

**INTERNATIONAL RENAISSANCE
FOUNDATION**

Financial Reporting Package
For the year ended 31 December 2008

INTERNATIONAL RENAISSANCE FOUNDATION

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INTERNATIONAL RENAISSANCE FOUNDATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL REPORTING PACKAGE AS AT 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3 is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the Financial Reporting Package of the International Renaissance Foundation (the "Foundation").

Board of Directors is responsible for the preparation of the Financial Reporting Package that presents fairly the financial position of the Foundation as at 31 December 2008, its revenue and expenses, changes in fund balance and cash flows for the year then ended in accordance with Open Society Institute Network Accounting Policy (the "OSI Network Accounting Policy").

In preparing the Financial Reporting Package, Board of Directors is responsible for:


- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether OSI Network Accounting Policy has been followed, subject to any material departures disclosed and explained in the Financial Reporting Package; and
- Preparing the Financial Reporting Package on a going concern basis, unless it is inappropriate to presume that the Foundation will continue in business for the foreseeable future.

Board of Directors is also responsible for:

- Designing, implementing, and maintaining an effective and sound system of internal controls, throughout the Foundation;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Foundation, and which enable them to ensure that the Reporting Package of the Foundation complies with OSI Network Accounting Policy;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Ukraine;
- Taking such steps as are reasonably available to them to safeguard the assets of the Foundation; and
- Detecting and preventing fraud and other irregularities.


The Financial Reporting Package as at 31 December 2008 and for the year then ended was authorized for issue on 19 June 2009 by the Board of Directors of International Renaissance Foundation.

On behalf of the Board of Directors:


Yevgen Bystrytsky, Executive Director

19 June 2009




Natalia Sannikova, Finance Director

19 June 2009

INDEPENDENT AUDITORS' REPORT

To the Management of International Renaissance Foundation and OSI Network:

We have audited the accompanying Financial Reporting Package of International Renaissance Foundation (the "Foundation"), which comprise the statement of assets, liabilities and fund balance as at 31 December 2008 and statements of revenue and expenses, changes in fund balance and cash flows for the year then ended and a summary of significant accounting policies, other explanatory notes and schedules, calculations and reconciliations.

Management's Responsibility for the Financial Reporting Package

Management of the Foundation is responsible for the preparation and presentation of the Financial Reporting Package in accordance with the Open Society Institute (OSI) Network Accounting Policies developed for the preparation of such packages. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of a Financial Reporting Package that is free from material misstatements, whether due to fraud or error; selecting and applying accounting principles in accordance with OSI Network Accounting Policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the OSI Financial Reporting Package based on our audit. We conducted our audit in accordance with International Standards on Auditing and OSI's Audit Instructions. International Standards on Auditing require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Reporting Package is prepared in accordance with OSI Network Accounting Policies.

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

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

Opinion

In our opinion the Financial Reporting Package of the Foundation as at 31 December 2008 and for the year then ended has been prepared, in all material respects, in accordance with the recognition and measurement criteria of the OSI Network Accounting Policy, described in Note 2.

Limitation on Use

This report is intended solely for use by the Management of the Foundation and the OSI Network, and PricewaterhouseCoopers, Zurich, auditor of the Foundation Open Society Institute (FOSI), to assist them in their audit of the FOSI for the year ended 31 December 2008, and may not be suitable for any other purpose.

Deloitte & Touche

19 June 2009

Kyiv

PART I: FINANCIAL STATEMENTS

INTERNATIONAL RENAISSANCE FOUNDATION

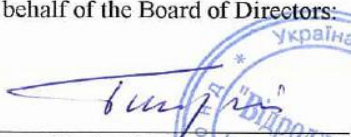
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

AS OF 31 DECEMBER 2008


(in US dollars)

