinator	: Lucky Djani : Danang Widoyoko
Finance Manager	: Siti Sumarni
Coordinator of Legal and Court Monitoring	: Emerson Yuntho
Coordinator of Public Service Monitoring	: Ade Irawan
Coordinator of Investigation	: Fahmi Badoh
Coordinator of Information and Documentation	: Adnan Topan Husodo

4. CASH AND EQUIVALENT

	<u>2005</u>	<u>2004</u>
	Rp	Rp
Cash	5.749.301,00	1.451.850,00
Bank		
BNI A/C. 420 2252	59.146.527,00	-
BNI A/C. 436 1713	63.077.873,00	-
BNI A/C. 436 1713	212.856.667,00	-
BNI A/C. 612 4374	10.195.160,00	-
BNI A/C. 447 6021	4.106.496,00	-
BNI A/C. 447 5981	6.908.723,00	79.485.245,00
BNI A/C. 447 5992	131.178.446,00	1.261.804,00
BNI A/C. 447 6009	31.551.109,00	3.072.901,00
BNI A/C. 447 6043	306.141.817,00	493.003.033,00
BNI A/C. 447 6054	4.904.856,00	8.104.078,00
BNI A/C. 447 6065	4.676.316,00	4.780.002,00
BNI A/C. 444 9859	98.463.611,00	72.047.020,00
BNI A/C. 444 9860	USD 22,166.61	211.026.127,20
BNI A/C. 444 9871	EUR 61,873.58	713.587.998,14
	<u>1.857.821.726,34</u>	<u>888.266.993,00</u>
Sub total	1.857.821.726,34	888.266.993,00
Total	<u><u>1.863.571.027,34</u></u>	<u><u>889.718.843,00</u></u>

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

5. PREPAYMENT

	<u>2005</u>	<u>2004</u>
	Rp	Rp
TAF	86.050.000,00	200.000,00
TAF Aceh	82.085.683,00	-
Hivos Korpol	41.772.365,00	-
11.11.11	23.577.000,00	27.377.331,00
Hivos Aceh	18.790.000,00	-
CPLG	6.750.000,00	-
PGR	3.125.291,00	67.325.000,00
TIFA	-	300.000,00
Others	744.000,00	14.271.331,00
	<u>262.894.339,00</u>	<u>109.473.662,00</u>
Total	<u><u>262.894.339,00</u></u>	<u><u>109.473.662,00</u></u>

6. FIXED ASSETS

	<u>2005</u>	<u>2004</u>
	Rp	Rp
Cost of Acquisition		
Office equipment	307.114.925,00	240.017.900,00
Accumulated Depreciation		
Office equipment	(307.114.925,00)	(200.491.075,00)
Book Value	<u>-</u>	<u>39.526.825,00</u>
	<u><u>-</u></u>	<u><u>39.526.825,00</u></u>

7. LIABILITIES

	<u>2005</u>	<u>2004</u>
	Rp	Rp
Staff Endowment Funds' Deposit	190.154.949,25	140.163.622,00
Fund Balance of 11.11.11 MPP Programmes	23.577.000,00	-
Fund Balance of DFID Prorammes	-	63.985.300,00
Total	<u>213.731.949,25</u>	<u>204.148.922,00</u>
	<u><u>213.731.949,25</u></u>	<u><u>204.148.922,00</u></u>

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

8. FUND BALANCE

	2005	2004
	Rp	Rp
Unrestricted		
Others	20.100.083,36	66.347.764,00
Temporary restricted:		
TAF Aceh	365.962.567,00	-
Hivos Aceh	338.987.863,00	-
PGR	309.267.108,00	489.731.458,00
TAF MPP	254.177.293,00	-
HIVOS	174.408.280,00	1.261.804,00
11.11.11 Aceh	137.081.805,00	-
DFID	84.576.250,00	63.985.300,00
OWA	77.373.018,50	96.560.137,00
FITRA	59.146.527,00	-
Imparsial	34.795.800,00	-
11.11.11	28.481.856,00	80.158.621,00
Owa Aceh	11.130.160,00	-
ICCO	10.357.406,00	-
Hivos Capacity	5.594.600,00	-
SEACA	1.594.791,23	-
TIFA	(301.991,00)	25.506.670,00
The Asia Foundation	-	10.902.358,00
AUSAID	-	380.505,00
FORD	-	(264.209,00)
Total Temporary restricted	1.892.633.333,73	768.222.644,00
Total	1.912.733.417,09	834.570.408,00

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

9. RECEIPT – FUNDS FROM GRANTOR

	2005	2004
	Rp	Rp
Hivos Aceh	882.298.995,00	-
TAF	721.830.000,00	529.665.000,00
TAF Aceh	685.100.000,00	-
11.11.11	503.500.567,00	493.754.539,00
ICCO	474.440.000,00	-
Hivos korpol	428.900.000,00	-
11.11.11 Aceh	392.806.800,00	-
OWA	224.824.831,50	165.826.440,00
Fitra	201.000.000,00	-
Hivos Capacity	117.050.000,00	-
Imparsial	86.177.000,00	-
Owa Aceh	19.040.000,00	-
Tyfa	9.239.740,00	-
Seaca	9.199.366,23	-
PGR	-	2.222.636.007,00
DFID	-	345.100.000,00
	<hr/>	<hr/>
Sub total	4.755.407.299,73	3.756.981.986,00
	<hr/>	<hr/>
Bank Interest	23.069.754,00	9.617.338,00
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Total	4.778.477.053,73	3.766.599.324,00
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YAYASAN INDONESIA CORRUPTION WATCH (ICW)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

10. PROGRAMME GRANTOR

	2005	2004
	Rp	Rp
11.11.11	556.644.837,00	669.868.389,00
Hivos Aceh	546.029.912,00	-
TAF MPP	481.826.166,00	-
ICCO	465.047.815,00	-
TAF Aceh	324.133.271,00	-
HIVOS	257.500.266,00	1.595.700,00
11.11.11 Aceh	255.724.995,00	-
DFID	244.619.613,00	281.114.700,00
PGR	187.054.639,00	1.719.723.632,00
Fitra	143.464.759,00	-
Hivos Capacity	111.455.400,00	-
Imparsial	51.381.200,00	-
TIFA	37.527.589,00	28.874.330,00
OWA	8.005.169,00	69.266.303,00
SEACA	7.604.575,00	-
The Asia Foundation	-	516.554.767,00
AUSAID	-	27.931.437,00
FORD	-	283.950,00
FINLAND	-	(11.080,00)
NDI	-	(270.000,00)
Total	<u>3.678.020.206,00</u>	<u>3.314.932.128,00</u>

11. RECEIPT NON-PROGRAM

	2005	2004
	Rp	Rp
Donation	2.028.133,77	93.443.010,00
Interest Income	7.344.444,52	2.024.603,00
Total	<u>9.372.578,29</u>	<u>95.467.613,00</u>

YAYASAN INDONESIA CORRUPTION WATCH (ICW)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS THEN ENDED DECEMBER 31, 2005 AND 2004

12. EXPENDITURES NON-PROGRAM

	<u>2005</u>	<u>2004</u>
	Rp	Rp
Personal and Organization	31.666.416,93	107.725.497,00
Depreciation	67.097.025,00	60.004.475,00
	<u>98.763.441,93</u>	<u>167.729.972,00</u>
Total	<u><u>98.763.441,93</u></u>	<u><u>167.729.972,00</u></u>
