

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 YEAR  
ENDED  
DECEMBER 31, 1996

By the  
Board of External Auditors

GENERAL SECRETARIAT  
ORGANIZATION OF AMERICAN STATES  
WASHINGTON, D.C. 20006  
1997

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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

April 25, 1997

To the Permanent Council of the  
ORGANIZATION OF AMERICAN STATES

The Board of External Auditors 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 114 of the General Standards to govern the operations of the General Secretariat. Our report covers the year ended December 31, 1996, and includes:

- 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
  - Temporary Special Multilateral Fund (FET)
- 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 Inter-American Defense Board;
- Audit of the accounts and financial statements of the International Commission of Support and Verification (CIAV II); and

- Audit of the accounts and financial statements of the Unit for the Promotion of Democracy (OAS/DEMOC).

The Board is unable to provide comments on the Retirement and Pension Fund. The audit of this fund has not yet been completed because the actuarial reports have not been provided.

The Board's annual report is based primarily on the audit conducted by Ernst & Young, which was performed in accordance with generally accepted auditing standards. The Board reviewed and discussed the audit work and related work papers with representatives from the firm. In preparing its report, the Board has also considered the reports of the Organization's Inspector General and discussions with senior officers in management.

The financial statements included in this report represent the financial activity for the year ended December 31, 1996, on a comparative basis with the previous year. (See Note 3 to the financial statements). 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. Ernst & Young's opinion, as it pertains to the financial statements for the year ended December 31, 1996, is unqualified.

Based on the opinions rendered by Ernst & Young on funds audited, the Board certifies in accordance with Article 109 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'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 June 1995, the General Assembly adopted AG/RES. 1322 (XXV-O/95) which revised Article 108, renumbered it as Article 114, and provided that:

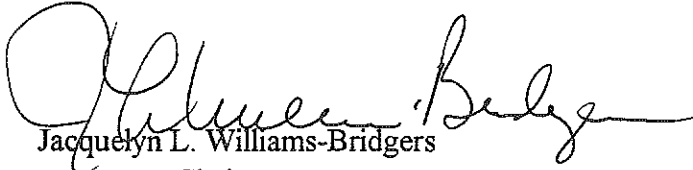
"The Board shall submit its report to the Permanent Council and the General Secretariat within the first four months of every year. The report shall include comments made by the General Secretariat. Additional formal comments will be provided by the General Secretariat on planned implementing measures with respect to the recommendations in the report. The Permanent Council shall make such observations as it deems necessary. The Permanent Council's observations and recommendations on this report and on the comments of the General Secretariat shall be forwarded to the General Assembly following the end of the financial period addressed by the report".

This report is submitted in accordance with Article 114, with one exception. Due to circumstances beyond the control of the Board, the report does not meet the time frames established in said Article. Over the course of next year, the Board will adopt the appropriate measures to encourage Ernst & Young and OAS' management to provide documentation in order to meet the established time frames.

As of December 31, 1996, the Regular Fund had a positive fund balance of \$2.7 million which was an increase of approximately \$2.6 million from the December 31, 1995, balance of about \$129,000. The increase in Fund Balance was primarily due to increased collections during 1996.

Quota collections in the Regular Fund during 1996 totaled approximately \$83 million as compared to approximately \$58 million during 1995. During 1996, OAS collected 83% of the assessment due in that year and 30% of prior year's arrearages.

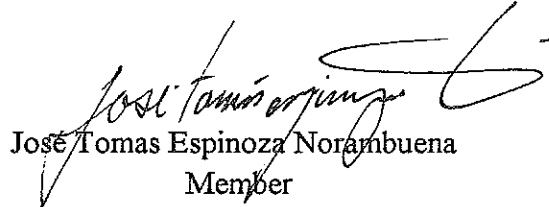
The Members of the Board wish to express their appreciation for the cooperation of the General Secretariat in facilitating the audit work and to the General Assembly and Permanent Council for the opportunity to assist in evaluating the financial operations of the OAS.



Jacquelyn L. Williams-Bridgers  
Chairman



Jocelyn Thompson  
Member



José Tomás Espinoza Norambuena  
Member

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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

Issues related to the General Secretariat have been grouped into three categories as follows: (1) issues of continuing concern, (2) action on prior issues, and (3) new issues. Five issues discussed in last year's report related to the General Secretariat continue to be of concern to the Board members.

#### ISSUES OF CONTINUING CONCERN

##### **Management Information Systems**

The Department of Management Systems and Information (DMSI) is in the process of implementing corrective measures to enhance the overall control structure of the Organization's information systems environment. However, during its audit, Ernst and Young noted additional control issues that warrant management's consideration:

*Access Controls* - In order to ensure that access authorizations remain appropriate, the Board members recommend that it be reviewed periodically by the user departments, e.g., on an annual basis. This could be achieved with system generated reports listing all users and their access rights by department which could be signed off on by the head of each department.

In order to ensure timely set up when the Computer Operations Specialist is not available, the Board recommends that the procedures required for establishing a new user be prepared and forwarded to people designated to perform such functions in the absence of the Computer Operations Specialist.

*Disaster Recovery Planning* - The OAS contingency plan needs to be revised to reflect the current systems environment and backup procedures and to ensure the effectiveness and usefulness of the plan. Additionally, the Organization needs to develop a manual on non-automated user procedures that will be deployed by departmental business users in the event of computing systems unavailability.

*Service Center* - OAS uses a third party service center (ISI) for data processing and data retrieval. The service center agreement does not contain a detailed definition of the service level to be provided. Also, DMSI management is not aware of the business continuity controls of ISI's datacenter. We recommend that management address these issues with

the service provider and request a copy of the most recent service auditor's reports, if any.

*PC User Guidelines* - With the exception of some memoranda which have been distributed, there are no user guidelines for the use of PCs. We recommend that management develop, distribute, and monitor compliance with user guidelines, outlining the basic rules to be observed by the users.

There are no controls which would prevent the use of unauthorized or unlicensed software on workstations. Since the acquisition of software is not centralized, it is difficult for DMSI to control the compliance with software license agreements. A preventative control could be realized with the distribution of the above mentioned PC user guidelines. To further increase user awareness we recommend having the user sign a declaration of compliance on an annual basis.

*Local Area Network (LAN)* - The LAN consists of several hundred computers, but no LAN management tool is in place to facilitate effective LAN management tasks such as performance management, security management, and configuration management. DMSI should conduct a cost/benefit analysis to determine the feasibility of installing a LAN management tool to further increase the effectiveness and efficiency of LAN management.

The Board members have identified the MIS system as one of the most vital issues facing OAS at this time and would like to stress the need for adequate funding for this program. The Board members recommend that OAS management ensure that funds to cover this project are set aside and that these funds are not contingent on the amount of current year quotas or arrearages that are collected during the year.

## **Control Environment**

Over the past few years, several of the management area offices of the General Secretariat have experienced personnel reductions and as a result, operate with minimal staff levels. During 1996, further personnel reductions were experienced, particularly within the Department of Financial Services. The Department of Financial Services devised strategies for reengineering its accounting and reporting processes. The most significant of these strategies are expected to take place during 1997. During the audit, Ernst and Young did not identify any material internal control weaknesses. However, both the Board members and Ernst and Young want to stress that any approach adopted by the Organization targeted at reallocating responsibilities according to available personnel resources should include key controls which ensure that

adequate segregation of duties is maintained, assets are properly safeguarded, and transactions are recorded in accordance with the General Standards and Budgetary and Financial rules.

The Board members recommend that the planned strategies slated to take place during 1997 be evaluated to ascertain whether they are sufficient to achieve this goal.

The Board members understand that downsizing is a necessity for the Organization. However, the Board members feel it is important to ensure that adequate staffing is maintained in the most critical functions and the most vulnerable areas of the Organization, such as in the areas of the MIS and the Department of Financial Services. Therefore, the Board members recommend that OAS management review the staffing of the Organization, with this objective in mind. OAS management would, of course, identify the scope of this review and determine how the review would be conducted.

#### **Review of Policies and Procedures**

In prior years, the Board members commented that the Organization's overall policies and procedures governing daily operations of the General Secretariat were in the need of being updated. During 1995, Department of Financial Services began to coordinate the gathering of information from the units within the Secretariat in order to begin the update of the policy and procedures manuals; however, expected progress was not made during 1996 as a result of the lack of available personnel to perform this function as well as a management decision to postpone reviewing policies and procedures until management can better define the procedural needs for the new computer system.

The Board members continue to recommend that the necessary resources be allocated to facilitate an Organization-wide review of the General Secretariat's policy and procedural guides. It is important that a consistent body of criteria which documents the existing rules and regulations of the Organization exists to ensure that employees and contractors of the OAS are aware of and comply with these procedures. While the Board members recognize that such an undertaking is not feasible considering the current staffing levels of the General Secretariat, we believe a project of this nature could be accomplished by an outside contractor with limited supervision by the Subsecretariat for Management.

#### **Fixed Assets**

*Headquarters' Assets* - During 1994, the General Secretariat contracted with an outside firm to perform a physical

inventory of the Headquarters' fixed assets. The financial records were completely updated to include a specific listing of assets and pre-existing global amounts were removed. During 1996, the Organization has continued to focus on capturing and recording all annual acquisition and disposal activity in order to properly maintain accurate records; however, during the audit, Ernst and Young noted instances in which Headquarters' fixed assets were not properly recorded in the fixed asset records as follows:

- The Organization purchased the Secretary General's new residence for approximately \$1.9 million in April 1996; however, this asset addition was not reflected in the fixed asset records until Ernst and Young noted the omission and recommended the adjustment.
- We noted instances in which building improvements commencing in 1997 were capitalized during 1996. An adjustment of \$333,000 was made to remove these transactions.

The Department of Material Resources should establish and implement formal procedures to ensure that asset additions are properly reflected in the fixed asset records in the appropriate time period.

*National Office Assets* - Beginning in 1995, the Department of Material Resources provided each National Office a list of fixed assets maintained away from Headquarters in order to perform a physical inventory and update the list. Only a small number of National Offices had returned the 1996 fixed asset listing. The Organization should continue its efforts in this area particularly with regard to those National Offices which have not yet responded. The Department should also consider the establishment of policies which foster compliance with its physical inventory requests.

*Mission Assets* - During 1996, the Organization completed an inventory of the assets maintained by the International Civil Mission and Electoral Observation Mission in Haiti. The review identified approximately \$267,000 in assets which were not recorded in the fixed asset records as well as approximately \$210,000 in assets in the fixed asset records which could not be located. In the prior year, the Board members encouraged the Department of Material Resources to continue to resolve identified discrepancies in the mission's fixed asset records. However, no progress has been made in this regard. The Board members continue to recommend that



the Department take the necessary steps to ensure that these assets are appropriately recorded in its records.

During 1994, a physical inventory was performed by OAS personnel of all the assets related to its CIAV mission in Nicaragua. As a result of this inventory, a global amount of \$1.3 million was entered into the Fixed Asset Master File to include assets previously unrecorded. In the prior year, Ernst and Young recommended that this global amount be replaced with a specific asset listing in order to provide an accurate database of mission assets (including acquisition date) and ensure associated depreciation is accurately calculated. This procedure of providing the specific asset listing has not yet been performed and we recommend that efforts be made by the Department of Material Resources to accomplish this objective.

*Project Asset* - Ernst and Young noted that the OAS has not yet established a formal capitalization policy for Inter-American Council for Integral Development (CIDI) project assets and that project assets were being capitalized dependent on whether they would have been considered assets of the Office of Education, Science, and Culture, which were not capitalized, or assets if the Office of Economic and Social Affairs, which were capitalized, under the former organizational structure. We recommend that a policy for the capitalization of CIDI projects assets be established and communicated to the appropriate project administrators.

**Specific Criteria  
for Firm Commitments**

Previous reports noted instances where the Organization recorded obligations that did not appear to be supported by firm commitments as required by the Budgetary and Financial Rules. In June 1995, the General Assembly approved a modification to Article 72 of the General Standards to specifically require that obligations be recorded when the General Secretariat becomes legally required to expend funds. However, during its audit of the Organization's 1996 financial statements, Ernst and Young again noted instances where obligations were recorded that were not supported by firm commitments. Unsupported obligations totaling \$518,000 were deobligated based on Ernst and Young's recommendations. Other immaterial instances of unsupported obligations were noted.

Adequate reviews of these balances at or near year-end to determine whether these obligations continue to meet the criteria outlined in Article 72 are not being performed by the appropriate individuals within the Organization.

As in prior years, the Board members recommend that the Organization establish detailed review procedures to be performed in order to ensure that obligations are valid. Policies should also be created which ensure compliance with these review procedures at all levels of the Secretariat. Further, we continue to stress that efforts should be made to ensure that all Offices of the Secretariat adhere to the criteria necessary for obligating funds. As noted in the prior year, the Field Financial Manual and Budgetary and Financial Rules do not contain a consistent set of criteria for obligating funds in Offices Away from Headquarters consistently with Article 72.

### **ACTION ON PRIOR ISSUES**

#### **Financial Condition of the Regular Fund**

The financial position of the Organization's Regular Fund had significantly improved during 1996. As of December 31, 1996, a \$2.7 million balance existed in the Regular Fund -- an increase of approximately \$2.6 million from December 31, 1995, when the Regular Fund balance totaled about \$129,000. The increase was primarily due to the increased collection of current year quota assessments. Quota collections during 1996 totaled \$82.9 million, with 83% of the 1996 assessment and 30% of prior years' arrearages collected. Uncollected quota balances at December 31, 1996, are \$42.2 million, as compared to \$53.6 million at December 31, 1995.

Pledge collections in support of the Temporary Special Fund (FET) (Voluntary Funds in prior years) decreased approximately 8% during 1996: 1996 collections totaled \$11.6 million with 97% of the current year pledges collected. As in prior years, the majority of the outstanding pledge balances at December 31, 1996, relates to a 1977 pledge made by the United States of approximately \$8.7 million, for which the U.S. government has since informed the Secretariat that funding is unavailable. In early 1997, the U.S. Department of State informed the Board of External Auditors, in conjunction with the annual audit of the financial statements, that the U.S. does not acknowledge this outstanding balance. The Board plans to bring this matter to the attention of the Committee on Administrative and Budgetary Affairs for consideration and resolution.

The Board also plans to have discussions with the Committee on Administrative and Budgetary Affairs regarding ways to maximize the financial position of the

OAS. For instance, the Board members are concerned that while countries are allowed a discount for paying dues in a timely manner, countries are not charged a penalty for late payment of dues.

#### NEW ISSUE

#### **Art Museum of the Americas**

The Art Museum of the Americas displays works of art from numerous American artists. The Board members feel that the art collection in this Museum is of extreme educational and cultural importance. Unfortunately, the Museum does not seem to attract the number of patrons that the Board members believe such an important collection should attract. The Board members are unsure of the reasons for this, perhaps the location is not advantageous or perhaps information about the Museum has not been adequately disseminated. However, the Board members feel it is their duty to ensure that OAS' assets are put to the best use possible, including works of art. Therefore, the Board members recommend that OAS' management consider alternatives for displaying these works of art. For instance, OAS might be able to display these works in an existing museum in the D.C. area (either the Smithsonian or a privately funded museum).

