

ORGANIZATION OF AMERICAN STATES



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REPORT TO THE  
PERMANENT COUNCIL  
OF THE  
ORGANIZATION OF AMERICAN STATES

# AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

By the  
Board of External Auditors

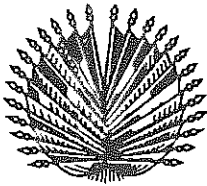
GENERAL SECRETARIAT  
ORGANIZATION OF AMERICAN STATES  
WASHINGTON, D.C. 20006  
2000

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## ORGANIZATION OF AMERICAN STATES BOARD OF EXTERNAL AUDITORS

The Board is responsible for the external audit of the accounts of the General Secretariat pursuant to the General Assembly Resolution 123 adopted on April 14, 1973, and Permanent Council Resolution 124 dated June 30, 1975. It began to function in March 1976, and adopted detailed rules and procedures to carry out its duties and responsibilities. These rules reflect the standards and requirements prescribed by the General Assembly and the Permanent Council for the external audit of the OAS.

The Board is composed of three members elected by the General Assembly.



ORGANIZACION DE LOS ESTADOS AMERICANOS  
ORGANIZAÇÃO DOS ESTADOS AMERICANOS  
ORGANISATION DES ETATS AMERICAINS  
ORGANIZATION OF AMERICAN STATES

JUNTA DE AUDITORES EXTERNOS  
BOARD OF EXTERNAL AUDITORS  
JUNTA DE AUDITORES EXTERNOS  
COMMISSION DE VÉRIFICATEURS EXTÉRIEURS

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17th Street and Constitution Avenue, N.W. Washington, D.C. 20006

March 31, 2000

To the Permanent Council of the  
ORGANIZATION OF AMERICAN STATES

The Board of External Auditors (Board) is pleased to present its annual report on the external audit of the accounts and financial statements of the ORGANIZATION OF AMERICAN STATES (OAS) in accordance with Article 117 of the General Standards to govern the operations of the General Secretariat. Our report covers the year ended December 31, 1999, and includes the latest OAS financial statements in comparison to the comparative OAS financial statements for the year ended December 31, 1998. The report also includes the following.

- Comments and recommendations by the Board for improving the OAS' operating procedures and internal accounting controls
- Audit of the accounts and financial statements of major OAS funds:
  - Regular Fund
  - Special Multilateral Fund of the Inter-American Council of Integral Development (FEMCIDI)
- Audit of the accounts and financial statements of the Rowe Memorial Benefit Fund and the Leo S. Rowe Pan American Fund
- Audit of the accounts and financial statements of the Planning for Adaptation to Global Climate Change Project

- Audit of the accounts and financial statements of the Retirement and Pension Fund
- Audit of the accounts and financial statements of the Inter-American Defense Board
- Audit of the accounts and financial statements of the Unit for the Promotion of Democracy (OAS/Democ).

The Board's annual report is based primarily on the audit conducted by Ernst & Young LLP, independent public accountants, which was performed in accordance with generally accepted auditing standards. The Board reviewed and discussed the audit work and related workpapers with representatives from Ernst & Young LLP. In preparing its report, the Board has also considered the reports of the OAS's Inspector General issued during 1999, and discussions with the Inspector General and OAS management officials.

The Regular Fund and FEMCIDI financial statements included in this report represent the financial activity for the year ended December 31, 1999, on a comparative basis with the year ended December 31, 1998. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the General Secretariat which require the measurement of financial position and operating results in terms of historical cost without regard to changes in the purchasing power of money over time. The Ernst & Young LLP opinion, as it pertains to the financial statements for the year ended December 31, 1999, is unqualified (clean), which is the best possible outcome of the independent audit process.

Based on the opinions rendered by Ernst & Young LLP on the forgoing financial statements, the Board certifies in accordance with Article 119 of the General Standards to govern the operations of the General Secretariat that:

- The financial statements of all funds audited agree with the books, records, documents, and vouchers of the General Secretariat.

- The securities and cash on deposit have been checked by means of certification from depositories of the General Secretariat and the cash on hand has been checked by actually counting it as deemed appropriate by the Board in accordance with generally accepted auditing standards.

We have included as Appendix A of Section I Ernst & Young LLP's opinion on compliance with the General Standards to govern the operations of the General Secretariat. In addition, our report contains a number of recommendations designed to improve OAS' operating procedures and internal accounting controls both at Headquarters and at the Offices in the member states.

In May 1997, the Permanent Council adopted CP/RES. 703 (1122/97) which revised Article 108, renumbered it as Article 124, and provided that:

"The Board shall submit its report to the Permanent Council within the first four months of the year. The report shall include the preliminary comments of the General Secretariat. Additional formal comments on the plans for adopting measures relating to the recommendations of the report shall be furnished by the General Secretariat and the Office of the Inspector General. The Permanent Council shall make such observations and recommendations as it sees fit. The Report shall be submitted to the next regular session of the General Assembly, together with the observations from the Permanent Council, the General Secretariat and the Office of the Inspector General".

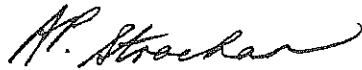
This report is submitted in accordance with Article 124.

As of December 31, 1999, the Regular Fund had a *negative* fund balance of \$4.6 million which was an increase of \$3.6 million from the December 31, 1998, *negative* fund balance of \$952,000 (the \$921,000 amount noted in last year's report was incorrect due to a final financial statement adjustment after adjournment of the Board). Quota collections in the Regular Fund during 1999 totaled \$67.5 million (with 49% of the current year assessment and 65% of prior years' arrearages collected). Uncollected quota balances at December 31, 1999, are \$55.2 million, as compared to \$49.0 million at December 31, 1998.

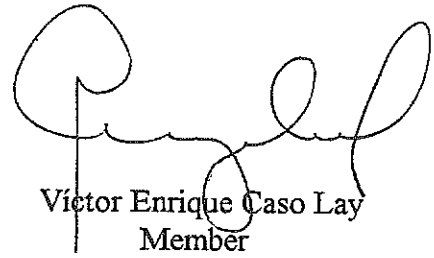
The Members of the Board wish to express their appreciation for the cooperation of the General Secretariat in facilitating the audit work and to the General Assembly and Permanent Council for the opportunity to assist in evaluating the financial operations and management of the OAS.



Bert T. Edwards  
Chairman



Adrian P. Strachan  
Member



Victor Enrique Caso Lay  
Member

# ORGANIZATION OF AMERICAN STATES

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**SECTION I**  
**COMMENTS AND RECOMMENDATIONS TO IMPROVE OPERATING**  
**PROCEDURES AND**  
**INTERNAL ACCOUNTING CONTROLS**



# CHAPTER 1

## COMMENTS RELATING TO THE GENERAL SECRETARIAT

This Chapter addresses Board issues, concerns and recommendations that it has chosen to bring to the attention of the General Secretariat. Following the brief summary of the financial condition of the OAS, the Chapter addresses the OAS management initiatives undertaken to implement Board recommendations from the past as well as new issues of concern to the Board. The Issues have been grouped into three categories -- (1) Prior-Year Issues, (2) New Management Issues of Concern, and (3) Other Matters.

### FINANCIAL CONDITION

The OAS Regular Fund fund balance as of December 31 1999, was significantly lower than the prior year. As of December 31, 1999, the Regular Fund had a *negative* fund balance of \$4.6 which was an increase in the *negative* fund balance of \$3.6 million from the December 31, 1998, *negative* fund balance of \$952,000. Quota collections during 1999 totaled \$67.5 million (with 49% of the current year assessment and 65% of prior years' arrearages collected). Uncollected quota balances on December 31, 1999, amounted to \$55.2 million compared to \$49.0 million at December 31, 1998. Recent results of operations are summarized below.

#### Accumulated Deficit - Regular Fund

#### Operating Deficit - Regular Fund

|                          |               |         |               |
|--------------------------|---------------|---------|---------------|
| As of 12/31/96 - Surplus | \$5,531,000   |         | N/A           |
| As of 12/31/98 - Deficit | (\$952,000)   | 1997-98 | (\$6,483,000) |
| As of 12/31/99 - Deficit | (\$4,616,000) | 1999    | (\$3,664,000) |

The deficits are primarily due to a shortfall in the 1998 and 1999 quota collections. The Board noted that quota arrearages increased by \$ 6.2 million, principally due to arrearage increases of two member states. The Board also noted that several member states have prepaid their quotas, taking advantage of the prepayment discount. Aggregate arrearages were \$ 55.2 million at December 31, 1999. Information on quota payments and arrearages is contained within Schedule 1 of Regular Fund Statement of Quota Assessments, Collections, and Balances.

Income from interest and administrative and technical support charges again decreased in 1999 to \$2.5 million, as compared to \$3.5 million for 1998 and \$4.9 million in 1997. Rent and other income was \$1.6 million, a decrease from \$2.9 in 1998.

Pledge collections in support of FEMCIDI totaled \$8.3 million, with 100% of the 1999 pledges collected.

Total contributions received during the year to finance the OAS' various specific projects and missions were \$61.3 million in 1999 (including \$13.9 million in tax reimbursements since a unique fund was established in 1999 to track tax reimbursement amounts separately), compared to \$46.8 million in 1998 (that included \$10.1 million for tax reimbursements).

Of total contributions, funds designated by contributors in support of activities conducted by the Unit for the Promotion of Democracy were \$13.4 million in 1999, compared to \$14.4 million in 1998. The financial statements for the Trust of the Americas was not submitted for audit and is therefore not included in this report.

### **Legal Matters**

A number of ongoing legal issues presently confront the OAS. However, upon examination of the final 1999 OAS Legal Representation Letter, the Board was unable to conclude the potential liability or financial impact that may arise as a result of these various legal issues. Essentially, the 1999 Letter did not distinguish between the issues that were "highly probable" of an outcome or "unlikely" to be successful against the OAS.

### **Ernst & Young LLP External Auditor Opinions**

Given the condition of the financial information discussed in other sections of this Chapter, the independent auditors expressed unqualified ("clean") opinions, the best of possible audit results, on the following financial statements.

- Regular Fund
- Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI)
- Rowe Memorial Benefit Fund
- Leo S. Rowe Pan American Fund
- Unit for the Promotion of Democracy (OAS/Democ)
- Planning for Adaptation of Global Climate Change Project
- Retirement and Pension Fund
- Inter-American Defense Board Fund (IADB)

While "clean" opinions were rendered by the independent auditors on the above financial statements for the period ending December 31, 1999, the Management Letter submitted by the independent auditors, noted a deterioration in the control environment during 1999. Although OAS management has reorganized and strengthened system and financial management operations over the last several months to address a number of these concerns, the Board advises OAS management to continue strengthening the control environment.

## **PRIOR-YEAR ISSUES**

In last year's Report to the Permanent Council, the Board noted a number of issues affecting OAS financial condition and management of financial resources. Specifically, the 1998 Report discussed issues related to the following topics.

- Staffing Skills and General Business Process
- Review of Policies and Procedures
- Management Information Systems
- Year 2000 Readiness
- Control Environment
- Fixed Assets
- Obligations Not Supported by Firm Commitments

Except for **Year 2000 Readiness** and **Fixed Assets**, the 1999 context under which the Board expressed its views associated with the topics noted above was directly impacted by the Oracle Financials installation. As a result, these topics will be discussed in the "New Management Issues of Concern" section of this Chapter. Since the installation of Oracle Financials is basically a reengineering of OAS financial and system management areas, stabilization of the Oracle Financials must encompass specific actions in virtually all the issue areas noted in the 1999 report. Therefore the following section will only provide an update on the **Year 2000 Readiness** and **Fixed Assets**.

### **Year 2000 Readiness**

Last year, the Board expressed concern with OAS preparations for Y2K and recommended that OAS develop contingency plans for this area. In addition, they noted that OAS cannot perform this task in a vacuum and must be cognizant of its exposure to external agents since vendors and contractors may not be properly prepared to meet Y2K requirements. Similarly, the Board noted that Y2K compliance by member states should be reviewed and a determination should be made on the potential impact on OAS operations.

The Oracle Financials are Y2K compliant and OAS management was successful in minimizing the impact of the Y2K problem. While the independent auditors continue to express concern with OAS understanding of the timeliness of changes to vendor and contractor systems, the Y2K preparedness issue is largely resolved to the satisfaction of the Board.

### **Fixed Assets**

In 1999, the Board noted there were some specific problems related to capitalization and recording of fixed assets and that some improvements in this process were both possible and needed. While the Board is basically pleased with the improvements since 1998, the Board cited a need for more specific policies and procedures in conduct of a physical inventory. More specifically, the Board recommends that OAS management reassess whether the inventory requirements were appropriate given the nature of its inventory, especially in regard to inventory maintained at the National Office level.

During 1999, the Department of Material Resources placed a priority on correcting certain issues surrounding the safeguard and accounting for fixed assets identified in previous years, including the development of formalized policies and procedures and the performance of a partial physical inventory. Per recommendations made by the Board for 1998, the OAS implemented new policies to perform a complete physical inventory of fixed assets. However, the independent auditors continued to note the existence of weaknesses in internal controls over fixed assets particularly in the taking of physical inventories on equipment vulnerable to theft and the tracking of inventory at the National Office level. Consistent with prior years, the independent auditors continue to inform the Board that additions and deletions of fixed asset inventory at the National Offices are not reported in a timely fashion. As a result, the fixed asset records are not complete or accurate. On this point, the independent auditors recommended that OAS management implement policies and procedures which ensure that all fixed asset purchases are reviewed and recorded on a consistent and timely basis. In addition, the independent auditors also recommended that Headquarters personnel periodically conduct inventory records verification under formal physical inventory procedures for projects which possess significant amounts of fixed assets.

While Article XIV.9 of the Budgetary and Financial Rules mandate that physical inventories be performed periodically to validate fixed assets recorded in the OAS records, it also permits the physical inventory to be completed over a four-year period. On this point, the Board concurs with the independent auditor views that the OAS revise its physical inventory procedures and consider completing its physical inventory over a shorter period of time. Additionally, the Board takes the broader view that Article XIV.9 of the Budgetary and Financial Rules relating to physical inventories may not be consistent with the current operating environment and may need to be refined to accommodate the real world nature of OAS inventory. As mentioned in last year's recommendations, it is increasingly apparent that there is a need to conduct more frequent physical inventories for high risk and high value assets like computer equipment (e.g., servers, laptops, etc.) and fine art and less frequent physical inventory for lower risk assets like furniture.

#### **NEW MANAGEMENT ISSUES OF CONCERN**

During the 1999 audit of OAS' financial statements, and the period subsequent to January 2000, the Board noted a number of on-going and new issues that the Board considers important for OAS management to address. For the first time in over 15 years, the independent auditors cite a "**reportable condition**," which is a serious deficiency in the internal control environment. In general, OAS management must address long-standing prior-year issues and recommendations in conjunction with the reengineering resulting from the new system design and installation. Of particular concern are the management issues that have resulted from the installation of Oracle Financials. The following summarizes the Boards' position on these management issues.



## **Staffing Skills and General Business Process**

In 1998, the Board noted that several offices of the Secretariat have experienced personnel reductions and operate with minimal staffing levels. In its 1998 Report, the Board reiterated its prior-year recommendation that OAS management review the staffing requirements within existing organizations. Essentially, the Board said it was important to ensure that adequate staffing levels and skills are maintained in critical functions, especially in the vulnerable OAS areas such as the Department of Technology and Facility Services and the Department of Financial Services (DFS).

The Board notes that staffing levels within DFS and other Headquarters' support organizations remains basically unchanged since the 1998 Report. Part of the reason was the availability of funding for additional positions and the staffing caps imposed by the OAS. In addition, the introduction of Oracle Financials made it difficult to identify the appropriate staffing level for permanent positions given the learning curve with an initial system installation. Outsourcing in the interim period appears acceptable in the short term but, in light of the control environment described below, staffing issues must continue to be addressed and OAS must determine the most cost efficient mix between permanent staff and the support derived from outsourcing.

## **Complete Documentation of Policies and Procedures**

In the 1998 Report, the Board noted that OAS overall policies and procedures governing daily operations of the General Secretariat were in need of being updated. It was the Board's view at the time that OAS needed to update the policies and procedures in conjunction with a review of staffing and the reengineering of core processes being conducted.

As with staffing, the introduction of Oracle Financials emphasized the continuing need to establish appropriate policies and procedures. While some progress has been made, the progress envisioned by the Board in 1998 did not materialize since the issuance of that Report. Essentially, OAS must continue to prepare and implement policies and procedures that are appropriate for its reengineered processes subsequent to the Oracle Financials installation and conditions noted under internal controls.

## **Management Information Systems**

Management information system concerns have been an issue for the Board for several years. In the 1998 Report, the Board was advised that OAS management was in the process of implementing corrective measures to enhance the overall control structure of the management information systems environment. The Board was told that the new computer system was a vital area and that it would be given more attention and effort during calendar year 1999. Specifically, issues identified in the 1998 Report related to:

- *Physical access*
- *Modernization with secure access*
- *Program changes in a test environment*
- *Disaster recovery*
- *PC user controls*
- *Centralized software management*

The Board is pleased to note that some progress has been made in some of the areas noted above. At the same time, the on-going problems are significant and OAS management must continue to make strides in this area to ensure adequate and reasonable controls over the financial and other information resources under OAS management. For example, during 1999, the OAS migrated to Oracle based applications. However, the impact of the migration on the OAS' control environment appears to have been significant and the Board has concerns that the controls surrounding the conversion will need continual verification, testing and review in upcoming years.

While OAS management had the foresight to establish an IT Steering Committee, the existing IT Steering Committee requires more direction and support. The current IT management structure is divided between the Oracle Application Support Group and the Infrastructure Group. In 1998, the OIG identified weaknesses in the control structure that needed a resolution prior to the Oracle implementation. This was not immediately addressed and, as a result, there was an impact on 1999 financial operations.

While prior-year Reports of the Board noted the need to establish policies and procedures for system development and maintenance, the independent auditors and the OIG both noted that policies and procedures regarding testing were inadequate and needed to be revised as part of the program development and change process. During the Board's current meeting with OAS management officials, we noted that progress is being made. At the same time, the Board is not convinced that full institutionalization has been achieved and significantly greater progress needs to be reported by both the independent auditors and the OIG when the Board again meets in March 2001.

A simple walk-through of the system operations area reflected greater emphasis on controlling **physical access** to system management areas. Unfortunately, both the independent auditors and the OIG noted that system developers had been given application "super user" access to the modules for which they are designated as the data owner. Similarly, these same groups noted that *security awareness* was less than acceptable until *Executive Order No. 99-3*, dated December 17, 1999, was published in response to OIG recommendations.

In this year's discussion of system issues before the Board, OAS management noted that there is now a designated Security Officer who is working on guidelines covering password security, data backup, as well as the use of PCs, private software, Internet, and OAS e-mail. In addition, the Board was told that the OAS *system modernization*, including Oracle Financials, is an \$8 million initiative that upgrades hardware and covers human resources and payroll functions with the possibility of adding fixed assets and loan management at a later date. The Board is

greatly encouraged that significant strides in information management are being made. At the same time, the Board requests that the OIG revisit the implementation of the newly established Executive Order sometime in the summer of calendar year 2000 to ensure full and complete implementation.

In the 1998 Report, the Board noted that the OAS' **Disaster Recovery Plan** was out-of-date and did not reflect the current operating environment. In 1999, the independent auditors also found that not all back-up tapes were stored in a fireproof box rated for magnetic media and, in the event of an emergency, OAS may have experienced difficulties recovering its systems. Subsequent to the issuance of *Executive Order 99-3*, the Board was advised the disaster recovery plan had been revised and expanded to encompass all aspects of data recovery, including data associated with the Oracle Financials. Similarly, *IT Policies and Procedures* are being refined with clearer definitions of the roles and associated duties needed to meet IT management goals and business process needs. Finally, the Board did not pursue the issue of a *Centralized Policy for Software* but expect it to be part of the implementation initiatives under the Executive Order 99-3. The independent auditors told the Board that while the OAS has documented information security policies and procedures for selected departments, there are no formally documented organization-wide security policies and procedures. During 1999 there appeared to be no control over the software installed on OAS personal computers and the 1998 IT (formerly MIS in 1998) policy requiring all software purchases be approved by IT did not control unauthorized installation of software purchased by others. The Board recommends that OAS formulate a policy regarding the use and installation of software and that OAS centrally control all installation and maintenance of end user software to ensure compliance with enterprise standards.

### Control Environment

As part of the 1999 audit, the independent auditors reviewed the OAS internal control environment. Essentially, the auditors noted there were significant and unique challenges facing the OAS in 1999 and acknowledged that, over the period under audit, DFS personnel had to work with limited resources, learning curves, and the technical obstacles associated with the conversion to the new Oracle Financials system. In their review of the control environment, the auditors documented the definition of what constitutes a **reportable condition** as follows.

“...matters coming to our attention relating to significant deficiencies in the design or operation of the **internal control** that, in our judgement, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements.”

The following summarizes the reportable condition documented by the Ernst & Young LLP auditors.

### *Segregation of Duties*

While access request forms are being completed for Oracle users, the auditors noted that the actual access rights granted were in excess of those authorized on these forms. The auditors noted that, at the time of the audit, the current environment did not provide adequate segregation of duties and restrictions over transaction cycles, such as the purchase to payment/check printing cycle. Specifically, the auditors noted that an excessive number of "super users" had access to the Oracle system with the ability to perform a number of critical functions. Essentially, the "super user" status not only permitted an individual the ability to perform critical functions, but also the potential to grant/revoke and/or eliminate audit trails that would track such actions.

The OIG reviewed the implementation of the Oracle Financials applications and made recommendations to address the same issues noted above. A large number of recommendations were properly considered "high risk" and included specific recommendations governing the security of financial and management data, and status and limitations on "super users." While a number of the recommendations have been implemented under new OAS policies and procedures, the seriousness of the data control issues are such that the Board requests the OIG to perform a follow-up audit on user controls in calendar year 2000.

### *Bank Reconciliation*

The independent auditors noted that, during 1999, the OAS was untimely in preparing its Headquarters and National Offices bank account reconciliation even though the OAS was able to provide completed bank reconciliation for the entire calendar 1999 accounting period for the audit. The auditors noted the seriousness of the issue when they began the audit work in November 1999. Essentially, at the start of audit work the last completed Headquarters reconciliation was six months behind schedule.

According to the auditors, the reconciliations were not prepared or reviewed for the first six months of 1999 and subsequent months on a timely basis due to the implementation of the Oracle system and lack of personnel resources. They also noted that reconciling items identified in the Headquarters and National Offices reconciliation included checks outstanding for a period longer than twelve months. More specifically, there was approximately \$320,000 in outstanding checks that were more than one year old and OAS did not have a timely write-off policy for old or outdated checks that should be removed and written-off during the bank reconciliation process, and followed-up to avoid unfavorable reflection on OAS' financial management.

Subsequent to the independent audit work, the Board was advised that DFS has strengthened its bank reconciliation process and can now obtain more detailed reports that allow DFS staff to identify outstanding/cancelled checks and other reconciling items. The Board and independent auditors have also been told that bank reconciliations are now up to date and that Oracle Financial tools are being used to perform the function. The Board emphasizes the

seriousness of the bank reconciliation problem and encourages OAS management to ensure the process works smoothly throughout 2000. Also, the common business practice to imprint checks under the issuance date with a legend stating "void after 120 days" is recommended to encourage prompt negotiation.

### *National Office Expenditures*

The independent auditors noted that, subsequent to the Oracle implementation, OAS Headquarters experienced untimely recording of certain budget allocation and expenditure transactions in the system. Essentially, the transactions involved obligations for National Offices that were not directly linked to the Oracle system. While funding levels, also referred to as allotments, had been established, OAS headquarters personnel independently monitored National Office expenditures outside the Oracle system. This arrangement resulted in many obligation transactions not being recorded in the Oracle system in a timely manner and funding was not always available in the system to cover the payments when the obligation was finally identified. From an independent audit perspective, it also resulted in improperly posted transactions and inaccurate information on the status of transactions and funds at the National Office level.

### *Policies and Procedures*

As in prior years, the primary documents establishing the overall policies and procedures of the General Secretariat including the Budgetary and Financial Rules of the OAS, the Field Financial Manual, as well as the departmental manuals which govern the day-to-day activities and operations of each department should be updated. Specific concerns raised by the independent auditors relate to procedures for the management and observation of physical inventory, information technology, information security, and the competitive bidding of OAS contracts.

### *Maintenance of Documentation*

Consistent with prior years' Board Reports and recommendations prepared by the OIG in 1999, the independent auditors identified certain areas where supporting documentation was not sufficient to support an audit trail for specific transactions. For example, OAS Headquarters does not receive supporting documentation when it receives a copy of the checks from National Offices. The checks are posted based on the account number written on the check by the National Office personnel. If the account number on the check does not agree with an account number within Oracle, OAS followed a labor-intensive process to identify the correct account number. In an independent audit sample of 30 items tested, 11 items with the account numbers recorded in Oracle did not agree with the account number on the back of the check. Of the 11 items noted, 5 account numbers appeared to be incorrect based on additional information received.

The amount of additional documentation which must be submitted is an OAS management decision. Under certain circumstances, alternative documentation may be acceptable provided other controls are in place. However, as noted in other sections of this Chapter and prior

reports, the Board has consistently noted that policies and procedure manuals should be updated, documentation maintained, staffing assessed in accordance with system and business needs. The Board therefore recommends that OAS Management devote additional attention to the adequacy and timely development of these policies, procedure manuals, and documentation requirements as it considers staffing and other issues in its reengineering process to fully utilize Oracle Financials.

### **Transaction Recording Issues and Data in Financial Statements**

In 1998, OAS decentralized its review of obligations and made significant improvements to fund management. This initial improvement was attributed, at least in part, to efforts by OAS to periodically review its open obligations, require the technical areas to monitor these obligations closely, and to deobligate those that are no longer needed.

#### ***Obligations and Unliquidated Balances***

During 1999, the independent auditors noted concerns with OAS obligations. In the course of the audit work, the auditors noted that one obligation was recorded net of its first payment and that all obligations supported by firm commitments were not always recorded in full. In addition, the auditors noted that OAS management is still reluctant to deobligate fund balances that will likely never liquidate for various reasons. Although significant progress has been made since 1998, additional emphasis is needed to ensure adequate maintenance and review of obligated fund balances. Without this type of review the independent auditor noted it is very difficult to determine whether the recorded balances continue to be firm commitments. The 1999 audit work by the auditors revealed the existence of unliquidated obligations totaling about \$11.0 million. Of this amount, the auditors projected a need to adjust current unliquidated obligations by about \$275,000 for a better presentation of OAS financial resources.

The Board concurs with the auditors' position that OAS should periodically review unliquidated obligations recorded in the system to ensure that they are valid obligations of the OAS. Additionally, the Board concurs with the need to establish review policies and procedures that ensure unliquidated obligations are not recorded in the system in violation of the Standards, which has occurred when the balances are not supported by firm commitments.

#### ***Timely and Accurate Recording***

The Ernst & Young LLP auditors noted that transaction processing and National Office documentation were not adequate for recording certain budget allocations and expenditures in the Oracle system in a timely manner. As a result, the financial data in the Oracle system did not always represent the financial status of certain programs, projects, offices or organizations under OAS administration.

The auditors noted that many of the problems experienced by the OAS were due to the lack of knowledge of the Oracle system requirements. Consistent with other sections of this Chapter,

the procedures for processing National Office obligations and expenditures must be clearly defined, documented, and communicated to the National Offices and OAS Headquarters staff, including the Technical Units, DFS personnel and contractors working in outsourced capacities. In addition, the independent auditors noted a need for clear and direct policies that provide for obligations to be recorded and monitored within the Oracle system in accordance with Budgetary and Finance Rules. This would ensure that funds are available at the required level and charged to the appropriate account at the time of obligation, minimize errors, and ensure a reduction in the number of rejected expenditure transactions.

Finally, since Oracle Financials is a robust system, it has the potential to deliver consistent and accurate data on OAS operations under a single system process. The Board therefore recommends that OAS use Oracle for all activities and projects falling under the OAS umbrella and to classify the system as the "Official Financial System" for tracking funds under OAS control. Although systems implementations are never problem-free, and they require the full commitment and participation of the different parts of an organization, the fragmentation and duplication from using multiple systems will ultimately result in wasted resources for operating and maintaining the various systems.

### **Staff Training Requirements**

In the preparation of this Report, a number of OAS management personnel came before the Board and expressed a concern for training of personnel dealing with the Oracle Financials. In addition, both the OIG and the independent auditors expressed concern that the training on the new system be continually provided. In addition, the OIG also raised concerns with outsourced employees being trained in the new Oracle system without incentives to retain the trained employees when outsourced turnover occurred.

The Board recognizes that staff training is critical to a successful implementation of a financial system and supports OAS management decisions to prioritize the expenditure of precious resources in this area. However, training in and of itself is not sufficient in reengineering an organization with the introduction of a robust system such as Oracle Financials. Prior to and/or concurrent with the training, OAS must follow-up on a number of issues identified in this report. More specifically, the Board recommends that OAS document its critical business processes that must be conducted and determine appropriate staffing requirement and system configuration to accomplish the business function. This includes the preparing and documenting the needed policies and procedures as well as the appropriate mix of permanent staff and outsourced resources. While the total requirement does not need to be in place to start the training, OAS management must have a clear understanding of the business processes it will be executing, the tools it will be using and the people who will be doing the work before it can efficiently determine the training requirement. While the Board recognizes that a lot has been accomplished in this area in the last few months, the content of this report would suggest that substantially more needs to be done.

