

Independent Auditor's Report

on the Financial report for the period
01 January 2018 – 31 December 2018

Sarajevo Open Centre

Agreed-upon procedure audit

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Statement of Responsibilities

Responsible for

*Agreement on core support to
Sarajevo Open Centre 2018-2020
signed 22 February 2018*

and

*Sarajevo Open Centre Financial statements
for the year that ended 31 December 2018*

Sarajevo Open Centre is responsible for ensuring that the financial report is prepared in accordance with International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB), which gave a true and fair view of the state of affairs and expenditures of the budget for the period concerned.

In regard to financial reporting and procedures agreed-upon with the independent auditor, we acknowledge our responsibility ensuring that:

- Suitable accounting policies were selected and applied consistently;
- Judgments and estimates are reasonable and prudent;
- Applicable accounting standards are followed, subject to any material departures and explained in the financial report; and
- Satisfactory procedures have been applied concerning the procurement and safeguarding of assets and income, recording and disclosing all liabilities and contingencies, claiming only these expenditures, relating to the project operations and incurred during the project implementation.

It is our responsibility to have sufficient internal controls in place and to undertake any reasonable step to detect and prevent any fraud and other irregularities.

The accounting records with accompanying documentation and related information have been made available for the purpose of your audit.

Signed on behalf of SOC Sarajevo

Emina Bosnjak

Emina Bosnjak
Executive Director

Sarajevo, 18 / 03 / 2019

Cekalusa 16
71000 Sarajevo





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Auditor's opinion

Financial report for the period
01 January 2018 – 31 December 2018
Sarajevo Open Centre

To: Sida (Core support 2018-2020)

We have audited the accompanying financial statements of Sarajevo Open Centre, which comprise the balance sheet as at 31 December 2018 and the income statement for the year then ended and the report on budget executions prepared for Sida. The financial statements have been prepared by Sarajevo Open Centre management.

Management's Responsibility

Management is responsible for the preparation of these financial statements in accordance with regulatory framework and the report on the budget executions in accordance with the Sida's instruction for financial reporting as stipulated in the agreement between Sarajevo Open Centre and Sida, as well as for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with International Standards on Auditing (with the application of ISA 805) and in our view the applicable parts of the agreement between Sarajevo Open Center and Sida. This standard requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making this risk assessment, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

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Registration

Municipal Court Zenica
43 – 01 - 2078 – 09
ID No. 21818330000

Transactions accounts

154-300-20001447-19
Intesa Sanpaolo d.d.

Opinion

In our opinion, the financial statements of Sarajevo Open Centre for the year that ended 31 December 2018 are prepared, in all material respects, in accordance with International Financial Reporting Standards as promulgated by International Accounting Standards Board.

Other matter (agreed-upon procedure)

Based on our audit, nothing has come to our attention that causes us to believe that the financial report concerning Agreement with Sida does not present, in all material aspects, related budget executions. By providing procedures, agreed-upon with SOC (Sida Terms of Reference), no factual findings have arisen.

Representative of the auditor:

Serdarevic, PhD Nino



Leader of the review team:

Serdarevic, Munir
Certified auditor

Done in Sarajevo, on 20 / 03 / 2019

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Management letter

**Regarding the audit of the Sida's Core support to
Sarajevo Open Centre 2018-2020**

For the period January – December 2018

Introduction

Our audit has been conducted of the SOC financial report of the year that ended 31 December 2018, with the Core support provided by Sida.

The materiality and risk perspective has been considered when planning and conducting our audit, applying International Standards on auditing and following the audit instructions.

Observations and recommendations

Based on our audit we have concluded that

- The association has established appropriate procedures and conducts in accordance with those procedures in consistent manner to ensure that the financial accounting entries are based and supported with adequate evidence;
- The financial management responds to the provision contracted with external funding parties, ensuring that the association reports on performed project related activities and reconciles revenues and expenditure between the general ledger entries and budget executions;
- The legislative provisions are followed persistently, allowing for adequate allocation of related taxes, contributions and charges;
- The association has adequate system of internal controls on place and that embraces clear procedures, authorities and approvals and documentation flow.
- The association responded to previous audit findings in appropriate manner.

However, the association has recently signed its first partnership agreement that foresees sub-delegation of particular activities and funding of those activities to another organization. We do believe that this event represents emerging risk exposure of the association that requires clear and sound financial management response.

In that regard we do recommend the adoption of a separate rulebook that will ensure that currently defined contracting procedures and related controls are applied in systematic way in the future. In more particular we do believe that the association needs to introduce adequate controls prior to disbursing any funding to third parties. This procedure should at minimum contain regulation that foresees: the assessment of the third party integrity and capacity prior to signing partnership contract, contractual provisions that clearly determine division of responsibilities and negative clauses, narrative and financial reporting and required evidence that supports reported executions.

