



General Secretariat

Organization of American States



**Report to the Permanent Council of the
Organization of American States**

**AUDIT OF ACCOUNTS
AND FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

By the
Board of External Auditors

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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.



General Secretariat

Organization of American States



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Organization of American States**

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FINANCIAL STATEMENTS
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Board of External Auditors**

2002



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

1889 F Street, N.W. Washington, D.C. 20006

April 11, 2003

To the Permanent Council of the
ORGANIZATION OF AMERICAN STATES

The Board of External Auditors (the "Board") is pleased to present its Annual Report on the external audit of the accounts and financial statements of the ORGANIZATION OF AMERICAN STATES ("OAS") and its related entities in accordance with Article 117 of the *OAS General Standards* which govern the operations of the General Secretariat and, generally, OAS' related organizations. Our Report covers the year ended December 31, 2002. Except where noted otherwise, the latest OAS' and related entities' financial statements are prepared or restated in a comparative format with the year ended December 31, 2001. This Report also includes the following.

- Comments and recommendations by the Board for improving the OAS' and its related entities' operating procedures and internal accounting controls.
- Audit of the accounts and financial statements of the following funds and entities:
 - Regular Fund and Specific Funds of the OAS
 - Inter-American Agency for Cooperation and Development ("IACD")
 - Rowe Memorial Benefit Fund and Leo S. Rowe Pan American Fund ("Rowe Funds")
 - Retirement and Pension Fund
 - Inter-American Defense Board ("IADB")
 - Unit for the Promotion of Democracy ("OAS/UPD")
 - Trust of the Americas ("Trust")
 - Medical Benefits Fund

The Board's Report is based primarily on the audits conducted by Ernst & Young LLP, independent public accountants, which were performed in accordance with generally accepted auditing standards. The Board reviewed and discussed the audit work and related workpapers with representatives from Ernst & Young. In preparing this Report, the Board has also considered the 12 reports of the OAS Inspector General ("OIG") issued during 2002, and discussions with the Inspector General and OAS management officials.

The OAS Regular Fund and Specific Funds included in this Report represent the financial activity for the year ended December 31, 2002, on a comparative basis with the year ended December 31, 2001. The statements have been prepared in conformity with accounting practices prescribed by the *Budgetary and Financial Rules of the General Secretariat* which require the measurement of financial position and operating results in terms of historical cost without regard to changes in the purchasing power of money over time.

The Ernst & Young opinions, as they pertain to the financial statements of the above entities for the year ended December 31, 2002, will be unqualified (a so-called "clean opinion"), which is the best possible outcome of the independent audit process. The Board congratulates all members of Management for achieving significant improvements in financial operations and an overall effective internal control environment without reportable or significant weaknesses.

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

- The 2002 financial statements of the OAS Regular Fund and Specific Funds, IACD, the Rowe Funds, the Retirement and Pension Fund, IADB, OAS/UPD, Trust, and Medical Benefits Fund agree with the books, records, documents, and vouchers of the General Secretariat's respective entities.
- The securities and cash on deposit of the foregoing entities for 2002 have been verified by Ernst & Young and by the OIG by various means, including confirmation from respective depositories and safe-keeping institutions, and inspections of the cash on hand 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 which govern the operations of the General Secretariat. In addition, our Report incorporates a number of recommendations made by the OIG and Ernst & Young

designed to improve OAS' and its related entities' operating procedures and internal accounting controls both at Headquarters and at the National Offices in the member states.

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

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

This Report is submitted in accordance with Article 124.

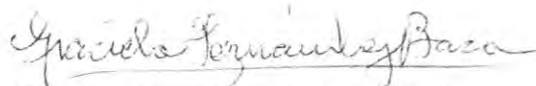
The significant changes in the Regular Fund and Quotas during 2002 are shown in the following table:

Dollars in Million	2002	2001	Change (%)
Regular Fund balance (end of year)	\$44.5	\$22.8	95%
Quota collections during year	\$94.6	\$85.6	11%
Uncollected Quota Balance (end of year)	\$12.7	\$33.6	-62%

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



Frances Garcia
Chair



Graciela Fernandez-Baca Calderón
Member

ORGANIZATION OF AMERICAN STATES

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SECTION I

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



**SECTION I
CHAPTER 1**

**COMMENTS RELATING TO THE
GENERAL SECRETARIAT**

CHAPTER 1

COMMENTS RELATING TO THE GENERAL SECRETARIAT

This Chapter addresses Board issues, concerns and recommendations that it wishes to bring to the attention of the Secretary General, General Assembly and Permanent Council regarding the General Secretariat. Following the summary of the financial condition of the Regular Fund, Specific Funds, and special contributions of the OAS, this Chapter addresses the OAS management initiatives undertaken to implement Board recommendations contained in last year's Report as well as new issues of concern to the Board.

OAS Regular Fund Financial Condition

The major objective of the Regular Fund, financed principally by quotas of Member States (96%), is to provide general services required by the General Secretariat, as well as technical supervision and administrative support to the General Assembly, Permanent Council, Inter-American Commission of Human Rights, Inter-American Commission of Women, Inter-American Judicial Committee, Inter-American Children's Institute, Inter-American Court of Human Rights, Inter-American Drug Abuse Control Commission, and Inter-American Communications Commission.

The OAS Regular Fund ending fund balance as of December 31, 2002, improved over prior years (see table below). The financial health of the Regular Fund is fully restored by virtue of fully financing the Reserve Subfund (30% of quotas), which is designed to meet unanticipated needs.

Changes in the Regular Fund are summarized below (\$ millions).

<u>Operating Results</u>	<u>Fund Balance</u>
1999 – Deficit \$ (3.7)	12/31/99 – Deficit \$ (4.6)
2000- Surplus \$13.3	12/31/00 – Surplus \$ 8.7
2001- Surplus \$14.1	12/31/01 – Surplus \$22.8
2002- Surplus \$21.7 *	12/31/02 – Surplus \$44.5

* (Excludes \$20.6 million of Supplementary appropriations)

Of the \$94.6 million in quota payments, \$69.5 million corresponded to 2002 quotas and \$25.1 million to prior year quotas. Quotas in arrears decreased from \$33.6 million at the end of 2001 to \$12.7 million at the end of 2002, the lowest level in recent years. The following table shows quota collections for 2002 compared to the three prior years (\$ millions).

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Uncollected, beginning of year	\$33.6	\$45.5	\$55.2	\$49.0
Quota Assessments	\$73.7	\$73.7	\$73.7	\$73.7
Collections	<u>(94.6)</u>	<u>(85.6)</u>	<u>(83.4)</u>	<u>(67.5)</u>
Uncollected, end of year	<u>\$12.7</u>	<u>\$33.6</u>	<u>\$45.5</u>	<u>\$55.2</u>

Comments Regarding the Annual Reports

The Board has received a number of positive comments on the 2001 Annual Report and encourages OAS management to continue clarifying OAS financial information with charts as appropriate. Enhancing the transparency of financial information and management performance in annual reports increases the understanding and confidence of Member States as well as current and future donors.

Comments Regarding Legal Matters

A number of ongoing legal issues presently confront the OAS. However, the 2002 OAS Legal Letter and the Retirement and Pension Fund Legal Representation Letter, (provided to Ernst & Young, LLP by the OAS Department of Legal Services as an integral part of the audit), indicate that there are no significant legal matters that impact the financial statements contained in this report.

Ernst&Young, LLP- Independent Auditors' Opinions

As discussed throughout this Report, the independent auditors expressed unqualified (“clean”) opinions, the best possible audit results, on the following 2002 financial statements. Reportable conditions and material weaknesses noted in previous reports have been resolved in all entities. The Board congratulates the management of IACD and OAS for this significant achievement.

- ? OAS Regular Fund and Specific Funds
- ? Inter-American Agency for Cooperation and Development (“IACD”)
- ? Trust for the Americas (“Trust”)
- ? Leo S. Rowe Pan American Fund (“Rowe Pan American”)
- ? Rowe Memorial Benefit Fund (“Rowe Memorial”)
- ? Unit for the Promotion of Democracy (“UPD”)
- ? Retirement and Pension Fund
- ? Inter-American Defense Board Fund (“IADB”)
- ? Medical Benefits Trust Fund (“Medical Benefits”)

The auditors’ opinions on the forgoing ten entities’ financial statements are included in Section IV of this Report. The Ernst & Young financial statement audits were designed to focus on appropriate key areas based on its assessment of risk.

Internal Control Environment – Independent Auditors’ Management Letters

Ernst & Young assessed the OAS’ overall internal control environment to be effective, and made several recommendations for improvement.

Prior-Year Issues

In its 2001 Report, the Board discussed several issues and provided specific recommendations to address them. For the most part, the Board is satisfied with the General Secretariat, IACD, and the Office of Inspector General. The staff in these organizations made significant progress to address Board recommendations with their limited resources.

Unresolved Recommendations and New Issues

The following describes the unresolved recommendations from 2001 and new issues that have occurred in 2002. In some instances, the Board has revised unresolved 2001 recommendations to accommodate changing circumstances. In other areas, the Board will reaffirm the need to address the original recommendation.

Quota Allocations and Available Budgetary Resources

With annual quotas fixed at \$73.7 million for the past several years, the OAS has undergone a continuing decline in resources available for administration and management of OAS operations. Administrative budgets have remained flat or declined despite recent years' requirements to match United Nations staff salary increases and the inflation rate, for the Headquarters operations in the United States and throughout the Hemisphere. While a reduction in the arrears of Member States has contributed to increase fund balances in the OAS Regular Fund, this trend cannot indefinitely continue and there is a creditable need to continue investing in new technologies and maintaining and improving skills of employees (human capital).

The Board supports the efforts of the Secretary General and the Assistant Secretary for Management to provide more budget resources. In particular, training resources are seriously deficient for the maintenance of a modern workforce and resources are needed for maintaining a professionally trained Inspector General Staff in its role to support internal controls.

1.1 – Given the need to address prior-year Board recommendations that were constrained by available budgetary resources, the Board recommends that the Secretary General propose a review of the \$73.7 million quota “cap” and the OAS governing bodies reexamine the quota allocation process.

OAS Management Control Over Decentralized Activities and Implementation of Oracle 11i

Over the past 30 years, the manner by which OAS conducts its activities has changed dramatically. Since OAS, may be viewed as the “parent” of these related entities by outside parties, OAS should continue to be vigilant to protect its interests and reputation. As OAS becomes an increasingly complex decentralized entity, there is the risk that OAS can lose control over its diverse activities, a risk that has been substantially mitigated by the implementation of Oracle 11i in most OAS entities.

The unification of OAS financial and administrative management under Oracle11i has strengthened the system of internal controls of all its operating units and was a determining factor in obtaining a clean audit opinion in 2002 at reasonable audit costs. The Oracle 11i's project management capacity has also enabled OAS to attract and manage a growing amount of resources for specific funds, which have increased 355 percent since 1997.

These achievements have been obtained at substantial cost and commitment of OAS resources, since total OAS investment in OASES hardware, software, security, data conversion, and training exceeded \$10 million over the past three years. Processing of transactions related to specific funds now takes 46 percent of the Department of Financial Services' resources, compared to only 15 percent in 1997.

A significant challenge for OAS financial managers continues to be enhancing the financial system in order to provide useful, reliable and timely reports to all users of Oracle 11i. The Board received complaints from some of Oracle11i users that project reports generated by OASES are not timely and present unreliable data. To compensate for these weaknesses, some users have started work-around efforts that waste operational resources.

While some standardization is required to maximize the economy and efficiency, centralized processing under a system such as Oracle Financials should not restrict individual OAS entities from performing managerial responsibilities under their OAS mandates or charters. The Board is aware that OAS management has established task forces to deal with Oracle11i implementation problems. We encourage OAS management to strengthen these efforts to ensure timely communications, and solve users' problems related to Oracle11i quickly and effectively.

1.2 – Given the continuing and growing need to provide useful, reliable and timely reports to the customers of Oracle 11i, the Board recommends that OAS enhances the mechanisms and procedures for capturing and responding effectively to users' reporting needs.

Oracle Financials Version 11i is a complex and dynamic system that should support all OAS needs. However, the Board continues to receive reports and testimony of user dissatisfaction and concerns. The Board discussed this at length with the Inspector General, the Department of Management Analysis, Planning and Support Services ("MAPSS"), and the Secretariat for Management. They assured the Board that user problems had been identified and were being addressed. However, additional financial resources may be necessary to fully realize all desired outcomes.

1.3 – The Board notes the significant progress achieved in 2002 with Oracle implementation, and recommends that (1) all users continue to receive appropriate training on Version 11i, (2) OIG continue to participate in monitoring installation, (3) General Secretariat ensures that sufficient resources be made available to ensure its successful continuing development.

Staffing Skills and General Business Processes

As noted above, the quota cap for the past several years imposed the requirement to implement spending reductions throughout the OAS. One casualty of these reductions relates to OAS initiatives to establish an employee evaluation process and ensure all employees are properly and professionally trained. Initial steps were taken to improve employee evaluation and performance during 2002. The Board continues to support the efforts of the Department of Human Resources Services ("DHRS") to institutionalize an annual employee appraisal and training processes. Similarly, managerial employees failing to submit evaluations or attend the prescribed recommended training should have this noted in their own annual evaluations.

1.4 – The Board reaffirms its recommendation that DHRS continue to implement its professional training accomplishments documentation initiative to determine specific training opportunities each employee should receive in the near term.

Human capital is one of OAS' most significant assets even though it is not recorded in the financial statements. OAS must have a continuing training program to maintain and upgrade skills of the employees as OAS implements new technologies. The world is a changing place with the introduction of new technologies and management structures to deal with them. This is particularly important for a range of complex disciplines, but particularly critical for employees responsible for using and operating OASES, professional employees such as attorneys and accountants, and those employees handling activities controlled by new technology. In this regard, on-the-job training may not be appropriate for all OAS training requirements and external training requiring budgetary resources may be necessary.

1.5 – The Board recommends that the OAS continue to use new training options, such as distance learning via the Internet and video conferencing, and the budget for training (\$51,000 in 2002) be reviewed since this is clearly insufficient to maintain the OAS investment in its human capital.

Financial Manuals

The Board noted that financial manuals for the General Secretariat and its offices in the Member States have not been completed and/or implemented. These manuals are necessary to carry out daily operations and accounting transactions in an efficient manner.

I.6 – Given the importance of these manuals to carry out financial operations, the Board recommends (1) the prompt approval by the Department of Legal Services of the Budgetary and Financial Rules for the Office of the General Secretariat, and (2) the prompt completion of the Budgetary and Financial Rules for the Office of the General Secretariat in the Member States.

Board of External Auditors 2003 Regular Fund Budget

During its April 2003 deliberations, the Board reviewed the proposed budget MAPSS identified for 2004. On an annual budgetary cycle, the Board currently estimates that approximately \$314,000 is needed to convene the Board and cover the audit services. The audit fee paid to Ernst & Young for the OAS Regular Fund and Specific Funds is currently \$124,200. Additional audit fees are paid for audits for IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits Fund, and the Retirement and Pension Fund.

The \$154,500 budget reviewed by the Board covers the \$124,200 audit fee and expenses for convening the Board, supporting the Assistants and preparing the Board Report. It also covers the cost of printing and distributing the Report. The audit costs for IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits, and Retirement and Pension Fund are not included in the Board's Regular Fund budget. The costs for these areas are projected to be \$200,000 in 2003.

I.7 – With audit fee contributions from IACD, Rowe Pan American, Rowe Memorial, IADB, Medical Benefits Fund, and Retirement and Pension Fund, the Board considers 2003 budget estimate of \$154,500 appropriate to convene the Board in 2004.

Engagement of Ernst & Young, LLP

In 2002 the Board selected Ernst & Young, LLP to replace Arthur Andersen, LLP, enabling a successful and efficient transition in external audit teams.



**SECTION I
CHAPTER 2**

**COMMENTS RELATING TO THE
INTER-AMERICAN AGENCY FOR COOPERATION
AND DEVELOPMENT
AND OTHER ENTITIES RELATED TO THE OAS**

CHAPTER 2

COMMENTS RELATING TO THE INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT AND OTHER ENTITIES RELATED TO THE OAS

This Chapter discusses issues related to the IACD and other entities. Independent audits provide information and assurances that controls are in place to protect resources. In the complex organizational structure that constitutes the OAS, management attention needs to be focused on all major entities or parts of entities that manage material amounts of OAS resources. The cost benefit of performing an annual audit is based on total resources of an independent area or activity, a statutory or outside reporting requirement, or a determination that OAS resources are covered by a larger OAS entity subject to an independent audit. The Board is pleased to note that OAS has arranged audits of the various entities within the OAS organizational structure that have material amounts of OAS resources

Integration of IACD to OASES

The IACD Director General and the OAS Assistant Secretary for Management signed an agreement in 2002 providing for the OAS General Secretariat to perform financial, accounting, payroll and other mutually agreeable services to IACD on a fee for service basis. The Board congratulates the IACD and OAS staff for the successful integration of IACD to OASES, and encourages their staff to continue to work together to ensure prompt resolution of financial matters.

Trust for the Americas

The Trust serves to mobilize contributions from IACD and other institutional donors to address extreme poverty and promote democracy. In 2002 the accounting and financial management duties of the Trust were transferred to the GS/OAS (OASES). Approximately 61 percent of the Trust's \$1.8 million of revenue in 2002 were in-kind contributions. The 2001 reportable condition related to the availability and maintenance of documentation on Trust activities was resolved and the Trust received an unqualified audit opinion in 2002.

The Trust is included within IACD's accounts and included in the IACD organizational structure. The following table summarizes the financial transactions of the Trust in 2001 and 2002.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income,		
Including unrealized gains/losses	\$ 2,983,990	\$ 1,760,301
Expenses	(2,943,067)	(1,758,730)
Change in net assets	40, 923	1,571
Net assets, beginning of year	<u>49,585</u>	<u>90,508</u>
Net assets, end of year	\$ <u>90,508</u>	\$ <u>92,079</u>

Rowe Memorial Benefit Fund

The Rowe Memorial has traditionally provided awards of up to \$300 to OAS staff making outstanding contributions to OAS or unexpectedly encountering a financial emergency. Rowe Memorial was essentially inactive prior to 2000, had awards of \$9,474 in 2000, \$1,944 in 2001, and \$600 in 2002. The larger amount

in 2000 is primarily attributed to Rowe Memorial Benefit Fund Committee decision to award a large sum to a contract employee for a medical emergency. The following table summarizes the financial transactions of the Rowe Memorial for 2001 and 2002.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income,		
Including unrealized gains/losses	\$ (10, 269)	\$ (20,062)
Expenses	(1,944)	(600)
Technical Services		(22,680)
Change in net assets	(12,213)	(43,342)
Net assets, beginning of year	<u>324,788</u>	<u>312,575</u>
Net assets, end of year	\$ 312,575	\$ 269,233

The award of funds to a contract employee was a controversial decision and the Rowe Memorial Fund Committee reviewed its grant eligibility documentation and prepared new written guidelines for future awards.

Leo S. Rowe Pan American Fund

The Rowe Pan American Fund is a trust fund established to provide loans to students from Latin American and Caribbean Member States, and to make loans to OAS employees for educational and emergency purposes. With the creation of IACD, the Fund was placed under the IACD organization in 2000.

The Fund had outstanding balances as of December 31, 2002 of \$849,352 for OAS loans to employees and \$2,247,943 for loans to students. Fund managers have noted that there has never been a loss from loans to OAS employees, which bear interest approximately 1% below the prevailing prime rate. Repayments are made via payroll deduction for employee loans. Student loans are interest-free, and repayments commence after students have completed their courses of study.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income,		
Including unrealized gains/losses	\$ 435,323	\$ 284,624
Awards	(1,095,165)	(1,348,677)
Change in net assets	(659,842)	(1,064,053)
Net assets, beginning of year	<u>11,512,641</u>	<u>10,852,799</u>
Net assets, end of year	\$ <u>10,852,799</u>	\$ <u>9,788,746</u>

Retirement and Pension Fund

The OAS retirement program is comprised of the Pension Plan and the Provident Plan, which are accounted for in the Retirement and Pension Fund, and a new U.S. IRS Section 401(m) plan for newly hired employees working in international organizations. The Pension and Provident Plans are administered by a three-member OAS Retirement and Pension Committee comprised of (1) an appointed representative of the

Secretary General, (2) a Permanent Council representative who serves as the Chair, and (3) an elected representative of the OAS active and retired employees.

The Pension Plan is a contributory plan maintained for the benefit of all regular employees of OAS and other affiliated entities. This Plan was established in 1929. As of March 2002, there were about 850 active members with 640 from the OAS, 140 retirees, and the rest coming from employees at the Inter-American Defense Board and the Inter-American Institute for Cooperation on Agriculture. Pension benefits under the Pension Plan are based on 2% of the average of the highest three years within the last five years of contributory participation in the Plan times the number of years of employment up to 30 and 1.6% for 31-40 years. Spouse survivorship pension is 50% of the retired employee's pension.

The Provident Plan is a contributory savings plan established for the benefit of OAS employees under short-term contracts who are not eligible to participate in the Pension Plan. The Plan was established in 1954 and currently has about 40 participants.

The 401(m) plan is not administered by the OAS Retirement and Pension Committee. This plan was established in 2000 and is primarily for short-term employees who are either ineligible for the other plans or do not consider the other plans suitable. In July 2001, the Committee advised the Board that the Committee had been monitoring this plan and had ordered an actuarial study. The actuarial study concluded that the new plan would not have an adverse impact on the Pension or Provident Plans even with the faster vesting offered under the 401(m) plan option.

The Retirement and Pension Fund staff produced timely financial statements for the year ended December 31, 2002. The resources of the Pension and Provident Funds appear to be well managed and the Fund is actuarially sound. However, as noted in the following chart, market value of investments, net assets, and ratio of net asset to actuarial liabilities (Actuarial Benefit Liabilities) have experienced a decline.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income, Including unrealized gains/losses	\$ 18,091,720	\$ 18,542,748
Expenses	(67,890,084)	(71,726,539)
Change in net assets	(49,798,364)	(52,733,791)
Net assets, beginning of year	<u>369,896,698</u>	<u>320,098,334</u>
Net assets, end of year	<u>\$ 320,098,334</u>	<u>\$ 267,764,543</u>

<u>Date</u>	<u>Value of Investments</u> (millions)	<u>Net Assets</u> (millions)	<u>Actuarial Values</u> (millions)	<u>Net Assets vs. Actuarial Liabilities</u>
December 31, 1999	\$431.6	\$422.6	\$250.4	\$1.68
December 31, 2000	\$380.8	\$369.9	\$277.5	\$1.33
December 31, 2001	\$339.3	\$320.1	\$310.2	\$1.03
December 31, 2002	\$282.9	\$267.4	\$265.6	\$1.00

Inter-American Defense Board (“IADB”)

IADB’s 2002 revenues and expenses each approximate \$1.9 million, with revenues principally from OAS. Net assets approximate \$281.5.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income, Including unrealized gains/losses	\$ 1,968,184	\$ 1,828,464
Expenses	(2,046,953)	(1,902,704)
Change in net assets	(78,769)	(74,240)
Net assets, beginning of year	<u>311,936</u>	<u>233,167</u>
Net assets, end of year	\$ <u>233,167</u>	\$ <u>158,927</u>

Unit for the Promotion of Democracy (“UPD”)

On October 15, 1990, under *Executive Order 90-3 (Rev. 1)*, the Secretary General established the Unit for the Promotion of Democracy in accordance with *General Assembly Resolution (AG/RES.1063/90)*. Pursuant to *Executive Order 90-3* and *Executive Order 95-6*, dated July 25, 1995, the Secretary General established various OAS accounts to record the receipts and disbursements for the Unit for the Promotion of Democracy. The fund balance for UDP on December 31, 2002, was \$7.1 million, which is a decline from a fund balance of \$7.5 million, on December 31, 2001.

Inter-American Court of Human Rights (“Court”)

The Court is based in San Jose, Costa Rica. Over 90% of the Court’s revenues consist of an operating grant from OAS with most of the remaining revenue from the Government of Costa Rica. Total revenues were \$1.8 million and expenses \$1.55 million approximate and net assets at December 31, 2002, were an *Excedent* of approximately \$0.25 million.

Venegas, Pizarro, Ugarte y Co., a Costa Rican accounting firm, rendered an opinion of the Court’s 2002 financial statements which was unqualified (“clean”). In the opinion, the auditors note that the Court’s financial statements are prepared on a cash basis which differs from international accounting standards and from accounting principles generally accepted in Costa Rica. The internal accounting control system employed by the Court is suitable for the recording and monitoring of transactions and reasonable business practices are applied to ensure the most effective use of funds provided.

Medical Benefits Trust Fund

The Medical Benefits Trust Fund provides medical benefits to staff members of the OAS. This Fund has activity limited to paying covered employees’ health claims. Claim adjudication is handled by Blue Cross. The fund balance as of December 31, 2002 was \$7.8 million.

	<u>2001 (Audited)</u>	<u>2002 (Audited)</u>
Net investment income, Including unrealized gains/losses	\$ 6,135,846	\$ 6,421,407
Expenses	(7,051,840)	(7,768,822)
Change in net assets	(915,994)	(1,347,415)
Net assets, beginning of year	<u>10,034,854</u>	<u>9,118,860</u>
Net assets, end of year	\$ <u>9,118,860</u>	\$ <u>7,771,445</u>



**SECTION I
CHAPTER 3**

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

CHAPTER 3

COMMENTS RELATING TO THE OFFICE OF THE INSPECTOR GENERAL

This Chapter discusses issues related to the Office of the Inspector General (“OIG”) during 2002.

Operations of the Office of Inspector General During 2002

The status and role of the Office of the Inspector General within the OAS is important to the Board since the OIG function works as an essential continuing safeguard assessing and maintaining the internal control environment. Under *Executive Order 95-05, The Internal Audit Function of the General Secretariat and the Office of the Inspector General*, the OIG is charged with the responsibility to assist the Secretary General and the governing bodies to monitor various levels of management with respect to the General Secretariat’s and IACD’s programs and resources, and adherence to the legal system governing them.

OIG Staffing and Budget

The OIG staff currently consists of the Inspector General (IG), three auditors, and a general assistant for a total of five positions. The position of the Deputy Inspector General was vacant for the last six months of 2002.

For 2002, the OIG conducted and issued 12 internal audit reports. Although the amount of reports issued remained constant from last year, the Board noted a trend in the reduction of the total internal reports issued for the year when compared to prior years, when a normal workload resulted in approximately 17 to 20 internal audits and reviews on a variety of issues. The IG attributed this decrease to continue reductions in staffing and funding resources. For example, the Deputy Inspector General position became vacant in 2002 and was not filled. In addition, due to 2003 budgetary constraints, the position was frozen. Also, the IG noted that the normal workload was difficult to accomplish with only three auditors because of staff contingencies, such as sick leave, resulted in delays on the work due.

III.1 – Given the importance of the work performed by the OIG to ensure a sound internal control system, and the importance of obtaining timely audit results, the Board recommends that the OIG request for resources be given favorable consideration and priority.

III.2 – Given the actual and projected increase in specific funds and projects at OAS, the Board recommends that a specific provision be made in project agreements to ensure that the OIG receives the necessary funds to perform the required audit.

OIG Training and Professional Development

The Board’s discussions with the Inspector General confirmed that all OIG staff has received sufficient training to maintain and improve skills commensurate with other comparable Inspector General organizations. However, the training budget of \$4,000 per year through 2003 does not provide sufficient funding to maintain appropriate credentials and opportunities for professional development. The Board believes that the OIG staff should achieve the 40 annual hours of continuing professional education credits mandated in the United States for auditors involved in governmental auditing.

III.3 – The Board reaffirms its 2000 and 2001 recommendation that the OIG budget have sufficient funding to obtain training to meet minimum professional requirements.

Professional Standards Review

The General Secretariat's *Executive Order 95-05* makes reference to the need for the OIG to be periodically subject to a comprehensive evaluation conducted by independent auditors from outside the OAS, and who shall report on compliance in accordance with the *Standards for the Professional Practice of Internal Auditing*. The Inspector General expresses no objection to this requirement, but noted that resources have not been available to schedule the evaluation.

III.4 – The Board reaffirms the need for a comprehensive evaluation, recommends that this requirement be properly funded within the OAS budget, and conducted every three years in accordance with standards.

