

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

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1999

THE MILLER GROUP

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Independent Auditor's Report

To Governing Board of Directors and Advisory Committee
**THE CAUCASIAN INSTITUTE FOR PEACE,
DEMOCRACY AND DEVELOPMENT**
Tbilisi, Republic of Georgia

We have audited the accompanying statement of financial position of The Caucasian Institute for Peace, Democracy and Development as of December 31, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Caucasian Institute for Peace, Democracy and Development 's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 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 above present fairly, in all material respects, the financial position of The Caucasian Institute for Peace, Democracy and Development as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Nanette K. Miller, CPA

The Miller Group

February 14, 2000
Washington, DC

THE CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 1999

	<u>Temporarily Restricted</u>
Cash and cash equivalents on deposit in foreign banks and on hand	<u>\$80,317</u>
<i>Grants receivable:</i>	
OSGF/CARATAS	117,233
TACIS	62,769
NED	<u>19,200</u>
	<u>199,202</u>
<i>Property and equipment:</i>	
Office furniture and equipment	68,106
Leasehold Improvements	<u>6,759</u>
	74,865
Less accumulated depreciation and amortization	<u>(37,475)</u>
	<u>37,390</u>
 Total assets	 <u>\$316,909</u>
 Accounts payable and accrued expenses	 <u>3,000</u>
Net assets - temporarily restricted, net of foreign currency translation adjustment	<u>313,909</u>
 Total liabilities and net assets	 <u>\$316,909</u>

THE CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT
 STATEMENT OF ACTIVITIES AND CHANGES NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 1999

	Temporarily Restricted
Revenue, Support and Gains:	
<i>Federal grants and awards:</i>	
National Endowment for Democracy	\$29,090
<i>Other:</i>	
OSGF/CARITAS	180,236
Winston Foundation	35,000
FEWER	1,989
Open Media Research Institute	1,068
	218,293
Foreign currency exchange gains	12,109
Total revenue, support and gains	259,492
Expenses and losses:	
<i>Program expenses:</i>	
Research and Analysis	33,461
Training/Seminars	171,242
Media and Production	5,849
Publishing/Translation	8,910
	219,462
Administrative support	4,984
Total expenses and losses	224,446
Change in net assets	40,030
Net assets, beginning of year	273,879
Net assets, end of year	\$313,909

THE CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999

Cash Flows from Operating Activities:	
Change in net assets	\$40,030
<i>Adjustments to reconcile net assets to net cash provided by operating activities:</i>	
Depreciation expense	11,253
Decrease in grants receivable-temporarily restricted	9,853
Increase in accounts payable and accrued expenses	<u>3,000</u>
Net cash provided by operating activities	<u>64,136</u>
Net Cash Flows used by Investing Activities:	
Investment in computer equipment, office equipment and leasehold improvements	<u>(17,836)</u>
Total adjustments	46,300
Cash and cash equivalents, January 1, 1999	<u>34,017</u>
Cash and cash equivalents, December 31, 1999	<u>\$80,317</u>

There were no non-cash investing or financing activities for the year ended December 31, 1999.

	TEMPORARILY RESTRICTED PROGRAM EXPENSES										TOTAL PROGRAM	GENERAL/ ADMINISTRATIVE	TOTAL
	TRAINING AND SEMINARS		RESEARCH AND ANALYSIS			MEDIA AND PRODUCTION		PUBLISHING AND TRANSLATION					
	OSGF/ CARITAS	TACIS	BRITISH LOTTERY	OPEN MEDIA RESEARCH	NED	CANADIAN FUND	WINSTON FOUNDATION	KARTU					
Salaries and benefits	\$15,959	\$86,013	\$20,392	\$755	\$716	\$1,736	\$4,586	\$1,044			\$0	\$131,201	
Bank Charges	0	549	0	5	0	0	52	0			0	616	
Communications	0	0	2,647	0	0	0	202	0			0	2,849	
Copying and Printing	0	0	0	0	0	0	0	0			0	0	
Consultants	5,364	0	0	0	1,427	0	1,986	0			0	8,759	
Grants and Awards	0	0	0	0	0	0	0	0			0	0	
Occupancy	0	0	4,367	0	0	0	0	0			0	4,367	
Publications	1,123	11,213	0	0	0	0	0	0			0	12,336	
Supplies	1,984	5,459	240	301	52	0	0	0			0	8,036	
Travel	6,655	13,480	0	0	1,400	0	0	0			1,984	10,020	
Depreciation	11,253	0	0	0	0	0	0	0			0	21,535	
Professional Fees	0	0	0	0	0	0	0	0			0	11,253	
Training/Conferences	2,760	9,431	0	0	0	0	0	0			3,000	3,000	
Other	0	0	4,754	0	518	0	0	1,048			0	13,239	
	<u>\$45,098</u>	<u>\$126,144</u>	<u>\$32,400</u>	<u>\$1,061</u>	<u>\$4,113</u>	<u>\$1,736</u>	<u>\$6,816</u>	<u>\$2,092</u>			<u>\$4,984</u>	<u>\$219,462</u>	<u>\$224,446</u>

