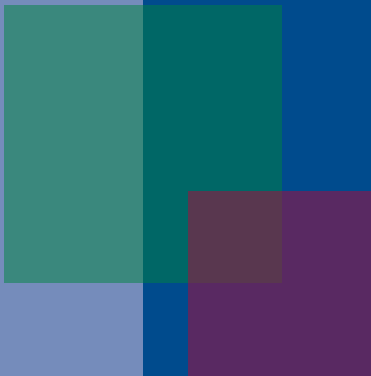


# International IDEA

The International Institute for Democracy  
and Electoral Assistance

## Financial Statements for the year ended 31 December 2004



[www.idea.int](http://www.idea.int)



## **Auditor's Report**

### *To the Council of the International Institute for Democracy and Electoral Assistance*

We have audited the accompanying balance sheet of the International Institute for Democracy and Electoral Assistance as of December 31, 2004, and the related statement of income for the year then ended. These financial statements are the responsibility of the Institute's management. 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 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 present fairly, in all material respects, the financial position of the Institute as of December 31, 2004, and of the results of its operations for the year then ended and comply with the Institute's Finance Regulations.

Deloitte & Touche AB

A handwritten signature in cursive script that reads "Deloitte &amp; Touche AB".

May 9, 2005

Stockholm, Sweden

# THE INTERNATIONAL INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE

## STATEMENT OF ACTIVITIES AND ACCOUNTING POLICIES *For the year ended December 31, 2004*

### 1. STATEMENT OF ACTIVITIES

Created in 1995, the International Institute for Democracy and Electoral Assistance (IDEA) is an intergovernmental organisation with 23 member states from six continents. It has a mandate to support sustainable democracy worldwide. IDEA brings together those who analyse and monitor trends in democracy and those who engage directly in political reform or act in support of democracy at home and abroad. IDEA works with new and long-established democracies, helping to develop and strengthen the institutions and culture of democracy. It operates at international, regional and national levels, working in partnership with a range of institutions.

The work of the Institute is divided into three thematic areas – Elections, Political Parties, and Democracy and Conflict Management. IDEA's activities in these three areas are directed from its Stockholm Headquarters in liaison with its six regional offices. This work is funded both by way of core contributions mostly from member states and by way of project funding from various donors.

### 2. PRINCIPAL ACCOUNTING POLICIES

The accounts are prepared on a historical cost basis and incorporate the following principal accounting policies:

#### *2.1 Depreciation*

All Fixed Assets are written off in full at the time of acquisition.

#### *2.2 Foreign Currencies*

The accounts are expressed in Euro. Assets and Liabilities in other currencies are translated to Euro at rates of exchange ruling at the end of the financial year as published by the Swedish Central Bank.

Transactions in other currencies are translated to Euro at the average rate of exchange as published by the Swedish Central Bank for the month in which the transaction took place.

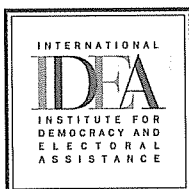
Significant exchange gains and losses are transferred to or from the Currency Fund.

#### *2.3 Income*

Income from core contributions is recognised either on receipt or where there is a clear commitment that a specific amount will be paid in respect of the financial year in question. Sums received by way of project contributions are carried as liabilities on the Balance Sheet and are only recognised as income to the extent that corresponding expenditure is incurred.

#### *2.4 Expenditure*

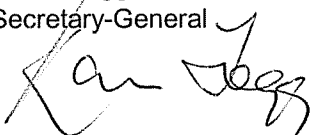
All expenditures are recorded on an accruals basis.



