



NGO and Business Audit d.o.o. Sarajevo Audit and Consulting Company

AUDIT REPORT
FINANCIAL STATEMENTS FOR 2016
SARAJEVO OPEN CENTRE

Sarajevo, April 2017.

Audit of Financial Statements for 2016 - Sarajevo Open Centre

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1. DECLARATION OF FULL DISCLOSURE**Association Sarajevski Otvoreni Centar - SOC**
Čekaluša 16, Sarajevo, BIH

Sarajevo, 13. april 2017

**DECLARATION OF FULL DISCLOSURE TO
THE AUDIT COMPANY "NGO AND BUSINESS AUDIT", d.o.o. SARAJEVO**

Dear Sirs,

With reference to the Project Audit Contract between **Association Sarajevski Otvoreni Centar – SOC** and Auditing Company **"NGO AND BUSINESS AUDIT", d.o.o.** Sarajevo of April 13th 2017, we are certifying:

- the acknowledgement of the Association's responsibility for the keeping of accounts and financial documents that are correct, complete, fair, representing the true facts shows the actual situation in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), with in national laws and regulations, and that the financial statements give a true and fair view of the results of Association during the reporting period;
- the documents of reference (description of the project, contracts, budgets, etc.) and national legislation that all accounting records, supporting and other documents, minutes and any pertinent information necessary for the audit will be at the disposal of the auditor the completeness of information concerning property and goods, the completeness of information concerning financing received or due and own financing concerning the audited period,
- for the financial statements being audited the availability for supplying any information and explanations, either orally or by written confirmation, which might be required by the auditor in the execution of his mandate.

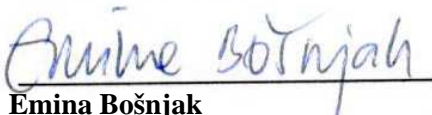
We confirm to the best of our knowledge and belief, and having made the appropriate inquiries, of the officials of the Association, the following representation given to you in connection with our audit of the financial statements for the period 1st January - 31st December 2016. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Association have been properly reflected and recorded in the accounting records. All other records and related information which might affect the fairness of, or necessary disclosure in, the accounts, have been made available to you, and no such information has been withheld.

We are not aware of any irregularities, including fraud involving management or employees of the Association other than situation already discussed with you, nor are we aware of any breaches or possible breaches of the BiH. No allegation of such irregularities, including fraud or such breaches, has come to our notice.

No circumstances have arisen, or events occurred, between the Financial Statements date and the date of this letter, in respect of matters, which would require adjustments to, or disclosure in accounts.

We are not aware of any circumstances where an entity outside the Association has the right to instruct the Association its business operations and decisions.

There is no litigation against Association which could cause any contingent liabilities.

For and on behalf of Association Sarajevski Otvoreni Centar - SOC:**Executive Director**
Emina Bošnjak

2. INDEPENDENT AUDITOR'S OPINION

Introduction

We have audited the accompanying Balance Sheet and Profit and Loss Statement of the **Sarajevo Open Centre**, Čekaluša 16 as of December 31, 2016.

Management responsibility of Sarajevo Open Centre

Management of the Sarajevo Open Centre 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 free from material misstatement and which are consequences of errors or fraud; selecting and applying appropriate accounting policies and accounting estimates that are appropriate in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing as defined by the International Federation of Accountants. Those standards require that we comply with ethical requirements of the profession and to perform the audit in a manner to obtain reasonable assurance about whether the financial statements are free of 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by error or a fraud. The risk assessment considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls.

Opinion

In our opinion, based on the audit performed, the above financial statements give a true and fair view, in all material respects, of the financial position of the Sarajevo Open Centre as of December 31, 2016, and of its financial performance, and is in accordance with the generally accepted accounting standards.

Sarajevo, April 19th 2017
NGO and Business Audit, d.o.o. Sarajevo

Licensed Auditor

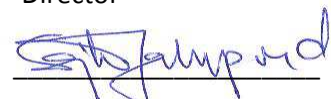


Ismeta Čardaković, B.Sc. Oec

License no. 3090185103



Director



Šejla Jakupović, B.Sc. Oec

3. INTRODUCTION

Sarajevo Open Centre (SOC) advocates the full respect of human rights and social inclusion of lesbian, gay, bisexual, trans* and intersex (LGBTI) people and women.

Sarajevo Open Centre is an independent feminist civil society organization that strives to empower lesbian, gay, bisexual, trans* and intersex (LGBTI) people and women through community empowerment and activist movement building. SOC also promotes the human rights of LGBTI people and women publically and advocates on national, European and international level for improved legislation and policies in Bosnia and Herzegovina. By working on European integration issues, SOC is improving human rights in general and encouraging further the development of civil society.

SOC was established in 2007, and they have been working intensively since 2011, when they opened first office and had team members constantly working in the Sarajevo Open Centre.

Since then, the Centre has been constantly developing its capacities and human resources as well as its professionalism and the scope of work.

SOC adopted its Strategic Plan for the period 2014-2017 and defined directions of development in the future period (learn more at the link: <http://soc.ba/en/about-us/>).

3.1 SOC Profile

- Name: Sarajevo Open Centre (SOC)
- Main Office: Bosnia and Herzegovina, Sarajevo, Čekaluša 16
- Field Offices: 1. Sarajevo Office
- ID No: 4201263530004
- VAT No: VAT exempt
- Business Classification Code according to the Standard Industry Classification: 94.99
- Registration Court: last registration – under the Decree issued by the BiH Ministry of Justice, No. 08-07-1-98/07 dated August 30th 2007
- SOC Executive Director: Emina Bošnjak

3.2. Management and Supervision

In accordance with the Statute, the bodies of the organization are: Assembly, Governing Board and Executive Director.

