

## Independent Auditor's Report

### To the Management of Open Society Institute BiH

We have audited the accompanying Open Society Foundations Financial Reporting Package ("the Financial Reporting Package") of Open Society Institute BiH ("the Foundation"), which comprise the Statement of Assets, Liabilities and Fund Balance as at 31 December 2010, and the Statement of Revenues, Expenses and Change in Fund Balance, and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The Financial Reporting Package has been prepared by management of the Foundation in accordance with the Open Society Foundation's Accounting Policies included in Section A.1 of the Instruction Kit issued for the 2010 external audits of the Open Society Foundations.

### Management Responsibility for the Financial Statements

Management of the Foundation is responsible for the preparation of the Financial Reporting Package in accordance with Open Society Foundation's Accounting Policies, and for such internal control as management determines is necessary to enable the preparation of Financial Reporting Package that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Reporting Package is free from material misstatement.

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 judgement, including the assessment of the risk of material misstatement of the Financial Reporting Package, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 policies 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 audit opinion.

**Opinion**

In our opinion the Financial Reporting Package of the Foundation for the year ended 31 December 2010 is prepared, in all material respects, in accordance with the Open Society Foundation's Accounting Policies.

**Restriction on Use**

The Financial Reporting Package is prepared in accordance with the Open Society Foundation's Accounting Policies and it and this report is intended solely for use by Management of the Foundation and the Open Society Foundations and may not be suitable for another purpose.

*Ernst & Yong d.o.o.*

Ernst & Yong d.o.o.

Zagreb

Republic of Croatia

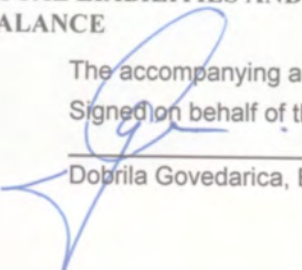
22 April 2011

**PART I: FINANCIAL STATEMENTS**  
**Open Society Foundation Bosnia and Herzegovina**  
**Statement of Assets, Liabilities and Fund Balance**  
**as at 31 December 2010**

	Note	KM 2009	USD 2009	KM 2010	USD 2010
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	191,830	141,551	189,982	130,072
Receivables-OSI	4	1,047,480	772,489	1,452,466	993,285
Advances/prepayments	5	12,853	9,485	2,902	1,987
Investments MC	7	2,000	1,476	2,000	1,369
		<b>1,254,163</b>	<b>925,001</b>	<b>1,647,350</b>	<b>1,126,713</b>
<b>Non-current assets</b>					
Fixed assets at Net Book Value	6	<u>349,876</u>	<u>258,172</u>	<u>359,770</u>	<u>246,316</u>
<b>TOTAL ASSETS</b>		<b><u>1,604,039</u></b>	<b><u>1,183,173</u></b>	<b><u>2,007,120</u></b>	<b><u>1,373,029</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current liabilities</b>					
Liabilities	8	10,855	8,010	3,003	2,056
Accruals	9	1,049,882	774,705	1,405,069	961,979
Deferred Revenue	10	-	-	34,000	23,278
Finance lease liability-current portion	11	<u>173</u>	<u>127</u>	<u>8,953</u>	<u>6,130</u>
		<b><u>1,060,910</u></b>	<b><u>782,842</u></b>	<b><u>1,451,025</u></b>	<b><u>993,443</u></b>
<b>Non-current liabilities</b>					
Fund balance	13	<u>543,129</u>	<u>400,331</u>	<u>556,095</u>	<u>379,586</u>
<b>Total Non-current Liabilities and Fund Balance</b>		<b><u>543,129</u></b>	<b><u>400,331</u></b>	<b><u>556,095</u></b>	<b><u>379,586</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>2,007,120</u></b>	<b><u>1,373,029</u></b>