	Notes	31 December 2008	31 December 2007
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	113,097	581,154
Receivables	4	1,807,641	1,784,245
Prepayments, net	5	70,012	44,730
Inventories	6	2,823	1,616
		<u>1,993,573</u>	<u>2,411,745</u>
NON-CURRENT ASSETS			
Property, equipment and intangible assets	7	<u>371,504</u>	<u>395,808</u>
TOTAL ASSETS		<u><u>2,365,077</u></u>	<u><u>2,807,553</u></u>
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accruals	8	1,913,259	2,234,652
Other liabilities	9	157,599	279,023
		<u>2,070,858</u>	<u>2,513,675</u>
FUND BALANCE		<u>294,219</u>	<u>293,878</u>
TOTAL LIABILITIES AND FUND BALANCE		<u><u>2,365,077</u></u>	<u><u>2,807,553</u></u>

On behalf of the Board of Directors:


Yevgen Bystriytsky, Executive Director

19 June 2009


Natalia Sannikova, Finance Director

19 June 2009

The notes on pages 8 to 17 form an integral part of these financial statements.

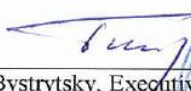
INTERNATIONAL RENAISSANCE FOUNDATION

STATEMENT OF REVENUE AND EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2008

(in US dollars)


	Notes	Year ended	Year ended
CONTRIBUTION INCOME			
Open Society Institute's (OSI) income	10	6,980,077	6,865,815
Third parties funding	11	412,347	833,764
		<u>7,392,424</u>	<u>7,699,579</u>
EXPENSES			
OSI program expenses	12	(5,353,421)	(6,096,118)
OSI administrative expenses	13	(1,460,901)	(740,107)
Third parties expenses	14	(399,403)	(887,527)
		<u>(7,213,725)</u>	<u>(7,723,752)</u>
Excess/(Deficit) of contribution income over expenses		<u>178,699</u>	<u>(24,173)</u>
OTHER INCOME/(EXPENSES)			
Interest income	15	20	-
Other income		13,589	504
Foreign exchange (loss)/gain	16	(191,967)	5,116
Surplus/(Deficit) for the year		<u>341</u>	<u>(18,553)</u>

On behalf of the Board of Directors:


Yevgen Bystrytsky, Executive Director

19 June 2009




Natalia Sannikova, Finance Director

19 June 2009

The notes on pages 8 to 17 form an integral part of these financial statements.


INTERNATIONAL RENAISSANCE FOUNDATION

**STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED 31 DECEMBER 2008**

(in US dollars)


Fund balance as at 31 December 2006	312,431
Deficit for the year	<u>(18,553)</u>
Fund balance as of 31 December 2007	293,878
Surplus for the year	<u>341</u>
Fund balance at 31 December 2008	<u>294,219</u>

On behalf of the Board of Directors:



Yevgen Bystrytsky, Executive Director
19 June 2009





Natalia Sannikova, Finance Director
19 June 2009

The notes on pages 8 to 17 form an integral part of these financial statements.

INTERNATIONAL RENAISSANCE FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008 (in US dollars)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Cash flows from operating activities			
Surplus/(deficit) for the year		341	(18,553)
Adjustments for:			
Depreciation/amortization		75,820	77,933
(Gain)/loss on disposal of property, equipment and intangible assets		(13,312)	315
Transfer of assets to a non-for-profit organization		10,622	1,907
Translation differences, net		79,298	(5,111)
Changes in allowance for estimated irrecoverable amounts		(30,200)	-
(Increase)/decrease in receivables		(39,202)	462,843
Decrease/(increase) in prepayments		4,918	(8,443)
(Increase)/decrease in inventories		(1,207)	323
(Decrease)/increase in accruals		(321,393)	(273,210)
(Decrease)/increase in other liabilities		(112,913)	253,545
Cash (outflow)/inflow from operating activities		<u>(347,228)</u>	<u>491,549</u>
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(62,138)	(28,083)
Proceeds from sale of property, equipment and intangible assets		<u>13,312</u>	<u>-</u>
Cash outflows from investing activities		<u>(48,826)</u>	<u>(28,083)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(396,054)	463,466
Effect of changes in foreign exchange rate on cash and cash equivalents		(72,003)	(66,367)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3	<u>581,154</u>	<u>184,055</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u><u>113,097</u></u>	<u><u>581,154</u></u>

On behalf of the Board of Directors:


Yevgen Bystriytsky, Executive Director

19 June 2009


Natalia Sannikova, Finance Director

19 June 2009

The notes on pages 8 to 17 form an integral part of these financial statements.