**BALANCE SHEET AS AT 31 DECEMBER 2004**  
(EURO)

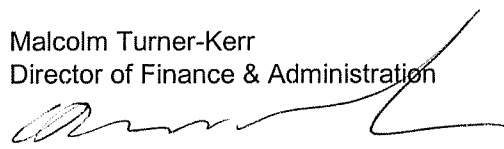
		€	€	\$
		31 December 2004	31 December 2003	31 December 2003
<b>ASSETS</b>				
<b>Cash and Bank</b>	Note 1	6,164,882	6,135,673	7,652,373
<b>Receivables</b>				
Contributions	Note 2	211,194	19,586	24,427
Prepaid Expenses/Accrued Income		44,006	48,767	60,822
		255,200	68,353	85,249
<b>Other Receivables</b>				
Value Added Tax Repayable (VAT)		27,513	43,897	54,748
Project Advances		315,868	93,506	116,620
Travel and other Personnel Advances		25,894	52,787	65,836
Claims on Suppliers		52,033	26,563	33,129
		421,308	216,753	270,333
<b>TOTAL ASSETS</b>		<b>6,841,390</b>	<b>6,420,778</b>	<b>8,007,955</b>
<b>LIABILITIES AND CAPITAL</b>				
<b>Accounts Payable</b>				
Trade Creditor/Accrued Liabilities		944,432	393,127	490,305
Personnel Liabilities	Note 3	554,220	341,381	425,768
Refundable to Donors	Note 4	15,417	33,919	42,304
Complementary Contributions carried forward	Note 4	718,226	468,371	584,149
		2,232,295	1,236,797	1,542,526
<b>Capital</b>				
Working Capital Fund	Note 5	1,826,367	1,790,160	2,232,677
General Reserve Fund	Note 6	836,917	836,917	1,043,798
Currency Fund	Note 7	358,899	571,158	712,345
Operating Reserve	Note 18	1,586,912	1,985,745	2,476,609
		4,609,095	5,183,981	6,465,429
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>6,841,390</b>	<b>6,420,778</b>	<b>8,007,955</b>

Karen Fögg  
Secretary-General



May 9, 2005

Malcolm Turner-Kerr  
Director of Finance & Administration



May 9, 2005

*Our audit report was delivered on May 9, 2005*

*Deloitte & Touche*  
DELOITTE & TOUCHE



**STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR  
ENDED 31 DECEMBER, 2004  
(EURO)**

		€	€	\$
		2004	2003	2003
<b>INCOME</b>				
Core Contributions (members)	Note 8	7,952,900	8,284,015	9,344,631
Complementary Contributions	Note 9	776,682	1,131,415	1,276,272
Book Sales	Note 10	12,867	6,274	7,077
Other Income	Note 10	363,269	474,638	535,406
<b>TOTAL INCOME</b>		<b>9,105,718</b>	<b>9,896,342</b>	<b>11,163,386</b>
<b>EXPENDITURES</b>				
Expenditure on Fixed Assets	Note 11	119,382	127,167	143,448
Personnel Expenses	Note 12	4,697,150	3,923,004	4,425,273
Travel Expenses	Note 14	1,242,362	1,133,253	1,278,345
Office Expenses	Note 15	912,394	967,140	1,090,964
Other Expenses	Note 16	2,533,263	2,500,812	2,820,995
Sub-Total Expenditures		9,504,551	8,651,376	9,759,025
Financial (Income)/Expenses	Note 17	176,052	(351,619)	(396,637)
Exchange translation adjustment	Note 19		209,769	
Sub-Total Financial (Income) Expenses		176,052	(141,850)	(396,637)
<b>TOTAL EXPENDITURES</b>		<b>9,680,603</b>	<b>8,509,526</b>	<b>9,362,388</b>
<b>EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURES</b>		<b>(574,885)</b>	<b>1,386,816</b>	<b>1,800,998</b>

**STATEMENT OF ACCUMULATED OPERATING RESERVE AS AT 31 DECEMBER, 2004**

		€	€	\$
		2004	2003	2003
Balance brought forward 1 January		1,985,745	1,045,979	1,179,898
Excess/(Shortfall) of Income over Expenditures	Note 18	(574,885)	1,386,816	1,800,998
Transfer from Currency Fund	Note 7	212,259	(322,768)	(364,093)
Transfer to Working Capital Fund	Note 5	(36,207)	(124,282)	(140,194)
<b>ACCUMULATED OPERATING RESERVE</b>		<b>1,586,912</b>	<b>1,985,745</b>	<b>2,476,609</b>

**Notes to the Financial Statements**  
**Balance Sheet**

**1. Cash and Bank**

The Institute operates bank accounts in Australian Dollars, US Dollars, Euros, Swiss Francs and Swedish Kronor  
The balances on the accounts as at 31 December 2004 are as follows:

	€ 2 004	€ 2003	\$ 2003
<b>Cash</b>			
SEK	1 532	1 220	1 521
US\$	81	16	20
Euro	118	95	118
<b>Total Cash</b>	<b>1 730</b>	<b>1 330</b>	<b>1 659</b>
<b>Bank</b>			
CHF	29	995 699	1 241 830
USD	1 907 569	4 027 006	5 022 457
EURO	3 818 133	846 753	1 056 065
SEK	152 867	264 884	330 362
AUD	284 555		
<b>Total Bank Deposit</b>	<b>6 163 152</b>	<b>6 134 342</b>	<b>7 650 714</b>
<b>Total Cash &amp; Bank Deposits</b>	<b>6 164 882</b>	<b>6 135 673</b>	<b>7 652 373</b>
Represented by:			
Working Capital Fund in USD	575 346	1 790 160	2 232 677
Working Capital Fund in EUR	1 150 410		
General Reserve Fund	767 295	836 917	1 043 798
Currency Fund in EUR	552 323	571 158	712 345
Complementary Funds carried forward	718 226	502 290	626 453
Operating Funds	2 401 282	2 435 147	3 037 100
	<b>6 164 882</b>	<b>6 135 673</b>	<b>7 652 373</b>

**2. Contributions Receivable**

These receivables from Member States and others represent contributions committed but not yet received at 31 December, 2004

South Africa core contribution		12 588	15 700
UNDP-Indonesia additional contribution		6 997	8 727
Mexico core contribution	14 702		
Spain core contribution	155 000		
Namibia core contribution	1 470		
CIDA Canada additional contribution	3 640		
EU Nepal additional contribution	32 706		
Costa Rica core contribution	3 676		
<b>Total</b>	<b>211 194</b>	<b>19 586</b>	<b>24 427</b>

**3. Liabilities Personnel**

Accrued Vacation Salary	267 735	157 610	196 570
Accrued Pension Benefits	144 075	126 615	157 914
Accrued separation	80 940		
Accrued Social Charges for Resident Staff	24 204	28 298	35 293
Employee Withholding Taxes	37 266	28 858	35 991
	<b>554 220</b>	<b>341 381</b>	<b>425 768</b>

**4. Complementary Contributions carried forward**

Complementary contributions received but not used in current year:

Bridge Fund	Australia	21 462	21 462	26 767
Bridge Indonesia	Australia		58 824	73 365
Indonesia Fund	Australia		2 925	3 648
Burkina Faso	Finland		52 212	65 119
UN & Democracy Fund	Norway	7 518	8 018	10 000
UN & Democracy Fund	Belgium		8 355	10 420
UN & Democracy Fund	Japan		36 071	44 988
Rwanda	Belgium	126 698	126 698	158 017
Arab World Fund	Germany	131 638	139 352	173 799
Mozambique	Ireland		10 262	12 799
CoD	Chile	29 998		
BRIDGE Pretoria	Australia	4 244		
West Africa Political Parties	Finland	99 685		
DPD Indonesia	Australia	290 675		
		<b>711 918</b>	<b>464 180</b>	<b>578 922</b>
Interest income on complementary contributions		6 308	4 191	5 227
<b>Total</b>		<b>718 226</b>	<b>468 371</b>	<b>584 149</b>
Contributions Refundable:				
Burma	Germany		18 088	22 559
Indonesia	Netherlands		717	894
UN & Democracy Fund	Norway	14 898	15 115	18 851
Indonesia Fund	Australia	519		
<b>Total</b>		<b>15 417</b>	<b>33 919</b>	<b>42 304</b>

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Notes to the Financial Statements (continued)

	€ 2 004	€ 2003	\$ 2003
<b>5. Working Capital Fund</b>			
Balance at 1 January	1 790 160	1 677 753	2 092 483
Transfer from operating reserve	36 207	112 407	140 194
Balance at 31 December	<b>1 826 367</b>	<b>1 790 160</b>	<b>2 232 677</b>

The purpose of the Fund is to provide liquidity when contributions from member states are received at a slower rate than approved operational expenditure. The Fund is to be maintained at 20% of the previous year's total income. No appropriations were made from the Fund during the year.

**6. General Reserve Fund**

The purpose of the Fund is to provide long-term protection for the Institute by safeguarding it from unforeseen developments that could seriously affect its stability and effectiveness. Appropriations may only be made in extreme circumstances. No appropriations were made from the Fund during the year.

