



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

Fund Accountability Statement Audit of

Utilizing European Integration Processes for the Advancement of LGBT
Rights in the Western Balkans

Cooperative Agreement No. S-LMAQM-15-GR-1090

managed by Udruženje Sarajevski Otvoreni Centar Sarajevo

For the period of July 28, 2015 to December 31, 2017

Sarajevo, January 2018

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1. Summary

1.1 Organization background

Sarajevo Open Centre (hereinafter: 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 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.

Vision

Bosnia and Herzegovina is a society based on equal rights and opportunities for everyone, built on active and engaged citizens and an accountable state.

Mission

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 overall objective is to improve the human rights situation of LGBT people and women in Bosnia and Herzegovina.

The Organisation is mostly funded from foreign donors. In the past, SOC successfully executed programs funded by USAID, EC, SIDA and other international donors.

1.2 Project background

Utilizing European Integration Processes for the Advancement of LGBT Rights in the Western Balkans

- a. Udruzenje Sarajevski Otvoreni Centar Sarajevo is awarded a Grant to support “Utilizing European Union Integration Processes for the Advancement of LGBT Rights in the Western Balkans.” (here in after: Project). The Recipient shall promote respect for and recognition of the human rights of LGBT persons in the Western Balkans, using the European Union (EU) accession process as a focal point for targeted, evidence-based advocacy. US Department of State, Bureau of Democracy, Human Rights, & Labor (hereinafter: Donor) awarded the sum of USD 332.000,00 under Agreement Number S-LMAQM-15-GR-1090 to provide support to the Project for a period starting from July 28, 2015 until December 31, 2017.

1.2. Project background (*Continued*)

Utilizing European Integration Processes for the Advancement of LGBT Rights in the Western Balkans

This project aims to efficiently utilize the process of EU accession to improve LGBT human rights in the Western Balkans by means of accomplishing three main objectives:

- O.1 Strengthen the capacities of LGBT rights organizations;
- O.2 Increase the use of evidence-based advocacy in organizations' work; and
- O.3 Advocate for LGBT rights on European and national levels.

This project was implemented by Sarajevo Open Centre, based in Bosnia and Herzegovina, with the mentoring of the International Lesbian and Gay Association (ILGA) – Europe. The participating organizations are Subversive Front (Macedonia), the Centre for Equality and Liberty (Kosovo), Labris (Serbia), and the CURE Foundation (Bosnia and Herzegovina). Activists from Croatian organizations were providing mentoring in the areas of human rights violation documentation and in formulating country-based activities based on their experience with EU accession processes.

Each participating organization worked towards the aforementioned objectives in some way; this project is unique in that it places full focus on EU integration as a key international process and would function as a basis for further regional cooperation with local ownership and administration. The project is directed towards four sets of stakeholders: LGBT rights organizations (objective 1), the LGBT community (objective 2), international organizations (objective 3), and local governments (objective 3).

Project Management

As agreed with U.S. Department of State, Bureau of Democracy, Human Rights, & Labor, the funds granted under Grant Agreement Number S-LMAQM-15-GR-1090 are provided to SOC on an advance basis upon SOC's official request for funds transfer. The SOC requested advance payments based on a list of specified anticipated costs prepared in line with its anticipated disbursements (usually for a one quarter period). Subsequently, based on these documents, the disbursement of project relating funds are approved and transferred to SOC. SOC performs liquidation of advances received by submitting financial report to U.S. Department of State with actual disbursements and outstanding advance balance on quarterly bases. In Fund Accountability Statement, SOC recognizes income upon receipt of funds given that it believes that any recognition of revenue prior to that date would be premature.

As stated above, SOC awarded sub-grants to 5 selected CSOs for the purpose of the project implementation. Contracts were assigned year by year. The total amount awarded to sub-grantees during the whole project implementation i.e. as of December 31, 2017 was USD 204,058,81.

Pursuant to contracts provisions Sub-grantees were obliged to send quarterly narrative and financial reporting to SOC.

Sub-grants were transferred in two installments per year. SOC transferred 50% of the agreed amount after signing the contract. 50% of the grant amount was transferred upon approval of second narrative and financial report. The Grantees were sending request for each installment.

1.3 Objectives and Scope of Financial Audit

We have performed a financial audit of the U.S. Department of State, Bureau of Democracy, Human Rights, & Labor funds provided to SOC in the period July 28, 2015 to December 31, 2017 in accordance with US Government Auditing Standards (“US GAS”) and Guidelines for Financial Audits Contracted by Foreign Recipients (“the Guidelines”) as required by U.S. Department of State. Specific objectives of the audit of the U.S. Department of State awarded funds were to:

- express an opinion on whether the fund accountability statement for the U.S. Department of State -funded program presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by U.S. Department of State for the periods audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting;
- evaluate and obtain a sufficient understanding of the recipient’s internal control structure related to the U.S. Department of State -funded program, assess control risk, and identify reportable conditions, including material internal control structure weaknesses;
- perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related to U.S. Department of State -funded program. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred should be identified;
- determine if the recipient has taken adequate corrective action on prior audit report recommendations, if any.

SOC staff is responsible for the safeguarding of funds and assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The audit covered the grant income received in the period July 28, 2015 through the period ended December 31, 2017 amounting to USD 332.000,00 and costs incurred in the amount of USD 332.000,00. Our selected samples include 100% of grant income and 82% of total costs incurred.