The Governing Board consists of three persons out of whom the president of the Governing Board is elected. As defined in the Statute some of the basic tasks of the Governing Board are among other things to:

- Prepare and propose the draft of the changes of the Statute and other documents passed by the Assembly;
- Carry out the policy, conclusions and other decisions made by the Assembly;
- Manage the property of the Association;
- Follow the realization of the financial plan of the work of the Association and make decisions on the usage of the funds;
- Submit the annual and periodical reports on its work to the Assembly,
- Establish the annual and half-annual projections on the execution of the income and expense plan and submit it to the Assembly for consideration and adoption.

The work of the Governing Board is defined by the Regulations on work of the Governing Board that complies with the general principles of the work of Governing Boards.

Statutorily, SOC is set as a member organization and it is set that all the members of the Association are at the same time the members of the Assembly with equal rights and obligations.

The Executive Director primarily manages the projects/programs, chooses, manages and leads the staff, takes care of the financial stability and represents the organization. Beside this the Executive Director guarantees the quality of work and the respect of the highest standards when it comes to the finances, transparency, anti-corruption measures and human resources.

In the organization, there is clear hierarchy with the defined responsibilities and obligations.

3.3. General Policies and Procedures

The Sarajevo Open Centre general policies and procedures include:

- The Statute,
- Accounting Rulebook,
- Rulebook on accounting policies,
- Rulebook on internal organization and organization chart,
- Rulebook on working conditions, organization, and salary scale,
- Rulebook on financial management,
- Rulebook on petty cash operations,
- Rulebook on procurement procedures,
- Rules on Management of fixed assets.

3.4. Structure and Number of Employees

The Sarajevo Open Centre employs 11 full time employees.

There is a clear organizational structure with respect to the segregation of duties. The job descriptions are defined by agreement. Labor relations and all rights of employees are defined in the Rules of Procedure in accordance with current laws of BiH.

The Sarajevo Open Centre qualification staff structure is shown in the table below:

No.	Description	No. of employees as of December 31 st 2016
1	University degree and Master degree	2
2	University degree, Bachelor's ¹	6
3	High School Degree	3
	Total as of December 31st 2016	11

3.5. Sources of Funding

The Sarajevo Open Centre obtains funding for its activities through a competitive bidding for donor-supported projects (international) available for project activities under contractual terms and conditions. All implemented projects are subject of agreements and project documents which are approved by donors.

¹ Higher school is considered as Bachelor degree

4. AUDIT SCOPE AND METHODOLOGY

The objective of the 2016 financial statement audit is to enable the auditor to express an opinion about whether the financial statements have been prepared, in all material respects, in compliance with the International Accounting Standards and applicable legislation.

The audit objective is to ascertain that:

- The financial statements give a true and fair view of the state of affairs for the fiscal year;
- The funds are used in accordance with the regulations and project agreements, and for purposes intended under such regulations and agreements;
- The internal control system is adequate to ensure the asset safeguarding, objective achievement, compliance with applicable legislation and true and fair Sarajevo Open Centre reporting.

The audit has been planned and performed to provide a reasonable basis for the expression of our opinion on whether the financial statements present a true and fair view of business activities during the fiscal year and the state of affairs at the year-end.

We conducted our audit in accordance with International Auditing Standards.

Our approach was tailored to the specific needs of the Sarajevo Open Center and was 'risk-based'. The size of the tests was based on the auditor's risk analysis. We have planned and performed the audit from the perspective of materiality and risk in order to obtain reasonable assurance that the 2016 financial statements are free from material misstatement.

The audit involved examination on a test basis of appropriate evidence.

This required the following core methodology:

- Planning,
- Collection of audit evidence,
- Draw conclusions and form opinions,
- Reporting to Sarajevo Open Centre.

5. AUDITING PROCEDURES REPORT

We have audited the accompanying financial statements of the Sarajevo Open Centre as of December 31st, 2016. The audit was conducted on-site at the Sarajevo Open Centre premises in Sarajevo, Čekaluša 16, in the presence of authorized Sarajevo Open Centre representatives.

These financial statements are the responsibility of the Sarajevo Open Centre management. Our responsibility is to express an opinion on these financial statements based on our audits.

The audit team consisting of Ismeta Čardaković, B.Sc.Oec, the licensed auditor and auditor assistants applied a sampling approach (FBiH Audit Standards 230, 320, 520 and 530) and a test-based examination of the Sarajevo Open Centre documents, using different sample sizes, conditional on the balance item relevance.

5.1. Basis for Financial Statement Presentation

The Sarajevo Open Centre maintains its financial records and prepares the financial statements in accordance with the International Accounting Standards (IAS), i.e. with the International Financial

Reporting Standards (IFRS) and Interpretations issued by the International Accounting Standards Board (IASB), and the regulations listed below:

- BiH Accounting and Auditing Law,
- FBiH Law on Financial Operations,
- BiH Law on Associations and Foundations, and
- Other applicable legislation.

The Sarajevo Open Centre financial statements are based on a historical cost principle.

The preparation of financial statements under IFRS requires the Sarajevo Open Centre to use its judgments, estimates, and assumptions affecting policy implementation and the disclosed amount of assets and liabilities, income and expenses in the reporting period.

The financial statements and the accompanying notes are presented in BAM.

Financial reporting is also arranged on a per-project basis for projects implemented during the reporting period. The Sarajevo Open Centre posts the 'project'-related financial transactions using accounting software FIN BOOKING and Excel (Microsoft Office program). The financial reports are basically submitted to donors in the format specified by the donation agreement and within the timeline not necessarily coinciding with the end of the reporting period, but with the end of the project implementation.

Financial records of the 'project' and consolidated accounting are reconciled, with the enclosed documents.

