

Caucasus Institute for Peace, Democracy and Development

Financial Statements

And Independent Auditors Report

for the year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Caucasus Institute for Peace, Democracy and Development (CIPDD), which comprises the statement of financial position, statements of total comprehensive income and statement of cash flows for the year ended December 31, 2013 and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standard for Non-for-profit Organizations in Georgia. This responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

In our opinion, the financial statements present fairly, in all material respects, the financial positions of CIPDD as at December 31, 2013, and its financial performance and its cash flows for year then ended in accordance with Accounting Standard for Non-for-profit Organizations in Georgia.

Georgian Audit & Consulting Company (GACC)

Member Crowe Horwath International

*Georgian Audit
& Consulting Company*

October 2014
Tbilisi, Georgia



STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

All stated in Georgian Lari, if not noted otherwise¹

ASSETS	Note	31-Dec-13	31-Dec-12
Current Assets			
Cash and cash equivalents	2	162734	836204
Sub-Grants issued	3	153	2154
Receivable from donors	4	8562	2392
Prepaid taxes	5	148222	26980
Prepaid expenses		5826	8609
Other current assets	6	1760	1155
Total current assets		327257	877494
Non-current assets			
Property, plant and equipment	7	464436	495331
Total non-current assets		464436	495331
Total assets		791692	1372825
Liabilities and net assets			
Current Liabilities			
Sub-grants payable	8	19517	0
Salary payable		6836	6354
Taxes payable		3035	4212
Other current liabilities	9	1122	1687
Total current liabilities		30511	12253
Net assets			
Total unrestricted	10	482870	496772
Total temporary restricted	11	278312	863800
Total net assets		761182	1360572
Total liabilities and net assets		791692	1372825

Approved: Avtandil Jokhadze
 Executive Director

(Signature)

Date: _____

Notes on pages 8-14 are integral part of these financial statements.

¹ The note is valid for all statements and notes in the current report

STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013	2012
Operating income			
Program fees	12	690921	1525807
Interest income		39928	474
Revenue from commercial activities		13691	3387
Total operating income		744539	1529669
Operating expenses			
Sub-grants issued	13	(530098)	(5646)
Salary		(544184)	(621713)
Office running expenses		(6273)	(8190)
Books and publications		(18833)	(26320)
Business trips		(15149)	(8792)
Training and conferences		(137495)	(85854)
Transportation costs		(12673)	(15598)
Professional fees		(4062)	(14069)
Depreciation		(44410)	(53176)
Utilities		(21181)	(25905)
Bank fees		(2739)	(2544)
Insurance		(1527)	(263)
Other expenses		(160)	
Net foreign exchange loss		(11369)	(10524)
Total operating expenses		(1350153)	(878593)
Operating profit		(605614)	651076
Non-operating income	14	23805	12029
non-operating expenses			(6288)
Net non-operatiing profit		23805	5742
Profit before taxation		(581809)	656817
Tax expense		(17581)	(3538)
Increase/(decrease) in net assets		(599390)	653279
Net assets at the beginning of the year		1360572	707293
Net assets at the end of year		761182	1360572

Approved: Avtandil Jokhadze
 Executive Director

 (Signature)

Date: _____

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
Cash flows from operating activities:		
Received from customers	14655	3042
Received from donors	679500	1515682
Interest income received	38379	409
Other receipts	0	6288
Payments to employees and fringe benefits	(528266)	(631107)
Payments to vendors and suppliers	(304990)	(166594)
Payments for Purchase of Prepaid Assets	(62484)	(34909)
Payments to sub-grantors	(485129)	(6150)
Taxes paid	(123)	(2155)
Cash provided from operating activities	(648457)	684506
Cash flows from investing activities:		
Purchase of tangible and intangible fixed assets	(13514)	(7025)
Proceeds from sale of property and equipment	0	51088
Collection of loans	290	6720
Loans to others	0	(7010)
Net cash flows from investing activities	(13224)	43773
Cash flows from financing activities:		
Payment of loans	0	(16000)
Net cash used in financing activities	0	(16000)
Net increase/(decrease) in cash and cash equivalents	(661681)	712279
Cash at the beginning of the period	836204	137627
foreign exchange loss in cash and cash equivalents	(11789)	(13702)
Cash at the end of the period	162734	836204

Approved: Avtandil Jokhadze

Executive Director

 (Signature)

Date: _____

Notes on pages 8-14 are integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies and general information

1.1. Business environment

Georgia is in transit period, experiencing economic and political changes. Those changes have affected the entities operating activities. Therefore, operations in Georgia involve certain risks, which cannot be assessed by the management. Presented financial statements reflect management's assessment of the impact of Georgia business environment on the operations and financial position of Caucasus Institute for Peace, Democracy and Development (CIPDD).