Status or Recommendations

The OIG issued a total of 72 recommendations (47 high, 17 medium, and 8 low risk) for 2002 compared to 102 recommendations made in 2001. At the completion of this work, 51 recommendations had been satisfactorily implemented in accordance with OIG procedures and the remaining 21 were in various stages of closure. The OIG's also noted that two recommendations related to 2001 OIG findings had not been implemented. The following tables show the status of the remaining open recommendations.

2002 - RECOMMENDATIONS IN PROCESS BY LEVEL OF RISK							
Audit #	Date	Entity	Recommendations in Process				General Total
			Rec. # High	Total	Rec. # Medium	Total	
02/02	15-Apr-02	Oracle Implementation	3,14	2	4,11,15	3	5
04/02	31-Mar-02	GS/OAS Office in Uruguay	1,3	2	none	none	2
11/02	31-Dec-02	GS/OAS Office in Mexico	2,3,4,6	4	none	none	4
12/02	31-Dec-02	IACD	1 to 7	7	8, 9, 10	3	10
Total 2002				15		6	21

2001 - RECOMMENDATIONS IN PROCESS BY LEVEL OF RISK							
Audit #	Date	Entity	Recommendations in Process				General Total
			High	Total	Medium	Total	
04/01	31-Dec-01	IACD	none	none	1	1	1
05/01	30-Nov-01	Secretariat for Conferences	none	none	1	1	1
Total 2001				0		2	2
GRAND TOTAL 2001-2002:				15		8	23

The 2001 recommendations were in process at the time of our report and work was being performed to address them.

III.5 – The Board recognizes OIG's continuing achievements despite lower resources, and recommends the OIG to continue its ongoing audit follow-up process, so that adequate action is taken on open recommendations.

Focus of 2003 OIG Work Plan

The activities of the OIG are coordinated with those of the Board and independent auditors selected by the Board. The current Board supports and agrees that the OIG's planned audit activities for 2003 continue to be directed toward operations with the highest degree of risk and/or those with the highest potential for increasing efficiency, economy, and effectiveness within the OAS.

The IG presented the Board with its 2003 audit work plan. The audit plan showed that the OIG plans to invest most of its audit resources in reviewing procurement and project management areas at headquarters. The Board noted that although the OIG priorities for FY 2003 appear appropriate, the work plan excluded visits to National Offices. The IG stated that this was due to the lack of resources for travel and other expenses related to visits to the National Offices. However, the Board noted that significant time (i.e., an average of 7 years) had lapsed between audits performed at some National Offices. The Board noted that two National Offices had not been audited in approximately 10 years.

III.6 – Given the growing importance of specific funds in the OAS budget, the Board supports the OIG's 2003 proposal to shift audit resources to the procurement and project management areas.

III.7 – Given the significant time that lapsed between the OIG visits to various National Offices and the potential risks involved in this condition, the Board recommends that the OIG develop a methodology to audit the National Offices, wherein priority is given to high risks and materially significant areas.

III.8 – In order to enhance the importance of the work performed by the Office of the Inspector General in the evaluation of internal controls and the risk assessment procedures performed by external auditors, the Board recommends that the OIG and external auditors coordinate their 2003 audit plans.

2002 OIG Audit Work

Consistent with the responsibility entrusted to the OIG, and to focus on prior year Board recommendations identified in the March 2002 report and high-risk internal control weaknesses, the OIG conducted the following 12 internal audits in 2002. Seven of the twelve audits (58%) were carried out at Member States' National Offices, the remaining five were carried out at headquarters.

The following table shows the areas where the IG performed the 2002 internal control work and the corresponding report number.

OIG Report Title	Report Number
NT Server, Applications and Security Administered by the Secretariat for Management: DTFS and MAPPS	(SG/OIG/AUDIT-01/02)
Audit, Security, and Controls related to the ORACLE 11i Implementation	(SG/OIG/AUDIT-02/02)
Leo S. Rowe Memorial Benefit Fund	(SG/OIG/AUDIT-03/02)
GS/OAS Office in Uruguay and Selected Projects	(SG/OIG/AUDIT-04/02)
Leo S. Rowe Pan American Fund	(SG/OIG/AUDIT-05/02)
GS/OAS Office in Saint Vincent and the Grenadines and Selected Projects	(SG/OIG/AUDIT-06/02)
GS/OAS Office in Saint Lucia	(SG/OIG/AUDIT-07/02)
GS/OAS Office in Trinidad and Tobago and Selected Projects	(SG/OIG/AUDIT-08/02)
GS/OAS Office in Suriname	(SG/OIG/AUDIT-09/02)
GS/OAS Office in Panama and Selected Projects	(SG/OIG/AUDIT-10/02)
GS/OAS Office in Mexico and Selected Projects	(SG/OIG/AUDIT-11/02)
Inter-American Agency for Cooperation and Development (DRAFT)	(SG/OIG/AUDIT-12/02)

Summary of Findings related to the 2002 OIG Reports

The following summarizes key information and findings related to the internal audits performed at the National Offices and at Headquarters.

National Offices' Internal Audits

During 2002, the OIG conducted and issued seven reports on internal control activities at several GS/OAS National Offices. In conjunction with the work performed at the National Offices, the OIG also reviewed a total of 24 projects, which were mostly financed by IACD funds. The purpose of these audits was to identify operating internal controls over cash receipts and disbursements, verify whether the offices are executing their responsibilities in accordance with Budgetary and Financial Rules, the Field Financial Manual, General Standards, Staff Rules, directives of the General Secretariat and project agreements, and to follow up on prior audit's recommendations.

For the most part, audits conducted at the GS/OAS National Offices identified a need for stricter compliance with existing policies and procedures related to Staff Rules and the existing Field Financial Manual procedures. The review of projects at different several National Offices showed with a few exceptions that expenses related to these projects were fully documented and agreed with the approved budgets in accordance with the projects' agreements. However, for some other projects, the auditors noted that final reports had not been issued.

The OIG issued 19 recommendations (14 high and 5 medium risk) related to audits at the National Offices. Of the 19 recommendations, 13 have been implemented and 6 remain open.

OAS Headquarters' Internal Audits

The following summarizes key information and findings provided in the five areas evaluated by the OIG consistent with Board recommendations.

NT Server, Applications and Security Administered by the Secretariat for Management: DTFS and MAPPS

The audit of the Oracle NT Server, applications and security was performed to follow up on the implementation of the recommendations provided in the 2000 audit of the NT Server Review (SG/OIG/AUDIT-02/00) and to examine the state of security and controls at the NT level of the Oracle server. The OIG report stated that notwithstanding the accomplishments and progress that has been made by the OAS, several important areas still need to be addressed as a priority.

Key issues identified include the need for (1) security of the applications' environment, (2) formal notification of access control changes, (3) formal documentation of certain procedures, (4) implementation of a formal security policy, and (5) improved controls over the responsibility of maintaining the firewall.

The OIG issued 12 recommendations (7 high and 5 low risk) to address findings reported. Subsequent to the OIG report, all recommendations were implemented.

Audit, Security, and Controls related to the ORACLE 11i Implementation

The Oracle 11i implementation review was undertaken to help determine the risks to OAS with regard to system's unavailability and performance, and unauthorized access to data. The review also examined the organization impact of the system with regard to proper security, access control, audit trail procedures, and contingency plans and procedures. The OIG reported that Oracle 11i provides OAS with a state-of-the art information system. However, poor funding and communication has been one of the biggest roadblocks to the system's successful implementation.

Key issues identified include (1) incomplete testing performed during project implementation, (2) weaknesses with movement of sensitive production data into the test environment, (3) lack of some user reports, and inadequate documented user procedures.

The OIG issued 16 recommendations (9 high, 6 medium, and 1 low risk) to address findings reported. Of the 16 recommendations, 13 have been implemented and 6 remain open.

Leo S. Rowe Memorial Benefit Fund

The internal audit of the Leo S. Rowe Memorial Benefit Fund assessed the purpose of the Memorial Benefit Fund as required by the 2002 report of the Board of External Auditors, and also determined whether disbursements from the Fund are in compliance with Fund policies, procedures, and directives.

Key issues identified include the need to (1) charge the Leo S. Rowe awards and emergency disbursements to the correct expense accounts, and (2) implement the Rowe Memorial Benefit fund's new investment policies.

The OIG issued 2 recommendations to address findings reported. Subsequent to the OIG report, all recommendations were implemented.

Leo S. Rowe Pan American Fund

The internal audit of the Leo S. Rowe Pan American Fund was performed to provide follow up on recommendations to prior OIG reports and other audit reports issued by the Board of External Auditors for 2001 and 2002, evaluate administrative and internal control related to loan application and file maintenance, and evaluate the adequacy of the financial manageability of the accounts.

Key issues identified include the need for improvements related to (1) the pre-approval process to ensure all relevant information is considered when loans are granted to staff members, (2) follow-up on the academic progress of students/recipients, (3) referral of loans to collection agency and write-off of uncollectible loans (4) follow up process for repayment of loans by staff members and/or their dependents upon completion of the studies, and (5) the effective management of the status of accounts, including effective and timely monitoring of loan repayments.

The OIG issued 13 recommendations (10 high, 1 medium, and 2 low risk) to address findings reported. Subsequent to the OIG report, all recommendations were implemented.

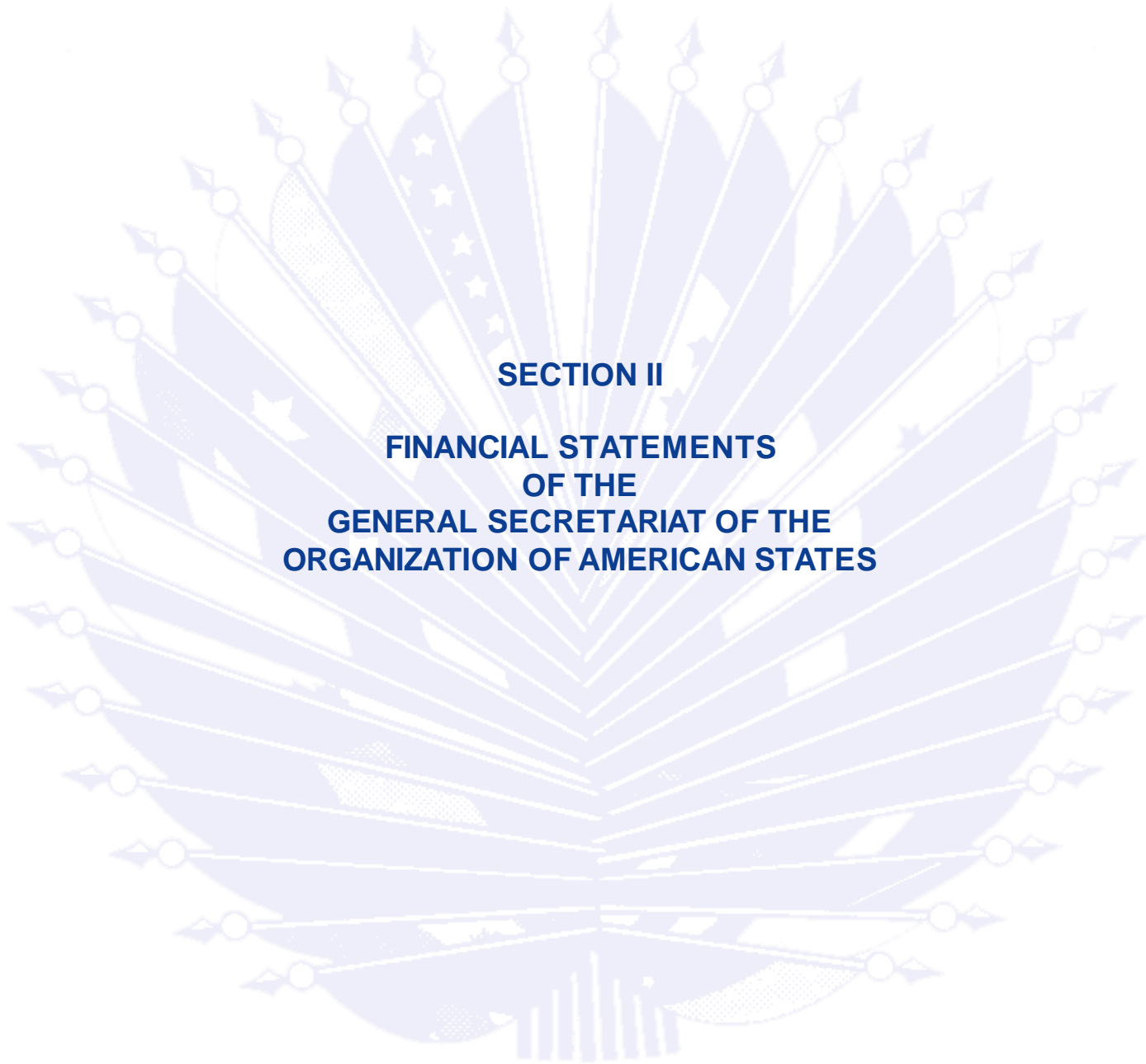
Inter-American Agency for Cooperation and Development (DRAFT)

The internal audit of the IACD (presented to the Board in DRAFT format) was performed to (1) evaluate the administrative and internal controls within the IACD; (2) evaluate the adequacy of the financial management of IACD funds; (3) ensure compliance with the terms of agreements between the Secretary of Management and IACD for processing accounting transactions; and (4) to determine whether IACD was executing its responsibilities in accordance with Budgetary and Financial Rules and other General Secretariat Standards. To achieve its objectives the OIG reviewed OASES systems' transactions from the Regular Fund which affected the four funds of the IACD (Operations Funds, Specific Fund, Special Multilateral Fund of the IACD (FEMCIDI), as well as certain disbursements from the Trust for the Americas Funds.

Key issues identified include the need to improve the following areas: (1) proper obligation of funds, (2) proper accounting of all accounting transactions, including adjustments to bank reconciliations due to bank interest charges, (3) timely bank reconciliations (4) handling of voiding stale-dated checks, (5) compliance GS/OAS directives regarding disbursements, purchase orders and travel; and (6) coordination of work with the Department of Financial Services.

The OIG commended IACD for the efforts made to strengthen its internal controls and correct identified weaknesses.

The OIG issued 10 recommendations (7 high and 3 medium risk) to address findings reported. Since the report is in draft format, the 10 recommendations had not been implemented.



SECTION II
FINANCIAL STATEMENTS
OF THE
GENERAL SECRETARIAT OF THE
ORGANIZATION OF AMERICAN STATES

RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECTION II

ORGANIZATION OF AMERICAN STATES FINANCIAL STATEMENTS OF THE GENERAL SECRETARIAT WITH REPORT OF INDEPENDENT AUDITORS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The General Assembly approved the administration of the funds under its purview, to the General Secretariat, the Inter-American Agency for Cooperation and Development (IACD), and granted autonomy to certain organs, agencies and/or entities.

During the year 2002, the administration of the OAS entities contained in this report was divided as follows: the General Secretariat was responsible for financial administration of the Regular Fund and its related specific projects. The IACD was responsible for the financial administration of FEMCIDI funds and its related specific projects. During 2002 IACD entered into an agreement with GS/OAS to record most of its accounting transactions in the GS/OAS financial system (OASES). The Leo S. Rowe Panamerican Fund was under the administrative responsibility of IACD and its treasury was under the General Secretariat. The Inter-American Defense Board and Retirement and Pension Fund received contributions from the OAS but operated administratively as autonomous organs.

According to the separation of administrative responsibility mentioned above, the annual audit book for the year 2002 is divided into four sections: Section I relates to the comments and recommendations to improve operating procedures and internal accounting controls; Section II incorporates the financial statements of the funds administered by the General Secretariat; Section III, the financial statements of the funds administered by IACD; and Section IV, incorporates the financial statements of other related agencies to the OAS.

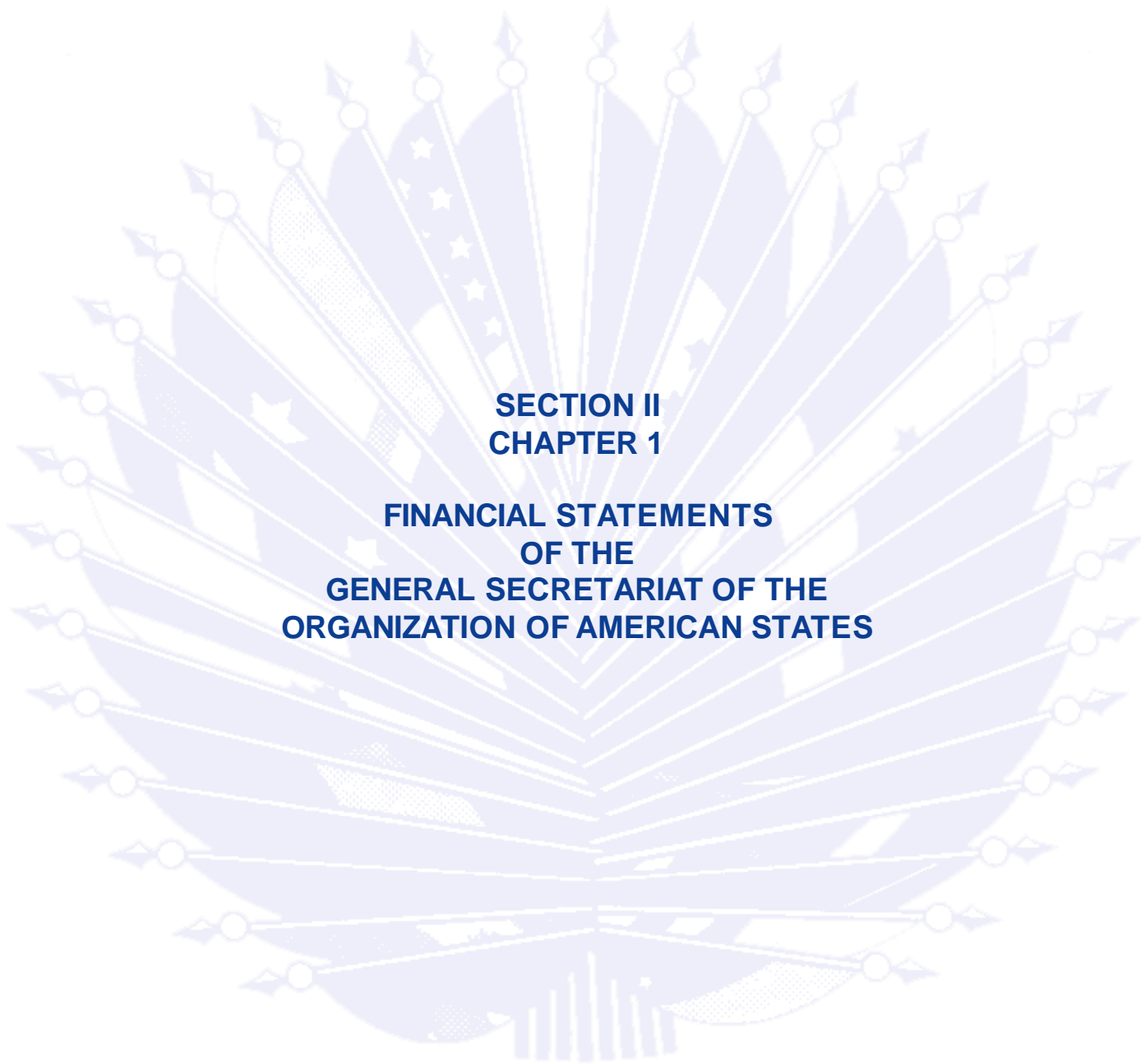
As reflected in Section II, the General Secretariat has prepared and is responsible for the integrity of the financial data included in the accompanying financial statements. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the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

respects from accounting principles generally accepted in the United States customarily applied in the presentation of financial statements. A description of the significant differences from accounting principles generally accepted in the United States is set forth in Note 2 to the financial statements.

The General Secretariat maintains an accounting system and related controls to provide reasonable assurance that financial records are reliable for preparing financial statements. The system includes a program of internal audit to provide assurance that proper procedures and methods of operations are used to implement plans, policies and directives of the General Secretariat.

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

For the Rowe Fund, the General Secretariat acts as its Treasurer and in that capacity has prepared and is responsible for the integrity of the data contained in the financial statements. However the Rowe Fund is administratively under IACD and accordingly IACD is responsible for all operational aspects of the Rowe Fund Technical Secretariat.



**SECTION II
CHAPTER 1**

**FINANCIAL STATEMENTS
OF THE
GENERAL SECRETARIAT OF THE
ORGANIZATION OF AMERICAN STATES**

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SITUATION OF THE REGULAR FUND AND SPECIFIC FUNDS

THE OPERATIONS AND RESERVE SUB FUNDS OF THE REGULAR FUND

Member States' commitment to reduce arrears to the Regular Fund has created a level of financial liquidity that has allowed the Organization to meet its budgetary obligations, fully fund the Reserve Subfund, and approve supplementary appropriations.

The financial situation of the Regular Fund improved considerably from a Fund balance of \$22.8 million at the end of 2001 to a surplus of \$44.5 million at the end of 2002. This amount represents a fully funded reserve of \$22.1 million (30% of quotas), \$21 million of supplementary appropriations and \$1.4 million of additional unencumbered funds.

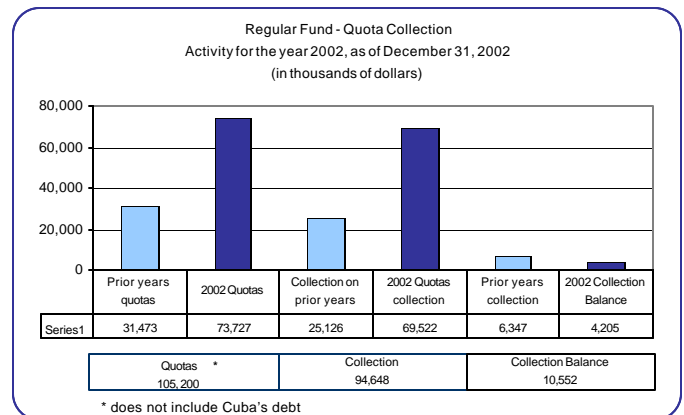
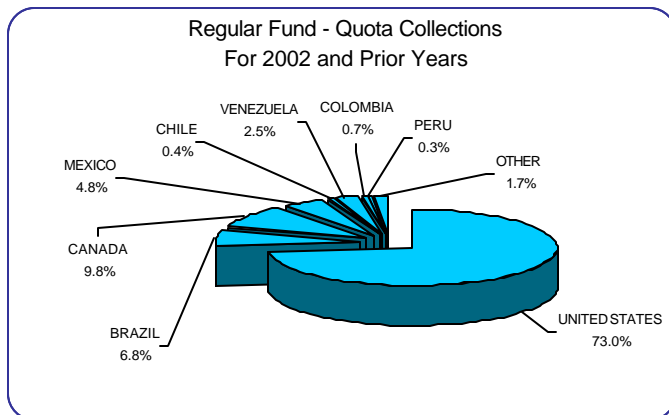
The analysis that follows relates to the budgetary authorizations (appropriations) by the General Assembly and Permanent Council, financing provided by the Member States, budgetary execution during the year, changes in quotas in arrears and finally a summary of the Regular Fund's financial position.

APPROPRIATIONS:

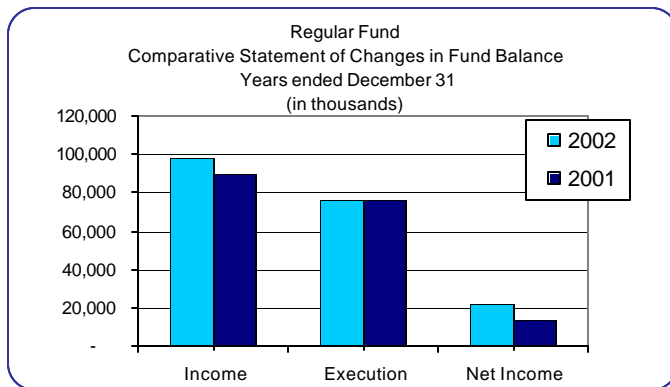
At the XXXI Regular Session of the General Assembly, the General Secretariat was authorized to execute a total of \$76 million of Regular budget activities with \$73.7 million of quota assessments to member States and \$2.3 million of other income. Additionally, at the end of the year, Member States approved \$20.6 million of supplementary appropriations. In total the General Assembly and the Permanent Council approved budgetary authorizations of \$96.6 million.

FINANCING AND EXECUTION:

By the end of December 31, 2002, the Regular Fund received a total of \$98.1 million of financing; \$94.6 million in quota payments and \$3.5 million in other income. Of the \$94.6 million quota payments, \$69.5 million corresponded to 2002 quotas and \$25.1 million to prior year quotas. The receipt of \$25.1 million in prior year quotas was unusually large and due primarily to payment by one of the largest donors.



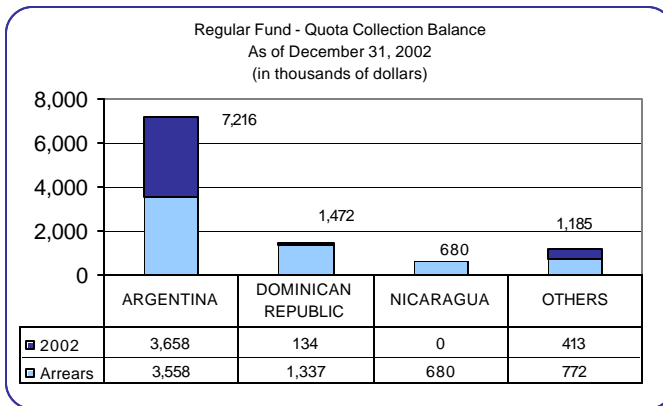
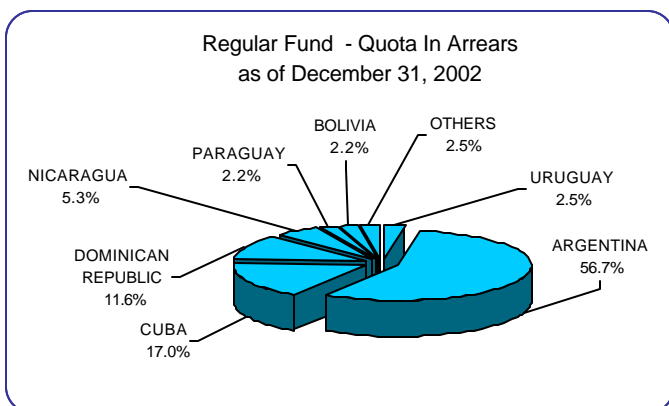
At the end of 2002, the General Secretariat executed activities totaling \$76.3 million, comprising the approved budget and Americas' Magazine additional activity. The net effect of the financial activity was a surplus in operating activities of \$21.7 million (the operational balance is computed by reducing the executed budget from quota income). The operational balance of \$21.7 million together with the 2001 carryforward balance of \$22.8 million yielded a 2002 fund balance of \$44.5 million.



Nonetheless the full impact of the execution should take into account the Permanent Council's approval of \$21 million of supplementary appropriations that were promptly executed at the beginning of the year 2003.

QUOTAS IN ARREARS:

At the beginning of the period, the Regular Fund had \$33.6 million in quotas in arrears and \$73.7 million in year 2002 quotas for a total of \$107.3 million (this balance includes a long standing Cuba debt of \$2.2). After receiving \$94.6 million in quotas, \$69.5 million in 2002 quotas and \$25.1 in prior year quotas, quotas in arrears decreased from \$33.6 million to \$12.7 million. This is among the lowest levels of quotas in arrears in recent OAS history.