Our audit procedures were carried out with the purpose to address the above objectives and to identify potential adjustments which are material in the context of the overall funds allocated to SOC; they were not, therefore intended to identify errors or misstatements which are not material to the overall fund accountability statement. Our procedures, *inter alia*, included:

1.3.1. Procedures performed on Fund Accountability Statement

- Examine direct and indirect costs billed to and reimbursed by U.S. Department of State and costs incurred but pending reimbursement by U.S. Department of State, identifying and quantifying any questioned costs;
- To the extent possible reconcile direct costs billed to, and reimbursed by, U.S. Department of State to the program and general ledgers;
- Determine whether program income was added to funds used to further eligible project or program objectives, to finance the non-federal share of the project or program, or deducted from program costs, in accordance with U.S. Department of State regulations or other implementing guidance;
- Examine procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the qualities and quantities received.

1.3 Objectives and Scope of Financial Audit (*continued*)

1.3.1. Procedures performed on Fund Accountability Statement

- Analyse direct salary charges to determine whether salary rates were reasonable for that position, and supported by appropriate payroll records. Determine if overtime was charged to the program and whether it was allowable under the terms of the agreements. Determine whether allowances and fringe benefits received by employees were in accordance with the agreements and applicable laws and regulations;
- Analyse travel and transportation charges to determine whether they were adequately supported and approved;
- Technical assistance and services were used for their intended purposes in accordance with the terms of the agreements. Assess the reasonableness of the costs of technical assistance and services;
- Ensure that all assets procured with program funds were disposed of in accordance with the terms of the Agreement.

1.3.2. Procedures performed on Internal Control

- Understand the procedures used and control environment over the funds received. Perform test of controls on the bank accounts designated for programs. Perform test of design and implementation over those controls;
- Understand the procurement procedures to determine whether sound commercial practices including competition were prescribed by SOC's policies and adequate controls were in place over the qualities and quantities received. Perform test of design and implementation over controls;
- Understand the loans procedures and related controls in place. Perform test of design and implementation over those controls;
- Understand the controls in place in operation to adequately safeguard the acquired assets. Perform test of design and implementation over those controls;
- Evaluate the control environment, the adequacy of the accounting systems, and control procedures.

1.3 Objectives and Scope of Financial Audit (*continued*)

1.3.3. Procedures performed on Compliance

- Identify the agreement terms and pertinent laws and regulations and determine which of those could have a direct and material effect on the fund accountability statement;
- Determine if payments have been made in accordance with the agreement terms and the applicable laws and regulations;
- Identify any costs not considered appropriate, classifying and explaining why these costs are questioned;
- Determine if funds have been expended for purposes not authorized or not in accordance with the applicable agreement terms;
- Determine whether assets, were procured by the recipient were used for their intended purposes in accordance with the terms of the agreements;
- Determine whether those who received services and benefits were eligible to receive them;
- Determine whether the recipient's financial reports and claims for advances and reimbursement contain information that is supported by the books and records;
- Determine whether the recipient held advances of U.S. Department of State funds in interest-bearing accounts, and whether the recipient remitted to U.S. Department of State any interest earned on those advances, with the exception of up to \$250 a year that the recipient may retain for administrative expenses.
- Except as described in the following paragraphs, we conducted our audit in accordance with Generally Accepted Auditing Standards (hereinafter: "GAAS") and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Representation Statement is free of material misstatement.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. Although, our current program provides for at least 40 hours of continuing education and training every year. Yet, we are not complying with 24 hours of U.S. Government related CPEs. Accordingly, we are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit organization, as required by chapter 3, paragraphs 3.82 and 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Bosnia and Herzegovina. We believe that the effects of this departure from U.S. Government Auditing Standards is not material considering that we had quality control performed by Committee established and authorised by Audit Chamber FBiH.

1.4 Summary of Audit Results

Fund Accountability Statement

In our opinion, the Fund Accountability Statement presents in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by U.S. Department of State Bureau of Democracy, Human Rights, & Labor. However for the implemented peirod from 28 July 2015 to 31 December 2017 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 2.3.4.

Compliance with agreement terms and applicable laws and regulations

As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we conducted an evaluation of compliance with the agreement terms and applicable laws and regulations.

The results of our compliance tests disclosed no instances of noncompliance that are required to be reported here under U.S. Government Auditing Standards.

Internal controls

We have obtained an understanding of the design of relevant control policies and procedures and determined whether they have been implemented. We have assessed the control risk in order to determine the level of our substantive procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Purpose and distribution

These reports are intended for the information of SOC and the U.S. Department of State, Bureau of Democracy, Human Rights, & Labor. However, upon release U.S. Department of State, this report is a matter of public record and its distribution is not limited.

1.5 Indirect Cost Rates

No indirect costs were charged to U.S. Department of State, Bureau of Democracy, Human Rights, & Labor in the years of our audit.

1.6 Follow-up on Prior Audit Findings and Recommendations

SOC engages an independent auditor to perform the audit of the financial statements of the Organization. There were no audit of this Project and audit recommendations to review.

1.7 Management Letter

During audit of the fund accountability statement of the Project for the year ended 31 December 2017 we found that the sub grantees costs share system of common costs is not properly defined and implemented in all aspects. Still the budget amounts were complied with in each disbursement.

2 Audit Reports

2.1 Independent Auditor's Report on the Fund Accountability Statement

Assembly

Sarajevski otvoreni centar (Sarajevo Open centre)

Čekaluša 16

71000 Sarajevo

Bosnia and Herzegovina

We have audited the fund accountability statement for the „Utilizing European Integration Processes for the Advancement of LGBT Rights in the Western Balkans“ (“The Project”), Cooperative Agreement No. S-LMAQM-15-GR-1090 of Sarajevo Open Centre (“SOC”) for the implementing period **July 28 2015 to December 31, 2017**. The fund accountability statement is the responsibility of SOC’s management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the fund accountability statement in accordance with *U.S. Government Auditing Standards* issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. Although, our current program provides for at least 40 hours of continuing education and training every year. Yet, we are not complying with 24 hours of U.S. Government related CPEs. Accordingly, we are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit organization, as required by chapter 3, paragraphs 3.82 and 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Bosnia and Herzegovina.

