

## 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, 2009.

### *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 2009 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.

26 April 2010  
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 2009

	Note	KM	USD	KM	USD
		2009	2009	2008	2008
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	191,830	141,551	459,016	330,586
Receivables - OSI	4	1,047,480	772,489	968,703	698,557
Advances/Prepayments	5	12,853	9,485	3,158	2,274
Investments - Media Center (MC)	7	2,000	1,476	2,000	1,440
		<b>1,254,163</b>	<b>925,001</b>	<b>1,432,877</b>	<b>1,032,857</b>
<b>Non-current assets</b>					
Fixed assets	6	349,876	258,172	368,409	265,330
<b>TOTAL ASSETS</b>		<b><u>1,604,039</u></b>	<b><u>1,183,173</u></b>	<b><u>1,801,286</u></b>	<b><u>1,298,187</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
Liabilities	8	10,855	8,010	2,916	2,100
Accruals	9	1,049,882	774,705	1,217,359	876,748
Deferred Revenue	10	-	-	460	331
Finance lease liability - current portion	11	173	127	13,575	9,777
		<b><u>1,060,910</u></b>	<b><u>782,842</u></b>	<b><u>1,234,310</u></b>	<b><u>888,956</u></b>
<b>Non-current liabilities</b>					
Fund balance	13	543,129	400,331	566,976	409,231
<b>Total Non-current liabilities and Fund Balance</b>		<b><u>543,129</u></b>	<b><u>400,331</u></b>	<b><u>566,976</u></b>	<b><u>409,231</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b><u>1,604,039</u></b>	<b><u>1,183,173</u></b>	<b><u>1,801,286</u></b>	<b><u>1,298,187</u></b>

**Open Society Foundation Bosnia and Herzegovina**  
**Statement of Revenues, Expenses and Change in Fund Balance**  
**for the year ended 31 December 2009**

	Note	KM 2009	USD 2009	KM 2008	USD 2008
<b>Contribution income</b>					
OSI income	14	4,530,459	3,268,053	4,667,653	3,468,905
Third party income	15	15,661	11,820	1,143	825
		<b>4,546,120</b>	<b>3,279,873</b>	<b>4,668,796</b>	<b>3,469,730</b>
<b>Expenses</b>					
OSI program expenses	16	(3,995,668)	(2,884,522)	(4,150,113)	(3,080,301)
OSI administrative expenses	17	(560,523)	(402,125)	(549,318)	(412,284)
Third party expenses	18	(15,661)	(11,820)	(1,143)	(825)
		<b><u>(4,571,852)</u></b>	<b><u>(3,298,467)</u></b>	<b><u>(4,700,574)</u></b>	<b><u>(3,493,410)</u></b>
<b>Deficit of contribution income over expenses before other income</b>		<b>(25,732)</b>	<b>(18,594)</b>	<b>(31,778)</b>	<b>(23,680)</b>
<b>Other income/(Loss)</b>					
Foreign exchange gain, net		7,200	5,194	6,720	4,994
OSI revaluation (loss)		<u>(5,315)</u>	<u>(31,914)</u>	<u>(10,901)</u>	<u>(1,488)</u>
		<b><u>1,885</u></b>	<b><u>(26,720)</u></b>	<b><u>(4,181)</u></b>	<b><u>3,506</u></b>
<b>(Deficit)</b>		<b>(23,847)</b>	<b>(45,314)</b>	<b>(35,959)</b>	<b>(20,174)</b>

## Statement of Cash Flows for the year ended 31 December 2009

	KM 2009	USD 2009	KM 2008	USD 2008
<b>Cash flows from operating activities</b>				
<b>(Deficit) for the year</b>	<b>(23,847)</b>	<b>(45,314)</b>	<b>(35,959)</b>	<b>(20,174)</b>
<i>Adjustments for :</i>				
Depreciation	27,794	20,050	28,777	21,387
Decrease/(increase) in receivables	(78,777)	(73,932)	245,716	212,381
Decrease/(increase) in prepayments	(9,695)	(7,211)	(788)	(487)
Decrease/(increase) in investments	-	(36)	-	68
(Decrease)/increase in liabilities	7,939	5,910	(4,469)	(3,468)
(Decrease)/increase in accruals	(167,477)	(102,043)	28,794	(19,372)
(Decrease)/increase deferred revenue	(460)	(331)	460	331
(Decrease)/increase in finance lease liability	(13,402)	(9,650)	(13,404)	(10,564)
Translation difference	-	30,173	-	(7,865)
<b>Net cash flows from operating activities</b>	<b>(257,925)</b>	<b>(182,384)</b>	<b>249,127</b>	<b>172,237</b>
<b>Cash flows from investing activities:</b>				
Payments for fixed assets	<u>(9,261)</u>	<u>(6,651)</u>	<u>(3,720)</u>	<u>(2,701)</u>
<b>Net cash flows from investing and financing activities</b>	<b><u>(9,261)</u></b>	<b><u>(6,651)</u></b>	<b><u>(3,720)</u></b>	<b><u>(2,701)</u></b>
<b>Increase/(decrease) in cash and cash equivalents for the year</b>	<b>(267,186)</b>	<b>(189,035)</b>	<b>245,407</b>	<b>169,536</b>
<b>Cash and cash equivalents at the beginning of the year, 1 January</b>	<b>459,016</b>	<b>330,586</b>	<b>213,609</b>	<b>161,050</b>
<b>Cash and cash equivalents at the end of the year, 31 December</b>	<b>191,830</b>	<b>141,551</b>	<b>459,016</b>	<b>330,586</b>