

INDEPENDENT AUDITOR'S REPORT

Addressed to: Management of Open Society Bosnia and Herzegovina Foundation
Copy to: OSI Network Audit Department

We have audited the OSI Financial Reporting Package, initialed for purposes of identification, of Open Society Bosnia and Herzegovina Foundation ("the Foundation") as of and for the year ended December 31, 2008.

Management's Responsibility for the Financial Reporting Package

Management of the Foundation is responsible for the preparation and presentation of the OSI Financial Reporting Package in accordance with the OSI Network Accounting Policies developed for the preparation of such packages. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of a financial reporting package that is free from material misstatements, whether due to fraud or error; selecting and applying accounting principles in accordance with OSI Network Accounting Policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the OSI Financial Reporting Package based on our audit. We conducted our audit in accordance with International Standards on Auditing and OSI's Instructions on the Audit Areas of Specific Focus. International Standards on Auditing require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Reporting Package is prepared in accordance with OSI Network Accounting Policies.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Reporting Package. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Reporting Package, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Financial Reporting Package 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Reporting Package.

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

Opinion

In our opinion the Financial Reporting Package of the Foundation as at and for the year ended 31 December 2008 is prepared, in all material respects, in accordance with the OSI Network Accounting Policies.

Restriction on use

The Financial Reporting Package is prepared in accordance with the OSI Network Accounting Policies and this report is intended solely for use by Management of the Foundation and the OSI Network and may not be suitable for another purpose.

Ernst & Young d.o.o.

Ernst & Young d.o.o.

24 April 2009

Zagreb, Republic of Croatia

PART I: FINANCIAL STATEMENTS

Open Society Foundation Bosnia and Herzegovina Statement of Assets, Liabilities and Fund Balance as at 31 December 2008

	Note	KM	USD	KM	USD
		2007	2007	2008	2008
ASSETS					
Current assets					
Cash and cash equivalents	3	213,609	161,050	459,016	330,586
Receivables-OSI	4	1,214,419	910,938	968,703	698,557
Advances/prepayments	5	2,370	1,787	3,158	2,274
Investmens MC	7	2,000	1,508	2,000	1,440
		1,432,398	1,075,283	1,432,877	1,032,857
Non-current assets					
Fixed assets at Net Book Value	6	<u>393,466</u>	<u>297,085</u>	<u>368,409</u>	<u>265,330</u>
TOTAL ASSETS		<u>1,825,864</u>	<u>1,372,368</u>	<u>1,801,286</u>	<u>1,298,187</u>
LIABILITIES AND FUND BALANCES					
Current liabilities					
Liabilities	8	7,385	5,568	2,916	2,100
Accruals	9	1,188,565	896,120	1,217,359	876,748
Deferred Revenue	10	-	-	460	331
Finance lease liability- current portion	11	13,490	10,171	13,575	9,777
		<u>1,209,440</u>	<u>911,859</u>	<u>1,234,310</u>	<u>888,956</u>
Non-current liabilities					
Finance lease liability- long term portion	11	13,489	10,170	-	-
Fund balance	13	<u>602,935</u>	<u>450,339</u>	<u>566,976</u>	<u>409,231</u>
Total Non-current Liabilities and Fund balance		<u>616,424</u>	<u>460,509</u>	<u>566,976</u>	<u>409,231</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>1,825,864</u>	<u>1,372,368</u>	<u>1,801,286</u>	<u>1,298,187</u>

Open Society Foundation Bosnia and Herzegovina
Statement of Revenues, Expenses and Change in Fund Balance
for the year ended 31 December 2008

	Note	KM 2007	USD 2007	KM 2008	USD 2008
Contribution income					
OSI income	14	4,337,462	3,126,131	4,667,653	3,468,905
Third party funding	15	<u>54,299</u>	<u>38,039</u>	<u>1,143</u>	<u>825</u>
		4,391,761	3,164,170	4,668,796	3,469,730
Expenses					
OSI program expenses	16	(3,767,573)	(2,720,417)	(4,150,113)	(3,080,301)
OSI administrative expense	17	(507,377)	(358,441)	(549,318)	(412,284)
Third party expense	18	<u>(54,299)</u>	<u>(38,039)</u>	<u>(1,143)</u>	<u>(825)</u>
		<u>(4,329,249)</u>	<u>(3,116,897)</u>	<u>(4,700,574)</u>	<u>(3,493,410)</u>
Surplus/(deficit) of contribution income over expenses before other income		62,512	47,273	(31,778)	(23,680)
Other income					
Foreign exchange gain/(loss), net		(676)	(487)	6,720	4,994
OSI revaluation gain/(loss)		<u>3,492</u>	<u>16,301</u>	<u>(10,901)</u>	<u>(1,488)</u>
		<u>2,816</u>	<u>15,814</u>	<u>(4,181)</u>	<u>3,506</u>
Surplus(deficit) for 2008		65,328	63,087	(35,959)	(20,174)

Statement of Cash Flow for the year ended 31 December 2008

	KM 2007	USD 2007	KM 2008	USD 2008
Cash flows from operating activities				
Surplus (deficit) for the year	65,328	63,087	(35,959)	(20,174)
<i>Adjustments for :</i>				
Depreciation	24,436	17,599	28,777	21,387
Decrease/(increase) in receivables	99,466	(26,862)	245,716	212,381
Decrease/(increase) in prepayments	6,345	4,080	(788)	(487)
Decrease/(increase) in investments				68
(Decrease)/increase in liabilities	(13,090)	(7,130)	(4,384)	(3,861)
(Decrease)/increase in accruals etc	(42,655)	67,178	28,794	(19,372)
(Decrease)/increase Def. Revenue	(46,384)	(31,229)	460	331
(Decrease)/increase long term liability	13,489	10,171	(13,489)	(10,171)
Translation difference	-	(1,363)	-	(7,865)
Net cash flows from operating activities	106,935	95,531	249,127	172,237
Cash flows from investing activities:				
Payments for fixed assets	<u>(86,271)</u>	<u>(64,385)</u>	<u>(3,720)</u>	<u>(2,701)</u>
Net Cash flows from investing and financing activities	<u>(86,271)</u>	<u>(64,385)</u>	<u>(3,720)</u>	<u>(2,701)</u>
Increase/(decrease) in cash and cash equivalents for the year	20,664	31,146	245,407	169,536
Cash and cash equivalents at the beginning of the year,1 January	192,945	129,904	213,609	161,050
Cash and cash equivalents at the end of the year,31 December	213,609	161,050	459,016	330,586