We believe that the effects of this departure from U.S. Government Auditing Standards is not material considering that we had quality control performed by Committee established and authorised by Audit Chamber FBiH.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by U.S. Department of State for two year period in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 2.3.4. to the fund accountability statement.

In accordance with *U.S. Government Auditing Standards*, we have also issued our reports dated February 02 2018 on our consideration of Sarajevo Open Centre’s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Independent Auditor’s Report in considering the results of our audit.

This report is intended for the Sarajevski otvoreni centar (SOC) and the US Department of State, Bureau of Democracy, Human Rights, & Labor. However, after the release by US Department of State, this report is publicly available and its distribution will not be limited.

Licensed Auditor


Ismeta Čardaković, B.Sc. Oec
License No. 3090185103



Director


Šejla Jakupović, B.sc.Oec

2.2 Assembly / Sarajevski otvoreni centar
Fund Accountability Statement
from July 28, 2015 to December 31, 2017

| Description | | Final Budget Total | Actual as of December 31 2015 | Actual as of December 31 2016 | Actual as of December 31 2017 | Actual Cumulativ | QUESTIONED COSTS | | NOTES |
|-------------|------------------------------------|--------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|------------------|-------------------|----------|
| | | | | | | | Ineligible costs | Unsupported costs | |
| 1 | GRANT REVENUE | | | | | | | | |
| | Grant revenue of the Project | \$332.000,00 | \$81.562,92 | \$87.000,00 | \$163.437,08 | \$332.000,00 | - | - | |
| | Interest earned during the Project | | | | | \$7,28 | - | - | |
| | TOTAL REVENUE | | | | | \$332.007,28 | - | - | 2.3.1. |
| 2 | COST INCURRED | | | | | | | | 2.3.2. |
| A | Personnel | | | | | | | | |
| A.1 | <i>US-Based personnel</i> | | | | | | | | |
| A.1.1 | | | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| A.2 | <i>Field Personnel</i> | | | | | | | | |
| A.2.1 | Financial Manager | 24.300,00 | \$2.291,20 | \$9.673,37 | \$10.537,75 | \$22.502,32 | - | - | |
| A.2.2 | Legal and Advocacy Officer | 10.800,00 | \$0,00 | \$5.072,18 | \$5.442,96 | \$10.515,14 | - | - | |
| A.2.3 | Programme Manager | 7.200,00 | \$0,00 | \$2.824,17 | \$3.158,12 | \$5.982,30 | - | - | |
| | Subtotal Personnel | 42.300,00 | \$2.291,20 | \$17.569,73 | \$19.138,83 | \$38.999,76 | - | - | 2.3.2.1. |
| B | Fringe Benefits | | | | | | | | |
| B.1 | US-Based Personnel Fringe Benefits | | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| B.2 | Financial Manager | 13.500,00 | \$1.144,51 | \$5.351,52 | \$6.727,33 | \$13.223,36 | - | - | |
| B.3 | Legal and Advocacy Officer | 6.000,00 | \$0,00 | \$3.122,29 | \$3.411,85 | \$6.534,14 | - | - | |
| B.4 | Programme Manager | 3.840,00 | \$0,00 | \$1.745,56 | \$1.856,37 | \$3.601,93 | - | - | |
| | Subtotal Fringe Benefits | 23.340,00 | \$1.144,51 | \$10.219,37 | \$11.995,54 | \$23.359,43 | - | - | 2.3.2.1. |

| Description | | Final Budget Total | Actual as of December 31 2015 | Actual as of December 31 2016 | Actual as of December 31 2017 | Actual Cumulativ | QUESTIONED COSTS | | NOTES |
|---------------------------|---|--------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|------------------|-------------------|-----------------|
| | | | | | | | Ineligible costs | Unsupported costs | |
| C | Travel | | | | | | | | |
| C.1 | Brussel Meetings, 3 meetings, each 7/6/6 persons, in total 19 trips (Balkan countries-Brussels, RT) | 8.550,00 | \$2.361,15 | \$2.287,41 | \$2.696,13 | \$7.344,70 | - | - | |
| C.2 | Sarajevo Meeting, 7 trips (Balkan countries-Sarajevo, RT) | 1.750,00 | \$0,00 | \$1.752,58 | \$0,00 | \$1.752,58 | - | - | |
| C.3 | Per diem (Brussels Meetings, Belgium, Brussels; 3 meetings, 4/3/3 days x 7/6/6 persons) | 16.000,00 | \$5.491,94 | \$6.451,43 | \$3.951,33 | \$15.894,69 | - | - | |
| C.4 | Per diem (Sarajevo Meeting, Bosnia and Herzegovina; 3 days x 7 persons) | 2.730,00 | \$0,00 | \$1.909,26 | \$0,00 | \$1.909,26 | - | - | |
| Subtotal Travel | | 29.030,00 | \$7.853,09 | \$12.400,68 | \$6.647,46 | \$26.901,23 | - | - | 2.3.2.2. |
| D | Equipment (> \$5,000 per unit) | | | | | | - | - | |
| D.1 | | 0,00 | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| Subtotal Equipment | | 0,00 | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| E | Supplies (< \$5,000 per unit) | | | | | | - | - | |
| E.1 | Equipment and furniture | 1.289,00 | \$894,18 | \$0,00 | \$395,56 | \$1.289,74 | - | - | |
| Subtotal Supplies | | 1.289,00 | \$894,18 | \$0,00 | \$395,56 | \$1.289,74 | - | - | 2.3.2.3. |
| F | Contractual (Consultant fees) | | | | | | | | |
| F.1 | <i>Ex, Contractual Sub grantee</i> | | | | | | | | |
| F.1.1. | ILGA Europe | 26.000,00 | \$0,00 | \$13.000,02 | \$13.007,50 | \$26.007,52 | - | - | |
| F.1.2. | Foundation Cure (Bosnia and Herzegovina) | 28.000,00 | \$0,00 | \$14.000,00 | \$14.008,07 | \$28.008,07 | - | - | |
| F.1.3. | Subversive Front (Macedonia) | 50.000,00 | \$0,00 | \$24.999,99 | \$25.014,41 | \$50.014,40 | - | - | |
| F.1.4. | CEL (Kosovo) | 50.000,00 | \$0,00 | \$24.999,99 | \$25.014,41 | \$50.014,40 | - | - | |
| F.1.5. | Labris (Serbia) | 50.000,00 | \$0,00 | \$24.999,99 | \$25.014,41 | \$50.014,40 | - | - | |
| F.2. | <i>Ex, Other Costs such as contractors</i> | | | | | | | | |
| F.2.1 | External evaluation | 5.000,00 | \$0,00 | \$0,00 | \$8.118,75 | \$8.118,75 | - | - | |
| F.2.2 | Audit/External Cost Verification | 5.000,00 | \$0,00 | \$0,00 | \$5.553,94 | \$5.553,94 | - | - | |
| F.2.3 | Consulting/Mentoring | 3.600,00 | \$936,26 | \$838,18 | \$3.531,37 | \$5.305,80 | - | - | |