INTERNATIONAL RENAISSANCE FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (in US dollars)

1. ORGANIZATION

International Renaissance Foundation (the “Foundation”) was established on 8 April 1990 as a non-for-profit organization to provide charitable, scientific, literary and educational support in Ukraine. All activities of the Foundation are currently performed by the Kyiv office. In 2008 and 2007 the Foundation employed on average 30 employees.

The major programs of the Foundation during 2008 were as follows:

- 1) Education (promoting of system of educational reform, focused support for educational non-government organizations (“NGOs”), integration of the Ukrainian system of education into the European and world systems);
- 2) European Program aimed at strengthening EU-Ukraine cooperation towards enhancing the rule of law in Ukraine was launched. Within the project an in-depth policy paper on cooperation between Ukraine and the EU with regard to enhancing the rule of law in Ukraine was published. This project embraced a number of aspects, including human rights, access to justice, good governance, anti-corruption activities and legal education;
- 3) Health Program is concentrated around several major directions, such as a) harm reduction, b) protection of the rights of groups vulnerable to HIV/AIDS, c) support for reform in the public health area and d) development of the relevant professional potential;
- 4) Mass Media Program is aimed at creating preconditions for the existence of independent broadcasting: setting up an accessible and objective system of informing the public through the mass media, active involvement of the mass media in covering and airing of socially important issues, formulation of social order for the mass media;
- 5) Social Capital and Academic Publications (SCAAP) Program. The program was launched in 2003 as the successor to the Translation Project and Electronic Publishing Development Program. Program activities are based on the concept of equal access to information and knowledge needed for civic participation in developing of Ukrainian society and for intercultural understanding;
- 6) Rule of Law (The main efforts during the reporting period were focused on monitoring the exercise of human rights in Ukraine, protecting vulnerable social groups and voters’ rights, establishing a network of human rights advocacy organizations, countering corruption, promoting the incorporation of European human rights standards into the Ukrainian justice system, giving legal assistance to detainees and reduction of pre-trial detentions, and strengthening civil control over the penitentiary system and the development of a legal consultation practices);
- 7) Civil Society Enhancement Program (acts as a platform for examining society’s interests and needs, and increase influence on society’s action groups; initiating and holding thematic and general forums of NGOs; developing independent professional associations; launching partnerships between NGOs and small/medium-size businesses; optimizing legislative regulations of the this sector, establishing favorable conditions for indigenously donors; creating a powerful news agency for the sector; developing civil cooperation in key areas – such as: mass media, decision-making, etc. – with European partners, particularly with neighboring countries members of the European Union, with the aim to facilitate Ukraine for a membership in the European Union);

- 8) Roma of Ukraine Program is aimed at the integration of the Roma community in the Ukrainian society. Cooperation with Foundation’s professionals has helped Roma leaders to understand more clearly the priorities of their activities, define the most challenging problems, and develop strategies for the future;
- 9) East-East Program is aimed at combining ideas and efforts of civic society representatives from different countries to develop and strengthen open society components, exchange successful practices of solving important social problems, as well as at implementing social innovations. The program’s tasks are to affect the social development and motivate wide groups of the population, responding to needs of those representatives who mostly depend on local factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance – The financial statements have been prepared in accordance with OSI’s Network Accounting Policies. OSI’s Network Accounting Policies are designed to follow the fundamental recognition principles laid down in International Financial Reporting Standards (IFRS) for Assets, Liabilities, Revenues and Expenses; however, they are not meant to comply with the disclosure requirements of IFRS.

Basis of measurement – These financial statements are prepared on the historical cost basis.

Basis of accounting – The Foundation prepares its financial statements using the accrual basis of accounting.