## **Other Income Issues And World Bank Rental**

During 1999, the OAS encountered some income-related issues regarding the F Street building in Washington, D.C. that affect the cash flow and revenue streams. One is having a positive effect and the other a negative effect until additional decisions and actions are put in motion.

On the positive side, the OAS determined in 1998 that the 9.375% mortgage with Legg Mason Real Estate Services on the F Street building could be refinanced at a better rate. In January 1999, when the refinancing was completed, the beginning principal balance of the refinanced loan was \$7.4 million with a 6% interest note. This refinancing saved about \$250,000 in 1999 and declining amounts over the remaining five years. The monthly payments are now \$127,143, and the note will be paid in full by November 2004.

On the negative side, the OAS lost the World Bank as tenant for three floors in its F Street building. The loss of the World Bank will cause OAS to forgo \$1.6 million in revenue during 2000. However, to attract a viable tenant in 2001, OAS management proposes to reconfigure the building layout in a "Class A" manner that will attract a tenant to this high rental section of downtown Washington. Current plans are to refinance the current mortgage and the estimated \$14 million renovation from the capital appreciation in the building. Real estate advisors have informed OAS that the renovated cost space should provide \$3 million in annual rental for the former leased space.

## **OTHER MATTERS**

This section identifies some other matters that the Board considers important to OAS management, control of financial resources and/or directly impact the Oracle Financials system.

### **Status of National Offices**

For the last several years, the status of the National Offices has been a significant issue for OAS. During 1999, five national offices were identified for closure. Of these five, three offices were closed.

Since the actual status of the National Offices has not been clearly determined for OAS Headquarters management, the critical decisions needed to design and implement the most efficient way to include National Office transactions under the Oracle Financials cannot be properly decided. During the 1999 audit, the independent auditors noted that the obligations for the National Offices were not recorded in the Oracle system. More importantly, the auditors noted that the National Offices' financial obligations were not recorded in a timely manner within the Oracle system and that in many instances funding was not available to cover the payments paid through the manual system. Essentially, the OAS Headquarters decision-makers could not determine the actual financial status of many if not all projects because they were monitored independently by the National Offices outside the Oracle system.



To address the above issue, the Board was told that National Offices would either be given access to the Oracle system or personnel in the National Offices would be “web enabled” to update financial transactions generated at the National Office level. However, without a clear understanding of the status of the National Offices in the coming months and years, the Board has serious doubts that OAS management will effectively and efficiently incorporate National Office requirements into the Oracle Financials installation. The Board therefore recommends that a definitive decision be issued on the status of the various National Offices to include a timetable showing which offices will remain open and which will close in the coming years.

### **OAS Management Control Over Decentralized Activities**

In recent years, the manner by which OAS conducts its activities has changed dramatically. In the 1970's well over 90% of OAS annual revenues was derived from member quota payments to the Regular Fund. Since then, OAS has created the FEMCIDI Fund and a number of Specific Funds, which receive member contributions apart from the quotas paid to the Regular Fund. In 1969, OAS transferred its human rights program (Inter-American Court of Human Rights) to a separate entity located in San Jose, Costa Rica; OAS makes an annual support payment of \$1,100,000 to the Court. Effective January 1, 2000, OAS transferred the former FEMCIDI Fund and a number of Specific Funds to a quasi-autonomous entity, the Inter-American Agency for Cooperation and Development (AICD); this resulted in a transfer of approximately \$18 million in net assets and up to 30 employees to the new AICD entity, which will be associated with OAS for a four-year period following which the Board understands AICD may become essentially autonomous.

The OAS Unit for the Promotion of Democracy (Democ) is comprised of funds for activities in Nicaragua, Guatemala, Suriname, Haiti, and the demining program in Central America. Total assets and fund balance for OAS Democ decreased in 1999 to about \$7.1 million and \$6.8 million respectively, as of December 31, 1999. Democ financial transactions are managed through the Oracle Financials.

The Inter-American Defense Board (IADB) is an independent group comprised of military officers representing the highest echelons of their nations' defense establishments. Its mission is to maintain the collective self-defense of the Western Hemisphere with peace and security as primary objectives. The IADB has expressed a decision not to convert to Oracle Financials. IADB will continue to use its Y2K compliant Master Accounting Series 90 (MAS 90) software to manage its funds and generate its financial statements.

Finally, the Pension and Retirement Fund has not yet decided whether to use Oracle Financials. The Board understands that this decision will be made in Spring 2000.

Since OAS, may be viewed to be the “parent” of these entities by outside parties, OAS should establish controls to protect its interests and reputation. As OAS becomes an increasingly complex decentralized entity, there is the risk that OAS might lose control over its diverse activities. The OAS management of funds is already very complex and the proposed arrangement to annually compute and allocate Regular Fund quota contributions to cover FEMCIDI administrative costs only complicates the process further. More importantly, each

divestiture that occurs dilutes the efficiency of OAS financial management and system operations, particularly the investment in modernization and robust systems such as Oracle Financials.

## CHAPTER 2

### COMMENTS RELATING TO THE OFFICE OF THE INSPECTOR GENERAL

This Chapter discusses the status and staffing issues related to the Office of the Inspector General.

#### *Operations of the Office of the Inspector General During 1999*

The status and role of the Office of the Inspector General (OIG) within the OAS is important to the Board since the OIG function works as an additional on-going safeguard in the control environment. Under *Executive Order 95-05*, the OIG, is charged with the responsibility to assist the Secretary General and the governing bodies to monitor various levels of management with respect to the General Secretariat's programs and resources, and adherence to the legal system governing the Secretariat.

#### *OIG Staffing and Budget*

In its 1998 Report, the Board expressed its concern with the lack of staff in the OIG office. The Board stated that the OIG was below the appropriate staffing level and suggested the OIG strengthen its effort towards staffing the function. Additionally, the Board suggested that the OIG hire an auditor with computer experience since OAS was moving forward on the implementation of the Oracle Financials system. This year, the Board is once again concerned with ensuring that the OIG has sufficient permanent staff resources to fulfill its role as advisor to the Secretary General and as a deterrent to waste, fraud and abuse within OAS. Similarly, in areas where specialized skills and experience are lacking in the permanent staff (e.g., system management, etc.), the Board is concerned with the OIG having sufficient outsourcing resources to acquire the needed talent, on a short-term basis or that allows for the conduct of adequate audit reviews.

During 1999, the OIG experienced a high vacancy rate in its permanent audit positions and had to use outsourcing resources to complete planned audits. Presently, the OIG is advertising its vacant positions for Deputy Inspector General (P-4 level), and two staff auditors (P-3 level). The corresponding job announcements' minimum requirements include "formal training in electronic data processing and knowledge of auditing in computerized system environment, such a Oracle". The OIG expressed to the Board that this type of expertise and/or other information systems experience is in very high demand, expensive to acquire, and thus was concerned about not being able to attract applicants with this expertise at the salary level offered in the job announcements. In general, the Board concurs with the OIG concern. Permanent OIG staff with the required experience may not be available for the compensation levels offered and the OIG may have to outsource the information system skills and experience needed to conduct audit reviews in accordance with the year 2000 audit plan.

The Board was informed that the \$127,000 that was provided to the OIG during 1999 was insufficient to accomplish all the planned work and, as a result, a Member State contributed additional contractor resources for audits in the highly specialized and complex areas related to management and financial information systems. Currently, each month of traditional contractor audit support costs the OIG about \$7,000. However, this cost triples to about \$21,000 per month when a contract audit must cover system areas. As a result, the current budgetary resources provide a maximum of 18 person-months of traditional contract audit coverage and slightly more than 6 person-months of system audit coverage.

With the filling of the vacant positions, the Board will be satisfied that the OIG has sufficient permanent staff resources to fulfill its role as advisor to the Secretary General and deterrent to waste, fraud and abuse within OAS. There will be a period during 2000, however, when the new staff will be undergoing familiarization. Further, contractor resources may be needed to cover required expertise that may not be available within the permanent staff (e.g., system audits). Essentially, the contractor support funds needs to be raised to a level that will ensure the control environment issues identified in Chapter 1 of this Report are monitored and the specific actions recommended by the OIG are appropriately implemented. The OIG will be required to continue an on-going review and evaluation of the implementation approach conducted by the responsible management unit. The purpose of this review is to ensure that the corrective actions implemented by management provide a satisfactory resolution to the weaknesses or adverse conditions identified by the OIG.

The activities of the OIG are required to be coordinated with those of the Board and the independent auditing firm the Board designates to conduct audits. The current Board supports and agrees that the OIG's planned audit activities for 2000 be directed toward operations with the highest degree of risk and/or those with the highest potential for increasing efficiency, economy, and effectiveness within the OAS. Additionally, the Board expects the OIG to ensure through its on-going audit follow-up process, that adequate action is taken on any significant weaknesses in the control environment identified by the independent auditors in the course of the annual audit.

### *Professional Standards Review*

The General Secretariat's *Executive Order 95-05* makes reference to the need for the OIG to be periodically subject to a comprehensive evaluation conducted by independent auditors from outside the OAS, and who shall report on compliance in accordance with the Standards for the Professional Practice of Internal Auditing. The Board recommends for this requirement to be properly funded within the OAS budget and scheduled one year after the OIG reaches full staffing strength, and then conducted every three years thereafter.

## CHAPTER 3

### COMMENTS RELATING TO THE AUDIT ACTIVITIES OF THE INSPECTOR GENERAL

This Chapter discusses the audit activities of the Inspector General performed during calendar year 1999.

#### *Audits Conducted by the Office of the Inspector General During 1999*

In 1999, the Office of the Inspector General issued 15 audit reports and 2 investigations. Nine of the 15 audits (59%) were carried out in Headquarter locations, and six of the 15 audits (41%) were performed in offices and projects of the General Secretariat located in the Member States. All of these audits were approved by the Secretary General. The results of these audits were expressed via 149 recommendations that were issued to all respective areas for implementation. The OIG considered comments from managers of audit units, and reflected those comments in the final reports issued to the Secretary General.

Consistent with the information in Table I, the OIG indicated that there continues to be a high degree of compliance with the recommendations made to the different audited OAS units. The OIG also pointed out that, in some cases, the full implementation of recommendations is forestalled due to budgetary resource constraints, and in other cases, implemented solutions to OIG recommendations may not be optimal due to cost considerations.

**Table I**

#### IMPLEMENTATION STATUS OF OIG RECOMMENDATIONS

| Recommendations      |                  |                | Risk Level |                      |            |                      |            |                      |
|----------------------|------------------|----------------|------------|----------------------|------------|----------------------|------------|----------------------|
|                      |                  |                | High       |                      | Medium     |                      | Low        |                      |
| <i>Status</i>        | <i>Total No.</i> | <i>% Total</i> | <i>No.</i> | <i>% Implemented</i> | <i>No.</i> | <i>% Implemented</i> | <i>No.</i> | <i>% Implemented</i> |
| Implemented          | 92               | 62             | 64         | 67                   | 19         | 58                   | 9          | 43                   |
| In Process           | 50               | 34             | 27         | 28                   | 13         | 39                   | 10         | 48                   |
| No Longer Applicable | 7                | 4              | 4          | 5                    | 1          | 3                    | 2          | 9                    |
| Totals               | 149              | 100            | 95         | 100                  | 33         | 100                  | 21         | 100                  |

The previous Table provides an "implementation scorecard" of all of the OIG's 1999 recommendations. Per the Board's recommendation last year, the OIG established a system to classify recommendations as high, medium or low, and a process to track OAS's actions on recommendations. The Board was highly impressed with the initiative of the current Inspector General, particularly with the layout of information, and recommends that the Inspector

General continue to report OAS' management implementation of recommendations to the Secretary General on a quarterly basis which can also be forwarded to the Board as well.

The specific audits and investigations conducted by the Office of Inspector General were as follows.

- The Office of the General Secretariat in St. Vincent and the Grenadines
- Official Travel of the General Secretariat of the OAS
- Internal Audit Report on Four Projects funded by CIDI in Trinidad and Tobago and St. Vincent and the Grenadines
- Overtime Payments made by the General Secretariat of the OAS
- OAS/UN Billing Cost for the MICIVIH Project- Executed by the Republic of Haiti
- Internal Audit Report on the OAS Bahamas Director
- Internal Audit Report of the OAS Bahamas and Projects
- Oracle Government Financials NT Server
- Oracle Government Financials Applications and Data Base Servers
- Audit of the Unit for Sustainable Development and the Environment
- Misuse of OAS Computer Systems and Internet Connectivity
- Three FEMCIDI Projects Managed by the Unit For Sustainable Development and the Environment
- Social Development and Education Unit and Selected Projects
- Report on OAS Bolivia
- Internal Controls in the Department of Financial Services
- Investigation on Computer Equipment Shipped to OAS Suriname
- Investigation on General Secretariat's Long Distance Telephone Calls

For calendar year 2000, the Inspector General provided the Board with a preliminary plan of audits to be conducted. The audit work planned for 2000 places particular emphasis on OAS high-risk areas identified by the Inspector General, the external auditors, and the assistants to the Board, including Oracle system server, applications and security, and internal control environment-related issues. The Board concurs with this risk-based approach.

## CHAPTER 4

### COMMENTS RELATING TO OTHER FUNDS

This Chapter discusses the status and issues related to the various Organization of American States memorial, pension and retirement funds.

#### ROWE MEMORIAL AND LEO S. ROWE PAN AMERICAN FUND

The Rowe Memorial Benefit Fund is a trust fund established to provide certain welfare benefits to staff members of the General Secretariat. During 1999, the Fund assets earned \$12,559 and paid \$1,200 in awards. As a result, the total net assets increased from \$295,860 on December 31, 1998, to \$307,219 on December 31, 1999.

The Rowe Pan American Fund is a trust fund established to provide loans to students from member countries, other than residents and citizens of the U.S., and make loans to OAS employees for educational and emergency purposes. During 1999, the Fund earned \$955,149 after incurring expenses of \$492,539, and the total net assets increased from \$10,782,803 for the year ended December 31, 1998, to \$11,737,952 for the year ended December 31, 1999.

#### Independent Audit Results

There are currently 70 OAS employees and 800 OAS current/former students with outstanding loans. Overall, the financial statements for the Leo S. Rowe Pan American Fund and the Rowe Memorial Benefit Fund are presented fairly and the independent auditors issued the Funds an unqualified ("clean") opinion. However, the auditors sampled and identified instances where loans were not properly authorized in accordance with Fund policies and procedures. While the transactions were not considered material enough to affect their opinion on the statements, the Board requests Fund staff to place a greater emphasis on the requirement that all documents need to be properly signed by the Technical Secretary, the Chairperson and the employee.

#### Board Concerns With Current Loan Write-offs Procedures

As reported in 1999 and prior years, collection efforts on Pan American Rowe Fund loans are difficult for OAS to pursue after students return to their home countries, especially when the guarantor also resides outside of the U.S. Both the OIG and the independent auditors have noted this problem over the years and are aware of the 20% default rate. As a result, the 1999 Board report recommended that the Rowe Fund make a greater effort in managing the loans and to write off loans that had no activity since before 1993. However, this recommendation was expressed in a manner that also reflected a need to improve overall management and thus the recapture of all possible resources that could be made available to the Fund. For example, the Board's 1998 Report noted that the OIG found inappropriate changes in contract terms had been permitted, particularly reductions in payments and extensions of first payments without

proper justification and/or Committee approval. Employees who received loans were allowed to delay repayment past the 60 months that were provided in the regulations and employees were not put on a required repayment schedule.

During the 1999 review, the independent auditors noted that the Pan American Fund wrote off and forwarded to collection agencies \$487,000 in loans. This decision in and of itself improved the financial presentation of Fund resources. However, as noted by the auditors, the decision, existing policies, and the current arrangement with the loan collection agency may not be the most favorable arrangement for the Fund and potentially understates resources that may actually be available to the Fund. For example, current policies indicate that, if the loan is in arrears for three consecutive months, the entire unpaid balance is forwarded to the collection agency and written off. Of the \$487,000 sent to the collection agency during 1999, \$191,000 related to loans having payment activity in 1999. Similarly, \$119,000 of the amount had payment activity in 1998. In its agreement with the collection agency, the OAS forfeits to the collection agency 33% of the collection for a receivable if the loan originated within two years and 50% of the collection for receivable if the loan is older. -

Consistent with the above, the Board agrees with the independent auditors' recommendation that significant revenue may be foregone to the Fund due to significant collection fees. Accordingly, the Board recommended the Rowe Fund staff take action to ensure maximum collections are realized, more in-depth analysis of loans receivable is performed, and procedures are formalized that ensure only those receivables that cannot be collected through internal initiatives are sent to the collection agency. In addition, once amounts are identified for collection agency follow-up, Rowe Fund management should develop historical knowledge of the amounts collected through the collection agency so that a receivable is maintained in the accounting records for those amounts that will ultimately be collected.

## **PENSION AND RETIREMENT FUND**

The Retirement and Pension Fund is comprised of the Retirement and Pension Plan (Retirement Plan) and the Provident Plan. The Retirement Plan is a contributory plan maintained for the benefit of all "regular" OAS employees and other affiliated agencies. The Provident Plan is a contributory savings plan established for the benefit of OAS employees under short-term contracts who are not eligible to participate in the Retirement Plan. Both plans were established in 1929 and, as of March 2000, there were about 800 active members with 600 from the OAS, 130 retirees, and the rest coming from certain employees at the Inter-American Development Bank and Inter-American Institute of Agriculture. Pension benefits under the Retirement Plan are based on 2% of the average of the highest five years salary times the number of years of employment up to 30 and 1.6% for 31-40 years. Spouse survivorship pension is 50% of the retired employee's pension.

The resources of the Retirement and Provident Funds appear to be well managed and there is currently a ratio of \$1.69 in assets to each \$1.00 in liabilities. Except for the issue noted below, the Fund staff produced timely financial statements with an unqualified ("clean") opinion for the period ended December 31, 1999.



The only issue of concern to the independent auditors relates to the currently required two liquidation calculations Fund staff personnel perform using a specialized computer program. Essentially, the independent auditors consider the current process inefficient and prone to reconciliation differences. They recommend that the Fund staff either integrate the Fund's recordkeeping and general ledger systems or develop procedures that will allow the subsequent interest credit calculation to be included in a single liquidation calculation. This action would reduce costs, Fund personnel workload and potential reconciliation differences since only a single liquidation computation and payment would be needed. In addition, the recommended change would allow the recordkeeping system to be updated with participant and plan level activity that zeros out completely the participant's account with one entry, rather, than having a "second" liquidation payment being made outside the recordkeeping system.

### **TRUST OF AMERICAS**

As indicated in Chapter 1 of this Report, Ernst & Young LLP had not commenced its audit of the Trust at the time of the Board's meeting. Therefore, the Board is not in a position to comment on the Trust, which is not financially significant compared to OAS overall.

### **OTHER AUDITED ENTITIES**

The Board was pleased to learn that Ernst & Young LLP contemplates issuing unqualified ("clean") reports on the separately-issued financial statements of these entities.



## Independent Auditor's Report on Compliance

Board of External Auditors  
Organization of American States

We have audited the financial statements of the funds of the Organization of American States (the Organization) as of and for the year ended December 31, 1999, as listed in the accompanying table of contents, and have issued our report (the Audit Report) thereon dated March 20, 2000, which expressed our opinion on the financial statements presented on an other comprehensive basis of accounting.

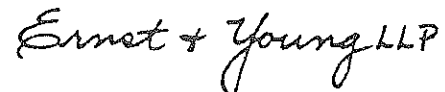
We conducted our audit in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards and requirements require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with the rules and regulations of the Organization (rules and regulations) is the responsibility of the Organization's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Organization's compliance with provisions included in Chapters III, IV, VII and IX of the General Standards. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We also tested certain specific expenditures of senior executives concerning executive compensation, travel, official entertainment, contracting and consulting services, speaking honoraria and gifts, and executive perquisites for compliance with the Organization's Staff Rules and Chapters III and IX of the General Standards.

The results of our tests indicate that with respect to the items tested, the Organization complied, in all material respects, with the provisions referred to above. We noted certain immaterial instances of noncompliance with the rules and regulations in the following areas: unliquidated obligations, National office obligations and expenditures, technical and administrative support fee related to specific funds and fixed assets. Our comments on certain of these matters have been reported to the Board of External Auditors in separate correspondence dated March 20, 2000.

This report is intended solely for the information and use of the Board of External Auditors, the General Secretariat, Permanent Council, and the General Assembly of the Organization and is not intended to be and should not be used by anyone other than these specified parties.



March 20, 2000



**SECTION II**  
**FINANCIAL STATEMENTS**  
**OF THE ORGANIZATION OF AMERICAN STATES**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**



## ORGANIZATION OF AMERICAN STATES

### RESPONSIBILITY FOR FINANCIAL STATEMENTS

The General Secretariat has prepared and is responsible for the integrity of the financial data included in the accompanying financial statements. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the Organization which include the financially oriented General Standards to Govern the Operations of the General Secretariat and other provisions approved by the General Assembly.

The accounting practices utilized by the General Secretariat differ in certain respects from generally accepted accounting principles customarily applied in the presentation of financial statements. A description of the significant differences from generally accepted accounting principles is set forth in Note 2 to the financial statements. The General Secretariat maintains an accounting system and related controls to provide reasonable assurance that financial records are reliable for preparing financial statements. The system includes a program of internal audit to provide assurance that proper procedures and methods of operations are used to implement plans, policies and directives of the General Secretariat.

In addition, the Board of External Auditors, which consists of three members elected by the General Assembly, is authorized to audit all accounts, funds, and operations of the Organization. The Board of External Auditors has engaged the services of the independent accounting firm of Ernst & Young LLP to audit the financial statements. Their opinion on the financial statements is based on auditing procedures which include a review of internal control and selected tests of transactions and records. These auditing procedures are intended to provide a reasonable level of assurance that the financial statements are fairly stated in all material respects. The Board periodically meets with the independent auditors, officials of the General Secretariat, and internal auditors to review and evaluate accounting, auditing and financial reporting activities and responsibilities. The Board of External Auditors, the independent auditors as well as the internal auditors have unlimited access to all records maintained by the General Secretariat.





## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the combined financial statements of the funds of the Organization of American States (the Organization) as of December 31, 1999 and for the year then ended, listed in the accompanying table of contents on page II-9 herein. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

As described in Note 2, the Organization of American States prepares its financial statements on the basis of accounting practices prescribed by the Budgetary and Financial Rules (which include the applicable financially-oriented General Standards adopted by the General Assembly of the Organization of American States), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements listed in the accompanying table of contents present fairly, in all material respects, the combined funds' assets, liabilities and fund balances for the funds of the Organization of American States referred to above at December 31, 1999, and the changes in fund balances for the year then ended on the basis of accounting described in Note 2.

Our audits have been made primarily for the purpose of expressing an opinion on the basic financial statements listed in the accompanying table of contents for the funds of the Organization of American States referred to in the first paragraph of this report taken as a whole. The accompanying supplementary information in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements mentioned above taken as a whole.



We have previously audited and expressed an unqualified opinion on the financial statements of the above funds of the Organization of American States as of and for the year ended December 31, 1998, summarized comparative information from which is presented herein.

*Ernst & Young LLP*

March 20, 2000



# ORGANIZATION OF AMERICAN STATES

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**ORGANIZATION OF AMERICAN STATES**  
**FINANCIAL STATEMENTS**





**ORGANIZATION OF AMERICAN STATES**

**EXHIBIT 1**

**OPERATING AND RESERVE SUBFUNDS  
COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES**  
(in thousands)

|   | December 31, 1999 |                  | December 31,<br>1998 |
|---|-------------------|------------------|----------------------|
|   | Regular           | FEMCIDI          |                      |
| <b>ASSETS</b>   |                   |                  |                      |
| Cash and equity in OAS Treasury Fund                  | \$ 5,137          | \$ 11,554        | \$ 20,799            |
| Advances to employees                                 | 163               | -                | 50                   |
| Other assets  | 113               | 10               | 3,543                |
| Amounts to be charged to future years' appropriations | 4,916             | -                | 4,804                |
| Equity in land, buildings and equipment               | 32,836            | -                | 33,916               |
|   | <u>\$ 43,165</u>  | <u>\$ 11,564</u> | <u>\$ 63,112</u>     |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                   |                  |                      |
| Unliquidated obligations                              | \$ 6,781          | -                | \$ 7,748             |
| Quotas/Pledges collected in advance                   | 2,356             | 138              | 2,338                |
| Accounts payable and other liabilities                | 5,808             | 148              | 5,371                |
| Long-term debt  | 6,363             | -                | 7,485                |
|   | <u>21,308</u>     | <u>286</u>       | <u>22,942</u>        |
| Fund balances (deficit):                              |                   |                  |                      |
| Operating Subfund Appropriated                        | -                 | -                | 9,952                |
| Operating Subfund Unappropriated                      | (4,616)           | 11,278           | 3,482                |
| Reserve Subfund                                       | (4,616)           | 11,278           | 305                  |
|   | <u>26,473</u>     | <u>26,473</u>    | <u>13,739</u>        |
| Investment in land, buildings, and equipment          | 43,165            | 11,564           | 26,431               |
|   | <u>\$ 43,165</u>  | <u>\$ 11,564</u> | <u>\$ 63,112</u>     |

*See accompanying notes*

**ORGANIZATION OF AMERICAN STATES**  
**OPERATIONS AND RESERVE SUBFUNDS**  
**COMBINED STATEMENTS OF CHANGES IN FUND BALANCES**  
(in thousands)

|  | Year ended December 31, 1999 |               |               | Year ended December 31, 1998 |          |
|--|------------------------------|---------------|---------------|------------------------------|----------|
|  | Regular                      | FEM/CIDI      |               | Combined                     | Combined |
| <b>Increases</b>   |                              |               |               |                              |          |
| Quota/Pledge collections                                 | \$ 67,564                    | \$ 8,316      | \$ 75,880     | \$ 77,731                    |          |
| Less prompt payment credit                               | 256                          | -             | 256           | 196                          |          |
|  | <u>67,308</u>                | <u>8,316</u>  | <u>75,624</u> | <u>77,535</u>                |          |
| Contribution for administrative and technical support    | 1,773                        | 250 (a)       | 250 (a)       | 251                          |          |
| OAS Treasury Fund income                                 | 677                          | 870           | 1,547         | 2,342                        |          |
| Other income, refunds, and deobligations                 | 4,150                        | 1,378         | 5,528         | 3,214                        |          |
|  | <u>73,908</u>                | <u>10,564</u> | <u>82,949</u> | <u>83,342</u>                |          |
| <b>Decreases</b>   |                              |               |               |                              |          |
| Expenditures and obligations pursuant to appropriations: |                              |               |               |                              |          |
| General Assembly and Permanent Council                   | 11,616                       | -             | 11,616        | 13,333                       |          |
| Executive Office of the General Secretariat              | 9,959                        | -             | 9,959         | 9,185                        |          |
| Units and Specialized Offices                            | 21,230                       | -             | 21,230        | 17,872                       |          |
| Inter-American Council for Integral Development (CID)    | 2,784                        | 13,979        | 15,240 (a)    | 19,866                       |          |
| Offices Away from Headquarters                           | 5,901                        | -             | 5,901         | 6,269                        |          |
| Activities of the SubSecretariat for Legal Affairs       | 1,695                        | -             | 1,695         | 1,641                        |          |
| Activities of the SubSecretariat for Management          | 9,558                        | -             | 9,558         | 9,190                        |          |
| Common Administrative and Personnel Costs                | 9,486                        | -             | 9,486         | 14,198                       |          |
| Contributions to other agencies                          | 5,343                        | -             | 5,343         | 5,867                        |          |
|  | <u>77,572</u>                | <u>13,979</u> | <u>90,028</u> | <u>95,197</u>                |          |
|  | (3,664)                      | (3,415)       | (7,079)       | (11,855)                     |          |
| Net decrease during period                               | (952)                        | 14,693        | 13,741        | 25,594                       |          |
| Fund balances (deficit) at beginning of period           | <u>(4,616)</u>               | <u>11,278</u> | <u>6,662</u>  | <u>13,739</u>                |          |
| Fund balances (deficit) at end of period                 | \$                           | \$            | \$            | \$                           |          |

(a) The combined amount excludes \$1,523 in 1999 and \$2,224 in 1998 of interfund contribution to the Regular Fund. Such contribution are eliminated as expenditures in the respective funds.

