**Minutes of the Executive Committee**
**of the Board of Directors**
**of the International Tax and Investment Center**
**10 April 2014**

The meeting was convened by teleconference with the following participants: Andrey Bashkirov, Bill Frenzel, Graham Hall, Jim Miller, and Daniel Witt. Mr. Miller presided as Chairman. Also in attendance was Ms. Irene Savitsky.

Regrets were received from Messrs. Gary Hook and Will Morris. Their proxy votes will be included in the Corporate Minutes file.

The meeting was called to order at 11:04 AM, Washington, DC time.

Mr. Witt reported that The Honorable Donald Johnston, Former Secretary General of the OECD and a Member of the Cabinet of the Government of Canada, has agreed to join ITIC's Board and serve as an Honorary Co-Chairman. Management will formally announce this next week and nominate him for formal election by the Board of Directors at the next full Board of Directors meeting.

Mr. Witt reviewed the 2013 financial statements. He reported that ITIC (all offices and operations), generated a surplus of $1,192,729. The improved financial result (compared to the year-end projection presented in early December and the budget) was due to careful management and cautious projections. The year-end statements were reviewed (in particular, all of the accruals) by Lane & Company in their role as accounting consultants. However, Mr. Witt emphasized that these are monthly management statements and should not be misrepresented as an audit report.

The Executive Committee accepted the financial statements presented by management, but no formal action was taken. The Audit Committee will review and approve the year-end statements following the audit by Lane & Company.

Ms. Savitsky reported that Lane & Company has completed the field work for the 2013 audit. Work on the final statements and report is underway. Mr. Hook, Chairman of the Audit Committee, talked with the auditors in March as part of their preparatory work prior to the commencement of the audit. Mr. Witt reported that he met with the auditor at the conclusion of the field work. The auditors indicated that they expect to issue another "clean" audit report. The auditors will issue a management letter with one recommendation: to update ITIC's accounting procedures manual. Management will work with Lane & Company on this update. It is our intention to have the revised Accounting Procedures Manual for review and approval by the Executive Committee at the December meeting. The draft audit is expected to be completed by late June. An Audit Committee teleconference will be scheduled for mid-July. Following this teleconference, the audit will be finalized and send to the full Board of Directors.

Attached are the highlights of the 2013 year-end financial projections that management presented to the Executive Committee on 16 December. Please refer to page 3 on the short-fall that ITIC would experience if it were completely reliant on general program and investment revenues. This illustrates the importance the surpluses from projects to ITIC's overall financial health. Mr. Witt reported the division between general and project revenues is an area being reviewed by the Board of Directors Strategy Committee.

Mr. Witt and Ms. Savitsky presented the 2014 draft budget. The budget was based on conservative assumptions and programs for which firm commitments have been received, as of 3 April. Based on these commitments for the 2014 program plan, the level of activity (total revenues) will be similar to the 2013 budget, but lower than the actual level of activity. Although several large programs and events will not be repeating from last year, several new projects and programs have been confirmed. Management is projecting a 2014 surplus of $50,000.

Mr. Hall made a motion to approve the 2014 budget. The motion was seconded by Mr. Frenzel, and unanimously approved.

Mr. Witt updated on the recent IRS enquiry on ITIC's 2011 tax filing (Form 990). Management worked closely with our auditor (David Kohles) and legal counsel (Alan Dye) to prepare a comprehensive response. This was submitted to the IRS in advance of the 6 April deadline. Messrs. Kohles and Dye believe this should resolve the matter. Management will keep the Executive Committee informed.

Mr. Witt reported that when compiling the documents for the IRS enquiry, that the 29 April 2010 Executive Committee Meeting Minutes required an amendment to reflect the discussion on ITIC internal controls. A copy of the amended minutes have been shared with the Executive Committee. These minutes will be included on the agenda of our next meeting for discussion and approval.

Mr. Hall congratulated management on a very active and successful year – both in terms of programs and financially. He encouraged management, with the assistance of Board Members, to continue to expand the base of general support/global sponsors. It was the consensus of the Committee that this should always be an ITIC priority, even during strong financial years.

The Board also discussed ITIC's policy on charging overhead for projects.

Mr. Frenzel reported to the Committee that he is reviewing investment policy options used by other NGOs, and will present them for discussion and consideration to the Executive Committee before the end of 2014.

Mr. Miller thanked the Committee for their continued support.

Mr. Witt reported that arrangements are being finalized for the full Board of Directors' briefing, dinner and meeting that will be held in London on the after of 29 October and the morning of 30 October.