Functional Currency and Presentation Currency – The Foundation maintains its underlying accounting records in Ukrainian hryvnias (“UAH”). However, management has utilized the US dollar (“USD”) as the functional and presentation currency of the Foundation under IAS 21 “The Effects of Changes in Foreign Exchange Rates” as the grants are received in US dollars and the contracts with grantees are concluded in US dollars. Accordingly, all currencies other than USD are treated as foreign currencies.

Transactions in foreign currencies and foreign exchange differences – Transactions in foreign currencies are translated to the functional currency at the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at that rate. Foreign exchange differences arising upon the translation and settlement of foreign currency monetary items are recognised in the statement of revenues and expenses of the period in which they arise.

Rates of exchange – The exchange rates at the end of the period used by the Foundation in the preparation of the financial statements are as follows:

	31 December 2008	31 December 2007
UAH/1 US Dollar	7.07000	5.05000
UAH/1 Euro	10.85546	7.41946

Translation of the Financial Statements from the currency of statutory recordkeeping (national currency) to the functional currency – The Foundation maintains its accounting records in its national currency. For the purpose of preparing these financial statements the following translation to the functional currency is made to ensure that balances denominated in any currencies are stated as if they were originally recorded (measured) in the functional currency:

- Monetary assets and liabilities denominated in currencies other than the functional currency are translated to the functional currency at the closing rate;
- Transactions and balances denominated in the functional currency, including revenues, expenditures (inclusive of foreign exchange differences arising in the functional currency on transactions denominated in the national and other foreign currencies), assets and liabilities, are stated at their original functional currency amount;
- Revenues and expenses denominated in currencies other than the functional currency are translated to the functional currency at the spot exchange rate of the date of the transactions;
- Non monetary assets and liabilities denominated in a currency other than the functional currency are translated to the functional currency at the historic rate;
- The translation difference so derived is recorded in the statement of revenues and expenses for the year as foreign exchange difference in the functional currency.

Recognition of contribution revenue (Grant Income) – Grant income is recorded on an accrual basis, that is, when the Foundation becomes eligible for earning revenue under the terms of the grants (rather than when receiving the cash).

Recognition of contribution revenue from OSI (OSI Income) – In both years, 2008 and 2007, the OSI core budget has been provided as a conditional support where the condition is that the Foundation is required to incur expenditures or legally binding commitments chargeable under the 2008 and 2007 core budgets, respectively. The same funding and income recognition policy applies for the budgets allocated by the OSI Network Programs to the Foundation during both 2008 and 2007.

The External Match Fund provided by OSI (if any) is conditional upon obtaining matching contributions from external sources and it is also conditional upon incurring legally binding commitments. The Foundation should obtain approval, on a project basis, from OSI Senior Management to establish that matching contributions obtained from external sources are eligible for co-funding the External Match Funds committed by OSI.

The OSI Income is restricted and should be spent on the purposes underlying the calculation of such Income.

The OSI Income is denominated mainly in USD in which OSI denominated its budget to the Foundation.

Recognition of Expenses – Expenses are recorded on an accrual basis, when goods are received or when services are performed.

Expenses related to grants provided by the Foundation are recognized when the grant agreement is signed by the Foundation and counter signed by the grant recipient. If grants are provided with conditions, the grant expense is recorded when the grantee meets the condition or the condition becomes remote.

Property, plant and equipment – Property, plant and equipment (the “PPE”) are initially recognized at cost which is directly attributable to the acquisition of the assets. Cost is recognized if it is probable that future economic benefits will flow to the Foundation and the cost can be measured reliably. After initial recognition PPE is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the assets' carrying amount (or recognized as a separate asset if their useful life is different from that of the asset), only if it is probable that future economic benefits will flow to the Foundation and the cost can be measured reliably.

The costs of maintenance and day to day servicing of the PPE are recognized in the statement of revenues and expenses in the year when they are incurred.

Depreciation is recorded as a charge to the statement of revenues and expenses on a straight line basis so as to write off the cost of the assets to their residual value over their useful life. Depreciation commences in the month following the acquisition. Land is not depreciated.

Useful life of the key asset categories are as follows:

Buildings	20 years
Equipment	4 years
Furniture	4 years
Vehicles	4 years
Software	2 years

Receivables – Receivables represent Receivable from OSI and from third party donors as well as other receivables and are stated at amortized cost.