**THE CAUCASIAN INSTITUTE FOR PEACE,
DEMOCRACY AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999**

1. ORGANIZATION

The Caucasian Institute for Peace, Democracy and Development (CIPDD or the Organization) was founded in August 1992 in Tbilisi, Republic of Georgia. CIPDD is a non-goernmental, not-for-profit organization.

CIPDD has programs for research, publishing, organizing conferences, producing video films, policy 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 the Republic of Georgia and the Caucasus region.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The accompanying financial statements are prepared on the accrual basis of accounting. The reporting currency in United States Dollars (USD).

Property and Equipment:

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the asset of 5 years using the straight-line method for depreciation. Property and equipment with a value equal to or less than \$500 are expensed as office supplies since the amount involved are not considered material to the financial statements taken as a whole. Leasehold improvements are amortized over the life of the lease. Depreciation and amortization expense for the year ended December 31, 1999 totaled \$11,253.

**THE CAUCASUS INSTITUTE FOR PEACE, DEMOCRACY AND
DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999 (continued)**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind contributions:

The Organization receives donated services in connection with their internship program. These amounts are not included in the accompanying financial statements since the value of the donated services could not be objectively measured.

Grants receivable:

Grants receivable consist of the balance of grants and sub-grants awarded to CIPDD during the year ended December 31, 1999 and are recorded at their awarded amount in US dollars on the date of the unconditional promise to give is received by the Organization. These amounts are considered fully collectible. All grants to be received in foreign currency have been converted to USD for financial reporting purposes.

Foreign currency transactions:

The Organization maintains ten (10) separate bank accounts in two Georgian financial institutions, five (5) denominated in United States of America Dollars (USD), and five (5) denominated in Georgian currency (GEL). To minimize foreign currency fluctuation exposure and credit concentration risk, USD are converted into GEL as needed.

For financial reporting purposes, the Organization records all transactions in GEL converted to USD. The exchange rate between GEL and USD as of December 31, 1999 was 1.9 to \$1; ECU was \$1.335 and the exchange rate for USD to BPS was 1.65. Foreign currency transaction adjustments for the year ended December 31, 1999 totaled \$12,109 utilizing the aforementioned rates which on average were not materially different than the foreign currency exchange rates throughout the year ended December 31, 1999.

**THE CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND
DEVELOPMENT**
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999 (continued)

3. TEMPORARILY RESTRICTED NET ASSETS

The following represents the aggregate amount of the Organization's temporarily restricted net assets as of December 31, 1999:

OSGF/CARITAS	\$162,289
Winston Foundation	28,182
TACIS	90,369
National Endowment for Democracy	24,977
British Lottery Fund	<u>6,103</u>
	<u>\$313,909</u>

Temporarily restricted net assets include property and equipment, cash on hand and the remaining amount of the grant to be receivable by the Organization in accordance with each grant agreement. (See Note 2).

4. COMMITMENTS AND CONTINGENCIES

The Organization is committed under an operating lease for its current office space for the period February 1, 1998 through January 1, 2003. Monthly rent expense under the current lease totaled approximately \$280. Rent expense, including utilities totaled \$4,367 for the year ended December 31, 1999 and was properly charged to the British Lottery grant in accordance with the approved grant budget.

In the ordinary course of business, CIPDD has entered into various contractual commitments. These commitments include employment agreements, cleaning and maintenance, and security. With the exception of employment agreements, contracts for outside services are usually month-to-month or for a period not to exceed one-year, and renewable at the Organization's discretion.