

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 2007, and the Statement of Revenues, Expenses and Change in Fund Balance for the year then ended, and a summary of significant accounting policies and other explanatory notes (the "Financial Statements").

Management Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to the fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

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 2007 and of its financial performance 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.

Ernst & Young d.o.o.
Republic of Croatia

Zagreb, 2 May 2008

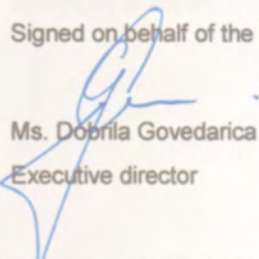
Open Society Foundation Bosnia and Herzegovina
Statement of Assets and Liabilities and Fund Balance

31 December 2007

	Note	KM 2007	USD 2007	KM 2006 Restated	USD 2006 Restated
ASSETS					
Current assets					
Cash and cash equivalents	3	213,609	161,050	192,945	129,904
Receivables - OSI	4	1,214,419	910,938	1,313,886	884,077
Advances/ prepayments	5	2,370	1,787	8,715	5,867
		<u>1,430,398</u>	<u>1,073,775</u>	<u>1,515,546</u>	<u>1,019,848</u>
Non-current assets					
Fixed assets	6	393,466	297,085	331,630	223,278
Investment MC	7	2,000	1,508	2,000	1,347
		<u>395,466</u>	<u>298,593</u>	<u>333,630</u>	<u>224,625</u>
TOTAL ASSETS		<u>1,825,864</u>	<u>1,372,368</u>	<u>1,849,176</u>	<u>1,244,473</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Current Liabilities	8	7,385	5,568	33,965	22,868
Grant payables	9	1,188,565	896,120	1,208,404	813,581
Deferred revenue		-	-	46,384	31,229
Finance lease liability – current portion	10	13,490	10,171	-	-
		<u>1,209,440</u>	<u>911,859</u>	<u>1,288,753</u>	<u>867,678</u>
Non-current liabilities					
Grant payables	9	-	-	22,816	15,361
Finance lease liability	10	13,489	10,170	-	-
		<u>13,489</u>	<u>10,170</u>	<u>22,816</u>	<u>15,361</u>
		<u>1,222,929</u>	<u>922,029</u>	<u>1,311,569</u>	<u>883,039</u>
Fund balance	12	602,935	450,339	537,607	361,434
		<u>602,935</u>	<u>450,339</u>	<u>537,607</u>	<u>361,434</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>1,825,864</u>	<u>1,372,368</u>	<u>1,849,176</u>	<u>1,244,473</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 2008:


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 2007

	Notes	KM 2007	USD 2007	KM 2006	USD 2006
Contribution income					
OSI income	13	4,337,462	3,126,131	3,802,138	2,488,891
Third party funding	14	54,299	38,039	46,555	30,234
		<u>4,391,761</u>	<u>3,164,170</u>	<u>3,848,693</u>	<u>2,519,125</u>
Expenses					
OSI program expenses	15	(3,767,573)	(2,720,417)	(3,475,756)	(2,279,075)
OSI administrative expenses	16	(507,377)	(358,441)	(348,075)	(224,625)
Third party expenses	17	(54,299)	(38,039)	(46,555)	(30,234)
		<u>(4,329,249)</u>	<u>(3,116,897)</u>	<u>(3,870,386)</u>	<u>(2,533,934)</u>
Surplus of contribution income over expenses before other income		<u>62,512</u>	<u>47,273</u>	<u>(21,693)</u>	<u>(14,809)</u>
Other income					
Foreign exchange loss, net		(676)	(487)	1,501	1,011
OSI revaluation gain/loss		3,492	16,301	(643)	45,449
Net book value of assets disposed		-	-	(22,389)	(12,886)
		<u>2,816</u>	<u>15,814</u>	<u>(21,531)</u>	<u>33,574</u>
Surplus / (deficit) for the year		<u>65,328</u>	<u>63,087</u>	<u>(43,224)</u>	<u>18,765</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 2 May 2008:



Ms. Dobrila Govedarica
Executive director

Open Society Fund Bosnia and Herzegovina

Statement of Cash Flows

For the year ended 31 December 2007

	KM	USD	KM	USD
	2007	2007	2006	2006
(Deficit) / surplus for the year	65,328	63,087	(43,224)	18,765
Adjustments to reconcile surplus for year to net cash inflow (outflow) from operating activities				
Depreciation	24,436	17,599	29,172	19,640
Decrease in receivables	99,466	(26,862)	402,830	154,029
(Increase) / decrease in other assets	6,345	4,080	(8,195)	(5,551)
Increase / (decrease) in liabilities	(26,580)	(17,300)	11,036	8,944
Increase / (decrease) in deferred revenue	(42,655)	67,178	46,384	31,229
Decrease in grant payables	(46,384)	(31,229)	(435,981)	(183,483)
Loss on disposal of fixed assets	-	-	22,389	12,886
Translation difference		(1,363)	-	(28,510)
Net cash inflow from operating activities	106,935	95,531	24,410	27,949
Cash flows from investing and financing activities				
Payments for fixed assets	(86,271)	(64,385)	(8,979)	(5,842)
Net cash outflow from investing and financing activities	(86,271)	(64,385)	(8,979)	(5,842)
Increase / (decrease) in cash and cash equivalents for year	20,664	31,146	15,431	22,107
Cash and cash equivalents at the beginning of year	192,945	129,904	177,514	107,797
Cash and cash equivalents at the end of year	213,609	161,050	192,945	129,904

The accompanying notes are an integral part of this Statement of Cash Flows.