| Description | | Final Budget Total | Actual as of December 31 2015 | Actual as of December 31 2016 | Actual as of December 31 2017 | Actual Cumulativ | QUESTIONED COSTS | | NOTES |
|------------------------------------|---|--------------------|-------------------------------|-------------------------------|-------------------------------|---------------------|------------------|-------------------|-----------------|
| | | | | | | | Ineligible costs | Unsupported costs | |
| Subtotal Contractual | | 217.600,00 | \$936,26 | \$102.838,17 | \$119.262,87 | \$223.037,30 | - | - | 2.3.2.4. |
| G | Contruction | | | | | | | | |
| G.1 | | 0,00 | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| Subtotal Contruction | | 0,00 | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| H | Other Direct Costs | | | | | | | | |
| H.1 | External Accounting Agency | 5.049,00 | \$334,66 | \$2.101,72 | \$2.589,19 | \$5.025,57 | - | - | |
| H.2 | Office rent | 10.692,00 | \$1.003,98 | \$4.165,63 | \$5.646,07 | \$10.815,68 | - | - | |
| H.3 | Bank fees | 2.700,00 | \$501,83 | \$995,80 | \$1.073,65 | \$2.571,28 | - | - | |
| RESERVE | | 0,00 | \$0,00 | \$0,00 | \$0,00 | \$0,00 | | | |
| Subtotal Other Direct Costs | | 18.441,00 | \$1.840,47 | \$7.263,15 | \$9.308,91 | \$18.412,53 | - | - | 2.3.2.5. |
| I | Total Direct Costs | 332.000,00 | \$14.959,72 | \$150.291,10 | \$166.749,18 | \$332.000,00 | - | - | |
| J | Indirect Cost (describe cost base and NICRA) | | \$0,00 | \$0,00 | \$0,00 | \$0,00 | - | - | |
| K | TOTAL PROJECT COSTS INCURRED | 332.000,00 | \$14.959,72 | \$150.291,10 | \$166.749,18 | \$332.000,00 | - | - | |
| 3 | OUTSTANDING FUNDS | \$0,00 | | | | \$7,28 | - | - | 2.3.3. |

2.3 Notes to the Fund Accountability Statement

2.3.1. INCOME

| No. | Description | Date | Sum in US \$ | Received in KM | Exchange rate applied |
|-----|---|------------|-------------------|-------------------|-----------------------|
| | U.S. DEPARTMENT OF STATE , Bureau of Democracy, Human Rights, & Labor grants | | | | |
| 1 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 8 | 10.11.2015 | 16.562,92 | 29.695,04 | 1,792863 |
| 2 | Raiffeisen Bank d.d. Sarajevo, Bank statement No18 | 29.12.2015 | 65.000,00 | 114.151,28 | 1,757816 |
| 3 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 20 | 30.6.2016 | 62.000,00 | 105.119,80 | 1,696801 |
| 4 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 28 | 4.10.2016 | 25.000,00 | 42.575,56 | 1,703236 |
| 5 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 3 | 13.2.2017 | 65.000,00 | 116.607,79 | 1,793170 |
| 6 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 18 | 26.7.2017 | 65.000,00 | 106.519,60 | 1,638941 |
| 7 | Raiffeisen Bank d.d. Sarajevo, Bank statement No 26 | 17.10.2017 | 33.437,08 | 54.204,88 | 1,62047 |
| | Total received from U.S. Department of State | | 332.000,00 | 568.873,95 | |
| 8 | Interests earned during the Project | | 7,28 | 12,48 | |
| 7+8 | TOTAL INCOME OF THE PROJECT | | 332.007,28 | 568.886,43 | |

*Grant funds are required to be maintained in interest bearing bank accounts. Interest earned during the whole project implementation period was in amount \$ 7,28. Interest up to \$250 may be retained to cover administrative expenses.