By unanimous consent, the meeting was adjourned by 11:40 AM.

Respectfully submitted,

Daniel A. Witt
Meeting Secretary

15 April 2014

**INTERNATIONAL TAX AND INVESTMENT CENTER**

**Financial Statements**
**For the Years Ended December 31, 2013 and 2012**
**and**
**Report Thereon**

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

# Independent Auditor's Report

To the Board of Directors of the
International Tax and Investment Center

We have audited the accompanying financial statements of the International Tax and Investment Center (the Center), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor’s Responsibility**

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit 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 misstatements of 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the International Tax and Investment Center as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, D.C., USA
June 17, 2014

## INTERNATIONAL TAX AND INVESTMENT CENTER
## STATEMENTS OF FINANCIAL POSITION
## December 31, 2013 and 2012

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,482,478 | $ 2,951,595 |
| Short-term investments | 2,950,003 | 100,258 |
| Accounts Receivable | - | 6,048 |
| Receivables from employees | 14,773 | 21,018 |
| Other assets | 145,684 | 240,251 |
| Total Current Assets | 4,592,938 | 3,319,170 |
| Furniture and equipment, net of accumulated depreciation | 49,201 | 15,135 |
| Long-term investments | 833,478 | 991,635 |
| Total Assets | $ 5,475,617 | $ 4,325,940 |

| | 2013 | 2012 |
|---|---|---|
| **LIABILITIES AND NET ASSETS** | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | $ 246,816 | $ 216,991 |
| Deferred revenue | - | 40,000 |
| Deferred lease expense | 20,747 | 28,358 |
| Total Current Liabilities | 267,563 | 285,349 |
| Net Assets - Temporarily Restricted | 330,000 | 240,000 |
| Net Assets - Unrestricted | 4,878,054 | 3,800,591 |
| Net Assets - Total | 5,208,054 | 4,040,591 |
| Total Liabilities and Net Assets | $ 5,475,617 | $ 4,325,940 |

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL TAX AND INVESTMENT CENTER**
**STATEMENTS OF ACTIVITIES**
**For the Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **Revenue** | | |
| Program service revenue | $ 5,077,356 | $ 3,870,492 |
| Contributions and sponsorships | 1,289,362 | 1,227,037 |
| Investment income | 9,300 | 13,160 |
| Other income | - | 4,616 |
| Net assets released from restriction | 240,000 | 464,867 |
| Total revenue | 6,616,018 | 5,580,172 |
| **Expenses** | | |
| Program services | | |
| Kazakhstan tax reform | 860,869 | 885,114 |
| Russian tax reform | 702,598 | 654,406 |
| Research projects | 506,690 | 193,484 |
| MENA, Iraq & Libya tax reform | 481,144 | 607,499 |
| Tax Academy Vienna | 315,908 | - |
| ASEAN workshops & study groups | 309,930 | - |
| EFES tax harmonization | 291,027 | 171,285 |
| Asia-Pacific programs | 187,843 | 307,616 |
| AIT Conference | 155,934 | - |
| Iraq training program | 148,831 | 463,324 |
| Africa Tax Academies | 144,000 | - |
| Iraq Working Group Meetings | 136,964 | - |
| Myanmar Excise Taxation Project | 127,451 | -- |
| Distinguished Fellowship | 116,392 | 77,045 |
| Tobacco Products Conference | 102,687 | - |
| Other countries tax reform | 80,973 | 62,588 |
| Africa Programs | 72,587 | 85,790 |
| Ukraine tax reform | 70,001 | 41,103 |
| Azerbaijan tax reform | 68,403 | 49,784 |
| Publications | 64,854 | 55,755 |
| Qatar VAT project | 64,199 | 279,551 |
| Myanmar Natural Resources | 61,370 | - |
| Illicit Trade of Tobacco | 56,343 | - |
| Global Public Finance Research | 53,237 | - |
| Latin American Tax Reform | 15,944 | - |
| Islamic Finance project | 8,224 | 15,000 |
| European Union tax reform | 2,029 | - |
| WCO Global Summit | - | 102,014 |
| Ukraine special programs/events | - | 73,214 |
| Asia KPMG TPL project | - | 72,200 |
| Fellowship Advisory project | - | 51,186 |
| FPO Thailand project | - | 33,413 |
| Total program services | 5,206,432 | 4,281,371 |
| Supporting services | | |
| Management and general | 235,541 | 242,244 |
| Fund-raising | 96,582 | 81,798 |
| Total supporting services | 332,123 | 324,042 |
| Total expenses | 5,538,555 | 4,605,413 |
| **Change in unrestricted net assets** | $ 1,077,463 | $ 974,759 |

The accompanying notes are an integral
part of these financial statements.

