

FOUNDATION
CAUCASIAN INSTITUTE FOR PEACE
DEMOCRACY AND DEVELOPMENT



INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2007



Auditing And Consulting Company

**Tbilisi Managers &
Consultants**

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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, 2007 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, 2007 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

May 27, 2008
Tbilisi

Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development

Statement of Financial Position

December 31, 2006 and 2007

In US Dollars

	Notes	2007	2006
Assets:			
Cash and cash equivalents		330,542	96,168
Temporary restricted contributions receivable	3	810,601	237,989
Prepaid taxes		47,412	34,427
Other assets			1,034
Property and equipment (net)	4	316,070	44,773
Total assets		1,504,625	414,391
Liabilities and net assets:			
Miscellaneous payables		18,026	-
Long-term borrowings		184,546	-
Total liabilities		202,572	-
Net assets:			
Unrestricted		190,684	94,497
Temporary restricted	6	1,109,467	318,703
Temporary restricted (econ.)		1,902	1,191
Total net assets		1,302,053	414,391
Total liabilities and net assets		1,504,625	414,391

Avto Jokhadze, Executive Director

Caucasian Institute for Peace, Development and Democracy

May 27, 2008

Independent Auditor's Report and Financial Statements

Caucasian Institute for Peace, Democracy and Development

Statements of Activities

Year ended December 31, 2006 and 2007

In US Dollars

		2007		2006
	Notes	Unrestricted	Temporarily restricted	Total
Revenues, gains and other support:				
Contributions and gifts	5		1,504,430	1,504,430
Revenues from economic activities			710	710
Net assets released from restrictions		713,665	(713,665)	-
Foreign exchange gains		96,187		96,187
Total revenues, gains and other support		809,852	791,475	1,601,327
Expenses and losses:				
Program expenses				
Research and analysis		376,125		376,125
Training and seminars		138,561		138,561
Media and production		122,251		122,251
Publishing and translation		4,618		4,618
Communication		39,174		39,174
General and administrative		32,935		32,935
Total expenses and losses		713,665	-	713,665
Change in net assets		96,187	791,475	887,662
Net assets at beginning of year		94,497	319,894	414,391
Net assets at end of year		190,684	1,111,369	1,302,053

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Statements of Cash Flows

Year ended December 31, 2006 and 2007

In US Dollars

	Notes	2007	2006
Cash flows from operating activities			
Change in net assets		887,662	(210,412)
Adjustments to reconcile change in net assets to net cash used by operating activities:		-	-
Depreciation	4	17,254	11,723
(Increase)/decrease in temporary restricted contributions receivable		(572,612)	197,666
(Increase)/decrease in prepaid taxes		(12,985)	(18,915)
Increase/(decrease) in miscellaneous receivables		1,034	(67)
Increase/(decrease) in miscellaneous payables		18,026	-
Realized and unrealized foreign exchange gains		-	-
Remeasurement loss		-	-
Net cash used by operating activities		<u>338,379</u>	<u>(20,005)</u>
Cash flows from investing activities			
Purchase of equipments	4	(288,551)	(27,549)
Proceed from sale of investments		-	-
Net cash used by investing activities		<u>(288,551)</u>	<u>(27,549)</u>
Cash flows from financing activities			
Long-term borrowings		184,546	-
Repayment of Long-term borrowings		-	-
Net cash used by financing activities		<u>184,546</u>	<u>-</u>
Net increase in cash and cash equivalents		234,374	(47,554)
Cash and cash equivalents at beginning of year		96,168	143,722
Cash and cash equivalents at end of year		<u>330,542</u>	<u>96,168</u>

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2006 and 2007

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 = 1.5916 GEL and 1 USD = 1.7135 GEL as at 31 December 2007 and 31 December 2006, 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.

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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.

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2006 and 2007

In US Dollars

3. Temporary restricted contributions receivable

3.1 By Program	2007	2006
Research and analysis	585,586	215,872
Training and seminars	194,692	8,363
Media and production	30,323	7,356
Communication	-	1,228
Publishing and translation		5,170
Total	810,601	237,989

3.2 By Donor	2007	2006
SafeW3	2,500	148
NED2007	20,495	
DDH2	503,525.72	
IS2005/2006	58,829.00	
Pnk4	8,864.10	
Internship	7,545	
EE/33/07-15297	7,093	
OSCE/07	4,366.80	
NIMD3	30,322.98	
UDF	155,450	
PO#S-08-006	10,000.00	
NOHA	806	
DDH	804	8,215
Eurasia CO2	-	1,228
Cordaid	-	22,428
EU	-	121,470
IS2005/2006 (Soros (Budapest))	-	473
NiMD2	-	57,489
OSCE/06	-	14,013
Sor-05	-	5,170
Pnk3	-	7,356
Total	810,601	237,989

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Year ended December 31, 2006 and 2007
In US Dollars

4. Property and Equipment

	2007					2006			
	Leasehold improvements	Equipment	Motor Vehicle	Building	Total	Leasehold improvements	Equipment	Motor Vehicle	Total
At cost	6,759	108,972	9,339		125,070	6,759	81,423	9,340	97,522
Accumulated depreciation	(6,759)	(71,360)	(2,178)		(80,297)	(6,759)	(60,295)	(1,520)	(68,574)
Additions		32,564	14,058	241,928	288,551	-	27,549		27,549
Depreciation charge		(14,030)	(3,224)		(17,254)	-	(11,065)	(658)	(11,723)
Net cost	-	56,146	17,996	241,928	316,070	-	37,612	7,162	44,774

Independent Auditor's Report and Financial Statements**CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT****NOTES TO FINANCIAL STATEMENTS****Year ended December 31, 2006 and 2007**

In US Dollars

5. Temporary restricted contributions and gifts**5.1 By Program**

	2007	2006
Research and analysis	1,006,040	173,549
Training and seminars	430,078	50,200
Media and production	89,074	14,790
Publishing and translation	-	-
Communication	(68,877)	6,126
General and administration	48,116	-
Total	1,504,430	244,665

5.2 By Donor

	2007	2006
EU	(68,877)	-
SafeW3	28,202	8,400
NIMD2	(31,728)	130,539
Pnk3	608	14,790
OSCE/06	323	74,641
BR3	136,309	-
NOF	66,524	-
NED2007	45,495	-
DDH2	631,467	-
Sor-05	(3,023)	-
IS2005/2006	124,091	-
Pnk4	17,728	-
Internship	15,090	-
EE/33/07-15297	8,958	-
OSCE/07	50,586	-
NIMD3	120,802	-
TB	20,016	-
UDF	333,550	-
IPA	9,238	-
PKPODA	7,059	-
Maison	4,766	-
PO#S-08-006	20,000	-
NOHA	754	-
Eurasia CO2	(1,322)	-
DDH	(8,040)	41,800
Cordaid	(24,145)	-
CRS	-	6,126
GTZ-2006	-	3,318
FH	-	1,000
NIMD	-	(31,437)
OSCE	-	(4,511)

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2006 and 2007

In US Dollars

Total	<u><u>1,504,430</u></u>	<u><u>244,665</u></u>
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6. Temporary restricted net assets

Program	2007	2006
Research and analysis	524,324	(105,591)
Training and seminars	514,854	223,338
Media and production	14,571	47,749
Publishing and translation	(8,166)	(3,547)
Communication	(107,270)	782
General and administration	171,153	155,971
Total	<u><u>1,109,467</u></u>	<u><u>318,703</u></u>