## CHAPTER 2

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

In 1996, the Office of the Inspector General issued 12 audit reports and 2 inspection reports. Fifty-eight percent of the audit reports issued by the IG's Office were a result of audits at the General Secretariat Headquarters. The OAS IG Office audited representation and hospitality allowances; the Travel Unit in the Department of Material Resources (also audited in 1995); contractual and employment mechanism used by the OAS to obtain required human resources; official trips from Headquarters; the Inter-American Commission on Women; the International Civilian Mission in Haiti; a follow-up audit of the Language Service Unit of the General Secretariat; and inspected the "Ediciones Interamericanas de Musica" and telephone calls. The OIG also reviewed National Offices and Projects in Ecuador; Antigua and Barbuda; Grenada, Carriacou, and Petit Martinique; Jamaica; and Trinidad and Tobago in 1996.

#### AUDITS OF OFFICES OF THE GENERAL SECRETARIAT IN THE MEMBER STATES

In 1996, the Office of the Inspector General conducted audits at Offices of the General Secretariat in Antigua and Barbuda; Ecuador; Grenada, Carriacou, and Petit Martinique; Jamaica; and Trinidad and Tobago.

##### Antigua and Barbuda

- early consideration needed for the appointment of an on-site Director and permanent Secretary/Technician
- non-compliance with established OAS procedures for telephone expenses and cleaning of office premises
- obsolete and unusable property is included in the fixed assets listing

##### Ecuador

- the report reveals some problems with staff relations, accounting controls, and the cleaning contract

##### Grenada, Carriacou, and Petit Martinique

- need to effectively centralize and control the supervision of all the essential functions of the National Offices
- lack of communication between the National Office and Headquarters
- information regarding the update of physical inventory is not being provided on a timely basis
- obsolete/nonfunctional inventory items are not being retired

## Jamaica

- serious weaknesses in internal control of disbursements
- contracting and financial procedures are not always followed
- material amounts were paid to companies without the use of competitive contracting methods

## Trinidad and Tobago

- financial responsibilities are not segregated
- secretary/technician needs training in computer and secretarial skills
- non-compliance with established OAS procedures for telephone and gas expenses
- inventory listing of fixed assets was not updated in a timely manner

The Board members recommend that the OIG continue to explore the root causes of issues identified at National Offices, such as lack of guidance or training.

## AUDITS OF HEADQUARTERS OPERATIONS

As previously mentioned, the Office of the Inspector General completed several audits of headquarters operations and two inspections. The following summarizes the findings of these audits.

### Audit of the Travel Unit, Department of Material Resources

- travel unit's cost effectiveness is questionable
- questionable contribution by the travel unit to promote operational efficiency
- does not consistently command the lowest rates and most direct routes for official travel
- need to address and formalize the issue of refunds for unused tickets

### Audit of the Inter-American Commission of Women

- need to deobligate funds in various travel accounts and outstanding obligations
- significant personnel gap when Principal Specialist was transferred
- object 99 accounts should be liquidated
- need for accountability and safeguarding of OAS inventory items

### Follow-Up Audit of the Language Services Unit

- the OIG performed this followup audit because the OIG thought there were some serious consequences for the Language Services Unit particularly in payments to free lance translators
- lack of effective supervision and management
- need to centralize and control the documents process including payments to free lance translators
- need for organized and systematic processing and written procedures
- non-compliance with OAS contracting and procurement procedures

### Contractual and Employment Mechanisms used by the OAS

- excessive number of employment and contracting mechanisms and modalities
- the performance contractual mechanism is troublesome because it borders on unfair and illegal labor practices and it should be replaced by a more flexible personal services contract
- two mechanisms raise questions--(1) the Trust Non-Career mechanism needs to be carefully controlled to avoid hiring personnel for positions which should be filled through competition or through other means and (2) there are a number of staff on Short-Term Contracts who have been working with the Organization, under this type of mechanism, for over 2-3 years while others have been hired without competition.

### Representation and Hospitality Allowances of the OAS

- need to improve in the areas of administrative procedures; accumulation of better statistics; negotiation of better food, beverage, and equipment prices; and defining functions. Also, an outdated Executive Order may need to be reorganized and updated
- inadequate statistical database
- representational activities are financed with program funds which are not properly identified by a separate allotment
- disbursements of financial resources show an unusual concentration on a limited number of service providers
- need to reevaluate rental of equipment for events
- need to improve controls over stock rooms
- excessive prices have been paid for beverages and liquor products

### International Civilian Mission in Haiti Operated Jointly by the OAS and the UN

- risk assessment showed that MICIVIH cannot achieve its objectives within given time-frames
- placement of special observers at high grades was unjustified and resulted in uneconomical project implementation
- defects exist with transactions of the UN such as agreements, local currency billings, and numbers of local employees
- differences between financial accounts and physical inventories exist, due to expense misclassifications, improper accounting, and losses of assets

### Audit of Official Trips from Headquarters

- lack of structured programming with reference to office trips
- rules and regulations for official trips were not summarized
- few reports are made on the return from official trips

## INSPECTIONS

### Inspection of "Ediciones Interamericanas de Musica"

- no specific working plans
- no basic controls over inventories

### Inspection of Telephone Calls

- fax communications have not been used as they should (its use would bring an important economy to the Organization)
- personal telephone calls are not reimbursed in a timely manner.
- around 20% of the Departments are not certifying telephone calls
- cellular telephones have been assigned to staff that do not qualify for them

## CHAPTER 3

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

In past years, the Board members expressed concern about the Office of Inspector General's (OIG) audit coverage, staffing, independence, and follow-up on audit recommendations. As discussed in chapter 2, the OIG performed 58% of their audits at Headquarters. This is a decrease in audit coverage of Headquarters from the 1995 rate of 75%. Although the Board members agree that there are areas of high risk at the National Offices and understands the fluctuation in the number of audits conducted in Headquarters, it must again stress the need to maintain significant audit coverage of Headquarters.

The Board members would also like to note three other areas which have been discussed in earlier reports and two new issues.

#### Staffing

The Board members are concerned that the Office of Inspector General lost a position during 1996. Although the Board members understand that OAS is operating under strict financial constraints and that most offices have been downsized, we do not feel that it is appropriate to take a position from the Office of Inspector General, which we believe was at the minimum effective staffing level. During times of staff reductions, OIG's can provide valuable assistance on innovative ways to maintain needed internal controls within an organization. The Board members also recommend that this position be filled with an auditor with computer expertise. Reviews of the new MIS program will be vital in the upcoming years, and therefore, the OIG should have qualified personnel to examine this area.

#### Audit Followup

The Acting Inspector General has assured the Board members that the system established to track actions on recommendations has been successful and that most of the Inspector General's recommendations have been implemented. The Acting Inspector General indicated that his office has issued 1079 recommendations since 1994; 974 are closed, 32 are in process, and only 73 remain open. The Board members commends the General Assembly, the Secretary General, and the Acting Inspector General for maintaining this high level of compliance and hopes that this continues.

#### Independence

The Board members previously reported that the Office of the Inspector General did not have a separate budget and that its reports were reviewed and approved by the Secretary General before they were released. The Board members reported that it believed that the Office of Inspector General did not have sufficient independence to operate most effectively.

Last year, the Acting Inspector General indicated that the Office of Inspector General now has its own budget, which has been submitted to the Budget Committee without any major changes. According to the Acting Inspector General, this continues to be the case. He also indicated that he conducts work at the request of the Secretary General and also schedules his own



work. The Acting Inspector General has assured the Board members that no one has interfered with any audits that he has performed and that he is independent.

### **Planning**

The Board members have noted that the OIG basically plans its audits using a cyclical methodology, although other work is done as needed. The Board members would like to recommend that the OIG consider risk factors during its annual planning process. For instance, the MIS project is going to be a large project which will affect the entire OAS for years to come. Because this is such an important and complicated project, the Board members feel that this undertaking has a number of risks associated with it. Another area of concern would be the Department of Financial Services. Projects identified as high risks areas, such as the MIS project, would need to be reviewed appropriately.

### **Prioritization of Recommendations**

As discussed in Chapter 1, OAS has undergone a significant decrease in staffing during the past two years. As a result, it is having a difficult time implementing all of the recommendations which the OIG makes during the year. Although the Board members agree that these recommendations are worthwhile and would improve operations, it understands that the shortage of staffing makes it difficult to implement all of the OIG's recommendations quickly. Therefore, in order to assist OAS' management, the Board members recommend that the OIG prioritize its recommendations so OAS' management understands which recommendations should be implemented immediately, and which could wait until a more advantageous time.

## CHAPTER 4

### COMMENTS RELATING TO THE INTER-AMERICAN DEFENSE BOARD

Last year the Board members noted that the Inter-American Defense Board (IADB) had not recorded amounts for in-kind contributions as required by FAS 116, Accounting for Contributions Received and Contributions Made, and FAS 117, Financial Statements of Not-for-Profit Organizations. Specifically, IADB receives in-kind contributions for salaries of administrative personnel who are serving in the military and for office facilities at the OAS Building and the InterAmerican Defense College. As of the last Board meeting, Ernst and Young had not concluded whether it was practical and reasonable for IADB to comply with this standard. However, prior to the issuance of the annual report on the 1995 financial statements, Ernst and Young concluded that it was reasonable for the IADB not to comply with FAS 116 and 117 and therefore, not to record the donation of these services and facilities as revenue and expenses. Ernst and Young came to this conclusion because IADB does not have a clearly measurable basis for the amount to be recorded. The IADB maintains that the services and facilities donated to it for use are also used by those donating organizations, thus it would be difficult to separate the contributions to IADB from the total costs of the people and facilities. The Board members concur with Ernst and Young's assessment of the situation.

## CHAPTER 5

### COMMENTS RELATING TO THE PENSION AND RETIREMENT FUND

The Retirement and Pension Fund is comprised of the Retirement and Pension Plan (Plan) and the Provident Plan. The Plan is a contributory plan maintained for the benefit of all "regular" OAS employees and other affiliated agencies. The Provident Plan is maintained for certain "non-regular" employees of the OAS and other affiliated agencies. The audit of this fund has not yet been completed because the actuarial reports have not been provided by the external actuaries. The Board members will continue to review E&Y's and OAS' efforts to work for a more timely conclusion to this portion of the audit in future years, which the Board members feel will provide useful information to the General Assembly.



## 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, 1996, as listed in the accompanying table of contents, and have issued our report (the Audit Report) thereon dated April 11, 1997.

We conducted our audit in accordance with generally accepted auditing standards and the external auditing requirements prescribed in Chapter VII of the General Standards of the Organization of American States. Those standards require that we plan and perform the audit 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 IV, V, VI and VII 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 expenditures of senior executives concerning executive compensation, travel, official entertainment, contracting and consulting services, speaking honoraria and gifts, and executive perquisites to determine compliance with the Organization's Staff Rules and Chapters III and VIII 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 and fixed assets. We were unable to determine from the available documentation whether or not budgetary appropriation transfers occurring during the year were in compliance with the rules pertaining to such transfers. Our comments on certain of these matters have been reported to the Board of External Auditors in separate correspondence dated April 11, 1997.

This report is intended solely for the information of the Board of External Auditors, the General Secretariat, Permanent Council, and the General Assembly of the Organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



April 11, 1997



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





## 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. Except as described in note 7 of the 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 4 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 the internal control structure 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, 1996 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 VII of the General Standards of the Organization of American States. 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.

As described in Note 4, 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, 1996, and the changes in fund balances for the year then ended on the basis of accounting described in Note 4.

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 10 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 for the year ended December 31, 1994, summarized comparative information from which is presented herein.

*Ernst & Young LLP*

April 11, 1997



**ORGANIZATION OF AMERICAN STATES**

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



ORGANIZATION OF AMERICAN STATES

GENERAL, OPERATING, WORKING CAPITAL AND RESERVE SUBFUNDS  
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES  
 (in thousands)

	December 31, 1996			December 31, 1994 Combined
	Regular	FET	Combined	
<b>ASSETS</b>				
Cash and equity in OAS Treasury Fund (Note 6)	\$ 11,002	\$ 33,630	\$ 44,632	\$ 61,560
Advances to employees	39	13	52	64
Other assets	12	22	34	13
Amounts to be charged to future years' appropriations (Note 4)	4,365	16	4,381	4,172
Equity in land, buildings and equipment (Notes 5 and 11)	35,094		35,094	31,490
	<u>\$ 50,512</u>	<u>\$ 33,681</u>	<u>\$ 84,193</u>	<u>\$ 97,299</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Unliquidated obligations (Note 7)	\$ 8,759	\$ 3,200	\$ 11,959	\$ 11,990
Quotas/Pledges collected in advance	128	207	335	366
Accounts payable and other liabilities	3,794	385	4,179	4,470
Long-term debt (Note 11)	9,183		9,183	10,658
Deferred interest income (Note 16)	21,864	3,792	25,656	2,875
	<u>21,864</u>	<u>3,792</u>	<u>25,656</u>	<u>30,359</u>
Fund balances:				
General/Operating Subfund Appropriated	2,737	17,537	20,274	34,004
General/Operating Subfund Unappropriated		9,363	9,363	5,384
Working Capital/Reserve Subfund	2,737	2,989	2,989	6,720
Investment in land, buildings, and equipment	25,911	29,889	32,626	46,108
	<u>25,911</u>	<u>29,889</u>	<u>32,626</u>	<u>20,832</u>
	<u>\$ 50,512</u>	<u>\$ 33,681</u>	<u>\$ 84,193</u>	<u>\$ 97,299</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

GENERAL, OPERATING, WORKING CAPITAL AND RESERVE SUBFUNDS  
COMBINING STATEMENT OF CHANGES IN FUND BALANCES  
(in thousands)

	Regular	Year ended December 31, 1996				FET	Combined	Year ended December 31, 1994 Combined
		SDAF	FEMCIECC	CEC	CMP			
<b>Increases</b>								
Quota/Pledge collections (Note 4)	\$ 82,959	\$ -	\$ -	\$ -	\$ 11,216	\$ 94,175	\$ 82,139	
Less prompt payment credits	210	-	-	-	-	210	165	
Contribution for administrative and technical support (Note 4)	82,749	-	-	-	11,216	93,965	81,974	
OAS Treasury Fund income (Note 6)	1,745	-	-	-	2,593	20 (a)	20 (a)	
Other income, refunds, and deobligations (Note 7)	2,164	-	-	-	520	4,757	4,994	
Transfers	5,323	-	-	-	28,781 (b)	5,843	5,460	
	<u>\$ 91,981</u>				<u>\$ 43,110</u>	<u>\$ 104,585</u>	<u>\$ 92,448</u>	
<b>Decreases</b>								
Expenditures and obligations pursuant to appropriations:								
General Assembly and Permanent Council Executive Office of the General Secretariat	\$ 13,372				\$ 50	\$ 13,372	\$ 11,447 (a)	
Activities of the Secretariat for Economic and Social Affairs	24,208					24,258	16,643	
Activities of the Secretariat for Educational, Scientific and Cultural Affairs	6,539					6,539	13,564 (a)	
Executive Secretariat for Integral Development	4,277				13,137	4,277	9,929 (a)	
Activities of the Offices Away from Headquarters	7,573				34	11,412 (a)	7,282	
Activities of the Secretariat for Legal Affairs	1,048					1,082	1,972	
Activities of the Secretariat for Management	10,101					10,101	9,301	
Common administrative and personnel costs	15,548					15,548	13,000	
Contributions to other agencies	5,849					5,849	5,086	
Transfers	858	\$ 9,647	\$ 13,077	\$ 1,217				
	<u>89,373</u>	<u>9,647</u>	<u>13,077</u>	<u>1,217</u>	<u>13,221</u>	<u>100,011</u>	<u>88,224</u>	
Net increase (decrease) during period	2,608	(9,647)	(13,077)	(1,217)	29,889	4,574	4,224	
Fund balances at beginning of period	129	9,647	13,077	1,217	-	28,052	41,884	
Fund balances at end of period	<u>\$ 2,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,889</u>	<u>\$ 32,626</u>	<u>\$ 46,108</u>	

(a) The combined amount excludes \$1,725 in 1996 and \$1,684 in 1994 of interfund contributions to the Regular Fund.