2.3.2. INCURRED COSTS

2.3.2.1. Staff costs

All amounts are in USD

(\$)

| Description | Final Budget Total | Actual as of December 31 2015 | Actual as of December 31 2016 | Actual as of December 31 2017 | Actual Cumulativ | Budget to spend \$ |
|--|--------------------|-------------------------------|-------------------------------|-------------------------------|------------------|--------------------|
| A Personnel | | | | | | |
| A.1 <i>US-Based personnel</i> | | | | | | |
| A.2 <i>Field Personnel</i> | | | | | | |
| A.2.1 Financial Manager | 24.300,00 | 2.291,20 | 9.673,37 | 10.537,75 | 22.502,32 | 1.797,68 |
| A.2.2 Legal and Advocacy Officer | 10.800,00 | 0,00 | 5.072,18 | 5.442,96 | 10.515,14 | 284,86 |
| A.2.3 Programme Manager | 7.200,00 | 0,00 | 2.824,17 | 3.158,12 | 5.982,30 | 1.217,70 |
| Subtotal Personnel | 42.300,00 | 2.291,20 | 17.569,73 | 19.138,83 | 38.999,76 | 3.300,24 |
| B Fringe Benefits | | | | | | |
| B.1 US-Based Personnel Fringe Benefits | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| B.2 Financial Manager | 13.500,00 | 1.144,51 | 5.351,52 | 6.727,33 | 13.223,36 | 276,64 |
| B.3 Legal and Advocacy Officer | 6.000,00 | 0,00 | 3.122,29 | 3.411,85 | 6.534,14 | -534,14 |
| B.4 Programme Manager | 3.840,00 | 0,00 | 1.745,56 | 1.856,37 | 3.601,93 | 238,07 |
| Subtotal Fringe Benefits | 23.340,00 | 1.144,51 | 10.219,37 | 11.995,54 | 23.359,43 | -19,43 |
| TOTAL COSTS OF THE SALARIES | 65.640,00 | 3.435,71 | 27.789,10 | 31.134,38 | 62.359,20 | 3.280,80 |

- In the implementation period staff costs amounted to USD 62.359,20 and relate to the net salaries and taxes and contributions. Costs are related to employees of the SOC. Personnel expenses of the SOC are related to the period from October 01 2015 to December 2017.
- The salary and remunerations for staff include eligible costs only and salaries and remunerations have been paid to the contracted staff only.
- All social contributions for local staff salaries are correctly calculated and paid as regulated by local law.

- Employment contracts were presented to the Auditor.

2.3 Notes to the Fund Accountability Statement (Continued)

2.3.2. INCURRED COSTS

2.3.2.2. Travel costs

All amounts are in USD

(\$)

| Description | | Final Budget Total | Actual costs as of December 31 2015 | Actual costs as of December 31 2016 | Actual costs as of December 31 2017 | Actual costs Cumulativ | Budget to spend \$ |
|------------------------|---|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------|
| C | Travel | | | | | | |
| C.1 | Brussel Meetings, 3 meetings, each 7/6/6 persons, in total 19 trips (Balkan countries-Brussels, RT) | 8.550,00 | 2.361,15 | 2.287,41 | 2.696,13 | 7.344,70 | 1.205,30 |
| C.2 | Sarajevo Meeting, 7 trips (Balkan countries-Sarajevo, RT) | 1.750,00 | 0,00 | 1.752,58 | 0,00 | 1.752,58 | -2,58 |
| C.3 | Per diem (Brussels Meetings, Belgium, Brussels; 3 meetings, 4/3/3 days x 7/6/6 persons) | 16.000,00 | 5.491,94 | 6.451,43 | 3.951,33 | 15.894,69 | 105,31 |
| C.4 | Per diem (Sarajevo Meeting, Bosnia and Herzegovina; 3 days x 7 persons) | 2.730,00 | 0,00 | 1.909,26 | 0,00 | 1.909,26 | 820,74 |
| Subtotal Travel | | 29.030,00 | 7.853,09 | 12.400,68 | 6.647,46 | 26.901,23 | 2.128,77 |

- Travel and subsistence costs for staff and other persons taking part in the Project activities do not exceed those normally born by the SOC according to its rules and local regulations, or the provisions from the ToR prescribed by Donor.

2.3.2.3. Equipment and supplies costs

All amounts are in USD

(\$)

| Description | | Final Budget Total | Actual costs as of December 31 2015 | Actual costs as of December 31 2016 | Actual costs as of December 31 2017 | Actual costs Cumulativ | Budget to spend \$ |
|--------------------------|---|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------|
| E | Supplies (< \$5,000 per unit) | | | | | | |
| E.1 | Equipment and furniture | 1.289,00 | 894,18 | 0,00 | 395,56 | 1.289,74 | -\$0,74 |
| Subtotal Supplies | | 1.289,00 | 894,18 | 0,00 | 395,56 | 1.289,74 | -\$0,74 |

- The cost of office equipment in the amount of USD 1.289,74 is related to a new notebook for the Financial Manager, the new person in the office. The rest was used for furniture and small office equipment. (office supplies, consumables and the cost of copying (purchase of laptop, power line adapter, material for static storage for office locker, manufacturing and installing office locker and phone). Expenditures are paid and supported by adequate documentation.