1.2. Organization

Caucasus Institute for Peace, Democracy and Development (CIPDD) was founded in August 1992 Tbilisi, Georgia. CIPDD is non-governmental not-for-profit organization, which conducts activities according to Georgian Constitution, Civil Code of Georgia and by law of the organization. Legal address of the CIPDD is Tsereteli Ave 72, 0154 Tbilisi, Georgia.

CIPDD program priorities are based, on the one hand, on the analysis of environment and needs assessment, and, on the other hand, on the accumulated experience-expertise and the evaluation of available resources. The CIPDD will focus on three main priority fields in the given period:

Public policy research - CIPDD aims to extend and strengthen the role of civil actors in policy making and improve the quality of dialogue on public policy issues. This will help concentrate on values and interests of political discourse and existing problems, and increase public awareness of the need for more advanced forms of political competition.

Democratic institutions - Functional and sustainable democracy can be determined by constant separation and balance between governmental and public institutions. These institutions remain weak in Georgia, while the international community has limited opportunities to facilitate their development. Nevertheless, it is not impossible to promote and step up the process. CIPDD has gained enough experience and expertise – both independently and through cooperation with international organisations and NGOs – in the institutional development. Such kind of activities remain one of the CIPDD's strategic priorities and include baseline data analysis in various spheres, public debate over alternative solutions to the identified problems and, in some cases, training and development of knowledge and skills of specific organisations or groups. Main target groups of this task are education, civil-military relations, security and local self-government sectors.

Civil integration - The main objective of CIPDD in this field is to promote social environment in which all citizens of Georgia, regardless of their social, ethnic or religious background, will have equal opportunities to participate in political and social life. Main target groups of this task include ethnic and religious minorities, IDPs and all other citizens who are unable to participate in political and social life for various reasons (poor knowledge of Georgian, inadequate access information, etc), and segments of the society evidently intolerant of different cultures.

CIPDD has various donors and partner organisations.

Donors:

- Austrian government, through the Austrian Study Centre for Peace and Conflict Resolution (ASPR)
- Cartu Foundation
- Black Sea Trust
- Cordaid
- Council Of Europe

- Eurasia Foundation
- European Commission, both directly and through the Institute for War and Peace Reporting (IWPR, London, UK)
- German Technical Cooperation (GTZ)
- International Institute for Democracy and Electoral Assistance (IDEA)
- Latvian government, through the Latvian Institute for International Affairs
- National Endowment for Democracy (NED)
- NATO Office for Information and Press
- Ministry of Foreign Affairs of the Netherlands in the frame of the MATRA program Georgian Civil Society for Development
- Open Society Georgia-Foundation
- Open Society Institute East-East Programme, through Open Society-Georgia Foundation
- Open Society Institute - Think Tank Fund
- OSCE High Commissioner on National Minorities
- OSCE's Office for Democratic Institutions and Human Rights (ODIHR) through Netherlands Institute for Multiparty Democracy (IMD)
- UK government through Saferworld
- United Nations Democracy Fund (UNDEF)
- UNESCO
- USAID through Save the Children
- U.S. Embassy

Partners in Georgia

- Alternative
- Centre for Strategic Reforms and Development of Georgia
- Civic Initiative Center (CIC)
- Civic Integration Foundation (CIF)
- Civil Society Institute
- Centre for Change and Conflict Management Partners-Georgia
- Georgian Young Lawyer's Association
- Internews Georgia
- Transparency International – Georgia
- Union of Azerbaijani Women of Georgia
- The Union of Intercultural Cooperation in Kvemo Kartli Region - Bridge (MOST)
- United Nations Association
- International Centre for Not-for-Profit Law
- Save the Children – Georgia

International partners

- Association of Investigative Journalists of Armenia
- Austrian Study Centre for Peace and Conflict Resolution (ASPR)
- Azerbaijani Committee for Journalists' Protection (RUH)
- Centre for Journalism in Extreme Situations (CJES)
- Caucasus Media Institute (CMI)
- Institute for Development and Social Initiatives (IDIS-Viitorul)
- Institute for Regional and International Studies (IRIS)
- Institute for War and Peace Reporting (IWPR)
- The Institute of Public Affairs (IPA)
- International Institute of Social Studies, Erasmus University Rotterdam (ISS, Den Haag, The Netherlands)
- Konrad Adenauer Stiftung
- Latvian Institute for International Affairs (LIIA)

