

FOUNDATION
CAUCASIAN INSTITUTE FOR PEACE
DEMOCRACY AND DEVELOPMENT



INDEPENDENT AUDITOR'S REPORT
and
FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2003



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, 2003 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, 2003 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

Tbilisi Managers & Consultants


May 27, 2004

Tbilisi

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT
 STATEMENT OF FINANCIAL POSITION
 December 31, 2002 and 2003
 In US Dollars

	Notes	2003	2002
Assets:			
Cash and cash equivalents		115 336	12 105
Temporary restricted contributions receivable	3	323 356	72 599
Prepaid taxes		931	1 954
Property and equipment (net)	4	31 672	25 954
Total assets		471 295	112 612
Liabilities and net assets:			
Miscellaneous payables			9
Short-term borrowings		7 824	8 059
Total liabilities		7 824	8 068
Net assets:			
Unrestricted		15 349	(1)
Temporary restricted	6	448 122	104 545
Total net assets		463 471	104 544
Total liabilities and net assets		471 295	112 612



Avto Jokhadze, Executive Director

Caucasian Institute for Peace, Development and Democracy

May 27, 2004

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

STATEMENTS OF ACTIVITIES

Year ended December 31, 2002 and 2003

In US Dollars

	Notes	2003		2002
		Unrestricte d	Temporarily restricted	Total
Revenues, gains and other support:				Total
Contributions and gifts	5		505 529	195 085
Net assets released from restrictions		161 951	(161 951)	-
Foreign exchange gains		15 349		2 303
Total revenues, gains and other support		177 300	343 578	197 388
Expenses and losses:				
Program expenses				
Research and analysis		26 734	-	51 853
Training and seminars		51 481	-	62 800
Media and production		35 433	-	14 074
Publishing and translation		8 468	-	10 976
General and administrative		39 834	-	35 783
Remeasurement loss			-	2 304
Total expenses and losses		161 951	-	177 790
Change in net assets		15 349	343 578	19 598
Net assets at beginning of year		-	104 544	84 946
Net assets at end of year		15 349	448 122	104 544

The accompanying notes are an integral part of these financial statements

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

STATEMENTS OF CASH FLOWS

Year ended December 31, 2002 and 2003

In US Dollars

	Notes	2003	2002
Cash flows from operating activities			
Change in net assets		358 927	19 598
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation	4	11 856	11 506
(Increase)/decrease in temporary restricted contributions receivable		(250 757)	(29 295)
(Increase)/decrease in prepaid taxes		1 023	(1 954)
Increase/(decrease) in miscellaneous payables		(9)	(1 730)
Realized and unrealized foreign exchange gains		-	(2 303)
Remeasurement loss		-	2 304
Net cash used by operating activities		<u>121 040</u>	<u>(1 874)</u>
Cash flows from investing activities			
Purchase of equipments	4	(17 574)	(1 695)
Proceed from sale of investments		-	-
Net cash used by investing activities		<u>(17 574)</u>	<u>(1 695)</u>
Cash flows from financing activities			
Short-term borrowings		-	8 059
Repayment of short-term borrowings		(235)	-
Net cash used by financing activities		<u>(235)</u>	<u>8 059</u>
Net increase in cash and cash equivalents		103 231	4 490
Cash and cash equivalents at beginning of year		12 105	7 615
Cash and cash equivalents at end of year		<u>115 336</u>	<u>12 105</u>

Independent Auditor's Report and Financial Statements

CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2002 and 2003

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 = 2.075 GEL and 1 USD = 2.09 GEL as at 31 December 2003 and 31 December 2002, 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, 2002 and 2003 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.

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT
 NOTES TO FINANCIAL STATEMENTS
 Year ended December 31, 2002 and 2003
 In US Dollars

3. Temporary restricted contributions receivable

3.1 By Program	2003	2002
Research and analysis	32 565	25 382
Training and seminars	257 863	33 858
Media and production	29 603	13 359
Publishing and translation	3 384	-
Total	323 415	72 599

3.2 By Donor	2003	2002
OSGF	4 788	904
ASPR	2 945	-
Cordaid	254 918	33 858
EU	-	5 266
Eurasia	5 476	-
GTZ	-	4 670
NATO	3 384	-
NED	19 339	12 455
UNESCO	12 363	-
USAID	20 202	15 446
Total	323 415	72 599

4. Property and Equipment

	2003				2002		
	Leasehold improvements	Equipment	Motor Vehicle	Total	Leasehold improvements	Equipment	Total
At cost	6 759	51 214		57 973	6 759	49 519	56 278
Accumulated depreciation	(5 408)	(26 611)		(32 019)	(4 056)	(16 457)	(20 513)
Additions	-	11 522	6 052	17 574	-	1 695	1 695
Depreciation charge	(1 351)	(10 505)		(11 856)	(1 352)	(10 154)	(11 506)
Net cost	-	25 620	6 052	31 672	1 351	24 603	25 954

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CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2002 and 2003

In US Dollars

5. Temporary restricted contributions and gifts

5.1 By Program

	2003	2002
Research and analysis	53 045	28 995
Training and seminars	197 718	82 965
Media and production	69 722	32 125
Publishing and translation	8 755	11 000
General and administration	176 290	40 000
Total	505 529	195 085

5.2 By Donor

	2003	2002
OSGF	9 379	95 491
ASPR	18 769	27 474
Cordaid	348 774	
Eurasia	32 918	812
GTZ	-	7 531
NATO	3 270	
NED	27 790	32 125
UNESCO	24 000	
USAID	29 045	20 652
LIIA	6 080	
Safe World	385	
Winston		11 000
Total	500 409	195 085

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NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2002 and 2003

In US Dollars

6. Temporary restricted net assets

<u>Program</u>	<u>2003</u>	<u>2002</u>
Research and analysis	38 663	12 352
Training and seminars	176 474	30 237
Media and production	56 067	21 778
Publishing and translation	464	177
General and administration	<u>176 456</u>	<u>40 000</u>
Total	<u><u>448 122</u></u>	<u><u>104 544</u></u>