*See accompanying notes*

## ORGANIZATION OF AMERICAN STATES

**SPECIFIC FUNDS**  
**COMBINED STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE**  
(in thousands)

|   | December 31, 1999 |                  | Dec 31, 1998     |
|---|-------------------|------------------|------------------|
|   | REGULAR           | FEMCIDI          | Combined         |
| <b>ASSETS</b>                               |                   |                  |                  |
| Cash end equity in OAS Treasury Fund        | \$ 20,971         | \$ 18,440        | \$ 39,411        |
| Advances to employees and other receivables | 625               | 3                | 628              |
|   | <u>\$ 21,596</u>  | <u>\$ 18,443</u> | <u>\$ 40,039</u> |
| <b>LIABILITIES AND FUND BALANCES</b>        |                   |                  |                  |
| Unliquidated obligations                    | \$ 2,696          | \$ 1,631         | \$ 4,327         |
| Accounts payable and other liabilities      | 3,336             | 174              | 3,510            |
| Fund balances                               | 15,564            | 16,638           | 28,310           |
|   | <u>\$ 21,596</u>  | <u>\$ 18,443</u> | <u>\$ 40,039</u> |

**COMBINED STATEMENTS OF CHANGES IN FUND BALANCES**  
(in thousands)

|                                       | December 31, 1999 |                  | Dec 31, 1998     |
|---------------------------------------|-------------------|------------------|------------------|
|                                       | REGULAR           | FEMCIDI          | Combined         |
| <b>Increases</b>                      |                   |                  |                  |
| Contributions                         | \$ 30,333         | \$ 12,183        | \$ 42,516        |
| Contributions for tax reimbursements  | 13,999            | -                | 13,999           |
| Other income, transfer, and interest  | 1,769             | 3,013            | 4,782            |
|                                       | <u>46,101</u>     | <u>15,196</u>    | <u>61,297</u>    |
| <b>Decreases</b>                      |                   |                  |                  |
| Obligations and expenditures          | 26,933            | 11,087           | 38,020           |
| Return to donors and transfers        | 6,309             | 224              | 6,533            |
| Tax reimbursements to employees       | 12,852            | -                | 12,852           |
|                                       | <u>46,094</u>     | <u>11,311</u>    | <u>57,405</u>    |
| Net increase/(decrease) during period | 7                 | 3,885            | 3,892            |
| Fund balances at beginning of period  | 15,557            | 12,753           | 28,310           |
| Fund balances at end of period        | <u>\$ 15,564</u>  | <u>\$ 16,638</u> | <u>\$ 32,202</u> |

See accompanying notes

# ORGANIZATION OF AMERICAN STATES

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 1998

### 1. Organization and Financial Statements

The General Secretariat is the central and permanent organ of the Organization of American States (OAS). To ensure observance of limitations and restrictions placed on the use of resources available to the OAS, the accounts of the OAS are maintained in accordance with fund accounting principles.

Separate accounts are maintained for each fund. In the accompanying financial statements, the funds administered by the General Secretariat are grouped in the following categories, according to their source of financing and purpose:

Regular Fund- financed mainly by the assessment of quotas to the member states and contributions from certain other OAS funds (see Note 2D). The purpose of this fund is to provide the General Secretariat with general support as well as technical supervision and administrative services to the programs. In addition to the activities of the General Secretariat, the following activities are financed through budgetary appropriations of the Regular Fund and are included in the financial statements of the Regular Fund:

- General Assembly
- Permanent Council of the OAS
- Inter-American Commission of Human Rights
- Inter-American Commission of Women
- Inter-American Council for Integral Development
- Inter-American Juridical Committee
- Inter-American Children's Institute
- Inter-American Court on Human Rights
- Inter-American Commission for Drug Abuse Control
- Inter-American Telecommunications Commission

The Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI)- financed mainly by voluntary contributions of the member states to support the programs adopted by the Council and approved by the General Assembly. FEMCIDI finances the multilateral and national cooperation programs, projects and activities of the Inter-American Council for Integral Development (CIDI).

Specific Funds and Funds from Special Contributions (Specific Funds)- financed by grants or bequests to finance activities specified by the donor or legator, and any other contributions by national or international, public or private entities, for carrying out or strengthening specific activities or programs of the General Secretariat. These funds also include designated funds which have been segregated for specific purposes and whose use is restricted through designation by the General Assembly or the General Secretariat.

## **1. Organization and Financial Statements (Continued)**

The financial position and changes in fund balances of the Regular and Special Multilateral Funds are reflected in Exhibits 1 and 2 on a combined basis. In addition, the financial position and changes in fund balances of the Specific Funds are shown in Exhibit 3 on a combined basis.

### **A. Operations Subfund**

Quota and voluntary pledge contributions and the corresponding costs incurred in carrying out the budgetary activities of the funds are included in the accompanying financial statements, where applicable, as operations subfund activity.

### **B. Reserve Subfund**

Reserve subfunds have been established and are financed under the following criteria:

#### *I. Regular Fund - Reserve Subfund*

This subfund is a contingency reserve to provide for the continuous functioning of the regular activities of the General Secretariat. In accordance with the General Standards to Govern the Operations of the General Secretariat (General Standards), the excess of income over obligations and expenditures of the Operations Subfund is to be added to the Reserve Subfund. To the extent that there is a Reserve Subfund balance, excess obligations and expenditures over income in the Operations Subfund is covered by a transfer from the Reserve Subfund. In addition, the General Standards permit the temporary use of the Reserve Subfund to finance Regular Fund expenditures pending the receipt of anticipated income. As of December 31, 1999, the Reserve Subfund shows a deficit of \$4.6 million.

#### *II. FEMCIDI - Reserve Subfund*

This subfund is a contingency reserve to ensure the normal and continuous financial operation of FEMCIDI until the General Secretariat receives pledged contributions. The amount of this Reserve Subfund shall be equivalent to 3% of the FEMCIDI's pledge collections.

### **C. Other Entities and Specialized Organizations**

The assets and liabilities at December 31, 1999 and 1998, and the related income and expenses for the year then ended, of the following organizations, which are subject to separate budgetary control and financial reporting, are not included within the accompanying financial statements of the OAS:

## **1. Organization and Financial Statements (Continued)**

### **C. Other Entities and Specialized Organizations (Continued)**

- Inter-American Defense Board \*
- Inter-American Indian Institute
- Inter-American Institute for Cooperation on Agriculture\*
- Inter-American Library Simon Bolivar \*
- Inter-American Music Council \*
- Leo S. Rowe Pan American Fund \*
- OAS Medical Benefits Trust Fund \*
- OAS Retirement and Pension Fund \*
- Pan American Development Foundation \*
- Pan American Health Organization
- Pan American Institute of Geography and History
- Rowe Memorial Benefit Fund \*

## **2. Accounting Principles**

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviations from generally accepted accounting principles are as follows:

- A. The General Secretariat deems it impractical to evaluate the collectibility of assessed but uncollected quotas and voluntary pledges outstanding; therefore, quotas and pledges are included in the financial statements of the various funds only to the extent collected. Contributions from member states and from other interested parties for specific purposes are similarly recorded at the time of collection.
- B. Unliquidated obligations in certain funds include amounts related to commitments resulting from offers made by the funds to member states or other institutions to disburse monies for the procurement of goods or services in future periods. Such amounts do not represent liabilities or unrelated third party commitments at the end of the respective periods. They represent amounts anticipated to be expended in the subsequent year in the completion of a particular program or activity.

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\*Recipients of cash and/or in kind contributions or administrative services from the Regular Fund.

**2. Accounting Principles (Continued)**

- C. The OAS provides certain benefits to its employees that accrue to them during periods of employment and are payable at various times during employment or upon separation, whether voluntary or involuntary. Costs for such employee benefits have historically been recorded upon payment rather than as such benefits accrue.

These expenditures for the year ended December 31, 1999 and 1998 are as follows:

|  | <u>1999</u>        | <u>1998</u>        |
|--|--------------------|--------------------|
| Home Travel  | \$ 255,000         | \$ 193,000         |
| Repatriation of Family and Household Goods upon Separation | 186,000            | 150,000            |
| Separation Indemnity and Termination Pay                   | 769,000            | 1,235,000          |
| Medical Benefits Subsequent to Separation                  | <u>1,237,000</u>   | <u>1,293,000</u>   |
| Total  | <u>\$2,447,000</u> | <u>\$2,871,000</u> |

Unrecorded earned annual and special leave approximated \$7,253,000 and \$8,142,000 at December 31, 1999 and 1998, respectively.

- D. The General Assembly of the OAS adopts a consolidated program-budget which includes the budgets for the Regular Fund and FEMCIDI. In the consolidated budget, the amounts appropriated for substantially all approved (career) personnel costs are included in the Regular Fund's budget. In addition, certain other administrative costs benefiting all funds are included in the budget of the Regular Fund. In lieu of allocating these costs to various funds on a services-rendered basis, the General Assembly has provided that the other funds pay a contribution to the Regular Fund for administrative and technical support. The amount of the contribution may not bear a direct relationship to the actual cost of the services provided to those funds during the period.
- E. The Combined Statement of Assets, Liabilities and Fund Balances of the Regular Fund and FEMCIDI include certain amounts to be charged against future appropriations. These expenditures are deferred as a means of budgetary financing and not because of or in relation to benefits which may accrue to future periods.

## **2. Accounting Principles (Continued)**

- F.** The Statements of Assets, Liabilities and Fund Balances of the Regular and Special Multilateral Fund do not include unexpended advances issued in the performance of certain OAS programs (See Note 7).
- G.** Contributions from member states and other interested parties in the form of use of facilities and services are received by certain of the activities of the funds administered by the General Secretariat. No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services inasmuch as the General Secretariat deems their value inestimable.
- H.** A Cash Flow Statement is not provided and certain other provisions pertaining to generally accepted accounting principles related to financial statement display are not applied. In addition, unrealized gains/(losses) on investments are not included in income and investments are not recorded at fair market value.

## **3. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **4. Foreign Currencies**

Certain income and expense transactions during 1999 and 1998 were in currencies other than United States dollars. These transactions have been translated into United States dollar equivalents at rates of exchange in effect at the time of the transactions. Foreign currency assets included in the accompanying financial statements, consisting principally of cash and time deposits (\$556,000 and \$291,000 as of December 31, 1999 and 1998, respectively) have been translated into United States dollars at the applicable exchange rates at the time of the transactions. Certain of these currencies are restricted as to convertibility and, therefore, must be utilized in OAS activities.



## 5. Equity in OAS Treasury Fund

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. The Regular Fund, the Special Multilateral Fund and the Specific Funds maintain equity to the extent of their cash balances retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equities of the various funds in proportion to their equity balances.

The composition of the OAS Treasury Fund on December 31 is as follows:

|   | 1999                | 1998                |
|---|---------------------|---------------------|
| Demand and Time Deposits, net of \$357,000 and \$898,000 representing checks not presented for payment at December 31, 1999 and 1998, respectively.                 | \$ 22,652,000       | \$ 14,193,000       |
| Overnight Repurchase Agreements   | 5,175,000           | 1,788,000           |
| United States Treasury Notes at amortized cost (approximate market value of \$29,726,000 and \$41,441,000 at December 31, 1999 and 1998, respectively) <sup>1</sup> | 29,758,000          | 40,092,000          |
| Accrued Interest Receivable   | 646,000             | 796,000             |
| Local Currency at OAS National Offices  | 556,000             | 291,000             |
|   | <u>\$58,787,000</u> | <u>\$57,160,000</u> |
| Less Equity of:   |                     |                     |
| Trust Funds (Rowe, Medical Benefits)  | (2,702,000)         | (364,000)           |
| Add:  |                     |                     |
| Petty Cash and Cash in Transit  | 17,000              | 19,000              |
| Equity in Exhibits 1 and 3  | <u>\$56,102,000</u> | <u>\$56,815,000</u> |

<sup>1</sup> Maturities of US Treasury Notes at December 31, 1999.

|                          | Amortized Cost       | Approx. Market Values |
|--------------------------|----------------------|-----------------------|
| Current (1 year or less) | \$ 8,064,000         | \$ 8,101,000          |
| 1 - 5 years              | 21,694,000           | 21,625,000            |
|                          | <u>\$ 29,758,000</u> | <u>\$ 29,726,000</u>  |

## 6. Land, Buildings and Equipment

The General Secretariat follows the practice of charging to current fiscal period's appropriations the amount disbursed in acquiring real property, equipment, and works of art and subsequently capitalizing such acquisitions in a separate Fixed Assets Fund. This practice allows the OAS to continue to reflect those expenditures for fixed assets against the amounts appropriated for such purposes while, at the same time, presenting them as capitalized assets on the Combined Statement of Assets, Liabilities and Fund Balances.

Such assets acquired by the Regular Fund with associated long-term debt are capitalized in the amount of the total cost including the long-term debt. That portion of the Regular Fund's purchases not financed by long-term debt is included in Investment in land, buildings and equipment.

The associated debt is then amortized against current and future years' appropriations (\$1,123,000 in 1999 and \$924,000 in 1998) to provide for current mortgage payments (See Note 10).

Land, buildings and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives. The composition of fixed assets at December 31, was as follows:

| Asset                             | Depreciation Basis | 1999                 | 1998                 |
|-----------------------------------|--------------------|----------------------|----------------------|
| Land                              | -not depreciated   | \$ 5,491,305         | \$ 5,491,305         |
| Buildings                         | -50 years          | 31,482,673           | 31,305,024           |
| Vehicles                          | - 5 years          | 1,930,956            | 2,055,825            |
| Furniture and Equipment           | -10 years          | 5,552,366            | 6,032,312            |
| Technical Machinery and Equipment | -10 years          | 7,832,566            | 7,815,840            |
| Works of Art                      | -not depreciated   | 2,136,660            | 2,095,817            |
|                                   |                    | <u>54,426,526</u>    | <u>54,796,123</u>    |
| Less: Accumulated Depreciation    |                    | (21,589,905)         | (20,879,868)         |
| Book Value as of December 31      |                    | <u>\$ 32,836,621</u> | <u>\$ 33,916,255</u> |

Only those assets under direct control of the General Secretariat at its headquarters, its offices in the member states and certain assets within the missions are included in the financial statements.

## 7. Accountable Advances

In the performance of various activities, the administrators of the various funds may deem it necessary to advance funds for the conduct of a program or a specific event prior to the actual occurrence of the expenses. In the opinion of the administrators of the funds, such action is necessary to assure the timely performance of such activities. Recipients of advances are required to submit an accounting or suitable supporting documentation for the resulting expenditures in a form deemed adequate by the administrators of the funds and by the Department of Financial Services. Advances of this nature are recorded as expenditures in the period in which funds are advanced. Advances for which a subsequent accounting was required at December 31, 1999 and 1998, were as follows:

|                                     | 1999     | 1998            |
|-------------------------------------|----------|-----------------|
| Regular Fund                        | -        | \$42,000        |
| Temporary Special Multilateral Fund | -        | -               |
|                                     | <u>-</u> | <u>\$42,000</u> |

## 8. Contributions to Specific Funds

Contributions to Specific Funds during the year ended December 31, 1999, as reflected in Exhibit 3 of the accompanying financial statements were as follows:

| <b>Contributor</b>            | <b>Regular Fund</b> | <b>FEMCIDI</b>    | <b>Total</b>      |
|-------------------------------|---------------------|-------------------|-------------------|
| <i>Members:</i>               |                     |                   |                   |
| Antigua & Barbuda             | 1,000               | 4,000             | 5,000             |
| Argentina                     | 115,465             | 803,985           | 919,450           |
| Bahamas                       | -                   | 12,000            | 12,000            |
| Belize                        | -                   | 4,000             | 4,000             |
| Bolivia                       | 150,943             | 12,000            | 162,943           |
| Brazil                        | -                   | 2,151,708         | 2,151,708         |
| Canada                        | 1,176,864           | -                 | 1,176,864         |
| Chile                         | 38,679              | 30,000            | 68,679            |
| Colombia                      | 108,375             | -                 | 108,375           |
| Costa Rica                    | 23,289              | -                 | 23,289            |
| Dominica                      | 25,120              | 2,015             | 27,135            |
| Ecuador                       | -                   | 4,000             | 4,000             |
| El Salvador                   | 14,821              | 12,000            | 26,821            |
| Guatemala                     | 440,878             | 107,643           | 548,521           |
| Haiti                         | 20,400              | -                 | 20,400            |
| Honduras                      | 13,805              | 261,796           | 275,601           |
| Jamaica                       | 21,397              | -                 | 21,397            |
| Mexico                        | -                   | 895,634           | 895,634           |
| Nicaragua                     | 2,325,596           | 2,000             | 2,327,596         |
| Panama                        | 30,000              | 223,046           | 253,046           |
| Peru                          | 58,800              | 4,000             | 62,800            |
| St. Vincent and Grenadines    | -                   | 3,983             | 3,983             |
| Trinidad & Tobago             | 19,357              | 12,000            | 31,357            |
| United States                 | 27,830,655          | 2,274,817         | 30,105,472        |
| Uruguay                       | 192,600             | -                 | 192,600           |
| Venezuela                     | -                   | 11,174            | 11,174            |
| <i>Observers:</i>             |                     |                   |                   |
| European Econ. Community      | 146,324             | 54,292            | 200,616           |
| France                        | 49,180              | -                 | 49,180            |
| Germany                       | -                   | 159,645           | 159,645           |
| Japan                         | 200,234             | -                 | 200,234           |
| Netherland                    | 104,198             | -                 | 104,198           |
| Republic of Cyprus            | 25,000              | -                 | 25,000            |
| Spain                         | 984,544             | -                 | 984,544           |
| Sweden                        | 3,443,967           | -                 | 3,443,967         |
| United Kingdom                | 122,000             | -                 | 122,000           |
| <i>Non Members and Others</i> |                     |                   |                   |
| Denmark                       | 881,175             | -                 | 881,175           |
| United Nations                | 20,000              | 2,841,294         | 2,861,294         |
| Norway                        | 1,687,166           | -                 | 1,687,166         |
| Interamerican Develop. Bank   | 923,862             | 54,000            | 977,862           |
| World Bank                    | 720,000             | 1,618,677         | 2,338,677         |
| Other                         | 2,416,732           | 623,125           | 3,039,857         |
| <b>TOTAL</b>                  | <b>44,332,425</b>   | <b>12,182,834</b> | <b>56,515,259</b> |

## 9. Tax Reimbursements

Tax reimbursements represent amounts assessed or to be assessed to certain member states for reimbursements made to certain employees of the General Secretariat for income taxes paid to the respective member state.

## 10. Long-term Debt

Long-term debt was incurred solely by the Regular Fund under the following terms and conditions:

### First Mortgage with Bank of America (secured by the General Secretariat Building (GSB)- 1889 F St.)

|  |  |
|--|--|
| Principal Amount at December 31, 1999: | \$6,362,886                                      |
| Repayment Terms                        | Due in monthly installments through October 2004 |
| Annual Interest Rate                   | 6%   |
| Interest Expense during 1999           | \$ 410,000                                       |
| Amortization of Principal during 1999  | \$1,123,000                                      |
| Principal Balance, December 31, 1998   | \$7,484,970                                      |

Principal payments due for the next five years under the new agreement are as follows:

**2000:** \$1,169,906; **2001:** \$1,244,170; **2002:** \$1,322,604; **2003:** \$1,404,706; **2004:** \$1,222,100.

## 11. Leases

The General Secretariat leases certain facilities and equipment. Rental expense for such leases was approximately \$527,000 and \$633,000 for the year ended December 31, 1999 and 1998, respectively. Aggregate rentals subsequent to December 31, 1999 are not significant.

## 12. Retirement Plans

All qualified employees of the General Secretariat are participants in either the Retirement and Pension Plan or the Provident Plan. The plans are funded by the General Secretariat, other participating agencies and employee contributions at fixed percentages of salaries. Pension expense aggregated approximately \$6,539,000 in 1999 and \$6,349,000 in 1998.

As of December 31, 1999 accumulated plan benefits and plan net assets were as follows:

### Actuarial present value of accumulated plan benefits:

|   |                      |
|---|----------------------|
| Vested                                  | \$233,620,000        |
| Nonvested                               | \$ 16,764,000        |
| Total at December 31, 1999:             | <u>\$250,384,000</u> |
| Net Plan Assets Available for Benefits: | \$422,647,000        |

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8.5%.

## **12. Retirement Plans (Continued)**

In addition to the retirement plan described above, the General Secretariat provides a lifetime annuity to former Secretaries General and Assistant Secretaries General with survival benefits for their spouses and has extended pension benefits to certain former staff members with expired fixed term pensions. The cost of these annuities, \$282,000 and \$295,000 in 1999 and 1998 respectively, is budgeted and recognized in the year paid. The approximate present value of estimated future payments of \$4.3 million, and \$4.2 million at December 31, 1999 and 1998, is reflected in the Statement of Assets, Liabilities and Fund Balance of the Regular Fund.

## **13. Post Employment Health Care and Life Insurance Benefits**

In addition to providing pension benefits as described in Note 12 above, the General Secretariat provides health care and life insurance benefits for retirees and their dependents. The cost of health care is partially borne by the retirees. The cost to the General Secretariat for its portion of the health care as well as the life insurance is recognized when paid. For the years ended 1999 and 1998, those costs were \$1,444,000 and \$1,465,000 respectively.

## **14. Staff Claims**

There are a number of pending and threatened actions before the Administrative Tribunal (Tribunal) in which it is alleged that the Secretary General has taken administrative measures which have adversely affected the interest of the complaining staff members.

On May 13, 1994, the Tribunal rendered Judgment No. 124 in favor of some 500 complaining staff members and former staff members related to non-application of the cost-of-living provision of the salary policy adopted in 1983. The Judgment gave the General Secretariat the option to pay the value of the indemnity in leave to current staff members. Thus, in May 1995, the Secretariat, with the approval of the Permanent Council, implemented a plan under which the indemnities were converted into annual leave with an estimated value of \$6.5 million. The leave is to be utilized or forfeited, if not used, within an established schedule. The estimated value of the annual leave associated with Judgment No. 124 at December 31, 1999, is approximately \$1.0 million. A number of staff members have filed hearing requests objecting to the schedule and the mandatory use provisions of the plan.

In the opinion of management, staff claims pending or otherwise threatened will not result in a material adverse financial effect on the financial condition of the General Secretariat.

## **15. Contingencies**

There are several cases pending in the labor courts of Brazil brought by individuals who allege to have been employees of the General Secretariat. So far, the Brazilian Courts have handed down judgments in two cases awarding damages of approximately \$410,000 against the General Secretariat. In 1998, one of these judgements (\$350,000) was overturned by the Brazilian Labor Court upon appeal. Additionally there are several claims asserted by others arising from the normal course of the Organization's activities. In the opinion of management, these cases and assertions will not result in a material adverse financial effect on the financial condition of the General Secretariat.

## **16. Impact of Year 2000 (unaudited)**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward.

## **17. Subsequent Events**

### *Creation of Inter-American Agency for Cooperation and Development*

In Resolution AG/RES.3 (XXVI-E/99) the General Assembly approved the Status for the Inter-American Agency for Cooperation and Development (AICD). AICD was created as a subsidiary of the Inter-American Council for Integral Development (CIDI).

The purpose of the AICD is to promote, coordinate, manage, and facilitate the planning and execution of programs, projects, and activities within the scope of the OAS Charter and, in particular, the framework of the Strategic Plan for Partnership for Development of CIDI.

In Executive Order 99-4, the Secretary General established the organizational structure of the AICD effective January 1, 2000. On January 15, 2000, the General Secretariat proceeded to transfer to the administrative control of the AICD, the unexecuted resources of FEMCIDI and the unexecuted resources of various specific funds as requested by their corresponding donors.

**SUPPLEMENTARY INFORMATION**





# ORGANIZATION OF AMERICAN STATES

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**STATEMENTS OF QUOTA ASSESSMENTS,  
PLEDGES, COLLECTIONS, AND BALANCES**



ORGANIZATION OF AMERICAN STATES

REGULAR FUND  
STATEMENT OF QUOTA COLLECTIONS ASSESSMENTS, COLLECTIONS, AND BALANCES  
YEAR ENDED DECEMBER 31, 1999

| Member States          | Balances at December 31, 1998 |              | Received<br>In advance | Quota assessment<br>for 1999 |               | Collections<br>for tax<br>reimbursements | Prompt<br>Payment<br>Credit | Collections in 1999         |                        | Uncollected balances<br>at December 31, 1999 |
|------------------------|-------------------------------|--------------|------------------------|------------------------------|---------------|--|-----------------------------|-----------------------------|------------------------|--|
|                        | Uncollected                   | \$           |                        | Percent                      | Amount        |  |                             | For 1999 and<br>prior years | In advance<br>for 2000 |  |
| ANTIGUA/BARBUDA        | \$ 26,075                     | \$ -         | -                      | 0.02                         | \$ 14,900     | -  | \$ -                        | \$ 40,975                   | \$ 3,725               | \$ -   |
| ARGENTINA              | 3,658,000                     | -            | -                      | 4.90                         | 3,658,000     | -  | -                           | 3,658,000                   | -                      | 3,658,000                                    |
| BAHAMAS, COMM. OF      | -                             | -            | -                      | 0.07                         | 52,300        | -  | -                           | 52,300                      | -                      | -  |
| BARBADOS               | -                             | -            | -                      | 0.08                         | 59,700        | 15,900                                   | -                           | 59,700                      | -                      | -  |
| BELIZE                 | -                             | -            | -                      | 0.03                         | 22,400        | -  | -                           | 22,400                      | -                      | -  |
| BOLIVIA                | 437,907                       | -            | -                      | 0.07                         | 52,300        | -  | -                           | 52,300                      | -                      | 437,907                                      |
| BRASIL                 | 14,265,600                    | -            | -                      | 8.55                         | 6,382,800     | -  | -                           | 2,410,795                   | -                      | 18,237,605                                   |
| CANADA                 | -                             | 2,260,650    | -                      | 12.36                        | 9,227,100     | -  | 184,500                     | 9,227,100                   | 2,306,775              | -  |
| CHILE                  | -                             | 16,200       | -                      | 0.54                         | 403,100       | -  | 8,100                       | 403,100                     | 16,200                 | -  |
| COLOMBIA               | -                             | 14,040       | -                      | 0.94                         | 701,700       | -  | 14,000                      | 701,700                     | -                      | -  |
| COSTA RICA             | -                             | -            | -                      | 0.13                         | 97,080        | -  | -                           | 97,080                      | -                      | -  |
| CUBA                   | 2,166,322                     | -            | -                      | 1.24                         | -             | -  | -                           | -                           | -                      | 2,166,322                                    |
| DOMINICA, COMM. OF     | -                             | -            | -                      | 0.02                         | 14,900        | -  | -                           | 14,900                      | 2,340                  | -  |
| DOMINICAN REPUBLIC     | 1,843,037                     | -            | -                      | 0.18                         | 134,400       | -  | -                           | -                           | -                      | 1,977,437                                    |
| ECUADOR                | 136,348                       | -            | -                      | 0.18                         | 134,400       | -  | -                           | 136,348                     | -                      | 134,400                                      |
| EL SALVADOR            | -                             | 2,000        | -                      | 0.07                         | 52,300        | -  | 1,000                       | 52,300                      | -                      | -  |
| GUATEMALA              | 141,493                       | -            | -                      | 0.03                         | 22,400        | -  | -                           | 30,000                      | -                      | 133,893                                      |
| GUYANA                 | -                             | 257          | -                      | 0.13                         | 97,000        | -  | -                           | 97,000                      | -                      | -  |
| HAITI                  | 267,439                       | -            | -                      | 0.07                         | 14,900        | -  | -                           | 14,900                      | -                      | -  |
|                        |                               |              |                        | 0.02                         | 52,300        | -  | -                           | 117,279                     | -                      | 202,460                                      |
| HONDURAS               | 93,180                        | -            | -                      | 0.07                         | 52,300        | -  | -                           | 124,503                     | -                      | 20,977                                       |
| JAMAICA                | 100,000                       | -            | -                      | 0.18                         | 134,400       | -  | -                           | 150,000                     | -                      | 84,400                                       |
| MEXICO                 | -                             | 5            | 5                      | 6.08                         | 4,538,900     | 5,200                                    | -                           | 4,538,900                   | -                      | -  |
| NICARAGUA              | 793,391                       | -            | -                      | 0.07                         | 52,300        | -  | -                           | 52,300                      | -                      | 793,391                                      |
| PANAMA                 | -                             | 3,396        | -                      | 0.13                         | 97,000        | -  | -                           | 97,000                      | -                      | -  |
| PARAGUAY               | 93,850                        | -            | -                      | 0.18                         | 134,400       | -  | -                           | 97,215                      | -                      | 131,035                                      |
| PERU                   | 140,840                       | -            | -                      | 0.41                         | 306,100       | -  | -                           | 239,599                     | -                      | 207,342                                      |
| ST. KITTS/NEVIS        | -                             | -            | -                      | 0.02                         | 14,900        | -  | -                           | 14,900                      | -                      | -  |
| ST. LUCIA              | -                             | -            | -                      | 0.03                         | 22,400        | -  | 400                         | 22,400                      | 22,400                 | -  |
| ST. VINCENT/GRENADINES | 5,100                         | -            | -                      | 0.02                         | 14,900        | -  | -                           | 20,000                      | -                      | -  |
| SURINAME               | 104,600                       | -            | -                      | 0.07                         | 52,300        | -  | -                           | 52,300                      | -                      | 104,600                                      |
| TRINIDAD/TOBAGO        | -                             | 2,717        | -                      | 0.18                         | 134,400       | -  | -                           | 134,400                     | 4,333                  | -  |
| UNITED STATES          | 24,560,221                    | -            | -                      | 59.47                        | 44,395,900    | 11,760,363                               | -                           | 44,395,900                  | -                      | 24,560,221                                   |
| URUGUAY                | 194,100                       | -            | -                      | 0.26                         | 194,100       | -  | -                           | 388,200                     | -                      | -  |
| VENEZUELA              | -                             | 87           | -                      | 3.20                         | 2,388,900     | -  | 47,800                      | 47,887                      | -                      | 2,341,013                                    |
|                        | \$ 49,027,503                 | \$ 2,299,352 |                        | 100.00                       | \$ 73,727,100 | \$ 11,781,463                            | \$ 255,800                  | \$ 67,563,601               | \$ 2,355,773           | \$ 55,191,003                                |



ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTERAMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT-FEMCIDI  
STATEMENT OF PLEDGES, COLLECTIONS, AND BALANCES  
YEAR ENDED DECEMBER 31, 1999

| Member States          | Balances at December 31, 1998 |                     | Pledges for 1999 | Collections in 1999      |                     | Uncollected balances at December 31, 1999 |
|------------------------|-------------------------------|---------------------|------------------|--------------------------|---------------------|---|
|                        | Uncollected                   | Received in advance |                  | For 1999 and prior years | In advance for 2000 |   |
| ANTIGUA/BARBUDA        | \$ -                          | \$ -                | \$ 6,050         | \$ -                     | \$ -                | \$ -                                      |
| ARGENTINA              | -                             | -                   | 204,000          | 101,460                  | -                   | -   |
| BAHAMAS, COMM. OF      | -                             | -                   | 13,100           | -                        | -                   | -   |
| BARBADOS               | -                             | -                   | 16,400           | -                        | -                   | -   |
| BELIZE                 | -                             | -                   | 7,800            | -                        | -                   | -   |
| BOLIVIA                | -                             | -                   | 29,100           | -                        | -                   | -   |
| BRASIL                 | -                             | -                   | 453,091          | -                        | -                   | -   |
| CANADA                 | -                             | -                   | 1,316,029        | -                        | -                   | -   |
| CHILE                  | -                             | -                   | 100,000          | -                        | -                   | -   |
| COLOMBIA               | -                             | -                   | 104,600          | -                        | -                   | -   |
| COSTA RICA             | -                             | -                   | 32,900           | -                        | -                   | -   |
| CUBA                   | -                             | -                   | -                | -                        | -                   | -   |
| DOMINICA, COMM. OF     | -                             | -                   | 5,100            | -                        | -                   | -   |
| DOMINICAN REPUBLIC     | -                             | -                   | 35,000           | -                        | -                   | -   |
| ECUADOR                | -                             | -                   | 10,000           | -                        | -                   | -   |
| EL SALVADOR            | -                             | -                   | 32,100           | -                        | -                   | -   |
| GRENADA                | -                             | -                   | 23,830           | -                        | -                   | -   |
| GUATEMALA              | -                             | -                   | 24,000           | -                        | -                   | -   |
| GUYANA                 | -                             | -                   | 5,100            | -                        | -                   | -   |
| HAITI                  | -                             | -                   | -                | -                        | -                   | -   |
| HONDURAS               | -                             | 19,645              | 20,742           | 16,978                   | -                   | -   |
| JAMAICA                | -                             | -                   | 39,800           | -                        | -                   | -   |
| MEXICO                 | -                             | -                   | 1,087,370        | -                        | -                   | -   |
| NICARAGUA              | -                             | -                   | 18,000           | -                        | -                   | -   |
| PANAMA                 | -                             | 19,100              | 42,700           | 19,100                   | -                   | -   |
| PARAGUAY               | -                             | -                   | 41,500           | -                        | -                   | -   |
| PERU                   | -                             | -                   | 85,200           | -                        | -                   | -   |
| ST. KITTS/NEVIS        | -                             | -                   | 5,100            | -                        | -                   | -   |
| ST. LUCIA              | -                             | -                   | 7,600            | -                        | -                   | -   |
| ST. VINCENT/GRENADINES | -                             | -                   | 5,100            | -                        | -                   | -   |
| SURINAME               | -                             | -                   | 22,300           | -                        | -                   | -   |
| TRINIDAD/TOBAGO        | -                             | -                   | 31,200           | -                        | -                   | -   |
| UNITED STATES          | -                             | -                   | 4,367,000        | -                        | -                   | -   |
| URUGUAY                | -                             | -                   | 80,000           | -                        | -                   | -   |
| VENEZUELA              | -                             | -                   | 44,000           | -                        | -                   | -   |
|                        | \$ -                          | \$ 38,745           | \$ 8,315,812     | \$ 137,538               | \$ -                | \$ -                                      |





**STATEMENTS OF APPROPRIATIONS**



ORGANIZATION OF AMERICAN STATES

REGULAR FUND  
SUMMARY OF APPROPRIATIONS  
YEAR ENDED DECEMBER 31, 1999

|  | 1999<br>Budget<br>Approved by the<br>General<br>Assembly<br>( a ) | Transfers Between Chapters      |  |                                     |                                 |      | 1999 Adjusted<br>Budget |
|--|---|---------------------------------|--|-------------------------------------|---------------------------------|------|-------------------------|
|  |   | Supplementary<br>Appropriations | Office Supplies<br>Adjustment<br>( b ) | Office Space<br>Adjustment<br>( c ) | Discretionary<br>Transfers 1999 |      |                         |
| General Assembly and Permanent Council                 | \$ 11,841,500   | -                               | \$ 17,143                              | \$ 440,900                          | \$ 121,249                      | \$   | 12,420,792              |
| Executive Office of the General Secretariat            | 9,235,300   | 695,794                         | 17,702                                 | 613,800                             | (89,911)                        |      | 10,472,685              |
| Units and Specialized Offices                          | 21,363,500  | -                               | 20,309                                 | 665,500                             | (38,249)                        |      | 22,011,060              |
| Inter-American Council for Integral Development (CIDI) | 2,753,300   | -                               | 4,658                                  | 126,600                             | 27,600                          |      | 2,912,158               |
| Offices Away from Headquarters                         | 6,641,100   | -                               | -                                      | -                                   | 7,938                           |      | 6,649,038               |
| Activities of the Secretariat for Legal Affairs        | 1,947,800   | -                               | 4,100                                  | 57,000                              | 9,000                           |      | 2,017,900               |
| Activities of the Secretariat for Management           | 9,632,900   | -                               | 24,038                                 | 417,900                             | 12,800                          |      | 10,087,638              |
| Common Administrative and Personnel Costs              | 9,054,600   | 3,092,018                       | (90,000)                               | (2,389,300)                         | (13,587)                        |      | 9,653,731               |
| Contributions to:                                      |   |                                 |  |                                     |                                 |      |                         |
| Inter-American Defense Board                           | 2,159,200   | -                               | -                                      | -                                   | -                               |      | 2,159,200               |
| Inter-American Children's Institute                    | 1,580,500   | -                               | -                                      | -                                   | 6,100                           |      | 1,586,600               |
| Inter-American Commission of Women                     | 935,700   | -                               | 1,118                                  | 37,900                              | (6,100)                         |      | 968,618                 |
| Pan American Development Foundation                    | 173,500   | -                               | -                                      | -                                   | -                               |      | 173,500                 |
| Inter-American Commission of Telecommunications        | 681,100   | -                               | 932                                    | 29,700                              | (36,840)                        |      | 674,892                 |
|  | \$ 78,000,000   | \$ 3,787,812                    | \$ -                                   | \$ -                                | \$ -                            | \$ - | \$ 81,787,812           |

( a ) AG/RES. 1 (CXXV-0/98).  
( b ) CP/doc.3157/99  
( c ) CP/RES. 756 (1208/99)

ORGANIZATION OF AMERICAN STATES

REGULAR FUND  
SUMMARY OF DISPOSITIONS OF APPROPRIATIONS  
YEAR ENDED DECEMBER 31, 1999

|  | 1999<br>Adjusted<br>Budget | Charges<br>for<br>Expenditures | Unliquidated<br>Obligations | Total<br>Expenditures<br>and<br>Obligations | Unobligated<br>Appropriations |
|--|----------------------------|--------------------------------|-----------------------------|---|-------------------------------|
| General Assembly and Permanent Council                 | \$ 12,420,792              | \$ 11,450,024                  | \$ 165,537                  | \$ 11,615,561                               | \$ 805,231                    |
| Executive Office of the General Secretariat            | 10,472,685                 | 9,780,147                      | 179,187                     | 9,959,334                                   | 513,351                       |
| Units and Specialized Offices                          | 22,011,060                 | 17,018,055                     | 4,212,102                   | 21,230,157                                  | 780,903                       |
| Inter-American Council for Integral Development (CIDI) | 2,912,158                  | 2,757,065                      | 27,392                      | 2,784,457                                   | 127,701                       |
| Offices Away from Headquarters                         | 6,649,038                  | 5,897,598                      | 2,962                       | 5,900,560                                   | 748,478                       |
| Activities of the Secretariat for Legal Affairs        | 2,017,900                  | 1,683,334                      | 12,056                      | 1,695,390                                   | 322,510                       |
| Activities of the Secretariat for Management           | 10,087,638                 | 9,479,677                      | 78,408                      | 9,558,085                                   | 529,553                       |
| Common Administrative and Personnel Costs              | 9,653,731                  | 7,406,656                      | 2,079,203                   | 9,485,859                                   | 167,872                       |
| Contributions to:                                      |                            |                                |                             |   |                               |
| Inter-American Defense Board                           | 2,159,200                  | 2,159,200                      | -                           | 2,159,200                                   | -                             |
| Inter-American Children's Institute                    | 1,586,600                  | 1,611,369                      | -                           | 1,611,369                                   | (24,769)                      |
| Inter-American Commission of Women                     | 968,618                    | 858,246                        | 11,976                      | 870,222                                     | 98,396                        |
| Pan American Development Foundation                    | 173,500                    | 173,500                        | -                           | 173,500                                     | -                             |
| Inter-American Commission of Telecommunications        | 674,892                    | 516,101                        | 12,580                      | 528,681                                     | 146,211                       |
| <b>TOTAL</b>   | <b>\$ 81,787,812</b>       | <b>\$ 70,790,972</b>           | <b>\$ 6,781,403</b>         | <b>\$ 77,572,375</b>                        | <b>\$ 4,215,437</b>           |

Budgeted Funding:

|                                |                      |
|--------------------------------|----------------------|
| Quotas                         | \$ 73,727,100        |
| Supplementary Appropriations   | 3,452,018            |
| Americas subscriptions revenue | 335,794              |
| Other funding                  | 4,272,900            |
| <b>TOTAL</b>                   | <b>\$ 81,787,812</b> |

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI  
 SUMMARY OF 1998 APPROPRIATIONS  
 YEAR ENDED DECEMBER 31, 1999

|  | 1998 Budget Approved<br>by the General Assembly<br>(a) | adjustments made in 19<br>CEPCIDI<br>(b) | 1998 Adjusted Budget<br>at December 31, 1999 |
|--|--|--|--|
| Integral Development Account   | \$ 9,532,920   | \$ (9,171,497)                           | \$ 361,423                                   |
| Social Development and Creation of Productive Employment                         | -  | 928,526                                  | 928,526                                      |
| Education  | -  | 3,782,280                                | 3,782,280                                    |
| Economic Diversification and Integration, Trade Liberalization and Market Access | -  | 1,278,105                                | 1,278,105                                    |
| Scientific Development, Exchange and Transfer of Technology                      | -  | 2,937,640                                | 2,937,640                                    |
| Strengthening of Democratic Institutions   | -  | 1,110,424                                | 1,110,424                                    |
| Sustainable Development of Tourism   | -  | 1,446,672                                | 1,446,672                                    |
| Sustainable Development and Environment  | -  | 1,944,852                                | 1,944,852                                    |
| Culture  | -  | 397,479                                  | 397,479                                      |
| Contribution for Administrative and Technical Support                            | 1,682,280  | (158,863)                                | 1,523,417                                    |
|  | <u>\$ 11,215,200</u>                                   | <u>\$ 4,495,618</u>                      | <u>\$ 15,710,818</u>                         |

Sources

|   |                     |
|---|---------------------|
| Net reserves appropriated                     | \$ 984,917          |
| Interest earned (1998-1999)                   | 1,812,430           |
| 1997 non-obligated as of Dec.31, 1998         | 1,974,742           |
| 1997 funds returned from Executing Agencies   | 782,624             |
| Adjustment by CEPCIDI to Pledges              | (900,232)           |
| Adjustment by CEPCIDI to the 15% Contribution | (158,863)           |
| Total   | <u>\$ 4,495,618</u> |

(a) AG/RES. 1531 (XXXVII-0/97).

(b) CEPCIDI/RES. 35 (X-E-98), CEPCIDI/RES. 37 (X-E-98), CEPCIDI/RES. 38 (X-E-98), CEPCIDI/RES. 39 (X-E-98) revised document, CEPCIDI/RES. 46 (X-E-98), CEPCIDI/RES. 47 (X-E-98), CEPCIDI/RES. 48 (X-E-98)

ORGANIZATION OF AMERICAN STATES

SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI  
 SUMMARY OF DISPOSITION OF 1998 APPROPRIATIONS  
 YEAR ENDED DECEMBER 31, 1999

|  | Adjusted Budget<br>at<br>December 31, 1999 | 1999 Obligations<br>and Expenditures | Unused Appropriations<br>as of December 31, 1999 |
|--|--|--------------------------------------|--|
| Integral Development Account   | \$ 361,423                                 | \$ 142,374                           | \$ 219,049                                       |
| Social Development and Creation of Productive Employment                         | 928,526                                    | 918,975                              | 9,551  |
| Education  | 3,782,280                                  | 3,300,055                            | 482,225  |
| Economic Diversification and Integration, Trade Liberalization and Market Access | 1,278,105                                  | 1,153,996                            | 124,109  |
| Scientific Development, Exchange and Transfer of Technology                      | 2,937,640                                  | 2,533,963                            | 403,677  |
| Strengthening of Democratic Institutions   | 1,110,424                                  | 1,074,292                            | 36,132   |
| Sustainable Development of Tourism   | 1,446,672                                  | 1,241,754                            | 204,918  |
| Sustainable Development and Environment  | 1,944,852                                  | 1,806,018                            | 138,834  |
| Culture  | 397,479                                    | 284,600                              | 112,879  |
| Contribution for Administrative and Technical Support                            | 1,523,417                                  | 1,523,417                            |  |
|  | <u>\$ 15,710,818</u>                       | <u>\$ 13,979,444</u>                 | <u>\$ 1,731,374</u>                              |

**SPECIFIC FUNDS - STATEMENTS OF CHANGES  
IN FUND BALANCES**





**ORGANIZATION OF AMERICAN STATES**  
**REGULAR FUND**  
**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN FUND BALANCES**

| Donor and Project                                 | From January 1, 1999 to December 31, 1999 |               |           |                    |                        |              |             |                                |                             |  | Fund Balance<br>(deficit)<br>31-Dec-1999 |      |
|---|---|---------------|-----------|--------------------|------------------------|--------------|-------------|--------------------------------|-----------------------------|--|--|------|
|   | Cash<br>Balance<br>Jan. 1, 1999           | Contributions | Transfers | Interest<br>Income | Returns<br>and Refunds | Expenditures | Net Change  | Cash<br>Balance<br>31-Dec-1999 | Unliquidated<br>Obligations | Fund Balance<br>(deficit)<br>31-Dec-1999 |  |      |
| Designated by Donor:                              |   |               |           |                    |                        |              |             |                                |                             |  |  |      |
| Argentina III Ordinary Meeting CIDI               | \$ (4,090)                                | \$ -          | \$ 4,090  | \$ -               | \$ -                   | \$ -         | \$ 4,090    | \$ -                           | \$ -                        | \$ -                                     | \$ -                                     | \$ - |
| Argentina Security Meeting                        | 2,104                                     | -             | -         | -                  | -                      | -            | -           | 2,104                          | -                           | -  | 2,104                                    | -    |
| Argentina White Helmets                           | 183,434                                   | 2,767         | (47,284)  | (870)              | -                      | 76,141       | (121,528)   | 61,906                         | 2,500                       | -  | 59,406                                   | -    |
| Argentina - White Helmets Administ. Support       | -   | -             | -         | 4,058              | -                      | 3,896        | 162         | 162                            | -                           | -  | 162                                      | -    |
| Argentina XX Ordinary Meeting CICAD               | (3,900)                                   | -             | 3,900     | -                  | -                      | -            | 3,900       | -                              | -                           | -  | -  | -    |
| Argentina- Valle de Sula Natural danger           | -   | 20            | 74,350    | -                  | -                      | 51,184       | 23,186      | 23,186                         | -                           | -  | 23,186                                   | -    |
| Argentina - Hospital Re-equipment                 | -   | 50            | 34,650    | -                  | -                      | 27,898       | 6,802       | 6,802                          | -                           | -  | 6,802                                    | -    |
| II Conf. I-A Terrorism                            | 29,026                                    | -             | -         | -                  | -                      | 2,093        | (2,093)     | 26,933                         | -                           | -  | 26,933                                   | -    |
| Bahamas XXII General Assembly                     | (43,618)                                  | -             | -         | -                  | -                      | -            | -           | (43,618)                       | -                           | -  | (43,618)                                 | -    |
| Bolivia I-A Conference International Law          | (41,847)                                  | -             | -         | -                  | -                      | -            | -           | (41,847)                       | -                           | -  | (41,847)                                 | -    |
| Bolivia-Americas Meeting Sustainable Development  | 4,995                                     | -             | -         | -                  | -                      | -            | -           | 4,995                          | -                           | -  | 4,995                                    | -    |
| Brazil XVII General Assembly Belém Do Para        | 5,312                                     | -             | -         | -                  | -                      | -            | -           | 5,312                          | -                           | -  | 5,312                                    | -    |
| CEPAL Conf. Andean Community                      | 152                                       | -             | -         | -                  | -                      | -            | -           | 152                            | -                           | -  | 152                                      | -    |
| Chile Food Policy Seminar                         | 5,000                                     | -             | -         | -                  | -                      | -            | -           | 5,000                          | -                           | -  | 5,000                                    | -    |
| Chile I-A Tribune                                 | 2,560                                     | -             | -         | -                  | -                      | -            | -           | 2,560                          | -                           | -  | 2,560                                    | -    |
| Chile-XXIV Ordinary Sessions - CICAD              | 2,713                                     | -             | -         | -                  | -                      | 1,405        | (1,405)     | 1,308                          | -                           | -  | 1,308                                    | -    |
| Colombia Security Service - SG                    | (86,661)                                  | 96,000        | -         | -                  | -                      | 113,629      | (17,629)    | (104,290)                      | -                           | -  | (104,290)                                | -    |
| Legal Cooperation Colombia Government             | (11,055)                                  | 12,375        | -         | -                  | (8,401)                | 3,974        | -           | -                              | -                           | -  | -  | -    |
| Dominican Republic IACW - XX Assembly             | 63,730                                    | -             | 11,055    | -                  | -                      | -            | 11,055      | 67,043                         | -                           | -  | 67,043                                   | -    |
| Ecuador OAS Building                              | 9,287                                     | -             | -         | 3,313              | -                      | -            | 3,313       | 9,287                          | -                           | -  | 9,287                                    | -    |
| El Salvador XVIII General Assembly                | (14,341)                                  | -             | -         | -                  | -                      | -            | -           | (14,341)                       | -                           | -  | (14,341)                                 | -    |
| Guatemala VII General Assembly                    | 41,546                                    | -             | -         | -                  | (41,546)               | -            | (41,546)    | -                              | -                           | -  | -  | -    |
| Guatemala I-A Commission of Nuclear Energy        | -   | 18,086        | -         | -                  | -                      | 13,385       | 4,701       | 4,701                          | -                           | -  | 4,701                                    | -    |
| Guatemala Special I-A Committee on Ports          | -   | 217,603       | 1,417     | -                  | (62,340)               | 140,772      | 15,908      | 15,908                         | 15,908                      | -  | 15,908                                   | -    |
| Guatemala General Assembly                        | (363,508)                                 | -             | -         | -                  | -                      | -            | -           | (363,508)                      | -                           | -  | (363,508)                                | -    |
| Honduras/El Salvador Military Observation Mission | 7,936                                     | -             | -         | -                  | -                      | -            | -           | 7,936                          | -                           | -  | 7,936                                    | -    |
| IBM/PADFE/OAS Education Program                   | 2,340                                     | -             | -         | -                  | -                      | -            | -           | 2,340                          | -                           | -  | 2,340                                    | -    |
| HCA to OAS Guyana                                 | 733,975                                   | 192,139       | 1         | 57                 | -                      | 361,039      | (168,842)   | 565,133                        | -                           | -  | 565,133                                  | -    |
| Inter-American Children Institute                 | 175,702                                   | 186,332       | 618,730   | 11,605             | -                      | 443,579      | 373,088     | 548,790                        | 84,606                      | -  | 464,184                                  | -    |
| Inter-American Commission of Human Rights         | -   | 75,000        | -         | -                  | -                      | 75,000       | -           | -                              | -                           | -  | -  | -    |
| Inter-American Court of Human Rights              | 48,212                                    | 80,000        | 22,000    | -                  | -                      | 106,192      | (4,192)     | 44,020                         | 28,000                      | -  | 16,020                                   | -    |
| Inter-American Commission of Women                | 9,837                                     | 25,000        | -         | -                  | -                      | 25,000       | -           | 9,837                          | -                           | -  | 9,837                                    | -    |
| Inter-American Emergency Aid Fund                 | 36,732                                    | -             | -         | -                  | -                      | -            | -           | 36,732                         | -                           | -  | 36,732                                   | -    |
| Inter-American Priority Assistance Haiti          | 2,934,642                                 | 4,266,991     | 37,141    | 115,691            | 5,571                  | 3,355,149    | 1,070,245   | 4,004,887                      | 205,833                     | -  | 3,799,054                                | -    |
| Inter-American Program of Rio de Janeiro - CICAD  | -   | 8,581         | -         | -                  | -                      | 3,209        | 5,372       | 5,372                          | -                           | -  | 5,372                                    | -    |
| IDB-Protection & Promotion Cultural Heritage      | 2,169,650                                 | 539,236       | -         | 290,486            | 3,365                  | 3,191,001    | (2,357,914) | (188,264)                      | 19,070                      | -  | (207,334)                                | -    |
| International Civilian Mission Haiti              | 2,300                                     | -             | -         | -                  | -                      | -            | -           | 2,300                          | -                           | -  | 2,300                                    | -    |
| Italy Cooperative Tourism                         | -   | -             | -         | -                  | -                      | -            | -           | -                              | -                           | -  | -  | -    |

ORGANIZATION OF AMERICAN STATES

REGULAR FUND  
SPECIFIC FUNDS

STATEMENT OF CHANGES IN FUND BALANCES

| Donor and Project                                 | From January 1, 1999 to December 31, 1999 |                      |                    |                        |                      | Cash Balance<br>31-Dec-1999 | Unliquidated<br>Obligations | Fund Balance<br>(deficit)<br>31-Dec-1999 |
|---|---|----------------------|--------------------|------------------------|----------------------|-----------------------------|-----------------------------|--|
|   | Cash<br>Balance<br>Jan. 1, 1999           | Transfers            | Interest<br>Income | Returns<br>and Refunds | Expenditures         |                             |                             |  |
| Jamaica Chalkmaking Industry - St. Thomas         | 1,619                                     | -                    | -                  | -                      | -                    | 1,619                       | -                           | 1,619                                    |
| Jamaica Food & Nutrition Policy Prog-Course       | 6,398                                     | -                    | -                  | -                      | -                    | 6,398                       | -                           | 6,398                                    |
| Luis O. Carneiro Exposition - Paraguay            | 766                                       | -                    | -                  | -                      | -                    | 766                         | -                           | 766                                      |
| Nicaragua XXIII General Assembly                  | 2,207                                     | -                    | -                  | -                      | -                    | 2,207                       | -                           | 2,207                                    |
| Nicaragua/Costa Rica Civilian Observers           | (24,703)                                  | -                    | -                  | -                      | -                    | (24,703)                    | -                           | (24,703)                                 |
| Nicaragua/Reconstruccion Solidaria de la Vivienda | -   | 2,325,511            | (22)               | -                      | 1,867,636            | 457,853                     | -                           | 457,853                                  |
| Unit for the Promotion of Democracy               | 8,058,630                                 | (9,12,992)           | 50,763             | (15,144)               | 12,420,906           | (821,597)                   | -                           | 6,855,318                                |
| Open Society Institute                            | (2,775)                                   | 2,775                | -                  | -                      | -                    | 2,775                       | 381,715                     | -  |
| Peru / Minister of Justice                        | -   | 33,800               | -                  | -                      | 32,431               | 1,369                       | -                           | 1,369                                    |
| PALCO to Museum                                   | 2,363                                     | -                    | -                  | -                      | -                    | 2,363                       | -                           | 2,363                                    |
| Panama Canal Treaty                               | (24,487)                                  | -                    | -                  | -                      | -                    | (24,487)                    | -                           | (24,487)                                 |
| Paraguay IX Ports Conference                      | 16,952                                    | -                    | -                  | -                      | -                    | 16,952                      | -                           | -  |
| Paraguay XX Ordinary Meeting CIECC                | 52,255                                    | (16,952)             | -                  | -                      | -                    | (16,952)                    | -                           | -  |
| SDAF/EMCIECC to OAS Fellowship Program            | 8,145                                     | (52,255)             | -                  | -                      | -                    | (52,255)                    | -                           | -  |
| SECAB Restoration Course                          | 8,000                                     | -                    | -                  | -                      | -                    | 8,145                       | -                           | 8,145                                    |
| St. Vincent Fellowship Program                    | 1,374                                     | -                    | -                  | -                      | -                    | 8,000                       | -                           | 8,000                                    |
| Support Offices away from Headquarters            | 363,450                                   | 318,421              | (25)               | 224                    | 239,561              | 1,374                       | -                           | 1,374                                    |
| U.S. Forum on Hemispheric Security                | -   | -                    | -                  | -                      | -                    | 447,007                     | 11,652                      | 435,355                                  |
| U.S. Development Assistance Unprogrammed          | 447,172                                   | 6,500,000            | -                  | -                      | 6,000                | 5,000                       | -                           | 5,000                                    |
| U.S. AID - Hemispheric Free Trade                 | -   | 42,000               | -                  | -                      | 7,500                | 142,500                     | 2,500                       | 140,000                                  |
| UN-ACNUR Refugees in Latin America                | 4,866                                     | -                    | -                  | -                      | 821                  | 4,045                       | 202                         | 3,843                                    |
| Univ. Of Notre Dame-JACHR Fellowship              | 11,800                                    | 21,700               | -                  | -                      | 23,600               | 9,900                       | 9,900                       | -  |
| Uruguay IV I-A Special Conference Int'l Law       | 126                                       | -                    | -                  | -                      | 126                  | 126                         | -                           | 126                                      |
| Uruguay Judiciary Development on Integration      | 149                                       | -                    | -                  | -                      | 149                  | 149                         | -                           | 149                                      |
| Uruguay XXIV Meeting CIECC                        | 1,401                                     | -                    | -                  | -                      | -                    | 1,401                       | -                           | 1,401                                    |
| Uruguay Technical Assistance Training             | -   | 97,600               | -                  | -                      | -                    | 97,600                      | -                           | 97,600                                   |
| Xerox Grant Latin American Art Museum             | 706                                       | -                    | -                  | -                      | -                    | 706                         | -                           | 706                                      |
| XXI Consultative Meeting of Ministers             | 4,600                                     | -                    | -                  | -                      | -                    | 4,600                       | -                           | 4,600                                    |
| <b>Subtotal</b>                                   | <b>\$ 14,843,179</b>                      | <b>\$ 27,535,894</b> | <b>\$ 475,056</b>  | <b>\$ (118,271)</b>    | <b>\$ 22,593,001</b> | <b>\$ (3,740,984)</b>       | <b>\$ 804,286</b>           | <b>\$ 12,297,909</b>                     |
| Designated by OAS:                                |   |                      |                    |                        |                      |                             |                             |  |
| Art Permanent Collection                          | 1,948                                     | 6,522                | -                  | -                      | 2,676                | 6,639                       | 1,861                       | 6,726                                    |
| Columbus Memorial Library                         | 18,574                                    | 39,430               | -                  | -                      | 30,360               | 9,070                       | 8,332                       | 19,112                                   |
| Common Services Fund                              | 2,277,778                                 | 1,139,357            | 7                  | -                      | 1,085,089            | 54,275                      | 593,693                     | 1,738,360                                |
| Contribution 50th Anniv. Celebration              | 11,996                                    | (2,793)              | -                  | -                      | 1,798                | (4,591)                     | -                           | 7,405                                    |
| PC - Emerg. Assist. Grant to Gov. Colombia        | 182,228                                   | 50,000               | -                  | -                      | 50,000               | -                           | -                           | 182,228                                  |
| GSB Calciera Operation                            | -   | -                    | -                  | -                      | -                    | -                           | -                           | -  |
| PC - Hurricane Mitch                              | -   | 150,000              | -                  | -                      | 150,000              | -                           | -                           | -  |
| PC - Assit. Hurricane Floyd                       | -   | 20,000               | -                  | -                      | 20,000               | -                           | -                           | -  |
| PC - Inundaciones Honduras                        | -   | 20,000               | -                  | -                      | 20,000               | -                           | -                           | -  |
| PC - Hurricane George Relief                      | -   | 20,000               | -                  | -                      | 20,000               | -                           | -                           | -  |
| PC - Volcano in Ecuador                           | -   | 20,000               | -                  | 1,818                  | 20,000               | 1,818                       | -                           | 1,818                                    |
| PC - Hurricane Lenny                              | -   | 60,000               | -                  | -                      | 60,000               | -                           | -                           | -  |
| PC - Rain & Mudslides in Venezuela                | -   | 20,000               | -                  | -                      | 20,000               | -                           | -                           | -  |
| IICA Administrative Tribunal                      | 13,102                                    | 36,091               | -                  | -                      | 33,800               | 2,291                       | -                           | 15,393                                   |
| IICA Legal Services                               | 40,212                                    | -                    | -                  | -                      | -                    | -                           | -                           | 40,212                                   |