**7. Currency Fund**

	2 004	2003	2003
Balance at 1 January	571 158	279 228	348 252
Exchange rate gains/(losses) generated during the year	(212 259)	291 930	364 093
Balance at 31 December	<b>358 899</b>	<b>571 158</b>	<b>712 345</b>

The purpose of the Exchange Rate Adjustment Fund is to provide a facility to overcome distortions caused by fluctuations in the exchange rate between the Euro and other currencies.

**Income Statement**

**8. Core Contributions from Member States**

Barbados	8 240	8 865	10 000
Belgium	0	380 756	429 505
Botswana	16 660	17 730	20 000
Canada	393 653	396 616	447 395
Canada Project contribution	37 698		
Chile	41 710	88 650	100 000
Costa Rica	3 676	4 308	4 859
Denmark	402 972	396 514	447 280
Finland	340 000	339 289	382 729
Germany	400 000	346 426	390 780
India		44 325	50 000
Mauritius	8 240	8 865	10 000
Mexico	14 702	17 730	20 000
Namibia	1 470	1 773	2 000
Netherlands	700 000	716 983	808 780
Norway	417 010	423 436	477 649
Portugal	61 095	132 975	150 000
South Africa	12 475	13 918	15 700
Spain	155 000	157 579	177 754
Sweden*	4 300 000	4 166 550	4 700 000
Switzerland**	638 300	665 052	750 200
	<b>7 952 900</b>	<b>8 328 340</b>	<b>9 394 631</b>
Less: Received in Advance		(44 325)	(50 000)
<b>Total Core Contributions</b>	<b>7 952 900</b>	<b>8 284 015</b>	<b>9 344 631</b>

\* In addition to the contribution from the Government of Sweden, an additional contribution was made under the terms of the Headquarters' Agreement of Euro 342,407 (see note 10), and the City of Stockholm provides office facilities free of charge at an approximate value of Euro 300,000 per year.

\*\* Preparing for Membership

**9. Complementary Contributions (Earmarked funding from donors for specific projects complementary to the core programme)\***

<u>Donor</u>			
Australia	103 944	174 859	197 247
Belgium		102 172	115 253
Canada		30 052	33 900
Chile	42 720		
Finland	252 527	392 063	442 259
Germany	7 714	216 534	244 257
Ireland	50 262	(11 346)	(12 799)
Japan	36 071	4 443	5 012
Netherlands	50 000	52 557	59 286
Norway	24 460	164 168	185 187
Sweden		(48 890)	(55 150)
EU-Commission	204 706		
Other	4 278	54 803	61 820
Total complementary income	<b>776 682</b>	<b>1 131 415</b>	<b>1 276 272</b>

\* Complementary funds are recorded as income only at time of disbursement on projects

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Notes to the Financial Statements (continued)

	€	€	\$
	2004	2003	2003
<b>10. Other Income</b>			
Book Sales*	12 867	6 274	7 077
Personnel contribution from the Government of Finland	12 470		
Additional Swedish Contribution**	342 407	411 915	464 653
Other Income	8 391	62 723	70 753
	<b>376 136</b>	<b>480 912</b>	<b>542 483</b>

\* Represents net sales after deduction of distribution costs.

\*\*Under the terms of the Headquarters' Agreement between the Government of Sweden and IDEA, the equivalent value of income taxes deducted from the salaries of certain of those staff who were citizens or residents of Sweden prior to taking up appointment with IDEA, and remitted on their behalf, is paid to IDEA as an additional contribution

**11. Expenditure on Fixed Assets**

In accordance with Finance Rule 108 60 the cost of all property acquired is charged as an expense at the time of acquisition

**12. Personnel Expenses**

Salaries and Entitlements	3 725 518	2 724 453	3 073 269
Pensions (see note 13)	617 348	830 971	937 362
Installation and Separation Allowances	172 671	291 613	328 949
Insurances	163 425	51 394	57 974
Recruitment Cost	18 188	24 573	27 719
<b>Total Personnel Expenses</b>	<b>4 697 150</b>	<b>3 923 004</b>	<b>4 425 273</b>

