

## Independent Auditor's report

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

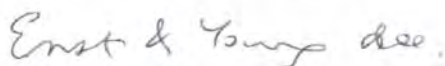
We have audited the accompanying year-end financial statements comprising the Statements of Assets and Liabilities and Fund Balance of the Open Society Foundation Bosnia and Herzegovina as at 31 December 2005, and the Statement of Revenues, Expenses and Change in Fund Balance for the year then ended (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 2005 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, 1 February 2006  
Zagreb, 2 May 2006

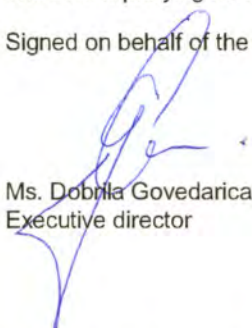


Open Society Foundation Bosnia and Herzegovina  
Statement of Assets and Liabilities and Fund Balance  
31 December 2005

	Note	KM	USD	KM	USD
		2005	2005	2004	2004
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	177,514	107,797	55,393	38,631
Receivables - OSI	4	1,716,715	1,038,106	2,934,093	2,045,838
Advances/prepayments	5	520	316	1,206	798
		<u>1,894,749</u>	<u>1,146,219</u>	<u>2,990,692</u>	<u>2,085,267</u>
<b>Non-current assets</b>					
Fixed assets	6	374,212	227,244	420,729	200,020
<b>TOTAL ASSETS</b>		<u><b>2,268,961</b></u>	<u><b>1,373,463</b></u>	<u><b>3,411,421</b></u>	<u><b>2,285,287</b></u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
Grant payables	9	1,483,067	900,608	2,717,900	1,888,363
Other payables	7	22,929	13,924	20,468	14,274
Deferred revenue	10	-	-	14,301	9,974
<b>Non-current liabilities</b>					
Grant payables	9	184,134	111,817	32,688	22,711
		<u>1,690,130</u>	<u>1,026,349</u>	<u>2,785,357</u>	<u>1,935,322</u>
<b>Fund balance</b>	11	578,831	347,114	626,064	349,965
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<u><b>2,268,961</b></u>	<u><b>1,373,463</b></u>	<u><b>3,411,421</b></u>	<u><b>2,285,287</b></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 2 May 2006:

  
Ms. Dobriša Govedarica  
Executive director




Open Society Foundation Bosnia and Herzegovina  
Statement of Revenues, Expenses and Change in Fund Balance  
For the year ended 31 December 2005

	Notes	KM 2005	USD 2005	KM 2004	USD 2004
<b>Contribution income</b>					
OSI income	12	4,239,183	2,641,174	4,448,809	2,922,807
Third party funding	13	147,926	94,608	360,307	229,454
		<b>4,387,109</b>	<b>2,735,782</b>	<b>4,809,116</b>	<b>3,152,261</b>
<b>Expenses</b>					
OSI program expenses	14	(3,751,642)	(2,333,515)	(4,001,962)	(2,644,911)
OSI administrative expenses	15	(399,929)	(252,572)	(445,332)	(279,342)
Third party expenses	16	(147,926)	(94,608)	(357,764)	(225,178)
		<b>(4,299,497)</b>	<b>(2,680,695)</b>	<b>(4,805,058)</b>	<b>(3,149,431)</b>
<b>Surplus of contribution income over expenses before other income</b>		<b>87,612</b>	<b>55,087</b>	<b>4,058</b>	<b>2,830</b>
<b>Other income</b>					
Foreign exchange loss, net		(126,724)	(77,428)	(5,171)	(4,304)
OSI revaluation loss		(715)	(140,225)	-	-
Assets written off		(7,406)	(4,461)	-	-
Euro funding policy income		-	-	205,335	149,945
		<b>(134,845)</b>	<b>(222,114)</b>	<b>199,164</b>	<b>145,641</b>
<b>Surplus / (deficit) for the year</b>		<b>(47,233)</b>	<b>(167,027)</b>	<b>203,222</b>	<b>148,471</b>

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 2 May 2006:

  
Ms. Dobrila Govedarica  
Executive director