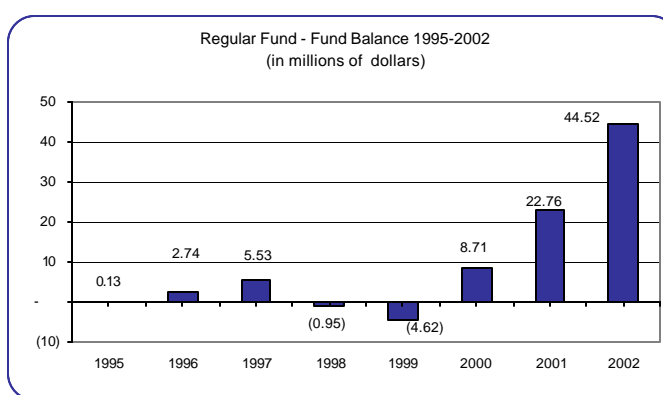
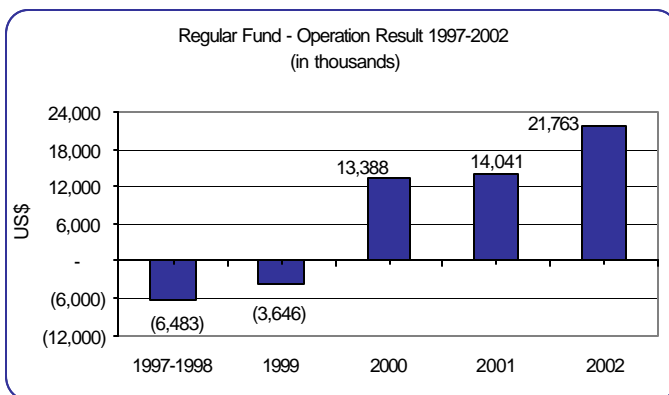


OVERALL FINANCIAL POSITION:

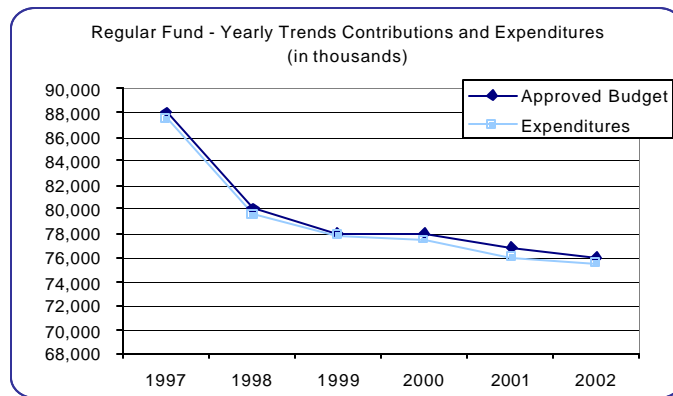
The financial health of the Regular Fund is considered fully restored by virtue of fully financing the Reserve Subfund (30% of quotas). This has been possible primarily as a result of member countries' effort to pay current and quotas in arrears.

HISTORICAL PERSPECTIVE ON REGULAR FUND ACTIVITIES:

It is worth noting that during the past five years the financial situation of the Regular Fund has gradually improved. As can be observed in the graph below, the operational results have improved from a deficit of \$6.4 million in 1997 to a positive balance of \$21.8 million in 2003. The fund balance, which reflects accumulation of operational balances (net of supplementary appropriations), follows this upward trend rising to \$44.5 million in 2002.

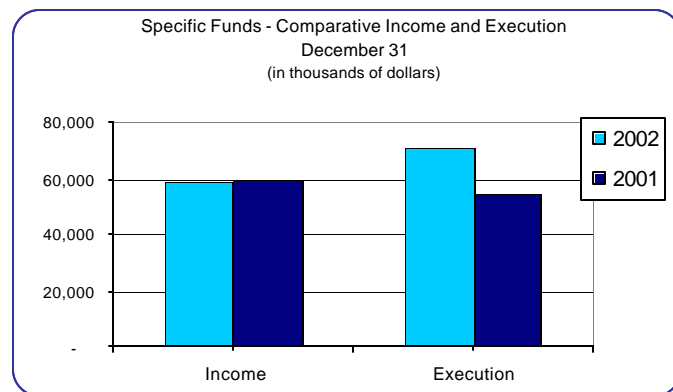


In contrast, during the last five years, the Regular Fund budget has been reduced 13% in nominal terms and about 22% in a real terms. As a result, the Regular Fund is in a healthy financial situation but limited in its ability to execute these funds due to budgetary restraints.

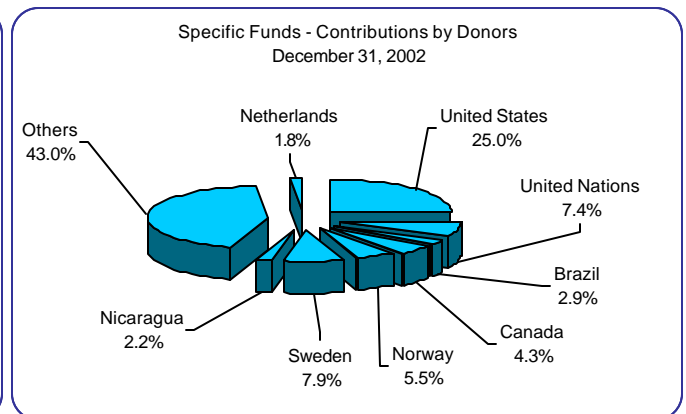
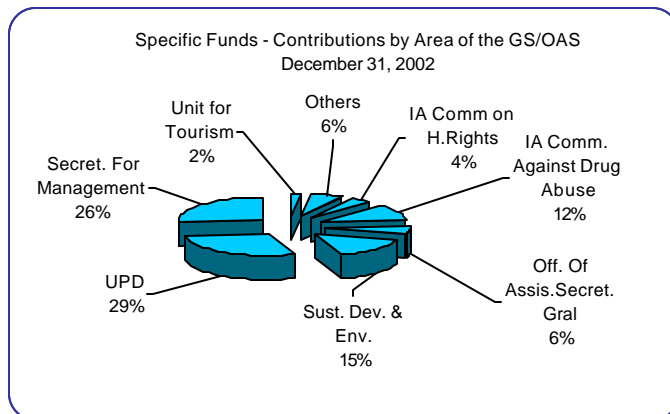


SPECIFIC FUNDS

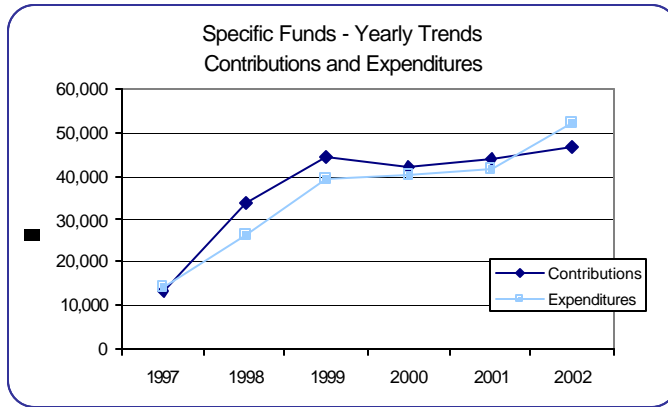
Income to Specific funds (projects) remained virtually unchanged during the last two years. During the year 2002 specific projects received a total of \$59.2 million compared to \$59.8 million during the year 2001.



The pace of the execution nonetheless was greater during 2002 versus 2001. Execution for the year 2002 increased by 29% with \$70.6 million compared to \$54.7 million in the year 2001. The net activity of specific funds resulted in a net decrease of \$11.4 million in the year 2002 compared to an increase of \$5.1 million for the year 2001.

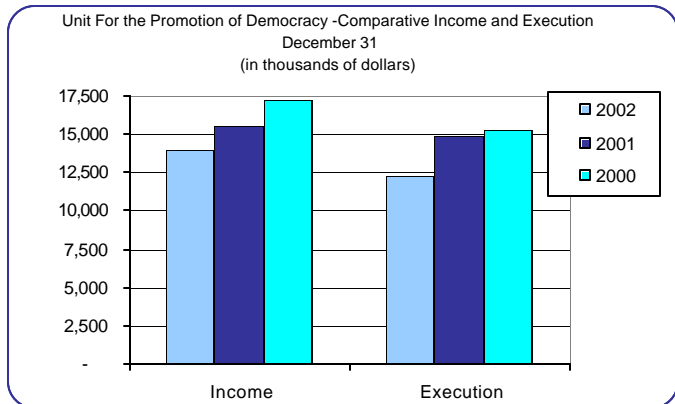
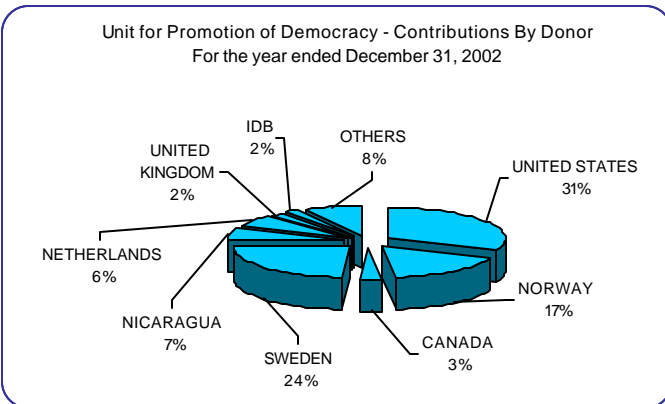


Notwithstanding, the historical trend of specific funds has had an upward trend as shown in the graph below.

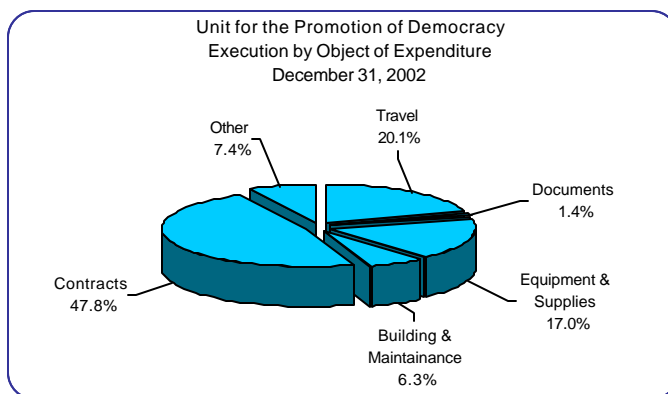


UNIT FOR PROMOTION OF DEMOCRACY

Income for specific projects related to the Unit for the Promotion of Democracy (UPD) has remained steady. During the year 2002, specific projects related to UPD received a total of contributions of \$12.4 million compared to \$15.6 million during the year 2001.



The pace of the execution for specific funds related to UPD decreased from \$14.9 million executed during the year 2001 to \$13.0 million in the year 2002.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of External Auditors
Organization of American States

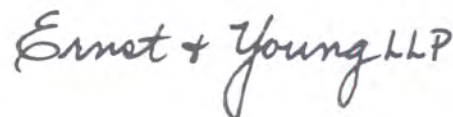
We have audited the accompanying statement of assets, liabilities and fund balances of the Organization of American States (the Organization), as of December 31, 2002 and the related statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Organization for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the external auditing requirements prescribed in Chapter IX 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the Organization prepares its financial statements on the basis of accounting principles 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 accounting principles generally accepted in the United States.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Organization at December 31, 2002, and the changes in fund balances 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 2002 basic financial statements referred to in the first paragraph of this report taken as a whole. The accompanying information in the Executive Summary and in Supplementary Schedules 1 through 4 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in our 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.



Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

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ORGANIZATION OF AMERICAN STATES

EXHIBIT 1

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

	December 31	
	2002	2001
ASSETS		
Cash and equity in OAS Treasury Fund	\$ 45,195	\$ 28,467
Other assets	6,682	185
Present value of OAS annuities	4,971	5,026
Investment in Fixed Assets Fund	45,203	32,605
	<u>\$ 102,051</u>	<u>\$ 66,283</u>
LIABILITIES AND FUND BALANCES		
Unliquidated obligations	\$ 3,334	\$ 4,641
Quotas/Pledges collected in advance	2,260	14
Amounts to be charged to future years appropriations	4,971	5,026
Accounts payable and other liabilities	2,530	1,244
Mortgage Liability	12,995	4,680
	<u>26,090</u>	<u>15,605</u>
Fund balances:		
Appropriated for Supplementary Appropriations	21,016	3,688
Reserve Subfund	22,118	11,059
Operating Subfund Unappropriated	1,384	8,008
	<u>44,518</u>	<u>22,755</u>
Equity in Fixed Assets	31,443	27,923
	<u>\$ 102,051</u>	<u>\$ 66,283</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

EXHIBIT 2

REGULAR FUND
OPERATING AND RESERVE SUBFUNDS
STATEMENTS OF CHANGES IN FUND BALANCES
(in thousands)

	Year ended December 31	
	2002	2001
INCREASES		
Quota/Collections	\$ 94,648	\$ 85,603
Less prompt payment credit	226	212
	<u>94,422</u>	<u>85,391</u>
Contribution for administrative and technical support	1,266	1,210
OAS Treasury Fund income	728	1,231
Other income, refunds, and deobligations	1,663	2,210
	<u>98,079</u>	<u>90,042</u>
DECREASES		
Expenditures and obligations pursuant to appropriations:		
General Assembly and Permanent Council	12,254	11,835
Executive Office of the General Secretariat	11,165	10,846
Units and Specialized Offices	12,221	12,063
Inter-American Council for Integral Development (CIDI)	11,138	11,819
Offices Away from Headquarters	5,341	5,666
Activities of the Sub-Secretariat for Legal Affairs	1,948	1,851
Activities of the Sub-Secretariat for Management	10,456	9,725
Common Administrative and Personnel Costs	6,877	7,073
Contributions to other agencies	4,916	5,123
	<u>76,316</u>	<u>76,001</u>
Net increase during year	21,763	14,041
Balance at beginning of year	22,755	8,714
Fund balances at end of year	<u>\$ 44,518</u>	<u>\$ 22,755</u>

See accompanying notes

ORGANIZATION OF AMERICAN STATES

EXHIBIT 3

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

	December 31	
	2002	2001
ASSETS		
Cash and Equity in OAS Treasury Fund	\$ 33,851	\$ 34,143
Advances to employees and other receivables	-	-
	<u>\$ 33,851</u>	<u>\$ 34,143</u>
LIABILITIES AND FUND BALANCE		
Unliquidated obligations	\$ 11,459	\$ 7,096
Accounts payable and other liabilities	7,348	891
Fund balance	15,044	26,156
	<u>\$ 33,851</u>	<u>\$ 34,143</u>

STATEMENTS OF CHANGES IN FUND BALANCES
(in thousands)

	December 31	
	2002	2001
INCREASES		
Contributions	\$ 44,711	\$ 44,066
Contributions for tax reimbursements	8,777	7,609
Other income and interest	5,487	8,130
	<u>58,975</u>	<u>59,805</u>
DECREASES		
Obligations and expenditures	58,378	42,580
Transfers	13	210
Return to donors	175	519
Tax reimbursements to employees	11,521	11,410
	<u>70,087</u>	<u>54,719</u>
Net Increase/(decrease) during period	(11,112)	5,086
Fund balance at beginning of period	26,156	21,070
Fund balance at end of period	<u>\$ 15,044</u>	<u>\$ 26,156</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

1 ORGANIZATION AND FINANCIAL STATEMENTS

The Charter of the Organization of American States (OAS) was signed in Bogota in 1948 and amended by the Protocol of Buenos Aires in 1967, by the Protocol of Cartagena de Indias in 1985, by the Protocol of Washington in 1992, and by the Protocol of Managua in 1993. In this charter the Organization of American States was created as an international organization to achieve an order of peace and justice, to promote their solidarity, to strengthen their collaboration, and to defend their sovereignty, their territorial integrity, and their independence. Within the United Nations, the OAS is a regional agency.

The OAS accomplishes its purposes by means of a) the General Assembly, b) the Meeting of Consultation of Ministers of Foreign Affairs, c) the Councils, d) the Inter-American Juridical Committee, e) the Inter-American Commission on Human Rights, and f) the General Secretariat.

The General Secretariat is the central and permanent organ of the 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 (Note 2D). The purpose of this fund is to provide the General Secretariat with general support as well as technical supervision and administrative services to the programs. In addition to the General Secretariat, the following organs, specialized organizations, agencies and entities are financed through budgetary appropriations of the Regular Fund and are included in the financial statements of the Regular Fund:

- ☞ General Assembly
- ☞ Permanent Council of the OAS
- ☞ Inter American Commission on Human Rights
- ☞ Inter American Commission of Women
- ☞ Inter American Juridical Committee
- ☞ Inter American Children's Institute
- ☞ Inter American Court on Human Rights

- ☞ Inter American Commission for Drug Abuse Control
- ☞ Inter-American Telecommunications Commission
- ☞ Inter-American Defense Board
- ☞ Inter-American Council for Integral Development
- ☞ The Meeting of Consultation of Ministers of Foreign Affairs
- ☞ Pan American Development Foundation

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

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

OTHER ENTITIES AND SPECIALIZED ORGANIZATIONS

The assets and liabilities as of December 31, 2002 and 2001, 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 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*
- ☞ Pan American Health Organization
- ☞ Rowe Memorial Benefit Fund *

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

2 ACCOUNTING PRINCIPLES

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the financial statements. The Rules were adopted to meet budgetary and other requirements of the OAS and, as such, result in accounting principles and a financial statement display which vary in certain material respects from accounting principles generally accepted in the United States. The OAS has not quantified the impact of these differences on the financial statements. The significant deviations are as follows:

A. The General Secretariat deems impractical to evaluate the collectibility of assessed but uncollected quotas; therefore, quotas are included in the financial statements of the various funds only to the extent collected. Contributions from member states and from other interested parties for specific purposes are similarly recorded at the time of collection.

B. Unliquidated obligations in certain funds include amounts related to commitments resulting from offers made by the funds to member states or other institutions to disburse monies for the procurement of goods or services in future periods. Such amounts do not represent liabilities or unrelated third party commitments at the end of the respective periods. They represent amounts anticipated to be expended in the subsequent year in the completion of a particular program or activity. Once unliquidated obligations in the regular fund are older than one year, they are de-obligated. Those de-obligated obligations are recorded as other income in the accompanying financial statements.

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

The following table shows expenditures and obligations for the year ended December 31, 2002 and 2001:

	2002	2001
Home Travel	\$ 160,537	\$ 182,000
Repatriation of Family and Household Goods upon Separation	179,745	330,000
Separation Indemnity and Termination Pay	824,504	1,015,000
Medical Benefits Subsequent to Separation	<u>1,798,842</u>	<u>1,098,000</u>
Total	<u>\$2,963,628</u>	<u>\$2,625,000</u>

Unrecorded earned annual and special leave approximated \$6,315,620 and \$6,353,000 as of December 31, 2002 and 2001, respectively.

D. The General Assembly of the OAS adopts a consolidated program budget which includes the budgets for 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 Statements of Assets, Liabilities and Fund Balances of the Regular Fund 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 Balance of the Regular Fund do not account for unexpended advances issued in the performance of certain OAS programs as deferred revenue (Note 8).

G. Contributions from member states and other interested parties in the form of use of facilities and services are received by certain 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 in as much as the General Secretariat deems their value inestimable.

H. A cash flow statement is not provided and certain other provisions pertaining to accounting principles generally accepted in the United States related to financial statement display are not applied. In addition, unrealized gains/(losses) on investments are not included in income, and investments are recorded at historical cost, not at fair market value.

I. The OAS has created revolving accounts according to its Rules for the allocation of common costs among the various OAS funds and entities. The creation of these funds allows recognition of other income in the fund which incurs the expenditure and then allocates a portion of those costs to other funds or entities. Those funds or entities to which the costs are allocated recognize the amount as expenditure and a reduction in cash.

J. Distributions from life insurance policies are not recognized as revenue in the Regular Fund upon receipt. Instead, those distributions are recorded as liabilities, which represent revenue for future employee benefits.

3 USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

4 FOREIGN CURRENCIES

Certain income and expense transactions during 2002 and 2001 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 (\$39,000 and \$1,726,000 as of December 31, 2002 and 2001, respectively) have been translated into United States dollars at the applicable exchange rates at the time of the transactions. Certain currencies are restricted as to convertibility and, therefore, must be utilized in OAS activities.

5 EQUITY IN OAS TREASURY FUND

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

Included in accounts payables is cash funded by debt proceeds of approximately 1 million dollars.

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

	<u>2002</u>	<u>2001</u>
Demand and Time Deposits, net of \$669,000 and \$204,000 representing checks not presented for payment as of December 31, 2002 and 2001, respectively	\$73,145,000	\$46,312,000
Overnight Repurchase Agreements	-	2,100,000
United States Treasury Notes at amortized cost (approximate market value of \$6,693,000 and \$21,625,000 as of December 31, 2002 and 2001, respectively) ¹	6,321,000	12,370,000
Accrued Interest Receivable	219,000	244,000
Scheduled Disbursements	(517,000)	62,000
Local Currency at OAS National Offices	39,000	1,726,000
	<u>\$79,207,000</u>	<u>\$62,814,000</u>
Less Equity of:		
Administrative and Trust Funds	163,000	132,000
Inter- American Agency for Cooperation and Development	15,000	88,000
	<u>\$79,029,000</u>	<u>\$62,594,000</u>
Add:		
Petty Cash and Cash in Transit	17,000	16,000
	<u>\$79,046,000</u>	<u>\$62,610,000</u>
?? Maturities of US Treasury Notes as of December 31, 2002.		
	Amortized Cost	Approx. Market Values
Current (1 year or less)	\$ 5,331,000	\$ 5,776,000
1 – 5 years	990,000	1,077,000
	<u>\$ 6,321,000</u>	<u>\$ 6,853,000</u>

Fund Balances

The Regular Fund is divided into three subfunds: Appropriated for Supplementary Appropriations, the Reserve subfund and the Operations subfund unappropriated.

Appropriated for Supplementary Appropriations The purpose of the Appropriated for Supplementary Appropriations subfund is to reserve funds to cover resolutions that have been approved but not provided for in the program-budget as of December 31, 2002.

The Operations Subfund Unappropriated In accordance with the Regular Fund Program-Budget the Operations

Subfund Unappropriated is where all income of the Regular Fund is credited to, and against which all obligations and expenditures are charged to, except for those amounts allocated to the Reserve Subfund or the supplementary appropriations.

The Reserve Subfund The purpose of the Reserve subfund is to ensure the regular and continuous financial functioning of the General Secretariat. The amount of this Subfund is equivalent to 30 percent of the total of the annual budgeted quotas of the member states. As of December 31, 2002, the total fund balance was sufficient to provide 30 percent to this balance.

The following is the rollforward of the equity accounts from December 31, 2001 to December 31, 2002:

	Operating Subfund <u>Appropriated</u>	Operating Subfund <u>Unappropriated</u>	Reserve <u>Subfund</u>	Investment in <u>Fixed Assets</u>
Balance, December 31, 2001	\$ 3,688	\$ 8,008	\$ 11,059	\$ 27,923
Net increase during period	17,328	(6,624)	11,059	-
Increase/(decrease) in fixed assets	-	-	-	3,520
Decrease in mortgage	-	-	-	-
Balance, December 31, 2002	<u>\$ 21,016</u>	<u>\$ 1,384</u>	<u>\$ 22,118</u>	<u>\$ 31,443</u>

6 FIXED ASSETS

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 Statements of Assets, Liabilities and Fund Balances.

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.

Fixed Assets are recorded at cost and depreciated on a straight line basis over their estimated useful lives. The composition of fixed assets as of December 31, is as follows:

<u>Asset</u>	<u>Depreciation Basis</u>	<u>2002</u>	<u>2001</u>
Land	-not depreciated	\$ 5,491,305	\$ 5,491,305
Buildings	-50 years	44,067,509	32,830,862
Vehicles	- 5 years	1,984,668	1,977,980
Furniture and Equipment	-10 years	4,203,181	3,200,781
Technical Machinery and Equipment	-10 years	9,773,509	8,565,597
Works of Art	-not depreciated	2,386,452	2,318,452
		67,906,624	54,384,977
Less: Accumulated Depreciation		<u>(22,704,401)</u>	<u>(21,780,532)</u>
Net Book Value as of December 31		<u>\$45,202,223</u>	<u>\$32,604,445</u>

During 2002 OAS capitalized approximately \$13 million of building costs associated with renovations to their existing property located at 1889 F street NW Washington D.C.

This amount included approximately \$500,000 of capitalized interest charges as amounts were financed by borrowings on the mortgage liability (see note 11). Borrowings on the mortgage liability during 2002 of approximately \$9.3 million were used to fund building costs renovations. An additional \$1.5 million was funded by proceeds received from other sources.

7 OTHER ASSETS

At December 31, 2002 other assets included a receivable from the Specific Fund of \$5.9 million. This receivable represents advances made to the Specific Fund to cover employee tax reimbursements.

8 ACCOUNTABLE ADVANCES

In the performance of various activities, the administrators of the various funds may deem it necessary to advance funds for the conduct of a program or a specific event prior to the actual occurrence of the expenses. In the opinion of the administrators of the funds, such action is necessary to assure the timely performance of such activities. Recipients of advances are required to submit an accounting or suitable supporting documentation for the resulting expenditures in a form deemed adequate by the administrators of the funds and by the Department of Financial Services. Advances of this nature are recorded as expenditures in the period in which funds are advanced. As of December 31, 2002 and 2001, there were no accountable advances pending expenditure recorded in the Regular Fund.

9 CONTRIBUTIONS TO SPECIFIC FUNDS

Contributions to Specific Funds during the year ended December 31, 2002, as reflected in Exhibit 4 of the accompanying financial statements were as shown on next page:

9 CONTRIBUTIONS TO SPECIFIC FUNDS

Donors	Total
<i>Members:</i>	
Antigua and Barbuda	\$ 1,000
Argentina	10,000
Bahamas	25,100
Barbados	293,189
Belize	4,864
Bolivia	130,047
Brazil	1,307,296
Canada	1,923,890
Chile	49,134
Colombia	86,327
Costa Rica	23,440
Dominica	13,500
Dominican Republic	85,541
El Salvador	59,309
Guatemala	73,046
Haiti	49,000
Honduras	142,652
Jamaica	19,619
Mexico	372,467
Nicaragua	1,004,429
Panama	501,490
Trinidad and Tobago	31,779
United States	11,226,729
Uruguay	7,500
Venezuela	79,354
	17,520,702
<i>Observers:</i>	
Denmark	353,702
European Economic Community	202,607
Finland	50,590
France	65,104
Germany	92,440
Japan	417,485
Korea	50,000
Netherland	824,126
Norway	2,443,679
Republic of Cyprus	1,000
Spain	672,951
Sweden	3,522,779
Switzerland	9,890
Turkey	8,000
United Kingdom	425,528
	9,139,881
<i>Non Members States and Others:</i>	
World Bank	925,152
I-A development Bank	792,155
United Nations	3,308,371
Bank of America	8,315,000
Others	4,710,076
	18,050,754
TOTAL	\$ 44,711,337

10 TAX REIMBURSEMENTS

Tax reimbursements represent amounts paid to certain employees of the General Secretariat of the Organization of American States (GS/OAS) for income taxes paid to the respective member state. Upon reimbursing the employee, the GS/OAS is subsequently reimbursed by the respective member state that received the employee's tax.

11 MORTGAGE LIABILITY

Mortgage liability was incurred solely by the Regular Fund under the following terms and conditions:

First Mortgage with Bank of America (secured by the General Secretariat Building)

Principal balance at December 31, 2002:	\$12,995,000
Repayment Terms	Due in monthly installments beginning on September 1, 2003, through September 1, 2032
Annual Interest Rate	6.37%
Interest Expense during 2002	\$343,781
Principal Payments	\$0
Amount of Previous Mortgage Paid Off	\$4,680,000

Principal payments due for the next five years under the new agreement are as follows: **2003:** \$140,000; **2004:** \$310,000; **2005:** \$315,000; **2006:** \$345,000; **2007:** \$360,000; thereafter \$11,525,000

During 2001, GS/OAS entered into a financing arrangement with Bank of America with the objective of re-paying the existing mortgage, renovating the property at 1889 F street N.W. and securing a new mortgage in the amount of \$25,000,000.

In this context, on October 24th, 2001, GS/OAS authorized Bank of America N.A. (lender) the issuance and sale of up to Twenty-Five Million Dollars (\$25,000,000) in the aggregate principal amount of The General Secretariat of the Organization of American States Taxable Variable Rate Demand Notes, Series A (Demand notes), and use the proceeds to pay off the old mortgage, finance the cost of the construction, renovation, and equipping of the property located at 1889 F Street, N.W.

The Demand notes will mature on September 1, 2032 and will be issued in accordance with the draw down schedule required by the GS/OAS to implement the renovation project. In support of the Demand notes to be issued, Bank of America will provide GS/OAS with a letter of credit scheduled to expire on November 1, 2006 that will coincide with the draw down schedule. As of December 31, 2002, Demand notes have been issued and a draw down on the letter of credit has been completed in the amount of \$12,995,000. The proceeds were used to repay the existing the mortgage, financing fees and renovations.