Such contributions are eliminated as expenditures in the respective funds.

(b) The combined amount excludes \$28,781 in 1996 of transfers between Voluntary Funds and the Regular Fund.

ORGANIZATION OF AMERICAN STATES

EXHIBIT 3

SPECIFIC FUNDS  
COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
(in thousands)

	December 31, 1996		December 31, 1994 Combined
	REGULAR	FET	
<u>ASSETS</u>			
Cash and equity in OAS Treasury Fund (Note 6)	\$ 17,251	\$ 12,113	\$ 29,364
Advances to employees and other receivables	263	348	611
	<u>\$ 17,514</u>	<u>\$ 12,461</u>	<u>\$ 29,975</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Unliquidated obligations	\$ 2,345	\$ 2,865	\$ 4,114
Accounts payable and other liabilities	875	177	1,043
Fund balances	14,294	9,419	38,458
	<u>\$ 17,514</u>	<u>\$ 12,461</u>	<u>\$ 43,615</u>

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SPECIFIC FUNDS  
COMBINING STATEMENT OF CHANGES IN FUND BALANCES  
(in thousands)

	Year ended December 31, 1996		Year ended December 31, 1994 Combined
	REGULAR	FET	
<u>Increases</u>			
Contributions (Notes 4 and 9)	\$ 10,595	\$ 7,366	\$ 29,955
Other income, return to donors, and transfers	145	(205)	(69)
	<u>10,740</u>	<u>7,161</u>	<u>29,886</u>
<u>Decreases</u>			
Obligations and expenditures	14,018	9,204	18,099
Net increase (decrease) during period	<u>(3,278)</u>	<u>(2,043)</u>	<u>11,787</u>
Fund balances at beginning of period	17,572	11,462 (a)	26,671
Fund balances at end of period	<u>\$ 14,294</u>	<u>\$ 9,419</u>	<u>\$ 38,458</u>

(a) Represents fund balances in specific funds at December 31, 1995 related to ex-voluntary funds - SDAF, FEMCIECC, CEC, CMP.

See accompanying notes



**ORGANIZATION OF AMERICAN STATES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 1996 AND 1994**





## ORGANIZATION OF AMERICAN STATES

### NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996 AND 1994

#### 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 4D). 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;

Special Multilateral Funds, financed mainly by voluntary contributions of the member states to support the programs adopted by the Councils and approved by the General Assembly;

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.

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 included as Exhibit 3 on a combined basis.

#### A. General and Operating Subfunds

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 general or operating subfunds activity.

##### a. Regular Fund

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  
Meeting of Consultation of Ministers of Foreign Affairs  
Special Consultation Committee on Security  
Permanent Council of the OAS  
Inter-American Commission of Human Rights  
Inter-American Nuclear Energy Commission  
Inter-American Commission of Women  
Inter-American Committee on Peaceful Settlement  
Inter-American Juridical Committee  
Inter-American Children's Institute  
Inter-American Statistical Institute  
Inter-American Court on Human Rights  
Inter-American Commission for Drug Abuse Control  
Inter-American Quincentennial  
Inter-American Telecommunications Commission

b. Temporary Special Multilateral Fund

The Temporary Special Multilateral Fund (FET) is a special multilateral fund, and was established in January 1996 to finance the cooperation activities of the member states during the period of transition to CIDI (Inter-American Council for Integral Development). FET has the objectives of financing ongoing technical cooperation projects with unobligated appropriations as of December 1995, and new projects for Partnership for Development. FET was initially under the supervision of the Joint CEPICIES/CEPCIECC Working Group in Charge of the Transition to CIDI (GTC) and in June of 1996 came under the supervision of CIDI.

c. Special Development Assistance Fund

The Special Development Assistance Fund (SDAF) was established in 1964 to provide training, technical and other assistance in the economic and social affairs areas to the member states. SDAF was under the supervision of the Inter-American Economic and Social Council. The Twenty-Second Special Session of the General Assembly on January 29, 1996 repealed the statutes of this fund through AG/RES.1 (XXII-E/96) except for the sole purpose of executing obligations for projects approved before December 31, 1995. After repealing the statutes of the SDAF, FEMCIECC, CEC, CMP in the Twenty-Second Special Session of the General Assembly, the Operating and Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.

d. Special Multilateral Fund of the Inter-American Council for Education, Science and Culture

The Special Multilateral Fund of the Inter-American Council for Education, Science and Culture (FEMCIECC) was established in 1968 to promote relations and mutual understanding between the peoples of the Americas through educational, scientific and cultural cooperation and exchange among the member states. FEMCIECC was under the supervision of the Inter-American Council for Education, Science and Culture. The Twenty-Second Special Session of the General Assembly on January 29,

1996 repealed the statutes of the Uniform Statute of this Special Multilateral Fund through AG/RES.1 (XXII-E/96) except for the sole purpose of executing obligations for projects approved before December 31, 1995. After repealing the statutes of the SDAF, FEMCIECC, CEC, CMP in the Twenty-Second Special Session of the General Assembly, the Operating and Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.

e. Special Account for Culture

The Special Account for Culture (CEC) was established in 1971 to promote the identification, restoration and preservation of the many manifestations of cultural heritage of Latin America and the Caribbean.

CEC was under the supervision of the Inter-American Council for Education, Science and Culture. The Twenty-Second Special Session of the General Assembly on January 29, 1996 repealed the statutes of this account through AG/RES.1 (XXII-E/96) except for the sole purpose of executing obligations for projects approved before December 31, 1995. After repealing the statutes of the SDAF, FEMCIECC, CEC, CMP in the Twenty-Second Special Session of the General Assembly, the Operating and Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.

f. Mar del Plata Account

The Mar del Plata Account (CMP) was established in 1972 as a regional effort to promote institutional development of the educational, scientific and technological infrastructure in the member states by seeking both to expand it and to apply it to practical problems of development. CMP was under the supervision of the Inter-American Council for Education, Science and Culture. The Twenty-Second Special Session of the General Assembly on January 29, 1996 repealed the statutes of this account through AG/RES.1 (XXII-E/96) except for the sole purpose of executing obligations for projects approved before December 31, 1995. After repealing the statutes of the SDAF, FEMCIECC, CEC, CMP in the Twenty-Second Special Session of the General Assembly, the Operating and Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.

g. Other Entities and Specialized Organizations

The assets and liabilities at December 31, 1996 and 1994, and the related income and expenses for the years 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:

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. Working Capital and Reserve Subfunds

Subfunds have been established and are financed under the following criteria:

- a. Regular Fund - Working Capital 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 General Subfund is to be added to the Working Capital Subfund. To the extent that there is a Working Capital Subfund balance, excess obligations and expenditures over income in the General Subfund is covered by a transfer from the Working Capital Subfund. In addition, the General Standards permit the temporary use of the Working Capital Subfund to finance Regular Fund expenditures pending the receipt of anticipated income.

As of December 31, 1996, the balance of the General Subfund of \$2,737,000 is restricted to finance unobligated appropriations.

- b. FET - Reserve Subfund is a contingency reserve to ensure the normal and continuous financial operation of the FET until the General Secretariat receives pledged contributions. The amount of this Reserve Subfund shall be equivalent to 10% of the FET's total budget.

The operating and reserve subfunds of the SDAF, FEMCIECC, CEC, and CMP including interest earned and miscellaneous income as of January 29, 1996 were transferred to the FET after the statutes of these funds were repealed in the Twenty-Second Special Session of the General Assembly.

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

- c. SDAF - Reserve Subfund is a contingency reserve to provide for the continuous functioning of the regular activities of the Operating Subfund. In accordance with the statutes of the SDAF, interest earned and miscellaneous income are added to the Reserve Subfund. After repealing the statutes of the SDAF in the Twenty-Second Special Session of the General Assembly, the Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.
  
- d. FEMCIECC, CEC, CMP - Reserve Subfund Pursuant to the Uniform Statutes of FEMCIECC, CEC and CMP, approved by the General Assembly in 1988, AG/RES. 919 (XVIII-0/88), the Reserve Subfunds are contingency reserves to provide for the continuous functioning of the regular activities of the Operating Subfunds. The Reserve Subfunds are financed by the expired appropriations of the corresponding Operating Subfunds, interest earned on their balance, and other miscellaneous income. The Reserve Subfunds may not exceed 20% of the biennium appropriation of their corresponding Operating Subfund. After repealing the statutes of the FEMCIECC, CEC, CMP in the Twenty-Second Special Session of the General Assembly, the Reserve Subfunds of the respective funds were transferred to the Special Transition Fund (FET) as of January 29, 1996.

#### Specific Funds (Exhibit 3)

These funds include contributions and grants from member states observers and other interested parties for purposes of conducting special projects and activities. 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. The repeal of the voluntary funds mentioned above, do not affect in any way the operation of the Specific Funds.

### 3. Biennium Financial Reporting

The OAS operates on a two-year (biennium) budgetary reporting period. As a result, the aggregate funds appropriated for the biennium are divided into two reporting periods: 1) the Secretary General approved budget representing that portion of appropriations allocated to the first year of the biennium; and 2) appropriations reserved for execution during the second year of the biennium.

To the extent that the appropriations allocated to the first year are not obligated at the end of the first year, they are added to the second year's reserved balances and the aggregate becomes available for obligation in that year. The preparation of financial statements is based on this biennium cycle, with interim statements being prepared at the end of the first year, the midpoint of the biennium. The statements at the end of a biennium period include the cumulative financial information for the two-year period. For comparative purposes, interim statements at the midpoint of the biennium are compared to the most recent previous midpoint; statements at the end of a biennium are compared to the most recent previous biennium.

The General Standards provide that appropriations are available to meet the obligations incurred during the fiscal period for which they were approved. At the end of a fiscal period, unobligated appropriations expire and are not available for future use, unless otherwise approved by the General Assembly.

4. Accounting Principles

Except as described in Note 7, 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. As described in Note 7, 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 or biennium in the completion of a particular program or activity.
- C. The OAS provides certain benefits to its employees which 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 are recorded upon payment rather than as such benefits accrue.

These expenditures are as follows:

	<u>1996</u>	<u>1994</u>
Home travel	\$ 193,000	\$ 193,000
Repatriation of family and household goods upon separation	144,000	203,000
Separation Indemnity and termination pay	1,238,000	916,000
Medical benefits subsequent to separation	<u>\$ 965,000</u>	<u>\$ 1,031,000</u>
Total	<u>\$2,540,000</u>	<u>\$ 2,343,000</u>

Unrecorded earned annual and special leave approximated \$14,602,000 and \$8,460,000 at December 31, 1996 and 1994, respectively.

- D. The General Assembly of the OAS adopts a consolidated program-budget which includes the budgets for the Special Multilateral Fund of the Inter-American Council for Integral Development in addition to the Regular Fund. 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 Combining Statement of Assets, Liabilities and Fund Balances of the Regular Fund and FET 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.
- F. The Statements of Assets, Liabilities and Fund Balances of the Regular and consolidated Special Multilateral Funds do not include unexpended advances issued in the performance of certain OAS programs. (See Note 8).
- 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.

5. 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 Combining 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 (\$772,000 in 1996 and \$641,000 in 1994) to provide for current mortgage payments. (See Note 11).

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:

Depreciation Basis	December 31		
	1996	1994	
Land (Note 11)	- not depreciated	\$ 5,491,305	\$ 5,491,305
Buildings (Note 11)	- 50 years	30,497,618	27,785,906
Vehicles	- 5 years	1,797,442	1,144,888
Furniture and equipment	- 10 years	7,310,600	6,552,844
Technical machinery and equipment	- 10 years	7,340,029	4,329,496
Works of art	- not depreciated	<u>1,898,217</u>	<u>1,490,612</u>
		54,335,211	46,795,051
Less: accumulated depreciation		<u>(19,240,344)</u>	<u>(15,304,968)</u>
Book value as of December 31		<u>\$35,094,867</u>	<u>\$31,490,083</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.

#### 6. 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 Voluntary Fund, and the Specific Funds maintain an equity to the extent of their cash balances retained therein. The 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 Treasury Fund is added to the equities of the various funds in proportion to their equity balances.



The composition of the OAS Treasury Fund at the end of the corresponding periods is as follows:

	December 31	
	1996	1994
Demand and time deposits, net of \$7,433,000 and \$3,076,000 drafts not presented for payment at December 31, 1996 and 1994, respectively	\$ 914,000	\$ 32,920,000
Overnight repurchase agreements	9,472,000	3,600,000
United States Treasury Notes at amortized cost (approximate market value of \$63,169,230 and \$64,778,000 at December 31, 1996 and 1994 respectively <sup>1</sup> )	62,922,000	68,798,000
Accrued interest receivable	<u>1,129,000</u>	<u>1,408,000</u>
	<u>\$74,437,000</u>	<u>\$106,726,000</u>
Less Equity of:		
Retirement and Pension Fund	\$ (807,000)	\$ (2,574,000)
Trust Funds (Rowe, Health Insurance)	( 89,000)	(260,000)
Add:		
Local Currency at OAS National Offices	430,000	663,000
Petty Cash and Cash in Transit	<u>25,000</u>	<u>148,000</u>
Equity in Exhibits I and III	<u>\$73,996,000</u>	<u>\$104,703,000</u>

7. Unobligated Appropriations and Unliquidated Obligations

At its Twenty Second Extraordinary Session in January 1996, and within the context of transition to CIDI, the General Assembly adopted resolution AG/RES.1 (XXII-E/96) which authorized the re-appropriation of \$14 million of unobligated appropriations in chapter 4 and 5 in the Regular Fund, and Voluntary Funds. The General Assembly authorized the Secretary General to incur obligations against these appropriations until March 31, 1996 and expenditures until June 30, 1996. The Permanent Council later

<sup>1</sup> Maturities of US Treasury Notes at December 31, 1996.

	Amortized Cost	Approx. Market Value
Current (1 year or less)	\$15,021,000	\$15,067,000
1 - 5 years	35,150,000	35,512,000
6 - 8 years	<u>12,751,000</u>	<u>12,590,000</u>
	<u>\$ 62,922,000</u>	<u>\$63,169,000</u>

extended the authorization to obligate to May 31, 1996 and to spend until June 30, 1996. Subsequent to this Permanent Council decision, CEPCIDI (Executive Secretariat of the Inter-American Council for Integral Development) authorized the obligation of the expired appropriations of AG/RES.1 until June 1997 with the requirement that these obligations be expended by December 1997.