- Netherlands Institute for Multiparty Democracy (IMD)
- Saferworld
- UNESCO International Centre for Human Sciences
- European Partnership for Democracy (EPD)

1.3. Basis of presentation

The financial statements have been prepared on the accrual basis of accounting using the historical cost model of accounting, except as described in note 3. Accounting system of organisation needs some improvements.

The financial statements have been prepared using the accounting policies further described in the note 3.

The financial statements have been measured and presented in the National currency of Georgia, the Georgian Lari ("GEL") that is the organization's functional currency.

1.4. Significant accounting policies

1.4.1. Cash

Cash includes unrestricted cash balances kept at the banks and petty cash.

1.4.2. Sub-grants

Sub-grants issued are recognized as deferred expenses when cash is transferred to sub-grantee. Upon receipt of expense reports from sub-grantee and sufficient evidences and supporting documents regarding expenses incurred, the deferred sub-grantee expenses shown in the balance sheet are decreased (credited), and period expenses in the statement of operations are increased (debited).

1.4.3. Non-current assets

A non-current asset represents tangible and intangible assets purchased by the organization during its operational activities.

Fixed assets are stated at historical cost less accumulated depreciation. Original historical cost of fixed assets consists of purchase price, non-recoverable taxes, and other expenses related to installation and transportation of fixed assets.

Depreciation is provided on all fixed assets based on their historical cost. The annual change for depreciation is computed using the straight line method, which, in management's opinion, is adequate to allocate the cost of properties over their estimated useful lives.

Below are the useful lives of property, plant and equipment by its categories:

Group	Useful life
Buildings	20
Vehicles	5
Machinery and equipment	5
IT Equipment	5
Electronic Equipments	5-7
Furniture & Office equipment	5-7

1.4.4. Revenue

Revenue from grants received is recognised as cash is received from donors.

1.4.5. Net assets classification

The net assets are reported in the statement of financial position in sections: unrestricted net assets and temporarily restricted net assets.

Unrestricted net assets - represents revenue and contributions received within commercial activities, therefore donor restrictions are not imposed such revenues. These revenues are available for the organization own activities.

Temporarily restricted net assets – include revenue contributed by donors within the grant contracts, and before of that the revenue is restricted by the grant contracts terms and conditions. When restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets.

1.4.6. Foreign currencies

Transactions denominated in foreign currencies are translated into GEL at the commercial banks exchange rate on the date of transaction. The balances stated in foreign currency at the yearend are translated into GEL based on National Bank of Georgia (NBG) rate of exchange on 31 December. NBG exchange rates used are as follows:

Date	Currency		
	USD	EUR	GBP
31.12.2012	1.6567	2.1825	2.6653
31.12.2013	1.7363	2.3891	2.8614

2. Cash and cash equivalents

	31.12.2013	31.12.2012
Cash on hand	37	164
Cash in bank in GEL	161628	832469
Cash in bank in USD	995	1019
Cash in bank in EUR	73	121
Cash in bank in GBP	0	2431
Total	162734	836204

3. Sub-Grants issued

	31.12.2013	31.12.2012
Language House of Bolnisi	0	1016
Healthy Community of Djavakheti	0	1138
Society for Spreading Reading	153	0
Total	153	2154

4. Receivable from donors

	31.12.2013	31.12.2012
Organization for Security and Co-Operation in Europe	5897	2392
European Partnership for Democracy	2397	0
Council of Europe	269	0
Total	8562	2392

5. Prepaid taxes

	31.12.2013	31.12.2012
Income tax	11854	14145
VAT	133259	9907
Property tax	2047	2340
Reverse VAT	1026	554
Other taxes	35	35
Total	148222	26980

6. Other current assets

	31.12.2013	31.12.2012
Rent receivable	0	615
loan to employees	0	290
Interest receivables	1614	66
Other current assets	146	184
Total	1760	1155