Although the Demand notes shall be issued at the then prevailing market rate, GS/OAS has entered into a SWAP agreement with Bank of America locking the interest it will pay on the letter of credit to 6.37 %.

Swap agreement

As GS/OAS does not follow accounting principles generally accepted in the United States, GS/OAS does not account for the interest rate swap agreement under Statement of Financial Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Thus, OAS has not determined whether this swap is an effective or ineffective hedge relationship, and has not marked to market the value of swap. During 2002 OAS paid approximately \$344,000 of interest expense related to the swap agreement.

12 LEASES

The General Secretariat leases certain facilities and equipment. Rental expense for such leases was approximately \$330,000 and \$412,000 for the years ended December 31, 2002 and 2001, respectively. Aggregate rentals subsequent to December 31, 2002 are not significant.

13 RETIREMENT PLANS

Staff members of the General Secretariat of the OAS are required to join the Retirement and Pension Plan, Provident Plan or 401(M) Plan, as a condition of employment. In addition under special agreements, employees of other agencies of the Inter-American system may also participate in these Plans. The following agencies are current participants: the Inter-American Institute for Cooperation on Agriculture (IICA), the Inter-American Defense Board (IADB), and the Inter-American Court of Human Rights (ICHR).

The Retirement and Pension Plan is a contributory retirement plan. Compulsory contributions are shared 2/3 by the institution and 1/3 by the staff member. The Provident Plan is a contributory savings plan established for the benefit of employees under short-term contracts. Compulsory contributions to the Provident Plan are made in equal amounts and participants are fully vested at all times on their respective balances in the Plan. The 401 (m) plan is also a contributory plan designed for members with a contract for a limited time in excess of one year or for a position and who have not elected participation in the Retirement and Pension Plan. The 401 (m) is similar in its nature to an IRA. Pension expense for the Retirement and Pension, Provident and 401 (m) Plans borne by the Regular Fund amounted to \$6,536,000 in 2002, and \$6,216,000 in 2001.

As of December 31, 2002 the accumulated benefits and net assets of the plan were as follows:

Actuarial present value of accumulated plan benefits:

Vested	\$251,807,000
Nonvested	13,759,000
Total as of December 31, 2002:	<u>\$265,566,000</u>
Net Plan Assets Available for Benefits:	<u>\$267,365,000</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, \$402,000 and \$315,000 in 2002 and 2001 respectively, is budgeted and recognized in the year paid. The approximate present value of estimated future payments of \$4.97 million, and \$5.03 million as of December 31, 2002 and 2001, respectively, is reflected in the amounts to be charged to future years appropriations in the combined 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 the years ended December 31, 2002 and 2001, those costs were \$1,973,000 and \$1,277,000, respectively.

15 CONTINGENCIES

There are several claims asserted by various individuals 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 Regular and Specific Funds.

SUPPLEMENTARY INFORMATION

ORGANIZATION OF AMERICAN STATES

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REGULAR FUND

STATEMENT OF

QUOTA ASSESSMENTS, COLLECTIONS, AND BALANCES

ORGANIZATION OF AMERICAN STATES

SCHEDULE 1

REGULAR FUND
STATEMENT OF QUOTA COLLECTIONS ASSESSMENTS, COLLECTIONS, AND BALANCES
YEAR ENDED DECEMBER 31, 2002

Member States	Balances at December 31, 2001		Quota assessment For 2002		Collections for tax reimbursements	2001 Prompt Payment & Other Credits	Collections in 2002		Uncollected balances at December 31, 2002
	Uncollected	Received In advance	Percent	Amount			For 2002 and prior years	In advance for 2003	
ANTIGUA AND BARBUDA	\$ -	\$ -	0.02	\$ 14,900	\$ -	\$ -	\$ 14,900	-	\$ -
ARGENTINA	3,658,000	-	4.90	3,658,000	-	-	100,000	-	7,216,000
BAHAMAS, COMM. OF	-	-	0.07	52,300	-	1,569	52,300	-	-
BARBADOS	21,017	-	0.08	59,700	11,166	-	80,717	-	-
BELIZE	-	-	0.03	22,400	-	448	22,400	-	-
BOLIVIA	328,427	-	0.07	52,300	-	-	107,040	-	273,687
BRAZIL	-	-	8.55	6,382,800	-	-	6,382,800	-	-
CANADA	-	-	12.36	9,227,100	-	207,148	9,227,100	2,255,002	-
CHILE	-	-	0.54	403,100	-	-	403,100	-	-
COLOMBIA	-	6,849	0.94	701,700	-	-	701,700	-	-
COSTA RICA	-	-	0.13	97,000	-	-	97,000	-	-
CUBA	2,166,322	-	1.24	-	-	-	-	-	2,166,322
DOMINICA, COMM. OF	-	-	0.02	14,900	-	-	14,900	-	-
DOMINICAN REPUBLIC	1,441,797	-	0.18	134,400	-	-	104,682	-	1,471,515
ECUADOR	-	-	0.18	134,400	-	2,688	134,400	-	-
EL SALVADOR	-	-	0.07	52,300	-	-	52,300	-	-
GRENADA	11,272	-	0.03	22,400	-	-	33,672	-	-
GUATEMALA	-	-	0.13	97,000	-	2,910	97,000	-	-
GUYANA	-	-	0.02	14,900	-	298	14,900	-	-
HAITI	103,301	-	0.07	52,300	-	-	82,926	-	72,675
HONDURAS	-	6,872	0.07	52,300	-	-	52,300	358	-
JAMAICA	28,800	-	0.18	134,400	-	-	131,400	-	31,800
MEXICO	-	-	6.08	4,538,900	11,000	-	4,538,900	-	-
NICARAGUA	736,720	-	0.07	52,300	-	-	108,971	-	680,049
PANAMA	-	-	0.13	97,000	-	1,940	97,000	1,940	-
PARAGUAY	180,028	-	0.18	134,400	-	-	29,607	-	284,821
PERU	-	-	0.41	306,100	-	6,334	306,100	-	-
ST. KITTS AND NEVIS	-	-	0.02	14,900	-	-	14,900	-	-
ST. LUCIA	-	-	0.03	22,400	-	-	22,400	-	-
ST. VINCENT & THE GRENADINES	-	-	0.02	14,900	-	298	14,900	298	-
SURINAME	209,200	-	0.07	52,300	-	-	53,000	-	208,500
TRINIDAD AND TOBAGO	-	229	0.18	134,400	-	2,688	134,400	1,979	-
UNITED STATES	24,560,221	-	59.47	44,395,900	8,754,661	-	68,956,121	-	-
URUGUAY	194,100	-	0.26	194,100	-	-	75,000	-	313,200
VENEZUELA	-	-	3.20	2,388,900	-	-	2,388,900	-	-
	<u>\$33,639,205</u>	<u>\$ 13,950</u>	<u>100.00</u>	<u>\$73,727,100</u>	<u>\$ 8,776,827</u>	<u>\$ 226,321</u>	<u>\$94,647,736</u>	<u>\$ 2,259,577</u>	<u>\$ 12,718,569</u>

REGULAR FUND
SUMMARY OF APPROPRIATIONS AND
DISPOSITION OF APPROPRIATIONS

ORGANIZATION OF AMERICAN STATES

SCHEDULE 2

**REGULAR FUND
SUMMARY OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2002**

	2002 Budget Approved by the General Assembly (a)	Supplementary Appropriations (b)	Discretionary Appropriation Transfers (c)	2002 Adjusted Budget
General Assembly and Permanent Council	\$ 12,402,000	\$ 1,200,000	\$ (124,198)	\$ 13,477,802
Executive Office of the General Secretariat	10,338,300	826,512	401,738	11,566,550
Units and Specialized Offices	12,293,100	1,400,000	(42,949)	13,650,151
Inter-American Agency for Cooperation and Development	11,084,300	9,415,941	66,229	20,566,470
Offices Away from Headquarters	5,928,900		(574,135)	5,354,765
Activities of the Secretariat for Legal Affairs	2,042,300		(93,374)	1,948,926
Activities of the Secretariat for Management	10,839,800	1,000,000	(381,297)	11,458,503
Common Administrative and Personnel Costs	5,924,000	7,600,000	978,801	14,502,801
Contributions to:				
Inter-American Defense Board	1,822,800			1,822,800
Inter-American Children's Institute	1,624,900		(232,766)	1,392,134
Inter-American Commission of Women	879,600		(36,247)	843,353
Inter-American Development Foundation	166,600			166,600
Inter-American Commission of Telecommunications	653,400		38,197	691,597
Chapter 2 - Personnel Costs Adjustment				-
	<u>\$ 76,000,000</u>	<u>\$ 21,442,453</u>	<u>\$ -</u>	<u>\$ 97,442,453</u>

(a) AG/RES. 1839 (XXXI-O/01).

(c) Includes CP/RES.831 (US\$ 20,600,000), AG/RES.1460 (XXV/II-O/97) (US\$415,941)

(b) CP/doc.3636/02, CP/doc.3635/02, CP/doc.3656/03

ORGANIZATION OF AMERICAN STATES

SCHEDULE 3

REGULAR FUND
SUMMARY OF DISPOSITION OF APPROPRIATIONS
YEAR ENDED DECEMBER 31, 2002

	2002 Adjusted Budget	Charges for Expenditures	Unliquidated Obligations	Total Expenditures and Obligations	Unused Appropriations ¹
General Assembly and Permanent Council	\$ 13,477,802	\$ 11,981,382	\$ 273,044	\$ 12,254,426	\$ 1,223,376
Executive Office of the General Secretariat	11,566,550	11,015,747	149,550	11,165,296	401,254
Units and Specialized Offices	13,650,151	12,064,354	156,768	12,221,122	1,429,029
Inter-American Agency for Cooperation and Development	20,566,470	9,438,609	1,698,368	11,136,977	9,429,493
Offices Away from Headquarters	5,354,765	5,330,830	9,802	5,340,632	14,133
Activities of the Secretariat for Legal Affairs	1,948,926	1,917,501	30,711	1,948,211	714
Activities of the Secretariat for Management	11,458,503	10,302,711	153,557	10,456,268	1,002,235
Common Administrative and Personnel Costs	14,502,801	6,110,898	765,988	6,876,886	7,625,915
Contributions to:					
Inter-American Defense Board	1,822,800	1,822,800		1,822,800	
Inter-American Children's Institute	1,392,134	1,360,263	31,467	1,391,730	404
Inter-American Commission of Women	843,353	797,000	46,280	843,280	73
Pan American Development Foundation	166,600	166,600		166,600	
Inter-American Commission of Telecommunications	691,597	673,139	18,377	691,516	82
Chapter 2 - Personnel Costs Adjustment	-				
	<u>\$ 97,442,453</u>	<u>\$ 72,981,833</u>	<u>\$ 3,333,910</u>	<u>\$ 76,315,743</u>	<u>\$ 21,126,709</u>
Budgeted Funding:					
Quotas	\$ 73,727,100				
Supplementary Appropriations	21,150,726				
Other Funding	2,272,900				
Americas subscriptions revenue	291,727				
	<u>\$ 97,442,453</u>				

*From this total, US\$20,600,000 were appropriated under resolution CP/RES.831 and the authorization to obligate them is at the discretion of the Permanent Council.

The total also includes US\$415,941 related to the Capital Fund for OAS Fellowship, Scholarship, and Training Programs established by resolution AG/RES. 1460.

The balance of US\$ 110,768 expired December 31, 2002 in compliance with Article 99 from the General Standards to Govern the Operations of the General Secretariat.

SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Unit for the Promotion of Democracy											
Bolivia	Assist to Minister of Econo Developmen	7,878	44,917	-	-	-	2,712	42,204	50,082	2,608	47,474
Brazil	EOM Specific Funds	-	70,000	50,000	-	-	20,761	99,239	99,239	109	99,131
CIDA	CIDA Contribution	5,690	-	-	-	-	-	-	5,690	-	5,690
CIDA	Demining Program Assist. Peru/Ecuador	234,496	-	-	-	-	163,546	(163,546)	70,950	-	70,950
CIDA	Parliamentary Network of the Americas	5,377	43,865	-	-	-	31,705	12,160	17,537	3,129	14,407
IDB	Democratic Study Program	68,071	104,827	-	-	-	89,598	15,229	83,300	16,700	66,600
IDB	IDB Judicial Support Congress	12,839	-	-	-	(12,839)	-	(12,839)	-	-	-
IDB	MORECIV	72,038	146,400	-	-	-	115,520	30,880	102,918	7,421	95,498
Italy	Demining Awareness- Nicaragua	100,000	-	-	-	-	13,000	(13,000)	87,000	-	87,000
Netherlands	General Election Volunteers	8	-	-	-	-	-	-	8	-	8
Netherlands	Plan Ass. Tecnica TSE Guatemala	298,883	655,455	-	5,422	-	864,580	(203,704)	95,180	7,630	87,550
Nicaragua	Home Reconstruction Nicaragua	662,248	995,429	-	120	238	1,374,165	(378,378)	283,870	237,642	46,228
Nicaragua	Rec. Solidarity of Housing	8,735	-	-	-	1,194	8,603	(7,409)	1,326	-	1,326
Norway	Diminishing Voting Abstinance in Guater	5,582	-	-	-	-	-	-	5,582	-	5,582
Norway	Electoral Programs Assitance	-	412,221	-	-	-	-	412,221	412,221	-	412,221
PRONAGOB	Audt. Sist. Inf. CNE Bolivia	787	-	-	-	-	-	-	787	24	763
Soros	Support to Dialogue in Guatemala	832	-	-	-	-	-	-	832	-	832
Sweden	Peace and Reinsertion	7,882	-	-	127	(7,852)	-	(7,725)	157	-	157
Sweden	Son of the River - Nicaragua	83,191	-	-	1,296	400	64,744	(63,049)	20,142	-	20,142
Sweden	Special Prog. Elect Tech Assist NI	346,577	821,545	-	-	647	907,948	(85,756)	260,821	94,755	166,066
Sweden	Support of Plan Elections 2003	-	1,129,275	-	1,468	-	-	1,130,744	1,130,744	-	1,130,744
Sweden	Support to Rural Judicial Facilitators	-	549,119	-	-	-	-	549,119	549,119	-	549,119
Sweden	Sustainability - Hijos del Rio	-	199,587	-	677	-	198,699	1,566	1,566	695	871
Sweden	VII Iberoamerican Congress of Chemistr	437	-	-	-	-	-	-	437	-	437
U.S.	Counterterrorism Legis. In Caribbean	-	100,000	-	-	-	-	100,000	100,000	-	100,000
U.S.	Counterterrorism Legis. In Central Ameri	-	-	250,000	-	-	10,337	239,663	239,663	2,571	237,093
U.S.	Database of the Americas	174,514	-	-	-	-	100,095	(100,095)	74,419	-	74,419
U.S.	Democratic Charter	-	-	25,000	-	-	21,140	3,860	3,860	-	3,860
U.S.	Elect. Assist and Civil Education Guaterr	395	-	-	-	-	-	-	395	-	395
U.S.	Elect. Obs. Mission - Guatemala	1,048	-	(1,048)	-	-	-	(1,048)	-	-	-
U.S.	Elect. Obs. Mission - Venezuela 1999	824	-	-	-	-	-	-	824	-	824
U.S.	Elect. Obs. Mission-Municipal Elect-NI	12,779	-	-	-	-	3,123	(3,123)	9,656	94	9,562
U.S.	Electoral Obs. Mission - Colombia 2002	-	347,104	90,896	-	-	418,561	19,439	19,439	3,600	15,839
U.S.	Electoral Obs. Mission - Dominican Repu	-	-	46,381	-	-	29,871	16,510	16,510	3,500	13,010
U.S.	Electoral Obs. Mission -BOLIVIA 2002	-	52,657	84,396	215	-	129,174	8,095	8,095	8,993	(898)
U.S.	Electoral Obs. Mission -ECUADOR 2002	-	44,369	240,000	-	-	194,976	89,393	89,393	29,111	60,282
U.S.	Electoral Obs. Mission -Peru 2002	-	-	143,617	-	-	100,454	43,163	43,163	25,889	17,273
U.S.	Horizontal Coop. Bra-Par / Electronic Vc	8,683	-	-	-	-	75	(75)	8,608	3,907	4,701
U.S.	IA Forum on Political Parties	-	91,015	200,000	-	-	178,377	112,638	112,638	24,781	87,856
U.S.	National Dialogue in Ecuador	246	-	-	-	-	-	-	246	-	246

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest	Refunds &	Expenditures	Net Change	Cash Balance	Unliquidated	Fund Balance
		1-Jan-02									
<u>Unit for the Promotion of Democracy (continued)</u>											
U.S.	Panama Obs.Mission Panama (05/99)	2,277	-	-	-	-	-	-	2,277	-	2,277
U.S.	Political Parties Sup in Haiti	-	100,000	-	-	-	-	100,000	100,000	-	100,000
U.S.	Strengthening Democ. Proc. Cuba	50,000	-	-	-	-	-	-	50,000	-	50,000
U.S.	Tec.Asist.Elect. Justice Tribunal - PY	317	-	-	-	-	-	-	317	-	317
U.S.	Venezuela Interp. Forum	-	-	199,780	-	-	136,994	62,786	62,786	80	62,707
U.S.	Venezuela National Dialogue	-	-	50,000	-	-	50,000	-	-	-	-
UN- Mine	Info Mgmt Systems Mine Action -Nicarag	4,784	-	-	-	-	4,155	(4,155)	629	-	629
US St.-H.Demi	Demining PADEP/PERU	937,534	225,000	-	-	-	440,448	(215,448)	722,086	84,768	637,318
US St.-H.Demi	Mine Detecting Canine Administ. Progran	96,008	184,500	-	-	-	277,346	(92,846)	3,163	3,163	-
Various	AICMA/Mine Victim Assist Prog	-	52,675	-	-	-	3,500	49,175	49,175	-	49,175
Various	AICMA/PADCA-CR	53,200	10,000	-	-	-	58,585	(48,585)	4,615	1,334	3,281
Various	AICMA/PADCA-NI-FO4	185,169	502,697	-	390	154	473,032	30,209	215,378	2,923	212,456
Various	AICMA/PADCA-NI-FO5	486,079	1,129,634	-	-	694	1,442,407	(312,079)	174,000	25,442	148,558
Various	AICMA/PADCA-NI-PI	568	130,155	-	-	-	126,182	3,974	4,541	-	4,541
Various	Caribbean Elect. Tech. Assistance	132,991	71,583	22,298	29	41	141,758	(47,807)	85,184	7,131	78,053
Various	Caribbean Forum Constitutional Reform	24,218	9,099	-	-	204	30,171	(20,868)	3,350	834	2,515
Various	Community of Democracies	11,641	-	-	-	-	7,285	(7,285)	4,356	-	4,356
Various	Conflict Resolution Prog. Guatemala	-	393,081	-	464	-	57,788	335,756	335,756	15,034	320,723
Various	Decentralization Local Governments	49,565	53,146	-	-	-	81,678	(28,532)	21,033	6,000	15,033
Various	Demining in Central America	16,366	-	225,000	-	-	208,265	16,735	33,102	-	33,102
Various	Demining PADCA-Honduras	347,836	493,303	-	3,847	154	722,578	(225,274)	122,563	13,506	109,056
Various	Demining PADCA-Nicaragua	362,693	436,237	-	2,810	-	758,488	(319,441)	43,253	5,123	38,130
Various	Demining PADEP/ECUADOR	260,840	624,059	-	-	395	293,075	331,379	592,219	24,921	567,297
Various	Demining-Preventing Education	3	-	-	-	-	-	-	3	-	3
Various	Demining-Unprogrammed Spec Fd	-	225,894	-	229	-	-	226,122	226,122	-	226,122
Various	ELEC OBSERV MISS GUAYANA 2001	78,665	2,984	-	-	-	7,108	(4,124)	74,541	35,126	39,415
Various	Elect. Obs Mission-Suriname	25,486	-	-	-	-	6,118	(6,118)	19,368	-	19,368
Various	Elect. Obs. Mission - Nicaragua General	90,550	30,658	565	-	(2,289)	107,854	(78,921)	11,630	3,000	8,630
Various	Elect. Obs. Mission - Paraguay	4,669	-	-	-	-	1,900	(1,900)	2,769	-	2,769
Various	Elect. Obs. Mission - Venezuela 2000	4,883	-	(144)	-	-	3,243	(3,387)	1,496	-	1,496
Various	Elect. Obs. Mission Peru	154	-	-	-	-	130	(130)	24	-	24
Various	Elect. Obs. Mission-Guatemala Nov 99	996	-	-	-	-	-	-	996	-	996
Various	Elect. Obs. Mission-Haiti 1999	15,226	-	(14,408)	-	-	1,964	(16,372)	(1,147)	-	(1,147)
Various	Elect. Obs. Paraguay	3,549	-	-	-	-	-	-	3,549	-	3,549
Various	Elect. Observation Mssion in Peru-2001	101,696	-	(70,689)	-	106	9,751	(80,334)	21,363	-	21,363
Various	Elect. Technical Assistance	467	-	-	-	-	-	-	467	-	467
Various	Elect.Obs.Mission- Honduras 2001	87,400	-	-	-	3	45,014	(45,011)	42,390	7,530	34,860
Various	Elect.Obs.Mission- St.Vincent & Grenadi	8,353	-	-	-	-	5,369	(5,369)	2,984	-	2,984
Various	Electoral Observation Fund	91,803	-	(50,000)	-	-	5,155	(55,155)	36,648	-	36,648
Various	EOM-Atlantic Coast in NI 2002	-	109,714	-	102	-	74,306	35,510	35,510	595	34,915

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Unit for the Promotion of Democracy (continued)											
Various	Experts Meeting - Education & Peace	726	-	-	-	-	-	-	726	-	726
Various	Exploratory Mission Venezuela	7,863	-	-	-	-	-	-	7,863	-	7,863
Various	High Level Mission.-Perú	57,387	-	(42,442)	-	-	1,929	(44,370)	13,017	-	13,017
Various	OAS-Mission to Haiti	28,325	-	-	-	(1,565)	25,811	(27,376)	949	946	2
Various	OH-Democr Values & Polit Mgmt	-	-	42,579	-	6,747	30,944	18,382	18,382	-	18,382
Various	PADCA/GUATEMALA 00384	228,602	487,561	-	3,569	6,139	680,357	(183,088)	45,514	5,309	40,205
Various	Permanent Forum Political Parties	10,824	46,935	(50,000)	-	990	8,008	(10,083)	741	293	448
Various	Politic Management - Guatemala	337,962	720,329	(23,715)	5,710	3,738	676,770	29,291	367,253	32,511	334,742
Various	Prog.of Legislative Development	18,785	-	-	-	-	18,000	(18,000)	785	-	785
Various	PRONAGOB	76,471	85,131	-	-	538	97,294	(11,626)	64,845	10,113	54,732
Various	PROPAZ	273,154	6,200	(4,945)	5,467	-	278,353	(271,631)	1,523	52	1,471
Various	PROPAZ FOUNDATION	-	347,381	-	712	-	262,896	85,197	85,197	46,905	38,291
Various	Special Fund for Strengthening Democr	106,755	-	-	-	(12,290)	704	(12,994)	93,761	-	93,761
Various	Special Mission to Suriname	4,731	-	-	98	-	268	(170)	4,562	133	4,429
Various	Stockpile Destruction	73,324	11,093	-	-	-	84,324	(73,231)	92	-	92
Various	Training & Civic Educ. Guatemala	56,570	-	-	-	-	-	-	56,570	-	56,570
Various	Democr Overhead Contribution	7	-	-	-	-	-	-	7	-	7
Various	Democracy Courses	127	-	-	-	-	-	-	127	-	127
Various	Information System Tech. Assist. Ecuad	-	48,000	-	-	-	13,863	34,137	34,137	-	34,137
Various	Overhead Account (Democr)	117,436	68,959	-	50,000	-	236,107	(117,148)	289	-	289
Sub-Total		7,055,073	12,413,792	1,413,121	82,751	(14,455)	13,039,036	856,173	7,911,246	805,930	7,105,316
Permanent Secretariat to CIM											
Canada	Gender Mainstreaming-OAS/CIM	-	272,998	-	1,035	-	137,006	137,028	137,028	12,842	124,187
Dominican	31st CIM Delegates Assembly	-	52,644	-	-	-	26,424	26,220	26,220	8,117	18,102
UNIFEM	Convention of Belem Do Para	945	-	-	-	(945)	-	(945)	-	-	-
UNIFEM	Sub Regional Meeting Montevideo Urugu	373	-	-	-	(373)	-	(373)	-	-	-
USAID	Trafficking of Women & Children in Amer	-	-	-	-	-	-	-	-	-	-
Various	Other Expenses - CIM	1,268	2,952	-	-	-	2,611	341	1,609	-	1,609
Various	Traffic of Wom & Child in America	-	7,583	16,000	-	-	40,689	(17,106)	(17,106)	-	(17,106)
Sub-Total		2,586	336,177	16,000	1,035	(1,318)	206,729	145,165	147,751	20,959	126,792
Inter-American Commission on Human Rights											
U.S.	Special Rapporteurs on Women	-	-	50,000	-	-	-	50,000	50,000	-	50,000
Various	I-A Commission on Human Rights	650,343	1,349,684	(69,332)	-	1,253	923,518	358,086	1,008,429	110,519	897,910
Various	Rapporteur-Freedom Exp.	401,066	175,000	-	1,157	9,303	366,273	(180,813)	220,253	13,263	206,989
Various	I-A Comiss. of Human Rights-Overhead	66,027	-	-	-	-	-	-	66,027	-	66,027
Sub-Total		1,117,436	1,524,684	(19,332)	1,157	10,556	1,289,791	227,273	1,344,710	123,783	1,220,927

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Office of the Secretary General											
Canada	Civil Society Participation	-	6,275	-	-	-	5,053	1,223	1,223	-	1,223
Chile	Inter-American Tribune	2,560	-	-	-	-	-	-	2,560	-	2,560
Colombia	Ex-Presid.Gaviria Security	(36,026)	-	-	-	-	161,343	(161,343)	(197,369)	-	(197,369)
Other	Public."House of the Americas"	50,647	-	-	-	-	-	-	50,647	-	50,647
U.S.	Creation/Maint. Virtual Office	100	29,450	-	-	-	28,031	1,420	1,520	-	1,520
U.S.	High Level Mssion.-Perú	12,171	-	-	-	262	9,968	(9,706)	2,465	-	2,465
U.S.	Special Mssion OSPE	-	-	58,714	-	-	36,828	21,886	21,886	22,000	(114)
Various	Development Assistance Unprogrammed	32,363	-	(22,298)	-	-	-	(22,298)	10,065	-	10,065
Various	Facilitate Talk between BZ/GU	7,200	-	-	-	-	-	-	7,200	-	7,200
Various	High Level Mssion.-Venezuela	-	-	25,000	-	-	-	25,000	25,000	-	25,000
Various	Model OAS General Assembly	41,551	18,400	(44,992)	-	217	3,395	(29,770)	11,781	1,354	10,427
Various	OAS 50th Anniversary	790	4,130	-	-	-	5,111	(981)	(191)	-	(191)
Various	OAS 50th Anniversary-Sales	452	-	-	-	-	-	-	452	-	452
Various	OAS Special Representative-NI	100,914	70,539	-	-	476	22,717	48,297	149,211	7,893	141,318
Various	Pub.Inf.Radio & TV Sale Video	1,540	-	-	-	-	-	-	1,540	-	1,540
Various	S.I.R.G. Meetings	29,845	88,600	-	-	-	76,562	12,038	41,884	209	41,675
Various	Work Gr on Indigenous Rights	-	62,544	60,000	-	-	68,607	53,937	53,937	4,430	49,507
Various	Office of the Secretary General	689	-	-	-	-	-	-	689	-	689
Various	Oracle Marketing Plan	9	-	-	-	-	-	-	9	-	9
Sub-Total		244,804	279,939	76,424	-	955	417,615	(60,297)	184,507	35,885	148,622
Office of Cultural Affairs											
Brazil	Unprogrammed Funds (ex CEC)	44,420	-	-	-	-	-	-	44,420	-	44,420
Chile	Unprogrammed Funds	7,500	39,134	-	-	-	-	39,134	46,634	-	46,634
Colombia	Cultural Projects	1,687	-	-	-	-	-	-	1,687	-	1,687
Mexico	Cultural Projects	65	-	-	-	-	-	-	65	-	65
Mexico	Gabriela Mistral Price Competition	3,901	-	-	-	-	-	-	3,901	-	3,901
Various	Miscellaneous Record Sales	5,465	-	-	-	-	-	-	5,465	-	5,465
Various	Prot & Promot. Cultural	942	-	-	-	-	-	-	942	-	942
Various	Amalia Fortabat Music Friends Fellowship	876	-	-	-	-	-	-	876	-	876
Sub-Total		64,857	39,134	-	-	-	-	39,134	103,991	-	103,991
Department of Fellowships											
Chile	Course on Nutritional Policies	5,000	-	-	-	-	-	-	5,000	-	5,000
CIDI	Contrib-Fellowships	8,145	-	-	-	-	-	-	8,145	-	8,145
Prodeca	Romulo Gallegos Fellowships	-	-	19,332	-	-	10,018	9,314	9,314	3,024	6,290
St.Vin.&Gren.	Contrib-Fellowships	1,374	-	-	-	-	-	-	1,374	-	1,374
Sub-Total		14,519	-	19,332	-	-	10,018	9,314	23,833	3,024	20,809