5.2. Revenue Recognition

According to the modified accrual accounting system, revenues are recognized in the accounting period when they become measurable and available (when paid on the Sarajevo Open Centre account), whereas expenses are recognized when the liability is incurred.

The revenue recognition under this method evolves from the accounting and reporting practices applied to budget beneficiaries, associations and foundations. The system reduces the risk of giving an unrealistic view of the Sarajevo Open Centre's financial position.

Under the above provisions recognized revenues include:

1. Budgetary revenue in the year when received;
2. Revenue received under the donation contracts in foreign or local currency, using the revenue/expense matching approach according to IFRS;
3. Own-source revenue in the period in which they are earned and cash received;
4. Deferred revenue is recognized in the period to which it applies, i.e. in the period when the deferred revenue producing events will occur. This means that the advanced revenue is initially recorded as the accrued revenue, and ultimately transferred to the revenue account:
 - Upon the issuance of invoice for services rendered.
 - Using a straight-line method for deferred revenues.

5.3. Expense Recognition

Expenses are recognized on the modified accrual accounting basis when the liability is incurred. This principle requires all the expenses to be recognized and recorded in the financial statements in the accounting period in which they are incurred, i.e. in the period in which the obligation to pay is incurred.

5.4. Tangible Fixed Assets

Tangible fixed assets are the assets that comply with the requirements defined by the Asset Accounting Code and the IAS 16 – Property, Plant and Equipment, and other tangible fixed assets.

Paragraph 2, IAS 16 provides a clarification as to the recognition of tangible fixed assets and states:

Tangible assets are assets that:

- an entity has for use in the production or supply of goods and services, for lease to third parties or for administrative purposes and other purposes, and
- are expected to be in use for more than a year.

Tangible fixed assets are valued at cost, which includes the purchase price, and any other cost related to the acquisition of tangible fixed assets.

A tangible fixed asset may be recognized in a balance sheet when it is probable that the future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably.

Gains and losses on sale or any other disposal of tangible fixed assets are recognized in the profit and loss statement.

The depreciation method applied to tangible fixed assets is that of a constant or straight-line depreciation at proportional rates, in conformity with the rates set in the Asset Depreciation Nomenclature (FBIH Official Gazette 2/95). The amount of depreciation on newly acquired fixed assets are calculated starting with the first day of the following month after the fixed asset has been put into service – paragraph 30, FBIH AS16. The calculation of fixed asset depreciation ends upon the elimination, disposal, sale, etc. of the assets not fully depreciated.

5.5. Inventories

The cost of inventories comprises overall costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Under IAS 2: the inventories of raw materials and materials, spare parts and small inventory are valued at cost, which includes the purchase price, and any other cost related to the acquisition.

Small inventory includes items with a useful life less than one year. Small inventory is written off when put to use, applying a 100% write-off method, and removed from the books at the point of disposal.

5.6. Accounts Receivable

Receivables from customers, government, and government institutions, employees and other legal and physical entities are recorded in business books and financial statements based upon a valid document sufficient to prove the event occurrence and its value. The reconciliation of accounts receivable is required in case of receivables past due.

5.7. Cash and Cash Equivalents

Under IAS 7:

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

Under IAS 7, cash comprises:

- cash on hand, on a giro and other bank accounts,
- cash in the foreign currency account,
- bank fixed deposits.

Cash on hand and cash held in commercial bank accounts are recognized and stated at their nominal value. Foreign currencies are translated into the local currency at the average exchange rate of the BiH Central Bank, as at the balance sheet date. Foreign exchange gains and losses are recognized in the profit and loss statement.

5.8. Accounts Payable

Current liabilities are reported in business books and financial statements at the business transaction value recorded based upon a valid financial document or a contract.

5.9. Accruals

Short-term accruals comprise:

- accrued expense,
- accrued income
- accrued expenses payable,
- deferred revenue, and
- accrued provisions.

Long-term accruals are recorded based on deferred revenues and include donations received as defined by the FBiH AS 20 – Donated funds.

5.10. Donations

Donations received are recognized in the financial statements as deferred income based on the revenue/expense matching approach. Unconditional donations are recognized in the balance sheet and profit and loss statement only after the donation funds have been deposited to the bank account, or an asset donated in kind received.

5.11. Provisions

Provisions are recognized when there is a present legal or constructive obligation arising from past events and when it is probable that an outflow of resources will be required to settle the obligation, and the amount of obligation can be reliably estimated.

5.12. Taxes

The Sarajevo Open Centre is a not-for-profit organization and as such is exempt from income tax for the reason that it relies on the funding received from other legal entities, i.e. donors supporting the Sarajevo Open Centre project activities. Under the applicable legislation, associations and foundations are relieved of filing and paying income taxes.

6. FINANCIAL REPORTING

The Sarajevo Open Centre prepares its annual financial report. The annual financial report is submitted under the provisions of the BiH Accounting and Auditing Law governing annual reporting for 2016.

The Sarajevo Open Centre submits a set of financial reports to the AFIP Agency relevant unit for processing and verification.

