

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

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

**AS AT DECEMBER 31, 2006**



Auditing And Consulting Company

**Tbilisi Managers &  
Consultants**

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## 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, 2006 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, 2006 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 5, 2007

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	2006	2005
Assets:			
Cash and cash equivalents		96,168	143,723
Temporary restricted contributions receivable	3	237,989	435,654
Prepaid taxes		34,427	15,512
Other assets		1,034	967
Property and equipment (net)	4	44,773	28,948
Total assets		<u>414,391</u>	<u>624,804</u>
Liabilities and net assets:			
Miscellaneous payables		-	-
Short-term borrowings		-	-
Total liabilities		<u>-</u>	<u>-</u>
Net assets:			
Unrestricted		94,497	87,586
Temporary restricted	6	318,703	537,217
Temporary restricted (econ.)		1,191	
Total net assets		<u>414,391</u>	<u>624,804</u>
Total liabilities and net assets		<u>414,391</u>	<u>624,804</u>

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Avto Jokhadze, Executive Director

Caucasian Institute for Peace, Development and Democracy

March 5, 2007

# Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development

Statements of Activities

Year ended December 31, 2005 and 2006

In US Dollars

	Notes	2006		2005
		Unrestricted	Temporarily restricted	Total
Revenues, gains and other support:				
Contributions and gifts	5		244,665	244,665
Revenues from economic activities			1,192	1,192
Net assets released from restrictions		463,180	(463,180)	-
Foreign exchange gains		6,911		6,911
				(4,112)
Total revenues, gains and other support		470,091	(217,323)	252,768
Expenses and losses:				
Program expenses				
Research and analysis		424,834		424,834
Training and seminars		23,561		23,561
Media and production		8,362		8,362
Publishing and translation		28		28
Communication		5,344		5,344
General and administrative		1,051		1,051
Total expenses and losses		463,180	-	463,180
Change in net assets		6,911	(217,323)	(210,412)
Net assets at beginning of year		87,586	537,217	624,803
Net assets at end of year		94,497	319,894	414,391

# Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development  
 Statements of Cash Flows  
 Year ended December 31, 2005 and 2006  
 In US Dollars

	Notes	2006	2005
Cash flows from operating activities			
Change in net assets		(210,412)	(65,942)
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation	4	11,723	10,811
(Increase)/decrease in temporary restricted contributions receivable		197,666	155,886
(Increase)/decrease in prepaid taxes		(18,915)	(11,426)
Increase/(decrease) in miscellaneous receivables		(67)	(422)
Realized and unrealized foreign exchange gains		-	-
Remeasurement loss		-	-
Net cash used by operating activities		<u>(20,005)</u>	<u>88,907</u>
Cash flows from investing activities			
Purchase of equipments	4	(27,549)	(14,878)
Proceed from sale of investments		-	-
Net cash used by investing activities		<u>(27,549)</u>	<u>(14,878)</u>
Cash flows from financing activities			
Short-term borrowings		-	-
Repayment of short-term borrowings		-	-
Net cash used by financing activities		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		(47,554)	74,029
Cash and cash equivalents at beginning of year		<u>143,722</u>	<u>69,692</u>
Cash and cash equivalents at end of year		<u><u>96,168</u></u>	<u><u>143,722</u></u>

## Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT  
NOTES TO FINANCIAL STATEMENTS  
Year ended December 31, 2005 and 2006  
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 = 1.7135 GEL and 1 USD = 1.7925 GEL as at 31 December 2006 and 31 December 2005, 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, 2005 and 2006

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  
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3. Temporary restricted contributions receivable

3.1 By Program	2006	2005
Research and analysis	215,872	432,010
Training and seminars	8,363	3,645
Media and production	7,356	-
Communication	-	-
Publishing and translation		
Total	231,591	435,654

3.2 By Donor	2006	2005
Eurasia CO2	1,228	
GTZ		
NED3		
NED5		
Safe world		
USAID		
IDEA		
Cordaid	22,428	172,176
EU	121,470	161,733
Safe world2		3,645
SafeW3	148	
IS2005/2006 (Soros (Budapest))	473	29,984
NIMD		52,586
OSCE		10,589
Sor-05	5,170	4,942
NiMD2	57,489	
OSCE/06	14,013	
Pnk3	7,356	
DDH	8,215	
Total	237,989	435,654

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT  
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4. Property and Equipment

	2006				2005			
	Leasehold improvements	Equipment	Motor Vehicle	Total	Leasehold improvements	Equipment	Motor Vehicle	Total
At cost	6,759	81,423	9,340	97,522	6,759	69,833	6,052	82,644
Accumulated depreciation	(6,759)	(60,295)	(1,520)	(68,574)	(6,759)	(49,794)	(1,210)	(57,763)
Additions	-	27,549		27,549	-	11,590	3,288	14,878
Depreciation charge	-	(11,065)	(658)	(11,723)	-	(10,501)	(310)	(11,723)
Net cost	-	37,612	7,162	44,774	-	21,129	7,819	28,948

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT  
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5. Temporary restricted contributions and gifts

5.1 By Program	2006	2005
Research and analysis	209,498	297,626
Training and seminars	50,200	34,210
Media and production	14,790	
Publishing and translation		
Communication	6,126	
General and administration		
Total	<u>280,613</u>	<u>331,836</u>

5.2 By Donor	2006	2005
EU		
Eurasia		
GTZ		
NED5		
USAID		
Safe World		
IDEA		
RUM		
CRS	6,126.00	
DDH	41,800	
GTZ-2006	3,318	
FH	1,000	
SafeW3	8,400	
NIMD2	130,539	
Pnk3	14,790	
OSCE/06	74,641	
IS2005/2006 (Soros (Budapest))		60,300
NIMD	(31,437)	124,353
OSCE	(4,511)	77,840
Pnk2		14,004
SafeW2		34,210
Sor-05		21,130
Total	<u>244,665</u>	<u>331,836</u>

## Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT  
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### 6. Temporary restricted net assets

Program	2006	2005
Research and analysis	(105,591)	145,694
Training and seminars	223,338	196,698
Media and production	47,749	41,322
Publishing and translation	(3,547)	(3,519)
Communication	782	157,022
General and administration	155,971	-
Total	<u>318,703</u>	<u>537,217</u>