8. Accountable Advances

In the performance of various activities, the administrators of the various funds may deem it necessary or appropriate 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, 1996 and 1994, were as follows:

	<u>December 31</u>	
	<u>1996</u>	<u>1994</u>
Regular Fund	\$134,000	\$135,000
Special Development Assistance Fund		58,000
Special Multilateral Fund of the Inter- American Council for Education, Science & Culture		97,000
Special Account for Culture		5,000
Mar del Plata Account		8,500
Temporary Special Multilateral Fund	<u>343,000</u>	<u>-</u>
	<u>\$477,000</u>	<u>\$303,500</u>

## 9. Contributions to Specific Funds

Contributions to Specific Funds during the year ended December 31, 1996 as reflected in Exhibit 3 of the accompanying financial statements were as follows:

<u>CONTRIBUTOR</u>	<u>REGULAR FUND</u>	<u>FET</u>	<u>TOTAL</u>
<u>Members:</u>			
Argentina	\$ 105,374	\$ 459,180	\$ 564,554
Belize	699		699
Bolivia	49,778		49,778
Brazil		2,677,116	2,677,116
Canada	351,811		351,811
Chile	21,000	290,991	311,991
Colombia		35,019	35,019
Costa Rica	21,341		21,341
Dominican Republic	280		280
El Salvador	6,014	100,000	106,014
Guatemala	113,084	97,635	210,719
Honduras		197,243	197,243
Mexico		676,626	676,626
Panama	319,753	535,814	855,567
Paraguay	31,500		31,500
St. Lucia	14,388		14,388
Suriname	1,052,162		1,052,162
Trinidad & Tobago	761		761
United States	4,068,963	756,160	4,825,123
Uruguay		142,183	142,183
Venezuela	1,728		1,728
<u>Observers:</u>			
European E.C.	158,795	253,978	412,773
Germany		313,893	313,893
Japan	590,000		590,000
Netherlands	98,450		98,450
Spain	40,540		40,540
Sweden	2,027,907		2,027,907
Switzerland	199,983		199,983
United Kingdom	100,000		100,000
<u>Non Member States:</u>			
Denmark	400,000		400,000
Norway	308,823		308,823
I-A Development Bank	93,269	119,019	212,288
C.A. Bank for Econ. Int.		40,000	40,000
United Nations	6,448	322,580	329,028
World Bank		114,000	114,000
Others	<u>411,998</u>	<u>234,482</u>	<u>646,480</u>
	\$ <u>10,594,849</u>	\$ <u>7,365,919</u>	\$ <u>17,960,768</u>

10. 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.

11. Long-term Debt

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

A. First Mortgage with Legg Mason Real Estate Services (secured by the General Secretariat Building - 1889 F St.)

Principal amount at December 31, 1996	\$9,182,512
Repayment terms	25 years, due in monthly installments through September 2004.
Annual interest rate	9.375%
Interest expense during 1996	\$900,631
Amortization of principal during 1996	\$772,159
Principal balance, December 31, 1995	\$9,954,671

Principal payments due for the next five years are as follows: 1997, \$847,741; 1998, \$930,723; 1999, \$1,021,827; 2000, \$1,121,849; 2001, \$1,231,661.

12. Leases

The General Secretariat leases certain facilities and equipment. Rental expense for such leases was approximately \$663,000 and \$995,000 for the years ended December 31, 1996 and 1994, respectively. Aggregate rentals subsequent to December 31, 1996 are not significant.

13. 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 \$7,482,000 in 1996 and \$6,387,000 in 1994.

As of December 31, 1996 accumulated plan benefits and plan net assets were as follows:

Actuarial present value of accumulated plan benefits:

Vested	\$205,891,000
Nonvested	<u>17,979,000</u>
Total at December 31, 1996	\$223,870,000
Net plan assets available for benefits	<u>\$334,324,735</u>

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

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, \$291,000 in 1996 and \$270,000 in 1994, is budgeted and recognized in the year paid. The approximate present value of estimated future payments of \$4.1 million, and \$3.9 million at December 31, 1996 and December 31, 1994 respectively, is reflected in the statement of Assets, Liabilities and Fund Balance of the Regular Fund.

14. Post Employment Health Care and Life Insurance Benefits

In addition to providing pension benefits as described in Note 13 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 1996 and 1994, those costs were \$1,135,000 and \$1,162,000, respectively.

15. Foreign Currencies

Certain income and expense transactions during 1996 and 1994 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 (\$430,000 and \$663,000 as of December 31, 1996 and 1994, respectively) have been translated into United States dollars at the then applicable rates of exchange. Certain of these currencies are restricted as to convertibility and, therefore, must be utilized in OAS activities.

16. Interfund Borrowings

From time to time during 1980's, the Regular Fund effected temporary borrowings from each of the Special Multilateral Funds pursuant to Permanent Council authorizations. The borrowings were non-interest bearing with various terms of repayment, except for interfund borrowings made during 1982 and 1983.

As of December 31, 1993, the Regular Fund owed the Special Multilateral Funds a principal amount totaling \$7,000,000, in addition to accrued interest payable on these borrowings of \$2,875,809. In November 1994, the resources available in the Regular Fund permitted repayment of the outstanding balance of the interfund loans. Repayments of \$2,733,000 to SDAF, \$2,459,000 to FEMCIECC, \$206,000 to CEC, and \$1,602,000 to CMP were made to cancel the outstanding principal balance.

The General Assembly at its twenty-fourth regular session, through AG/RES. 1277/94 (XXIV-0/94) decided that, in lieu of paying the interest accrued on interfund borrowings in 1982 and 1983, the Regular Fund would utilize those resources as partial financing of its 1995 budget.

The amount which was previously reflected as deferred interest income in the Regular Fund at December 31, 1994, was recognized as income in 1995.

17. 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, 1996, is approximately \$5 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.

18. 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 \$400,000 against the General Secretariat. These cases as well as similar ones are now in various stages of 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.

19. Subsequent Events

On March 5, 1997, the Permanent Council of the Organization adopted CP/Res.698 (1106/97) which approved the Plan of Modernization of the Informations Systems of the Organization and authorized the reprogramming of \$2.1 million of supplementary appropriations to commence implementation. This plan calls for the modernization of all automated systems of the Organization in a period of three years including hardware, software upgrade and training for users.





**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 ASSESSMENTS, COLLECTIONS, AND BALANCES  
YEAR ENDED DECEMBER 31, 1996

Member State	Balances at December 31, 1995		Quota assessments for 1996		Collections for tax reimbursements*	Prompt payment credit	Collections in 1996		Uncollected balances at December 31, 1996
	Uncollected	Received in advance	Percent	Amount			For 1996 and prior years	In advance for 1997	
Antigua and Barbuda			0.02	\$ 14,900			\$ 14,900		\$ 2,858,000
Argentina	\$ 3,658,000		4.90	3,658,000			4,458,000		
Bahamas			0.07	52,300			52,300		
Barbados			0.08	59,700	\$ 6,960		29,850		29,850
Belize			0.03	22,400			22,400		
Bolivia	400,307		0.07	52,300			69,300		383,307
Brazil	9,713,181		8.55	6,382,800			6,557,900		9,538,081
Canada			12.36	9,227,100		\$ 184,500	9,042,600		
Chile			0.54	403,100		8,100	395,000	\$ 8,100	
Colombia		\$ 12,067	0.94	701,700		14,000	687,700	40	
Costa Rica		35,707	0.13	97,000			73,485		23,515
Cuba	2,166,322		1.24			300	14,600		2,166,322
Dominica			0.02	14,900					
Dominican Republic	1,604,237		0.18	134,400					1,738,637
Ecuador	120,470		0.18	134,400			4,042		250,828
El Salvador			0.07	52,300			52,300		
Grenada	117,100		0.03	22,400			5,700		133,800
Guatemala	499,369		0.13	97,000		300	152,999		443,370
Guyana			0.02	14,900			14,600		
Haiti	303,913		0.07	52,300			40,176		316,037
Honduras	57,160		0.07	52,300			42,536		66,924
Jamaica	331,800		0.18	134,400			324,200		142,000
Mexico			6.08	4,538,900			4,266,678		272,222
Nicaragua	736,291		0.07	52,300			201,954		788,591
Panama	157,558		0.13	97,000					52,604
Paraguay		124,200	0.18	134,400			134,400	116,157	
Peru	650,300		0.41	306,100			469,360		487,040
St. Kitts and Nevis			0.02	14,900			14,900		
Saint Lucia		23,200	0.03	22,400		400	22,000	1,200	
St. Vincent and the Grenadines			0.02	14,900			14,900		
Suriname	546,317		0.07	52,300			546,317		52,300
Trinidad and Tobago		12,416	0.18	134,400		2,700	131,700	2,700	
United States	31,281,509		59.47	44,395,900	7,242,507		53,354,900		22,322,509
Uruguay	194,100		0.26	194,100					388,200
Venezuela	1,094,612		3.20	2,388,900			1,537,161		1,946,351
	<u>\$ 53,632,546</u>	<u>\$ 207,590</u>	<u>100.00</u>	<u>\$ 73,727,100</u>	<u>\$ 7,249,467</u>	<u>\$ 210,300</u>	<u>\$ 82,748,858</u>	<u>\$ 128,197</u>	<u>\$ 44,400,488</u>

\* Uncollected balances at December 31, 1996; Barbados: \$2,540; Mexico: \$24,406; United States \$2,298,384.

ORGANIZATION OF AMERICAN STATES

SDAF - FEMCIECC - CEC - CMP  
STATEMENT OF COLLECTIONS AND BALANCES  
YEAR ENDED DECEMBER 31, 1995

	Uncollected balances at December 31, 1995			Transfer to FET	
	SDAF	FEMCIECC	CEC	Total uncollected balances at Dec. 31, 1995	Paid in advance for 1996
Antigua and Barbuda					
Argentina	\$200,000			\$200,000	\$13,790
Bahamas				-	
Barbados				-	
Belize				-	
Bolivia	22,164	\$7,400	\$1,100	33,064	
Brazil	7,228			7,228	17,769
Canada					
Chile		300		300	
Colombia					30,250
Costa Rica					
Cuba	24,000			24,000	12,293
Dominica					
Dominican Republic	46,049	175,084	2,800	281,850	
Ecuador	901	21,117	316	28,738	
El Salvador					
Grenada					
Guatemala	2,470		15,459	17,929	4,154
Guyana					
Haiti	160,491	21,500	100	188,991	
Honduras					
Jamaica	4,049		5	4,054	27,049
Mexico					
Nicaragua	70,362			9,760	
Panama				70,362	9,684
Paraguay					
Peru	122,899	44,500		167,399	69,500
Saint Lucia					
St. Kitts y Nevis					
St. Vincent and the Grenadines	1,400			1,400	
Suriname					
Trinidad and Tobago		7,400	1,100	11,500	
United States	3,358,020	3,448,000		8,656,020 *	11,858
Uruguay		27,500	4,100	40,300	
Venezuela	134,477			134,477	
	<u>\$4,154,510</u>	<u>\$3,752,801</u>	<u>\$24,980</u>	<u>\$9,877,372</u>	<u>\$196,347</u>

\* Uncollected balance of the United States results from a 1977 pledge for which the government, in 1985, informed the General Secretariat that funding is unavailable. It is uncertain whether future funding will be made available to enable the United States to satisfy that amount.



ORGANIZATION OF AMERICAN STATES  
SPECIAL TRANSITORY FUND FOR CIDI (FET)  
STATEMENT OF PLEDGES, COLLECTIONS, AND BALANCES  
YEAR ENDED DECEMBER 31, 1996

	Transfer from		Collection in 1996		Uncollected balances at Dec. 31, 1996
	SDAF - FEMCIECC - CEC - CMP Total uncollected balances at Dec. 31, 1995	Paid in advance for 1996	For 1996 and prior years	In advance for 1997	
Antigua and Barbuda	-	\$5,100	\$5,100	-	-
Argentina	200,000	\$13,790	969,600	-	-
Bahamas	-	769,600	13,100	-	-
Barbados	-	13,100	8,200	-	\$8,200
Belize	-	16,400	7,800	-	-
Bolivia	33,064	29,100	40,000	-	22,164
Brazil	7,228	17,769	-	-	7,228
Canada	-	*	-	-	-
Chile	300	60,000	60,300	-	-
Colombia	-	30,250	198,000	\$52,271	-
Costa Rica	-	12,293	31,755	-	1,145
Cuba	24,000	-	5,100	-	24,000
Dominica	-	5,100	5,100	-	-
Dominican Republic	281,850	31,200	-	37,300	-
Ecuador	28,738	-	28,738	-	313,050
El Salvador	-	29,100	29,100	-	-
Grenada	-	7,800	7,800	-	-
Guatemala	17,929	4,154	42,013	60,163	-
Guyana	-	5,100	5,100	-	-
Haiti	188,991	30,800	-	-	219,791
Honduras	4,054	27,049	45,654	-	-
Jamaica	-	39,800	39,800	-	-
Mexico	9,760	1,166,600	904,814	-	271,546
Nicaragua	70,362	23,500	11,259	-	82,603
Panama	-	9,684	58,800	11,784	-
Paraguay	-	69,500	41,500	45,700	-
Peru	167,399	85,200	252,599	-	-
Saint Lucia	-	7,200	7,200	-	-
St. Kitts y Nevis	-	4,200	2,600	-	1,600
St. Vincent and the Grenadines	1,400	5,100	6,500	-	-
Suriname	11,500	-	11,500	-	-
Trinidad and Tobago	-	11,858	31,200	-	-
United States	8,656,020 **	8,000,000	8,000,000	-	8,656,020
Uruguay	40,300	-	-	-	40,300
Venezuela	134,477	350,000	350,000	\$207,218	134,477
	<u>\$9,877,372</u>	<u>\$196,347</u>	<u>\$11,215,132</u>	<u>\$207,218</u>	<u>\$9,782,124</u>

\* At the First Regular Meeting of CIDI, the Government of Canada announced that it would contribute a total of 4,000,000 Canadian dollars for programs of CIDI for 1996 and 1997. The Statutes of FET provide that pledges are to be made in U.S. dollars; therefore, as December 31, 1996, no pledge amount has been recognized in the accounts of FET. The government has informed the General Secretariat that it will pay its contribution in April 1997.

\*\* Uncollected balance of the United States results from a 1977 pledge for which the government, in 1985, informed the General Secretariat that funding is unavailable. It is uncertain whether future funding will be made available to enable the United States to satisfy that amount. In 1997, the U.S. Government informed the OAS Board of External Auditors that it does not consider it owes arrears to the Voluntary Fund of the OAS. Therefore, this \$8,656,020 balance is one that the U.S. Government does not recognize.



**STATEMENTS OF SUMMARY OF APPROPRIATIONS**



ORGANIZATION OF AMERICAN STATES

REGULAR FUND

SUMMARY OF APPROPRIATIONS  
YEAR ENDED DECEMBER 31, 1996

	1996-97 Budget approved by the General Assembly (a,b)	Reserved for execution in 1997	1996 Approved budget	Supplementary appropriations	Cost of living adjustment	Discretionary transfers by the Secretary General	1996 Final appropriations
General Assembly and Permanent Council	\$ 27,228,900	\$ 13,695,900	\$ 13,533,000	\$	\$ 17,703	\$ 104,686	\$ 13,655,389
Executive Office of the General Secretariat	30,987,200	9,248,300	21,738,900	609,895	20,771	2,678,172	25,047,738
Activities of the Executive Secretariat for Economic and Social Affairs	7,829,900		7,829,900	55,314	4,319	(839,898)	7,049,635
Units and Specialized Offices	19,438,300	19,438,300					
Activities of the Executive Secretariat for Educational, Scientific, and Cultural Affairs	5,982,200		5,982,200		5,539	(865,950)	5,121,789
Inter-American Council for Integral Development (CIDI)	2,879,700	2,879,700					
Offices Away from Headquarters	15,302,300	6,783,600	8,518,700			(923,924)	7,594,776
Activities of the Secretariat for Legal Affairs	2,942,000	1,013,400	1,928,600		1,405	(879,673)	1,050,332
Activities of the Secretariat for Management	19,066,500	9,185,000	9,881,500	187,747	26,765	53,800	10,149,812
Common Administrative and Personnel Costs	24,921,300	15,740,200	9,181,100	5,511,808	(77,961)	461,544	15,076,491
Contributions to:							
Inter-American Defense Board	4,551,200	2,400,000	2,151,200				2,151,200
Seed Fund - Inter-American Defense Board	100,000	100,000					
Inter-American Children's Institute	3,342,300	1,723,400	1,618,900		861	237,407	1,856,307
Inter-American Commission of Women	2,169,200	1,160,300	1,008,900			(59,889)	949,872
Pan American Development Foundation	405,800	202,900	202,900				202,900
Inter-American Commission of Telecommunications	1,520,200	762,500	757,700		598	33,725	792,023
	\$ 168,667,000	\$ 84,333,500	\$ 84,333,500	\$ 6,364,764	\$ -	\$ -	\$ 90,698,264

(a) AG/Res. 1317 (XXV-O/95).