7. Property, plant and equipment

	Buildings	Vehicles	Machinery and equipment	IT Equipment	Electronic Equipments	Furniture & Office equipment	Total
<i>Historical Cost</i>							
At 01 January 2012	613,375	68,901	53,385	320,548	60,138	45,776	1,162,122
Additions				3,653	2,969	403	7,025
Transfers/Disposals	45767.92						45,768
At 31 December 2012	567,607	68,901	53,385	324,201	63,107	46,179	1,123,378
Additions				12838		676	13,514
Transfers/Disposals							0
At 31 December 2013	567,607	68,901	53,385	337,039	63,107	46,855	1,136,893
<i>Accumulated Depreciation</i>							
At 01 January 2012	94,551	59019.47	38,243	302,722	47,762	32,575	574,871
Charge for the year	28,740	6,385	288	8,206	5,399	4,159	53,176
Transfers/Disposals	0.00						0
At 31 December 2012	123,291	65,404	38,531	310,927	53,160	36,734	628,047
Charge for the year	24584	1748	0	9066	5320	3691	44,410
Transfers/Disposals							0
At 31 December 2013	147,875	67,153	38,531	319,993	58,480	40,426	672,457
<i>Net book value</i>							
At 31 December 2012	444,316	3,497	14,854	13,274	9,946	9,445	495,331
At 31 December 2013	419,732	1,748	14,854	17,046	4,626	6,429	464,436

8. Sub-grants payable

	31.12.2013	31.12.2012
Society "Biliki"	3042	0
Civil journalistic club	1130	0
Community union "Imedi"	466	0
Georgian debate and education institute	3588	0
Gruzia Online	2996	0
Nova Societas	2990	0
Resource centre of non-profit organisations	1314	0
Teachers' and parents' association "Liberta"	2246	0
Artarea TV2.0	1746	0
Total	19517	0

9. Other current liabilities

	31.12.2013	31.12.2012
Accounts payables	1122	1187
Payable to employees	0	500
Total	1122	1687

10. Unrestricted net assets

	31.12.2013	31.12.2012
Retained earnings	64608.44	10989.87
CIPDD's other funds	354768.73	440604
Corrections	63492.71	45178.33
Total	482869.88	496772.20

11. Temporary restricted net assets

	31.12.2013	31.12.2012
European Union	12736	20001
Open Society - Georgia	0	7270
Open Society Institute	0	1363
Evangelischer Entwicklungsdienst e.V. (EED)	7378	9135
International institute of Social Studies of Erasmus University Rotterdam (Matra)	13213	12941
Saferworld	5077	8787
European Partnership for Democracy	0	3478
Organization for Security and Co-Operation in Europe	602	0
Georgian young lawyers association	54221	0
President's Fund	172841	800000
Donation from employees	12245	824
Total	278312	863800

12. Program fees

	31.12.2013	31.12.2012
Donations from employees	11421	10125

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President's fund		800000
Council of Europe	73245	85673
European Union		13321
Open Society - Georgia		6934
European Partnership for Democracy	44347	89655
Organization for Security and Co-Operation in Europe	91817	90706
Saferworld	38873	123754
Caucasus Research Resource Centres		9250
Evangelischer Entwicklungsdienst e.V. (EED)	165545	179608
International institute of Social Studies of Erasmus University Rotterdam (Matra)	56205	121806
Georgian young lawyers association	215559	
Less funds returned to donors	(6091)	(5025)
Net income received during the period	690921	1525807

13. Sub-grants issued

	31.12.2013	31.12.2012
Language House of Bolnisi	(2212)	(4184)
Healthy Community of Djavakheti	(2838)	(1462)
Press of Kvemo Kartli	(17094)	-
Georgian strategic research institute	(39140)	-
Society for Spreading Reading	(36258)	-
Society "Biliki"	(40000)	-
Civil initiative for society health	(14950)	-
Georgian debate and education institute	(39966)	-
Gruzia Online	(39996)	-
Nova Societas	(29900)	-
Teachers' and parents' association "Liberta"	(33075)	-
Iveria.biz	(39950)	-
Investigation reporting association	(40000)	-
Our freedom	(20303)	-
Civil journalistic club	(16449)	-
Centre for research and support of constitutionalism	(38264)	-
Georgian youth parliament	(19981)	-
Community union "Imedi"	(9622)	-
Resource centre of non-profit organisations	(32641)	-
Artarea TV2.0	(17460)	-
Total	(530098)	(5646)

14. Non-operating income

	31.12.2013	31.12.2012
Damage covered by Insurance company	-	6288
Gain from sale of fixed assets	-	5742
Corrections	23805	-
Total	23805	12029