2.3 Notes to the Fund Accountability Statement (Continued)

2.3.2.4. Contractual costs

All amounts are in USD

(\$)

| Description | | Final Budget Total | Actual costs as of December 31 2015 | Actual costs as of December 31 2016 | Actual costs as of December 31 2017 | Actual costs Cumulativ | Budget to spend \$ |
|-----------------------------|--|---------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------|
| F | Contractual (Consultant fees) | | | | | | |
| F.1 | Ex, Contractual Sub grantee | \$204.000,00 | \$0,00 | \$102.000,00 | \$102.058,81 | \$204.058,81 | -58,81 |
| F.1.1. | ILGA Europe | 26.000,00 | 0,00 | 13.000,02 | 13.007,50 | 26.007,52 | -7,52 |
| F.1.2. | Foundation Cure (Bosnia and Herzegovina) | 28.000,00 | 0,00 | 14.000,00 | 14.008,07 | 28.008,07 | -8,07 |
| F.1.3. | Subversive Front (Macedonia) | 50.000,00 | 0,00 | 24.999,99 | 25.014,41 | 50.014,40 | -14,40 |
| F.1.4. | CEL (Kosovo) | 50.000,00 | 0,00 | 24.999,99 | 25.014,41 | 50.014,40 | -14,40 |
| F.1.5. | Labris (Serbia) | 50.000,00 | 0,00 | 24.999,99 | 25.014,41 | 50.014,40 | -14,40 |
| F.2. | Ex, Other Costs such as contractors | 13.600,00 | 936,26 | 838,18 | 17.204,06 | 18.978,49 | -5.378,49 |
| F.2.1 | External evaluation | 5.000,00 | 0,00 | 0,00 | 8.118,75 | 8.118,75 | -3.118,75 |
| F.2.2 | Audit/External Cost Verification | 5.000,00 | 0,00 | 0,00 | 5.553,94 | 5.553,94 | -553,94 |
| F.2.3 | Consulting/Mentoring | 3.600,00 | 936,26 | 838,18 | 3.531,37 | 5.305,80 | -1.705,80 |
| Subtotal Contractual | | 217.600,00 | 936,26 | 102.838,17 | 119.262,87 | 223.037,30 | -5.437,30 |

F1. Contractual Sub grantee (\$204.058,81)

Until 31 December 2017, grants are awarded to five organizations:

- ILGA Europe
- Foundation Cure (Bosnia and Herzegovina)
- Subversive Front (Macedonia)
- CEL (Kosovo) CENTER FOR EQUALITY AND LIBERTY
- Labris (Serbia).

Sub Grant was transferred in two installments per year. SOC transferred 50% of the agreed amount after signing the agreement. 50% of the grant amount was transferred upon approval of second narrative and financial report. The Grantees sent payment request for all installments.

The total amount awarded during the two year sub-grantees project ended December 31, 2016 and December 31, 2017 was USD \$204.058,81. Upon approval of SOC of successful implementation of the first project year (2016), sub-grant for the second year (2017) was agreed. Sub-grantees were obliged to send quarterly narrative and financial reporting to SOC and final reports at the end of each year.

SOC monitored grantees through review the financial and other records and material connected with this grant. Allowability of expenditures was monitored through quarterly narrative and financial reports submitted to SOC and other financial review by SOC.

2.3. Notes to the Fund Accountability Statement (Continued)

2.3.2.4. Contractual costs

F.1.1. Income statement of the ILGA Europe

All amounts are in USD (\$)

| No | Description | Total amount in 2016 | Total amount in 2017 |
|----|------------------------------|----------------------|----------------------|
| | A- INCOME | | |
| 1. | First installment | 6.500,00 | 6.500,00 |
| 2. | Second Installment | 6.500,00 | 6.507,49 |
| | TOTAL INCOME | 13.000,00 | 13.007,50 |
| | | | |
| | B- PROGRAM COSTS | | |
| 1. | Personnel | | 13.008,00 |
| 2. | Fringe Benefits | | |
| 3. | Travel | | |
| 4. | Equipment | | |
| 5. | Supplies | | |
| 6. | Contractual | 13.000,00 | |
| 7. | Other direct costs | | |
| | TOTAL COSTS | 13.000,00 | 13.008,00 |
| | C- FUND BALANCE (A-B) | 0,00 | -0,50 |

F 1.2. Income statement of the CURE Foundation, Sarajevo

All amounts are in USD (\$)

| Date | Description | Total amount in 2016 | Total amount in 2017 |
|------|------------------------------|-----------------------------|-----------------------------|
| | A- INCOME | | |
| 1. | First installment | 7.000,00 | 7.000,00 |
| 2. | Second Installment | 7.000,00 | 7.008,07 |
| | TOTAL INCOME | 14.000,00 | 14.008,07 |
| | | | |
| | | Total amount in 2016 | Total amount in 2017 |
| | B- PROGRAM COSTS | | |
| 1. | Personnel | 4.863,16 | 4.056,00 |
| 2. | Fringe Benefits | 0,00 | 728,69 |
| 3. | Travel | 274,77 | 172,82 |
| 4. | Equipment | 0,00 | |
| 5. | Supplies | 0,00 | |
| 6. | Contractual | 2.453,04 | 2.451,28 |
| 7. | Other direct costs | 6.409,12 | 6.598,96 |
| | TOTAL COSTS | 14.000,09 | 14.007,75 |
| | C- FUND BALANCE (A-B) | -0,09 | 0,32 |

Notes to the Fund Accountability Statement (*Continued*)

2.3.2.4. Contractual costs

F 1.3. Income statement of the SUBVERSIVE FRONT, Skopje

All amounts are in USD (\$)

| No | Description | Total amount in 2016 | Total amount in 2017 |
|----|------------------------------|-----------------------------|-----------------------------|
| | A- INCOME | | |
| 1. | First installment | 12.499,99 | 12.499,99 |
| 2. | Second Installment | 12.500,00 | 12.514,42 |
| | TOTAL INCOME | 24.999,99 | 25.014,41 |
| | | | |
| | B- PROGRAM COSTS | Total amount in 2016 | Total amount in 2017 |
| 1. | Personnel | 5.639,99 | 5.639,97 |
| 2. | Fringe Benefits | 2.759,98 | 2.759,98 |
| 3. | Travel | 32,63 | 0 |
| 4. | Equipment | 448,29 | 0 |
| 5. | Supplies | 551,60 | 180,00 |
| 6. | Contractual | 11.468,52 | 13.641,60 |
| 7. | Other direct costs | 4.098,99 | 2.792,83 |
| | TOTAL COSTS | 25.000,00 | 25.014,38 |
| | C- FUND BALANCE (A-B) | -0,01 | 0,03 |