FINANCIAL REPORTS

6.1. Balance Sheet

-Amounts in BAM

1	ITEM	Amount after value adjustment deduction -BAM		Notes
		3	4	
Account	2			
	ASSETS			
	A) FIXED ASSETS	32.172	27.148	1
0	Property, plant and equipment	30.672	25.648	
01	Intangible fixed assets	-	-	
02,03	Long-term deposits and receivables	1.500	1.500	
04	Biological assets	-	-	
05	Investment in property	-	-	
06	Fixed assets for sale	-	-	
08	Long-term accruals	-	-	
	B) CURRENT ASSETS	623.453	206.292	2
10	Cash and cash equivalents	618.192	206.292	2.1.
11,12	Short-term deposits and receivables	5.261	-	
13	Inventories	-	-	
14	VAT refund	-	-	
18	Short-term accruals	-	-	
	TOTAL ASSETS	655.625	233.440	
	LIABILITIES AND CAPITAL			
	A) CAPITAL	8.038	17.983	3
200	Retained revenue	-	-	
201	Reserves	-	-	
202	Retained earnings	8.038	17.983	
203	Retained losses	-	-	
204	Revaluation reserves	-	-	
	B) Long-Term Liabilities	647.518	215.457	4
21	Long-term financial liabilities	-	-	
28	Long-term accruals and provisions	647.518	215.457	
	C) Short-term liabilities	69	-	
30	Current liabilities	69	-	
31,32	Short-term financial liabilities	-	-	
34	VAT payables	-	-	
38	Short-term accruals and provisions	-	-	
	TOTAL LIABILITIES AND CAPITAL	655.625	233.440	

6.2. Profit and Loss Statement

- Amounts in BAM

1	ITEM	Amount - BAM		Notes
		Previous year 2015	Current year 2016	
Account	2	3	4	
	A. REVENUES			5
410	Membership fees	-	-	
411	Budgetary revenues	-	-	
412	Humanitarian revenues	878.404	927.608	
417	Own-source revenues	-	-	
418	Other revenues	5.887	10.609	
	Total revenues	884.291	938.217	
	B. EXPENDITURES			6
400	Material and energy	13.156	9.316	
401	Services	419.418	388.180	
402	Salaries and other allowances	266.665	330.024	
403	Depreciation	8.541	10.674	
404	Financial expenses	3.900	4.868	
405	Travel expenses	13.831	5.147	
406	Humanitarian expenses	-	500	
407	Taxes and contributions not based on business performance	2.789	2.696	
408	Other expenses	150.165	176.867	
	Total expenditures	878.464	928.272	
	C. BALANCE			
	Surplus revenues	5.827	9.945	
	Surplus expenditures	-	-	

7. AUDITOR'S NOTES

Note 1: Fixed Assets (BAM 27.148)

Account	FIXED ASSETS	Year 2015	Year 2016
	A) FIXED ASSETS	32.172	27.148
0	Property, plant and equipment	30.672	25.648
01	Intangible fixed assets	-	-
02,03	Long-term deposits and receivables	1.500	1.500
04	Biological assets	-	-
05	Investment in property	-	-
06	Fixed assets for sale	-	-
08	Long-term accruals	-	-

The fixed assets are recorded at their historical cost and adjusted by accumulated depreciation. The accounting records show the value of vehicles and other intangible assets of the Sarajevo Open Centre as shown in the table below:

- Amounts in BAM

Description	Tangible fixed assets						Total
	Vehicles	Office Equipment	Computers Equipment	Foto and video Equipment	Printers and scanners	Other equip.	
Nett amount							
As of January 01st 2016	6.500	2.712	18.114	8.488	1.551	17.227	54.593
Increase-Decrease	0	0	4.281	0	0	1.369	5.650
Written off assets	0	0	-749	0	0	0	-749
Balance as of December 31st 2016	6.500	2.712	21.646	8.488	1.551	18.596	59.494
Depreciation							
As of January 01st 2016	4.068	1.428	4.987	2.056	554	10.828	23.921
Changes -/+	0	0	-749	0	0	0	-749
Depreciation	975	219	6.372	1.273	517	1.319	10.674
Depreciation as of December 31st 2016	5.043	1.646	10.610	3.330	1.070	12.146	33.846
Total as of January 01st 2016	2.432	1.284	13.127	6.432	997	6.399	30.672
Total as of December 31st 2016	1.457	1.066	11.036	5.158	481	6.450	25.648

Table – Fixed Assets after Depreciation

Note 1.1. : Procurement of Fixed Assets

- Total increase of assets value in year 2016 was recorded in amount of BAM 5.650, which relates to newly purchased assets.
- By the Decision on approval of the fixed assets inventory report, technically defective assets totaling BAM 749, were written off.
- Depreciation of fixed assets in 2016 was in amount of BAM 10.674 (as defined in Income statement).

In year 2016 The Sarajevo Open Centre procured office equipment, computers, and other equipment needed for their operations.

Note 1.2.: Long-term placements and receivables

On the account long-term receivables is disclosed amount of BAM 1.500, which represents prepaid lease expense for office space.

Note 2: Current Assets (BAM 206.292)

The Sarajevo Open Centre current assets as at December 31st 2016 contains cash and cash equivalents as shown below:

Account	CURRENT ASSETS	Year 2015	Year 2016
	B) CURRENT ASSETS	623.453	206.292
10	Cash and cash equivalents	618.192	206.292
11,12	Short-term deposits and receivables	5.261	-
13	Inventories	-	-
14	VAT refund	-	-
18	Short-term accruals	-	-

Note 2.1: Cash and cash equivalents (BAM 206.292)

The structure of the cash assets of the Sarajevo Open Centre are distributed as follows:

Account	Item	Dec. 31. 2015	Dec. 31. 2016
100	Cash on hand	382	31
101	Bank account and current accounts	617.810	206.261
103	Foreign currency bank account	0	0
	TOTAL	618.192	206.292

Account	BANK ACCOUNTS IN BAM	Dec. 31. 2015	Dec. 31. 2016
101	Bank Account and Current Accounts - Local currency	617.810	206.261
	Raiffeisen bank account - main 095	213.542	93.327
	Raiffeisen bank sub account 483- SOC	8.038	17.983
	Raiffeisen bank sub account 192- SIDA	38.955	0
	Raiffeisen bank sub account 386- NED	42.793	0
	Raiffeisen bank sub account 580- Norway	151.686	0
	Raiffeisen bank sub account 677- MATRA	43.642	2.008
	Raiffeisen bank sub account 774- US SD	119.153	11.768
	Raiffeisen bank sub account 871- MATRA II	0	81.176
	Raiffeisen bank sub account 968- PPMG	0	0
103	Bank Account - Foreign Currency	0	0
	Raiffeisen bank account - Foregin	0	0
	Total on bank accounts	617.810	206.261
100	Petty cash	382	31
	TOTAL CASH AND CASH EQUIVALENTS	618.192	206.292

Sarajevo Open Centre uses the transaction accounts held with one commercial bank (Raiffeisen bank dd) for its business transactions. Authorized persons for signing the bank orders for all transaction accounts are the Executive Director and Financial Manager.