Cash – Cash includes cash at banks and cash on hand and short-term deposits. Cash balances related to OSI and Third Party funded operations are disclosed separately in the FRP.

Accruals and payables – Accruals and payables are stated at amortized cost and they are recognized when it is probable that an outflow of economic benefits will be required to settle the obligation.

3. CASH AND CASH EQUIVALENTS

	31 December 2008	31 December 2007
Cash and cash equivalent balance related to OSI funded operations	5,323	209,833
Cash and cash equivalent balance related to third party funded operations	107,774	371,321
Total	113,097	581,154

4. RECEIVABLES

	31 December 2008	31 December 2007
Receivables from OSI	1,711,367	1,583,710
Receivables related to OSI funded activities due from:		
Tax authorities	57	649
Employees	-	3,851
Receivables from third parties	96,217	196,035
Total	1,807,641	1,784,245

5. PREPAYMENTS, NET

	31 December 2008	31 December 2007
Prepayments related to OSI funded operations	61,922	68,940
Prepayments related to third party funded operations	<u>10,790</u>	<u>8,690</u>
	72,712	77,630
Allowance for estimated irrecoverable amounts	<u>(2,700)</u>	<u>(32,900)</u>
Total	<u><u>70,012</u></u>	<u><u>44,730</u></u>

6. INVENTORIES

	31 December 2008	31 December 2007
Fuel	2,773	1,511
Grant-related inventory	<u>50</u>	<u>105</u>
Total	<u><u>2,823</u></u>	<u><u>1,616</u></u>

7. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The movements in property, equipment and intangible assets for the year ended 31 December 2008 were as follows:

Cost	Buildings	Equipment	Furniture	Vehicles	Software	Total
At 31 December 2007	494,569	319,318	111,148	107,789	53,140	1,085,964
Additions	-	24,179	1,442	35,557	960	62,138
Disposals	<u>-</u>	<u>(26,414)</u>	<u>(1,204)</u>	<u>(25,928)</u>	<u>(10,217)</u>	<u>(63,763)</u>
At 31 December 2008	<u>494,569</u>	<u>317,083</u>	<u>111,386</u>	<u>117,418</u>	<u>43,883</u>	<u>1,084,339</u>
Accumulated depreciation/ amortization						
At 31 December 2007	(189,721)	(272,249)	(106,957)	(83,204)	(38,025)	(690,156)
Depreciation charge	(24,728)	(24,681)	(1,686)	(19,722)	(5,003)	(75,820)
Eliminated on disposals	<u>-</u>	<u>24,732</u>	<u>1,204</u>	<u>25,928</u>	<u>1,277</u>	<u>53,141</u>
At 31 December 2008	<u>(214,449)</u>	<u>(272,198)</u>	<u>(107,439)</u>	<u>(76,998)</u>	<u>(41,751)</u>	<u>(712,835)</u>
Net book value						
At 31 December 2008	<u><u>280,120</u></u>	<u><u>44,885</u></u>	<u><u>3,947</u></u>	<u><u>40,420</u></u>	<u><u>2,132</u></u>	<u><u>371,504</u></u>
At 31 December 2007	<u><u>304,848</u></u>	<u><u>47,069</u></u>	<u><u>4,191</u></u>	<u><u>24,585</u></u>	<u><u>15,115</u></u>	<u><u>395,808</u></u>

The movements in property, equipment and intangible assets for the year ended 31 December 2007 was as follows:

Cost	Buildings	Equipment	Furniture	Vehicles	Software	Total
At 31 December 2006	494,569	335,056	108,506	121,657	48,064	1,107,852
Additions	-	20,136	2,871	-	5,076	28,083
Disposals	-	(35,874)	(229)	(13,868)	-	(49,971)
At 31 December 2007	<u>494,569</u>	<u>319,318</u>	<u>111,148</u>	<u>107,789</u>	<u>53,140</u>	<u>1,085,964</u>
Accumulated depreciation/ amortization						
At 31 December 2006	(164,993)	(274,904)	(105,744)	(81,150)	(33,181)	(659,972)
Depreciation charge	(24,728)	(30,997)	(1,442)	(15,922)	(4,844)	(77,933)
Eliminated on disposals	-	33,652	229	13,868	-	47,749
At 31 December 2007	<u>(189,721)</u>	<u>(272,249)</u>	<u>(106,957)</u>	<u>(83,204)</u>	<u>(38,025)</u>	<u>(690,156)</u>
Net book value						
At 31 December 2007	<u><u>304,848</u></u>	<u><u>47,069</u></u>	<u><u>4,191</u></u>	<u><u>24,585</u></u>	<u><u>15,115</u></u>	<u><u>395,808</u></u>
At 31 December 2006	<u><u>329,576</u></u>	<u><u>60,152</u></u>	<u><u>2,762</u></u>	<u><u>40,507</u></u>	<u><u>14,883</u></u>	<u><u>447,880</u></u>

As at 31 December 2008 and 2007 property and equipment with a cost of USD 415,986 and USD 357,251, respectively, were fully depreciated.

8. ACCRUALS

	31 December 2008	31 December 2007
Accruals related to OSI program activities	1,743,865	1,814,571
Third parties related accruals	<u>169,394</u>	<u>420,081</u>
Total	<u>1,913,259</u>	<u>2,234,652</u>

9. OTHER LIABILITIES

	31 December 2008	31 December 2007
OSI related payables to:		
Employees	12,540	11,531
Other	22,330	7,332
Third parties related payables	<u>122,729</u>	<u>260,160</u>
Total	<u>157,599</u>	<u>279,023</u>

10. OPEN SOCIETY INSTITUTE'S (OSI) INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Funding from Open Society Institute Affiliate (OSIAF)	6,980,077	6,865,815
Total	6,980,077	6,865,815

11. THIRD PARTIES FUNDING

	Year ended 31 December 2008	Year ended 31 December 2007
Pinchuk's Foundation (Ukraine)	167,754	-
Fund for Central and East European Book Projects	107,053	103,227
Goethe-Institute E.V.	57,822	46,706
Internews Network ARCATA CA USA	15,131	289,238
Revenue Watch Institute	13,000	-
ASP LTD	12,694	-
Roma Education Fund	11,202	-
Embassy of Poland in Ukraine	9,178	(1,007)
Kvazar-Micro OJSC	7,556	-
Interpipe Group	-	279,680
Stefan Batorego Fund (Poland)	-	89,619
Fund "Open Society Institute Budapest" (Hungary)	-	11,738
Other	10,957	14,563
Total	412,347	833,764

12. OSI PROGRAM EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Civil Society Enhancement Program	1,868,011	1,742,560
Rule of Law	1,029,445	1,130,427
Medical and Health	848,137	751,003
East-East Program	648,567	457,425
Information (Media, Internet, Publishing, Library)	514,539	903,654
Education	274,466	261,112
Roma of Ukraine	134,544	81,491
European Program	-	691,227
Other	35,712	77,219
Total	5,353,421	6,096,118

13. OSI ADMINISTRATIVE EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Salaries and benefits	948,985	424,168
Professional and consulting fees	92,755	5,222
Depreciation/amortization	75,820	77,933
Auto expenses	60,767	39,928
Travel, conferences and meetings	56,938	14,875
Publications and printing	43,588	5,422
Telecommunications	42,417	41,969
Security	31,347	25,058
Rent and utilities	28,857	24,983
Office supplies	25,436	32,089
Conference and meetings	11,718	4,234
Transfer of assets to a non-for-profit organization	10,622	1,907
Air courier and postage	10,518	3,682
Bank charges	4,690	17,233
Change in provision for unused vacations	4,502	10,986
Recovery of allowance for estimated irrecoverable amounts	(30,200)	-
Loss on disposal of property, equipment and intangible assets	-	315
Other	42,141	10,103
Total	<u>1,460,901</u>	<u>740,107</u>

14. THIRD PARTIES EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Information (Media, Internet, Publishing, Library)	164,058	470,672
Rule of Law	140,498	284,797
Education	24,861	11,333
European Program	39,391	100,000
General administrative expenses	22,842	8,948
Other	7,753	11,777
Total	<u>399,403</u>	<u>887,527</u>

15. INTEREST INCOME

As at 31 December 2008 and 2007 the Foundation earned interest income related to corporate credit card balance in amount of USD 20 and nil, respectively.

