

Independent Auditors' report

**To: Board of Directors
Open Society Foundation Bosnia and Herzegovina**

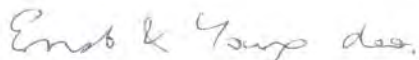
We have audited the accompanying year-end financial statements comprising the Statements of Assets and Liabilities and Fund Balance of the Open Society Foundation Bosnia and Herzegovina as at 31 December 2004, and the Statement of Revenues, Expenses and Change in Fund Balance for the year then ended (the "Financial Statements"). These Financial Statements are the responsibility of the management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

As instructed by the Group auditors, the scope of our audit was established to obtain reasonable assurance about whether the financial statements contain material misstatements, which is defined as:

- Statement of Assets and Liabilities and Fund Balances:
the lower of 5% of balance sheet total and USD 250,000;
- Statement of Revenues and Expenses and change in Fund Balances:
any item greater than USD 100,000,
any item between USD 50,000 and USD 100,000 which is greater than 5% of the grants.

We conducted our audit in accordance with the instructions indicated above and 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 of 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 Open Society Foundation Bosnia and Herzegovina as at 31 December 2004 and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards, as published by the International Accounting Standards Board.



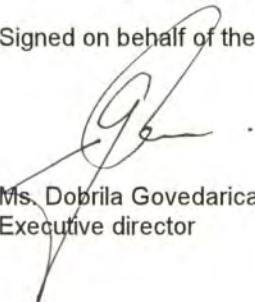
Ernst & Young d.o.o.
Republic of Croatia
Zagreb, 02 May 2005

Open Society Foundation Bosnia and Herzegovina
Statement of Assets and Liabilities and Fund Balance
31 December 2004

	Note	USD	USD
		2004	2003
ASSETS			
Current assets			
Cash and cash equivalents	3	38,631	9,961
Receivables	4	2,045,838	3,162,981
Prepayments	5	798	6,858
		<u>2,085,267</u>	<u>3,179,800</u>
Non-current assets			
Fixed assets	6	200,020	201,494
TOTAL ASSETS		<u>2,285,287</u>	<u>3,381,294</u>
LIABILITIES AND FUND BALANCES			
Current liabilities			
Grant payables	9	1,888,363	2,960,117
Other payables	7	14,274	29,858
Deferred revenue	10	9,974	12,897
Non-current liabilities			
Grant payables	9	22,711	176,928
		<u>1,935,322</u>	<u>3,179,800</u>
Fund balance	11	349,965	201,494
TOTAL LIABILITIES AND FUND BALANCE		<u>2,285,287</u>	<u>3,381,294</u>

The accompanying notes are an integral part of this Statement of Assets and Liabilities and Fund Balance.

Signed on behalf of the Foundation on 02 May 2005:



Ms. Dobrila Govedarica
Executive director

Open Society Foundation Bosnia and Herzegovina
Statement of Revenues, Expenses and Change in Fund Balance
For the year ended 31 December 2004

	Notes	USD 2004	USD 2003
Contribution income			
OSI income	12	2,922,807	4,205,938
Third party funding	13	229,454	177,652
		<u>3,152,261</u>	<u>4,383,590</u>
Expenses			
OSI program expenses	14	(2,644,911)	(3,965,287)
OSI administrative expenses	15	(279,342)	(273,680)
Third party expenses	16	(225,178)	(177,779)
		<u>(3,149,431)</u>	<u>(4,416,746)</u>
Surplus of contribution income over expenses before other income		<u>2,830</u>	<u>(33,156)</u>
Other income			
Interest income		-	127
Foreign exchange loss, net		(4,304)	-
Euro funding policy income		149,945	-
		<u>145,641</u>	<u>127</u>
Surplus / (deficit) for the year		<u>148,471</u>	<u>(33,029)</u>

The accompanying notes are an integral part of this Statement of Revenues, Expenses and Change in Fund Balance.

Signed on behalf of the Foundation on 02 May 2005:



Ms. Dobrila Govedarica
Executive director