

**Foundation Caucasian Institute for Peace,
Democracy and Development**

Financial Statements

Together with the Auditor's Report

Year ended 31, December, 2008

Financial statements

For the year ended 31 December 2008

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Foundation Caucasian Institute for Peace, Democracy and Development

Statement of management's responsibilities for the preparation and approval of the financial statement

For the year ended 31 December 2008

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's report set out on page 4, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Foundation "Caucasian Institute for Peace, Democracy and Development" (hereinafter - the Organization).

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Organization at 31 December 2008 and the results of its activities and cash flows for the year then ended, in accordance with accounting principles generally accepted in United States of America (US GAAPs).

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether US GAAPs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Organization will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Organization;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Organization, and which enable them to ensure that the financial statements of the Organization comply with US GAAPs;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Organization operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization; and
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2008 were approved on behalf of the management on _____ 2009 by:

Executive Director _____ Avto Jokhadze

INDEPENDENT AUDITOR'S REPORT

To the founders of the Caucasian Institute for Peace, Democracy and Development

We have audited the accompanying statement of financial position of the Caucasus Institute for Peace, Democracy and Development as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of the Caucasus Institute for Peace, Democracy and Development. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform our 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Caucasian Institute for Peace, Democracy and Development as of December 31, 2008 and its revenues, expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in United States of America.

Zurab Lalazashvili
Managing Partner

June 18, 2009

Statement of Financial Position

For the year ended 31 December 2008

(In USD)

	Notes	2008	2007
Assets:			
Cash and cash equivalents		180,717	330,542
Temporary restricted contributions receivable	3	696,361	810,601
Prepaid taxes		20	47,412
Paid advances		9,309	-
Accounts receivable		76,470	-
Property, Plant and equipment (net)	4	451,859	316,070
Total assets		1,414,736	1,504,625
Liabilities and net assets:			
Miscellaneous payables		5,545	18,026
Long-term borrowings	5	114,520	172,241
Total liabilities		120,065	190,267
Net assets:			
Unrestricted		190,836	202,989
Temporary restricted	6	1,094,630	1,109,467
Temporary restricted (econ.)		9,205	1,902
Total net assets		1,294,671	1,314,358
Total liabilities and net assets		1,414,736	1,504,625

Executive Director _____ Avto Jokhadze

Notes on pages 8-12 are the integral part of these financial statements.

Financial Activities

For the year ended 31 December 2008

(In USD)

	Notes	2008		2007
		Unrestricted	Temporarily restricted	Total
Revenues, gains and other support:				
Contributions and gifts	7		950,146	950,146
Revenues from economic activities			7,389	7,389
Net assets released from restrictions		878,596	(878,596)	-
Adjustments on restrictions			(95,677)	(95,677)
Foreign exchange loss		(12,153)		(12,153)
Total revenues, gains and other support		866,443	(16,738)	849,705
Expenses and losses:				
Program expenses				
Research and analysis			-	-
Training and seminars		412,782		412,782
Media and production			-	-
Publishing and translation		73,319		73,319
Communication		82,350		82,350
General and administrative		310,145		310,145
Total expenses and losses		878,596	-	878,596
Change in net assets		(12,153)	(16,738)	(28,891)
Net assets at beginning of year		202,989	1,111,368	1,314,357
Net assets at end of year		190,836	1,094,630	1,285,466

Executive Director _____ Avto Jokhadze

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Statement of Cash Flows

For the year ended 31 December 2008

(In USD)

	Notes	2008	2007
Cash flows from operating activities			
Change in net assets		(28,891)	899,967
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation	4	44,297	17,254
Realized and unrealized foreign exchange gains		12,153	-
(Increase)/decrease in temporary restricted contributions receivable		114,240	(572,612)
(Increase)/decrease in prepaid taxes		47,392	(12,985)
Increase/(decrease) in miscellaneous receivables		(88,727)	1,034
Increase/(decrease) in miscellaneous payables		(12,481)	18,026
Net cash used by operating activities		87,983	350,684
Cash flows from investing activities			
Purchase of equipments	4	(180,087)	(288,551)
Proceed from sale of investments		-	-
Net cash used by investing activities		(180,087)	(288,551)
Cash flows from financing activities			
Long-term borrowings			172,241
Repayment of Long-term borrowings		(57,721)	
Net cash used by financing activities		(57,721)	172,241
Net increase in cash and cash equivalents		(149,825)	234,374
Cash and cash equivalents at beginning of year		330,542	96,168
Cash and cash equivalents at end of year		180,717	330,542

Executive Director _____ Avto Jokhadze

Notes on pages 8-12 are the integral part of these financial statements.

Notes to Financial Statements

For the year ended 31 December 2008

(In USD)

1. Organization

The Caucasian Institute for Peace, Democracy and Development (CIPDD) was founded in August 1992 Tbilisi, Georgia. CIPDD is a non-governmental, not-for-profit organization.

CIPDD has programs for research, publishing, organizing conferences, producing video films, support and other related activities, which promote democratic and free market values that publicize major achievements of Western democratic thought and encourage non-partisan theoretical analysis of problems, related to the post communist transition in Georgia and the Caucasus region.

2. Significant accounting policies

Basis of Presentation

The financial statements of CIPDD are prepared in accordance with accounting principles generally accepted in United States of America and are based on the accounting records of CIPDD.