(b) AG/Res. 1381 (XXVI-O/96).

SCHEDULE 5

ORGANIZATION OF AMERICAN STATES

REGULAR FUND

SUMMARY OF DISPOSITIONS OF APPROPRIATIONS  
YEAR ENDED DECEMBER 31, 1996

	1996-97 Final appropriation	Charges for expenditures	Unliquidated obligations	Total expenditures and obligations	Unused appropriations
General Assembly and Permanent Council	\$ 13,655,389	\$ 13,026,220	\$ 345,933	\$ 13,372,153	\$ 283,236
Executive Office of the General Secretariat	25,047,738	19,317,256	4,890,911	24,208,167	839,571
Activities of the Executive Secretariat for Economic and Social Affairs	7,049,635	6,405,598	133,620	6,539,218	510,417
Units and Specialized Offices					
Activities of the Executive Secretariat for Educational, Scientific, and Cultural Affairs	5,121,789	4,194,526	82,765	4,277,291	844,498
Inter-American Council for Integral Development (CID)					
Offices Away from Headquarters	7,594,776	7,499,057	74,069	7,573,126	21,650
Activities of the Secretariat for Legal Affairs	1,050,332	1,046,826	809	1,047,635	2,697
Activities of the Secretariat for Management	10,149,812	10,005,423	101,054	10,106,477	43,335
Common Administrative and Personnel Costs	15,076,491	14,264,367	1,284,023	15,548,390	(471,899)
Contributions to:					
Inter-American Defense Board	2,151,200	2,151,200		2,151,200	
Seed Fund - Inter-American Defense Board					
Inter-American Children's Institute	1,856,307	1,839,783	3,033	1,842,816	13,491
Inter-American Commission of Women	949,872	803,263	57,613	860,876	88,996
Pan American Development Foundation	202,900	202,900		202,900	
Inter-American Commission of Telecommunications	792,023	757,266	33,755	791,021	1,002
<b>TOTAL</b>	<b>\$ 90,698,264</b>	<b>\$ 81,513,685</b>	<b>\$ 7,007,585</b>	<b>\$ 88,521,270</b>	<b>\$ 2,176,994</b>
Budgeted Funding:					
Quotas	\$ 73,727,100				
Supplementary Appropriations	5,925,355				
Other funding	10,606,400				
Americas subscriptions revenue:	439,409				
	<u>90,698,264</u>				

**ORGANIZATION OF AMERICAN STATES**  
**SPECIAL TRANSITION FUND (FET)**  
**SUMMARY OF 1995 UNOBLIGATED APPROPRIATIONS AND DISPOSITION OF APPROPRIATIONS**  
**FOR THE PERIOD JANUARY 1 TO JUNE 30, 1996**  
**YEAR ENDED DECEMBER 31, 1996**

	Unobligated appropriations at Dec 31, 1995 as approved by extraordinary meeting of the General Assembly (a)	Discretionary transfers by the Secretary General	Adjusted appropriations	Charge for expenditures	Unliquidated obligations	Total expenditures and obligations	Expired appropriations
National Projects	\$ 4,456,851	\$ -	\$ 4,456,851	\$ 2,577,581	\$ 304,853	\$ 2,882,434	\$ 1,574,417
Regional Projects	4,757,723		4,757,723	2,838,447	363,167	3,201,614	1,556,109
Inter-American Centers	140,560	1,105,172	1,245,732	1,229,617	16,115	1,245,732	
Special Conferences	214,744		214,744	82,566	9,389	91,955	122,789
Executive Secretary	1,265,182		1,265,182	243,863	60,104	303,967	961,215
Human Resources and Direccion	2,847,652		2,847,652	608,341	185,794	794,135	2,053,517
Support Resources	79,738		79,738	38,464	6,664	45,128	34,610
Contribution for Administrative and Technical Support	1,470,976	(342,059)	1,128,917	1,284,916		1,284,916	(155,999)
Unprogrammed Funds	6,410,600	(763,113)	5,647,487				5,647,487
	<u>\$ 21,644,026</u>	<u>\$ -</u>	<u>\$ 21,644,026</u>	<u>\$ 8,903,795</u>	<u>\$ 946,086</u>	<u>\$ 9,849,881</u>	<u>\$ 11,794,145</u>

(a) AG/RES.1 (XXII-E/96). These 1996 appropriations for FET are comprised of the 1994-95 unobligated appropriations from SDAF, FEMCIECC, CEC, and Cuenta Mar del Plata

ORGANIZATION OF AMERICAN STATES

SPECIAL TRANSITION FUND (FET)  
 SUMMARY OF APPROPRIATIONS AND DISPOSITION OF APPROPRIATIONS  
 FOR THE PERIOD JULY 1 TO DECEMBER 31, 1996  
 YEAR ENDED DECEMBER 31, 1996

	Unobligated appropriations approved by CEPICDI (a)	Adjustments by CEPICDI (b)	Discretionary transfers by the Secretary General	Adjusted appropriations	Charge for expenditures	Unliquidated obligations	Total expenditures and obligations	Unobligated appropriations
National Projects	\$ 2,274,837	\$ (1,576)	\$ 2,273,261	\$ 412,726	\$ 679,867	\$ 1,092,593	\$ 1,180,668	
Regional Projects	2,934,100		2,934,100	1,073,726	685,081	1,758,807	1,175,293	
Inter-American Centers	114,000		114,000	60,275	20,087	80,362	33,638	
Contribution for Administrative and Technical Support	2,726,500		2,741,548	439,764		439,764	2,301,784	
Unprogrammed Funds:								
National Projects	10,193,800	(2,371,717)	7,823,671				7,823,671	
Regional Projects	7,988,700	(2,836,076)	5,137,564				5,137,564	
	\$ 20,909,000	\$ 115,144	\$ 21,024,144	\$ 1,986,491	\$ 1,385,035	\$ 3,371,526	\$ 17,652,618	

(a) CEPICDI/RES.6 (IX-O/96).  
 (b) CEPICDI/RES.6 (IX-O/96) (Item 3.c.).  
 (b) CEPICDI/RES.6 (IX-O/96) (Item 3.b.).  
 (b)GTC/doc.28/96;CEPICDI/RES.1 (I-O/96);CEPICDI/RES.3 (III-O/96);CEPICDI/RES.4 (VI-O/96);CEPICDI/RES.7 (X-O/96).  
 Financing:  
 Expired appropriations 11,794,145  
 Deobligations 40,855  
 Operating and reserve subfund 7,137,000  
 Interest income 1,237,000  
 20,909,000



ORGANIZATION OF AMERICAN STATES

SPECIAL TRANSITION FUND (FET)  
SUMMARY OF 1996 APPROPRIATIONS  
YEAR ENDED DECEMBER 31, 1996

	1996 Budget approved by the General Assembly (a)	Adjustments by CEPCIDI	Adjusted budget	Charge for expenditures	Unliquidated obligations	Total expenditures and obligations	Unused appropriations
Ex - Special Development Assistance Fund (SDAF)	\$ 5,810,400	\$	\$ 5,810,400	\$	\$	\$	\$ 5,810,400
Ex - Special Multilateral Fund of the Inter-American Council for Education, Science, and Culture (FEMCIECC)	6,422,200		6,422,200				6,422,200
Ex - Special Account for Culture (CEC)	448,400		448,400				448,400
Ex - Mar del Plata Account (CMP)	1,432,900		1,432,900				1,432,900
Contribution for Administrative and Technical Support	2,117,100		2,117,100				2,117,100
Adjustment to the level of pledges*		(5,111,000)	(5,111,000)				(5,111,000)
	<u>\$ 16,231,000</u>	<u>\$(5,111,000)</u>	<u>\$ 11,120,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,120,000</u>

(a) AG/RES. 1317 (XX-O/95).  
\* Pending decision by CEPCIDI.



**SPECIFIC FUNDS - STATEMENTS OF CHANGES  
IN NET ASSETS AND FUND BALANCES**



ORGANIZATION OF AMERICAN STATES

REGULAR FUND

SPECIFIC FUNDS

STATEMENT OF CHANGES IN NET ASSETS AND FUND BALANCES

Donor and Project	From January 1, 1996 to December 31, 1996					Cash Balance Dec. 31, 1996	Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1996
	Cash Balance Jan. 1, 1996	Contributions	Transfers	Interest Income and Refunds	Returns			
Designated by Donor:								
Argentina XII CIECC Meeting	(66,356)					(66,356)		(66,356)
Argentina XV Ordinary Session CICAD	4,415					4,415		4,415
Argentina XX Ordinary Meeting CICAD	48,099	35,374			(2,633)	(2,633)	502	(3,135)
Argentina XXVI CIECC Meeting	2,664					2,664		48,099
Argentina Security Meeting								2,664
Bahamas XXII General Assembly	(43,618)		(1)	(310)		(43,618)		(43,618)
Belize Computer Consultancy	(388)	699			388			
Bolivia I-A Conference Int'l Law	(41,870)	23			23	(41,847)		(41,847)
Bolivia-Americas Meeting Sustainable Development		49,755			17,356	17,356	13,012	4,344
Brazil XVII General Assembly Belem Do Para	5,312					5,312		5,312
Chile I-A Tribune	2,560					2,560		2,560
Chile Food Policy Seminar	5,000					5,000		5,000
Colombia Human Assistance Haiti	20,000				(20,000)			
Colombia Security Service - SG								
Costa Rica XIII Meeting CICAD	1,107				(58,107)	(58,107)		(58,107)
Dominican Republic IACW - XX Assembly	(11,335)	280			280	(11,055)		(11,055)
Ecuador OAS Building	52,728			3,295		56,023		56,023
El Salvador XVIII General Assembly	9,287					9,287		9,287
Grenada VII General Assembly	(14,341)					(14,341)		(14,341)
Guatemala XVI General Assembly	(1,349)					(1,349)		(1,349)
Guatemala I-A Commission of Nuclear Energy	41,546					41,546		41,546
Honduras/El Salvador Military Observation Mission	(363,508)					(363,508)		(363,508)
Jamaica Chalkmaking Industry - St. Thomas	1,619					1,619		1,619
Jamaica Food & Nutrition Policy-Prog.Course	6,398					6,398		6,398
Nicaragua/Costa Rica Civilian Observers	(24,703)					(24,703)		(24,703)
Nicaragua XXIII General Assembly	2,207					2,207		2,207
Panama Canal Treaty	(24,487)					(24,487)		(24,487)
Panama XXVI General Assembly		319,753				319,753		
Paraguay IX Conferencia Puertos		31,500				31,500	2,400	21,900
Paraguay XX Ordinary Meeting CIECC	52,255					52,255		52,255
St. Vincent Fellowship Program	1,374					1,374		1,374
U.S. Electoral Observation 1995 Peru	59,046	143	5,561		(6,911)	51,135	7,631	43,504
U.S. IAHR Court	100,000					100,000		100,000
U.S. NEA Grant-Latin American Paintings	366					366		366
U.S. NEH Grant-Museum Humanities Catalog	6,940					6,940		6,940
U.S. Technical Assistance Peru	12,561		(5,561)			(11,218)		(11,218)
U.S. XIV Panamerican Child Congress	(11,218)							
Uruguay IV I-A Special Conference Int'l Law	126					126		126
Uruguay XXIV Meeting CIECC	1,401					1,401		1,401
Inter-American Emergency Aid Fund	9,737					9,737		9,737
Inter-American Children Institute	910,121	46,988				772,303	4,612	767,691
Inter-American Commission of Human Rights	824,677	10,485	79,845		(137,818)	734,852	21,254	713,598
Inter-American Commission of Women	38,300	33,028			937	39,237	8,551	30,686
Inter-American Program of Rio de Janeiro - CICAD	2,838,258	1,384,429	965		(118,502)	2,719,756	106,335	2,613,421
Inter-American Statistical Institute	202,160	18,852			1,837	203,997	4,479	199,518

ORGANIZATION OF AMERICAN STATES  
REGULAR FUND

SPECIFIC FUNDS  
STATEMENT OF CHANGES IN NET ASSETS AND FUND BALANCES

Donor and Project	From January 1, 1996 to December 31, 1996						Fund Balance (deficit) Dec. 31, 1996			
	Cash Balance Jan. 1, 1996	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures		Net Change	Cash Balance Dec. 31, 1996	Unliquidated Obligations
International Civilian Mission Haiti	8,741,044	1,870			38,106	3,833,211	(3,793,235)	4,947,809	868,837	4,078,972
International Commission Supp. CIAV II	2,695,046	848,359				3,340,600	(2,492,241)	202,805	237,936	(35,131)
I-A Priority Assistance Haiti	345,479				9,000	142,773	(133,773)	211,706	153,396	58,310
Mine Clearing Assistance-Central America	(155,022)	2,913				156,085	(153,172)	(308,194)	2,855	(311,048)
OAS / DEMOC	1,973,923	7,309,464	(14,724)	36,876	57	3,993,496	3,338,177	5,312,100	822,242	4,489,858
Support Offices away from Headquarters	492,019	122,704				191,634	(68,930)	423,089	31,550	391,559
Italy Cooperative Tourism	2,300						(25,776)	2,300		2,300
Netherlands Promote Peace in Suriname	25,776		(25,776)			67	4,933	4,933		4,933
Botero Exhibition	7,936	5,000					4,933	7,936		7,936
IBIM/PADF/OAS Education Program										
IDB Seminar on Probity & Ethics	(20,107)	35,069	(14,788)			174	20,107	2,340		2,340
IICA to OAS Guyana	2,340							766		766
Luis O. Carneiro Exposition -Paraguay	766									
Norberto Odebrecht Construction - Peru	5,038			(5,038)			(5,038)			
PALCO to Museum	2,363							2,363		2,363
SDAF/FEMCIECC to OAS Fellowship Program	8,145							8,145		8,145
SECAB Restoration Course	8,000							8,000		8,000
UN-ACNUR Refugees in Latin America	4,866							4,866		4,866
XXI Consultative Meeting of Ministers	4,600							4,600		4,600
Xerox Grant Latin American Art Museum	706							706		706
<b>Subtotal</b>	<b>18,801,309</b>	<b>10,256,688</b>	<b>24,556</b>	<b>78,221</b>	<b>42,780</b>	<b>14,109,134</b>	<b>(3,706,889)</b>	<b>15,094,420</b>	<b>2,285,572</b>	<b>12,808,848</b>
<b>Designated by OAS:</b>										
Art Permanent Collection	10,926	4,109				5,691	(1,582)	9,344		9,344
Columbus Memorial Library	137,332	8,410				31,020	(22,610)	114,722	14,168	100,554
GSB Cafeteria Operation	230,444					8,859	(8,859)	221,585		221,585
IICA Administrative Tribunal	14,432	18,302				25,196	(6,894)	7,538	3,689	3,849
Microfische Sales	22,994					19,073	(19,073)	3,921	2,406	1,515
Model OAS - Public Information	21,473	37,584		(55)		32,143	5,386	26,859	797	26,062
Museum of Art of the Americas		7,663					7,663	7,663		7,663
OAS Vehicle Replacement Fund	5,407	47,555				35,750	11,805	17,212		17,212
Publication Sales	154,998	28,702				68,419	(38,717)	116,281	5,260	111,021
Rental Hall of the Americas	439,260	75,080				53,308	21,772	481,032	10,483	450,549
Sales Audio Visual Materials	11,174	1,471				9,609	(8,138)	3,036	888	2,148
Staff Development Activities	24,845	8,285				26,825	(18,540)	6,305		6,305
Work Related Disabilities Fund	531,499	100,000				82,532	17,468	548,967	21,501	527,466
<b>Subtotal</b>	<b>1,604,784</b>	<b>338,161</b>		<b>(55)</b>		<b>398,425</b>	<b>(60,319)</b>	<b>1,544,465</b>	<b>59,192</b>	<b>1,485,273</b>
<b>Total</b>	<b>\$20,406,093</b>	<b>\$10,594,849</b>	<b>\$24,556</b>	<b>\$78,221</b>	<b>\$42,725</b>	<b>\$14,507,559</b>	<b>\$(3,767,208)</b>	<b>\$16,638,895</b>	<b>\$2,344,764</b>	<b>\$14,294,121</b>