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Besides, the association may consider one of the options proposed:

- Option 1. Require audit of the third party budget executions and that relate to particular funds disbursement and reporting (in case such audit is foreseen in the financial resources relating to particular grant); or
- Option 2. Ensure that appropriate terms of reference for consecutive audit of the associations' operations embrace review of the expenditure reported by the third party incorporated in the audit engagement relating to the associations' financial statements.

Representative of the auditor:

Serdarevic, PhD Nino

Done in Sarajevo, on 20 / 03 / 2019



Leader of the review team:

Serdarevic, Munir
Certified auditor

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Financial reports

Profit and loss statement

For the period 01 Jan – 31 Dec 2018

Description	Note	In BAM	
		Previous period	Current period
Humanitarian revenue		941,957	788,842
Other income		9,816	4,983
Total revenue and income		951,773	793,825
Material and energy		(10,161)	(9,048)
Services		(428,197)	(324,062)
Salaries and salary related contributions		(339,794)	(323,588)
Depreciation		(12,976)	(12,205)
Financial expense		(8,219)	(7,544)
Travel expense		(4,527)	(1,476)
Humanitarian expense		(100)	(100)
Taxes and contributions, other than profit tax		(3,126)	(1,514)
Other expense		(135,016)	(110,500)
Total expense		(942,116)	(790,037)
Revenue exceeding expense		9,657	3,788

Balance sheet

As at 31 Dec 2018

			In BAM
ASSETS			
Description	Note	Previous period	Current period
Property, land and equipment		26,934	25,656
Long term deposits and receivables		1,500	1,500
Total fixed assets		28,434	27,156
Cash and cash equivalents		218,155	228,322
Short term deposits and receivables		-	1,101
Short term accruals		4,803	-
Total current assets		222,958	229,423
TOTAL ASSETS		251,392	256,579
SURPLUS REVENUE /(EXPENDITURE) AND LIABILITIES			
Description	Note	Previous period	Current period
Retained revenue that exceeds expense		27,640	31,428
Long term accruals and provisions		218,949	225,151
Short term liabilities		4,803	-
Total long and short term liabilities and provisions		223,752	225,151
TOTAL SURPLUS REVENUE AND LIABILITIES		251,392	256,579

Audit scope and methodology

We planned and conducted our audit in accordance with International Standards on Auditing and International Standard on Related Services 4400, as promulgated by International Federation of Accountants, IFAC).

In more particular we

- a) Audited **financial statements of the association Sarajevo Open Centre** in order to provide opinion on whether these reflect, in all material aspects, financial position of the association as at 31 December 2018 and its performance in 2018 and are prepared in accordance with International Financial Reporting Standards, including International Accounting Standards (as promulgated by International Accounting Standards Board, IASB);
- b) **Provided agreed-upon procedures as stipulated in Sida's Terms of Reference**, in accordance with ISRS 4400, in order to issue management letter containing factual findings and recommendations.

Our review relating to the agreed-upon procedures is conducted in order to verify whether:

- The salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way; the salary costs can be verified by sufficient supporting documentation.
 - There is supporting documentation related to the incurred costs.
 - Sarajevo Open Centre has implemented recommendations from the assessment of internal control. Sarajevo Open Centre has implemented the action points as described in Sarajevo Open Centre's management response that has been submitted to Sida.
 - Sarajevo Open Centre's complies with the applicable tax legislation in regard to taxes and social security fees.
 - Sarajevo Open Centre has adhered to the procurement guidelines annexed to the agreement.
 - Sarajevo Open Centre has signed agreements with its partner organisation, based on funds are channelled to implementing partners to verify whether an unbroken chain of audited financial reports is established.
- c) **Audited financial report on 2018 budget executions**, based on the agreement between Sarajevo Open Centre and Sida, in accordance with International Standard on Auditing 805.

We reconciled records reported in the general ledger with the information provided in the financial report to Sida for the year that ended 31 December 2018.

We verified whether the budget executions, as reported, are well supported with the documentary evidence implying that the expense incurred in the respected period and pertain to the activities agreed with Sida.

Our audit involved obtaining audit evidence, the assessment of the risks of material misstatement, assessment of internal controls relevant to the preparation and fair presentation of the financial report and interviews with the association's representing person and employees involved in the financial management and reporting.