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Office of Science & Technology											
Argentina	Center Textile Research	437	-	-	-	-	-	-	437	-	437
Argentina	CNEA Degradation Materials	5,707	-	-	-	-	-	-	5,707	-	5,707
Brazil	Unprogrammed Funds (ex CMP)	6,773	-	-	-	-	-	-	6,773	-	6,773
GTZ	Quality Mngt. Syst. Flood and Text.	41,568	-	-	542	23	35,623	(35,057)	6,511	4,008	2,503
GTZ	Science Projects	248	-	-	-	-	-	-	248	-	248
Netherlands	Food Technology-Brazil	6,982	-	-	-	-	-	-	6,982	-	6,982
OSI - (NGO)	University Environment	75	-	-	-	-	-	-	75	-	75
Panama	Drug Investigations	36,539	7,801	-	-	-	22,789	(14,988)	21,551	13,750	7,801
Panama	Plan for Science and Technology	8,619	368,689	-	-	-	117,168	251,521	260,140	236,411	23,729
Sub-Total		106,947	376,490	-	542	23	175,580	201,476	308,423	254,169	54,254
Inter-American Commission Against Drug Abuse											
AECI	Strengthening of CND in Andean Countr	343,551	149,028	-	-	-	223,341	(74,313)	269,238	11,263	257,975
Carif	SIDUC-DAESSP	-	144,163	-	1,307	-	52,816	92,654	92,654	7,634	85,020
EEC	EEC- Online Information Management	43,146	58,444	27,114	-	963	124,014	(37,493)	5,653	2,436	3,217
EEC	Inter-Reg'l Drug Prevention Program	2,298	-	-	-	-	2,285	(2,285)	13	-	13
IDB	Money Laundering - Training	255	-	-	-	-	-	-	255	-	255
Spain	Spain-CICDAT	9,587	60,000	-	-	-	61,990	(1,990)	7,597	-	7,597
U.S.	Drug -Related Gang and Violence	29,786	40,000	-	-	706	20,843	19,863	49,649	1,088	48,561
USDOE	Drug Policy Leadership Conf	21	-	-	-	-	-	-	21	-	21
USINL	Altern. Dev.-GLEAM	2,306	-	-	-	-	170	(170)	2,136	2,000	136
USINL	Alternative Devel.-Cacao	1,667,287	-	51,200	-	-	501,512	(450,312)	1,216,976	122,078	1,094,898
USINL	Alternative Devel.-SIGATOKA	1,849,412	-	120,000	-	-	441,927	(321,927)	1,527,485	880,116	647,369
USINL	Alternative Development Caribbean SIG/	101,995	-	-	-	-	17,151	(17,151)	84,844	5,191	79,653
USINL	Alternative Development Colombia	164,030	-	-	-	-	103,993	(103,993)	60,037	-	60,037
USINL	Alternative Development General Suppo	111,098	-	15,000	-	705	89,632	(73,927)	37,171	11,816	25,355
USINL	Bolivia-GLEAM	1,518,598	-	(170,000)	-	-	443,486	(613,486)	905,112	133	904,979
USINL	Chemical Control Systems	2,201	-	-	-	-	710	(710)	1,491	21	1,471
USINL	CICAD- Undistributed Funds	-	2,139	-	-	-	-	2,139	2,139	-	2,139
USINL	Colombian Indigenous	256,118	-	-	-	-	117,942	(117,942)	138,177	-	138,177
USINL	Demand Reduction-Expert Grp	4,595	-	-	-	2,966	4,581	(1,614)	2,980	300	2,680
USINL	Displacement of Illicit Crops and People	11,399	-	-	-	-	-	-	11,399	-	11,399
USINL	Ecuador - Alternative Development Fron	471,126	-	-	-	-	316,334	(316,334)	154,792	8,176	146,616
USINL	Enhancement of CICAD Information & Sta	17,505	-	-	-	(380)	17,307	(17,687)	(182)	84	(266)
USINL	Field Research Site-Tarapoto	158,968	-	(45,000)	-	-	-	(45,000)	113,968	-	113,968
USINL	Financial Intelligence Unit	-	494,000	-	-	-	5,864	488,136	488,136	35,991	452,145
USINL	Firearms-Model Reg.	111,750	200,000	-	-	-	141,565	58,435	170,185	25,759	144,426
USINL	Information XXI Century	533	-	-	-	-	-	-	533	-	533
USINL	LEADERSHIP CONFERENCE 2002	-	150,000	-	-	-	116,623	33,377	33,377	19,288	14,089
USINL	Master Degree On Line	7,005	680,437	-	-	13	364,412	316,038	323,043	15,269	307,774

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
		1-Jan-02									
Inter-American Commission Against Drug Abuse (continued)											
USINL	Minimun Standards of Care	19,060	22,000	-	-	-	40,788	(18,788)	273	122	150
USINL	Money Laundering-Expert	18,216	79,960	-	-	200	4,714	75,446	93,662	255	93,407
USINL	Observatory Technical & Administ. Supp	16,600	173,281	-	-	-	174,896	(1,615)	14,985	-	14,985
USINL	Organ. Develop. Natu. Drug Comm.	15,388	340,000	58,000	-	-	260,354	137,646	153,034	12,948	140,086
USINL	Peruvian Cacao Coordination	51,016	-	-	-	-	-	-	51,016	-	51,016
USINL	Pharmaceutical /Experts Group	26,530	15,000	-	-	-	6,161	8,839	35,369	152	35,217
USINL	Regional Iniciative on Demand Reduction	5,633	-	-	-	-	-	-	5,633	-	5,633
USINL	RETCOD/NDC-Equipment	4,396	-	-	-	-	-	-	4,396	-	4,396
USINL	SENASA-Vitarte	3,324	-	100,000	-	-	78,605	21,395	24,719	1,750	22,970
USINL	SIDUC - Caribbean	83,122	-	-	-	5	25,751	(25,746)	57,377	5,880	51,497
USINL	Street Children-Central	50,550	-	-	-	-	49,897	(49,897)	654	654	-
USINL	Support to Peruvian Cacao Strategy	184,576	-	(47,114)	-	340	5,203	(51,977)	132,599	4,639	127,960
USINL	Synthetic Drugs	-	35,000	-	-	-	-	35,000	35,000	-	35,000
USINL	Treatment Training	579	25,000	-	-	-	434	24,566	25,145	-	25,145
USINL	US Contrib. Year 1997	152,656	-	(106,151)	-	-	-	(106,151)	46,505	-	46,505
USINL	Witness Protection-Training	29,857	-	-	-	-	-	-	29,857	-	29,857
USINL	Workshop on Money Laundering	-	40,000	-	-	-	10,585	29,415	29,415	-	29,415
Various	A.D. Colombia	4,639	-	-	-	558	-	558	5,197	-	5,197
Various	Atlantic Coast Prevention	8,473	-	-	-	-	-	-	8,473	-	8,473
Various	Canadian Contribution	21	-	-	-	-	-	-	21	-	21
Various	Caribbean Chemical Resources	120,070	-	(36,807)	1,433	606	34,835	(69,602)	50,468	-	50,468
Various	Caribbean Prevention	84	98,000	(5,000)	-	-	61,529	31,471	31,554	17,887	13,667
Various	Community Policing	-	42,468	-	-	-	38,736	3,732	3,732	151	3,581
Various	Control & Interdiction	102	-	-	-	-	-	-	102	-	102
Various	Control & Interdiction Intelligence	92,005	62,128	28,000	-	17,606	192,438	(84,703)	7,302	20,239	(12,937)
Various	Cost of Substance Abuse	908	72,776	-	-	-	58,918	13,858	14,766	4,405	10,362
Various	Customs/Maritime Coop.	90,687	50,000	-	136	-	95,947	(45,811)	44,875	11,223	33,652
Various	Dev. & Judicial	19,854	-	-	-	1,000	8,401	(7,401)	12,452	798	11,654
Various	EEC-IADIS	5,463	-	-	-	-	5,809	(5,809)	(346)	-	(346)
Various	Exec.Secret.Tech./Adm.Supp	163,904	48,263	-	-	-	124,522	(76,259)	87,645	492	87,153
Various	Exec.Secretariat Tech.Supp	(21,827)	-	-	-	-	-	-	(21,827)	-	(21,827)
Various	Fellow ships/Training	12,301	10,000	12,000	-	-	38,847	(16,847)	(4,546)	2,509	(7,055)
Various	General Fund	67,419	70,000	(5,000)	-	1,171	16,412	49,758	117,177	-	117,177
Various	INST. Building-National	50,089	160,000	(60,000)	-	320	109,855	(9,535)	40,554	27,450	13,104
Various	Institution Building Central America	94,741	49,272	-	-	2,112	76,527	(25,142)	69,599	7,011	62,588
Various	John Hopkins-NIDA-Research	7,018	-	-	-	-	-	-	7,018	-	7,018
Various	Legal Dev -Adm/Tech.Supp	361	-	-	-	-	-	-	361	-	361
Various	MEM	432,094	701,287	-	-	-	395,685	305,602	737,696	5,610	732,086
Various	MEM Solidarity Fund	44,525	15,625	-	-	-	52,632	(37,007)	7,518	1,517	6,001
Various	Money Laundering	17,136	108,859	60,800	-	50	158,475	11,234	28,370	2,095	26,276
Various	Money Laundering	561	-	-	-	-	-	-	561	-	561

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Inter-American Commission Against Drug Abuse (continued)											
Various	Money Laundering - Training Judicial	37,351	218,101	-	-	-	196,080	22,021	59,372	-	59,372
Various	Nursing School Training	86,265	239,961	(11,600)	-	-	312,589	(84,228)	2,037	9,130	(7,093)
Various	Ord. Session Period	3,068	74,604	-	-	(22,407)	44,199	7,998	11,066	3,300	7,766
Various	RETCOD/Precursos	80,771	42,845	-	1	2,954	191,852	(146,053)	(65,282)	4,307	(69,590)
Various	SIDUC-Stats. System	159,852	113,400	-	-	99	111,648	1,851	161,702	30,489	131,213
Various	Street Children	866	-	-	-	-	-	-	866	-	866
Various	Support To Drug Consult Groups	4,025	-	-	-	-	-	-	4,025	-	4,025
Various	Technical ADMTVE-Support	26,093	83,200	5,751	-	-	109,362	(20,411)	5,682	-	5,682
Various	USINL-Administrative/Tech.	31,033	162,794	8,807	-	-	201,723	(30,123)	911	-	911
Various	Women and Drug Abuse	2,601	-	-	-	-	2,512	(2,512)	89	-	89
Various	Youth Encounters Prevention	1	-	-	-	-	-	-	1	-	1
Various	I-A Legislative Integration	2,608	-	-	-	573	996	(422)	2,186	1,613	573
Sub-Total		9,191,236	5,132,035	-	2,877	10,159	6,466,414	(1,321,343)	7,869,893	1,325,267	6,544,627
Inter-American Telecommunications Commission											
Fees	CCP I Radio Difusion	18,023	13,238	-	-	-	28,915	(15,677)	2,347	-	2,347
Fees	CCP I -Public Services of Telecomunic.	126,424	148,113	-	-	-	198,750	(50,637)	75,787	14,000	61,787
Fees	CITEL Special Activities	63,661	-	-	-	-	43,781	(43,781)	19,880	-	19,880
Various	CCP III -Radio Communication	86,334	178,659	-	-	-	202,479	(23,820)	62,514	7,370	55,144
Sub-Total		294,442	340,010	-	-	-	473,924	(133,914)	160,528	21,370	139,158
Trade Unit											
IACD	TRADE COURSE FOR GOV OFFICIALS	-	125,000	-	-	(1,020)	123,980	-	-	-	-
IDB	II Meeting-Paramaribo	20,269	-	-	-	-	-	-	20,269	-	20,269
Jamaica	Georgetow n University Trade Course	500	-	-	-	-	-	-	500	-	500
St. Lucia	Georgetow n University Trade Course	7,500	-	-	-	-	7,500	(7,500)	-	-	-
Trin.&Tob.	2nd Meeting of Research Netw ork on Hk	26,458	-	-	-	(1,585)	22,873	(24,458)	2,000	2,000	-
Various	Trade Unit Publications Sales	8,834	1,054	-	-	-	-	1,054	9,888	-	9,888
Sub-Total		63,561	126,054	-	-	(2,604)	154,353	(30,904)	32,657	2,000	30,657
SICE-Foreign Trade Information System											
CAF	Andean Technical Cooperation Corp/OA	(30,000)	-	-	-	-	-	-	(30,000)	-	(30,000)
Various	U.S. State Department to SICE	416,610	-	-	-	-	163,721	(163,721)	252,889	4,338	248,552
Sub-Total		386,610	-	-	-	-	163,721	(163,721)	222,889	4,338	218,552
Social Development and Education Unit											
Argentina	CIDES	4,406	-	-	-	-	-	-	4,406	-	4,406
Argentina	Education Projects	7,066	-	-	-	-	-	-	7,066	-	7,066
Argentina	Strengthening of Investment Systems	9,297	-	-	-	-	9,263	(9,263)	34	-	34
Argentina	Workshop Design/eval/ID Int'l Coop	6,108	-	-	-	-	-	-	6,108	-	6,108
Brazil	CIDS-IA Committee Sust Dev	-	-	-	-	-	4,115	(4,115)	(4,115)	-	(4,115)

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest	Refunds &	Expenditures	Net Change	Cash Balance	Unliquidated	Fund Balance
		1-Jan-02									
Social Development and Education Unit (continued)											
Brazil	Unprogrammed Funds-Education	17,769	-	-	-	-	-	-	17,769	-	17,769
CITGO	Musical Concerts	-	10,000	(500)	-	-	9,500	-	-	-	-
CITGO	Simon Bolivar Orchestra	-	93,144	-	-	-	88,971	4,174	4,174	-	4,174
Dom.Rep.	Education Projects	5,060	-	-	-	-	-	-	5,060	-	5,060
Honduras	Telebasica Project	5,919	-	-	-	-	-	-	5,919	-	5,919
IACD	Strengthen Democracy	-	81,933	-	-	-	48,203	33,730	33,730	27,500	6,230
IBM	Education Program	7,936	-	-	-	-	-	-	7,936	-	7,936
ICS	Parliamentarian Health Meeting	3,507	-	-	-	-	-	-	3,507	-	3,507
IDB	Labor Ministers Conference	25,209	-	-	-	-	-	-	25,209	-	25,209
IDB	Meeting PISDIC	779	-	-	-	-	-	-	779	-	779
IDB	National Customs Costa Rica	7,689	-	-	-	-	-	-	7,689	-	7,689
IDB	Program Support to Social Network	1,812	36,300	-	-	-	23,811	12,489	14,309	3,070	11,239
IDB	Tech. Support for Culture Mtg.	-	15,798	-	-	-	2,000	13,798	13,798	-	13,798
Mexico	Indigenous Organizations	20,919	-	-	-	-	-	-	20,919	-	20,919
Mexico	Regional Enterprises	70,897	-	-	-	-	-	-	70,897	-	70,897
SENAI	PA T-SENAI-OEA	10,116	-	-	-	-	-	-	10,116	-	10,116
Tinker Found.	Tech. Coop. Seminar HQ.	8,520	-	-	-	-	-	-	8,520	-	8,520
UNESCO	Education for Sustain Future	2,457	-	-	-	-	2,450	(2,450)	7	-	7
UNICEF	Proposal/CEPAL	1,690	-	-	-	-	-	-	1,690	-	1,690
Various	Education Projects	824	-	-	-	-	-	-	824	-	824
Various	IV SYMPOSIUM-Early Childhood	7,838	-	-	-	-	1,285	(1,285)	6,553	-	6,553
Various	Lat. Amer. Educ. Ad. Network	-	150,000	-	-	-	-	150,000	150,000	21,000	129,000
Various	OH. SOC DEV & EDUC UNIT	3,931	-	-	-	-	1,082	(1,082)	2,849	-	2,849
Various	Ports Emergency Program	5,200	-	-	-	-	5,200	(5,200)	-	-	-
Various	Reforma Educativa en Paraguay	2,776	-	-	-	-	-	-	2,776	-	2,776
Various	Social Net Fund	39,386	44,912	-	-	-	10,000	34,912	74,299	-	74,299
Various	Special Port Program	14,750	-	-	-	242	14,750	(14,508)	242	-	242
Various	Unprogrammed Funds-Tech Coop	335,348	-	-	-	-	-	-	335,348	-	335,348
Various	Education Projects	20,859	-	-	-	-	-	-	20,859	-	20,859
Various	Perkins School for the Blind	2,500	-	-	-	-	-	-	2,500	-	2,500
Venezuela	Improvement Quality Basic Education	32,119	-	-	-	-	-	-	32,119	-	32,119
Sub-Total		682,688	432,087	(500)	-	242	220,630	211,200	893,895	51,570	842,325
Sustainable Development and Environment											
Brazil	DIALOGUE V	-	15,000	-	-	-	7,791	7,209	7,209	-	7,209
Brazil	MMA Operation	277,232	-	-	-	-	225,000	(225,000)	52,232	-	52,232
Brazil	OECS Safer Housing	-	-	10,000	-	-	1,700	8,300	8,300	6,875	1,425
Brazil	PLAN AP Paranaiba Valley	-	41,060	-	-	-	-	41,060	41,060	-	41,060
Brazil	PRONI - CODEVASF	142,097	48,772	-	2,325	-	90,762	(39,666)	102,432	17,315	85,117
Brazil	Strengthening Water Res. SRH/OAS	-	-	-	-	-	17,998	(17,998)	(17,998)	2,765	(20,763)
Brazil	Strengthening Water Res. SRH/OAS	1,213,779	926,667	-	-	5,883	1,872,457	(939,907)	273,872	56,709	217,164

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Sustainable Development and Environment (continued)											
CAF	Disaster Mitigation Initiatives-FEMA	5,400	-	-	-	-	5,294	(5,294)	106	-	106
CIDA	Caribbean Haz. Mit. Cap. B.P.	-	193,255	-	1,156	-	138,159	56,251	56,251	259	55,992
Cocatram	Dept of Transportation	1,145	-	-	-	-	1,131	(1,131)	13	-	13
DELFT	DIALOGUE ON WATER&CLIMATE-DWC	-	283,008	-	-	-	143,789	139,220	139,220	47,128	92,092
ECHO	Develop Flood Hazard Mapping	68	-	-	-	-	-	-	68	-	68
France	M.A.C.C.	138,889	-	-	-	-	102,041	(102,041)	36,848	23,098	13,750
GEF	Global Climate Change	32,473	-	-	-	(44)	32,429	(32,473)	-	-	-
Guatemala	Gulf of Honduras	16,559	67,898	(10,894)	-	-	67,974	(10,970)	5,589	-	5,589
Guatemala	Overhead Gulf of Honduras	-	5,148	10,894	-	-	-	16,042	16,042	-	16,042
Honduras	Gulf of Honduras	4,935	93,816	-	-	-	90,645	3,171	8,105	-	8,105
Honduras	Overhead Gulf of Honduras	-	10,424	-	-	-	-	10,424	10,424	-	10,424
IBRD	Guarani Aquifer	1,862	-	-	-	(1,505)	500	(2,005)	(143)	-	(143)
IBRD	Hazard Retrofitting OAS	33,410	-	-	-	-	-	-	33,410	-	33,410
IBRD	Upper Paraguay River Basin	1,968	-	-	-	-	-	-	1,968	-	1,968
IDB	Workshop in Central America	953	-	-	-	145	953	(808)	145	-	145
INBRD	BUIL. IA B INF NET(IA BIN)PROJ.	-	435,338	-	-	-	209,436	225,902	225,902	20,000	205,902
INBRD	Carib. Hzrd Mitig. Best Pract.	-	73,000	-	-	-	72,957	43	43	-	43
INBRD	Floods Vulnerability	13,500	500	-	-	-	13,949	(13,449)	51	48	2
INBRD	Global Climate Change	47,246	-	(1,680)	-	8,204	53,770	(47,246)	-	-	-
INBRD	GVEP-LAC	-	15,000	-	-	-	-	15,000	15,000	-	15,000
INBRD	M.A.C.C.	39,724	241,501	-	-	-	308,430	(66,929)	(27,205)	5,921	(33,125)
INBRD	OECS Safer Housing	-	-	-	-	-	2,153	(2,153)	(2,153)	3,750	(5,903)
INBRD	PRONI - CODEVASF	-	4,063	-	-	-	130	3,933	3,933	-	3,933
Ireland	Floods Vulnerability	43,307	-	-	-	-	41,284	(41,284)	2,023	2,000	23
Jamaica	Chalkmaking Industry	1,619	-	-	-	-	-	-	1,619	-	1,619
Jamaica	Food & Nutrition Policy - Program	6,398	-	-	-	-	-	-	6,398	-	6,398
Japan	Hemispheric Water Vision	-	177,490	-	-	-	121,264	56,226	56,226	21,020	35,206
Japan	Support to the WRN/NFP	2,457	39,995	-	-	-	-	39,995	42,452	-	42,452
PADF	Floods	36,543	-	-	-	-	31,463	(31,463)	5,080	-	5,080
Shell Found.	G8 Task Force On Renew able Energy F	8,282	-	-	-	-	4,314	(4,314)	3,968	-	3,968
SUDAM	OVERHEAD PRODEAM	-	-	-	891	-	-	891	891	-	891
SUDAM	Strategic Action Pro-Amazon	502,869	-	-	8,667	-	120,522	(111,855)	391,014	90,350	300,665
Turkey	Nat'l Transportation Tour	6,173	-	-	-	-	6,005	(6,005)	168	-	168
U.N.	Strengthening Water Res. SRH/OAS	-	5,000	-	-	-	5,000	-	-	-	-
U.S.	Dept of Transportation	41,137	10,000	-	-	-	29,320	(19,320)	21,817	100	21,717
U.S.	Disaster Mitigation Initiatives-FEMA	3,170	-	-	-	-	3,141	(3,141)	29	-	29
U.S.	Disaster Mitigation Initiatives-FEMA	(3,247)	-	-	-	-	(4,244)	4,244	998	800	198
U.S.	Environment & Trade Clean Production	(31,203)	167,900	(5,075)	-	-	131,619	31,206	3	6,463	(6,460)
U.S.	Trade Corridor Development	1,861	-	-	22	-	1,210	(1,188)	673	259	414
U.S.	Workshop in Central America	4,373	-	-	-	-	4,304	(4,304)	69	-	69
UNEP	Basin of the Bermejo River	6,008	-	-	-	2,556	6,171	(3,616)	2,392	3	2,389

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Sustainable Development and Environment (continued)											
UNEP	Formulation of SAP for SJRB	725,794	819,608	-	-	791	948,815	(128,416)	597,379	195,503	401,875
UNEP	Integrated Managem. of Land	770,697	1,233,336	-	-	11,550	1,454,970	(210,084)	560,613	374,914	185,700
UNEP	Plata River Basin Meeting	-	20,000	5,000	91	-	23,531	1,560	1,560	-	1,560
UNEP	Rio Bermejo Basin	6,271	-	-	-	-	-	-	6,271	-	6,271
UNEP	Strategic Action Prog. Bermejo River Ba	4,124,508	-	-	82,107	2,872	934,781	(849,802)	3,274,706	529,860	2,744,847
UNEP	Upper Paraguay River Basin	1,121,024	1,194,479	-	-	-	934,515	259,964	1,380,988	565,996	814,993
Univ. Calgary	Environment & Trade Clean Production	-	9,988	-	-	-	9,838	150	150	150	-
Univ. Florida	Disaster Mitigation Initiatives-FEMA	5,894	7,000	-	-	-	12,861	(5,861)	33	-	33
USAID	AID Caribbean Disaster Mitigation	10,198	-	(10,000)	-	-	-	(10,000)	198	-	198
USAID	AID Renew. Energy in the Americas-REI	104	113,066	5,000	-	-	115,221	2,845	2,949	17,867	(14,918)
USAID	AID-Post Georges Disaster Mitigation	156	-	(84)	-	-	-	(84)	72	-	72
USAID	CCECB	15	12,000	(731)	-	-	11,004	266	281	-	281
USAID	FIDA Sustainable Trade	-	-	33,930	-	-	33,929	1	1	53,350	(53,349)
USAID	INTER-SUMMIT PROP SYST INIT	-	-	70,000	-	-	63,215	6,785	6,785	4,520	2,265
USAID	USAID INI /Water/w orkshop/ISP	72	3,612	-	-	-	2,000	1,612	1,684	1,684	-
USAID	Water Level Observation Network For C	422	-	-	-	-	422	(422)	-	-	-
USDI	DOE Disaster Mitigation	1,089	-	-	-	-	-	-	1,089	-	1,089
Various	Env and Sust Development	257,208	-	(3,320)	-	398	262,833	(265,756)	(8,548)	1,016	(9,564)
Various	TRIFINIO Project	1,243	-	-	-	-	-	-	1,243	-	1,243
Sub-Total		9,625,680	6,267,922	103,040	95,259	30,850	8,768,755	(2,271,683)	7,353,997	2,049,722	5,304,276
Inter-Sectorial Unit for Tourism											
Brazil	Tourism-South Region	2,266	-	-	-	-	-	-	2,266	-	2,266
IACD	Central America Small Hotels	-	92,600	-	-	-	41,048	51,552	51,552	-	51,552
IATC	Inter American Travel Congress	188	-	-	-	-	-	-	188	-	188
Panama	Tourism Development	6,343	-	-	-	-	-	-	6,343	-	6,343
Turkey	Tourism Data Improvement Proj	-	3,000	-	-	-	-	3,000	3,000	-	3,000
USAID	STEP - Caribbean	208	806,155	(119,605)	-	167	571,371	115,346	115,554	298,376	(182,822)
Various	STEP Training & Certification	-	5,500	-	-	-	-	5,500	5,500	-	5,500
Sub-Total		9,006	907,255	(119,605)	-	167	612,419	175,398	184,404	298,376	(113,973)
Office of the Assistant Secretary General											
Argentina	Argentina Security Meeting	2,104	-	-	-	-	-	-	2,104	-	2,104
Brazil	Fund for Peace Belize & Guatemala	-	25,000	-	-	-	-	25,000	25,000	-	25,000
Canada	Americas Magazine-French Edition	439	-	-	-	-	-	-	439	-	439
CIDI	Conf. Andean Community Cepal	152	-	-	-	-	-	-	152	-	152
CR/NI	Civilian Observers	(24,703)	-	-	-	-	-	-	(24,703)	-	(24,703)
IICA	IICA to Office of Guyana	2,340	-	-	-	-	-	-	2,340	-	2,340
Other	Hurricane George Relief	1,818	-	-	-	-	-	-	1,818	-	1,818
Other	Palco to Museum	2,363	-	-	-	-	-	-	2,363	-	2,363
Panama	Panama Canal Treaty	(24,487)	-	-	-	-	-	-	(24,487)	-	(24,487)

