

Auditors' report

Arthur Andersen d.o.o.

Vlaška 78
10000 Zagreb - Croatia
385 1 4611456 Phone
385 1 4611465 Fax

To the Board of
Open Society Fund Bosnia and Herzegovina

We have audited the accompanying year-end financial statements comprising the balance sheet of the Open Society Fund Bosnia and Herzegovina as at 31 December 1997, and the related statements of revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Open Society Fund Bosnia and Herzegovina as at 31 December 1997, and the results of its operations and its cash flows for the year then ended, in conformity with International Accounting Standards.



ARTHUR ANDERSEN d.o.o.
Republic of Croatia
Zagreb, 29 July 1999

Open Society Fund Bosnia and Herzegovina

Statement of Assets, Liabilities and Fund Balances

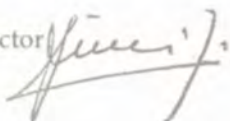
As at 31 December 1997

	Note	1997 US\$	1996 US\$
ASSETS			
Current assets			
Cash on hand and in banks	3	395,570	883,310
Receivables	4	1,438,423	205,002
Prepayments	5	614,378	47,757
Non-current assets			
Fixed assets	6	845,036	745,541
TOTAL ASSETS		3,293,407	1,881,610
		=====	=====
LIABILITIES AND FUND BALANCE			
Current liabilities			
Liabilities	7	130,559	4,794
Accrued liabilities	8	377,631	680,560
Revaluation reserve	9	42,963	42,963
Fund balance	10		
Surplus for the current year		1,588,961	692,959
Donations Carried Forward		1,153,293	460,334
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TOTAL LIABILITIES AND FUND BALANCE		3,293,407	1,881,610
		=====	=====

Signed on behalf of the Fund on 29 July 1999:

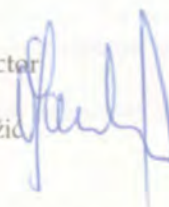
Executive Director

Jakob Finci



Managing Director

Ognjen Samardžić



The accompanying accounting policies and notes are an integral part of this Statement of assets, liabilities and fund balances

Open Society Fund Bosnia and Herzegovina

Statement of Revenues, Expenses and Change in Fund Balance

For the year ended 31 December

	Note	1997 US\$	1996* US\$
INCOME	11		
Donations - OSI		6,292,840	8,954,221
Donations - Third party		352,300	240,194
Commercial activities		53,104	7,657
Interest		1,859	4,064
Accrued income		1,233,421	205,002
TOTAL INCOME		7,933,524	9,411,138
EXPENSES	12		
Program expenses		6,260,875	7,844,177
Administrative expenses		447,182	692,343
Accrued liabilities		(680,560)	680,580
Opening prepayments		47,757	-
Liabilities		125,765	-
Reduction for fixed assets		-	(595,217)
Depreciation		137,351	96,296
Loss on Fixed Assets disposal		6,193	
TOTAL EXPENSES		6,344,563	8,718,179
SURPLUS FOR THE YEAR		1,588,961	692,959

*The comparability of previous year's figures is restricted as the previous year statement of revenues and expenses was based on OSI's report to New York that were not adjusted for movement in working capital, whereas in 1997 the statement of revenues and expenses is adjusted for this change.

The accompanying accounting policies and notes are an integral part of this statement of Revenues, Expenses and Change in fund balance.

Open Society Fund Bosnia and Herzegovina

Statement of Cash Flow

For the year ended 31 December

Description	1997* US\$
Surplus for 1997	1,588,961
Adjustments to reconcile deficit for 1997 to net cash inflow (outflow) from operating activities	
Depreciation	137,351
Loss on disposal of fixed assets	6,193
Decrease/(increase) in receivables	(1,233,421)
Decrease/(increase) in prepayments	(566,621)
(Decrease)/increase in liabilities	125,765
(Decrease)/increase in accruals	(302,929)
Net cash inflow (outflow) from operating activities	(244,701)
Cash flows from investing and financing activities	
Payments for fixed assets	(243,039)
Net cash inflow (outflow) from investing and financing activities	(243,039)
Increase (decrease) in cash for year	(487,740)
Cash at the beginning of year	883,310
Cash at the end of year	395,570

*No statement of cash flows was issued in the previous year

The accompanying accounting policies and notes are an integral part of this statement of cash flows.