ORGANIZATION OF AMERICAN STATES

REGULAR FUND  
SPECIFIC FUNDS

STATEMENT OF CHANGES IN FUND BALANCES

| Donor and Project                      | From January 1, 1999 to December 31, 1999 |                      |                       |                     |                        |                      |                     |                                |                             |  | Fund Balance<br>(deficit)<br>31-Dec-1999 |
|--|---|----------------------|-----------------------|---------------------|------------------------|----------------------|---------------------|--------------------------------|-----------------------------|--|--|
|  | Cash<br>Balance<br>Jan. 1, 1999           | Contributions        | Transfers             | Interest<br>Income  | Returns<br>and Refunds | Expenditures         | Net Change          | Cash<br>Balance<br>31-Dec-1999 | Unliquidated<br>Obligations | Fund Balance<br>(deficit)<br>31-Dec-1999 |  |
| Manual of Org.Elect.Obs.Mission        | 3,262                                     | -                    | -                     | -                   | -                      | -                    | -                   | 3,262                          | -                           | 3,262                                    |  |
| Microfiche Sales                       | 2,406                                     | -                    | -                     | -                   | -                      | -                    | -                   | 2,406                          | -                           | 2,406                                    |  |
| Model OAS - Public Information         | 21,844                                    | 36,004               | -                     | -                   | -                      | 28,704               | 7,300               | 29,144                         | -                           | 29,144                                   |  |
| Model OAS Internation Studies Found    | 5,200                                     | -                    | -                     | -                   | -                      | -                    | -                   | 5,200                          | -                           | 5,200                                    |  |
| Museum of Art of the Americas          | 14,110                                    | 1,420                | 333                   | -                   | -                      | -                    | 1,753               | 15,863                         | -                           | 15,863                                   |  |
| OAS Vehicle Replacement Fund           | 25,180                                    | 44,406               | (4,497)               | -                   | 1,047                  | 39,667               | 1,289               | 26,469                         | 1,033                       | 25,436                                   |  |
| Other Income Sales 50th Anniv. Poster. | 217                                       | 185                  | -                     | -                   | -                      | -                    | 185                 | 402                            | -                           | 402                                      |  |
| Parking Services Fund                  | 417,263                                   | 269,522              | 990                   | -                   | -                      | 311,488              | (40,976)            | 376,287                        | 90,773                      | 285,514                                  |  |
| Printing Services Fund                 | 274,908                                   | 337,937              | 336                   | -                   | -                      | 223,927              | 114,346             | 389,254                        | 77,519                      | 311,735                                  |  |
| Publication " House of the Americas"   | 58,760                                    | -                    | -                     | -                   | -                      | 8,113                | (8,113)             | 50,647                         | -                           | 50,647                                   |  |
| Publication Sales                      | 88,069                                    | 21,343               | -                     | -                   | 7                      | 50,025               | (28,675)            | 59,394                         | 21,402                      | 37,992                                   |  |
| Rental GSB 6th Floor                   | 11,600                                    | -                    | -                     | -                   | -                      | -                    | -                   | 11,600                         | -                           | 11,600                                   |  |
| Rental Hall of the Americas            | 454,149                                   | 136,429              | -                     | -                   | -                      | 69,674               | 66,755              | 520,904                        | 8,837                       | 512,067                                  |  |
| Space Museum Rental                    | -   | 1,643                | 2,340                 | -                   | -                      | 1,632                | 2,351               | 2,351                          | -                           | 2,351                                    |  |
| Sales Audio Visual Materials           | 1,738                                     | 6,160                | (2,673)               | -                   | -                      | 3,501                | (14)                | 1,724                          | 2                           | 1,722                                    |  |
| Sales Video Tapes The Poisoned Land    | 360                                       | 160                  | -                     | -                   | -                      | -                    | 160                 | 520                            | -                           | 520                                      |  |
| Staff Development Activities           | 15,252                                    | -                    | -                     | -                   | -                      | -                    | -                   | 15,252                         | -                           | 15,252                                   |  |
| Support to Specific Funds-UPD          | 490,463                                   | -                    | (2,000)               | -                   | -                      | 344,193              | (346,193)           | 144,270                        | -                           | 144,270                                  |  |
| Support to Specific Funds-ASM          | 664,545                                   | -                    | 396,435               | 719,088             | 44,398                 | 758,009              | 401,912             | 1,066,457                      | 1,034,399                   | 32,058                                   |  |
| Tax Reimbursement Fund                 | (3,543,161)                               | 13,999,479           | -                     | -                   | 646,303                | 12,851,689           | 1,794,093           | (1,749,068)                    | -                           | (1,749,068)                              |  |
| Staff termination benefits             | 724,984                                   | -                    | -                     | -                   | -                      | 294,627              | (294,627)           | 430,357                        | -                           | 430,357                                  |  |
| Work Related Insurance Policy          | 407,276                                   | -                    | -                     | -                   | -                      | 36,846               | (36,846)            | 370,430                        | 47,495                      | 322,935                                  |  |
| World Bank GSB Rental                  | 232,087                                   | 720,000              | -                     | -                   | -                      | 183,297              | 536,703             | 768,790                        | 6,199                       | 762,591                                  |  |
| <b>Subtotal</b>                        | <b>\$ 2,916,350</b>                       | <b>\$ 16,796,088</b> | <b>\$ 731,271</b>     | <b>\$ 719,088</b>   | <b>\$ 693,573</b>      | <b>\$ 16,699,115</b> | <b>\$ 2,240,905</b> | <b>\$ 5,157,255</b>            | <b>\$ 1,891,545</b>         | <b>\$ 3,265,710</b>                      |  |
| <b>Total</b>                           | <b>\$ 17,759,529</b>                      | <b>\$ 44,331,982</b> | <b>\$ (6,309,391)</b> | <b>\$ 1,194,144</b> | <b>\$ 575,302</b>      | <b>\$ 39,232,116</b> | <b>\$ 499,921</b>   | <b>\$ 18,259,450</b>           | <b>\$ 2,693,831</b>         | <b>\$ 15,563,619</b>                     |  |



**ORGANIZATION OF AMERICAN STATES  
SPECIAL MULTILATERAL FUND OF THE INTERAMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT  
SPECIFIC FUNDS  
STATEMENT OF CHANGES IN FUND BALANCE**

| Donor and Project                            | From January 1, 1959 to December 31, 1959 |               |           |                    |                        |              |            |                                  |                             |  | Fund Balance<br>(deficit)<br>Dec. 31, 1959 |
|--|---|---------------|-----------|--------------------|------------------------|--------------|------------|----------------------------------|-----------------------------|--|--|
|  | Cash<br>Balance<br>Jan. 1, 1959           | Contributions | Transfers | Interest<br>Income | Returns<br>and Refunds | Expenditures | Net Change | Cash<br>Balance<br>Dec. 31, 1959 | Unliquidated<br>Obligations | Fund Balance<br>(deficit)<br>Dec. 31, 1959 |  |
| Amalia Fortabat Music Friends Fellowships    | \$ 876                                    | \$ -          | \$ -      | \$ -               | \$ -                   | \$ -         | \$ -       | \$ 876                           | \$ -                        | \$ 876                                     |  |
| Argentina - CIDES                            | 4,406                                     | -             | -         | -                  | -                      | -            | -          | 4,406                            | -                           | 4,406                                      |  |
| Argentina - CITAF                            | 143,931                                   | -             | -         | 31,747             | -                      | (25,848)     | -          | 118,083                          | -                           | 118,083                                    |  |
| Argentina Center Textile Research            | 437                                       | -             | -         | -                  | -                      | -            | -          | 437                              | -                           | 437  |  |
| Argentina CNEA Degradation Materials         | 5,707                                     | -             | -         | -                  | -                      | -            | -          | 5,707                            | -                           | 5,707                                      |  |
| Argentina Workshop Design/Evaluation         | -   | -             | 10,000    | -                  | -                      | 10,000       | -          | -                                | -                           | -  |  |
| Argentina Education Projects                 | 17,038                                    | -             | (10,000)  | -                  | -                      | (10,000)     | -          | 7,038                            | -                           | 7,038                                      |  |
| Argentina Horizontal Cooperation             | 188,214                                   | 800,000       | (18,037)  | 35,398             | -                      | 779,385      | -          | 967,599                          | -                           | 967,599                                    |  |
| Argentina Science Projects                   | 3,944                                     | -             | -         | -                  | -                      | -            | -          | 3,944                            | -                           | 3,944                                      |  |
| Argentina Unprogrammed funds                 | 24,374                                    | -             | -         | -                  | -                      | -            | -          | 24,374                           | -                           | 24,374                                     |  |
| Argentina X Conf. Labor Ministers            | 6,458                                     | -             | -         | -                  | -                      | -            | -          | 6,458                            | -                           | 6,458                                      |  |
| ECIE Frontier Development Honduras/Guatemala | (12,047)                                  | 30,000        | -         | -                  | -                      | 17,382       | -          | 5,572                            | -                           | 5,572                                      |  |
| Brazil CICOM                                 | (910)                                     | 910           | -         | -                  | -                      | 910          | -          | -                                | -                           | -  |  |
| Brazil Horizontal Cooperation                | 26,350                                    | -             | (3,192)   | -                  | -                      | (2)          | -          | 23,161                           | -                           | 23,161                                     |  |
| Brazil MMA Operation                         | 629,538                                   | 15,330        | (293,377) | -                  | -                      | (334,210)    | -          | 295,328                          | 19,580                      | 275,748                                    |  |
| Brazil PRONI - CODEVASF                      | 58,687                                    | 92,521        | 38,115    | 3,183              | -                      | 74,656       | -          | 117,850                          | 25,057                      | 92,793                                     |  |
| Brazil Strengthening Water Res. SRI/OAS      | 336,314                                   | 1,853,190     | (98,115)  | -                  | -                      | 223,773      | -          | 560,087                          | 23,658                      | 536,429                                    |  |
| Brazil SUDAM                                 | 207,496                                   | 189,756       | 293,377   | 18,283             | -                      | 244,074      | -          | 464,839                          | 236,796                     | 228,043                                    |  |
| Brazil Tourism-South Region                  | 2,266                                     | -             | -         | -                  | -                      | -            | -          | 2,266                            | -                           | 2,266                                      |  |
| Brazil Unprogrammed Funds (ex OEC)           | 44,420                                    | -             | -         | -                  | -                      | -            | -          | 44,420                           | -                           | 44,420                                     |  |
| Brazil Unprogrammed Funds (ex CMP)           | 3,895                                     | -             | -         | -                  | -                      | -            | -          | 3,895                            | -                           | 3,895                                      |  |
| Brazil Unprogrammed Funds-Education          | 17,769                                    | -             | -         | -                  | -                      | -            | -          | 17,769                           | -                           | 17,769                                     |  |
| Canada CIDA Technical Cooperation            | 25,862                                    | -             | -         | 1,345              | -                      | 1,345        | -          | 27,207                           | -                           | 27,207                                     |  |
| Canada Education Projects                    | 824                                       | -             | -         | -                  | -                      | -            | -          | 824                              | -                           | 824  |  |
| Chile CITEI                                  | (12,750)                                  | -             | 12,730    | -                  | -                      | 12,730       | -          | -                                | -                           | -  |  |
| Chile Science Projects                       | 2,001                                     | -             | -         | -                  | -                      | -            | -          | 2,001                            | -                           | 2,001                                      |  |
| Chile Unprogrammed Funds                     | 117,392                                   | 30,000        | (22,500)  | -                  | (39,000)               | (68,500)     | -          | 48,892                           | -                           | 48,892                                     |  |
| Chile-Sistemas de Candidaturas               | -   | -             | 22,500    | -                  | (22,500)               | -            | -          | -                                | -                           | -  |  |
| CIENES                                       | 295,029                                   | -             | -         | 31,365             | -                      | 176,631      | -          | 149,763                          | -                           | 149,763                                    |  |
| CITEI  | 398,673                                   | 380,503       | -         | 43,368             | 1,313                  | 407,599      | 17,585     | 416,258                          | 8,428                       | 407,830                                    |  |
| Colombia Cultural Projects                   | 1,688                                     | -             | -         | -                  | -                      | -            | -          | 1,688                            | -                           | 1,688                                      |  |
| Colombia Education Projects                  | 422                                       | -             | -         | -                  | -                      | -            | -          | 422                              | -                           | 422  |  |
| Colombia Fitoquimica                         | 2,464                                     | -             | -         | -                  | -                      | -            | -          | 2,464                            | -                           | 2,464                                      |  |

**ORGANIZATION OF AMERICAN STATES**  
**SPECIAL MULTILATERAL FUND OF THE INTERAMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT**  
**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN FUND BALANCE**

| Donor and Project                                    | From January 1, 1999 to December 31, 1999 |               |           |                 |                     |              |            |                            |                          |              | Fund Balance (deficit) Dec. 31, 1999 |
|--|---|---------------|-----------|-----------------|---------------------|--------------|------------|----------------------------|--------------------------|--------------|--------------------------------------|
|  | Cash Balance Jan. 1, 1999                 | Contributions | Transfers | Interest Income | Returns and Refunds | Expenditures | Net Change | Cash Balance Dec. 31, 1999 | Unliquidated Obligations |              |                                      |
| Colombia Secretariat Projects                        | 52,271                                    | -             | -         | -               | -                   | -            | -          | 52,271                     | -                        | 52,271       |                                      |
| Colombia Unprogrammed funds                          | 123,045                                   | -             | (99,000)  | -               | -                   | -            | (99,000)   | 24,045                     | -                        | 24,045       |                                      |
| Colombia-International Fund for Education & Peace    | -   | -             | 15,000    | -               | -                   | 15,000       | -          | -                          | -                        | -            |                                      |
| Colombia-Apoyo al Programa de enseñanza              | -   | -             | 19,000    | -               | -                   | 19,000       | -          | -                          | -                        | -            |                                      |
| Colombia-Educate Proj Design for Peace in Hemisphere | -   | -             | 65,000    | -               | -                   | 65,000       | -          | -                          | -                        | -            |                                      |
| <b>Costa Rica Science Projects</b>                   | <b>1,547</b>                              | <b>-</b>      | <b>-</b>  | <b>-</b>        | <b>-</b>            | <b>-</b>     | <b>-</b>   | <b>1,547</b>               | <b>-</b>                 | <b>1,547</b> |                                      |
| Dominican-Coastal Hazard Assessment Storm R.         | (3,090)                                   | -             | 1,590     | -               | 1,500               | -            | 3,090      | -                          | -                        | -            |                                      |
| Dominican Republic Education Projects                | 25,919                                    | -             | -         | -               | -                   | -            | -          | 25,919                     | -                        | 25,919       |                                      |
| Dutch contribution to CINDER/CIDIAT                  | 405                                       | -             | -         | -               | -                   | -            | -          | 405                        | -                        | 405          |                                      |
| Ecuador - CTEEL 2nd Meeting I-A Comm. Tel.           | (1,313)                                   | -             | 1,313     | -               | -                   | -            | 1,313      | -                          | -                        | -            |                                      |
| EEC Develop Flood Hazard Mapping                     | 39,442                                    | -             | (31,095)  | -               | -                   | 5,552        | (36,647)   | 2,795                      | 68                       | 2,727        |                                      |
| EEC Road Natural Disaster                            | 9,448                                     | -             | -         | -               | -                   | -            | -          | 9,448                      | -                        | 9,448        |                                      |
| EEC/ECHO Flood Mapping Honduras II                   | 5,103                                     | -             | (5,103)   | -               | -                   | -            | (5,103)    | -                          | -                        | -            |                                      |
| EEC Reduc. of Hurricane Impact on school build.      | (22,381)                                  | -             | 22,742    | -               | -                   | -            | 22,742     | 361                        | -                        | 361          |                                      |
| EEC/ECHO Flood Hazard Mapping Phase III              | (5,814)                                   | 20,518        | 8,293     | -               | -                   | 22,997       | 5,814      | -                          | -                        | -            |                                      |
| EEC/ECHO Flood Hazard Phase IV                       | 115,394                                   | 33,773        | -         | -               | -                   | 136,143      | (102,370)  | 13,024                     | 1,142                    | 11,882       |                                      |
| EEC Improving Earthquakes Readiness                  | (2,068)                                   | -             | 2,068     | -               | -                   | -            | 2,068      | -                          | -                        | -            |                                      |
| EEC Develop Flood Hazard                             | (2,193)                                   | -             | 2,193     | -               | -                   | -            | 2,193      | -                          | -                        | -            |                                      |
| EEC Pilot Disaster Vulnerab./Profiles/ECHO           | 20,762                                    | -             | -         | -               | -                   | 3,118        | (3,118)    | 17,644                     | -                        | 17,644       |                                      |
| Emergency Ports Projects                             | 271,886                                   | 119,139       | -         | 26,640          | 5,945               | 141,897      | 9,827      | 281,713                    | 4,000                    | 277,713      |                                      |
| Floods Vulnerability                                 | -   | 198,210       | -         | -               | -                   | 3,539        | 194,671    | 194,671                    | -                        | 194,671      |                                      |
| Finland Trifinio II                                  | 4,344                                     | -             | -         | 137             | -                   | 4,000        | (3,863)    | 481                        | -                        | 481          |                                      |
| Germany Science Projects                             | 341,524                                   | 159,645       | -         | 42,006          | -                   | 297,992      | (96,141)   | 245,383                    | 13,680                   | 231,703      |                                      |
| Guatemala Gulf Honduras                              | 107,963                                   | 50,749        | 9,798     | 1               | -                   | 74,123       | (13,576)   | 94,387                     | -                        | 94,387       |                                      |
| Guatemala-Honduras-Salvador- ICA Trifinio II         | 51,964                                    | 48,912        | -         | -               | (99,632)            | -            | (50,721)   | 1,243                      | -                        | 1,243        |                                      |
| Honduras - UN Programmed Funds                       | 29,332                                    | -             | -         | -               | -                   | -            | -          | 29,332                     | -                        | 29,332       |                                      |
| Honduras Gulf of Honduras                            | 22,998                                    | 222,796       | (9,798)   | -               | (124,818)           | 66,587       | 21,594     | 44,592                     | -                        | 44,592       |                                      |
| Honduras Strengthening Technological Capacity        | 3,315                                     | -             | -         | -               | -                   | -            | -          | 3,315                      | -                        | 3,315        |                                      |
| Honduras Telebasen Project                           | 21,778                                    | -             | -         | -               | -                   | -            | -          | 21,778                     | -                        | 21,778       |                                      |
| Honduras- DMS  | -   | 35,000        | -         | -               | -                   | 14,500       | 20,500     | 20,500                     | 19,000                   | 1,500        |                                      |
| IDB Labor Ministers Conference                       | (10,264)                                  | -             | -         | -               | -                   | 2,918        | (2,918)    | (13,182)                   | -                        | (13,182)     |                                      |
| IDB Meeting PISD/C                                   | 779                                       | -             | -         | -               | -                   | -            | -          | 779                        | -                        | 779          |                                      |
| IDB National Customs Costa Rica                      | 10,427                                    | -             | -         | -               | -                   | 2,738        | (2,738)    | 7,689                      | -                        | 7,689        |                                      |
| IDB Program Support to Social Network                | 27,000                                    | 26,000        | -         | -               | -                   | 23,335       | 2,665      | 29,665                     | -                        | 29,665       |                                      |
| IDB Workshop in Central America                      | -   | 28,000        | -         | -               | -                   | 9,799        | 18,201     | 18,201                     | 2,087                    | 16,114       |                                      |

**ORGANIZATION OF AMERICAN STATES**  
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**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN FUND BALANCE**

| Donor and Project                                     | From January 1, 1999 to December 31, 1999 |               |           |                 |                     |              |             | Fund Balance (deficit) Dec. 31, 1999 |
|---|---|---------------|-----------|-----------------|---------------------|--------------|-------------|--------------------------------------|
|   | Cash Balance Jan. 1, 1999                 | Contributions | Transfers | Interest Income | Returns and Refunds | Expenditures | Net Changes |                                      |
| IDB Technical Support to External Projects            | (1,274)                                   | -             | 1,274     | -               | -                   | -            | 1,274       | -                                    |
| Italy Ecuador Fiber Optics Teleport                   | 10,986                                    | -             | -         | -               | -                   | 9,417        | (9,417)     | 1,569                                |
| Italy Telecommunications Study CONSUL-TEL             | 12,431                                    | -             | -         | 474             | -                   | 5,176        | (4,702)     | 714                                  |
| Mexico-Fondos sin Programar-Cooperacion Tecnica       | 187,149                                   | 11,085        | -         | 14,723          | -                   | -            | 25,758      | 212,907                              |
| Mexico-Reuniones por Programar                        | 3,165                                     | 110,511       | -         | -               | -                   | -            | 110,511     | 113,676                              |
| Mexico-Empresas Regionales                            | 76,248                                    | -             | -         | -               | -                   | 5,352        | (5,352)     | 70,897                               |
| Mexico-Fortalecimiento Oferta Cooperacion Tecnica     | 323,950                                   | -             | -         | 43,185          | -                   | -            | 43,185      | 367,135                              |
| Mexico-Organizaciones Indigenas                       | 20,919                                    | -             | -         | -               | -                   | -            | -           | 20,919                               |
| Mexico-Fortalecimiento Coop. Tec. America Latina y Ca | 1,007,352                                 | 612,088       | -         | 103,852         | -                   | 489,159      | 226,781     | 1,234,133                            |
| Mexico-Reapalido Programa Cooperacion Tecnica         | 57,854                                    | -             | -         | -               | -                   | -            | -           | 57,854                               |
| Mexico-Coop. Tec. Apoyo Sector Productivo y Co        | 8,784                                     | -             | -         | -               | -                   | -            | -           | 8,784                                |
| Mexico-Apoyo tecnico-Sede                             | 3,852                                     | -             | -         | -               | -                   | -            | -           | 3,852                                |
| Mexico Unprogrammed Funds -Education                  | 273,875                                   | 150,000       | (25,000)  | 51,531          | -                   | -            | 176,531     | 450,406                              |
| Mexico-Cap Actualiz. Educ. Bilingue en Chiapas        | 587                                       | -             | -         | -               | -                   | -            | -           | 587                                  |
| Mexico-Atencion Grupo Mixe en Oaxaca                  | 67,351                                    | -             | -         | -               | -                   | -            | -           | 67,351                               |
| Mexico-Educacion para el trabajo                      | 107,041                                   | -             | -         | -               | -                   | -            | -           | 107,041                              |
| Mexico-Educacion Media y Superior                     | 8,972                                     | -             | -         | -               | -                   | -            | -           | 8,972                                |
| Mexico-Educacion Basica                               | 658                                       | -             | -         | -               | -                   | -            | -           | 658                                  |
| Mexico-Fondos sin Programar-Cientificos               | 222,496                                   | -             | (56,100)  | 30,049          | -                   | -            | (26,051)    | 196,445                              |
| Mexico-Centro Informacion Caribbean                   | 54,366                                    | -             | -         | -               | -                   | -            | -           | 54,366                               |
| Mexico-XXI Esc. Latinoamericana de Fisica             | 127                                       | -             | -         | -               | -                   | -            | -           | 127                                  |
| Mexico-Creacion Red Internacional de Quimica          | 5,802                                     | -             | -         | -               | -                   | -            | -           | 5,802                                |
| Mexico-MERCOCYT                                       | 20,000                                    | -             | -         | -               | -                   | -            | -           | 20,000                               |
| Mexico-Fortalecimiento RELACT                         | -   | -             | 5,000     | -               | -                   | 5,000        | -           | -                                    |
| Mexico-VII Congreso Iberoamericano de Quimica Inorg   | -   | -             | 5,000     | -               | -                   | 4,985        | 15          | 15                                   |
| Mexico-Desarrollo Economico y Financiero              | -   | -             | 6,100     | 31              | -                   | 5,789        | 342         | 342                                  |
| Mexico-Taller innovacion Tecnologica                  | -   | -             | 10,000    | -               | -                   | 8,000        | 2,000       | 2,000                                |
| Mexico-Segunda Reunion de la COMCYT                   | -   | -             | 55,000    | -               | -                   | 43,584       | 11,416      | 11,416                               |
| Mexico-Comm y Entace-La Base de Datos Ph2             | 65  | -             | -         | -               | -                   | -            | 65          | 65                                   |
| Miscellaneous Record Sales                            | 4,975                                     | 449           | -         | -               | -                   | -            | 449         | 5,424                                |
| Netherlands Food Technology - Brazil                  | 6,982                                     | -             | -         | -               | -                   | -            | -           | 6,982                                |
| OAS-Oracle Workshop for National Offices              | -   | -             | 23,399    | -               | -                   | 20,390       | 3,009       | 3,009                                |
| PANHO Parliamentarian Health Meeting                  | 3,507                                     | -             | -         | -               | -                   | -            | -           | 3,507                                |
| Panama Drug Investigations                            | 15,502                                    | 4,046         | -         | -               | -                   | 11,359       | (7,312)     | 8,190                                |
| Panama Plan for Science & Technology                  | 40,780                                    | 111,000       | -         | -               | -                   | 119,518      | (8,518)     | 32,263                               |
| Panama Strengthening of Privatization                 | 847,654                                   | 100,000       | -         | 85,246          | 341                 | 653,182      | (467,596)   | 380,058                              |
| Panama Tourism Development                            | 120,551                                   | -             | (22,923)  | 3,557           | -                   | 83,415       | (102,780)   | 17,771                               |
| Panama University Environment                         | 419                                       | -             | -         | -               | -                   | 344          | (344)       | 75                                   |
| Paraguay Education Projects                           | 4,547                                     | -             | -         | -               | -                   | -            | -           | 4,547                                |
| PerKine School for the Blind                          | 2,500                                     | -             | -         | -               | -                   | -            | -           | 2,500                                |

**ORGANIZATION OF AMERICAN STATES**  
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**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN FUND BALANCE**

| Donor and Project                                     | From January 1, 1999 to December 31, 1999 |               |           |                                   |              | Cash Balance<br>Dec. 31, 1999 | Unliquidated<br>Obligations | Fund Balance<br>(deficit)<br>Dec. 31, 1999 |
|---|---|---------------|-----------|-----------------------------------|--------------|-------------------------------|-----------------------------|--|
|   | Cash<br>Balance<br>Jan. 1, 1999           | Contributions | Transfers | Interest<br>Income<br>and Refunds | Expenditures |                               |                             |  |
| Peru Horizontal Cooperation Contribution              | 10,000                                    | -             | -         | -                                 | -            | 10,000                        | -                           | 10,000                                     |
| Red Cross/OAS Seminar in I-Natl law                   | -   | 5,100         | -         | -                                 | 2,070        | 3,030                         | 7                           | 3,023                                      |
| Senai-Brazil - PAT-SENAI-OEA                          | 23,884                                    | -             | -         | -                                 | 13,767       | 10,117                        | -                           | 10,117                                     |
| SICE  | 229,563                                   | 661           | -         | 18,617                            | 14,901       | 233,940                       | 1,578                       | 232,362                                    |
| SEDI  | 1,216,432                                 | 25            | (511,793) | 6,149                             | 418,964      | 291,849                       | 291,132                     | 717  |
| Support to Specific Funds - Accounting                | 2,748                                     | 6,343         | (2,436)   | -                                 | 3,907        | 6,654                         | 2,748                       | 3,906                                      |
| Sustainable Development                               | 298,912                                   | -             | -         | 100,892                           | 124,188      | 275,616                       | 7,686                       | 267,930                                    |
| Tinkett Found - Tech. Coop. Seminar HQ.               | 8,520                                     | -             | -         | -                                 | -            | 8,520                         | -                           | 8,520                                      |
| Tech Cooperation Andina Corp and OAS                  | (30,000)                                  | -             | -         | -                                 | -            | (30,000)                      | -                           | (30,000)                                   |
| Trade Unit Publications Sales                         | -   | 1,834         | -         | -                                 | -            | 1,834                         | -                           | 1,834                                      |
| Inter American Travel Congress                        | 9,188                                     | -             | -         | -                                 | 9,000        | 188                           | -                           | 188  |
| U.S./CIDB: I-A Convention Against Corruption          | -   | -             | 105,100   | -                                 | -            | 105,100                       | -                           | 105,100                                    |
| U.S. I-Natl Arbitration Econ & legal Develop          | -   | -             | 71,300    | -                                 | -            | 71,300                        | -                           | 71,300                                     |
| U.S. Trade Corridor Development                       | -   | -             | 185,020   | -                                 | 75,270       | 109,750                       | 65,685                      | 44,065                                     |
| U.S. Implem I-A Conv Against Corrupt                  | -   | 220,000       | -         | 3,417                             | -            | 223,417                       | -                           | 223,417                                    |
| U.S. Investigative Report against Corrupt             | -   | 150,000       | -         | -                                 | 65,780       | 84,220                        | -                           | 84,220                                     |
| U.S. Training/Resources Development                   | 858,817                                   | -             | (159,630) | 102,938                           | 317,801      | 484,324                       | 41,762                      | 442,562                                    |
| U.S. Information/Tech. Cooperation                    | 207,749                                   | -             | -         | 20,932                            | 186,063      | 42,598                        | 18,916                      | 23,682                                     |
| U.S. AR. Resources/Priv. Enterprise                   | 120,132                                   | -             | -         | 16,029                            | 131,895      | 4,266                         | 322                         | 3,944                                      |
| U.S. Research/Tech. Cooperation                       | 457,307                                   | -             | (201,790) | 52,005                            | 146,775      | 160,746                       | 105,236                     | 55,510                                     |
| U.S. Exchange Water Resources Information Americas    | 10,378                                    | -             | -         | -                                 | (2)          | 10,379                        | -                           | 10,379                                     |
| U.S. Science Projects                                 | 192,207                                   | -             | (93,317)  | -                                 | 98,890       | -                             | -                           | -  |
| U.S. Telecom. Develop. Fellow. Program                | 5,892                                     | -             | -         | -                                 | -            | 5,892                         | -                           | 5,892                                      |
| U.S. State Department to SICE                         | 396,850                                   | -             | -         | 53,046                            | 48,265       | 400,931                       | -                           | 400,931                                    |
| U.S. Unprogrammed funds to FEMCECC                    | 222,904                                   | -             | (222,904) | -                                 | -            | -                             | -                           | -  |
| U.S. Tech. Cooperation Progr. Support                 | 1,350,000                                 | -             | 2,696,392 | 99,124                            | -            | 4,145,515                     | -                           | 4,145,515                                  |
| U.S. AID Agency of Trade Training Progr in Hemisphere | -   | 50,915        | -         | -                                 | 50,274       | 641                           | 641                         | -  |
| U.S. AID Support 3rd I-A Dialogue Water Mgmt          | -   | 34,382        | (9,382)   | -                                 | 22,500       | 2,500                         | 2,500                       | -  |
| U.S. AID Renew. Energy in the Americas-REIA           | -   | 36,322        | 1,967     | -                                 | 37,990       | 299                           | 299                         | -  |
| U.S. AID Caribbean Basin Scholarship Fund             | 592,375                                   | -             | -         | 66,131                            | -            | 658,506                       | -                           | 658,506                                    |
| U.S. Temporary Committee CIHEL                        | 5,701                                     | -             | -         | -                                 | -            | 5,701                         | -                           | 5,701                                      |
| U.S. AID Caribbean Disaster Mitigation                | (441,451)                                 | 1,667,838     | 69,192    | -                                 | 1,306,405    | 441,451                       | 89,289                      | (89,289)                                   |
| U.S. AID I-A Strategy Particip.-Ro.                   | (18,897)                                  | 115,360       | 5,837     | 10,826                            | 91,231       | 11,069                        | 11,069                      | -  |
| U.S. DOE Disaster Mitigation                          | 820                                       | -             | (34)      | 583                               | 167          | 1,201                         | 333                         | 868  |
| UNEP "La Amistad" Costa Rica                          | 8,196                                     | -             | -         | -                                 | (2,250)      | 5,946                         | -                           | 5,946                                      |
| UNEP Approach to Managing the Environment             | 275,557                                   | 65,345        | -         | -                                 | 307,093      | (241,748)                     | 3,025                       | 30,784                                     |
| UNEP Basin of the Bermejo River                       | 820,591                                   | 302,639       | -         | 39,389                            | 833,696      | (491,608)                     | 39,560                      | 289,423                                    |
| UNEP Basin of the Bermejo River                       | -   | 150,000       | -         | -                                 | 150,000      | -                             | -                           | -  |
| UNEP Rio Bermejo Basin                                | 6,271                                     | -             | -         | -                                 | -            | -                             | -                           | -  |
| UNEP San Juan River Basin Development                 | 174,000                                   | 109,000       | -         | -                                 | 289,407      | (180,407)                     | 3,621                       | (10,028)                                   |