ORGANIZATION OF AMERICAN STATES

SPECIAL TRANSITION FUND (FET)  
SPECIFIC FUNDS

STATEMENT OF CHANGES IN NET ASSETS AND FUND BALANCES

Donor and Project	From January 1, 1996 to December 31, 1996							Fund Balance (deficit) Dec. 31, 1996
	Cash		Interest		Returns		Unliquidated Obligations	
	Balance Jan. 1, 1996	Contributions	Transfers	Income	and Refunds	Expenditures		
Argentina Center Textile Research	437						437	
Argentina - CIDES	18,847	20,000				17,616	21,231	11,223
Argentina - CITAF	581,990	395,000				422,512	554,478	95,318
Argentina CNEA Degradation Materials	125,130					89,059	36,071	25,471
Argentina Education Projects	182,891	30,390				27,411	185,870	63,418
Argentina Horizontal Cooperation	2,002,738					388,747	1,613,991	156,290
Argentina Science Projects	157,448					133,125	24,323	21,325
Argentina Unprogrammed funds	36,684	13,790				13,790	50,374	50,374
Argentina X Conf. Labor Ministers	6,458					1,765	6,458	6,458
Brazil CICOM	13,811					1,765	12,046	5,981
Brazil CODEVASF to PLANVASF	1,170		(1,170)					
Brazil Horizontal Cooperation	300,000					88,174	211,826	13,372
Brazil MMA Operation	317,382	901,886	817,919			46,350	771,569	61,430
Brazil PRONI - CODEVASF	400,863	1,399,344	(817,919)	36,879		734,316	521,631	62,141
Brazil SUDAM				50,841		409,596	523,533	200,507
Brazil Tourism-South Region		30,303				28,037	2,266	2,266
Brazil Unprogrammed Funds (ex CIMP)	3,895						3,895	3,895
Brazil Unprogrammed Funds (ex CEC)	44,420						44,420	44,420
Brazil Unprogrammed Funds-Education	70,382	345,638		2,200		10,634	345,638	345,638
Canada CIDA Technical Cooperation			(39,214)				22,734	22,734
Canada CITEI	130		(130)				824	824
Canada Education Projects	910					86	(12,730)	(12,730)
Chile CITEI	(12,730)						2,001	2,001
Chile Science Projects	2,001						750	750
Chile Unprogrammed Funds	2,791	108,000		(2,791)		107,250	102,937	102,937
CIENES	328,382	230,391				268,596	290,177	187,240
Total CITEI	85,266	112,308				10,865	186,709	186,709
Colombia Cultural Projects	1,346		49,021			35,717	14,650	4,000
Colombia Education Projects			5,771			5,349	422	422
Colombia Fitoquimica	2,464						2,464	2,464
Colombia Secretariat Projects			20,519			20,000	519	519
Colombia Unprogrammed funds	128,038	35,019	(75,310)				87,747	87,747
Costa Rica Science Projects	1,547						1,547	1,547
Dominica-Coastal Hazard Assessment Storm R.						25,950	(25,950)	(25,950)
Dominican Republic Education Projects	25,919						25,919	25,919
Dominican Republic VII I-A Ports Conference	6,444		(6,444)					
El Salvador Environmental Program	58,996					10,381	48,615	42,615
Emergency Ports Projects - Various	125,503	7,394	18,444			60,266	91,075	90,689
Guatemala Aldea Maraxc6	1,484		(1,484)					
Guatemala Gulf Honduras	58,439	48,817	12,226			26,218	93,264	40,758
Guat-Hond-Saiv-JICA Trifinio II	197,109	227,689				181,168	243,630	141,000
Honduras Strengthening Technological Capacity	26,103					13,567	13,567	10,352
Honduras Gulf of Honduras	3,920	92,268	(12,226)			40,728	43,234	10,447
Mexico Cultural Projects	65		266,500			211,629	44,871	65
Mexico Education Projects	621,600					303,668	317,932	214,329
Mexico Horizontal Cooperation		205,450	652,386			3,279	854,557	655,411
Mexico Indigenous Organizations	71,564					37,088	34,476	1,710
Mexico Regional Enterprises	112,232	14,890				29,780	97,342	17,439

**ORGANIZATION OF AMERICAN STATES**  
**SPECIAL TRANSITION FUND (FET)**  
**SPECIFIC FUNDS**  
**STATEMENT OF CHANGES IN NET ASSETS AND FUND BALANCES**

Donor and Project	From January 1, 1996 to December 31, 1996					Cash Balance Dec. 31, 1996	Unliquidated Obligations	Fund Balance (deficit) Dec. 31, 1996
	Cash Balance Jan. 1, 1996	Contributions	Transfers	Interest Income and Refunds	Expenditures			
Mexico Science Projects (ex FEMCIECC)	434,312	40,240	(28,997)		190,502	(179,259)	56,083	198,970
Mexico Science Projects (ex CMP)	21,003		(21,003)			(21,003)		
Mexico Technical Cooperation	401,640	407,477	(244,910)		584,000	(421,433)	69,515	692
Mexico Unprogrammed Funds (ex Eco/Soc)	427,786		(407,476)			(407,476)		20,310
Mexico Unprogrammed funds Education	638,178	8,569	(256,500)		40,667	(288,598)	50,230	299,350
Nicaragua Telecommunications Regulation	8,676							8,676
Panama Plan for Science & Technology	17,809	150,000			89,449	60,551	29,151	49,209
Panama Strengthening of Privatization	285,995	349,618			396,982	12,636	133,402	165,229
Panama Tourism Development	181,888			6,722	158,003	(151,281)	16,446	14,161
Panama University Environment	25,179	36,196			11,766	24,430	49,609	
Paraguay Education Projects	27,007				9,077	(9,077)		27,007
Peru - OCIPTTEL	9,077				65,668	(42,838)	2,237	7,670
Uruguay HGAP Forestry Investment	52,745	22,830	(1,482)		95,526	23,827	55,115	42,798
Uruguay Public Transportation Montevideo	8,719							
Uruguay Transportation MERCOSUR	74,086	119,353						
U.S. AID Amazon Environmental Program	425,747				153,912	(153,912)	70,440	201,395
U.S. AID Caribbean Basin Scholarship Fund	491,026	1,160		30,739	673,618	31,899	2	522,923
U.S. AID Caribbean Disaster Mitigation	(36,367)	650,000				(23,618)	290,945	(350,980)
U.S. AID Public Particlp. Seminar-Uruguay		50,000			45,084	4,916	160	4,766
U.S. ASETA Satellite Services	13,850			(6,089)	6,890	(12,979)		871
U.S. BICIP	3,361		(1)		3,360	(3,361)		
U.S. DOE Disaster Mitigation	18,407	50,000			31,393	18,607	10,600	26,414
U.S. Education Projects	9,344		(1)			(1)	9,343	
U.S. Science Projects	330,472				134,747	(134,747)	53,346	142,379
U.S. Telecom. Develop. Fellow. Program	73,500				45,440	(45,440)	20,039	8,021
U.S. Temporary Committe CITEI	25,000				10,169	(10,169)	9,224	5,607
U.S. to Telecommunications	100,000							100,000
U.S. TVA Support to Dialogue II Meeting		5,000			4,988	12	12	
U.S. Unprogrammed funds to FEMCIECC	223,006		1			1	223,007	
Venezuela Cultural Projects	22,729		(146)		424	(570)		22,159
Venezuela Preventive Education	5,750		(55)		5,695	(5,750)		
Venezuela Science Projects	1,947	84,000	(1,947)			(1,947)		
Venezuela Peace Seminar In Latin America			23,500			17,927	17,927	
Venezuela Unprogrammed Funds-Cultura	59,244		146		5,573	(50,953)		8,291
Venezuela Unprogrammed Funds (ex CMP)	132,329	(84,000)	2,002			(81,998)		50,331
Venezuela Unprogrammed funds (ex FEMCIECC)	374,649		(23,500)		188	(238,589)		136,060
Dutch contribution to CINDERICIDIAT	405							405
EEC Develop Flood Hazard	(11,456)	9,263			842	8,421		(3,035)
EEC Develop Flood Hazard Mapping	158,376	100,093			275,846	(175,753)	34,825	(52,202)
EEC Improving EQ Readiness	(13,606)	11,539			105	11,434		(2,172)
EEC Pilot Disast.Vulnerab.Profiles/ECHO	115,636	65,651			184,436	(118,785)	33,298	(36,447)
EEC Road Natural Disaster	117,708	67,432			209,338	(141,906)	11,595	(35,793)
EEC Trifinio	3,679							3,679
Finlandia Trifinio II	288,410			11,411	212,853	(201,442)	11,173	75,795
Germany Science Projects	450,980	313,893			553,988	(240,095)	89,573	121,312
Italy Ecuador Fiber Optics Teleport	96,145				68,645	(68,645)		27,500
Italy Telecommunications Study CONSULTTEL	23,455	10,333		1,064	10,333	(9,269)		14,186
Netherlands Food Technology - Brazil	6,982							6,982



ORGANIZATION OF AMERICAN STATES

SPECIAL TRANSITION FUND (FET)  
SPECIFIC FUNDS

STATEMENT OF CHANGES IN NET ASSETS AND FUND BALANCES

Donor and Project	From January 1, 1996 to December 31, 1996						Fund Balance (deficit) Dec. 31, 1996			
	Cash Balance Jan. 1, 1996	Contributions	Transfers	Interest Income	Returns and Refunds	Expenditures		Net Change	Cash Balance Dec. 31, 1996	Unliquidated Obligations
Spain Belize Museum	17,000					5,647	(5,647)	11,353		11,353
Accounting Support	3,555			32,932		602	32,330	35,885	2,934	32,951
Amalia Fortabat Music Friends Fellowships	876							876		876
BCIE Frontier Development Honduras/Guatemala	30,000	40,000				39,797	203	30,203		30,203
Development Project Staff Reimbursement	45		(2)			43	(45)			
IDB Environmental Study Uruguay	2,179		(2,179)				(2,179)	779		779
IDB Meeting PISDIC	2,669					1,890	(1,890)	78,828		41,886
IDB National Customs Costa Rica	116,278	119,019			6,089	156,489	(37,450)	78,828	36,942	(1,274)
IDB Technical Support to External Projects	(5,626)					1,737	4,352	(1,274)		2,222
ILDES	2,236					14	(14)	2,222		2,222
Information Service Foreign Trade - SICE	1,237,211	57,413	(12,000)			186,785	(141,372)	1,095,839	115,550	980,289
Interests earned and not allocated										
Miscellaneous Record Sales	1,617					394	882	2,499		2,499
PAHO Parliamentary Health Meeting	3,507		1,276					3,507		3,507
Perkins School for the Blind	2,500							2,500		2,500
Regional Development Support	66,987		6,315	63,930		56,612	13,633	80,620		80,620
Scientific Monographs	9,206					10,000	(4,882)	4,324		4,324
Senal-Brazil - PAT-SENAL-OEA	10,980	5,118				3,979	(406)	10,574		10,574
Social Affairs Department Administrative Support	396					396	(396)			
Tinker Found - Tech. Coop. Seminar HQ.	8,520							8,520		8,520
UN Diagnostic Study San Juan River	176,768					162,952	(162,952)	13,816	11,244	2,572
UN Plan Titicaca Basin	145,644	47,600				161,136	(113,536)	32,108	30,524	1,584
UNDP Natural Hazards Mitigation	33,484					25,974	(25,974)	7,510		7,510
UNEP La Amistad Costa Rica	22,408					4,040	(4,040)	18,368	1,445	16,923
UNEP Rio Bermejo Basin		231,000				218,379	12,621	12,621	12,621	12,621
UNEP Source Book	19,300					10,916	(10,916)	8,384	5,105	3,279
UNEP Water Resources	9,216					1,028	(1,028)	8,188		8,188
UNEP Watershed Colombia-Venezuela	11,448					4,294	(4,294)	7,154	1,667	5,487
UNICEF PROPOSAL/CEPAL		43,980					43,980	43,980		43,980
World Bank GEF	118,585	105,000				156,864	(51,864)	66,721	43,873	22,848
World Bank-Symposium Early Child Development		9,000				8,761	239	239	182	57
	<u>\$14,349,663</u>	<u>\$7,365,773</u>	<u>\$(89,346)</u>	<u>\$236,718</u>	<u>\$(352,791)</u>	<u>\$9,226,112</u>	<u>\$(2,065,758)</u>	<u>\$12,283,905</u>	<u>\$2,864,898</u>	<u>\$9,419,007</u>



**SECTION III**  
**FINANCIAL STATEMENTS**  
**OF THE ROWE MEMORIAL BENEFIT FUND AND**  
**THE LEO S. ROWE PAN AMERICAN FUND**  
**WITH**  
**REPORTS OF INDEPENDENT AUDITORS**



**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, 1996 AND 1995  
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, 1996 and 1995, 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, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, in 1996 the Fund changed its method of accounting for investments.