**INTERNATIONAL TAX AND INVESTMENT CENTER**
**STATEMENTS OF ACTIVITIES (CONTINUED)**
**For the Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| Change in unrestricted net assets | $ 1,077,463 | $ 974,759 |
| Change in temporarily restriced net assets | | |
| Contributions | 330,000 | 240,000 |
| Net assets released from restriction | (240,000) | (464,867) |
| Change in temporarily restricted net assets | 90,000 | (224,867) |
| Change in net assets | 1,167,463 | 749,892 |
| Net Assets at beginning of year | 4,040,591 | 3,290,699 |
| Net Assets at end of year | $ 5,208,054 | $ 4,040,591 |

The accompanying notes are an integral part of these financial statements.

**INTERNATIONAL TAX AND INVESTMENT CENTER**
**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2013 and 2012**

| | 2013 | 2012 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 1,167,463 | $ 749,892 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 13,506 | 10,752 |
| Unrealized (gain)/loss on investments | 3,412 | (517) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 6,048 | (6,048) |
| Receivables from employees | 6,245 | 1,260 |
| Other assets | 94,567 | 15,373 |
| Accounts payable and accrued expenses | 29,825 | (71,833) |
| Deferred revenue | (40,000) | (13,460) |
| Deferred lease expense | (7,611) | (3,717) |
| **Net Cash Provided by Operating Activities** | 1,273,455 | 681,702 |
| **Cash Flows Provided by/(Used in) Investing Activities** | | |
| Purchase of equipment | (47,572) | (7,635) |
| Purchase of investments | (3,040,000) | (990,000) |
| Sale of investments | 345,000 | 1,660,000 |
| **Net Cash Provided by/(Used in) Investing Activities** | (2,742,572) | 662,365 |
| **Net Increase/(Decrease) in Cash** | (1,469,117) | 1,344,067 |
| **Cash and Cash Equivalents, Beginning of Year** | 2,951,595 | 1,607,528 |
| **Cash and Cash Equivalents, End of Year** | $ 1,482,478 | $ 2,951,595 |

The accompanying notes are an integral
part of these financial statements.

1. Organization

The International Tax and Investment Center (the Center) is a nonprofit organization whose mission is to serve as a clearing house for information and as a training center on taxation and Western business practices to improve Russia, Kazakhstan, Azerbaijan, Ukraine, and other countries' investment climates, thereby spurring business formation and economic prosperity. The Center is headquartered in Washington, D.C. and has program offices in United Kingdom, Russia, Kazakhstan, Azerbaijan, and Ukraine.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Center prepares their financial statements on the accrual basis of accounting.

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds and investments purchased with original maturities of three months or less.

Concentrations of Credit Risk

The Center maintains its cash in checking accounts and money market accounts. These accounts balance are insured by the Federal Deposit Insurance Corporation up to $250,000 per financial institution. At December 31, 2013 and 2012, the Center had uninsured cash balances, including cash in foreign bank accounts, exceeding federally insured limits by $680,035 and $2,186,790, respectively.

**Continued**

2. Summary of Significant Accounting Policies (continued)

Assets Held in Foreign Countries

In the normal course of business, the Center holds cash denominated in British Pound Sterling, Russian Ruble and Kazakhstan Tenge. For reporting purposes, the cash is converted to the United States dollar equivalent using the year-end exchange rate. At December 31, 2013 and 2012, the Center held foreign currencies in the amount of $119,706 and $250,431, respectively.

Investments

For financial statement purposes, investments with a maturity date of twelve months or less at the statement of financial position date are considered to be short-term.

Investments are reported at fair value with gains and losses included in the statement of activities. The fair value of investments is determined by quoted market prices. See Note 3 for more information on the carrying value of investments. The carrying value of all other financial instruments approximates fair value.

Furniture and Equipment

Furniture and equipment are stated at cost and are depreciated using the straight-line method over an estimated useful life of five years.

Revenue Recognition

Contributions received by the Center are recognized as revenue in the period received or when unconditionally promised. Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor restrictions regarding time or purpose. Amounts are reclassified to unrestricted net assets when the restriction is satisfied.