**ORGANIZATION OF AMERICAN STATES**  
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**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN FUND BALANCE**

| Donor and Project                             | From January 1, 1999 to December 31, 1999 |               |              |                    |                        |               |              |                                  |                             |               | Fund Balance<br>(deficit)<br>Dec. 31, 1999 |
|---|---|---------------|--------------|--------------------|------------------------|---------------|--------------|----------------------------------|-----------------------------|---------------|--|
|   | Cash<br>Balance<br>Jan. 1, 1999           | Contributions | Transfers    | Interest<br>Income | Returns<br>and Refunds | Expenditures  | Net Change   | Cash<br>Balance<br>Dec. 31, 1999 | Unliquidated<br>Obligations |               |  |
| UNEP/GEF I-A Strategy for Participation       | (902)                                     | -             | 902          | -                  | -                      | -             | 902          | -                                | -                           | -             | -  |
| UNEP/GEF Sao Francisco River Basin - Brazil   | 39,162                                    | -             | -            | -                  | -                      | 32,680        | (32,680)     | 6,482                            | -                           | -             | 6,482                                      |
| UNEP/GEF Upper Paraguay River Basin           | 6,702                                     | -             | -            | -                  | -                      | 4,734         | (4,734)      | 1,968                            | -                           | -             | 1,968                                      |
| GEF Upper Paraguay Rivie Basin                | -   | 1,283,250     | -            | -                  | -                      | -             | 1,283,250    | 1,283,250                        | -                           | -             | 1,283,250                                  |
| UNEP Environmental Program                    | -   | 961,100       | -            | -                  | -                      | 23,764        | 937,336      | 937,336                          | 318,887                     | -             | 618,449                                    |
| UNESCO Education for Sustain Future           | 493                                       | 70,000        | -            | -                  | -                      | 29,882        | 40,118       | 40,611                           | 18,314                      | -             | 22,297                                     |
| UNESCO Civil Society Sustainability           | 6,760                                     | 50,000        | -            | 2,131              | 19,798                 | 32,333        | 39,094       | 39,094                           | 23,694                      | -             | 15,400                                     |
| UNICEF Proposal/CEPAL                         | 1,690                                     | -             | -            | -                  | -                      | -             | -            | 1,690                            | -                           | -             | 1,690                                      |
| Uruguay HGAP Forestry Investment              | 3,000                                     | -             | -            | -                  | -                      | -             | -            | 3,000                            | -                           | -             | 3,000                                      |
| Uruguay Transportation MERCOSUR               | 15,404                                    | -             | (11,174)     | -                  | -                      | -             | (11,174)     | 4,230                            | -                           | -             | 4,230                                      |
| Venezuela Improvement Quality Basic Education | 58,051                                    | -             | (10,000)     | -                  | -                      | 15,933        | (25,933)     | 32,118                           | -                           | -             | 32,118                                     |
| Venezuela Unprogrammed Funds                  | 8,053                                     | -             | 13,499       | -                  | -                      | -             | 13,499       | 21,552                           | -                           | -             | 21,552                                     |
| Venezuela Unprogrammed funds (ex FEMCIECC)    | 14,499                                    | -             | (14,499)     | -                  | -                      | -             | (14,499)     | -                                | -                           | -             | -  |
| World Bank GEF                                | 32,473                                    | 1,458,577     | -            | 1,680              | -                      | 1,279,178     | 181,079      | 213,552                          | 59,060                      | -             | 154,492                                    |
| World Bank -Hazard Retrofitting OAS           | 35,000                                    | -             | (1,590)      | -                  | -                      | -             | (1,590)      | 33,410                           | -                           | -             | 33,410                                     |
| World Bank-Symposium Early Child Development  | 2,239                                     | 10,000        | -            | -                  | -                      | 11,201        | (1,201)      | 1,038                            | 2,200                       | -             | (1,162)                                    |
|   | \$ 14,537,751                             | \$ 12,187,833 | \$ 1,905,913 | \$ 1,107,079       | \$ (223,923)           | \$ 11,240,609 | \$ 3,731,294 | \$ 18,269,045                    | \$ 1,630,974                | \$ 16,638,071 |  |



**SECTION III**

**FINANCIAL STATEMENTS**

**OF THE ROWE MEMORIAL BENEFIT FUND AND**

**THE LEO S. ROWE PAN AMERICAN FUND**

**WITH**

**REPORTS OF INDEPENDENT AUDITORS**



## ORGANIZATION OF AMERICAN STATES

### ROWE MEMORIAL BENEFIT FUND AND LEO S. ROWE PAN AMERICAN FUND

The Rowe Funds are trust funds established from monies made available by Dr. Leo S. Rowe, former Director General of the Pan American Union, the predecessor of the General Secretariat, and are administered within the General Secretariat by special committees.

Ernst & Young LLP has audited the accompanying financial statements of these trust funds and their opinion on the statements of each fund is included in this report.

#### *Rowe Memorial Benefit Fund*

The Fund is administered by the Rowe Memorial Benefit Fund Committee. The Committee is composed of five ex-officio members who are officers of the General Secretariat.

Beginning in 1931, the assets of the Fund have been accumulated principally by contributions received from Dr. Rowe during his lifetime and are held in trust to provide certain benefits to staff members of the General Secretariat.

#### *Leo S. Rowe Pan American Fund*

The Fund is administered by the Committee of the Leo S. Rowe Pan American Fund. The Committee is composed of representatives from four OAS member states, elected by representatives to the Permanent Council for a four year term and with the Secretary General of the OAS as a permanent member.

The Fund was established in 1948 as a trust in accordance with the will of Dr. Rowe. Its purpose is to provide loans to students from member states other than residents and citizens of the United States and to make loans to OAS staff members for educational purposes or in emergency situations.



**ROWE MEMORIAL BENEFIT FUND**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 1999 AND 1998**  
  
**WITH**  
  
**REPORT OF INDEPENDENT AUDITORS**





## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the accompanying statements of financial position of the Rowe Memorial Benefit Fund (the Fund) as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rowe Memorial Benefit Fund at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

March 20, 2000



**ORGANIZATION OF AMERICAN STATES**

**LEO S. ROWE MEMORIAL BENEFIT FUND  
STATEMENTS OF FINANCIAL POSITION**

|                                      | December 31 |           |
|--------------------------------------|-------------|-----------|
|                                      | 1999        | 1998      |
| <b>Assets</b>                        |             |           |
| Equity in OAS Treasury Fund (Note 3) | \$ 16,457   | \$ 16,512 |
| Investments at market value (Note 4) | 290,762     | 279,348   |
| Total unrestricted net assets        | \$307,219   | \$295,860 |

**STATEMENTS OF ACTIVITIES**

|  | Year ended December 31 |           |
|--|------------------------|-----------|
|  | 1999                   | 1998      |
| <b>Income</b>  |                        |           |
| Dividends and interest   | \$ 8,056               | \$ 7,243  |
| Realized gains on investments                                  | 29,359                 | 11,847    |
| Income from OAS Treasury Fund (Note 3)                         | -                      | 1,021     |
| Change in unrealized gains/(losses) on investments<br>(Note 4) | (24,856)               | (12,031)  |
|  | 12,559                 | 8,080     |
| Awards and other benefits (Note 1)                             | (1,200)                | (300)     |
| Change in net assets   | 11,359                 | 7,780     |
| Unrestricted net assets at beginning of year                   | 295,860                | 288,080   |
| Unrestricted net assets at end of year                         | \$307,219              | \$295,860 |

*See accompanying notes*

**ORGANIZATION OF AMERICAN STATES**

**LEO S. ROWE MEMORIAL BENEFIT FUND  
STATEMENTS OF CASH FLOWS**

|   | <b>Year ended December 31</b> |             |
|---|-------------------------------|-------------|
|   | <b>1999</b>                   | <b>1998</b> |
| <b>Operating activities</b>   |                               |             |
| Change in net assets  | \$ 11,359                     | \$ 7,780    |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                               |             |
| Unrealized gains/loss on investments  | 24,856                        | 12,031      |
| Net cash provided by operating activities   | 36,215                        | 19,811      |
| <b>Investing activities</b>   |                               |             |
| Purchase of securities  | (36,270)                      | (19,090)    |
| Net cash used in investing activities   | (36,270)                      | (19,090)    |
| Net (decrease)/increase in cash and cash equivalents  | (55)                          | 721         |
| Equity in OAS Treasury Fund, beginning of year  | 16,512                        | 15,791      |
| Equity in OAS Treasury Fund, end of year  | \$16,457                      | \$16,512    |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## ROWE MEMORIAL BENEFIT FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 1998

### **1. Organization and Financing**

The assets of the Rowe Memorial Benefit Fund (Fund) have been accumulated principally from contributions received from Dr. Leo S. Rowe, a former Director General of Pan American Union. These assets are held in trust to provide certain welfare benefits for employees of the OAS. Administrative functions of the Fund are provided without charge by the General Secretariat of the OAS. No amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund as no objective basis is available to measure the value of such contributions.

### **2. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **3. Equity in OAS Treasury Fund**

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

### **4. Investments**

In 1996, the Fund adopted Financial Accounting Standard No. 124 (FAS 124), "Accounting for Certain Investments Held by Not-For-Profit Organizations". FAS 124 requires the Fund to report investments in equity securities with readily determinable market values and all investments in debt securities at market value with gains and losses included in the statement of activity.

#### 4. Investments (Continued)

Investments are presented in the financial statements at market value as determined by the latest available published or brokers' prices.

#### Mutual Funds Invested in Equity and Fixed Income Securities (in thousands)

|                   | Cost  | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Net Unrealized<br>Gains/(Losses) | Approximate<br>Market<br>Value |
|-------------------|-------|------------------------------|-------------------------------|----------------------------------|--------------------------------|
| December 31, 1999 | \$294 | \$2                          | \$(5)                         | \$(3)                            | \$291                          |
| December 31, 1998 | \$257 | \$23                         | \$(1)                         | \$22                             | \$279                          |

#### 5. Impact of Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward.

**LEO S. ROWE PAN AMERICAN FUND**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 1999 AND 1998**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**





## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the accompanying statements of financial position of the Leo S. Rowe Pan American Fund (the Fund) as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Leo S. Rowe Pan American Fund at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

March 20, 2000



# ORGANIZATION OF AMERICAN STATES

## LEO S. ROWE PAN AMERICAN FUND STATEMENTS OF FINANCIAL POSITION

| Assets   | December 31  |              |
|--|--------------|--------------|
|  | 1999         | 1998         |
| Equity in OAS Treasury Fund (Note 3)             | \$ 352,501   | \$ 75,210    |
| Investments at Market Value (Note 4)             |              |              |
| Mutual funds invested in equity investments      | 4,957,558    | 2,944,474    |
| Mutual funds invested in fixed income securities | 4,149,325    | 5,002,537    |
|  | 9,106,883    | 7,947,011    |
| Loans receivable (Note 5)                        |              |              |
| Students   |              |              |
| Installments not yet due                         | 2,044,148    | 2,237,252    |
| Installments past due                            |              | 430,335      |
| Allowance for uncollectible loans                | (324,080)    | (423,613)    |
|  | 1,720,068    | 2,243,974    |
| Employees of the Organization of American States | 611,027      | 587,002      |
|  | 2,331,095    | 2,830,976    |
| Other Receivables                                |              |              |
| IICA Receivable                                  | 13,100       | -            |
| ICETEX Receivable                                | 2,538        | -            |
|  | 15,638       | -            |
| Total Assets                                     | \$11,806,117 | \$10,853,197 |
| <br><b>Liabilities and Net Assets</b>            |              |              |
| Miscellaneous payables                           | \$ 68,165    | \$ 70,394    |
| Unrestricted Net Assets:                         |              |              |
| Committee Designated (Note 1)                    | 1,000,000    | 1,000,000    |
| Available for Loans                              | 10,737,952   | 9,782,803    |
| Total Net Assets                                 | 11,737,952   | 10,782,803   |
| Total Liabilities and Assets                     | \$11,806,117 | \$10,853,197 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## LEO S. ROWE PAN AMERICAN FUND

### STATEMENTS OF ACTIVITIES

| Income  | Year ended December 31 |              |
|---|------------------------|--------------|
|   | 1999                   | 1998         |
| Dividend and interest income                                | \$ 284,402             | \$ 330,736   |
| Capital gain distributions from mutual funds                | -                      | 150,527      |
| Realized gains on investments                               | 728,551                | -            |
| Miscellaneous income  | 6,759                  | 26,477       |
| Change in unrealized gains/(losses) on investments (Note 4) | 373,976                | 370,898      |
|   | 1,447,689              | 878,638      |
| <b>Expenses</b>   |                        |              |
| Provision for uncollectable loans (Note 5)                  | 390,578                | 116,111      |
| Investment management and custodian fees                    | 7,500                  | 18,500       |
| McLean Fellowship   | -                      | 22,000       |
| Administrative expenses                                     | 94,461                 | 39,739       |
|   | 492,539                | 196,350      |
| Change in net assets  | 955,149                | 682,288      |
| Net assets at beginning of year                             | 10,782,803             | 10,100,515   |
| Net assets at end of year                                   | \$11,737,952           | \$10,782,803 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## LEO S. ROWE PAN AMERICAN FUND

### STATEMENTS OF CASH FLOWS

| Operating Activities  | Year ended December 31 |           |
|---|------------------------|-----------|
|   | 1999                   | 1998      |
| Change in net assets  | \$ 955,149             | \$682,288 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                        |           |
| Unrealized (gain)/loss on investments   | (373,976)              | (370,898) |
| Gain on sale of Investments   | (782,551)              | -         |
| Decrease in provision for uncollectible loans   | (99,533)               | (325)     |
| Changes in operating assets and liabilities:  |                        |           |
| Decrease/(increase) in loans to students  | 623,439                | 2,048     |
| Decrease/(increase)/ in loans to employees  | (24,025)               | (5,783)   |
| Decrease/(increase) in miscellaneous receivables  | (15,638)               | -         |
| (Decrease)/increase in miscellaneous payables   | (2,229)                | (18,116)  |
| Net cash provided by operating activities   | 280,636                | 289,214   |
| <b>Investing activities</b>   |                        |           |
| Proceeds from the sale of investments   | 8,411,106              | -         |
| Purchase of investments   | (8,414,451)            | (430,867) |
| Net cash used in investing activities   | (3,345)                | (430,867) |
| <b>Net increase (decrease)/in cash equivalents</b>  | 277,291                | (141,653) |
| Equity in OAS Treasury Fund at beginning of year  | 75,210                 | 216,863   |
| Equity in OAS Treasury Fund at end of year  | \$ 352,501             | \$ 75,210 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## LEO S. ROWE PAN AMERICAN FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 1998

### **1. Organization and Financing**

The Leo S. Rowe Pan American Fund (Fund), a charitable trust, was established in 1948 by the Governing Board of the General Secretariat of the Pan American Union (PAU) in accordance with the will of Dr. Leo S. Rowe, a former Director General of the Pan American Union. The purpose of the Fund is to provide loans to students from member states, who desire to study at colleges in the United States and to provide education and emergency loans to employees of the OAS. The Committee designated net assets of \$1,000,000 as being comprised of investments not considered to be available for the purpose of granting loans.

### **2. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **3. Equity in OAS Treasury Fund**

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

### **4. Investments**

In 1996, the Fund adopted Financial Accounting Standard No. 124 (FAS 124), "Accounting for Certain Investments Held by Not-For-Profit Organizations". FAS 124 requires the Fund to report investments in equity securities with readily determinable market values and all investments in debt securities at market value with gains and losses included in the statement of activity.

#### 4. Investments (Continued)

Investments are presented in the financial statements at market value as determined by the latest available published or brokers' prices.

#### Mutual Fund Investments (in thousands)

| December 31, 1999       |                |                              |                               |                            |                             |
|-------------------------|----------------|------------------------------|-------------------------------|----------------------------|-----------------------------|
|                         | Cost           | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Net<br>Unrealized<br>Gains | Approximate<br>Market Value |
| Fixed income securities | \$3,992        | \$176                        | \$(19)                        | \$157                      | \$4,149                     |
| Equity investments      | 4,285          | 673                          | -                             | 673                        | 4,958                       |
|                         | <u>\$8,277</u> | <u>\$849</u>                 | <u>\$(19)</u>                 | <u>\$830</u>               | <u>\$9,107</u>              |

| December 31, 1998       |                |                              |                               |                            |                             |
|-------------------------|----------------|------------------------------|-------------------------------|----------------------------|-----------------------------|
|                         | Cost           | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Net<br>Unrealized<br>Gains | Approximate<br>Market Value |
| Fixed income securities | \$4,945        | \$ 87                        | \$(29)                        | \$ 58                      | \$5,003                     |
| Equity investments      | 2,546          | 398                          | -                             | 398                        | 2,944                       |
|                         | <u>\$7,491</u> | <u>\$485</u>                 | <u>\$(29)</u>                 | <u>\$456</u>               | <u>\$7,947</u>              |

#### 5. Loan Status

Non-interest bearing loans are granted to students, payable on various terms not to exceed five years from the termination of the studies for which the loans are granted. The Committee of the Leo S. Rowe Pan American Fund (Committee) has extended the repayment dates for certain loans.

The activity in the allowance for uncollectible loans was as follows:

|  | 1999             | 1998             |
|--|------------------|------------------|
| Balance at beginning of year                   | \$423,613        | \$423,938        |
| Activity in provision for uncollectible loans, | 390,577          | (325)            |
| Write-off of loan balances                     | (490,110)        | -                |
| Balance at end of year                         | <u>\$324,080</u> | <u>\$423,613</u> |

## **5. Loan Status (continued)**

In the opinion of the Committee, the allowance of \$324,080 at December 31, 1999 is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 1999 and 1998 the Fund disbursed new student loans aggregating approximately \$437,150 and \$662,000, respectively. The Fund received loan repayments of approximately \$561,933 and \$665,000 in 1999 and 1998, respectively.

New loans to employees for educational purposes or in emergency situations aggregated \$154,000 and \$123,000 in 1999 and 1998 respectively. The Fund received loan repayments of approximately \$137,431 and \$158,000 in 1999 and 1998 respectively. The interest rate on new employee loans granted in 1999 was 7.0%. Interest rates on outstanding loans granted in 1998 were 7.0%.

## **6. Administrative Expenses**

The accompanying financial statements include approximately \$31,000 and \$40,000 in administrative expenses related to the services of a contract employee in 1999 and 1998, respectively. No additional amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund by the General Secretariat as no objective basis is currently available to measure the value of such contribution.

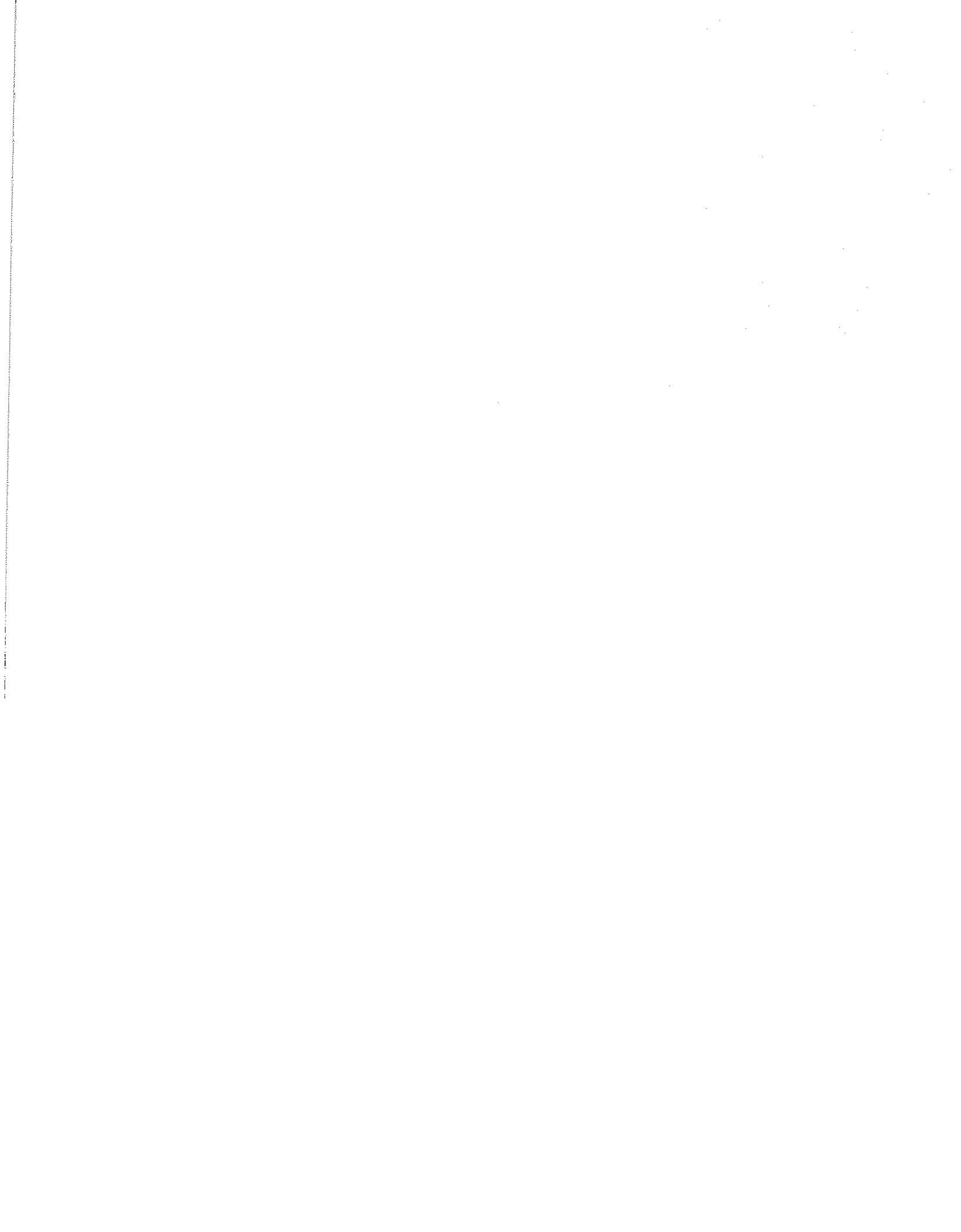
## **7. Impact of Year 2000 (unaudited)**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward.



**SECTION IV**  
**FINANCIAL STATEMENTS**  
**FUNDS OF THE UNIT FOR THE PROMOTION OF DEMOCRACY**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**



## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the accompanying combined statement of assets, liabilities and fund balance of the activities of the Unit for the Promotion of Democracy of the Organization of American States (the Unit) as of December 31, 1999, and the related combined statements of activity and changes in fund balance for the year then ended and the periods from inception to December 31, 1999 and 1998. These financial statements are the responsibility of the Unit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As described in Note 2, the financial statements of the activities of the Unit have been prepared on the basis of accounting practices prescribed by the Budgetary and Financial Rules of the Organization of American States (which include the applicable financially-oriented General Standards adopted by the General Assembly of the OAS), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Unit's assets, liabilities and fund balance at December 31, 1999, and the activity and changes in fund balance for the year then ended and the periods from inception to December 31, 1999 and 1998 on the basis of accounting described in Note 2.

As explained in Note 1, the financial statements being presented are only for the activities referred to above, which were established by the Organization of American States to account for the assets, liabilities and fund balance and the support, revenues and expenses of the Unit for the Promotion of Democracy.