**13. Pensions**

IDEA has three separate pension arrangements. International staff receive an annual payment in lieu of pension. For Swedish staff on international contracts monthly contributions are made into a Swedish registered pension fund. For staff on local Swedish contracts, IDEA contributes monthly to the Swedish State pension scheme and to a Swedish registered pension fund. In all cases IDEA plays no role in the management of the pension funds or in any investment decisions. Towards the end of the year and in early 2005 the Swedish Tax Authority (Skatteverket) has written to staff, including former staff, who are or were amongst the third category indicating that their pension credits have been adjusted retrospectively to zero in respect of those years from 1998 to 2003 that the individual has worked for IDEA in that staff category. The Authority's decision is based on an interpretation of the Headquarters' Agreement between Sweden and IDEA which alters the practice since IDEA's foundation. Similar action is expected in due course with respect to 2004 and 2005. Some eighty individuals are affected. In parallel the Skatteverket has refunded to IDEA the employer's portion of social charges paid for the years 1998 to November 2004 in respect of staff on local Swedish contracts. These represent the employer's contribution towards pension and other state benefits. Moneys repaid in respect of this period amount to SEK 13,697,371 (€1,520,400). These funds, not remitted into IDEA's account until after the Balance Sheet date, are not reflected in the financial statements. IDEA has committed to keep these employees and former employees whole as if they had continued to earn pension cover under the Swedish pension provisions. The liability in respect of this commitment has not been recorded at the Balance Sheet date as its level has not yet been determined. IDEA intends, to the extent possible, to meet these obligations from the funds received from Skatteverket.

**14. Travel Expenses**

Travel Expenses Staff	693 011	560 704	632 492
Travel Expenses Conference Participants (non-staff)	549 351	572 549	645 853
<b>Total Travel Expenses</b>	<b>1 242 362</b>	<b>1 133 253</b>	<b>1 278 345</b>

**15. Office Expenditures**

Publication/Promotional material	349 603	335 398	378 339
Telecommunications	125 364	136 664	154 161
Rental Flats/Field Offices	115 395	170 621	192 466
Postage and Courier services	67 511	90 963	102 609
Transport Field Offices	51 383	39 035	44 033
Other Office Expenses	203 138	194 459	219 356
<b>Total Office Expenditures</b>	<b>912 394</b>	<b>967 140</b>	<b>1 090 964</b>

**16. Other Expenses**

Consultant Fees and Reimbursements	1 760 437	1 934 010	2 181 625
Conference Expenses (except travel)	476 827	447 792	505 123
Audit, administrative, legal and accounting services	212 527		
Other	83 472	119 010	134 247
<b>Total Other Expenses</b>	<b>2 533 263</b>	<b>2 500 812</b>	<b>2 820 995</b>

**17. Financial (Income)/Expenses**

This item is made up the following:

Interest on Bank Deposits	(36 207)	(28 851)	(32 544)
Exchange (gain)/loss realized	48 905		
Exchange (gain)/loss unrealized	163 354		
	212 259		
Exchange Gains		(322 768)	(364 093)
<b>Total Financial (Income)/Expense</b>	<b>176 052</b>	<b>(351 619)</b>	<b>(396 637)</b>

**18. Operating Reserve and Excess (Shortfall) of Income over Expenditures**

During the year € 574,885 was expended in excess of the core contributions received. Over-expenditure at this level was planned, given under-expenditures carried forward from the previous year. This leaves a cumulated Operating Reserve to carry forward to 2005 of € 1,586,912 which is planned for use in ensuing financial periods reflecting the multi-year nature of the programming cycle.

**19. Comparative Figures and Exchange rate Adjustment**

In 2003 the audited Financial statements were drawn up in US Dollars. Following a decision of the the Board the financial statements are drawn up in Euros from the commencement of the 2004 financial year.

The 2003 figures have been restated for comparative purposes as follows:

Assets and Liabilities have been converted to Euro at the rate of exchange ruling on 31 December 2003 as published by the Swedish Central Bank. Items on the income statement have been converted to Euro using the average exchange rate for the year as published by the same source. This method gave rise to a translation loss of € 209,769 in 2003.

**20. Headquarters' Agreement**

The relationship between the Institute and the host country, Sweden, is governed by a Headquarters' Agreement which, inter alia, defines the rights and privileges of IDEA, its officials and its staff. Given the uncertainties referred to in Note 13 above, the Institute has commenced discussions with Sweden with a view to re-negotiating parts of the agreement so as to clarify the rights and privileges of its staff, particularly those of Swedish nationality or resident in Sweden at the time of their employment by IDEA.