16. FOREIGN EXCHANGE (LOSS)/GAIN

	Year ended 31 December 2008	Year ended 31 December 2007
Currency conversion, net (realized)	(114,012)	5
Translation differences, net	(77,955)	5,111
Total	<u>(191,967)</u>	<u>5,116</u>

PART II: OTHER SCHEDULES, CALCULATIONS AND RECONCILIATIONS

1. CALCULATION OF THE 2008 OSI CONTRIBUTION INCOME

	Year ended 31 December 2008
OSI program and administrative expenses as per the Statement of Revenues and Expenses	6,814,322
Add:	
Approved budgetary expenditure (related to OSI's funding) not charged to expense (purchase of non-current assets and increase of program related investments)	62,138
Foreign exchange difference	177,950
Recovery of allowance for estimated irrecoverable amounts	30,200
Less:	
Net book value of assets disposed or sold (OSI related)	(10,622)
Depreciation charged to expense (OSI related)	(75,820)
Other income	(13,589)
Movement of provision for unused vacations	(4,502)
2008 OSI Contribution Income	<u>6,980,077</u>

2. CALCULATION OF THE OSI RECEIVABLES AS AT 31 DECEMBER 2008 (ROLL FORWARD OF THE BALANCE OF "RECEIVABLES FROM OSI" FOR 2008)

	Year ended 31 December 2008
Receivable from OSI as at 1 January 2008	1,583,710
Add:	
OSI Contribution Income for 2008	6,980,077
Less:	
Funds received by the Foundation on its bank account from OSI between 1 January	<u>(6,852,420)</u>
Receivable from OSI as at 31 December 2008	<u>1,711,367</u>

3. TEST OF THE BALANCE OF OSI RECEIVABLES AS AT 31 DECEMBER 2008

	Year ended 31 December 2008
OSI Receivable as at 31 December 2008:	
OSI related current liabilities as at 31 December 2008:	
Payables related to OSI	12,540
Accruals related to OSI	1,743,865
Other payables related to OSI	22,330
	<u>1,778,735</u>
Less:	
OSI related current assets as at 31 December 2008:	
Cash related to OSI	(5,323)
Prepayments related to OSI	(61,922)
Allowance for estimated irrecoverable amounts	2,700
Inventories	(2,823)
	<u>1,711,367</u>
OSI Receivable as of 31 December 2008 as given by this test	<u>1,711,367</u>
Balance of OSI Receivable as at 31 December 2008 as determined in the Receivable calculation under Section 2 above and as reported in the financial statements in Part I.	<u><u>1,711,367</u></u>

4. RECONCILIATION BETWEEN OSI RELATED EXPENDITURES REPORTED IN THE FINAL MANAGEMENT REPORT (UNAUDITED) AND OSI RELATED EXPENSES REPORTED IN THE AUDITED FINANCIAL STATEMENTS SHOWN IN PART I. OF THE REPORTING PACKAGE

	Year ended 31 December 2008
Total of OSI related expenditures reported in the final Management Report submitted to OSI, including periods 1-15 (unaudited)	7,057,096
Less:	
Payments made by OSI or other members of the Soros Foundations network on behalf of the Foundation (POBs) (unaudited)	(89,128)
OSI related non-current assets additions during the year	(62,138)
Add:	
Depreciation charge for the year	75,820
Net book value of non-current assets written off during the year	10,622
	<u>6,992,272</u>
Total of OSI related expenses reported in the audited Financial Reporting Package	<u>6,992,272</u>
OSI program expenses	5,353,421
OSI administrative expenses	1,460,901
Foreign exchange loss	<u>177,950</u>
Total of OSI related expenses reported in the audited Financial Reporting Package	<u><u>6,992,272</u></u>