*Ernst & Young LLP*

March 20, 2000



**ORGANIZATION OF AMERICAN STATES**

**UNIT FOR PROMOTION OF DEMOCRACY  
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE**

At December 31, 1999

|                                     |                  | International<br>Civilian<br>Presence<br><u>HAITI</u> | Peace and<br>Re-integration<br><u>NICARAGUA</u> | Electoral<br>Tech. Assistance<br><u>GUATEMALA</u> | Program for Peace<br>PROPAZ<br><u>GUATEMALA</u> | Other<br>Democratic<br>Initiatives | Mine<br>Clearing<br>Central<br>America | <u>Combined</u>     |
|-------------------------------------|------------------|---|---|---|---|------------------------------------|--|---------------------|
| <b>ASSETS</b>                       |                  |   |   |   |   |                                    |  |                     |
| Equity in OAS Treasury Fund         | 55,043           | 616,917   | 613,235   | 1,673   | 497,066   | 3,104,124                          | 3,084,409                              | 7,972,467           |
| Total Assets                        | <u>\$ 55,043</u> | <u>\$ 616,917</u>                                     | <u>\$ 613,235</u>                               | <u>\$ 1,673</u>                                   | <u>\$ 497,066</u>                               | <u>\$ 3,104,124</u>                | <u>\$ 3,084,409</u>                    | <u>\$ 7,972,467</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                  |   |   |   |   |                                    |  |                     |
| Unliquidated Obligations            | 4,016            | 19,070  | -   | -   | 16,395  | 216,114                            | 145,190                                | 400,785             |
| Accounts Payable                    | -                | 583,172   | -   | -   | 7,900   | (303,609)                          | -                                      | 287,463             |
| Other Payables                      | 19,017           | 222,008   | -   | -   | 138,881   | 69,925                             | 38,869                                 | 488,700             |
| Fund Balance (deficit)              | 32,010           | (207,333)   | 613,235   | 1,673   | 333,890   | 3,121,694                          | 2,900,350                              | 6,795,519           |
| Total Liabilities and fund balance  | <u>\$ 55,043</u> | <u>\$ 616,917</u>                                     | <u>\$ 613,235</u>                               | <u>\$ 1,673</u>                                   | <u>\$ 497,066</u>                               | <u>\$ 3,104,124</u>                | <u>\$ 3,084,409</u>                    | <u>\$ 7,972,467</u> |

*See accompanying notes*

ORGANIZATION OF AMERICAN STATES

UNIT FOR PROMOTION OF DEMOCRACY  
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE

|                             | Year ended December 31, 1999       |                   |                          |                            |                   |                              |                               |               |               |               | From inception to December 31, |      |
|-----------------------------|------------------------------------|-------------------|--------------------------|----------------------------|-------------------|------------------------------|-------------------------------|---------------|---------------|---------------|--------------------------------|------|
|                             | International                      |                   |                          |                            |                   | Mine                         |                               |               |               |               | 1998                           | 1999 |
|                             | National Program for Governance VP | Civilian Presence | Peace and Re-integration | Electoral Tech. Assistance | Program for Peace | Other Democratic Initiatives | Mine Clearing Central America | Combined      | 1998          | 1999          |                                |      |
|                             |                                    | HAITI             | NICARAGUA                | GUATEMALA                  | GUATEMALA         |                              |                               |               |               |               |                                |      |
| Increases                   |                                    |                   |                          |                            |                   |                              |                               |               |               |               |                                |      |
| Contributions and Transfers |                                    |                   |                          |                            |                   |                              |                               |               |               |               |                                |      |
| Antigua / Barbuda           |                                    |                   |                          |                            |                   |                              |                               |               |               |               |                                |      |
| Argentina                   |                                    | 1,000             |                          |                            |                   |                              |                               | 1,000         |               | 1,000         |                                |      |
| Australia                   |                                    |                   |                          |                            |                   |                              | 3,158                         | 3,158         | 356,500       | 359,658       |                                |      |
| Bolivia                     | 150,943                            |                   |                          |                            |                   |                              |                               |               | 3,579         | 3,579         |                                |      |
| Brazil                      |                                    |                   |                          |                            |                   |                              |                               | 150,943       | 290,164       | 441,107       |                                |      |
| Canada                      |                                    |                   |                          |                            |                   | 541,149                      |                               |               | 50,000        | 50,000        |                                |      |
| Chile                       |                                    | 10,000            |                          |                            |                   |                              | 398,984                       | 940,133       | 2,338,687     | 3,278,820     |                                |      |
| Colombia                    |                                    |                   |                          |                            |                   |                              |                               | 10,000        | 25,000        | 35,000        |                                |      |
| Denmark                     |                                    |                   |                          |                            | 201,395           |                              | 679,780                       | 881,175       | 25,000        | 25,000        |                                |      |
| Dominica                    |                                    |                   |                          |                            |                   |                              |                               |               | 2,469,760     | 3,350,935     |                                |      |
| Finland                     |                                    |                   |                          |                            |                   |                              |                               |               | 1,000         | 1,000         |                                |      |
| France                      |                                    | 49,180            |                          |                            |                   |                              |                               |               | 82,692        | 82,692        |                                |      |
| Germany                     |                                    |                   |                          |                            |                   |                              |                               | 49,180        | 552,344       | 601,524       |                                |      |
| Guatemala                   |                                    |                   |                          |                            |                   |                              |                               |               | 394,597       | 394,597       |                                |      |
| Honduras                    |                                    |                   |                          | 30,017                     |                   |                              |                               | 30,017        | 1,370,744     | 1,400,761     |                                |      |
| IADB                        |                                    |                   |                          |                            |                   | 493,385                      |                               | 493,385       | 250,000       | 250,000       |                                |      |
| Italy                       |                                    |                   |                          |                            |                   |                              |                               |               | 736,463       | 1,229,848     |                                |      |
| Japan                       |                                    |                   |                          |                            |                   |                              |                               |               | 169,921       | 169,921       |                                |      |
| Netherlands                 |                                    |                   |                          |                            |                   | 214                          | 45,020                        | 45,234        | 1,732,476     | 1,777,710     |                                |      |
| Norway                      |                                    |                   |                          |                            |                   | 71,785                       |                               | 71,785        | 1,365,341     | 1,437,126     |                                |      |
| Panama                      |                                    |                   |                          |                            | 587,899           | 135,337                      | 963,930                       | 1,687,166     | 2,044,278     | 3,731,444     |                                |      |
| Paraguay                    |                                    |                   |                          |                            |                   |                              |                               |               | 45,400        | 45,400        |                                |      |
| Russia                      |                                    |                   |                          |                            |                   |                              |                               |               | 191,969       | 191,969       |                                |      |
| Spain                       |                                    |                   |                          |                            |                   |                              |                               |               | 1,500         | 1,500         |                                |      |
| Saint Kitts and Nevis       |                                    |                   |                          |                            |                   |                              |                               |               | 1,086,580     | 1,719,686     |                                |      |
| Suriname                    |                                    |                   |                          |                            |                   |                              |                               |               | 3,000         | 3,000         |                                |      |
| Sweden                      |                                    |                   |                          |                            |                   |                              |                               |               | 926,426       | 926,426       |                                |      |
| Switzerland                 |                                    |                   | 1,741,272                |                            | 264,128           | 967,141                      | 396,143                       | 3,368,683     | 5,848,859     | 9,217,542     |                                |      |
| UNESCO                      |                                    |                   |                          |                            |                   |                              |                               |               | 229,788       | 229,788       |                                |      |
| United Kingdom              |                                    |                   |                          |                            |                   | 20,000                       |                               | 20,000        | 20,000        | 40,000        |                                |      |
| United States               |                                    | 40,000            |                          |                            |                   | 82,000                       |                               | 122,000       | 261,575       | 383,575       |                                |      |
| Uruguay                     |                                    | 439,056           |                          | 950,000                    |                   | 2,510,851                    | 300,000                       | 4,199,907     | 47,511,412    | 51,711,319    |                                |      |
| Venezuela                   |                                    |                   |                          |                            |                   |                              |                               |               | 5,000         | 5,000         |                                |      |
| European Econ. Community    |                                    |                   |                          |                            |                   |                              |                               |               | 88,469        | 88,469        |                                |      |
| Other                       | 11,197                             |                   |                          |                            |                   |                              |                               |               | 166,040       | 166,040       |                                |      |
| OAS Treasury fund Income    |                                    | 290,486           |                          |                            |                   | 211,428                      | 86,419                        | 309,044       | 553,698       | 862,742       |                                |      |
| Other Refunds/Returns       |                                    | 3,365             |                          |                            | 8                 | 4,792                        |                               | 341,249       | 237,902       | 579,151       |                                |      |
| Total Increases             | \$ 162,694                         | \$ 833,087        | \$ 1,787,234             | \$ 980,028                 | \$ 1,053,458      | \$ 5,038,083                 | \$ 3,507,092                  | \$ 13,361,677 | \$ 71,551,212 | \$ 84,912,889 |                                |      |

ORGANIZATION OF AMERICAN STATES

UNIT FOR PROMOTION OF DEMOCRACY  
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE

|   | Year ended December 31, 1999             |                               |  |  |  |                                    |                    |              |              |              | From inception to December 31, |      |
|---|--|-------------------------------|--|--|--|------------------------------------|--------------------|--------------|--------------|--------------|--------------------------------|------|
|   | International                            |                               |  |  |  | Mine                               |                    |              |              |              | 1998                           | 1999 |
|   | National<br>Program for<br>Governance VP | Civilian<br>Presence<br>HAITI | Peace and<br>Re-integration<br>NICARAGUA | Electoral<br>Tech. Assistance<br>GUATEMALA | Program for Peace<br>PROPAZ<br>GUATEMALA | Other<br>Democratic<br>Initiatives | Central<br>America | Combined     | 1998         | 1999         |                                |      |
| Decreases                               | \$ -                                     | \$ -                          | \$ -                                     | \$ -                                       | \$ -                                     | \$ 914,992                         | \$ -               | \$ 914,992   | \$ 104,445   | \$ 1,019,437 |                                |      |
| Transfers                               | -  | -                             | -  | -  | -  | 16,289                             | -                  | 16,289       | 32,880       | 49,169       |                                |      |
| Refunds                                 | -  | -                             | -  | -  | -  | -                                  | -                  | -            | -            | -            |                                |      |
| Obligations & Expenditures              | 8,755                                    | 33,927                        | 65,170                                   | 30,679                                     | 51,728                                   | 485,208                            | 1,075,111          | 1,750,578    | 10,224,616   | 11,975,194   |                                |      |
| Travel                                  | 1,067                                    | -                             | 11,813                                   | 250,034                                    | 16,349                                   | 121,027                            | 2,571              | 402,861      | -            | 402,861      |                                |      |
| Documents                               | 4,171                                    | 36,485                        | 335,618                                  | 366,459                                    | 98,304                                   | 855,679                            | 1,086,838          | 2,783,554    | 7,333,454    | 10,117,008   |                                |      |
| Equipment & Supplies                    | 6,610                                    | 71,863                        | 182,115                                  | 7,372                                      | 53,803                                   | 184,844                            | 131,466            | 638,072      | 780,785      | 1,418,857    |                                |      |
| Building & Maintenance                  | 138,866                                  | 2,993,122                     | 626,272                                  | 283,039                                    | 1,039,004                                | 2,393,381                          | 1,061,446          | 8,535,130    | 33,763,305   | 42,298,435   |                                |      |
| Contracts                               | 1,495                                    | 14,506                        | 87,635                                   | 40,773                                     | 64,643                                   | 515,277                            | -                  | 724,329      | 10,112,080   | 10,836,409   |                                |      |
| Other                                   | 160,965                                  | 3,149,993                     | 1,308,623                                | 978,356                                    | 1,323,830                                | 5,486,697                          | 3,357,432          | 15,765,805   | 62,351,565   | 78,117,370   |                                |      |
| Total decreases                         | 1,729                                    | (2,316,815)                   | 478,611                                  | 1,673                                      | (270,373)                                | (448,614)                          | 149,661            | (2,404,128)  | 9,199,647    | 6,795,519    |                                |      |
| Net change during period                | 30,280                                   | 2,109,482                     | 134,624                                  | -  | 604,263                                  | 3,570,308                          | 2,750,690          | 9,199,647    | -            | -            |                                |      |
| Fund balance at beginning of period     | \$ 32,010                                | \$ (207,333)                  | \$ 613,235                               | \$ 1,673                                   | \$ 333,890                               | \$ 3,121,694                       | \$ 2,980,351       | \$ 6,795,519 | \$ 9,199,647 | \$ 6,795,519 |                                |      |
| Fund balance (deficit) at end of period | \$ -                                     | \$ -                          | \$ -                                     | \$ -                                       | \$ -                                     | \$ -                               | \$ -               | \$ -         | \$ -         | \$ -         |                                |      |

See accompanying notes

# ORGANIZATION OF AMERICAN STATES

## UNIT FOR THE PROMOTION OF DEMOCRACY NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999

### 1. Organization

In Resolution AG/RES.1063/90, the General Assembly requested the Secretary General to establish within the General Secretariat a Unit for the Promotion of Democracy. On October 15, 1990, the Secretary General by Executive Order 90-3 (Rev. 1) created the Unit for the Promotion of Democracy, and on July 25, 1995 Executive Order 95-6 established the new organizational structure of the Unit while maintaining its original responsibilities and functions as follows:

- To provide assistance to member states to improve their institutions and democratic processes.
- To provide support to member states for the generation, dissemination, and exchange of information on political systems and democratic values.
- To encourage the exchange of experiences among institutions and experts of the hemisphere in areas related to the promotion of democracy.
- To provide assistance in the observation of electoral processes.
- To support the processes of national reconciliation and peace-building.

The Secretary General established various OAS accounts to record the proceeds and disbursements pursuant to the activities coordinated by the Unit for the Promotion of Democracy.

### 2. Basis of Accounting

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The basis for presentation of the attached statements is based upon a disclosure of detailed financial information for those projects with significant financial activity for the current period, and a grouping called other democratic initiatives with the remainder of UPD project activities. This basis of presentation results in different projects displayed at the detailed level from year to year. The beginning fund balance for the year ended December 31, 1998 has been restated to reflect the inclusion of a project encompassing UPD overhead activities in the amount of \$484,290. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviation from generally accepted accounting principles is as follows:



## **2. Basis of Accounting (Continued)**

Unliquidated obligations include amounts related to commitments resulting from offers made by the Funds to vendors to disburse monies for the procurement of goods or services in future periods. This amount does not represent liabilities to unrelated third party commitments at December 31, 1999. It represents amounts anticipated to be expended in the subsequent year in the completion of these projects.

## **3. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **4. Equity in OAS Treasury Fund**

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The OAS Treasury Fund is administered by the General Secretariat, and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

## **5. Status of Missions**

### *Haiti*

At the Ad Hoc meeting of Ministers of Foreign Affairs held on October 2, 1991, it was resolved to establish an OAS civilian mission entrusted to facilitate reestablishment and strengthening of the democratic institutions in Haiti. To this end, financing from Member States and Permanent Observers totaling \$35,914,282 was received from inception until December 31, 1999. In addition there were in-kind contributions by other countries such as an aircraft by Argentina, Canada, Colombia, Chile and Venezuela.

The deficit fund balance at December 31, 1999 for the International Civilian Presence in Haiti project resulted from timing differences between the recording of expenditures for the project and the collection of donor funds at year-end.

## 5. Status of Missions (Continued)

### *National Program for Governance VP*

In order to implement the National Program for Governance PRONAGOB, the government of Bolivia, acting through the National Committee for Governance, contracted with the General Secretariat of the Organization of American States (GS/OAS), on December 7, 1996. The general objective of this program, financed by the Inter-American Development Bank, is to create a political and an institutional environment where economic and social development is encouraged.

This objective will be achieved by the strengthening of the countries democratic institutions and promotion of the electoral system and decentralization.

### *Peace and Re-integration Nicaragua*

On October 14, 1997 an agreement was signed between the government of Sweden and the General Secretariat of the Organization of American States (GS/OAS), acting through UPD. UPD, working with the government of Nicaragua, will carry out this program called The Program of Technical Cooperation Towards Peace, Consolidation and Reintegration in Nicaragua. The objective of the program is to contribute to the reconciliation process in Nicaragua and to the process leading to peace, democracy and a state governed by law, by strengthening the institution of the state and the civil society. From January 1 to December 31, 1999, financing in the amount of \$1,787,234 was received from member states and observer countries.

### *Electoral Technical Assistance to Guatemala*

On March 26, 1999 an agreement was signed between the General Secretariat of the Organization of American States (GS/OAS) and the government of the United States, acting through the Agency for International Development (USAID). The USAID granted the sum of \$700,000, and later an additional \$250,000, making the total U.S. contributions during fiscal year 1999 \$950,000 for this program. The purpose of this program is to strengthen the democratic and electoral systems of Guatemala within the commitments established in the Peace Accords through the promotion of more effective and increased citizen participation in the constitutional Reform Referendum and General Elections.

### *Democratic Initiatives*

The Unit of Democracy undertook a number of additional activities with the contributions of member states and observer states, including electoral observation missions in the Dominican Republic, Ecuador, Honduras, Panama, Peru, and Venezuela. The Technical Collaboration Program for Peace and Reintegration in Nicaragua, is also included under this heading. Among the largest contributors was the United States Government which contributed a total of \$2,510,851 and Sweden with \$967,141 from January 1, 1999 to December 31, 1999. Certain of these contributions are restricted as to their use.

## 5. Status of Missions (Continued)

### *Mine Clearing Assistance Program in Central America*

At its XXII Regular Session through resolution AG/RES. 1191(XXII-O/92), the General Assembly asked the Secretary General "to establish a Special Fund to accept contributions and pledges from those countries that wish to cooperate in mine-clearing operations in Central America".

At the meeting of the Commission on Central American Security held in San Salvador, June 15-16, 1992, the Secretary General was asked to expand the mine removal program from Nicaragua to include the other Central American nations, Costa Rica, El Salvador, Guatemala and Honduras. The Secretary General, in turn, sought the assistance of the Inter-American Defense Board (IADB) in extending the mine removal program. Such a program would be implemented by each nation's army and, in the case of Costa Rica, specialized personnel.

The Secretary General made appeals for funding to member countries, observer countries, and members of the Partnership for Democracy and received affirmative responses from the Governments of Argentina, Canada, Denmark, Honduras, Japan, Netherlands, Norway, and United Kingdom. Grant funds were additionally received from the governments of Germany, France, the Russian Federation, Spain, Sweden, and the United States.

### *Program for Peace in Guatemala*

In late 1994, the Guatemalan Government, through its National Fund for Peace (FONAPAZ), requested an OAS mission to develop a program designed to strengthen the capacity of Guatemalans to prevent and peacefully resolve conflicts affecting the population. After a series of meetings with Guatemalan authorities, the OAS proposal for a "Program for the Prevention and Resolution of Community Conflicts in Guatemala" was accepted. The program was subsequently renamed "Culture of Dialogue in Guatemala": Program for the Development of Resources for Peace-building" (PROPAZ). FONAPAZ and the Presidential Secretariat for Peace, Development and National Reconciliation (SEPAZ) were designated as the government counterparts for the Program.

The first pilot phase of the program is financed by a special contribution from the Guatemalan government, which agreed to contribute forty percent of the budget, and the remainder with DEMOC funds and special contributions by the Canadian and U.S. governments. In September 1996, a letter of understanding was signed by the OAS and the governments of Guatemala, Sweden, Norway and Denmark, which enhanced the Program to provide technical support and training to State institutions and civil society institutions at a national level. From January 1, 1999 to December 31, 1999, financing in the amount of \$1,053,458 was received from Member States and Observer Countries.

## **6. Staffing and Administrative Support**

Appropriations for the approved personnel posts budgeted on a recurring basis for the Unit for Promotion of Democracy, are financed by the Regular Fund of the Organization. Financing for experts or observers in specific missions of the Unit are, for the most part, financed by special contributions either for that mission or for missions of the Unit in general.

## **7. Impact of Year 2000 (unaudited)**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward.

**SECTION V**

**FINANCIAL STATEMENTS**

**OF THE SPECIAL ACCOUNT FOR THE CARIBBEAN:**

**PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE**

**WITH**

**REPORT OF INDEPENDENT AUDITORS**



## Report of Independent Auditors

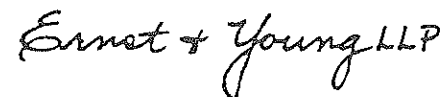
Board of External Auditors  
Organization of American States

We have audited the accompanying statement of assets, liabilities and fund balance of the Organization of American States Special Account for the Caribbean: Planning for Adaptation to Global Climate Change, pursuant to the agreements between the Organization of American States (OAS) and the International Bank for the Reconstruction and Development (the Agreements), as of December 31, 1999 and 1998, and the related statements of activity and changes in fund balance and cash flows for the years ended December 31, 1999 and 1998, and the related statement of activity and changes in fund balance for the period from inception to December 31, 1999. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provides a reasonable basis for our opinion.

As described in Note 2, these financial statements have been prepared on the basis of accounting practices prescribed by the Budgetary and Financial Rules of the Organization of American States (which include the applicable financially-oriented General Standards adopted by the General Assembly of the OAS) which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance at December 31, 1999 and 1998, and the results of its activity and changes in fund balance and its cash flows for the years ended December 31, 1999 and 1998, and the related statement of activity and changes in fund balance for the period from inception to December 31, 1999 on the basis of accounting described in Note 2.



March 20, 2000





# ORGANIZATION OF AMERICAN STATES

## SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE

|                                      | December 31       |                  |
|--------------------------------------|-------------------|------------------|
|                                      | 1999              | 1998             |
| <b>Assets</b>                        |                   |                  |
| Equity in OAS Treasury Fund (Note 4) | \$ 213,552        | \$ 32,473        |
| Total assets                         | <u>\$ 213,552</u> | <u>\$ 32,473</u> |
| <b>Liabilities and Fund Balance</b>  |                   |                  |
| Unliquidated obligations (Note 2)    | \$ 59,060         | \$ 59,438        |
| Fund balance (deficit)               | 154,492           | (26,965)         |
| Total liabilities and fund balance   | <u>\$ 213,552</u> | <u>\$ 32,473</u> |

*See accompanying notes*

## ORGANIZATION OF AMERICAN STATES

### SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE STATEMENTS OF ACTIVITIES AND CHANGES IN FUND BALANCE

|   | Year ended<br>December 31<br>1999 | Year ended<br>December 31<br>1998 | August 30, 1995<br>(inception) to<br>December 31<br>1999 |
|---|-----------------------------------|-----------------------------------|--|
| <b>Increases</b>                              |                                   |                                   |  |
| Contributions (Note 6)                        | \$ 1,457,836                      | \$ 819,199                        | \$ 3,205,851   |
| Other income and deobligations                | 2,421                             | 90                                | 19,178   |
|   | 1,460,257                         | 819,289                           | 3,225,029  |
| <b>Decreases</b>                              |                                   |                                   |  |
| Obligations and expenditures (Note 7)         | 1,278,800                         | 930,265                           | 3,044,216  |
| Return to donors                              | -                                 | 26,321                            | 26,321   |
|   | 1,278,800                         | 956,586                           | 3,070,537  |
| Net change during period                      | 181,497                           | (137,297)                         | 154,492  |
| Fund balance (deficit) at beginning of period | (26,965)                          | 110,332                           | -  |
| Fund balance (deficit) at end of period       | \$ 154,492                        | \$ (26,965)                       | \$ 154,492   |

*See accompanying notes*

**ORGANIZATION OF AMERICAN STATES**

**SPECIAL ACCOUNT FOR THE CARIBBEAN:  
PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE  
STATEMENTS OF CASH FLOWS**

|   | Year ended December 31 |              |
|---|------------------------|--------------|
|   | 1999                   | 1998         |
| <b>Operating activities</b>   |                        |              |
| Change in fund balance  | \$ 181,457             | \$ (137,297) |
| Adjustments to reconcile change in fund balance to net cash provided by operating activities: |                        |              |
| Decrease in other assets  | -                      | 2,201        |
| Decrease in unliquidated obligations  | (378)                  | (17,258)     |
| Net cash provided by/(used in) operating activities:  | 181,079                | (152,354)    |
| Net increase/(decrease) in cash   | 181,079                | (152,354)    |
| Cash at beginning of period   | 32,473                 | 184,827      |
| Cash at end of period   | \$ 213,552             | \$ 32,473    |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## SPECIAL ACCOUNT FOR THE CARIBBEAN: PLANNING FOR ADAPTATION TO GLOBAL CLIMATE CHANGE NOTES TO FINANCIAL STATEMENTS

### 1. Organization

The Organization of American States (OAS), at the request of the Caribbean Community (CARICOM) countries, requested a grant from the Global Environment Facility (GEF) Project Development and Preparation Facility (PDF) as administered by the International Bank for Reconstruction and Development to finance the preparation of a regional project to assist these countries with the potential impacts of the adverse effects of impending global climate changes in coastal and marine areas. The grant was approved by the Global Environment Facility Operations Committee (GEFOP) of the International Bank for Reconstruction and Development in June 1995 in the amount of \$305,000.

In April 1997, the project proposal was approved by the GEFOP. At this time, an agreement was signed between the General Secretariat of the Organization of American States (GS/OAS) and the International Bank for Reconstruction and Development, who served as the Implementing Agency of the Global Environment Facility Trust Fund (GEF Trust Fund). In the agreement, GS/OAS was named the executing agency and received a grant of \$6.3 million. In July 1998, the initial grant was increased by \$349,500 to incorporate a twelfth participating country, St. Vincent and the Grenadines. Thus, the total approved project funds were \$6,649,500 as of December 31, 1998, which must be spent between April 1997 and December 2001.

The project's overall objective is to support twelve CARICOM member countries in preparing to cope with the adverse effects of global climate change. Specifically, the project assists national governments and several regional institutions to strengthen their technical and human capacity; identifies areas particularly vulnerable to climate change; and develops regional and national integrated management approaches and policies. Activity of the project is accounted for in an OAS Specific Fund entitled the World Bank GEF Fund. This project is not a separate legal entity, but rather a fund administered by the GS/OAS.

The Unit for Sustainable Development and Environment (USDE) of the GS/OAS is responsible for the technical supervision and overall project quality assurance as well as for disbursements to the Regional Project Implementing Unit (RPIU). The RPIU was established as part of the University of West Indies Center for Environment and Development and is presently located near the University of West Indies campus in Barbados. The RPIU coordinates and manages project activities at the regional level.

## **1. Organization (Continued)**

The Caribbean Institute for Meteorology and Hydrology and the Institute of Marine Affairs are also partners in the project implementation. Each participating country has established a National Implementation Coordinating Unit (NICU) to facilitate project implementation at the national level.

## **2. Basis of Accounting**

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from generally accepted accounting principles. The significant deviation from generally accepted accounting principles is as follows:

Unliquidated obligations include amounts related to commitments resulting from offers made by the Fund to vendors to disburse funds for the procurement of goods or services in future periods. These amounts do not represent liabilities to unrelated third parties at December 31, 1999.

## **3. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **4. Equity in OAS Treasury Fund**

All U.S. dollars available for use in carrying out the activities of the various funds of the OAS are consolidated in the OAS Treasury Fund. Each fund administered by the General Secretariat maintains equity to the extent of its cash balance retained therein. The General Secretariat administers the OAS Treasury Fund, and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

## **5. Fund balance (deficit)**

At December 31, 1998, the account reflected a deficit of \$26,965. This deficit was due to timing differences between the expenditures incurred by the account and reimbursements to the account by the World Bank.

## 5. Fund balance (deficit) (continued)

As of December 31, 1999 the account reflects a balance of \$154,492 as project management has worked to decrease time lags related to the reimbursement process.

## 6. Funding

The World Bank, through the GEF Trust Fund has contributed the following amounts to the various phases of the project to date:

|               |                     |
|---------------|---------------------|
| First Phase:  | \$ 305,000          |
| Second Phase: | \$ 1,443,015        |
| Third Phase   | <u>\$ 1,457,836</u> |
|               | <u>\$ 3,205,851</u> |

## 7. Expenditures and Obligations

During the year, the OAS incurred expenditures related to the project totaling \$1,279,178, of which \$59,438 related to obligations from the prior year. These expenditures represent transactions processed by the Executing Agency as well as the RPIU. When funds are transferred from the Executing Agency to the RPIU, they are considered expenditures of the OAS. In accordance with the agreement between GEFOP and GS/OAS, all expenditures financed out of proceeds of the GEF Trust Fund Grant must be allocated to specific categories. Since OAS performs this allocation, transactions processed through headquarters but not claimed to the World Bank are also identified by category. At December 31, 1999, the RPIU had approximately \$267,000 which may have represented outstanding commitments; however the expense claims had not been processed as of the end of the year.

| <u>Category</u>                                 | <u>Expenditures</u> | <u>Obligations</u> | <u>Total</u>       |
|---|---------------------|--------------------|--------------------|
| Goods   | \$ 122,507          | \$ -               | \$ 122,507         |
| Consultants' Services and Training              | 673,127             | 56,845             | 729,972            |
| RPIU Operating Costs                            | 32,189              | -                  | 32,189             |
| Executing Agency Operating Costs                | 184,376             | 2,215              | 186,591            |
| Unprocessed expenses                            | 266,979             | -                  | 266,979            |
|   | <u>\$ 1,279,178</u> | <u>\$ 59,060</u>   | <u>1,338,238</u>   |
| Less prior year unliquidated obligations        |                     |                    | (59,438)           |
| Total current year expenditures and obligations |                     |                    | <u>\$1,278,800</u> |

## **8. Impact of Year 2000 (unaudited)**

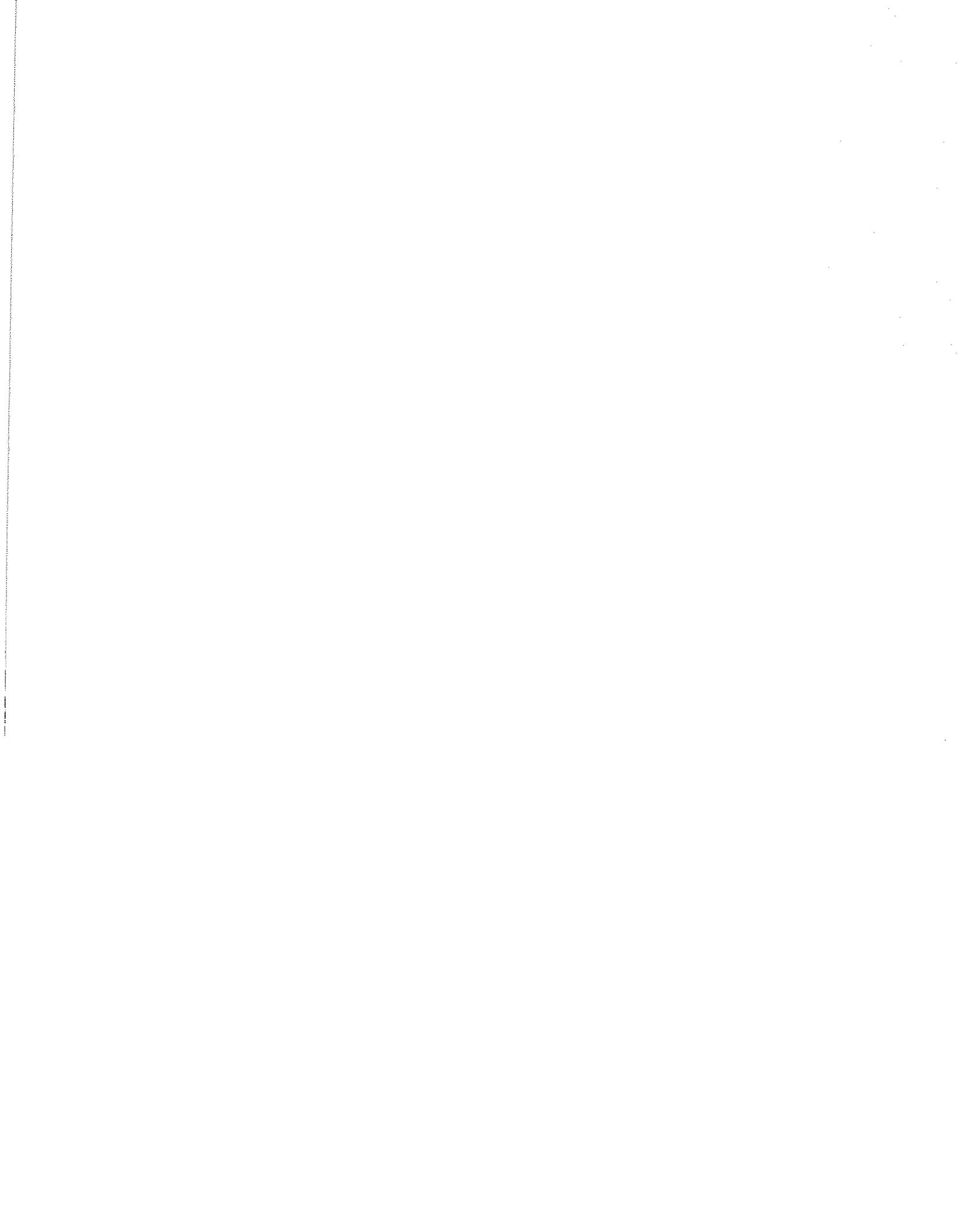
The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Board's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than 2000. This could result in a system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices or engage in normal business activities.