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Office of the Assistant Secretary General (continued)											
Uruguay	Support to Civilian Society Uruguay	293,200	-	-	-	-	38,900	(38,900)	254,300	-	254,300
Various	ASG overhead account	-	3,500	-	-	-	1,276	2,224	2,224	-	2,224
Various	Fund for Peace	331,834	120,240	-	-	-	271,473	(151,233)	180,601	1,951	178,651
Various	GEN Fund FONDEM	14,837	-	-	-	-	-	-	14,837	-	14,837
Various	Hipolito Library	21,026	-	-	-	61,502	74,605	(13,103)	7,922	7,532	391
Various	Office in the Member States	589,523	181,301	-	-	841	493,681	(311,540)	277,984	10,446	267,538
Various	Publications Control	4,145	1,285	-	-	(101)	-	1,184	5,329	-	5,329
Various	Sales - OAS Microfilm Sales	2,406	-	-	-	-	-	-	2,406	-	2,406
Various	Spec Mis/Strength Democ-Haiti	-	1,917,248	500,000	-	-	1,334,807	1,082,441	1,082,441	211,258	871,182
Various	Support to CICTE	40,968	318,519	-	-	-	78,495	240,024	280,992	5,985	275,007
Various	Honduras/ES Military Observation	(363,508)	-	-	-	-	-	-	(363,508)	-	(363,508)
Sub-Total		894,458	2,567,092	500,000	-	62,242	2,293,236	836,098	1,730,555	237,172	1,493,384
Secretariat of the General Assembly Meetings											
Bolivia	Meeting Americas Dev.	4,995	-	-	-	-	-	-	4,995	-	4,995
Panama	XXI Consult Meet Ministers	4,600	-	-	-	-	-	-	4,600	-	4,600
Uruguay	Development. Judicial Integration	149	-	-	-	-	-	-	149	-	149
Sub-Total		9,743	-	-	-	-	-	-	9,743	-	9,743
Secretariat for Meetings and Conferences											
Argentina	2nd Conference on Terrorism	26,933	-	-	-	-	-	-	26,933	-	26,933
Bolivia	IA Conference Int'l Law	(41,847)	-	-	-	-	-	-	(41,847)	-	(41,847)
Bolivia	Support to Mandates Summit of the Ame	20	-	-	-	-	-	-	20	-	20
Brazil	Exprt. Mgt. Support on I-A Hum Rights	10,000	-	-	-	-	5,474	(5,474)	4,526	745	3,781
Brazil	General Assembly-Brazil	5,312	-	-	-	-	-	-	5,312	-	5,312
Costa Rica	Meetings of CIDI	9,703	36,327	-	-	-	30,074	6,253	15,956	261	15,695
El Salvador	CICTE 3 Ordinary Period	-	43,909	-	-	-	18,202	25,707	25,707	10,403	15,305
El Salvador	El Salvador-Gen Assembly	9,287	-	-	-	-	-	-	9,287	-	9,287
Grenada	Grenada- VII General	(14,341)	-	-	-	-	-	-	(14,341)	-	(14,341)
Nicaragua	NI XXIII General Assembly	2,207	-	-	-	-	-	-	2,207	-	2,207
OAS G. A.	CIDI Ministers of Education Meetin	1,607	-	-	-	1,269	-	1,269	2,876	-	2,876
Peru	Special General Assembly - Peru	35,824	-	-	-	-	3,269	(3,269)	32,555	-	32,555
U.S.	Justice Study Center	(1,947)	-	-	-	-	-	-	(1,947)	-	(1,947)
Uruguay	Meetings of CIDI	1,401	-	-	-	-	-	-	1,401	-	1,401
USINL	Group of Government Experts Conferen	3,919	-	-	-	-	-	-	3,919	-	3,919
Various	CIDI Forum on Poverty	-	52,217	-	-	-	-	52,217	52,217	-	52,217
Various	CID-IA Sess. Minist. of Tour.	-	32,897	-	-	-	1,431	31,466	31,466	-	31,466
Various	General Assembly	29,315	288,189	-	-	(67,167)	218,670	2,352	31,667	2,332	29,335
Various	Model OAS General Assembly	-	26,028	29,347	-	-	7,771	47,603	47,603	1,491	46,112
Various	Second Meeting Small Islands	-	-	50,000	-	-	26,510	23,490	23,490	23,490	-
Various	Conf. & Meetings-Print.Services	470,525	74,457	-	-	66,789	324,058	(182,812)	287,713	10,097	277,616
Sub-Total		547,916	554,024	79,347	-	891	635,460	(1,198)	546,718	48,819	497,899

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

SCHEDULE 4

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance	
		1-Jan-02							31-Dec-02			
Office of the Inter-American Children's												
AECI	AECI-PID Nicaragua/Rep.Dom	2,497	-	-	-	-	-	-	2,497	-	2,497	
AECI	Conv Cooperation International	7,719	-	-	-	-	-	-	7,719	-	7,719	
AECI	Espana AECI 91 BO/HO	(186)	-	-	-	-	-	-	(186)	-	(186)	
AECI	Espana AECI-92-BI Salvador	3,241	-	-	-	-	-	-	3,241	-	3,241	
AECI	SIPI-CentroAmerica	17,933	-	-	-	-	-	-	17,933	-	17,933	
AECI	United Nations Children's	65	-	-	-	-	-	-	65	-	65	
CIDA	CIDA - Childlike Work	24,351	45,571	-	-	-	32,935	12,636	36,987	209	36,779	
Foster Parents	International Plan IIN	19,914	9,501	-	-	-	16,783	(7,282)	12,633	-	12,633	
Mexico	Mexico Children's Rights Video	-	13,235	-	-	-	13,200	35	35	-	35	
Netherlands	INN Conf Adoption	3,379	-	-	-	-	-	-	3,379	-	3,379	
OAS G. A.	OAS-IDBA-1942 Friendship Fun	4,532	-	-	-	-	-	-	4,532	-	4,532	
Spain	Identity Right Video	11,152	-	-	-	-	8,850	(8,850)	2,302	-	2,302	
Sweden	SAVE THE CHILDREN-PERU	-	21,000	-	-	-	1,949	19,051	19,051	1,451	17,600	
UNICEF	Children's Fund	97	-	-	-	-	-	-	97	-	97	
UNICEF	Children's Fund	9	-	-	-	-	-	-	9	-	9	
UNICEF	Sexual Commercial Exploit of Children	3,785	-	-	-	-	(3,558)	(3,558)	227	-	227	
Unicef	SIPV IIN/ ISPM/ UNICEFF	-	16,100	-	-	-	9,372	6,728	6,728	-	6,728	
UNICEF	UNICEF-Prog. IA IIN	1,117	-	-	-	-	-	-	1,117	-	1,117	
Uruguay	Build Mgmt & Maintenance	138,062	-	(11,021)	-	-	-	(11,021)	127,042	-	127,042	
Uruguay	Fortal.Vigencia Instr International	121	-	-	-	-	-	-	121	-	121	
Various	AECI-IA Children's Institute	200,662	-	-	-	-	14,720	(14,720)	185,941	450	185,491	
Various	Prog. IA Information on Children	5,526	-	-	-	-	840	(840)	4,686	26	4,660	
Various	Strenght Child Welfare System	22,198	-	-	-	-	-	-	22,198	-	22,198	
Various	UNESCO Special Education	3,567	-	-	-	-	-	-	3,567	-	3,567	
Sub-Total		469,741	105,408	(11,021)	-	-	(3,558)	98,649	(7,820)	461,921	2,135	459,785
Museum of Art of the Americas												
Paraguay	Museum of Art Americas	766	-	-	-	-	-	-	766	-	766	
SECAB	SECAB- Property training	8,000	-	-	-	-	-	-	8,000	-	8,000	
Various	ART MUS. AMER-PERM. FD	35,313	20,651	-	-	-	6,970	33,898	(6,277)	29,036	318	28,718
Various	Sales-Museum of Art Americas	14,110	-	-	-	-	-	-	14,110	-	14,110	
Xerox Corp.	Xerox-Grant Latin Amer.Art	706	-	-	-	-	-	-	706	-	706	
Sub-Total		58,896	20,651	-	-	-	6,970	33,898	(6,277)	52,619	318	52,301
Office of the Executive Secretary for SEDI												
Argentina	Unprogrammed funds	24,374	-	-	-	-	-	-	24,374	-	24,374	
Argentina	X Conf. Labor Ministers	6,458	-	-	-	-	-	-	6,458	-	6,458	
Honduras	UN Programmed Funds	29,332	-	-	-	-	-	-	29,332	-	29,332	
Italy	Telecommunications Study CONSULTEL	8,579	-	-	-	-	-	-	8,579	-	8,579	
Mexico	Demand for Technical Cooperation	3,061	-	-	-	-	-	-	3,061	-	3,061	

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Office of the Executive Secretary for SEDI (continued)											
Mexico	Economic & Financial Development	342	-	-	-	-	-	-	342	-	342
Mexico	Second Meeting of COMCYT	11,416	-	-	-	-	-	-	11,416	-	11,416
Mexico	Strengthening Tech Coop. L.A. & Caribb	236	-	-	-	-	-	-	236	-	236
Various	Governmental Strength.	36,732	-	-	-	-	-	-	36,732	-	36,732
Sub-Total		120,530	-	-	-	-	-	-	120,530	-	120,530
Secretariat for Legal Affairs											
Brazil	International Law Course	3,969	-	-	-	130	-	130	4,099	3,108	991
Can.-Sol.Gral.	Humanitarian International Law	-	1,649	-	-	-	1,649	1	1	-	1
CIDA	Bijuridism	25,923	4,800	-	-	30	25,900	(21,070)	4,853	-	4,853
IDB	IDB To Impl I-A. Convent Against Corrupt	35,241	-	-	-	(35,241)	-	(35,241)	-	-	-
IICA	Admin Tribunal Sessions	-	24,051	-	-	-	5,000	19,051	19,051	-	19,051
IICA	Admn Tribunal Sessions	48,883	-	-	-	-	-	-	48,883	-	48,883
IICA	Dept of Legal Services	77,022	12,730	-	-	-	-	12,730	89,752	-	89,752
Other	Red Cross/OAS Seminar in I-Natl law	25	-	-	-	-	-	-	25	-	25
U.S.	I-A Convention Against Corruption (Follo	50,000	358,652	-	-	-	100,681	257,972	307,972	7,381	300,591
U.S.	I-A Convention Against Corruption (Worl	242,652	-	-	-	-	56,584	(56,584)	186,068	43,773	142,294
U.S.	Implem I-A Conv Against Corruption	9,780	-	-	-	59	4,418	(4,358)	5,422	2,000	3,422
U.S.	International Arbitration Ecom & Legal De	59,130	-	-	-	-	7,101	(7,101)	52,029	49,873	2,156
U.S.	Investigative Report against Corruption	1,709	-	(1,709)	-	1,089	-	(620)	1,089	-	1,089
U.S.	U.S./CID- I-A Convention Against Corrup	23,114	-	(1,186)	-	-	8,881	(10,067)	13,046	140	12,907
UNHCR	Joint Prog.OAS/ACNUR-Phase	1,506	-	-	-	-	987	(987)	519	17	502
Uruguay	International Law	126	-	-	-	-	-	-	126	-	126
Various	Legal Coop Administ Account	-	727	3,655	-	-	1,761	2,622	2,622	300	2,322
Various	Min of Justice	52,100	16,313	-	-	-	45,345	(29,032)	23,068	3,054	20,014
Sub-Total		631,179	418,922	760	-	(33,932)	258,307	127,443	758,622	109,646	648,976
Common Services Revolving Funds											
Various	Voice Communications (2)	-	-	-	-	366,113	293,231	72,883	72,883	4,999	67,884
Various	Build. Mgmt. & Maintenance	541,884	66,721	-	-	2,389,602	2,366,117	90,206	632,090	498,484	133,606
Various	CSERV-IT Training	16,578	-	-	-	2,995	15,713	(12,718)	3,860	840	3,020
Various	DMIST-Dept of Mgt Sys Info	120,760	-	-	-	149,420	223,993	(74,573)	46,187	25,310	20,876
Various	General Services-Refunds	55,845	-	-	-	-	50,780	(50,780)	5,065	-	5,065
Various	LAN Communications	63,568	-	-	-	113,880	113,596	284	63,852	15,134	48,719
Various	Moderniz.&Upgrade of Netw ork	73,450	-	-	-	13,965	86,291	(72,326)	1,123	-	1,123
Various	Photocopy Services	521,191	-	-	-	199,428	306,329	(106,901)	414,289	121,666	292,623
Various	Postage & Shipping	(15,878)	-	-	-	62,954	91,961	(29,007)	(44,885)	7,028	(51,913)
Various	Software Licences	4,436	-	-	-	-	-	-	4,436	-	4,436
Various	Telephone - Common Services	618,831	-	-	-	-	422,934	(422,934)	195,896	155,836	40,061

ORGANIZATION OF AMERICAN STATES
SPECIFIC FUNDS RELATED TO REGULAR FUND ACTIVITIES
STATEMENT OF CHANGES IN FUND BALANCE

From January 1, 2002 to December 31, 2002

Organization, Donor & Project		Cash Balance 1-Jan-02	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance 31-Dec-02
Common Services Revolving Funds (continued)											
Billing to Outside Organizations											
Various	AROAS	299	-	-	-	-	-	-	299	-	299
Various	IACAC	131	-	-	-	-	-	-	131	-	131
Various	IDB -Passports	6,113	-	-	-	-	-	-	6,113	-	6,113
Various	IICA Common Services	(868)	-	-	-	8,978	-	8,978	8,110	-	8,110
Various	International Building Services	(755)	-	-	-	-	-	-	(755)	-	(755)
Various	OAS RF	444	-	-	-	2,357	-	2,357	2,801	-	2,801
Various	OAS Staff	(5,039)	-	-	-	29,844	41,593	(11,749)	(16,789)	-	(16,789)
Various	OASCU	2,391	-	-	-	48,102	-	48,102	50,494	-	50,494
Various	Panamerican Development Fd.	17,237	-	-	-	12,632	10,401	2,231	19,467	-	19,467
Sub-Total		2,020,618	66,721	-	-	3,400,270	4,022,940	(555,949)	1,464,669	829,297	635,372
Secretariat for Management											
Rentals & Maintenance											
IBRD	Rental Space 6th Floor-GSB	16,391	-	-	-	-	-	-	16,391	-	16,391
Various	Rental Hall Americas	540,059	-	-	-	194,443	510,442	(315,999)	224,061	111,298	112,762
Other Projects											
OAS G. A.	Terms and Repatriations	206,732	-	-	-	-	-	-	206,732	-	206,732
Staff Cont.	Staff-Human Resources Dev	15,252	-	-	-	-	-	-	15,252	-	15,252
Various	OAS-Health Insurance	228,115	-	-	-	-	194,675	(194,675)	33,440	-	33,440
Various	OAS-Losses and Replacements	5,539	-	-	-	-	-	-	5,539	-	5,539
Various	Unprogrammed Funds-Education	16,823	-	-	-	-	-	-	16,823	-	16,823
Various	OAS-Oracle Workshop for National Offi	2,768	-	-	-	-	-	-	2,768	-	2,768
Various	Office Equipment and Supplies	-	-	-	-	1,011	-	1,011	1,011	-	1,011
Various	Parking	383,928	-	-	-	415,593	449,436	(33,843)	350,085	15,474	334,611
Various	Renovation of the GSB	1,739,927	10,887,975	-	41,237	-	12,485,251	(1,556,039)	183,888	5,095,788	(4,911,900)
Various	Support to Specific Funds	78,968	4,966	500	683,752	-	1,034,107	(344,889)	(265,921)	12,566	(278,488)
Sub-Total		3,234,503	10,892,941	500	724,989	611,047	14,673,911	(2,444,434)	790,069	5,235,126	(4,445,057)
OAS DEMOC Unprogrammed Funds		1,918,622	1,910,000	(2,070,813)	-	-	-	(160,813)	1,757,809	-	1,757,809
TAX Equilization Fund		(5,290,576)	8,776,827	-	-	101,522	11,520,760	(2,642,411)	(7,932,987)	-	(7,932,987)
Grand Total		33,475,076	53,488,164	(12,747)	908,611	4,180,026	65,536,146	(6,972,092)	26,502,992	11,458,906	15,044,086

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

March 26, 2003

External Audit Board
Organization of American States
Department of Financial Services
1889 F Street NW
Washington, D.C. 20006

Dear Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by the General Assembly and management of the Organization of American States, solely to assist you with respect to compliance with the General Standards of the Organization of American States during 2002. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed and results thereof are broken out between director expenditures and general expenditures. The results are as follows:

Director Expenditures

For director expenditures, our population consisted of all director expenditures during 2002. The sample size was statistically determined using an 80% reliability level, a 0% expected rate of occurrence, and a 10% tolerable error rate. These criteria resulted in a sample of 25 expenditures for testing. The 25 sample units (i.e. the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the General Standards (hereafter referred to as "GS") in four areas. The four areas are:

1. Honoraria
2. Hospitality and Representational Allowances
3. Personnel (Director level)
4. Travel

Testing performed and exceptions are documented below.

Honoraria

We tested to ensure no services were rendered to any government entity or gifts, awards or honors were accepted from any government entity without the approval of the Secretary General. This testing revealed no findings.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Personnel (Director level)

We tested expenditures related to directors to ensure that personnel at the director level:

1. maintain no connections that could involve conflicts of interest with OAS responsibilities
2. have proper check signing approval (as applicable)
3. are not considered or listed as a Career Service Member
4. if terminated during 2002 that the director was given proper notices as defined in GS Chapter II Articles 20 and 54
5. have current statements of personal net worth upon hire date
6. have sworn statements of personal associations

We noted the following finding:

1. Four individuals' personnel files did not contain statements of personal net worth

Travel

We tested expenditures related to travel to ensure the following:

1. travel is approved by appropriate supervisor or Chief of Staff
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

- 1.

2. Our testing indicated that Quarterly Official Travel Plans were not prepared in accordance with Administrative Memorandum (“AM”) 79 A.3. Through interviews, we determined that as a result of this non-compliance, a memo was issued on July 20, 2001, directing all department directors to authorize their own travel. This memo came from the Office of the Secretary General. Although, this memo is not a General Standard, it was noted per GS 2.12.F. that the Secretary General has authorization to issue administrative provisions as necessary.
3. We noted three instances of unplanned travel that was not properly approved in advance.

General Expenditures

For general expenditures, our population consisted of all nonpayroll expenditures during 2002 (including directors). The sample size was statistically determined using an 80% reliability level, a 0% expected rate of occurrence, and a 10% tolerable error rate. These criteria resulted in a sample of 25 expenditures for testing. The 25 sample units (i.e. the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the GS in eight general areas. The eight areas are:

1. Fixed Assets
2. Grants
3. Hospitality and Representational Allowances
4. Obligations
5. Performance Contracts (including Personal Service Contracts)
6. Procurement Contracts
7. Travel

The testing performed and exceptions noted are documented below.

Fixed Assets

We tested expenditures related to fixed assets to ensure the following:

1. the acquisitions were properly approved by officials with budgetary expenditure authority
2. all related costs to acquire the property are considered for capitalization
3. all expenditures greater than \$500 are capitalized
4. property is depreciated on a straight line basis
5. prenumbered labels are affixed to fixed assets upon receipt with proper records being maintained

6. inventories taken at regular intervals
7. an accounting of fixed assets is prepared at regular intervals

We noted the following findings:

1. We noted that no written approval could be obtained for the purchase of a cassette-feeding machine.
2. We also noted one instance of software purchased for \$994.95 that was expensed. GS require all fixed asset expenditures over \$500 to be capitalized.

Grants

We tested grants to ensure the following:

1. grants are properly approved
2. grants related to inventoried equipment have a properly approved Memorandum of Certification

This testing revealed no findings.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented.

This testing revealed no findings.

Obligations

We tested the obligations to ensure:

1. obligation records are maintained and filed
2. appropriate support is obtained by the Department of Financial Services before disbursements are made
3. that on a quarterly basis, each dependency of the General Secretariat submit to the Department of Management Analysis and Planning Support Services (“DMAPPS”) a report indicating the status of obligations that have not been fully expended in the 180 days since they were made

4. appropriations are available to meet the obligations incurred during the year
5. all obligations shall be recorded in the accounting system
6. all obligations must have a beginning and end date
7. obligations during the year do not exceed the estimated income from quotas and other revenues, unless properly approved
8. obligations must be based on firm commitments when they are approved and legally binding

We noted the following finding:

1. In one instance, obligation records were not maintained and filed.

Performance Contracts

We tested expenditures related to performance contracts to ensure the following:

1. performance contracts are approved by the proper level of authority
2. no performance contracts are committed to, signed or executed unless all funds are available and assigned to the contract
3. contracts for more than \$50,000 are approved by the director of Legal Services
4. performance contracts for the specific fund shall not exceed a period of three years
5. within 30 days of signing the contract, an executed copy of the contract should be sent to the Chief Office of Procurement Management Services (“OPMS”)
6. contracts greater than \$20,000 should be accompanied by required documentation and financial statements
7. performance contracts greater than \$70,000 funded by the specific fund or operating fund require competitive bidding
8. payment should be made upon the contractor’s invoice and an authorizing official noting the service has satisfactorily provided
9. upon completion of the contract, certification for final payment must be accompanied by an evaluation of the service and signed by the authorizing contract official

We noted two instances whereby the Chief Office of Procurement Management Services had not received an executed copy of a contract.

Procurement Contracts

We tested expenditures related to procurement contracts to ensure the following:

1. procurement contracts must be approved by a Director level or above
2. procurement contracts greater than \$30,000 require approval by the Contract Awards Committee
3. construction greater than \$50,000 and other procurement contracts greater than \$75,000 shall be reviewed by the Department of Legal Services
4. construction contracts greater than \$250,000 require contractors to be bonded
5. procurement contracts greater than \$999 require competitive bidding
6. procurement contracts may not be entered into with entities that are not Member States
7. procurement contracts greater than \$10,000 require written justification

This testing revealed no findings.

Travel

We tested expenditures related to travel to ensure the following:

1. travel is approved in advance and in writing
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel advances require approval and required supporting documents (i.e. itinerary)
6. travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

As explained above under travel for directors, the Quarterly Official Travel Plan was not in compliance with the GS before July 20, 2002. No other exceptions noted.

Payroll Expenditures

For payroll expenditures, our population consisted of all payroll expenditures during 2002. The sample size was statistically determined using an 80% reliability level, a 0% expected rate of occurrence, and a 10% tolerable error rate. These criteria resulted in a sample of 25 expenditures for testing. The 25 sample units were selected using a random number generator.

We tested expenditures related to payroll to ensure:

1. an Offer of Employment was properly signed and kept in the employees' file
2. an Acceptance of Offer or Declaration of Loyalty was properly signed and kept in the employees' file
3. employee salaries are in agreement with the United Nations' salary scale
4. salary changes are properly approved
5. new employees are properly approved in the Human Resources department and proper documents are obtained

We noted the following findings:

1. There was one employees who did not have a signed Offer of Employment and Acceptance of Offer in their files.
2. There was one employee that did not have a signed Acceptance of Offer in their file.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of External Audit and management of the Organization of American States and is not intended to be and should not be used by anyone other than these specified parties.

Ernst + Young LLP



**SECTION II
CHAPTER 2**

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

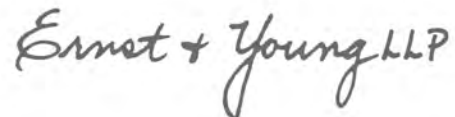
Report of Independent Auditors

The Board of External Auditors
Organization of American States

We have audited the accompanying statement of financial position of the Leo S. Rowe Pan American Fund (the Fund), as of December 31, 2002, and the related statements of activities and cash flows 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. The financial statements of the Fund for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 2002, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF FINANCIAL POSITION

Assets	December 31	
	2002	2001
Equity in OAS Treasury Fund (Note 3)	\$ 66,141	\$ 121,563
Investments at Market Value (Note 4):		
Mutual funds invested in equity investments	4,924,863	3,953,125
Mutual funds invested in fixed income securities	2,078,513	4,340,600
	7,003,376	8,293,725
Loans receivable (Note 5):		
Students	2,247,943	2,037,713
Allowance for uncollectible loans	(356,747)	(328,461)
	1,891,196	1,709,252
Employees of the Organization of American States	849,352	803,849
	2,740,548	2,513,101
Due from Leo S. Rowe Memorial Fund	22,680	-
Other receivables	29,973	26,380
 Total Assets	 \$ 9,862,718	 \$ 10,954,769
 Liabilities and Net Assets		
Accounts Payable	8,449	36,447
Due to MacLean Fund (Note 6)	65,523	65,523
Total liabilities	\$ 73,972	\$ 101,970
Unrestricted Net Assets:		
Committee designated (Note 1)	1,000,000	1,000,000
Available for loans	8,779,290	9,852,799
Student Life-Self Insurance	9,456	-
Total Net Assets	9,788,746	10,852,799
Total Liabilities and Net Assets	\$ 9,862,718	\$ 10,954,769

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2002	2001
Income		
Dividend and interest income	\$ 204,933	\$ 213,397
Realized gains on investments	56,513	200,569
Bad Debt Recovery	11,089	-
Miscellaneous income	12,089	21,357
	284,624	435,323
Expenses		
Unrealized loss on investments (Note 4)	1,118,773	919,440
Administrative expenses	229,904	175,725
	1,348,677	1,095,165
Change in net assets	(1,064,053)	(659,842)
Net assets at beginning of year	10,852,799	11,512,641
Net assets at end of year	\$ 9,788,746	\$ 10,852,799

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2002	2001
Operating Activities		
Change in net assets	\$ (1,064,053)	\$ (659,842)
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities		
Unrealized loss on investments	1,118,773	919,440
Increase in provision for uncollectible loans	28,286	4,381
Changes in operating assets and liabilities:		
Increase in loans to students	(210,230)	(21,947)
Increase in loans to employees	(45,503)	(90,570)
Increase in miscellaneous receivables	(26,273)	(10,742)
Decrease in miscellaneous payables	(27,998)	(56,275)
Increase in due to MacLean Fund	-	65,523
Net cash (used in)/provided by operating activities	(226,998)	149,968
Investing activities		
Proceeds from the sale of investments	400,000	
Purchase of investments	(171,911)	(152,483)
Reinvestment of dividends received	(56,513)	(200,569)
Net cash provided by/(used in) investing activities	171,576	(353,052)
Net increase/(decrease) in cash and cash equivalents	(55,422)	(203,084)
Equity in OAS Treasury Fund, beginning of year	121,563	324,647
Equity in OAS Treasury Fund, end of year	\$ 66,141	\$ 121,563

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
LEO S. ROWE PAN AMERICAN FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1 ORGANIZATION AND FINANCING

The Leo S. Rowe Pan American Fund (the 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 Pan American Union Director General. The purpose of the Fund is to provide loans to students from Latin American and Caribbean Member States, who desire to study at colleges in the United States, and to provide education and emergency loans to employees of the Organization of American States (OAS). The Fund Committee, consisting of representatives of the Permanent Council and Secretary General designated net assets of \$1,000,000 comprised of investments not considered to be available for the purpose of granting loans.

2 BASIS OF ACCOUNTING

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and as-

sumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

3 EQUITY IN OAS TREASURY FUND

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

4 INVESTMENTS

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

Investments are summarized in the following page.

Mutual Fund Investments

(in thousands)

December 31, 2002

	<u>Market Value at 1/1/02</u>	<u>Purchases/ Sales</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value at 12/31/02</u>
Fixed income securities	4,341	(2,376)	156	(42)	2,079
Equity investments	3,953	1,976	72	(1,077)	4,925
	<u>8,294</u>	<u>(400)</u>	<u>228</u>	<u>(1,119)</u>	<u>7,003</u>

December 31, 2001

	<u>Market Value at 1/1/01</u>	<u>Purchases/ Sales</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value at 12/31/01</u>
Fixed income securities	4,350	-	321	(330)	4,341
Equity investments	4,510	-	32	(589)	3,953
	<u>8,860</u>	<u>-</u>	<u>353</u>	<u>(919)</u>	<u>8,294</u>

5 LOAN STATUS

Non interest bearing loans are granted to students, payable on various terms not to exceed five years from the termination of the studies for which the loans are granted.

The Committee of the Leo S. Rowe Pan American Fund (the Committee) has extended the repayment dates for certain loans.