Notes

1 About the organization

Registration status

Sarajevo Open Centre is an association registered with BiH Ministry of Justice on 30 August 2007. The official goal of the association is to provide legal and psycho-social support and counselling to vulnerable and minority groups of women, cooperation with the institutions for human rights on all levels of government aiming to improve public policy and regulatory frameworks concerning protection and promotion of vulnerable and minority groups' human rights; support and help in providing educational and informal programs and activities for women representing institutions, civil society organizations, media and citizens concerning protection and promotion of human rights of vulnerable and minority groups; support in capacity building and further development of organizations and informal groups of civil society active in protection and promotion of human rights of vulnerable and minority groups; conducting research, publishing, media campaigns and artistic activities.

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 publicly 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.

The association 'Sarajevski otvoreni centar' conducted tax registration under ID 4201263530004 on 14 October 2016.

Management and governance

Person authorised for legal representation of the association is Ms. Emina Bosnjak, executive director and Ms. Aida Spahic, chairperson of the association's Board (as of 29 March 2018).

The association assembly (Article 22 of the Statute) is elected by the association members for the period of four years. The assembly is entitled to adopt the Statute, financial reports and financial plan, adopts the board reports, decides on new membership and membership fees, nomination and dismissal of board members the executive director and persons authorised to legally represent the association, decides on the association external affairs etc.

The association board, among other tasks, prepares changes in the statute, manages association's assets, adopts program and annual work plan of the association, monitors financial executions, and provides analysis.

The executive director manages daily operations of the association, cooperates with the board, prepares financial plan and manages its executions, undertakes to realize programmatic and planned tasks of the association, acts based on the board decisions etc.

The association statute, beside formalized governance structure, foresees existence of the association council, external members tasked to support the association goals.

Policies and Procedures

The association has adopted several internal policies and procedures that regulate its operations, among which:

- **Rulebook on employment related rights and obligations** that includes annexes: on salary ranges based on three levels of positions related complexity/responsibility; systematization and description of positions; and the form for performing 180°C assessment of employee's competences, attitudes and capacity building programs needed.
- **Rulebook on accounting policies**, providing relevant accounting standards, basis for measurement of financial positions, depreciation rates and process of inventories.
- **Rulebook on accounting**, regulating system of internal controls, respective instances in controlling transactions and documentation, approval matrix, documentation management, payroll accounting and financial reporting.
- **Rulebook on financial management** (payments) and Rulebook on petty cash operations.
- **Rulebook on document management system** and that contains several procedures concerning calculation and approval of expenses.
- **Rulebook on management over fixed assets** that mainly regulates procurement process and related documentation.
- **Rulebook on procurement** that regulates process of competitive bidding, tender dossier, procurement process, based on agreed-upon ceiling.
- **Rulebook on solidarity fund.**
- **Rulebook on the association membership.**
- **Rulebook on the association board's operations.**

Accounting records

The transactions relating to the operations of the associations are registered in one single general ledger, respecting official Federation BiH accounts code. Coding of entries entail, on top of the official coding system in place, allocating transactions to dedicated sources of funds (project name, project code and budget line code and description). This way of recording allows for prompt allocation of expenses against budgets contracted with donors and semi-automated activity based allocations

The association also operates with excel spreadsheets as tools to monitor budget executions, budgeted amounts and remaining available budgets per project and budget (sub-)heading.

Reflection on previous audit findings

The financial statements for the year that ended 31 December 2017 are audited by the audit firm Bilans d.o.o. Sarajevo that has issued unqualified auditor's opinion, issuing recommendations concerning:

- Measurement of fixed assets and depreciation and
- Disclosure of differed income.

The outcome of our review on the association response to previous audit findings and recommendations is provided in the management letter submitted.

2 Summary of accounting policies applied

Fixed assets

Fixed assets are recognized on 'at cost' value in case it is expected that the future economic benefits will inflow into the association. At cost value is determined either based on an invoiced amount or direct cost that can be allocated to the particular asset procurement.

Land, property and equipment embraces all assets with single value exceeding 250 BAM.

Fixed assets gained through donations are recognized in accordance with IAS 20, disclosing differed income and recognizing income during the life of the asset, pairing with the depreciation (neutral in the statement of income). Maintenance cost is recognized in the period it occurs. Depreciation rate is aligned to the highest non-taxable rates pursuant to the Law on profit tax Federation BiH.

Impairment of assets is tested once a year in accordance with IAS 36.

Inventories

Inventories of small value (below 250 BAM) are depreciated in the year of procurement.

Cash and cash equivalents

Disclosed cash and cash equivalents are those foreseen in IAS 7. Cash is kept on bank accounts and in the petty cash. Bank accounts and sub-accounts are managed pursuant to the contractual obligations with each particular donor.