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward.





**SECTION VI**  
**FINANCIAL STATEMENTS**  
**OF THE RETIREMENT AND PENSION FUND**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**



## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the accompanying statements of net assets available for benefits of the Retirement and Pension Fund (the Plan) of the General Secretariat of the Organization of American States as of December 31, 1999 and 1998, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Plan at December 31, 1999 and 1998, and the changes in its financial status for the years then ended, in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

February 12, 2000



# ORGANIZATION OF AMERICAN STATES

## RETIREMENT AND PENSION FUND STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

|  | December 31   |               |
|--|---------------|---------------|
|  | 1999          | 1998          |
| <b>Assets</b>  |               |               |
| Investment, at market:                                     |               |               |
| Short-term investments                                     | \$ 13,155,098 | \$ 15,337,590 |
| U.S. government and agency issues                          | 66,165,611    | 62,913,567    |
| Corporate bonds  | 55,828,287    | 51,911,489    |
| Municipal bonds  | -             | 654,204       |
| Miscellaneous bonds  | 9,325,087     | 18,315,078    |
| Common stock   | 269,869,256   | 244,574,581   |
|  | 414,343,339   | 393,706,509   |
| Equity in OAS Treasury Fund                                | 1,450         | 267,273       |
| Money market account                                       | 17,257,641    | 12,806,358    |
| Receivables, principally accrued<br>dividends and interest | 2,123,816     | 2,083,801     |
| Total assets   | 433,726,246   | 408,863,941   |
| <b>Liabilities</b>   |               |               |
| Due to broker for securities purchased                     | 9,668,022     | 13,321,270    |
| Provident Plan participants accounts                       | 1,241,347     | 1,571,642     |
| Miscellaneous payables                                     | 169,694       | 198,763       |
| Total liabilities  | 11,079,063    | 15,091,675    |
| Net assets available for benefits                          | \$422,647,183 | \$393,772,266 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## RETIREMENT AND PENSION FUND

### STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

|   | Years ended December 31 |               |
|---|-------------------------|---------------|
|   | 1999                    | 1998          |
| <b>Additions</b>  |                         |               |
| Investment income:  |                         |               |
| Net unrealized appreciation in fair value<br>of investments   | \$ 23,835,003           | \$ 35,310,404 |
| Net realized gains on sale of investments                     | 16,509,986              | 11,162,789    |
| Interest  | 10,192,242              | 9,515,794     |
|   | 50,537,231              | 55,988,987    |
| Less investment expenses                                      | 497,046                 | 600,458       |
|   | 50,040,185              | 55,388,529    |
| Contributions:  |                         |               |
| Institutions  | 7,641,693               | 7,923,022     |
| Participants  | 3,820,277               | 4,007,143     |
| Total additions   | 61,502,155              | 67,318,694    |
| <b>Deductions</b>   |                         |               |
| Payments to pensioners  | 3,515,985               | 3,465,224     |
| Liquidations paid to participants<br>(or their beneficiaries) | 28,182,833              | 25,400,661    |
| Interest credited to Provident Plan accounts                  | 355,231                 | 162,160       |
|   | 32,054,049              | 29,028,045    |
| Administrative expenses                                       | 573,189                 | 527,385       |
| Total deductions  | 32,627,238              | 29,555,430    |
| Net increase  | 28,874,917              | 37,763,264    |
| <b>Net assets available for benefits</b>                      |                         |               |
| Beginning of year   | 393,772,266             | 356,009,002   |
| End of year   | \$422,647,183           | \$393,772,266 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## RETIREMENT AND PENSION FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 1998

### 1. Description of Plans

The activity of the Organization of American States Retirement and Pension Fund includes both the Retirement and Pension Plan (Plan) and the Provident Plan. The following brief description of the Plan and the Provident Plan is provided for general information purposes only. The Plan documents should be consulted for detailed information.

#### *General*

The Plan is a contributory retirement plan maintained for the benefit of all staff members of the Organization of American States (OAS) and other affiliated agencies. Compulsory contributions are shared two-thirds (2/3) by the institution and one-third (1/3) by the staff member.

The Provident Plan is a contributory savings plan established for the benefit of employees under short-term contracts. Compulsory contributions by the employer and the participant are made in equal amounts, and the balances in the accounts are fully vested in the name of the participants. The total of the accumulated funds in the Provident Plan participants' accounts may only be withdrawn at the time of death, transfer to the Plan, or separation.

#### *Benefits of the Plan*

Amounts included in participants' Plan accounts may only be withdrawn at the time of death or separation. Participants leaving the Plan before mandatory retirement age are entitled to receive the amount of their personal credits (contributions plus interest) and a percentage of the institutional credit (employer's contributions plus interest) based upon the vesting provisions of the Plan.

The vesting provisions provide that participants with less than four years of participation receive, in addition to 100% of their personal credits, 35% of the institutional credit. Participants with four years of participation receive 40% of the institutional credit. Participants receive an additional 20% of the institutional credit for each additional year in excess of four. They are fully vested in their institutional credits after seven years of participation.

Minimum conditions for retirement are fifty-five (55) years of age and fifteen (15) years of participation in the Plan. Upon retiring, participants in the Plan are entitled to pensions

## 1. Description of Plans (Continued)

### *Benefits of the Plan (Continued)*

payable for life. Participants who joined the Plan before January 1, 1982, may elect, instead of the preceding benefit, a life annuity based on the total sum standing to their credit in their accounts. Alternatively, at their request, the Committee has the discretion to substitute some other form of benefit of equivalent value.

The Plan provides for minimum pension benefits. The minimum life pension for a participant at age sixty-five (65), with not less than fifteen (15) years of participation in the Plan, is an annual amount equal to 2% of the average annual pensionable remuneration for the thirty-six (36) consecutive months of highest pensionable remuneration within the last five (5) years of remunerated participation, multiplied by the number of years of participation up to a maximum of thirty (30), and one and two-thirds percent (1 2/3%) additional for every year of participation in excess of thirty (30) but no more than forty (40). The same method is used to determine the amount of the voluntary retirement pension due to participants who elect that form of retirement which is applicable to participants fifty-five (55) years of age or older but less than sixty-five (65) whose years of participation and age, when added, total not less than eighty-five (85). Certain reductions are made for retirement at an age less than sixty (60) or participation of less than thirty (30) years if the participant doesn't satisfy the rule of eighty-five (85). Cost-of-living adjustments to pensions are contemplated in the Plan.

### *Death Benefits*

Upon death of a pensioner [or a participant with not less than five years of participation who dies while in active service], the pensioner's surviving spouse, and minor or disabled children, are entitled to a pension, as defined in the Plan. When an active participant dies with less than five (5) years of participation, the surviving spouse and the minor or disabled children, if any, receive the total of the accumulated funds in the participant's account. Also, for a participant who dies while in active service with no surviving spouse or children, the Plan authorizes payment of the respective personal credit to the designated beneficiaries.

### *Disability Benefits*

Participants with five or more years of participation in the Plan, whose services are terminated because of physical or mental disability receive annual disability benefits, in the form of a life pension, as defined in the Plan. Participants who have less than five years of participation receive the total of the accumulated funds in their accounts. A participant who joined the Plan before January 1, 1982 may elect to be covered instead by alternative provisions on disability retirement defined in the Plan.



## **2. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **3. Income Tax Status of the Fund**

As an international organization, the OAS is exempt from U.S. federal income taxes and such exemption applies to the Retirement and Pension Fund of the General Secretariat of the OAS.

## **4. Funding Policy**

The plans are funded by the General Secretariat, other affiliated agencies and compulsory participants' contributions at fixed percentages of annual pensionable remuneration. A portion of the income earned on the Retirement and Pension Fund's investments is allocated semiannually to Provident and Plan participants' accounts at rates determined by the Retirement and Pension Committee. The remaining portion, if any, is retained in the Plan's General Reserve for operational costs and to ensure continued Plan stability. Interest credited to participants' accounts was 25.6% and 17.5% in 1999 and 1998, respectively. Participants' accumulated contributions were \$108,000,000 and \$92,970,000 at December 31, 1999 and 1998, respectively, including interest credited at rates determined by the Committee, compounded semiannually.

## **5. Investments**

The Fund's investment portfolio is managed by the State Street Bank of Boston, The Northern Trust Company of Chicago, and Barclays Global Investors of San Francisco, within the investment policy guidelines established by the Retirement and Pension Committee. The Committee also retains the firm Buck Consultants as financial advisors.

The State Street Bank manages the domestic equity and bond portfolios. The Northern Trust Company manages the short-term investment portfolio. Barclays Global Investors manages and acts as custodian of the majority of the international equity portfolio. The Scudder Trust Company acts as custodian for a small portion of the international equity portfolio. The Northern Trust Company is the custodian of all remaining investments of the Fund, except for the funds in the Treasury Account of the General Secretariat of the OAS.

The above mentioned firm, Buck Consultants, also performs the monitoring of the investment managers and investment returns to assure compliance with the Committee's established policies. Quarterly reports are presented by Buck Consultants to the Committee.

## 5. Investments (Continued)

The fair value of individual investments that represent 5% or more of the Plan's net assets are as follows:

|  | December 31          |                      |
|--|----------------------|----------------------|
|  | 1999                 | 1998                 |
| State Street Russell 1000 Fund           | \$139,339,556        | \$132,197,325        |
| State Street Matrix Stock Fund           | 26,579,268           | 30,688,569           |
| EAFE (excluding Japan) Equity Index Fund | 45,170,475           | 44,238,975           |
|  | <u>\$211,089,299</u> | <u>\$207,124,867</u> |

The classification of investments in terms of portfolios and financial instruments allows the matrix presentation that follows:

| Portfolios 1999                   |                     |                      |                      |                     |                      |
|-----------------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| Financial Categories              | Short-term          | Fixed-term           | Domestic             |                     | Total                |
|                                   |                     |                      | Equities             | Intl. Equity        |                      |
| Short-term investments            | \$ 2,040,294        | \$ 11,066,413        | \$ 48,391            | -                   | \$13,155,098         |
| U.S. Government and agency issues | 16,994,337          | 49,171,274           | -                    | -                   | 66,165,611           |
| Corporate bonds                   | 11,625,060          | 44,203,227           | -                    | -                   | 55,828,287           |
| Municipal bonds                   | -                   | -                    | -                    | -                   | -                    |
| Miscellaneous bonds               | 5,035,859           | 4,289,228            | -                    | -                   | 9,325,087            |
| Common stock                      | -                   | -                    | 189,834,967          | 80,034,289          | 269,869,256          |
| <b>Total</b>                      | <b>\$35,695,550</b> | <b>\$108,730,142</b> | <b>\$189,883,358</b> | <b>\$80,034,289</b> | <b>\$414,343,339</b> |

| Portfolios 1998                   |                     |                      |                      |                     |                      |
|-----------------------------------|---------------------|----------------------|----------------------|---------------------|----------------------|
| Financial Categories              | Short-term          | Fixed-term           | Domestic             |                     | Total                |
|                                   |                     |                      | Equities             | Intl. Equity        |                      |
| Short-term investments            | \$ 1,622,226        | \$ 13,671,999        | \$ 43,365            | -                   | \$ 15,337,590        |
| U.S. Government and agency issues | 16,332,403          | 46,581,164           | -                    | -                   | 62,913,567           |
| Corporate bonds                   | 11,017,363          | 40,894,126           | -                    | -                   | 51,911,489           |
| Municipal bonds                   | -                   | 654,204              | -                    | -                   | 654,204              |
| Miscellaneous bonds               | 9,169,904           | 9,145,174            | -                    | -                   | 18,315,078           |
| Common stock                      | -                   | -                    | 182,300,829          | 62,273,752          | 244,574,581          |
| <b>Total</b>                      | <b>\$38,141,896</b> | <b>\$110,946,667</b> | <b>\$182,344,194</b> | <b>\$62,273,752</b> | <b>\$393,706,509</b> |

These tables facilitate the understanding of the composition and nature of the investment structure of the Fund. Also, the listing of investment assets in the Statement of Net Assets available for Benefits follows the classification by financial instruments in full compliance with generally accepted accounting principles.

## 6. Investment Valuation

Common stocks and bonds are valued at fair market value measured by the quoted price of the active market on which the security is traded as of the latest trade date prior to year end.

Any asset not traded on an active market such as thinly traded issues are valued by either obtaining a price from their issuer, a reputable private dealer, or from pricing specialists. Quoted prices in active markets or prices otherwise determined are provided by The Northern Trust Company.

The change in the difference between the fair value and the cost of investments during the year is reflected as net unrealized appreciation in fair value of investments. The net realized gains on sale of investments is the difference between the proceeds received and the cost of investments sold.

Net appreciation (depreciation) for the years ended December 31, are as follows:

|   | 1999                | 1998                 |
|---|---------------------|----------------------|
| United States government and agency obligations | \$(4,806,775)       | \$ 1,420,311         |
| Corporate bonds                                 | (369,224)           | 334,595              |
| Municipal bonds                                 | (902)               | (12,181)             |
| Miscellaneous bonds                             | (1,461,418)         | 192,844              |
| Common stocks                                   | 46,983,308          | 44,537,624           |
|   | <u>\$40,344,989</u> | <u>\$ 46,473,193</u> |

## 7. Plan Termination

If the Plan is terminated, every participant, regardless of length of participation, is entitled to all the contributions credited to his or her account and the increment thereon.

Except to correct any actuarial errors, no part of the contributions to the Fund made by the General Secretariat of the OAS or any other affiliated institution, or of the increment thereon, shall revert to the general funds of the institutions or be used for any other purpose than the exclusive benefit of the participants or their beneficiaries.

## 8. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump sum distributions, that are attributable under the Plan's provisions to the participants or their beneficiaries. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, and (b) present employees or their

## 8. Actuarial Present Value of Accumulated Plan Benefits (Continued)

beneficiaries. The actuarial present value of accumulated plan benefits is determined by the consulting actuaries, Buck Consultants.

The significant assumptions used in the valuation as of December 31, 1999, 1998, and 1997, were (a) life expectancy of participants (United Nations Mortality Tables - males 1990 table and female 1982 table); (b) retirement assumptions (assumed 1.3% - 6.3% for ages fifty-five to sixty-four with fifteen or more years of participation, 75% - 90% for ages sixty-five to sixty-nine with fifteen or more years of participation or immediately if older than sixty-nine); (c) investment return (an assumed annual rate of return of 8.5%, of which 5.5 points assumed credited annually to participants' accounts); (d) retirement benefit election (20% of participants who entered the Plan prior to January 1, 1982, and 100% of subsequent participants elect pensions upon retirement, with all such individuals commuting one-third of their benefits, the remaining assumed to elect full commutation); (e) future cost-of-living adjustments to pensions and all cost-of-living granted to prospective pensioners will be funded by the Plan, and (f) operational costs of 0.4%.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

The actuarial present value of accumulated Plan benefits, and benefit information for December 31, 1999, 1998 and 1997 are shown in the following table:

|   | December 31           |           |           |
|---|-----------------------|-----------|-----------|
|   | 1999                  | 1998      | 1997      |
| <b>Actuarial present value of accumulated plan benefits</b> | <b>(in thousands)</b> |           |           |
| Vested benefits:  |                       |           |           |
| Participants  | \$193,839             | \$181,601 | \$174,712 |
| Pensioners  | 39,781                | 36,821    | 38,139    |
| Total vested benefits                                       | 233,620               | 218,422   | 212,851   |
| Non-vested benefits   | 16,764                | 15,696    | 15,234    |
| Total actuarial present value of accumulated plan benefits  | \$250,384             | \$234,118 | \$228,085 |

## 8. Actuarial Present Value of Accumulated Plan Benefits (Continued)

The reconciliation shown below sets forth the reasons for the increase in the total actuarial present value of accumulated Plan benefits between 1999 and 1998.

|   | December 31      |                  |
|---|------------------|------------------|
|   | 1999             | 1998             |
|   | (in thousands)   |                  |
| Total actuarial present value of accumulated Plan benefits at beginning of the year | \$234,118        | \$228,085        |
| Increase (decrease) attributable to:  |                  |                  |
| Interest earned on accumulated Plan benefits  | 18,543           | 18,159           |
| Benefits paid   | (31,699)         | (28,866)         |
| Benefits accumulated  | 29,422           | 16,740           |
| Total actuarial present value of accumulated Plan benefits at end of the year       | <u>\$250,384</u> | <u>\$234,118</u> |

## 9. Equity in the OAS Treasury Fund

All United States dollars available for use in carrying out the activities of the various funds of the General Secretariat of the OAS are consolidated in the Treasury Fund, in which the Retirement and Pension Fund maintains an equity to the extent of its cash balance. The Treasury Fund is administered by the General Secretariat and the interest earned is added to the equity of the Retirement and Pension Fund in proportion to its equity balance.

## 10. Money Market Account

The Retirement and Pension Fund has an operational money market account with Merrill Lynch from which liquidation and annuitant payments are made. This account is considered to be part of the investment portfolio maintained by the Fund and is included as part of cash and cash equivalents when calculating the investment allocation in accordance with the investment policy guidelines established by the Retirement and Pension Committee.

## 11. Year 2000 (unaudited)

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices, or engage in normal business activities.

**11. Year 2000 (unaudited) (Continued)**

The Organization has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Organization expects all operations to continue as normal going forward

**SECTION VII**  
**FINANCIAL STATEMENTS**  
**OF THE INTER-AMERICAN DEFENSE BOARD**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**





## Report of Independent Auditors

Board of External Auditors  
Inter-American Defense Board

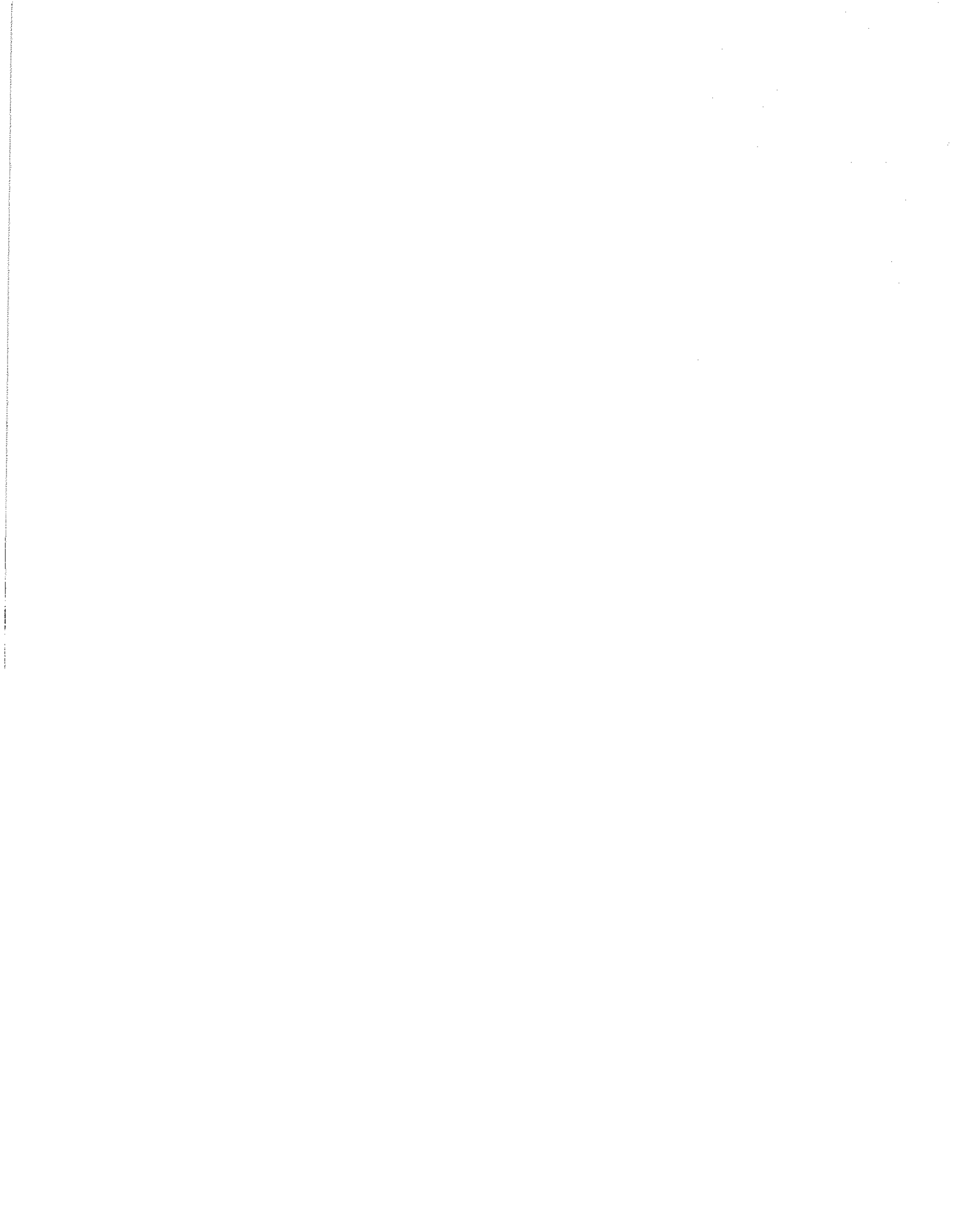
We have audited the accompanying statements of financial position of the Inter-American Defense Board (the Board) as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Inter-American Defense Board at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Ernst & Young LLP*

February 28, 2000



# ORGANIZATION OF AMERICAN STATES

## INTER-AMERICAN DEFENSE BOARD STATEMENTS OF FINANCIAL POSITION

|                                   | December 31 |            |
|-----------------------------------|-------------|------------|
|                                   | 1999        | 1998       |
| <b>Assets</b>                     |             |            |
| Current assets:                   |             |            |
| Cash and cash equivalents         | \$ 351,358  | \$ 301,471 |
| Prepaid expenses and other assets | 49,704      | 30,147     |
|                                   | 401,062     | 331,618    |
| Property and equipment, at cost:  |             |            |
| Furniture and equipment           | 601,437     | 593,313    |
| Less accumulated depreciation     | 456,667     | 238,442    |
|                                   | 144,770     | 354,871    |
| Total assets                      | \$ 545,832  | \$ 686,489 |
| <b>Liabilities and net assets</b> |             |            |
| Current liabilities:              |             |            |
| Accounts payable                  | \$ 31,767   | \$ 116,727 |
| Accrued leave (Note 2)            | 176,000     | 185,799    |
|                                   | 207,767     | 302,526    |
| Unrestricted net assets           | 338,065     | 383,963    |
| Total liabilities and net assets  | \$ 545,832  | \$ 686,489 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## INTER-AMERICAN DEFENSE BOARD STATEMENTS OF ACTIVITIES

|   | Year ended December 31 |              |
|---|------------------------|--------------|
|   | 1999                   | 1998         |
| <b>Revenue:</b>   |                        |              |
| Funding received from the Organization of<br>American States (Note 5) | \$ 2,159,200           | \$ 2,174,500 |
| Interest and other income   | 91,957                 | 41,806       |
| Total revenue   | 2,251,157              | 2,216,306    |
| <b>Expenses:</b>  |                        |              |
| Personnel   | 1,273,017              | 1,251,367    |
| Building and maintenance  | 83,243                 | 61,859       |
| Equipment and supplies  | 187,220                | 150,182      |
| Other general and administrative                                      | 131,251                | 153,596      |
| Travel  | 41,253                 | 55,605       |
| Depreciation  | 218,226                | 95,115       |
| Documents   | 92,745                 | 85,033       |
| Contracts   | 270,101                | 276,117      |
| Total expenses  | 2,297,056              | 2,128,874    |
| Change in net assets  | (45,899)               | 87,432       |
| Unrestricted net assets at beginning of year                          | 383,963                | 296,531      |
| Unrestricted net assets at end of year                                | \$ 338,064             | \$ 383,963   |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## INTER-AMERICAN DEFENSE BOARD STATEMENTS OF CASH FLOWS

|   | Year ended December 31 |            |
|---|------------------------|------------|
|   | 1999                   | 1998       |
| <b>Operating activities</b>   |                        |            |
| Change in net assets  | \$ (45,899)            | \$ 87,432  |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                        |            |
| Depreciation  | 218,226                | 95,115     |
| Changes in operating assets and liabilities:  |                        |            |
| Decrease/(increase) in prepaid expenses and other asset                                     | (19,557)               | 23,945     |
| (Decrease)/increase in accounts payable   | (84,960)               | (89,825)   |
| Increase/(Decrease) in accrued leave  | (9,799)                | 23,324     |
| Net cash provided by operating activities   | 58,011                 | 139,991    |
| <b>Investing activities</b>   |                        |            |
| Purchase of property and equipment  | (8,124)                | (76,332)   |
| Net cash used in investing activities   | (8,124)                | (76,332)   |
| Net increase in cash and cash equivalents   | 49,887                 | 63,659     |
| Cash and cash equivalents at beginning of year  | 301,471                | 237,812    |
| Cash and cash equivalents at end of year  | \$ 351,358             | \$ 301,471 |

*See accompanying notes*

# ORGANIZATION OF AMERICAN STATES

## INTER-AMERICAN DEFENSE BOARD NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1999 AND 1998

### 1. Organization

The Inter-American Defense Board (the Board) was established on March 30, 1942 and was designated, by executive order, as a public international organization on March 26, 1951. The Board is comprised of military officers representing the highest echelons of their nations' defense establishments. Its mission is to maintain the collective self-defense of the Western Hemisphere with peace and security as primary objectives.

The Inter-American Defense College was established in 1962 as a sub-organization of the Board. Its primary goal is the preparation of future military and civilian leaders for their role in hemispheric security.

### 2. Summary of Significant Accounting Policies

*Basis of Presentation* - The accompanying financial statements are prepared on the accrual basis of accounting.

*Cash and Cash Equivalents* - The Board considers highly liquid investments with original maturities of three months or less to be cash equivalents.

*Depreciation* - Depreciation expense is recognized using the straight-line method over the estimated useful life of the assets. The useful life of furniture and printing equipment is estimated at ten years; the estimated life of other equipment is three years. The Board changed the useful life of other equipment from five years to three years during 1999. This change in accounting estimate required an additional \$120,500 in depreciation expense in 1999.

*In-Kind Contributions* - Significant contributions are received by the Board from the Organization of American States (OAS) and member countries in the form of use of facilities, services of military personnel and air transportation. No amounts are recorded in the accompanying financial statements relating to the use of such facilities or services since the Board deems it impractical to measure the value of such contributions.

*Employee Benefits* - The Board provides certain benefits to its employees, which accrue to them during periods of employment and are payable upon separation. All employees are entitled to accrued vacation; certain other employees receive terminal pay, merit awards and special leave. The payments made during 1999 and 1998 for these benefits amounted to approximately \$0 and \$22,300, respectively. There were no terminations during 1999.

## **2. Summary of Significant Accounting Policies (Continued)**

*Income Taxes* - The Board is a public international organization and, as such, is exempt from paying income tax.

## **3. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **4. Pension Plan**

Substantially all of the employees of the Board participate in a contributory multi-employer pension plan administered by the Retirement and Pension Committee of the OAS. Contributions to the plan by the Board and employees are based on fixed percentages of annual pensionable salaries. Pension expense approximated \$156,000 in both 1999 and 1998.

## **5. Funding**

The Board is an affiliated agency of the OAS and as such receives a substantial portion of its funding through OAS appropriations; however, the two organizations maintain separate management structures.

Funding received from the OAS in the form of direct cash contributions decreased from \$2,174,500 in 1998 to \$2,159,200 in 1999. The OAS has currently appropriated \$2,159,200 for 2000. The Board relies upon the OAS for funding substantially all of its operating activities and is dependent upon the continued financial support of the OAS.

The headquarters of the Board is housed in a building owned by the General Secretariat of the OAS; therefore, expenditures incurred for building renovation and improvements are not capitalized by the Board.

## **6. Program Expenses**

The Board incurred approximately \$1,198,339 and \$1,192,147 in 1999 and 1998, respectively, related to the Inter-American Defense College. All other expenses incurred were classified as General and Administrative Expenses.

## **7. Impact of Year 2000 (unaudited)**

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Board's computer programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than 2000. This could result in system failure or miscalculations causing disruptions of operations, including among other things, a temporary inability to process transactions and invoices or engage in normal business activities.

The Board has not encountered any disruptions as a result of the year 2000. All systems appear to be operating normally and the Board expects all operations to continue as normal going forward.