The activity in the allowance for uncollectible loans follows:

	December 31,	
	<u>2002</u>	<u>2001</u>
Balance at beginning of year	\$328,461	\$324,080
Activity in provision for uncollectible loans,	28,286	4,381
Balance at end of year	<u>\$356,747</u>	<u>\$328,461</u>

Management believes that the allowance of \$356,747 or approximately 15% of the student loan balance as of December 31, 2002, is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 2002 and 2001, the Fund disbursed new student loans aggregating approximately \$823,905 and \$632,700, respectively. The Fund received loan repayments of approximately \$649,282 and \$638,100 in 2002 and 2001, respectively.

New loans to employees for educational purposes or in emergency situations aggregated \$219,235 and \$268,700 in 2002 and 2001, respectively. The Fund received loan repayments of approximately \$193,854 and \$225,500 in 2002 and 2001, respectively. The interest rate applied to employee loans is one percent below the prime rate and is adjusted periodically. The interest rate on new employee loans granted in 2002 varied between 3.25% and 3.75%. Interest rates on outstanding loans granted in 2001 and earlier years varied between 4.0% and 8.0%.

6 DUE TO MACLEAN

The balance of Due to MacLean Fund as of December 31, 2002, represents amounts due to the Julia MacLean Legacy Fund (The MacLean Fund), a separate fund established to provide fellowships for Peruvian women studying in Washington D.C, using the interest earned on the initial endowment to provide for these fellowships. The balance due to The MacLean Fund is equal to the initial endowment of \$65,523 made by Julia MacLean to The MacLean Fund.

7 ADMINISTRATIVE EXPENSES

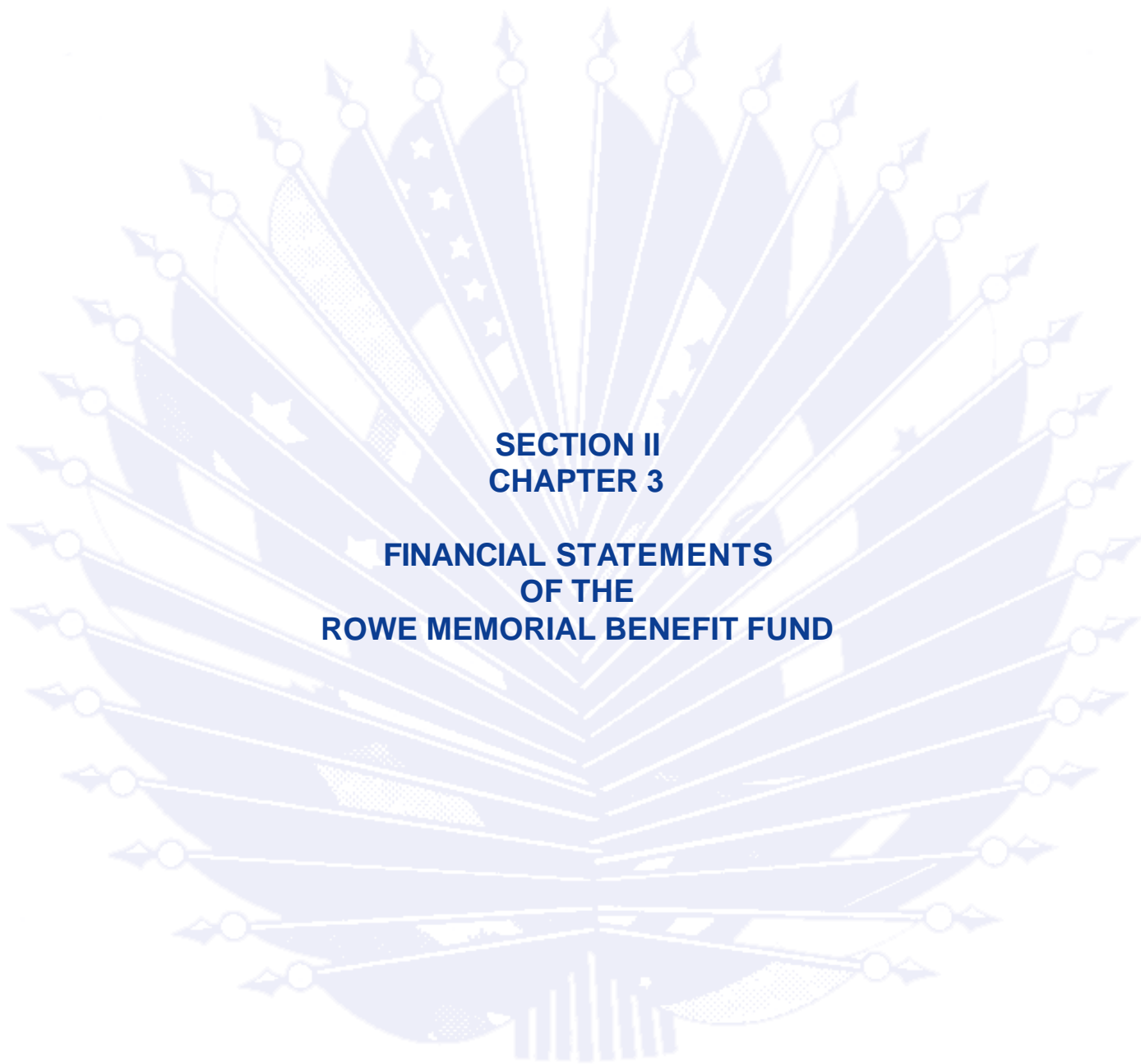
The accompanying financial statements include approximately \$108,000 and \$104,000 in administrative expenses related to the services of a contract for the customization of a subsidiary system in 2002 and 2001, respectively. No additional amounts are recorded in the accompanying financial statements relating to the use of services and facilities provided to the Fund by the OAS since no objective basis is currently available to measure the value of such contributions.

8 COMMITMENTS AND CONTINGENCIES

As of December 31, 2002, the Fund was committed to provide for student loans totalling \$35,000.

9 LITIGATION

The Fund is not subject to any lawsuits which management believes will have a material adverse effect on the Fund's financial condition.



**SECTION II
CHAPTER 3**

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of External Auditors
Organization of American States

We have audited the accompanying statement of financial position of the Rowe Memorial Benefit Fund (the Fund), as of December 31, 2002, and the related statements of activities and cash flows 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. The financial statements of the Fund for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 2002, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
ROWE MEMORIAL BENEFIT FUND**

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2002	2001
Assets		
Equity in OAS Treasury Fund	\$ 5,382	\$ 5,861
Investments at market value	286,531	306,714
Total unrestricted net assets	\$ 291,913	\$ 312,575
Liabilities and net assets		
Due to Leo S. Rowe Pan-American Fund	\$ 22,680	\$ -
Unrestricted net assets	269,233	312,575
Total liabilities and net assets	\$ 291,913	\$ 312,575

STATEMENTS OF ACTIVITIES

	For the years ended December 31	
	2002	2001
Additions/Deductions		
Dividends	\$ 10,996	\$ 5,279
Realized gains on investments	-	6,659
Income from OAS Treasury Fund	121	319
Unrealized losses on investments, net	(31,179)	(22,526)
	(20,062)	(10,269)
Awards and other benefits	(600)	(1,944)
Technical Services	(22,680)	-
Change in net assets	(43,342)	(12,213)
Unrestricted net assets, beginning of year	312,575	324,788
Unrestricted net assets, end of year	\$ 269,233	\$ 312,575

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
 ROWE MEMORIAL BENEFIT FUND**

STATEMENTS OF CASH FLOWS

	Year ended December 31	
	2002	2001
Operating activities		
Change in net assets	\$ (43,342)	\$ (12,213)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized losses on investments, net	31,179	22,526
Due to Leo S. Rowe Pan-American Fund	22,680	-
Net cash provided by operating activities	10,517	10,313
Investing activities		
Purchase of securities	(10,996)	(11,938)
Net cash used in investing activities	(10,996)	(11,938)
Net decrease in cash and cash equivalents	(479)	(1,625)
Equity in OAS Treasury Fund, beginning of year	5,861	7,486
Equity in OAS Treasury Fund, end of year	\$ 5,382	\$ 5,861

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES ROWE MEMORIAL BENEFIT FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1 ORGANIZATION AND FINANCING

The assets of the Rowe Memorial Benefit Fund (the 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 Organization of American States (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 by the OAS since no objective basis is available to measure the value of such contributions.

2 BASIS OF ACCOUNTING

Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Market Risk

Investments of the Fund are exposed to various risks, such as interest rate, credit, and overall volatility risks. Due to the level of risk associated with certain investment

securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the accounts reported in the statement of financial position.

Income Tax Status

As an international organization, the OAS is exempt from US federal income taxes this exemption also applies to the Fund.

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 INVESTMENTS

Investments are presented in the financial statements at quoted market prices.

Investments are summarized next page.

5 COMMITMENTS AND CONTINGENCIES: LITIGATION

The Fund is not subject to any lawsuits which management believes will have a material adverse effect on the fund's financial condition.

Mutual Funds Invested in Equity and Fixed Income Securities

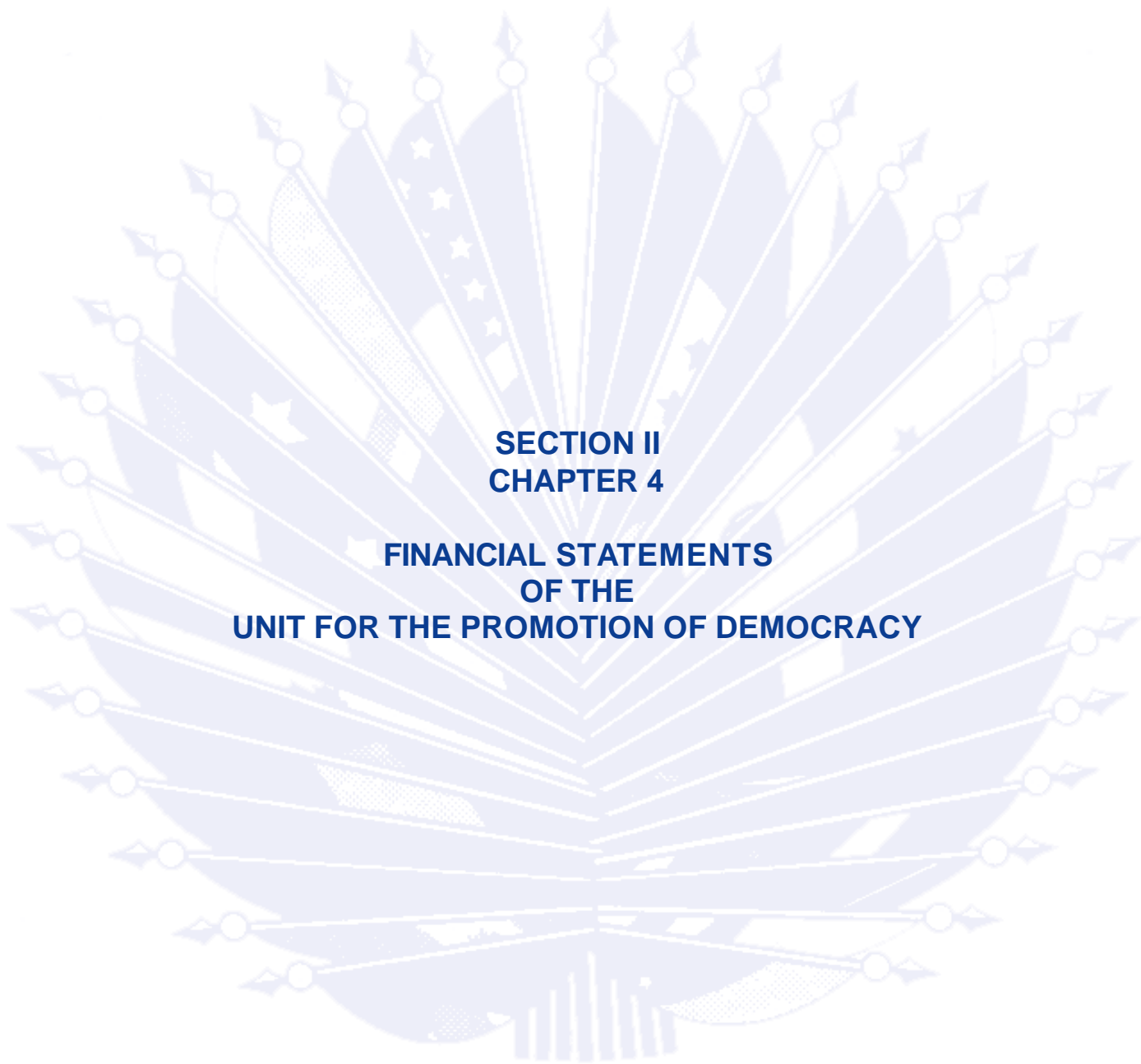
(in thousands)

December 31, 2002

	<u>Market Value at 1/1/02</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value at 12/31/02</u>
Blue Chip Fund	\$ 167	\$ 6	\$ (34)	\$ 139
Near Term Bond	140	5	3	148
	<u>\$ 307</u>	<u>\$ 11</u>	<u>\$ (31)</u>	<u>\$ 287</u>

December 31, 2001

	<u>Market Value at 1/1/01</u>	<u>Dividends & Realized Gain/(loss)</u>	<u>Unrealized Gain/(Loss)</u>	<u>Market Value at 12/31/01</u>
Blue Chip Fund	\$ 185	\$ 6	\$ (24)	\$ 167
Near Term Bond	132	6	2	140
	<u>\$ 317</u>	<u>\$ 12</u>	<u>\$ (22)</u>	<u>\$ 307</u>



**SECTION II
CHAPTER 4**

**FINANCIAL STATEMENTS
OF THE
UNIT FOR THE PROMOTION OF DEMOCRACY**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of External Auditors
Organization of American States

We have audited the accompanying combined statement of assets, liabilities and fund balance of the Unit for the Promotion of Democracy of the Organization of American States (the Unit), as of December 31, 2002, and the related statements of activities 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 auditing standards generally accepted in the United States and the external auditing requirements prescribed in Chapter IX of the General Standards of the Organization of American States. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, the financial statements of the Unit have been prepared on the basis of accounting principles prescribed or permitted 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 accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Unit at December 31, 2002, and the activity and changes in fund balance for the year then ended on the basis of accounting described in Note 2.

Ernst + Young LLP

Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES
UNIT FOR THE PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
AS OF DECEMBER OF 31, 2002

ASSETS

Equity in OAS Treasury Fund	\$	7,942,559	
Other Assets		<u>12,855</u>	
Total Assets			\$ <u>7,955,414</u>

LIABILITIES AND FUND BALANCE

Unliquidated Obligations	\$	805,929	
Other Accounts Payable		44,168	
Fund Balance		<u>7,105,317</u>	
Total Liabilities and Fund Balance			\$ <u>7,955,414</u>

See accompanying notes

UNIT FOR PROMOTION OF DEMOCRACY
COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2002

	TRAINING PROGRAM FOR DEMOCRATIC LEADERS	INTER-A MERICAN FORUM ON POLITICAL PARTIES	SONS OF THE RIVER NICARAGUA	SPECIAL PROJECT PROMOTION OF DIALOGUE AND	MINE A CTION PROGRAMS	HOUSING RECONSTRUCTION NICARAGUA PHASE II	TECHNICAL A SSIST. ELECTORAL TRIBUNAL OF GUATEMALA
Increases							
Contributions and transfers							
Antigua and Barbuda	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Argentina	-	-	-	-	-	-	-
Australia	-	-	-	-	-	-	-
Bahamas	-	-	-	-	-	-	-
Bolivia	-	-	-	-	-	-	-
Brazil	-	-	-	-	50,000	-	-
Canada	-	86,015	-	6,200	168,861	-	-
CARICOM	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	-
Colombia	-	-	-	-	-	-	-
Denmark	-	-	-	120,000	-	-	-
Dominica	-	-	-	-	-	-	-
El Salvador	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-
Germany	-	-	-	-	-	-	-
Guatemala	-	-	-	-	-	-	-
Honduras	-	-	-	-	-	-	-
IADB	104,827	5,000	-	-	-	-	-
Italy	-	-	-	-	-	-	-
Japan	-	-	-	-	45,000	-	-
Mexico	-	-	-	-	-	-	-
Nicaragua	-	-	-	-	-	995,429	-
Netherlands	-	-	-	-	-	-	655,455
Norway	-	-	-	402,723	1,045,072	-	412,221
Panama	-	-	-	-	-	-	-
Paraguay	-	-	-	-	-	-	-
Russia	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-
Saint Kitts and Nevis	-	-	-	-	-	-	-
Suriname	-	-	-	-	-	-	-
Sweden	-	-	-	212,793	332,956	-	1,129,275
Switzerland	-	-	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-	-	-
United Kingdom	-	-	-	-	276,602	-	-
United Nations	-	-	-	-	264,059	-	-
United States	-	200,000	-	-	2,505,000	-	-
Uruguay	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-
European Econ. Comm.	-	-	-	-	-	-	-
Other	-	-	-	-	50,258	-	-
OAS Treasury Fund Income	-	-	1,296	6,643	10,844	120	6,890
Other Refunds/Returns	-	-	400	-	7,536	238	-
Total Increases	\$ 104,827	\$ 291,015	\$ 1,696	\$ 748,359	\$ 4,756,188	\$ 995,787	\$ 2,203,842
Decreases							
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunds/ Returns	-	-	-	-	-	-	-
Obligations and Expenditures							
Travel	-	111,416	-	17,418	1,632,579	13,081	16,338
Documents	-	4,862	-	10,406	-	8,581	27,514
Equipment & Supplies	-	13,210	-	28,346	1,468,913	126,574	163,232
Building & Maintenance	-	-	-	52,165	123,252	464,456	14,895
Contracts	72,898	55,640	19,983	435,387	2,065,373	644,180	415,708
Other	33,400	18,031	-	33,853	67,139	169,243	89,981
Total Decreases	\$ 106,298	\$ 203,158	\$ 19,983	\$ 577,575	\$ 5,357,256	\$ 1,426,114	\$ 727,668
Net change during period	(1,471)	87,856	(18,287)	170,784	(601,068)	(430,327)	1,476,174
Fund balance at beginning of period	68,071	-	38,429	190,779	2,828,982	476,555	154,340
Fund balance at end of period	\$ 66,600	\$ 87,856	\$ 20,142	\$ 361,563	\$ 2,227,914	\$ 46,228	\$ 1,630,514

See accompanying notes

UNIT FOR PROMOTION OF DEMOCRACY

COMBINED STATEMENT OF ACTIVITY AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2002

	ELECTORAL OBSERVATION MISSION	POLITICAL MANAGEMENT AND DEMOCRATIC VALUES	TECHNICAL COOPERATION PROGRAM IN NICARAGUA - PHASE II	OTHER DEMOCRATIC INITIATIVES	TOTAL	Since Inception to December 31	
						2001	2002
Increases							
Contributions and transfers							
Antigua and Barbuda	\$ -	\$ -	\$ -	\$ -	\$ -	1,000	1,000
Argentina	-	-	-	-	-	421,658	421,658
Australia	-	-	-	-	-	42,497	42,497
Bahamas	-	-	-	-	-	5,000	5,000
Bolivia	-	-	-	130,047	130,047	912,542	1,042,589
Brazil	-	-	-	70,000	120,000	180,000	300,000
Canada	-	-	-	102,882	363,958	6,294,220	6,658,178
CARICOM	-	-	-	-	-	6,150	6,150
Chile	-	-	-	-	-	74,000	74,000
Colombia	-	-	-	-	-	25,000	25,000
Denmark	-	91,292	-	2,449	213,741	3,920,335	4,134,076
Dominica	-	-	-	-	-	1,000	1,000
El Salvador	-	-	-	-	-	1,000	1,000
Finland	-	-	-	-	-	142,477	142,477
France	-	-	-	-	-	804,642	804,642
Germany	-	-	-	-	-	394,597	394,597
Guatemala	-	-	-	-	-	1,400,859	1,400,859
Honduras	-	-	-	-	-	255,360	255,360
IA DB	-	-	-	199,546	309,373	1,477,177	1,786,550
Italy	-	-	-	-	-	269,921	269,921
Japan	-	-	-	-	45,000	2,553,076	2,598,076
Mexico	-	-	-	-	-	11,400	11,400
Nicaragua	-	-	-	-	995,429	4,499,571	5,495,000
Netherlands	-	149,595	-	25,823	830,873	2,976,673	3,807,546
Norway	9,895	455,727	-	14,307	2,339,946	5,649,041	7,988,987
Panama	-	-	-	-	-	45,400	45,400
Paraguay	-	-	-	-	-	191,969	191,969
Russia	-	-	-	-	-	1,500	1,500
Spain	-	-	-	-	-	2,540,454	2,540,454
Saint Kitts and Nevis	-	-	-	-	-	3,000	3,000
Suriname	-	-	-	-	-	1,007,803	1,007,803
Sweden	99,819	-	821,545	748,706	3,345,094	15,974,910	19,320,004
Switzerland	-	-	-	9,890	9,890	259,598	269,488
Trinidad and Tobago	-	-	-	-	-	1,500	1,500
United Kingdom	21,900	-	-	23,250	321,752	1,269,848	1,591,600
United Nations	-	-	-	-	264,059	81,126	345,185
United States	1,027,520	-	-	638,012	4,370,532	61,158,271	65,528,803
Uruguay	-	-	-	-	-	5,000	5,000
Venezuela	-	-	-	-	-	88,469	88,469
European Econ. Comm.	-	-	-	-	-	249,040	249,040
Other	-	-	-	116,959	167,217	1,399,757	1,566,974
OAS Treasury Fund Income	318	5,710	-	50,931	82,751	1,293,525	1,376,276
Other Refunds/Returns	-	3,738	647	9,822	22,381	366,612	388,992
Total Increases	\$ 1,159,452	\$ 706,061	\$ 822,192	\$ 2,142,624	\$ 13,932,043	\$ 118,256,977	\$ 132,189,020
Decreases							
Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	1,398,775	1,398,775
Refunds/ Returns	-	-	-	36,836	36,836	98,617	135,453
Obligations and Expenditures							
Travel	357,159	33,474	56,552	216,945	2,454,961	16,798,396	19,253,357
Documents	181	24,190	20,422	75,572	171,727	716,158	887,885
Equipment & Supplies	84,049	35,077	110,196	51,224	2,080,823	19,452,718	21,533,541
Building & Maintenance	26,889	53,537	15,584	19,461	770,239	3,631,204	4,401,442
Contracts	482,080	385,759	458,759	802,124	5,837,890	56,700,786	62,538,676
Other	68,671	125,356	200,005	95,438	901,117	14,033,458	14,934,575
Total Decreases	\$ 1,019,030	\$ 657,393	\$ 861,517	\$ 1,297,599	\$ 12,253,591	\$ 112,830,112	\$ 125,083,703
Net change during period	140,422	48,668	(39,325)	845,025	1,678,452	5,426,864	7,105,317
Fund balance at beginning of period	-	286,074	205,391	1,178,244	5,426,865	-	-
Fund balance at end of period	\$ 140,422	\$ 334,742	\$ 166,066	\$ 2,023,269	\$ 7,105,317	\$ 5,426,864	\$ 7,105,317

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES UNIT FOR THE PROMOTION OF DEMOCRACY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002

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 (UPD). On October 15, 1990, the Secretary General by Executive Order 90-3 (Rev.1) created the Unit for the Promotion of Democracy, and on July 25, 1995 Executive Order 95-6 established the new organizational structure of the Unit while maintaining its original responsibilities and functions as follows:

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

Among the largest contributors to the UPD during 2002 were the United States government, with a total contribution of \$4.0 million, Sweden with \$3.3 million, Norway with \$2.3 million, and Nicaragua with \$1 million. Some contributions are restricted as to their use.

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

2 BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with the Budgetary and Financial Rules of the OAS (Rules). The Rules provide the basis for the accounting principles applied in the preparation of the

financial statements. The basis for presentation of the accompanying statements is based upon a disclosure of detailed financial information for those projects with significant financial activity for the current period, and a grouping called Other Democratic Initiatives with the remainder of UPD project activities. This basis of presentation results in different projects displayed at the detailed level from year to year. The 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 accounting principles generally accepted in the United States. The significant deviation from accounting principles generally accepted in the United States is as follows:

Unliquidated obligations include amounts related to commitments resulting from offers made by the UPD 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 on December 31, 2002. It represents amounts anticipated to be expended in the subsequent year in the completion of these projects.

3 USE OF ESTIMATES

The preparation of financial statements in conformity with the rules requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from those estimates.

4 EQUITY IN OAS TREASURY FUND

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

5 STATUS OF MISSIONS

Training Program for Democratic Leaders (CALIDEM)

The Training Program for Democratic Leaders (known by the Spanish acronym **CALIDEM** for “Programa de Capacitación para Líderes Democráticos”), a joint initiative of the Unit for the Promotion of Democracy (UPD) of the General Secretariat of the Organization of American States (GS/OAS) and the Inter-American Development Bank (IDB), is a hemispheric program of national and sub-regional training courses for young democratic leaders. On October 27, 2000, an agreement was signed between the GS/OAS and the IDB, for which the IDB agreed to provide a total of \$1,000,000. The execution period of the agreement has been extended through 2006. The program’s goal is to support the strengthening of effective democratic leadership in the hemisphere through the training of young civic and political leaders on democratic institutions, values and practices. The CALIDEM program provides counterpart funding (approximately \$30,000 per course) for the implementation of approximately 25 national and sub-regional courses held in various countries throughout the hemisphere.

Public and private training institutes are selected in each country through a competitive bidding process to organize and hold the courses. The UPD designed the course framework, content and methodology, which the selected institutes adapt to reflect the realities of each country or sub-region. Each training course is offered to a group of at least 36 young leaders under the age of 30 from political parties, academia, non-governmental organizations, the media, business, and other social sectors. The training group represents a broad spectrum of political, economic, and social affiliation, and is balanced among men and women.

Inter-American Forum on Political Parties

The Inter-American Forum on Political Parties (IAFPP) is a UPD/OAS initiative intended to implement the hemispheric mandates on the strengthening and modernization of political parties assigned by member states at the Third Summit of the Americas and in the Inter-American Democratic Charter. It is backed by a number of institutions and serves as a meeting point for parties, civil society organizations, academics, electoral authorities, the media, and international cooperation agencies. The central objective is to contribute, through dialogue, the sharing of experience, and specific actions, to the design and implementation of an inter-American agenda for the reform and modernization of parties and political party systems in the Hemisphere.

During its first year of activities, the Inter-American Forum on Political Parties has kept strictly to its mandates by holding two meetings a year, in which a wide and pluralist range of representatives from over 20 countries was invited to discuss not only the current situation of political parties but also strategic courses of action to guide the work of the IAFPP in this field. The Forum has also conducted a series of complementary activities, including joint workshops with key actors for the development of political parties, such as international organizations and foundations and political party institutes. It has begun comparative analysis of campaign and political party financing in the 34 OAS member states and it has started co-production on a regional scale of publications on money and politics in MERCOSUR; parties and congresses in the Andean region; and the relationship between parties and civil society in Latin America.

Son of the River

On January 8, 1999, an agreement was signed between the Swedish Agency for International Development (SIDA) and the GS/OAS to carry out the River Children project in Nicaragua. Budget execution for that project totaled \$3,745,564.

The project’s goals were fully met. They included the provision of care in emergency institutions, reconstruction of infrastructure, education, health, community organization, and the strengthening of local government. The project was completed in 2002.

Special Program for the Promotion of Dialogue and Conflict Resolution

The Special Program for the Promotion of Dialogue and Conflict Resolution makes available to member states and the OAS conceptual frameworks, methodologies, strategies and technical skills from the fields of dialogue promotion and conflict resolution, which have been developed by the UPD within the framework of its field experiences during the last 11 years. The various projects are aimed at strengthening constructive attitudes, skills and abilities, build solid institutions which can facilitate dialogue and consensus-building processes between governments and civil society.

Central American Program (PCA). This initiative will promote multi-sectoral dialogue at the sub-regional level on critical issues of common interest, e.g. crime prevention and land reform, among Central American nations. Over a three-year period, this program aims to develop a sub-regional infrastructure for facilitating processes and establishing conflict management mechanisms between national, regional and hemispheric counterparts working in the area of consensus-building, dialogue and governance in Central America. This program is being financed with

contributions from the governments of Denmark and Norway.