Petty cash is managed in accordance with the procedure defined in separate rulebook.

Long-term provisions

The accounting policies of the association regulate measurement of provisions concerning litigations/lawsuit and redundancy packages.

Sources of funding, liabilities and differed positions

Sources of funding are those sources received by the association founder(s) and comprise retained membership fees, retained own income or third sources funding. Sources of funding position is increased (decreased) based on payments, donations in fixed assets, (using fund) or (transferring fund to other non-for-profit organization).

Liabilities in foreign currency are measured based on current exchange rates against positions in profit and loss accounts.

Revenue

The association accounting policies recognize revenues from donations, financial income (interest), own income and other sources.

The revenue from donations is disclosed as differed position, measured and recognized based on the expenditure.

The revenue from open transactions is recognized in accordance with IAS.

Expenditure

The expenditure is recognized in the period of transaction. Direct costs are allocated based on its nature, service provision or particular activity (project). Indirect costs are those allocated on the level of the association.

Payroll accounting is organized based on the time-sheets and allocated to particular activities. Indirect cost of personnel is allocated based on total number of employees, total number of projects, share in total available budget, and share in total cost of personnel, based on the space used, number of beneficiaries or cost incurred.

Note: The level of materiality is not determined in the accounting policies.

3 Notes on financial position and performance disclosed

Sources of funding, revenue and cash flows

98.8% of funding the associations' operation in 2018 relates to the external funding for particular projects, while remaining 1.2% is the associations' generated own revenue. Total funding in 2018 amounted to BAM 992,041.

	in BAM	
	Inflows in 2018	in % of total
Funding by source		
Swedish International Development Cooperation Agency (SIDA)	301,296	30.4
Dutch Embassy Sarajevo	142,292	14.3
Open Society Fund BiH (OSFBIH)	107,813	10.9
Dutch Mission to the OSCE in Vienna	97,498	9.8
German embassy	97,193	9.8
National Endowment for Democracy (NED)	80,177	8.1
ViiV Healthcare UK Ltd.	53,983	5.4
Foundation open society institute (FOSI)	40,914	4.1
CARE International Balkans	19,142	1.9
Heinrich Boell Stiftung, Sarajevo Office	15,647	1.6
SHL - Schuler Helfen Leben	10,284	1.0
ILGA Europe	7,823	0.8
SOC budget	7,227	0.7
Goethe-Institut BiH	2,249	0.2
InterPride	1,612	0.2
FBIH Ministry of culture	1,500	0.2
Medica Zenica	450	0.0
SOC solidarity fund	4,938	0.5
Total for the year that ended 31 Dec 2018	992,041	100.0

In alignment with the accounting policy relating to the revenue recognition for particular activity, the association disclosed total revenue amounting to BAM 777,832 on behalf of covering project related expenditure (budget executions) and BAM 10,927 revenue relating to the timely recognition of deferred positions in depreciable fixed assets donated in previous years.

The association has disclosed on deferred revenue amount of BAM 198,300, relating to external sources funds received, expected to be executed within respective projects in periods to come. Total executed budget from external sources thereby amounts to 79.6%.

Revenue 2018, by category	Amount in BAM
Revenue from external funding to finance project related expenditure	774,563
Revenue recognized financed from own resources	2,073
Solidarity fund	1,195
Total revenue disclosed covering expenditures	777,832
Revenue recognized from depreciated assets (donation)	10,926
Total revenue from external funding disclosed for the year 2018	788,758
Deffered revenue	198,300
Own funding	4,938
Total funding 2018	992,041

The association had on its disposal as at 31 December 2018 total BAM 228,323 and reported net cash flow amounting to BAM 10,168.

Total cashflows in 2018	Amount in BAM
Cash inflows	865,351
Cash outflows	(855,183)
Net CF 2018	10,168

Expenditure

Total expenditure reported as at 31 December 2018 amounted to 790,037 BAM, whereas depreciation 12,205 BAM.

Expenditure	Amount in BAM
Material and energy	(9.048)
Services	(324.062)
Salaries and other contributions to employees	(323.588)
Insurance policies	(7.544)
Travel cost	(1.476)
Philanthropic activities	(100)
VAT and charges	(1.514)
Other operating expense	(110.500)
Expense	(777.832)
Depreciation	(12.205)
Total expenditure	(790.037)

Salaries and other contributions to employees position relates to salaries and salary related expenditure for seven employees hired on permanent basis and five staff on temporary basis employment contracts as at 31 December 2018.