F 1.4. Income statement of the Centre for Equality and Liberty for the LGBT community in Kosova (CEL)

All amounts are in USD (\$)

| No | Description | Total amount in 2016 | Total amount in 2017 |
|----|------------------------------|-----------------------------|-----------------------------|
| | A- INCOME | | |
| 1. | First installment | 12.499,99 | 12.499,99 |
| 2. | Second Installment | 12.500,00 | 12.514,42 |
| | TOTAL INCOME | 24.999,99 | 25.014,41 |
| | | | |
| | B- PROGRAM COSTS | Total amount in 2016 | Total amount in 2017 |
| 1. | Personnel | 6.402,34 | 6.398,23 |
| 2. | Fringe Benefits | 322,80 | 321,77 |
| 3. | Travel | 42,44 | 0,00 |
| 4. | Equipment | 451,02 | 0,00 |
| 5. | Supplies | 185,17 | 139,71 |
| 6. | Contractual | 4.549,07 | 6.098,47 |
| 7. | Other direct costs | 13.047,17 | 12.055,88 |
| | TOTAL COSTS In 2016 | 25.000,00 | 25.014,05 |
| | C- FUND BALANCE (A-B) | -0,01 | 0,36 |

Notes to the Fund Accountability Statement (Continued)

2.3.2.4. Contractual costs

F 1.3. Income statement of the LABRIS, Serbia

All amounts are in USD (\$)

| No | Description | Total amount in 2016 | Total amount in 2017 |
|----|------------------------------|----------------------|----------------------|
| | A- INCOME | | |
| 1. | First installment | 12.499,99 | 12.499,99 |
| 2. | Second Installment | 12.500,00 | 12.514,42 |
| | TOTAL INCOME | 24.999,99 | 25.014,41 |
| | B- PROGRAM COSTS | | |
| 1. | Personnel | 4.907,86 | 5.400,00 |
| 2. | Fringe Benefits | 2.758,28 | 3.024,00 |
| 3. | Travel | 72,89 | 0,00 |
| 4. | Equipment | 0,00 | 0,00 |
| 5. | Supplies | 239,99 | 254,41 |
| 6. | Contractual | 7.228,84 | 6.239,30 |
| 7. | Other direct costs | 9.792,14 | 10.096,65 |
| | TOTAL COSTS | 25.000,00 | 25.014,37 |
| | C- FUND BALANCE (A-B) | -0,01 | 0,04 |

F.2. Other Costs such as contractors (\$ 18.978,49)

| Description | Final Budget Total | Actual costs as of December 31 2015 | Actual costs as of December 31 2016 | Actual costs as of December 31 2017 | Actual costs Cumulativ | Budget to spend \$ |
|--|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------|--------------------|
| <i>Ex, Other Costs such as contractors</i> | <i>13.600,00</i> | <i>936,26</i> | <i>838,18</i> | <i>17.204,06</i> | <i>18.978,49</i> | <i>-5.378,49</i> |
| External evaluation | 5.000,00 | 0,00 | 0,00 | 8.118,75 | 8.118,75 | -3.118,75 |
| Audit/External Cost Verification | 5.000,00 | 0,00 | 0,00 | 5.553,94 | 5.553,94 | -553,94 |
| Consulting/Mentoring | 3.600,00 | 936,26 | 838,18 | 3.531,37 | 5.305,80 | -1.705,80 |
| Subtotal Contractual | 217.600,00 | 936,26 | 102.838,17 | 119.262,87 | 223.037,30 | -5.437,30 |

Other contractual costs in the amount of USD 18.978,49 are related to the cost of project evaluation, audit and consulting and mentoring.

Consulting and mentoring from outside sources relates to individual organizations consulting and mentoring for their country-based activities (travel, accomodation, fees) and planning meetings.

2.3. Notes to the Fund Accountability Statement (Continued)

2.3.2.5. Other direct costs

All amounts are in USD

(\\$)

| Description | | Final Budget Total | Actual as of December 31 2015 | Actual as of December 31 2016 | Actual as of December 31 2017 | Actual Cumulativ | Budget to spend \$ |
|------------------------------------|----------------------------|--------------------|-------------------------------|-------------------------------|-------------------------------|------------------|--------------------|
| H | Other Direct Costs | | | | | | |
| H.1 | External Accounting Agency | 5.049,00 | 334,66 | 2.101,72 | 2.589,19 | 5.025,57 | 23,43 |
| H.2 | Office rent | 10.692,00 | 1.003,98 | 4.165,63 | 5.646,07 | 10.815,68 | -123,68 |
| H.3 | Bank fees | 2.700,00 | 501,83 | 995,80 | 1.073,65 | 2.571,28 | 128,72 |
| Subtotal Other Direct Costs | | 18.441,00 | 1.840,47 | 7.263,15 | 9.308,91 | 18.412,53 | 28,47 |

Other direct costs are related to accounting costs to external accounting agency, office rent and bank fees. An external accounting agency is hired for bookkeeping (according to BiH national law) and transparency. SOC doesn't have in-house accountants. The accounting service costs \$850 per month and this project partially covered these costs, in total \$5,025,57.