The bank statements as of December 31st 2016 disclose the same balance as that in the general ledger. The funds on the transaction accounts total to BAM 206.261.

The cash- on-hand account as of December 31st 2016 reflects the same balance as the latest cash-on-hand statement. Cash on hand on the balance sheet in BAM totals to BAM 31. Sarajevo Open Centre performed inventory of funds and cash count as of 31.12.2016 and there were no differences compared to accounting value registered in General ledger.

Note 3: Capital (BAM 17.983)

The Balance Sheet, as of December 31st 2016, reports accumulated earned surplus of earnings from previous years in the amount of BAM 17.983.

Account	ACCOUNT	Year 2015	Year 2016
	A) CAPITAL	8.038	17.983
200	Retained revenue	-	-
201	Reserves	-	-
202	Retained earnings	8.038	17.983
203	Retained losses	-	-
204	Revaluation reserves	-	-

Note 4: Long term Liabilities (BAM 215.457)

Account	ACCOUNT	Year 2015	Year 2016
		BAM	BAM
	B) Long-Term Liabilities	647.518	215.457
21	Long-term financial liabilities	-	-
28	Long-term accruals and provisions	647.518	215.457

As of December 31st 2016 Long-term accruals and provisions are recorded in the amount of BAM 215.457.

This amount relates to funding of project activities that will be implemented in the future. After the implementation of the project activities, (implemented by Sarajevo Open Centre), such eligible amounts are transferred from accruals to income of the period. This is the way to comply with principle of matching revenues and expenses during the reporting period.

Note 5: Revenues (BAM 938.217)

Revenues are received under the donations for project activities funded by local and international donors. Such incomes are aimed for funding and supporting planned project activities, as designated and approved by the donor's contracts and budgets. Sarajevo Open Centre total revenues for 2016 are disclosed in amount BAM 938.217 (as presented in Income statement for 2016).

In 2016 Sarajevo Open Centre (SOC) implemented many projects funded by different donors. Each donor is setting individual reporting requirements in grant agreements and SOC is obligated to obey such requirements. SOC staff maintains project accounting. Project financial reports are prepared per each project in the periods as defined by Grant Agreements signed with donors. Simultaneously, all transactions are recorded into general ledger maintained by external accounting agency. The project books are in compliance with general ledger and financial statements prepared by external accounting agency.

Detailed list of revenues (incomes) per projects implemented in 2016 by Sarajevo Open Centre is given in the table below:

REVENUES PER PROJECTS 2016					
NO.	Project	Project ID	Donor	Project period	Amount in 2016
1	Fighting Hate Crimes in Bosnia and Herzegovina	2014_14	Dutch Mission to the OSCE in Vienna	01.10.2014 - 30.09.2016	148.973
2	Step Up!	2014_17	Norwegian Embassy Sarajevo	01.08.2014 - 30.11.2015	3.913
3	Mainstreaming LGBT Rights in BiH Media	2014_20	Dutch Embassy Sarajevo/MATRA Programme	01.10.2014 - 30.09.2016	74.610
4	Advocating LGBT rights in Bosnia and Herzegovina: Core funding for Sarajevo Open Centre	2014_21	Open Society Fund BiH (OSFBIH)	01.12.2014 - 31.03.2016	53.458
5	Advancing the Human Rights of LGBT people Within BiH Society and Legal Framework	2014_22	Astraea Lesbian Foundation for Justice	01.07.2014 - 30.06.2016	28.599
6	Enhancing Lesbian, Gay, Bisexual and Trans Rights in BiH in Line With EU Standards	2014_3	European Union/EIDHR	01.01.2014 - 30.06.2015	28.409
7	New BiH Dialog	2015_3	GONG Zagreb (MFA Croatia)	01.01.2015 - 31.12.2015	642
8	Strengthening the Engagement of NGOs in Monitoring Reforms-Phase II	2015_5	National Endowment for Democracy (NED)	01.06.2015 - 31.05.2016	53.751
9	Advocating LGBT and Women's Rights - Support for Sarajevo Open Centre's Programmes	2015_6	Norwegian Embassy Sarajevo	01.01.2016 - 31.12.2016	134.007
10	Seven: Raising Awareness on Violence Against Women and Promoting the Istanbul-Convention in BiH	2015_7	US Embassy Sarajevo (State Department)	24.06.2015 - 24.12.2016	2.820
11	Utilizing European Union Integration Processes for the Advancement of LGBT Rights in the Western Balkans	2015_8	State Department (US SD)	01.10.2015 - 31.12.2017	82.945
12	Advocating LGBT rights in Bosnia and Herzegovina: Core funding for Sarajevo Open Centre	2015_9	Open Society Fund BiH (OSFBIH)	01.12.2015 - 31.12.2016	88.233
13	SIDA	2016_1	Swedish International Development Cooperation Agency (SIDA)	-	182.405
14	Strengthening Civil Society's Role in European Integration Processes 2016	2016_2	Heinrich Boell Stiftung, Sarajevo Office	- 30.11.2016	13.437
15	Advancing the Human Rights of LGBT persons within BH Society and Legal Framework	2016_3	Astraea Lesbian Foundation for Justice	01.01.2016 - 30.09.2017	87
16	Public policy for equality of LGBTI people in Bosnia and Herzegovina	2016_4	Dutch Embassy Sarajevo/MATRA Programme	12.01.2016 - 30.11.2018	1.953
17	Fixed assets	2014_00		01.01.2015-31.12.2016	10.674
	Own-source revenues				
18	Sarajevo Open Centre General Budget	2015_0	SOC	01.01.2015 - 31.12.2015	19.244
19	Sarajevo Open Centre's Solidarity Fund	2014_16	SOC	01.01.2015-31.12.2016	10.056
	TOTAL				938.217

All revenues per projects are fully reconciled with revenues as disclosed in Income statement for 2016.