March 26, 1997



**ORGANIZATION OF AMERICAN STATES**

**ROWE MEMORIAL BENEFIT FUND  
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	1996	1995 (Restated)
<b>Assets</b>		
Equity in OAS Treasury Fund (Note 2)	\$ 20,681	\$ 20,080
Investments at market value (Note 3)	226,992	204,164
Total unrestricted net assets	\$ 247,673	\$ 224,244

**STATEMENTS OF ACTIVITIES**

	Year ended December 31,	
	1996	1995 (Restated)
<b>Income</b>		
Dividends and interest	\$ 7,357	\$ 6,994
Capital gains distributions from mutual funds	11,963	5,542
Realized gains on investments	1,242	-
Income from OAS Treasury Fund (Note 2)	1,200	1,179
Change in unrealized gains on investments (Note 3)	2,267	20,035
	24,029	33,750
Awards and other benefits (Note 1)	(600)	-
Change in net assets	23,429	33,750
Unrestricted net assets, beginning of year	224,244	190,494
Unrestricted net assets, end of year	\$ 247,673	\$ 224,244

See accompanying notes

**ORGANIZATION OF AMERICAN STATES**

**ROWE MEMORIAL BENEFIT FUND  
STATEMENTS OF CASH FLOWS**

	Year ended December 31,	
	1996	1995
		(Restated)
<b>Operating activities</b>		
Change in net assets	\$ 23,429	\$ 33,750
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(2,267)	(20,035)
Gain on sale of securities	(1,242)	-
Net cash provided by operating activities	19,920	13,715
<b>Investing activities</b>		
Proceeds from sale of securities	3,235	-
Purchase of securities	(22,554)	(12,536)
Net cash used in investing activities	(19,319)	(12,536)
<b>Net increase in cash and cash equivalents</b>	<b>601</b>	<b>1,179</b>
Equity in OAS Treasury Fund, beginning of year	20,080	18,901
Equity in OAS Treasury Fund, end of year	\$ 20,681	\$ 20,080

See accompanying notes

## ORGANIZATION OF AMERICAN STATES

### ROWE MEMORIAL BENEFIT FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1996 AND 1995

#### 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. 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 Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the Treasury Fund is added to the equity of each fund in proportion to its balance.

#### 3. 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. The Fund revised its previously reported prior year balances to reflect the requirements of FAS 124. There was no change in unrestricted net assets at January 1, 1995 as a result of the adoption.

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

(In Thousands)  
December 31, 1996

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Net Unrealized Gains</u>	<u>Approximate Market Value</u>
Mutual funds invested in Equity and Fixed income securities	\$ 205	23	(1)	22	\$ 227

(In Thousands)  
December 31, 1995

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Net Unrealized Gains</u>	<u>Approximate Market Value</u>
Mutual funds invested in Equity and Fixed income securities	\$ 184	20	0	20	\$ 204

**LEO S. ROWE PAN AMERICAN FUND  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 1996 AND 1995  
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, 1996 and 1995, 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, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 6 to the financial statements, in 1996 the Fund changed its method of accounting for investments.



March 26, 1997



**ORGANIZATION OF AMERICAN STATES**

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

<u>ASSETS</u>	December 31,	
	1996	1995 (Restated)
Equity in OAS Treasury Fund (Note 3)	\$ 13,211	\$ 316,852
Investments at market value (Note 6)		
Mutual funds invested in equity investments	1,956,831	1,872,946
Mutual funds invested in fixed income securities	4,778,098	4,401,629
	6,734,929	6,274,575
Loans receivable (Note 4)		
Students		
Installments not yet due	1,998,907	1,758,564
Installments past due	439,256	334,673
Allowance for uncollectible loans	(292,458)	(197,774)
	2,145,705	1,895,463
Employees of the Organization of American States	637,797	554,634
	2,783,502	2,450,097
	9,531,642	9,041,524
<u>LIABILITIES AND NET ASSETS</u>		
Miscellaneous payables	202,526	68,074
Unrestricted Net Assets		
Committee designated (Note 1)	1,000,000	1,000,000
Available for loans	8,329,116	7,973,450
Total Net Assets	9,329,116	8,973,450
Total Liabilities and Net Assets	\$ 9,531,642	\$ 9,041,524

See accompanying notes

**ORGANIZATION OF AMERICAN STATES**

**LEO S. ROWE PAN AMERICAN FUND  
STATEMENTS OF ACTIVITIES**

	Year ended December 31,	
	1996	1995
		(Restated)
<b>Income</b>		
Dividend and interest income	\$ 289,759	\$ 298,078
Capital gains distributions from mutual funds	306,945	236,763
Realized gains on investments	66,576	46,204
Miscellaneous income	50,881	46,360
Unrealized gains (losses) on investments (Note 6)	(201,736)	325,667
	512,425	953,072
<b>Expenses</b>		
Increase in allowance for uncollectible loans (Note 4)	94,684	68,430
Investment management and custodian fees	15,000	15,000
Administrative expenses (Note 5)	20,000	20,000
Other expenses	27,075	28,060
	156,759	131,490
Change in net assets	355,666	821,582
Net assets, beginning of year	8,973,450	8,151,868
Net assets, end of year	\$ 9,329,116	\$ 8,973,450

See accompanying notes

**ORGANIZATION OF AMERICAN STATES**

**LEO S. ROWE PAN AMERICAN FUND  
STATEMENTS OF CASH FLOWS**

	<u>Year ended December 31,</u>	
	1996	1995
		(Restated)
<b>Operating Activities</b>		
Change in net assets	\$ 355,666	\$ 821,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains on investments	201,736	(325,667)
Gain on sale of investments	(66,576)	(46,204)
Changes in operating assets and liabilities:		
Increase in provision for uncollectible loans	94,684	68,430
Increase in loans to students	(344,926)	(338,603)
Increase in loans to employees	(83,163)	(47,627)
Increase (decrease) in miscellaneous payables	134,452	(9,183)
Net cash provided by operating activities	291,873	122,728
<b>Investing activities</b>		
Proceeds from sale of investments	215,500	500,000
Purchase of investments	(811,014)	(533,967)
Net cash used in investing activities	(595,514)	(33,967)
<b>Net increase in cash and cash equivalents</b>	(303,641)	88,761
Equity in OAS Treasury Fund, beginning of year	316,852	228,091
Equity in OAS Treasury Fund, end of year	\$ 13,211	\$ 316,852

See accompanying notes

## ORGANIZATION OF AMERICAN STATES

### LEO S. ROWE PAN AMERICAN FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1996 AND 1995

#### 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 Treasury Fund. Each fund administered by the General Secretariat maintains an equity to the extent of its cash balance retained therein. The Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Income earned by the Treasury Fund is added to the equity of each fund in proportion to its balance.

#### 4. 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:

	1996	1995
Balance, beginning of year	\$ 197,774	\$ 129,344
Provision for uncollectible loans	<u>94,684</u>	<u>68,430</u>
Balance, end of year	<u>\$ 292,458</u>	<u>\$ 197,774</u>

In the opinion of the Committee, the allowance of \$292,458 at December 31, 1996 is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 1996 and 1995 the Fund disbursed new student loans aggregating approximately \$680,000 and \$625,000, respectively. The Fund received loan repayments of approximately \$333,000 and \$286,000 in 1996 and 1995, respectively.

New loans to employees for educational purposes or in emergency situations aggregated \$184,000 and \$173,000 in 1996 and 1995 respectively. The Fund received loan repayments of approximately \$144,000 and \$125,000 in 1996 and 1995 respectively. The interest rate on new employee loans granted in 1996 varied from 7.5% to 8%. Interest rates on outstanding loans granted in 1995 varied from 6.5% to 8%.

5. Administrative Expenses

The Committee authorized payments of \$20,000 in both 1996 and 1995 to the General Secretariat of the OAS as a reimbursement for a portion of costs incurred in the administration of the Fund. The accompanying financial statements include approximately \$28,000 in other expenses related to the services of a contract employee in both 1996 and 1995. 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.

6. 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. The Fund revised its previously reported prior year balances to reflect the requirements of FAS 124. There was no change in unrestricted net assets at January 1, 1995 as a result of the adoption.

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

(In Thousands)  
December 31, 1996

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Net Unrealized Gains</u>	<u>Approximate Market Value</u>
Mutual funds invested in Fixed income securities	\$4,768	51	(41)	10	\$4,778
Mutual funds invested in Equity investments	<u>1,843</u>	<u>114</u>	<u>-</u>	<u>114</u>	<u>1,957</u>
	<u>\$6,611</u>	<u>165</u>	<u>(41)</u>	<u>124</u>	<u>\$6,735</u>

(In Thousands)  
December 31, 1995

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Net Unrealized Gains</u>	<u>Approximate Market Value</u>
Mutual funds invested in Fixed income securities	\$4,275	135	(8)	127	\$4,402
Mutual funds invested in Equity investments	<u>1,674</u>	<u>199</u>	<u>-</u>	<u>199</u>	<u>1,873</u>
	<u>\$5,949</u>	<u>334</u>	<u>(8)</u>	<u>326</u>	<u>\$6,275</u>



**SECTION IV**  
**FINANCIAL STATEMENTS**  
**OF THE INTER-AMERICAN DEFENSE BOARD**  
**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 Inter-American Defense Board (the Board) as of December 31, 1996 and 1995, 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, 1996 and 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



March 7, 1997



**ORGANIZATION OF AMERICAN STATES**

**INTER-AMERICAN DEFENSE BOARD  
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	1996	1995
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 180,071	\$ 137,138
Prepaid expenses and other assets	74,619	102,082
Total current assets	254,690	239,220
Property and equipment, at cost:		
Furniture and equipment	706,759	625,182
Less accumulated depreciation	543,170	508,728
	163,589	116,454
Total assets	418,279	355,674
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	13,867	6,376
Accrued leave (Note 2)	192,379	195,118
Total current liabilities	206,246	201,494
Unrestricted net assets	212,033	154,180
Total liabilities and net assets	\$ 418,279	\$ 355,674

See accompanying notes

**ORGANIZATION OF AMERICAN STATES**

**INTER-AMERICAN DEFENSE BOARD  
STATEMENTS OF ACTIVITIES**

	Year ended December 31, _____	
	1996	1995
<b>Revenue:</b>		
Funding received from the Organization of American States (Note 4)	\$ 2,151,200	\$ 2,392,100
Interest and other income	29,371	32,248
Total revenue	2,180,571	2,424,348
<b>Expenses:</b>		
Personnel	1,527,508	1,693,338
Building and maintenance	81,657	77,287
Equipment and supplies	173,918	118,538
Other general and administrative costs	124,438	103,075
Travel	60,604	43,770
Depreciation	34,442	41,050
Documents	30,421	28,059
Contracts	89,730	96,262
Total expenses	2,122,718	2,201,379
Change in net assets	57,853	222,969
Unrestricted net assets, beginning of year	154,180	(68,789)
Unrestricted net assets, end of year	\$ 212,033	\$ 154,180

See accompanying notes

**ORGANIZATION OF AMERICAN STATES**

**INTER-AMERICAN DEFENSE BOARD  
STATEMENTS OF CASH FLOWS**

	Year ended December 31,	
	1996	1995
<b>Operating activities</b>		
Change in net assets	\$ 57,853	\$ 222,969
Adjustments to reconcile change in net assets to net cash provided by (used in ) operating activities:		
Depreciation	34,442	41,050
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other assets	27,463	(12,933)
Increase (decrease) in accounts payable	7,491	(86,857)
Decrease (increase) in accrued leave	(2,739)	9,393
Net cash provided by operating activities	124,510	173,622
<b>Investing activities</b>		
Purchase of property and equipment	(81,577)	(53,457)
Net cash used in investing activities	(81,577)	(53,457)
<b>Financing activities</b>		
Repayments of funding received in advance	-	(162,500)
Net cash used in financing activities	-	(162,500)
Net increase (decrease) in cash and cash equivalents	42,933	(42,335)
Cash and cash equivalents at beginning of year	137,138	179,473
Cash and cash equivalents at end of year	\$ 180,071	\$ 137,138

See accompanying notes

## ORGANIZATION OF AMERICAN STATES

### INTER-AMERICAN DEFENSE BOARD NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1996 AND 1995

#### 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 suborganization 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, and the estimated life of other equipment is five years.

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 1996 and 1995 for these benefits amounted to approximately \$4,200 and \$5,500 respectively.

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



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. Pension Plan

Substantially all of the employees of the Board participate in a defined contributory benefit multi-employer pension plan administered by the Retirement and Pension Committee of the Organization of American States (OAS). Contributions to the Plan by the Board and employees are based on fixed percentages of annual pensionable salaries. Pension expense approximated \$213,000 in both 1996 and 1995.

4. 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 \$2,392,100 in 1995 to \$2,151,200 in 1996. The OAS has currently appropriated \$2,500,000 for 1997. 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.

5. Program Expenses

The Board incurred approximately \$1,086,000 and \$1,047,000 in 1996 and 1995, respectively, related to the Inter-American Defense College. All other expenses incurred were classified as General and Administrative Expenses.



**SECTION V**  
**FINANCIAL STATEMENTS**  
**FUND FOR THE INTERNATIONAL COMMISSION**  
**OF SUPPORT AND VERIFICATION II**  
**WITH**  
**REPORT OF INDEPENDENT AUDITORS**



## Report of Independent Auditors

Board of External Auditors  
Organization of American States

We have audited the accompanying statements of assets, liabilities and fund balance of the Fund for the International Commission of Support and Verification II of the Organization of American States (the Fund), pursuant to the agreement between the Organization of American States (the OAS) and the United States Department of State (the Agreement), as of December 31, 1996 and the related statement of activity and changes in fund balance for the year 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 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 Fund 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 financial position of the Fund at December 31, 1996, and its activity and its changes in fund balance for the year then ended on the basis of accounting described in Note 2.

Our audit has been made primarily for the purpose of expressing an opinion on the basic financial statements mentioned above for the Unit taken as a whole. The accompanying supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedule 1 has been subjected to the procedures applied in the audit 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.

As explained in Note 1, the financial statements being presented are only for the fund referred to above, which was established by the Organization of American States to account for the assets, liabilities and fund balance and the support, revenues and expenses of the Fund pursuant to the Agreement.



April 11, 1997



**ORGANIZATION OF AMERICAN STATES**  
**INTERNATIONAL COMMISSION OF SUPPORT AND VERIFICATION II**  
**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE**  
**AS OF DECEMBER 31, 1996**

ASSETS

Equity in OAS Treasury Fund	\$ 259,696
Other Assets	15,987
	<u>275,683</u>

LIABILITIES AND FUND BALANCE

Unliquidated Obligations	237,937
Accounts payable	72,877
Fund (deficit)	<u>(35,131)</u>
	<u>\$ 275,683</u>

See accompanying notes

**ORGANIZATION OF AMERICAN STATES  
INTERNATIONAL COMMISSION OF SUPPORT AND VERIFICATION II**

**STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1996**

Increases	
Contributions	
United States - State Department	\$ 689,564
European Economic Community	<u>158,795</u>
	<u>848,359</u>
Decreases	
Obligations and Expenditures	
Operational Costs	380,957
Programming, Following & Verification	1,188,198
Tri-partisan Commission	3,082
Institutional Support	737,142
Final audit - Project closing costs	29,100
European Community - Nueva Segovia	<u>163,288</u>
	<u>2,501,767</u>
Fund balance at beginning of period	<u>1,618,277</u>
Fund (deficit) at end of period	<u>\$ (35,131)</u>

See accompanying notes



**ORGANIZATION OF AMERICAN STATES**

**INTERNATIONAL COMMISSION OF SUPPORT AND VERIFICATION II  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1996**

**1. Organization**

On August 7, 1989, the five Central American Presidents met in Tela, Honduras, and entered into what is commonly known as the Tela Agreement (Agreement).

The Agreement provides for the demobilization and voluntary repatriation or relocation into Nicaragua and third countries of members of the former Nicaraguan Resistance and their families. The agreement also provided for the assistance to persons involved in combat operation in the countries of the region at their voluntary request. On September 6, 1989, the Tela agreement further established the International Commission of Support and Verification (CIAV) to execute and fulfill the objectives of the agreement. This commission is composed of the Secretaries General of the United Nations (CIAV/UN) and of the Organization of American States (CIAV/OAS).