Position Services relates to external engaged staff, residents and non-residents in Federation BiH, hired for project related services in total amount of 173,178 BAM (53.4% of total), renting spaces for conferences (4,620 BAM), promotional activities (26,687 BAM) and other operating expenses.

Other operating expense relates to project related activities, where significant portion (105,380 BAM; 95.4%) for accommodation, meal and travel of trainings/conferences participants.

Assets

Long-term assets

Total long-term assets disclosed in the balance sheet as at 31 December 2018 amounted to BAM 27,156.

At cost value	Balance as of 01 Jan 2018	Procurement	Write-off	Balance as of 31 Dec 2018
ICT Equipment and furniture	65,226	10,926	(7,739)	68,413
Vehicles	6,500	0	0	6,500
Total fixed assets	71,726	10,926	(7,739)	74,913

Cumulated depreciation	Balance as of 01 Jan 2018	Write-off	Depreciation 2018	Balance as of 31 Dec 2018
ICT Equipment and furniture	(38,774)	7,739	(11,723)	(42,758)
Vehicles	(6,018)	0	(482)	(6,500)
	(44,792)	7,739	(12,205)	(49,258)

Carrying amount	Disclosed as of 31 Dec 2018
ICT Equipment and furniture	25,655
Vehicles	0
Total as of 31 Dec 2018	25,655

Long-term receivables disclosed in the amount of BAM 1,500 relate to the provided guarantee deposit for use of office space.

Short-term assets

Total reported short-term assets as at 31 December 2018 amount to BAM 229,423, whereas cash BAM 228,323 and BAM 1,101 on other short-term receivables.

Cash and cash equivalents	Amount in BAM
Petty cash	227
General SOC account	121,521
SOC Solidarity fund	31,382
Matra II transactions account	65,372
SHL transactions account	9,821
Total cash	228,323

Long term accruals and provisions

The association has not disclosed any liabilities as at 31 December 2018. Total reported 225,151 BAM on long term accruals and provisions relate to the deferred revenue (199,495 BAM) for contracted external financing and deferred revenue to neutralize depreciation of donated fixed assets (25,656 BAM; depreciable).

Long term accruals	Amount in BAM
Deffered revenue (fund) - <i>remaining budget, not executed at at 31 Dec 2018</i>	199,495
Deffered revenue - depreciation of assets donated	25,656
Total deferred revenue	225,151

Surplus revenue

Surplus revenue amounts to 3,788 BAM, increasing retained fund to 31,428 BAM.

4 Financial report to Sida and agreed-upon procedures performed

Reconciliation of general ledger entries with the financial report submitted to Sida

We reconciled general ledger records with reported expenditure as per budget line.

Budget executions as in the Financial report to Sida					in BAM
Budget heading	Financial plan 2018	Sida contribution	in % of total	Executions 2018	Remaining balance
1 Salaries (staff)	329,190	122,531	37.2	(121,041)	1,490
2 Office	76,203	21,191	27.8	(19,065)	2,127
3 Programme	386,253	116,044	30.0	(79,829)	36,215
4 Capacity building	16,599	10,000	60.2	(10,092)	(92)
5 Other costs	45,851	31,530	68.8	(19,711)	11,819
	854,095	301,296	35.3	(249,739)	51,557
Installment payment (09 March 2018)					301,296
Total expenditure 2018					(249,739)
Remaining funds					51,557

Reported executions relate to the expenditure incurred in the associations operations and in the period 01 January 2018 – 31 December 2018.

Nothing has come to our attention that would make us believe that the amounts represented in the financial report 2018 submitted to Sida contains any material misstatement.

Factual findings concerning agreed-upon procedures performed

With reference to the agreed-upon procedure, we have checked whether the salary related cost is debited to the project in systemized way and can be verified by sufficient supporting documentation.

We have reviewed human resources related procedures, employment contracts, time-sheets, payroll accounting records and have reconciled the cost recorded in the general ledger with respective human resources budget line executions. Based on our review, we do believe that the association

- Has effective system on place and applies procedures in consistent manner and that ensures that the salary related costs is debited against sources of funding, as contracted;
- Evidence supporting (following documentation review) reported cost is sufficient and explanatory and ensures that the cost reported actually incurred in the period and pertains to particular action;
- Obtained the recommendations issued in previous report and proceeded in appropriate manner;
- Properly reported the cost concerning employment and service contracts, presenting gross amounts that include salary and personal income related social contributions, taxes and charges;
- Has adhered to the procurement guidelines as annexed to the agreement with Sida.

In 2018 the association did not provide any disbursement of funds to third parties, based on the implementation agreement, and that would require our assurance on whether an unbroken chain of audit financial reports has been established.