Note 6. Expenditures (BAM 933.923)

Total expenditures in accounting records for the period January 1- December 31st 2016 are disclosed in amount of BAM 933.923 (as presented in Income statement for 2016).

Detailed list of Expenditures per Projects implemented in 2016 is given in the table below:

EXPENDITURES PER PROJECTS 2016					
NO	Project	Project ID	Donor	Project period	Amount in 2016
1	Fighting Hate Crimes in Bosnia and Herzegovina	2014_14	Dutch Mission to the OSCE in Vienna	01.10.2014 - 30.09.2016	148.973
2	Step Up!	2014_17	Norwegian Embassy Sarajevo	01.08.2014 - 30.11.2015	3.913
3	Mainstreaming LGBT Rights in BiH Media	2014_20	Dutch Embassy Sarajevo/MATRA Programme	01.10.2014 - 30.09.2016	74.610
4	Advocating LGBT rights in Bosnia and Herzegovina: Core funding for Sarajevo Open Centre	2014_21	Open Society Fund BiH (OSFBIH)	01.12.2014 - 31.03.2016	53.458
5	Advancing the Human Rights of LGBT people Within BiH Society and Legal Framework	2014_22	Astraea Lesbian Foundation for Justice	01.07.2014 - 30.06.2016	28.599
6	Enhancing Lesbian, Gay, Bisexual and Trans Rights in BiH in Line With EU Standards	2014_3	European Union/EIDHR	01.01.2014 - 30.06.2015	28.409
7	New BiH Trialog	2015_3	GONG Zagreb (MFA Croatia)	01.01.2015 - 31.12.2015	642
8	Strengthening the Engagement of NGOs in Monitoring Reforms-Phase II	2015_5	National Endowment for Democracy (NED)	01.06.2015 - 31.05.2016	53.751
9	Advocating LGBT and Women's Rights - Support for Sarajevo Open Centre's Programmes	2015_6	Norwegian Embassy Sarajevo	01.01.2016 - 31.12.2016	135.256
10	Seven: Raising Awareness on Violence Against Women and Promoting the Istanbul-Convention in BiH	2015_7	US Embassy Sarajevo (State Department)	24.06.2015 - 24.12.2016	2.820
11	Utilizing European Union Integration Processes for the Advancement of LGBT Rights in the Western Balkans	2015_8	State Department (US SD)	01.10.2015 - 31.12.2017	82.945
12	Advocating LGBT rights in Bosnia and Herzegovina: Core funding for Sarajevo Open Centre	2015_9	Open Society Fund BiH (OSFBIH)	01.12.2015 - 31.12.2016	88.481
13	SIDA	2016_1	Swedish International Development Cooperation Agency (SIDA)	-	186.558
14	Strengthening Civil Society's Role in European Integration Processes 2016	2016_2	Heinrich Boell Stiftung, Sarajevo Office	- 30.11.2016	13.437
15	Advancing the Human Rights of LGBT persons within BH Society and Legal Framework	2016_3	Astraea Lesbian Foundation for Justice	01.01.2016 - 30.09.2017	87
16	Public policy for equality of LGBTI people in Bosnia and Herzegovina	2016_4	Dutch Embassy Sarajevo/MATRA Programme	12.01.2016 - 30.11.2018	1.953
A	Total A				903.892

EXPENDITURES PER PROJECTS 2016					
NO	Project	Project ID	Donor	Project period	Amount in 2016
	Own-source revenues				
17	Sarajevo Open Centre General Budget	2015_0	SOC	01.01.2015 - 31.12.2015	19.244
18	Sarajevo Open Centre's Solidarity Fund	2014_16	SOC	01.01.2015-31.12.2016	112
B	Total B				19.356
C	Fixed assets - Depreciation - C	2014_00		01.01.2015-31.12.2016	10.674
	TOTAL A+B+C				933.923

All expenditures per projects are fully reconciled with expenditures as disclosed in Income statement for 2016.

It was found that:

- The salary and remunerations for staff include eligible costs only and salaries and remunerations have been paid in accordance with local rules and legislation, and in accordance with projects budgets. These costs are debited to the projects and recorded throughout the 2016 year in a systemized way. Salary costs are supported by adequate and sufficient documentation.
- All social contributions and taxes for local staff salaries and external experts are correctly calculated and paid in accordance with local rules and legislations.
- Other expenditures recorded throughout the 2016 year is supported by adequate accounting documentation.
- Declared expenditures are adequate, related to the Project activities and incurred in the fiscal period.
- Procurements are performed in compliance with internal procurement policies and donors requirements.
- The payment procedures are in accordance with financial rules and procedures. Each payment is approved and signed by two signatures. Payment voucher contains all needed information about the nature of the cost, project and the payment instruction.
- **Based on conducted procedures, the overall conclusion can be defined as follows: The funds are used in accordance with the regulations and Donors agreements, and for purposes as defined in each project document, except for the part of cash payments which are described in the next paragraph:**
- **Auditor procedures revealed that cash payments were made for catering services in 2016. The amount of individual cash payments (BAM 1.034,50 and BAM 1.042,00) is significantly higher as compared to limits regulated by Law, which is BAM 200,00 per individual cash payment.**

These cash payments are contradict to the applicable legislation, and the supported receipts cannot be considered valid because there is no fiscal receipt attached to vendor's invoice. According to management statement, SOC made considerable effort aiming to obtain valid financial document from the vendor (Common Institution of BIH) but the vendor rejected to issue valid invoice for provided services and insisted on cash payment explaining that bank transfer was not acceptable payment option. SOC could not expect that the State institution would breach the FBIH Laws in such way (Law on

Fiscal Systems and Law On Internal Payments, Decree on conditions and methods of cash payments. Source: Official Gazette of the FBiH No. 48/15 and 82/15).