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 22 April 2011,

  
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 2010**

	Note	KM 2009	USD 2009	KM 2010	USD 2010
<b>Contribution income</b>					
OSI income	14	4,530,459	3,268,053	5,625,534	3,822,988
Third party funding	15	<u>15,661</u>	<u>11,820</u>	<u>25,906</u>	<u>17,405</u>
		<b>4,546,120</b>	<b>3,279,873</b>	<b>5,651,440</b>	<b>3,840,393</b>
<b>Expenses</b>					
OSI program expenses	16	(3,995,668)	(2,884,522)	(4,996,302)	(3,396,438)
OSI administrative expense	17	(560,523)	(402,125)	(589,650)	(398,990)
Third party expense	18	<u>(15,661)</u>	<u>(11,820)</u>	<u>(25,906)</u>	<u>(17,405)</u>
		<b><u>(4,571,852)</u></b>	<b><u>(3,298,467)</u></b>	<b><u>(5,611,858)</u></b>	<b><u>(3,812,833)</u></b>
<b>Surplus/(deficit) of contribution income over expenses before other income</b>		<b>(25,732)</b>	<b>(18,594)</b>	<b>39,582</b>	<b>27,560</b>
<b>Other income</b>					
Foreign exchange gain/(loss), net		7,200	5,194	(1,557)	(1,058)
OSI revaluation gain/(loss)		(5,315)	(31,914)	3,072	(26,317)
Net book value of assets disposed		-	-	<u>(28,131)</u>	<u>(19,114)</u>
		<b><u>1,885</u></b>	<b><u>(26,720)</u></b>	<b><u>(26,616)</u></b>	<b><u>(46,489)</u></b>
<b>Surplus (deficit) for 2010</b>		<b>(23,847)</b>	<b>(45,314)</b>	<b>12,966</b>	<b>(18,929)</b>

The accompanying accounting policies and notes are an integral part of these financial statements.

Signed on behalf of the Company on 22 April 2011,

  
Dobrila Govedarica, Executive Director

## Statement of Cash Flow for the year ended 31 December 2010

	KM 2009	USD 2009	KM 2010	USD 2010
<b>Cash flows from operating activities</b>				
<b>Surplus (deficit) for the year</b>	(23,847)	(45,314)	12,966	(18,929)
<i>Adjustments for :</i>				
Depreciation	27,794	20,050	23,390	15,893
Decrease/(increase) in receivables	(78,777)	(73,932)	(404,986)	(220,796)
Decrease/(increase) in prepayments	(9,695)	(7,211)	9,951	7,498
Decrease/(increase) in investments	-	(36)	-	107
(Decrease)/increase in liabilities	7,939	5,910	(7,852)	(5,954)
(Decrease)/increase in accruals etc	(167,477)	(102,043)	355,187	187,274
(Decrease)/increase def. revenue	(460)	(331)	34,000	23,278
(Decrease)/increase short term liability	(13,402)	(9,650)	8,780	6,003
Loss on disposal of fixed assets			28,131	19,114
Translation difference	-	30,173	-	17,428
<b>Net cash flows from operating activities</b>	<b>(257,925)</b>	<b>(182,384)</b>	<b>59,567</b>	<b>30,916</b>
<b>Cash flows from investing activities:</b>				
Payments for fixed assets	<u>(9,261)</u>	<u>(6,651)</u>	<u>(61,415)</u>	<u>(42,395)</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>(61,415)</u></b>	<b><u>(42,395)</u></b>
<b>Increase/(decrease) in cash and cash equivalents for the year</b>	<b>(267,186)</b>	<b>(189,035)</b>	<b>(1,848)</b>	<b>(11,479)</b>
<b>Cash and cash equivalents at the beginning of the year,1 January</b>	<b>459,016</b>	<b>330,586</b>	<b>191,830</b>	<b>141,551</b>
<b>Cash and cash equivalents at the end of the year,31 December</b>	<b>191,830</b>	<b>141,551</b>	<b>189,982</b>	<b>130,072</b>