

**FOUNDATION  
CAUCASIAN INSTITUTE FOR PEACE  
DEMOCRACY AND DEVELOPMENT**



**INDEPENDENT AUDITOR'S REPORT  
and  
FINANCIAL STATEMENTS**

**AS AT DECEMBER 31, 2005**



Auditing And Consulting Company

**Tbilisi Managers &  
Consultants**

## CONTENT

---

INDEPENDENT AUDITOR'S REPORT.....	3
STATEMENT OF FINANCIAL POSITION.....	4
STATEMENTS OF ACTIVITIES.....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENT.....	7



Auditing And Consulting Company

**Tbilisi Managers &  
Consultants**

42a Kazbegi Ave.

0177 Tbilisi, Georgia

Tel/fax (+995 32) 39 19 73;

(+995 32) 47 00 39;

(+995 32) 39 30 49.

E-mail: [tmc@tmc.ge](mailto:tmc@tmc.ge)

License in General Audit z#201

License in Insurance Audit d#335

## **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, 2005 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, 2005 and its revenues, expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in United States of America.

Tbilisi Managers & Consultants

March 22, 2006

Tbilisi

## Independent Auditor's Report and Financial Statements

**CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2004 and 2005**  
In US Dollars

	Notes	2005	2004
<b>Assets:</b>			
Cash and cash equivalents		143 723	69 693
Temporary restricted contributions receivable	<b>3</b>	435 654	591 541
Prepaid taxes		15 512	4 085
Other assets		967	545
Property and equipment (net)	<b>4</b>	<u>28 948</u>	<u>24 880</u>
<b>Total assets</b>		<b><u>624 804</u></b>	<b><u>690 745</u></b>
<b>Liabilities and net assets:</b>			
Miscellaneous payables		-	-
Short-term borrowings		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets:			
Unrestricted		87 586	91 698
Temporary restricted	<b>6</b>	<u>537 217</u>	<u>599 047</u>
Total net assets		<u>624 804</u>	<u>690 745</u>
<b>Total liabilities and net assets</b>		<b><u>624 804</u></b>	<b><u>690 745</u></b>

---

Avto Jokhadze, Executive Director

Caucasian Institute for Peace, Development and Democracy

March 22, 2006

Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development

STATEMENTS OF ACTIVITIES

Year ended December 31, 2004 and 2005

In US Dollars

	Notes	2005		2004
		Unrestricted	Temporarily restricted	Total
<b>Revenues, gains and other support:</b>				
Contributions and gifts	5		331 836	331 836
Net assets released from restrictions		393 666	(393 666)	-
Foreign exchange gains		(4 112)		(4 112)
<b>Total revenues, gains and other support</b>		<b>389 554</b>	<b>(61 830)</b>	<b>327 725</b>
<b>Expenses and losses:</b>				
Program expenses				
Research and analysis		267 577		267 577
Training and seminars		99 611		99 611
Media and production		15 792		15 792
Publishing and translation		299		299
General and administrative		10 387		10 387
<b>Total expenses and losses</b>		<b>393 666</b>	<b>-</b>	<b>393 666</b>
<b>Change in net assets</b>		<b>(4 112)</b>	<b>(61 830)</b>	<b>(65 942)</b>
<b>Net assets at beginning of year</b>		<b>91 698</b>	<b>599 047</b>	<b>690 745</b>
<b>Net assets at end of year</b>		<b>87 586</b>	<b>537 217</b>	<b>690 745</b>

## Independent Auditor's Report and Financial Statements

### Caucasian Institute for Peace, Democracy and Development

#### STATEMENTS OF CASH FLOWS

Year ended December 31, 2004 and 2005

In US Dollars

	Notes	2005	2004
<b>Cash flows from operating activities</b>			
Change in net assets		(65 942)	227 274
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation	4	10 811	13 888
(Increase)/decrease in temporary restricted contributions receivable		155 886	(268 185)
(Increase)/decrease in prepaid taxes		(11 426)	(3 154)
Increase/(decrease) in miscellaneous receivables		(422)	(545)
Realized and unrealized foreign exchange gains		-	-
Remeasurement loss		-	-
Net cash used by operating activities		<u>88 907</u>	<u>(30 722)</u>
<b>Cash flows from investing activities</b>			
Purchase of equipments	4	(14 878)	(7 097)
Proceed from sale of investments		-	-
Net cash used by investing activities		<u>(14 878)</u>	<u>(7 097)</u>
<b>Cash flows from financing activities</b>			
Short-term borrowings		-	-
Repayment of short-term borrowings		-	(7 824)
Net cash used by financing activities		<u>-</u>	<u>(7 824)</u>
<b>Net increase in cash and cash equivalents</b>		74 029	(45 644)
<b>Cash and cash equivalents at beginning of year</b>		69 692	115 336
<b>Cash and cash equivalents at end of year</b>		<u>143 722</u>	<u>69 692</u>