Note 7.: Surplus revenues (BAM 9.945)

Adhering by the Accounting Principles Code and the FBiH Accounting Standards, the Sarajevo Open Centre completed:

- Calculation of the financial performance over a given accounting period by matching reported incomes with total expenditures for a given accounting period.
- At the end of the fiscal year 2016, the Sarajevo Open Centre reported excess revenues over expenses of BAM 9.945.
- Surpluse of revenues is the result of solidarity fund established in the Sarajevo Open Centre. Solidarity Fund is presented under project code 2014_16, and is accumulated from voluntary private donations (contributions of Sarajevo Open Center staff and external experts).

8. INTERNAL CONTROL SYSTEM

In an audit of non-governmental organizations, the auditor's responsibility is to consider overall legal and regulatory framework, including any other applicable regulation, ordinance, decision and decree defining and governing operating aspects of a donation beneficiary. To that effect, the audit procedures related to the review of the Sarajevo Open Centre internal control system have been planned and performed.

The objective of the procedures performed is to proficiently assess accuracy and reliability of financial data used to produce financial statements, and test their compliance with applicable laws and regulations. Methods used for performing audit procedures aimed at assessing the Sarajevo Open Centre performance efficiency (quality, resources use efficiency), reliability of financial reporting and compliance of procedures applied with applicable laws and regulations.

Ensuring that adequate organizational structure and sufficient internal policies and procedures provides a basis for establishing a control environment.

Performed Audit procedures revealed that:

Sarajevo Open Centre presented to Auditor the Statute. This is mandatory document, which has to be prepared before each NGO or Association is registered. In addition Auditor was presented following policies and procedures:

- Accounting Rulebook,
- Rulebook on accounting policies,
- Rulebook on internal organization and organization chart,
- Rulebook on working conditions, organization, and salary scale,
- Rulebook on financial management,
- Rulebook on procurement procedures,
- Rulebook on petty cash operations,
- Rules on Management of fixed assets.

Policies and procedures as stated above are developed in compliance with the defined guidelines for establishing and strengthening internal control system aimed at ensuring control procedures for proper managing of donor funds.

SOC has developed and adopted procedures relating to the staff evaluation. This process is used by employees to obtain information about the areas in which their work should be improved. In addition, Sarajevo Open Center's management Board has assessed the work of the Executive Director.

The internal control system is adequate to ensure the asset safeguarding, objective achievement, compliance with applicable legislation and true and fair Sarajevo Open Centre reporting.

9. COMPLIANCE BETWEEN SYSTEMS OF ACCRUAL AND PROJECT ACCOUNTING

Sarajevo Open Centre has developed financial reporting system in accordance with local rules and regulations and as well with the international accounting standards (IAS). This function is outsourced and performed by accounting agency FIN solutions. The Agency is using tailor made accounting software adjusted to the needs of NGO reporting requirements.

Agency is preparing consolidated financial reports for the organization as legal entity.

Project accounting and reporting are organized in a way that financial reports are prepared for each donor as required by grant contract.

Sarajevo Open Centre reconciles consolidated reports with projects financial statements. The consolidated financial reports differ from project reports due to the fact that consolidated reports are prepared on accrual basis of accounting, whereas project reports are prepared on cash accounting basis. The cash accounting does not record liabilities and all investments are recorded as costs.

Financial statements based on accrual accounting are different from the financial reports per projects for the amount of accruals as well as for the amount of fixed assets. Purchasing equipment and other assets are recorded in accrual accounting as investment in fixed assets, but in the project accounting asset procurement is the outflow of cash, ie cost. Depreciation of fixed assets is an ordinary expense in accrual accounting that in the project accounting does not appear. Due to the fact that fixed assets are mainly purchased by donor's funds, the amount of depreciation of the financial period is recorded as revenue in assets/equipment. Certainly this is one of the usual discrepancies between these two systems of accounting.

In the project accounting, all transactions are recorded as an expense, regardless of whether if they are the investment in fixed assets.

At the end of the fiscal year 2016 Sarajevo Open Centre performed reconciliation of total revenues and expenditures between consolidated accounting and project records. As shown in notes no. 5 and 6 revenues and expenditures are fully reconciled.

10. ACKNOWLEDGEMENT

The audit team would like to express its appreciation to the Sarajevo Open Centre management and staff for the kindness and cooperation extended during this assignment. Without their assistance and cooperation this work would not have been successfully completed.

Sarajevo, April 19th 2017

Audit and Consulting Company
"NGO and Business Audit"d.o.o. Sarajevo

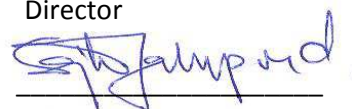
Licensed Auditor



Ismeta Čardaković, B.Sc. Oec



Director



Šejla Jakupović, B.Sc. Oec

Annex 1**Management letter to the Sarajevo Open Centre****Sarajevo Open Centre**

Čekaluša 16

71 000 Sarajevo

Bosna I Hercegovina

Ref. no. IP-36/2017**Attn. Emina Bošnjak****Management letter for the audit of the annual financial reports for year 2016****1. Executive Summary****1.1. Introduction and objectives of the audit**

We have audited the accompanying financial statements of the Sarajevo Open Centre as of December 31st, 2016.