Functional Currency and Foreign Currency Translations

The management of CIPDD has determined the United States Dollars to be the functional currency. Accordingly current assets and current liabilities are translated using the current exchange rate in effect at the balance sheet date (1 USD = 1.5916 GEL and 1 USD = 1.7135 GEL as at 31 December 2007 and 31 December 2006, respectively).

Revenues

Donors' contributions represent the organization's sole source of income although member and voluntary contributions are permissible by the charter.

Most donor contributions are in the form of grant or cooperative agreements. The management of CIPDD considers such grant agreements as contributions and they are recognized as soon as the promise is made.

All contributions, including pledges, are recognized as revenue upon receipt and are considered to be unrestricted unless they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions received are measured at fair value.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

Expenses

Expenses are reported as decreases in unrestricted net assets in accordance with SFAS 117.

Net Assets and Classification by Donor-imposed Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Notes to Financial Statements

For the year ended 31 December 2008

(In USD)

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Temporarily restricted net assets are subject to donor- imposed restrictions that permit CIPDD to use or expend assets as specified. These restrictions are satisfied either by the passage of time or by actions of CIPDD.

Property, Plant and equipment

Property, Plant and equipment are recorded at cost and depreciated over the estimated useful lives of the assets of 5 years using the straight-line method for depreciation. Leasehold improvements are amortized over the life of the original lease term of five years

3. Temporary restricted contributions receivable

By Program	2008	2007
Research and analysis	503 058	585 586
Training and seminars	167 254	194 692
Media and production	26 050	30 323
	696 361	810 601

By Donor	2008	2007
IS2005/2006		58 829
DDH1		804
EED	332 947	-
DDH2	289 579	503 526
NOHA		806
UDF	-	155 450
SafeW3		2 500
OSCE/08	16 280	4 367
PO#S-08-066		10 000
Pnk4		8 864
EE/33/07-15297		7 093
MM/02/08	11 463	-
NIMD5	14 140	-
NIMD3		30 323
OSI Migration	11 683	-
Internship		7 545
S-GE800-08	6 721	-
NED2007		20 495
CIVICUS	13 548	-
	696 361	810 602

Notes to Financial Statements

For the year ended 31 December 2008

(In USD)

4. Property, Plant and Equipment

Historical cost	<i>Leasehold improvements</i>	<i>Equipment</i>	<i>Motor Vehicle</i>	<i>Building</i>	<i>Total</i>
As at December 31, 2007	6 759	141 536	23 397	241 928	413 620
Inflows		10 139	19 295	150 653	180 087
Outflows		-	-	-	-
As at December 31, 2008	6 759	151 675	42 692	392 581	593 707
Depreciation					
As at December 31, 2007	(6 759)	(85 390)	(5 402)		(97 551)
Accrued for the year	-	(18 619)	(6 762)	(18 916)	(44 297)
Depreciation of disposed fixed assets	-	-	-	-	-
As at December 31, 2008	(6 759)	(104 009)	(12 164)	(18 916)	(141 848)
Net book value					
As at December 31, 2007	-	56 146	17 995	241 928	316 069
As at December 31, 2008	-	47 666	30 528	373 665	451 859

5. Long-term borrowings

In 2007 organization bought an office space in Tbilisi, at Tsereteli st. #72. On the 9th of March in 2007 organization took 200 000 USD amount loan, with annual 16 percent, from Bank of Georgia to purchase the office space. The loan should be paid of on the 9th of March in 2011. Through the bank schedule; organization should monthly pay the loan percent and the main sum of the loan.

6. Temporary restricted net assets

Program	2008	2007
Research and analysis	517 312	524 324
Training and seminars	507 969	514 854
Media and production	14 377	14 571
Publishing and translation	(8 057)	(8 166)
Communication	(105 835)	(107 270)
General and administration	168 864	171 153
Total	1 094 629	1 109 467

Notes to Financial Statements

For the year ended 31 December 2008

(In USD)

7. Temporary restricted contributions and gifts

By Program	2008	2007
Research and analysis	586 954	1 014 080
Training and seminars	250 681	433 101
Media and production	69 921	120 802
General and administration	42 590	73 583
Total	950 146	1 641 566

By Donor	2008	2007
IS2005/2006	-	124 091
NOF	-	66 524
EED	544 446	-
DDH2	-	631 467
NOHA	-	754
NIMD4	96 134	-
Maison-2	8 478	-
UDF	-	333 550
BR3	-	136 309
SafeW3	-	28 202
DGHL	41 047	-
OSCE/08	56 493	-
CSOs	29 160	-
Pnk4	-	17 728
EE/33/07-15297	-	8 958
MM/02/08	24 400	-
PKPODA	-	7 059
NIMD5	36 451	-
NIMD3	-	120 802
OSIMigration	23 400	-
Internship	-	15 090
S-GE800-08	16 700	-
NED2007	-	45 495
CIVICUS	32 000	-
OSCE/07	-	50 586
Pnk3	-	608
IPA	-	9 238
TB	-	20 016
Maison	-	4 766
OSCE/06	-	323
PO#S-08-006	-	20 000
in the BSR	5 200	-
OSCE (582)	36 237	-
	950 146	1 641 566