## **Independent Auditor's Report and Financial Statements**

**CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2004 and 2005**

In US Dollars

### **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**

#### **2.1. 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.

#### **2.2. 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 = 1.7925 GEL and 1 USD = 1.825 GEL as at 31 December 2005 and 31 December 2004, respectively).

#### **2.3. 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.

## **Independent Auditor's Report and Financial Statements**

**CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2004 and 2005**

In US Dollars

### **2.4 Expenses**

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

### **2.5 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.

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.

### **2.6 Property and equipment**

Property 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.

## Independent Auditor's Report and Financial Statements

### CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

#### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

### 3. Temporary restricted contributions receivable

<b>3.1 By Program</b>	2005	2004
Research and analysis	432 010	521 817
Training and seminars	3 645	55 424
Media and production	-	14 300
Publishing and translation		
<b>Total</b>	<b>435 654</b>	<b>591 541</b>

<b>3.2 By Donor</b>	2005	2004
Eurasia		19 363
GTZ		708
NED3		8 200
NED5		6 100
Safe world		5 006
USAID		22 939
IDEA		31 055
Cordaid	172 176	289 838
EU	161 733	208 332
Safe world2	3 645	
IS2005/2006	29 984	
NIMD	52 586	
OSCE	10 589	
Sor-05	4 942	
<b>Total</b>	<b>435 654</b>	<b># 591 541</b>

**Independent Auditor's Report and Financial Statements**

**CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS**

**Year ended December 31, 2004 and 2005**

In US Dollars

**4. Property and Equipment**

	2005				2004			
	Leasehold improvements	Equipment	Motor Vehicle	<b>Total</b>	Leasehold improvements	Equipment	Motor Vehicle	<b>Total</b>
At cost	6 759	69 833	6 052	<b>82 644</b>	6 759	62 736	6 052	<b>75 547</b>
Accumulated depreciation	(6 759)	(49 794)	(1 210)	<b>(57 763)</b>	(6 759)	(37 116)		<b>(43 875)</b>
Additions	-	11 590	3 288	<b>14 878</b>	-	7 097		<b>7 097</b>
Depreciation charge	-	(10 501)	(310)	<b>(10 811)</b>	-	(12 678)	(1 210)	<b>(13 888)</b>
<b>Net cost</b>	<b>-</b>	<b>21 129</b>	<b>7 819</b>	<b>28 948</b>	<b>-</b>	<b>20 039</b>	<b>4 842</b>	<b>24 881</b>

## Independent Auditor's Report and Financial Statements

### CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

#### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

#### 5. Temporary restricted contributions and gifts

<b>5.1 By Program</b>	2005	2004
Research and analysis	297 626	293 078
Training and seminars	34 210	131 330
Media and production		11 000
Publishing and translation		-
General and administration		14 130
<b>Total</b>	<b>331 836</b>	<b>449 538</b>

<b>5.2 By Donor</b>	2005	2004
EU		247 445
Eurasia		34 616
GTZ		13 431
NED5		11 000
USAID		32 202
Safe World		14 130
IDEA		95 264
RUM		1 450
IS2005/2006	60 300	
NIMD	124 353	
OSCE	77 840	
Pnk2	14 004	
SafeW2	34 210	
Sor-05	21 130	
<b>Total</b>	<b>331,836</b>	<b>449 538</b>

## Independent Auditor's Report and Financial Statements

### CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

#### NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004 and 2005

In US Dollars

#### 6. Temporary restricted net assets

<b>Program</b>	2005	2004
Research and analysis	145 694	129 649
Training and seminars	196 698	262 099
Media and production	41 322	43 110
Publishing and translation	(3 519)	(3 220)
General and administration	157 022	167 409
<b>Total</b>	<b><u>537 217</u></b>	<b><u>599 047</u></b>