Deferred Revenue

Income from sponsorships is deferred and recognized over the periods to which it relates.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Center's net assets have been grouped into the following classes:

*Unrestricted net assets* - Unrestricted net assets result from revenues and other inflows of assets whose use by the Center is not limited by donor-imposed restrictions.

*Temporarily restricted net assets* - Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Center is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations.

Income Taxes

The Center is exempt from Federal income taxes, under section 501(c)(3) of the Internal Revenue Code, other than on unrelated business income. At December 31, 2013 and 2012, no provision for income taxes was made, as the Center had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

Functional Allocation of Expenses

The Center allocates its expenses on a functional basis in the Statement of Activities. Salaries are allocated based upon the amount of time spent on programs, management and general and fund-raising activities. Indirect costs are allocated based upon salaries.

Foreign Currency Translation

All elements of the financial statements reflecting the Center's operations in United Kingdom, Russia and Kazakhstan are translated into United States dollars using applicable exchange rates. For assets and liabilities, this is the rate in effect at the statement of financial position date. For revenue and expense items, translation is performed periodically using the average rate for the period.

**Continued**

3. Investments

The Center's investments consisted of the following at December 31:

| | 2013 | |
|---|---|---|
| | Fair Value | Cost |
| Certificates of Deposit | $ 3,783,481 | $ 3,783,481 |

| | 2012 | |
|---|---|---|
| | Fair Value | Cost |
| Certificates of Deposit | $ 1,091,893 | $ 1,091,893 |

The Center's investment income consisted of the following at December 31:

| | 2013 | 2012 |
|---|---|---|
| Interest income | $ 12,712 | $ 12,643 |
| Realized/unrealized gain/(loss) on investments | (3,412) | 517 |
| Total | $ 9,300 | $ 13,160 |

Concentrations of Credit Risk

The Center maintains its certificates of deposit in several financial institutions. Certificates of deposit are insured by the Federal Deposit Insurance Corporation up to $250,000 per financial institution. At December 31, 2013 and 2012, the Center had no certificates of deposit exceeding this amount at any one financial institution.

4. Fair Value Measurements

The Center has implemented Accounting Standards Codification (ASC) 820 which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. ASC 820 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

**Continued**

4. Fair Value Measurements (continued)

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments stated at fair value consist of the following at December 31:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 2013 | | | | |
| Certificates of deposit | $ -- | $ 3,783,481 | $ -- | $ 3,783,481 |
| 2012 | | | | |
| Certificates of deposit | $ -- | $ 1,091,893 | $ -- | $ 1,091,893 |

5. Furniture and Equipment

A summary of furniture and equipment at December 31 is as follows:

| | 2013 | 2012 |
|---|---|---|
| Furniture and equipment | $ 105,264 | $ 57,692 |
| Less: Accumulated depreciation | (56,063) | (42,557) |
| Furniture and equipment, net | $ 49,201 | $ 15,135 |

Depreciation expense in 2013 and 2012 was $13,506 and $10,752, respectively.

**Continued**

6. Commitments

The Center leases office space in Washington, D.C. under an agreement that expires December 31, 2015. Rent for all overseas office space is on a month-to-month basis. All leases provide for payment of a base rent amount and for the reimbursement of operating expenses.

Rent expense in 2013 and 2012 was $84,166 and $86,136, respectively.

The Center leases office equipment under leases that expire at various times through 2014.

Future minimum payments under these leases are as follows:

| | |
|---|---|
| 2014 | 76,837 |
| 2015 | 77,705 |
| Total | $ 154,542 |

7. Pension Plan

The Center maintains a 401(k) profit sharing plan for all employees. The board of directors has the right to authorize the amount of the matching contribution on a year-by-year basis. For 2013 and 2012, the board of directors authorized matching contributions of $87,104 and $88,849, respectively.

8. Temporarily Restricted Net Assets

At December 31 temporarily restricted net assets are available for the following programs:

| | 2013 | 2012 |
|---|---|---|
| KMTA | 150,000 | 150,000 |
| Global Public Finance | 30,000 | 15,000 |
| Distinguished Fellowship | 25,000 | 50,000 |
| Asia Pacific Tax Forum | 75,000 | - - |
| Latin American Tax Reform | 50,000 | - - |
| Research Project | - - | 25,000 |
| Total | $ 330,000 | $ 240,000 |

**Continued**

9. Related Party

The Center engaged the services of a consultant who is married to the Vice President. The Center paid $0 and $30,000 to this consultant in 2013 and 2012, respectively.

10. Subsequent Event

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition through June 17, 2014, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

**Continued**