Office rent was also partially covered by this budget. The office rent costs \$1.800 per month. This project contributed with 22% to these costs, in total \$10,815,68.

There is proper cost share system of recording common cost supported by different donor's funds. They are supported by adequate documentation.

2.3.3. Reconciliation of cash and payment received for the period 28 July 2015 to 31 December 2017

All amounts are in USD (\$)

| No | Description | Amounti in USD |
|------------------|--|----------------|
| 1 | Opening balance on bank account as at October 1, 2015 | 0,00 |
| 2 | Funds received from U.S. Department of State | 332.000,00 |
| 3 | Interest earned during the peirod | 7,28 |
| 4 | Costs incurred for the project | 332.000,00 |
| (1+2+3-4) | Outstanding funds as at December 31, 2017 | 7,28 |
| | Interests earned on USD SOC's account during the implementing period | 7,28 |

During the implementing period (July 2015, 2016 and 2017) the total amount of USD 7,28 interest was earned from bank accounts designated for U.S. Department of State funds. SOC is allowed to retain interests up to USD 250 for amdinistrative costs.

2.3.4 Significant Accounting Policies

(a) Basis of Preparation

Fund accountability statement of the Project has been prepared on the historical cost basis. The SOC is responsible for proper accounting of the funds received.

(b) Basis of Accounting

The fund accountability statement relating to grant is prepared on the cash basis. Under this basis of accounting, revenues are recorded when the cash is actually received and expenses are recognised when

there is actual outflow of money i.e. when cash disbursements are made and they are recorded in the accounting records and reported in the fund accountability statement in that period.

2.3 Notes to the Fund Accountability Statement (Continued)

2.3.4 Significant Accounting Policies

(c) Reporting currencies

The fund accountability statement for the project implemented period July 28 2015 to December 31, 2017 is disclosed in the United States currency, Dollars (USD). Monetary transactions reflected in the fund accountability statement have been originally effected in the currency valid in Bosnia and Herzegovina (the convertible mark (BAM) and other official currencies in the countries of each Sub-grantees (Macedonia -MKD, Kosovo- EUR, Brisel EUR, Serbia-RSD) and are converted into USD. The exchange rate (US\$ to local currency) is to be taken on the day when the 1st installment arrives at bank account (The whole amount needs to be converted at once). This rate is to be taken until the amount of 1st installment is spent. In case there is still certain amount from the 1st installment left when the 2nd installments arrived, the left amount is to be re-converted in US\$ (based on the exchange rate of the first installment). The remaining amount in US\$ is to be sumed with the total US \$amount of the second installment. This summed amount is again to be divided with the amount in local currency and the new exchange rate is to be applied until the next installment is transfered. The same rules applied for sub grantees.

SOC has been using the average exchange rate to USD applicable in the period under audit as explained above.

(d) Bank and Cash

The SOC runs its banking operations through the Raiffeisen Bank d.d. Sarajevo and it has a designated bank account for this project.

2.4. Independent Auditor's Report on Internal Control

Assembly
Sarajevski otvoreni centar (Sarajevo Open centre)
Čekaluša 16
71000 Sarajevo
Bosnia and Herzegovina

We have audited the fund accountability statement for the „Utilizing European Integration Processes for the Advancement of LGBT Rights in the Western Balkans“ (“The Project”), Cooperative Agreement No. S-LMAQM-15-GR-1090 of Sarajevo Open Centre (“SOC”) for the implementing period **July 28 2015 to December 31, 2017.**

Except for not having a fully satisfactory continuing education program and not having an external quality control review by an unaffiliated audit organisation (as described in our report on the fund accountability statement), we conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. In planning and performing our audit, we considered the entity's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

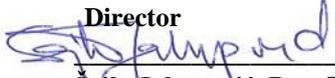
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, or significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended for the Sarajevski otvoreni centar (SOC) and the US Department of State, Bureau of Democracy, Human Rights, & Labor. However, after the release by US Department of State, this report is publicly available and its distribution will not be limited.

Licensed Auditor

Ismeta Čardaković, B.Sc. Oec
License No. 3090185103



Director

Šejla Jakupović, B.sc.Oec

2.5. Independent Auditor's Report on Compliance

Assembly
Sarajevski otvoreni centar (Sarajevo Open centre)
Čekaluša 16
71000 Sarajevo
Bosnia and Herzegovina

We have audited the fund accountability statement for the „Utilizing European Integration Processes for the Advancement of LGBT Rights in the Western Balkans“ (“The Project”), Cooperative Agreement No. S-LMAQM-15-GR-1090 of Sarajevo Open Centre (“SOC”) for the implementing period July 28 2015 to December 31, 2017.

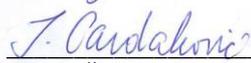
Except for not having a fully satisfactory continuing education program and not having an external quality control review by an unaffiliated audit organisation (as described in our report on the fund accountability statement), we conducted our audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the fund accountability statement amounts. Compliance with agreement terms and laws and regulations applicable to SOC is the responsibility of SOC's management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of SOC's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of SOC's compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of cost-sharing/counterpart contributions.

The results of our tests disclosed no instances of non-compliance that are required to be reported here under U.S. Government Auditing Standards.

This report is intended for the information of SOC and US Department of State, Bureau of Democracy, Human Rights, & Labor.

However, upon release by US Department of State, Bureau of Democracy, Human Rights, & Labor, this report is a matter of public record and its distribution is not limited.

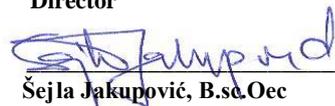
Licensed Auditor



Ismeta Čardaković, B.Sc. Oec
License No. 3090185103



Director



Šejla Jakupović, B.sc.Oec