These financial statements are the responsibility of the Sarajevo Open Centre management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with International Auditing Standards.

1.2. Scope of the audit and audit approach

The objective of the 2016 financial statement audit is to enable the auditor to express an opinion about whether the financial statements have been prepared, in all material respects, in compliance with the International Accounting Standards and applicable legislation.

Our approach was tailored to the specific needs of the Sarajevo Open Center and was 'risk-based'. The size of the tests were based on the auditor's risk analysis. We have planned and performed the audit from the perspective of materiality and risk in order to obtain reasonable assurance that the 2016 financial statements are free from material misstatement.

The audit involved examination on a test basis of appropriate evidence.

This required the following core methodology:

- Planning,
- Collection of audit evidence,
- Draw conclusions and form opinions,
- Reporting to Sarajevo Open Centre.

1.3. Summary of our findings**1.3.1. Recommendation previous audit****The finding of previous audit:**

"Audit procedures detected technical error when it comes to service contracts. Namely, service contracts with service providers were not signed before the engagement commenced, but in most cases either by the very end or even after contracted period of the provided services. According to management statement this was the custom, knowing that the activities were performed under

high time pressure and the assignments were agreed with well-known service providers who had extensive history in working with Sarajevo Open Center. Still it was agreed to change this practice in future work.”

Finding:

Audit procedures detected that the general practice of retroactive signing of contract is stopped. Number of contracts signed in this way is reduced to minimum after the Audit report for year 2015 was submitted to SOC

1.3.2. Cash operations

Auditor procedures revealed that cash payments were made for catering services in 2016. The amount of individual cash payments (BAM 1.034,50 and BAM 1.042,00) is significantly higher as compared to limits regulated by Law, which is BAM 200,00 per individual cash payment. These cash payments are contrary to the applicable legislation, and the supported receipts cannot be considered valid because there is no fiscal receipt attached to vendor's invoice. According to management statement, SOC made considerable effort aiming to obtain valid financial document from the vendor (Common Institution of BiH) but the vendor rejected to issue valid invoice for provided services and insisted on cash payment explaining that bank transfer was not acceptable payment option. SOC could not expect that the State institution would breach the FBiH Laws in such way (Law on Fiscal Systems and Law On Internal Payments, Decree on conditions and methods of cash payments. Source: Official Gazette of the FBiH No. 48/15 and 82/15).

Recommendation:

The audit recommends that this practice should be avoided in future work and that SOC needs to agree conditions and methods of payment with any entity that provides catering or other services to SOC.

1.4 Final Conclusion

As a result of this assignment Auditor does not have any important observations or factual findings to financial statements that could affect on its materiality.

There is reasonable assurance that the above financial statements give a true and fair view, in all material respects, of the financial position of the Sarajevo Open Centre as of December 31, 2016, and of its financial performance, and are in accordance with the generally accepted accounting standards.

Sarajevo, April 19th 2017.


Ismeta Čardaković, Licensed Auditor
NGO and Business Audit d.o.o. Sarajevo



Annex 2: Copies of Company and auditor certification

BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
FEDERALNO MINISTARSTVO FINANSIJA
FEDERALNO MINISTARSTVO FINANSIJA

BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
FEDERAL MINISTRY OF FINANCE

Na osnovu člana 55. Zakona o računovodstvu i reviziji u Federaciji Bosne i Hercegovine („Službene novine Federacije BiH“ broji: 83/09) i u skladu sa odredbama čl. 3. i 4. Pravilnika o načinu i uslovima izdavanja, obnavljanja i oduzimanja licenci ovlaštenim revizorima i društvima za reviziju („Službene novine Federacije BiH“ br: 12/10 i 42/10), Federalno ministarstvo finansija-Federalno ministarstvo finansija

izdaje

L I C E N C U
DRUŠTVU ZA REVIZIJU
NGO & BUSSINESS Audit d.o.o. Sarajevo

NA OSNOVU KOJE OSTVARUJE PRAVA I PREUZIMA OBAVEZE
DA OBAVLJA DJELATNOST ZA KOJU JE REGISTROVANO

Imenovano društvo je upisano u Registar revizorskih društava pod registarskim brojem: 9090409104

Sarajevo, 17.9.2010. godine



MINISTAR
Vjekoslav Bevanđa
Vjekoslav Bevanđa

BOSNA I HERCEGOVINA
FEDERACIJA BOSNE I HERCEGOVINE
FEDERALNO MINISTARSTVO FINANSIJA
FEDERALNO MINISTARSTVO FINANSIJA

BOSNIA AND HERZEGOVINA
FEDERATION OF BOSNIA AND HERZEGOVINA
FEDERAL MINISTRY OF FINANCE

Na osnovu člana 57. Zakona o računovodstvu i reviziji u Federaciji Bosne i Hercegovine („Službene novine Federacije BiH“ broj: 83/09) i u skladu sa odredbama čl. 3., 4. i 4a. Pravilnika o načinu i uslovima izdavanja, obnavljanja i oduzimanja licenci ovlaštenim revizorima i društvima za reviziju („Službene novine Federacije BiH“ br: 12/10, 42/10, 17/13 i 55/13), Federalno ministarstvo finansija-Federalno ministarstvo finansija

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L I C E N C U

OVLAŠTENOM REVIZORU

ČARDAKOVIĆ ISMETA

NA OSNOVU KOJE OSTVARUJE PRAVA I PREUZIMA
OBAVEZE DA OBAVLJA REVIZIJU U SKLADU SA ZAKONOM

Ova licenca važi do 4.5.2019. godine

Imenovani je upisan u Registar ovlaštenih revizora pod registarskim brojem: 3090185103

Sarajevo, 4.5.2016. godine