In general, CIAV/UN is responsible for the activities conducted outside of Nicaragua, whereas CIAV/OAS is responsible for activities within Nicaragua.

The Secretary General of the OAS established an OAS International Commission of Support and Verification (CIAV I) to account for the proceeds and disbursements pursuant to CIAV's activities. On December 31, 1993, CIAV I was closed. The Secretary General of the OAS established an OAS International Commission of Support and Verification II (The Fund) to account for the on-going proceeds and disbursements pursuant to CIAV's activities. All unexpended balances of CIAV I were transferred to the Fund.

**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 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, 1996. It represents amounts anticipated to be expended in the subsequent year in the completion of the project.

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. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

4. Funding

The Government of the United States has contributed to CIAV/OAS a total of \$12,039,564 from the inception to December 31, 1996. In addition CIAV/OAS received \$1,148,299 from the European Community Commission.

5. Status of the Commission

CIAV/OAS is headquartered in Managua, Nicaragua and its activities include a number of stages: demobilization, repatriation and monitoring of guaranteed human and civil rights, programs for development areas, and assistance to members of the Resistance and their families.

6. Administrative Support

The General Secretariat of the OAS has provided non-reimbursable administrative support in the form of personnel, communication and office space to CIAV/OAS.

**SUPPLEMENTARY INFORMATION**



**ORGANIZATION OF AMERICAN STATES  
INTERNATIONAL COMMISSION OF SUPPORT AND VERIFICATION II**

**STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE  
FROM INCEPTION (JULY 1, 1993) TO DECEMBER 31, 1996**

<b>Increases</b>	
<b>Contributions</b>	
United States - State Department	\$ 12,039,564
European Economic Community	1,148,299
	<u>13,187,863</u>
 <b>Decreases</b>	
<b>Obligations and Expenditures</b>	
Operational Costs	2,791,702
Programming, Following & Verification	6,198,752
Tri-partisan Commission	318,438
Institutional Support	2,814,509
Final audit - Project closing costs	29,100
European Community - Nueva Segovia	1,020,651
England - Purified water project	1,178
Germany Microprojects	11,596
	<u>13,185,926</u>
 <b>Transfers</b>	
Transfer from CIAV I - U.S.	63,465
Transfer from CIAV I - Others	(100,495)
Return to donor - Germany	(38)
	<u>(37,068)</u>
 Fund (deficit) at end of period	 <u>\$ (35,131)</u>

See accompanying notes



**SECTION VI**  
**FINANCIAL STATEMENTS**  
**FUNDS FOR 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, 1996, and the related combined statement of activity and changes in fund balance for the year then ended. 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, 1996, and the activity and changes in fund balance for the year then ended on the basis of accounting described in Note 2.

Our audit has been made primarily for the purpose of expressing an opinion on the basic financial statements mentioned above for the Unit taken as a whole. The accompanying supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedule 1 has been subjected to the procedures applied in the audit 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.

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



April 11, 1997



ORGANIZATION OF AMERICAN STATES  
OAS / DEMOC

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE  
DECEMBER 31, 1996

	PROMOTION DEMOCRACY AND PEACE SURINAME	INTERNAT. CIVILIAN PRESENCE HAITI	ELECTORAL OBSERVATION / TECH.ASSISTANCE PERU	ELECTORAL OBSERVATION NICARAGUA	ELECTORAL OBSERVATION / TECH. ASSISTANCE GUATEMALA	OTHER DEMOCRATIC INITIATIVES	MINE CLEARING CENTRAL AMERICA	COMBINED
Equity in OAS Treasury Fund	\$ 529,647	\$ 4,785,038	\$ 95,776	\$ 304,179	\$ 718,304	\$ 2,392,504	\$ 1,380,604	\$ 10,206,052
Other assets	<u>\$ 529,647</u>	<u>\$ 5,019,226</u>	<u>\$ 95,339</u> (437)	<u>\$ 304,179</u>	<u>\$ 721,513</u>	<u>\$ 2,397,725</u>	<u>\$ 1,380,604</u>	<u>\$ 10,448,233</u>
<b>ASSETS</b>								
Unliquidated obligations	\$ 8,912	\$ 868,830	\$ 7,631	\$ 148,239	\$ 220,909	\$ 63,842	\$ 383,346	\$ 1,701,709
Accounts payable	520,735	4,078,979	44,205	155,940	500,604	3,912	325,700	445,234
Fund balance	<u>\$ 529,647</u>	<u>\$ 5,019,226</u>	<u>\$ 95,339</u>	<u>\$ 304,179</u>	<u>\$ 721,513</u>	<u>\$ 2,397,725</u>	<u>\$ 1,380,604</u>	<u>\$ 10,448,233</u>
<b>LIABILITIES AND FUND BALANCE</b>								

**ORGANIZATION OF AMERICAN STATES  
OAS / DEMOC**

**COMBINING STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1996**

	PROMOTION DEMOCRACY AND PEACE SURINAME	INTERNAT. CIVILIAN PRESENCE HAITI		ELECTORAL OBSERVATION / TECH.ASSISTANCE PERU		ELECTORAL OBSERVATION / TECH.ASSISTANCE NICARAGUA		ELECTORAL OBSERVATION / TECH.ASSISTANCE GUATEMALA		OTHER DEMOCRATIC INITIATIVES		MINE CLEARING CENTRAL AMERICA		COMBINED
Increases														
Contributions														
Canada							70,220				20,636	2,913		93,769
Denmark								400,000						400,000
Guatemala								113,084						113,084
IADB										58,200				58,200
Japan						240,000						100,000		340,000
Netherlands	964,876									185,736				1,150,612
Norway														308,823
Sweden						226,657		308,823						2,027,907
Switzerland						199,982		314,969						199,982
United Kingdom														100,000
United States	34,194	1,870	143	1,200,000						1,320,000		100,000		2,522,013
OAS Treasury Fund Income		38,106								2,682				36,876
Other Income/transfers	999,070	39,976	143	1,936,859				1,136,876		(106,442)		66,000		(2,336)
										1,480,812		1,755,194		7,348,930
Decreases														
Refunds														
Obligations and Expenditures														
Travel	26,473	38,348		184,959				55,247		174,300		109,617		588,944
Equipment	366,260	13,133		285,898				198,320		116,423		129,810		1,109,844
Maintenance and Supplies	25,427	(443)		84,319				35,425		2,636		12,576		159,940
Contracts	119,261	2,790,687		1,114,486				464,502		391,177		330,481		5,210,594
Other	17,017	773,916		111,257				83,451		36,743		212,684		1,235,593
	554,438	3,615,641		1,780,919				836,945		721,279		795,168		8,304,915
Fund balance beginning of period	76,103	7,654,644	43,885					200,673		1,570,438		(288,468)		9,257,275
Net change during period	444,632	(3,575,665)	(382)	155,940				299,931		759,533		960,026		(955,985)
Fund balance end of period	\$ 520,735	\$ 4,078,979	\$ 43,503	\$ 155,940	\$ 43,503	\$ 500,604	\$ 500,604	\$ 500,604	\$ 2,329,971	\$ 671,558	\$ 8,301,290			

See accompanying notes

## ORGANIZATION OF AMERICAN STATES

### UNIT FOR THE PROMOTION OF DEMOCRACY NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1996

#### 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 created the Unit for the Promotion of Democracy, assigning the following functions:

Develop standards and procedures for organizing electoral observation missions

Plan and coordinate electoral observer missions

Develop inventories and data banks of individuals and institutions specializing in political studies on democratic systems and institutions as well as human and material resources for carrying out missions, training, and other activities

Coordinate with other multilateral organizations, and governments and private institutions activities, and missions concerned with democratic development

Plan, and coordinate courses, seminars, and training programs to facilitate exchange of information and expertise in order to strengthen political institutions and democratic procedures in member states

The Secretary General established various OAS funds (the Funds) to account for 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 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 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, 1996. It represents amounts anticipated to be expended in the subsequent year in the completion of these projects.

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. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equity of each fund in proportion to its balance.

4. 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 \$31,083,362 was received from inception until December 31, 1996. In addition there were in-kind contributions by other countries such as an aircraft by Argentina, Canada, Colombia, Chile and Venezuela.

**PERU**

On May 18, 1992, the President of Peru made a commitment to the OAS XXII General Assembly in Bahamas to hold elections for the Constituent Assembly. In subsequent meetings held by the Ministers of Foreign Affairs, the General Secretariat was requested to observe the electoral process leading to the elections which took place on November 22, 1992. Subsequently the OAS participated in the observation of municipal constituent elections, observation of a Constitutional Referendum and continued to provide long term technical assistance for electoral systems improvement. Total contributions to the mission since inception are \$5,630,350, out of which the United States contributed \$4,510,143; Japan \$1,000,000; E.E.C. \$100,207 and Argentina \$20,000.

**SURINAME**

The Special Mission to Suriname was established by agreement between the General Secretariat of the Organization of American States and the Government of the Republic of Suriname. The agreement specifies a presence of the mission in that country for a period of two years during which it will assist in formalizing and safeguarding a durable peace between the Government of Suriname, the Jungle Commando and Tucajan Amazons, and in further strengthening the national institutions within the framework of democratic institutions in Suriname. Upon completion of the initial phase, the agreement was extended for another two years. The scope of the project was expanded to include a number of activities all related to promotion of peace and strengthening of democracy.

## **DEMOCRATIC INITIATIVES**

The Unit of Democracy undertook a number of additional activities with the contributions of member states and observer states, including the electoral observation in Honduras, Venezuela, Dominican Republic and Panama. Among the largest contributors was the United States Government who contributed a total of \$3,135,877 since the inception of the Unit to December 31, 1996. Certain of these contributions are restricted as to their use.

## **MINE CLEARING ASSISTANCE PROGRAM IN CENTRAL AMERICA**

At its XXII Regular Session, 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"[AG/RES. 1191(XXII-O/92)].

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, Brazil, Chile, Colombia, Peru and Uruguay. Grant funds were additionally received from the Governments of Germany, Italy, France, Spain, Sweden, and the United States.

## **ELECTORAL OBSERVATION AND TECHNICAL ASSISTANCE GUATEMALA**

In a letter to the Secretary General of the OAS dated July 25, 1995, the Guatemalan Government invited the Organization of American States "to observe the general election process" in Guatemala. The objectives of the Mission were to observe the conduct of participants in the electoral process with the aim of verifying its conformity to prevailing election norms, observing the organization and management of the electoral process, the degree of freedom of expression, and the electioneering process. The general elections filled the offices of president and vice-president, congressional deputies, deputies to the Central American Parliament, mayors, council members, and alternates from the country's municipalities. There were two rounds of elections, on November 12, 1995 and the second on January 7, 1996. From inception to December 31, 1996, financing in the amount of \$668,123 was received from Member States and Observer Countries.

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. The implementation envisioned two phases, a three-month pilot phase, followed by a full implementation phase, naming FONAPAZ and the Presidential Secretariat for Peace, Development, and National Reconciliation (SEPAZ) as the government counterparts. A letter of understanding was signed in November 1995, which launched the pilot phase. From inception to December 31, 1996, financing in the amount of \$1,196,272 was received from Member States and Observer Countries.

#### **ELECTORAL OBSERVATION PROCESS IN NICARAGUA**

In an effort to address the concerns of its people, the Nicaraguan Government formally requested that the OAS field an observation mission that could monitor the entire process leading up to the national elections, scheduled for October 1996, including registration, the campaign and the preparations for the national elections. The Government extended this information at the OAS General Assembly Meeting in June 1995 in Montrouis, Haiti. From inception to December 31, 1996, financing in the amount of \$1,936,859 was received from Member States and Observer Countries. In addition CIAV provided the mission on a temporary basis, the use of its vehicles and communication equipment to the extent possible without impeding on the work of the Commission.

#### **5. 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.



**SUPPLEMENTARY INFORMATION**



ORGANIZATION OF AMERICAN STATES  
OAS / DEMOC

COMBINING STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE  
FROM INCEPTION TO DECEMBER 31, 1996

	PROMOTION AND PEACE SURINAME (Jul. 20, 1992)	INTERNATIONAL CIVILIAN PRESENCE HAITI (Oct. 2, 1991)	ELECTORAL OBSERVATION/ TECH ASSISTANCE PERU (May 18, 1992)	ELECTORAL OBSERVATION NICARAGUA (Jan. 1, 1990)	ELECTORAL OBSERVATION/ TECH ASSISTANCE GUATEMALA (Sep. 14, 1995)	OTHER DEMOCRATIC INITIATIVES *	MINE CLEARING CENTRAL AMERICA (Jan. 15, 1992)	COMBINED
Increases								
Contributions								
Argentina			20,000				100,000	120,000
Australia		5,000					3,579	3,579
Bolivia		50,000					5,000	50,000
Brazil		1,072,297		70,220		590,721	2,913	1,736,151
Canada		20,000				5,000		25,000
Chile		25,000						25,000
Colombia					400,000			400,000
Denmark		1,000					1,000	1,000
Dominica		353,982					18,182	372,164
France		130,000				192,332	62,000	384,332
Germany					172,480			172,480
Guatemala						73,200		93,200
IADB		91,875						189,921
Italy			1,000,000	240,000	100,000	185,736		1,440,000
Japan		105,661			316,323			1,877,252
Netherlands	1,585,855							316,323
Norway		45,400			1,500			45,400
Panama								1,500
Russia		3,000						3,000
Spain								50,000
St. Kitts and Nevis								50,000
Sweden				226,657	314,969	49,985	1,585,028	2,176,639
Switzerland				199,982				199,982
United Kingdom								100,000
United States		29,001,870	4,510,143	1,200,000	559,123	5,245,877	100,000	41,617,013
Uruguay						5,000		5,000
Venezuela	5,000	83,469						88,469
European Econ. Community			100,207			65,833		166,040
OAS Treasury Fund Income	34,194	56,702	14,410			149,282	4,063	258,651
Other Income/Transfers	1,625,049	31,083,362	5,644,760	1,936,859	1,864,395	(118,984)	66,000	(14,878)
						6,443,982	3,289,811	51,888,219
Decreases								
Refund to United States						1,190,794		1,190,794
Obligations and Expenditures								
Travel	246,542	3,088,374	3,002,584	184,959	128,140	1,499,617	940,217	9,090,433
Equipment	463,695	2,393,978	586,445	285,898	280,166	376,294	695,772	5,054,248
Maintenance and Supplies	35,040	32,527	51,440	84,319	45,522	39,048	16,170	304,066
Contracts	290,045	17,252,404	657,366	1,114,486	802,765	698,226	513,086	21,328,376
Other	68,992	4,237,100	1,331,422	111,257	107,198	310,032	453,008	6,619,009
	1,104,314	27,004,383	5,601,257	1,760,919	1,363,791	4,114,011	2,618,253	43,586,928
Net change during period	520,735	4,078,979	43,503	155,940	500,604	2,329,971	671,558	8,301,290
Fund balance end of period	\$ 520,735	\$ 4,078,979	\$ 43,503	\$ 155,940	\$ 500,604	\$ 2,329,971	\$ 671,558	\$ 8,301,290

\* Other Democratic initiatives includes the concluded Electoral Observation Missions in Paraguay and El Salvador.

See accompanying notes