Culture of Dialogue: Development of Resources for Peacebuilding in Guatemala, OAS/PROPAZ. Since 1995, this UPD Program has supported Guatemala's Peace Process by providing strategic support to increase the capacity of government and civil society in dialogue promotion and the peaceful resolution of disputes. The objective is to support the establishment of an infrastructure for peacebuilding, democratization and reconciliation in Guatemala and explicitly recognizes that these processes are interrelated. After successfully developing the program, OAS/PROPAZ will become a nationally coordinated initiative in March 2003, accomplishing the program's original goal of institutionalizing capacity at the governmental and civil society level.

Other Programs to Strengthen Governance. One of the Special Program's main objectives is to assist governments to resolve socio-political conflicts peacefully through the development of institutional mechanisms for citizen participation and dispute resolution. The Special Program is currently engaged in a series of activities aimed at assisting governments in the design of conflict resolution systems and the design or reinforcement of specific dialogue or political negotiation processes.

National and Regional Forums for Government and Civil Society Dialogue. These programs aim to encourage the exchange of experiences and policy recommendations for improving government-civil society relations, enhancing political dialogue and increasing citizen participation in the formulation of public policy as tools to promote the strengthening of democratic governance.

Comprehensive Action Against Antipersonnel Mines (AICMA) – 2002

The OAS Mine Action Program, known formally as "Comprehensive Action against Antipersonnel Mines" (AICMA), has undergone significant growth since its initiation more than ten years ago. OAS/AG mandates include: AG/RES. 1875 (XXXII-O/02), AG/RES. 1878 (XXXII-O/02), and AG/RES. 1889 (XXXII-O/02). Originally conceived as an assistance program for mine clearance in Central America, the AICMA Program during 2002 supported a wide range of mine action activities, described below, in six member states (Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua and Peru). The progress achieved by the AICMA Program is, in large measure, due to the cooperation from the Inter-American Defense Board (IADB), which provides technical assistance through teams of international supervisors and monitors in the mine-affected countries.

Demining Activities. Since the inception of the humanitarian demining programs in these member states, as-

sisted by the AICMA and the Inter-American Defense Board, more than 16,000 antipersonnel mines (OAS/IADB certification) have been located and destroyed, and nearly 1.5 million square meters of land have been cleared. During 2002 AICMA-supported demining activities expanded beyond Central America to include operations in Peru and Ecuador. Under the supervision of the international team, more than 6,000 mines and 300,000 square meters of land were cleared in Central America. Military trainers provided by the U.S. and the Inter-American Defense Board conducted demining instructor training courses in Nicaragua and Peru. Technical surveys, minefield markings, and demining operations were conducted in the Central American and Peru-Ecuador regions. In addition, several technical visits were made to program sites to provide external evaluations of the canine mine detection program and manual mine detection equipment. In December 2002, Costa Rica became the first mine-affected country in the Americas to declare itself free of antipersonnel landmines.

Mine Risk Awareness Education. The objective is to reduce not only the risk of death and injury by promoting safe behavior, but also to facilitate solutions to the high risk behavior that is observed in some of the affected communities. The Mine Risk Awareness Education for the Civilian Population campaign was strengthened through community visits, a variety of national radio messages (particularly in Guatemala, Honduras, and Nicaragua), school programs, and the increasing involvement of the affected communities. A seminar, sponsored in collaboration with UNICEF, was held in Nicaragua, from which a joint project was initiated to support mine risk education and landmine accident prevention to be targeted toward children in Nicaragua. As a result, a national accident prevention guide as well as materials to be used in the national mine risk awareness campaigns were developed. These materials were approved by the National Demining Commission and produced using funds from both AICMA and UNICEF.

Victim Assistance. The "Program for Care to Victims of Mines and Explosive Devices" has assisted over 350 landmine victims since it was established in 1997 in Nicaragua. Since its inception, the program has addressed the specific needs of the communities involved by providing victims who have no social security or army medical benefits with transportation from their communities to the rehabilitation center, lodging, nourishment, prostheses, therapy, and medications. In 2002, some 139 people received rehabilitative or specialized medical attention through this program. In conjunction with the National Technological Institute of Nicaragua (INATEC), OAS-AICMA developed a project for the post-rehabilitation job training to landmine victims who have received initial physical and psychological rehabilitation assistance through the OAS program. 25 trainees concluded the program in November 2002, with another 32 landmine survivors begun training

by December. Follow-on social and economic reintegration assistance will be provided for those survivors completing the training courses.

Stockpile Destruction. The role of the OAS-AICMA program in promoting the elimination of stockpiled antipersonnel mines in the Western Hemisphere continued to grow over the past year. This program was developed in support of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Antipersonnel Mines and on Their Destruction (Ottawa Convention). Under this program more than 540,000 of these mines were destroyed between 2001 and 2002, eliminating entirely the antipersonnel mine stockpiles of Peru and Ecuador, and leaving only a limited number of mines for training purposes in Nicaragua.

Mine Action Database. The Information Management System for Mine Action (IMSMA) database, which was developed in collaboration with the United Nations Mine Action Service (UNMAS) and the Geneva International Center for Humanitarian Demining (GICHD), was expanded significantly over the past year. IMSMA permits the entry of data on all known and suspected mined areas, their characteristics, the status of mine clearance in each area, and complete information on accidents and mine victims. Using the IMSMA database, the AICMA national office in Nicaragua completed a socio-economic impact survey for the department of Nueva Segovia, the most seriously mine-affected political division in the country. Outputs from the survey were made available through the Internet, and impact studies of the other mine-affected departments in Nicaragua have been initiated. Data for Honduras and Costa Rica will also be added, and establishment of separate databases in Guatemala, Peru and Ecuador is underway. In 2002, a regional support office for IMSMA, staffed by the GICHD, was set up within the AICMA Nicaragua offices.

Advocacy for the Landmine Ban. In addition to its participation in the Fourth Meeting of the States Parties celebrated in Geneva, Switzerland, OAS Delegates have actively participated in the working meetings of the Standing Committees. The AICMA has co-sponsored an important regional mine action meetings in Managua, Nicaragua, in August 2002.

Colombian Request for Assistance. The Government of Colombia formally requested the technical and financial assistance of the OAS in complying with its obligations under the Ottawa Convention. The most likely areas of assistance will include mine risk awareness education, landmine victim assistance and mine database establishment and maintenance. A framework agreement has been developed jointly and is pending signature. In addition to participating in a number of seminars and workshops during the past year, a joint OAS/Colombia resource mobili-

zation effort is underway to ensure international assistance appropriate to Colombian national mine action needs.

During 2002 a total of \$4.8 million in contributions were received to finance these AICMA programs. Since 1992, humanitarian demining related programs have been financed by contributions exceeding \$30 million, from the governments of: Argentina, Australia, Brazil, Canada, Denmark, France, Germany, Honduras, Italy, Japan, Norway, Spain, Sweden, United Kingdom, United States, and The Netherlands; and from entities such as the Canadian Landmine Foundation, the Central-American Economic Integration Bank (BCIE), United Nations, and the Women of the Americas Association. Additionally, these programs received in kind contributions from the United States, the Russian Federation, and South Korea, that total an estimated \$4.5 million for the period from 1992-2002.

The Inter-American Defense Board (IADB), through the generous support of several member states (Argentina, Bolivia, Brazil, Colombia, El Salvador, Guatemala, Honduras, Peru, Venezuela, and the United States), provided assistance in 2002 at an estimated value of US\$1.4 million. Since 1992, the total IADB contributions are estimated to amount to \$11.5 million.

Finally, the member states supported by the Program continue to provide substantial human and material resources, based on their individual abilities and needs.

The coordination with other international entities during 2002 included: United Nations, primarily through the U.N. Mine Action Service and the United Nations Children's Fund (UNICEF); Geneva International Center for Humanitarian Demining (GICHD); Mine Action Information Center at James Madison University; Survey Action Center of the Vietnam Veterans of America Foundation; and Center for International Rehabilitation.

Technical Cooperation Program in Nicaragua - Phase II

Following completion of the technical cooperation program for peace and re-assimilation in Nicaragua (TCP Phase I), and in order to follow up on the activities that began under it, on July 5, 2001, the General Secretariat of the GS/OAS and the Government of Sweden signed an agreement to commence TCP Phase II. The project will conclude on December 31, 2003 and the total contribution will be approximately \$2,200,000.

The principal objectives are: democratic participation, with support for closer ties between municipal governments and the local population, above all in rural areas. Reducing extreme poverty, by promoting education and health; curbing impunity; boosting the judiciary; and strengthen-

ing existing mechanisms for settling disputes.

At December 31, 2002, the cost of activities under this program totaled \$907,948.

Technical Assistance Plan for the Supreme Electoral Tribunal - Work Schedule for the 2003 Elections

With a view to monitoring the 2003 electoral process in Guatemala, GS/OAS has prepared, under the Technical Assistance Plan for the Supreme Electoral Tribunal of Guatemala, a work schedule for General Elections 2003.

With crucial support, and contributions totaling \$2,196,952 in 2002, from the Kingdom of the Netherlands, the Norwegian Agency for Development Cooperation (NORAD), and the Swiss Agency for Development and Cooperation (SDC), a start was made on the work schedule for the 2003 elections. Budget execution under that heading in 2002 was \$864,580.

The schedule envisages creating appropriate conditions for the Tribunal to handle the election process on a stronger footing, with trained personnel, and the tools it needs to achieve its objectives:

Civic education: with emphasis on citizens' rights and duties with respect to participation by Guatemalans in their political process, underscoring the role of women, young people, and the indigenous population, as well as on training programs for the permanent and temporary staff of the Supreme Electoral Tribunal of Guatemala.

Electoral decentralization: including the establishment of access routes to polling stations, the distribution of electoral material, support for departmental and municipal electoral boards, and all those processes and procedures that need to be in place to ensure greater efficiency in the voting process and in presentation of the election results.

Promotion of democracy and active participation by organized civil society: by generating opportunities and room for the establishment of groups of national observers, which could help create an atmosphere of greater electoral security and transparency backed by the Supreme Electoral Tribunal, and endowed with the independence that nongovernmental organization need to do their job.

Electoral Observation Missions

Electoral observation missions are an essential ingredient in strengthening democracy and protecting human rights in the Americas: a major objective of the Organization.

Chapter V, Article 24 of the Inter-American Democratic Charter states that "The electoral observation missions

shall be carried out at the request of the member state concerned. To that end, the government of that state and the Secretary General shall enter into an agreement establishing the scope and coverage of the electoral observation mission in question. The member state shall guarantee conditions of security, free access to information, and full cooperation with the electoral observation mission."

The chief objectives of electoral observation missions are:

a. To monitor the electoral process and all the main players to ensure that they abide by the electoral rules in force. To that end, the Mission meets with representatives of different government bodies, such as the members of the Electoral Tribunal and provincial electoral tribunals, members of the armed forces and the police, the candidates of the political parties taking part in the elections, and leaders of nongovernmental organizations involved in the elections.

b. To be available to the players in order to help to ensure that the procedures established under domestic legislation are observed and used to resolve conflicts.

c. To contribute, with the presence and work of the Mission, to creating an atmosphere of public trust and support and encourage citizen participation. With that in mind, the Mission issues press releases and grants interviews to the media.

d. To improve the electoral process by making a series of suggestions and recommendations.

According to resolutions AG/RES. 991 (XIX-O/89) and CP/RES. 572 (882/91), financing for electoral observation missions must come from external sources. Thus, once the OAS receives a request to organize an electoral observation mission, the UPD has to raise the required funds. In 1999, resolution AG/RES. 1637 (XXIX-O/99) established the a permanent specific fund to finance the activities related to electoral observation missions of the OAS, which is essentially being used to carry out exploratory pre-electoral mission. The only donor to the fund has been the Government of Brazil, which donated \$70,000 in 2002 as shown in the column entitled "Other Democratic Initiatives." The UPD intends to launch a campaign to raise funds for the permanent specific fund.

Electoral observation missions conducted in 2002

• ***Electoral Observation Mission to Costa Atlantica in Nicaragua.*** The Mission observed the elections of the Autonomous Regional Councils in Atlántico Norte and Atlántico Sur, on March 3, 2002. It was financed by the governments of Norway and Sweden.

- *Electoral Observation Mission to Colombia.* The Mission observed the presidential elections of March 26, 2002. The Mission was financed by the governments of the United States and the United Kingdom.
- *Electoral Observation Mission to the Dominican Republic.* The Mission observed the regular congressional and municipal general elections held on May 16, 2002. It was financed by the Government of the United States.
- *Electoral Observation Mission to Bolivia.* The Mission observed the presidential elections of June 30, 2002. The Mission was financed by the governments of Sweden and the United States.
- *Electoral Observation Mission to Ecuador.* The Mission observed the national elections of October 20, 2002 and the second round for President and Vice President on November 24, 2002. The Mission was financed by the governments of the United States and Canada.
- *Electoral Observation Mission to Peru.* The Mission observed the regional and municipal elections of November 17, 2002. It was financed by the Government of the United States.

Democratic Values and Political Management

In mid-1998, the UPD designed a pilot project to strengthen political parties in Guatemala. It was executed for two years, with funds from the Soros Foundation in Guatemala, and consisted of organizing and carrying out a series of courses for political party and civic committee leaders in the departments and municipalities.

Toward the end of 1999, the OAS broadened the scope of the program and turned it into an instrument for providing comprehensive support for Guatemala's political parties and organizations. This transformation involved, among other things, designing a program contemplating the de-

velopment of fora for inter-party encounters and dialogue, the institutional strengthening of political organizations, and the groundwork for setting up, at some time in the future, a national body that would be responsible for systematic and ongoing education of political players.

An execution schedule was drawn up for a four-year period, in such a way as to coincide with the pre-election, inter-election, and post election phases of the Guatemalan electoral calendar. For all four years, the project has the support of the Government of Norway (through the Norwegian Development Agency – NORAD), the Government of Denmark (through that country's human rights program – PRODECA), and the Kingdom of the Netherlands (through the Ministry of Development and Cooperation).

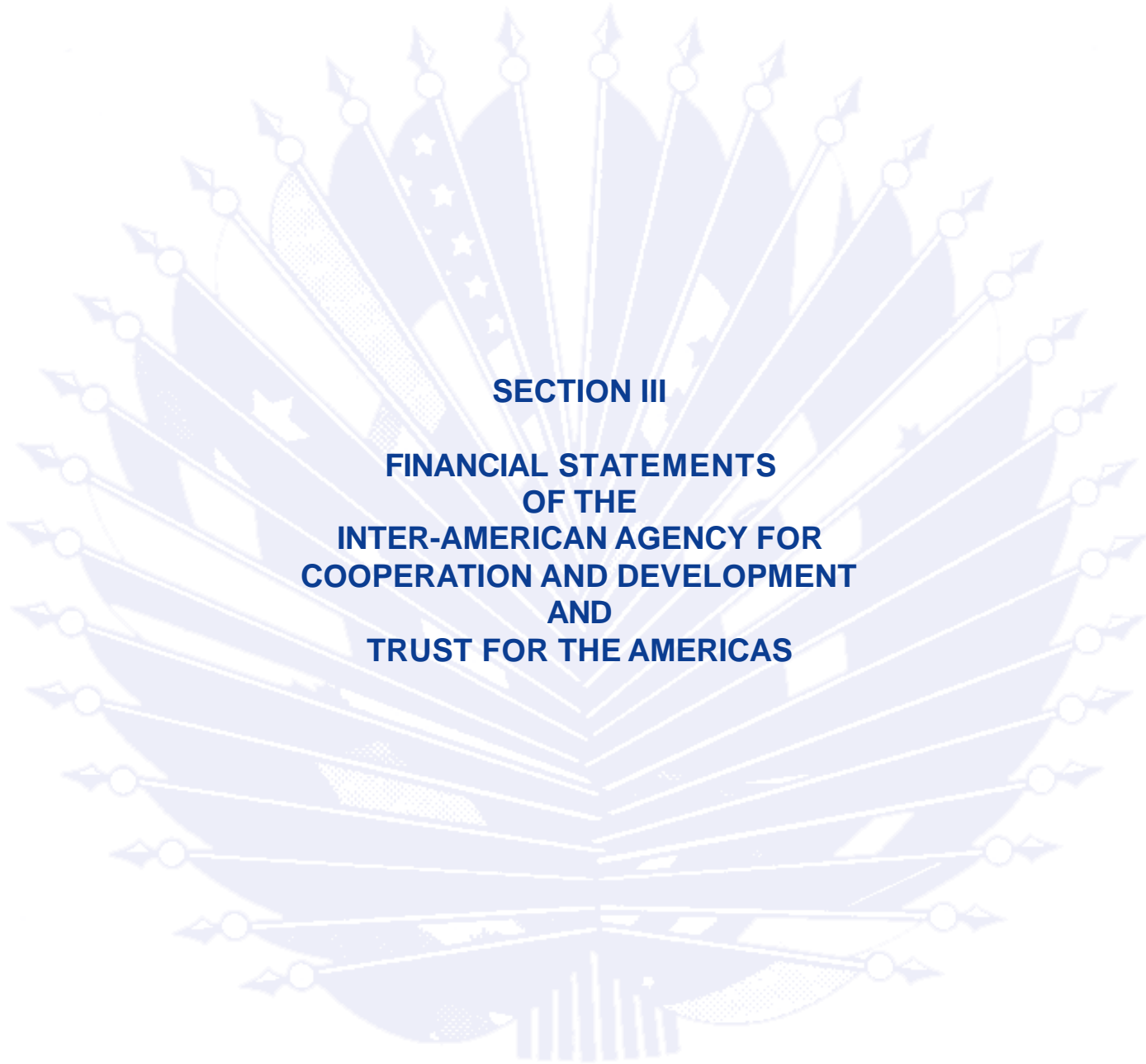
Execution in 2002 under this program totaled: \$657,393.

Technical Cooperation Program in Nicaragua-Phase II

Following completion of the technical cooperation program for peace and re-assimilation in Nicaragua (TCP Phase I), and in order to follow up on the activities that began under it, on July 5, 2001, the GS/OAS and the Government of Sweden signed an agreement to commence TCP Phase II. The project will conclude on December 31, 2003 and the total contribution will be approximately \$2,200,000.

The principal objectives are: democratic participation, with support for closer ties between municipal governments and the local population, above all in rural areas. Reducing extreme poverty, by promoting education and health; curbing impunity; boosting the judiciary; and strengthening existing mechanisms for settling disputes.

At December 31, 2002, the cost of activities under this program totaled \$907,948.



SECTION III
FINANCIAL STATEMENTS
OF THE
INTER-AMERICAN AGENCY FOR
COOPERATION AND DEVELOPMENT
AND
TRUST FOR THE AMERICAS

RESPONSIBILITY FOR FINANCIAL STATEMENTS

**SECTION III
FINANCIAL STATEMENTS
OF THE INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
WITH
REPORT OF INDEPENDENT AUDITORS**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Inter-American Agency for Cooperation and Development (IACD) has prepared and is responsible for the integrity of the financial data included in the accompanying financial statements. The statements have been prepared in conformity with accounting practices prescribed by the Budgetary and Financial Rules of the Organization of American States 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 IACD differ in certain respects from accounting principles generally accepted in the United States customarily applied in the presentation of financial statements. A description of the significant differences from accounting principles generally accepted in the United States is set forth in Note 2 to the financial statements. The IACD internal control environment 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 IACD. 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 IACD. The Board of External Auditors has engaged the services of the independent accounting firm of Ernst & Young, LLP to audit the financial statements of the IACD. Their opinion on the financial statements is based on auditing procedures, which include a review of internal control and selected tests of transactions and records. These auditing procedures are intended to provide a reasonable level of assurance that the financial statements are fairly stated in all material respects. The Board periodically meets with the independent auditors, officials of the IACD, 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 IACD.



**SECTION III
CHAPTER 1**

**FINANCIAL STATEMENTS
OF THE
INTER-AMERICAN AGENCY FOR
COOPERATION AND DEVELOPMENT**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent auditors

To the Board of External Auditors
Inter-American Agency for Cooperation and Development:

We have audited the accompanying statement and supplemental schedules of the funds of the Inter-American Agency for Cooperation and Development (the IACD), as of December 31, 2002 and for the year then ended, as listed in the accompanying table of contents. These financial statements and supplemental schedules are the responsibility of the IACD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the external auditing requirements prescribed in Chapter IX 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 audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of accounting principles 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 accounting principles generally accepted in the United States.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance for the IACD as of December 31, 2002, and the changes in fund balance for the year then ended on the basis of accounting described in Note 2.

Our audit has been made for the purpose of expressing an opinion on the basic financial statements listed in the accompanying table of contents for the IACD referred to in the first paragraph of this report taken as a whole. The accompanying information in Supplementary Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in our 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.

Ernst & Young LLP

FINANCIAL STATEMENTS

**INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
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Exhibit 2	Combined Statement of Changes in Fund Balances	III-18

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

EXHIBIT 1

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
(in thousands)

	December 31, 2002					
	Operations Fund	FEMCIDI	Specific Funds	Special Projects	Trust for the Americas	Combined
ASSETS						
Cash	\$ 95	\$ 12,783	\$ 9,892	\$ 6,995	\$ -	\$ 29,765
Accounts receivable	-	40	-	-	-	40
Due from OAS	-	20	155	-	-	175
Equipment, net	14	-	-	-	-	14
	<u>\$ 109</u>	<u>\$ 12,843</u>	<u>\$ 10,047</u>	<u>\$ 6,995</u>	<u>\$ -</u>	<u>\$ 29,994</u>
LIABILITIES AND FUND BALANCES						
Unliquidated obligations/Accounts payable	\$ 51	\$ 1,053	\$ 1,812	\$ 604	\$ 126	\$ 3,646
Accounts payable to OAS	7	-	-	-	50	57
Pledges collected in advance	-	36	-	-	-	36
Due to project entities	-	-	-	-	15	15
	<u>58</u>	<u>1,089</u>	<u>1,812</u>	<u>604</u>	<u>191</u>	<u>3,754</u>
Fund balances:						
Operating subfund unappropriated	37	11,510	8,235	6,391	(191)	25,982
Reserve subfund	-	244	-	-	-	244
Equity in fixed assets	14	-	-	-	-	14
	<u>\$ 109</u>	<u>\$ 12,843</u>	<u>\$ 10,047</u>	<u>\$ 6,995</u>	<u>\$ -</u>	<u>\$ 29,994</u>

See accompanying notes

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

EXHIBIT 2

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
(in thousands)

Year ended December 31, 2002

	<u>Operations Fund</u>	<u>FEMCIDI</u>	<u>Specific Funds</u>	<u>Special Projects</u>	<u>Trust for the Americas</u>	<u>Combined</u>
INCREASES						
Regular Fund subsidy	\$ 696	\$ -	\$ -	\$ -	\$ -	\$ 696
Contributions	-	-	2,474	4,454	501	7,429
Pledge collections	-	8,144	-	-	-	8,144
In-kind contributions	-	-	-	-	790	790
Interest income	-	141	116	234	-	491
Other income, refunds and deobligations	13	-	418	-	8	439
	<u>709</u>	<u>8,285</u>	<u>3,008</u>	<u>4,688</u>	<u>1,299</u>	<u>17,989</u>
DECREASES						
Expenditures and obligations	678	-	3,924	4,140	802	9,544
Project disbursements and obligations	-	6,040	-	-	-	6,040
GS/OAS administrative & technical suppo	-	1,265	-	-	-	1,265
In-kind expenses	-	-	-	-	790	790
	<u>678</u>	<u>7,305</u>	<u>3,924</u>	<u>4,140</u>	<u>1,592</u>	<u>17,639</u>
Net increase (decrease) during year	31	980	(916)	548	(293)	350
Fund balances, beginning of year	20	10,774	9,151	5,843	102	25,890
Fund balances, at end of year	<u>\$ 51</u>	<u>\$ 11,754</u>	<u>\$ 8,235</u>	<u>\$ 6,391</u>	<u>\$ (191)</u>	<u>\$ 26,240</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

1 ORGANIZATION AND FINANCIAL STATEMENTS

The Inter-American Agency for Cooperation and Development (IACD) was created by General Assembly Resolution AG/RES. 3 (XXVI-E/99) in November 1999 to promote, coordinate, manage and facilitate the planning and execution of programs, projects and technical assistance activities within the scope of the Organization of American States (OAS) Charter and within the framework of the Strategic Plan for Partnership for Development of the Inter-American Council for Integral Development (CIDI). In Executive Order 99-4, the Secretary General established the organizational structure of the IACD and the Executive Secretariat for Integral Development effective January 1, 2000. Executive Order 01-1, dated February 13, 2001, reorganized IACD and the Executive Secretariat for Integral Development into three Departments: Program Development, Information Technology for Human Development and Operations and Finance, all of which report to the Director General of IACD.

On January 15, 2000, the General Secretariat transferred to the administrative control of the IACD the unexecuted resources of the Special Multilateral Fund of the Inter-American Council for Integral Development (FEMCIDI) and the unexecuted resources of various specific funds as requested by their corresponding donors.

On June 26, 2001 Executive order 01-5 came into effect, which created the Office of the Inter-American Committee on Ports (OCIP) within the Executive Secretariat for Integral Development. Actual control of the OCIP funds in IACD accounts commenced on January 1, 2002 with the transfer of \$348,000 of OCIP resources from the OAS. The \$348,000 was recorded as a receivable in the Specific Fund as of December 31, 2001. Contributions and distributions for fiscal year 2002 were \$466,867 and \$304,697 respectively.

To ensure observance of limitations and restrictions placed on the use of resources available to the IACD, the accounts of the IACD 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 IACD are grouped in the following categories, according to their source of financing and purpose:

Operations Fund- financed by the OAS Regular Fund and by contributions of overhead, fees and interest from Specific Funds. The purpose of this fund is to provide the IACD with general support as well as technical supervision and administrative services to the IACD programs.

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

Specific Funds - financed by grants or requests 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 IACD. These funds may also include designated funds, which have been segregated for specific purposes, and whose use is restricted through designation by the General Assembly or the IACD.

Special Projects – are projects financed by grants or requests to finance activities specified by the donor. The balances presented in the column entitled “Special Projects” consist of funds administered by the IACD through OAS General Secretariat offices away from Headquarters for projects or initiatives executed in the countries where the funds are expended.

Trust for the Americas (Trust) - the Trust was created in 1997 as a non-profit entity incorporated in the District of Columbia. It serves the OAS and the IACD as an entry point to expand hemispheric cooperation and enhance economic development by providing a channel for information, services, goods and funds. In 2002, the Trust received in-kind contributions, which represent the transfer of noncash assets including services and donated items, from various organizations in support of administrative and program objectives. These in-kind contributions have been recorded at IACD’s estimated value for the services and items received.

The Statements of Assets, Liabilities, and Fund Balances and Statements of Changes of Fund Balances for the Operations Fund , FEMCIDI, Specific Fund, Special Projects and the Trust are presented in Exhibits 1 and 2, respectively, on a combined basis.

The Operating Subfund Unappropriated shown in Exhibit 1 is the account to which all income of the funds is applied including subsidies received from the OAS and voluntary pledge contributions. It is also the account to which all obligations and expenditures are charged except for those amounts allocated to the FEMCIDI Reserve Subfund.

The FEMCIDI Reserve Subfund is a fund for unforeseen activities that may arise during the course of the year. The amount of the Reserve Subfund is equal to 3 percent of FEMCIDI's pledge collections.

Beginning January 1, 2002, IACD migrated its financial and accounting functions to Oracle 11i, the financial applications platform to which the General Secretariat also migrated to on the same date. Additionally, pursuant to an internal agreement dated February 6, 2002 between the Secretariat for Management and IACD, the Secretariat for Management began providing certain financial, accounting, payroll and other services to IACD. The agreement provides that the Secretariat for Management will, on behalf of IACD, (1) maintain the Agency's accounts in Oracle, (2) hold custody of cash, (3) maintain existing and implement new internal controls, (4) create and approve purchase orders, (5) process invoices, (6) manage the IACD bank account, (7) process all disbursements, (8) post transactions to the ledgers, and (9) process payroll. Under the provisions of the agreement, the Secretariat for Management provides procedures, processes and technical oversight of funds while IACD retains responsibility for the control and management of the funds entrusted to it. Beginning in 2003, the Secretariat for Management will provide additional services to IACD.

2 ACCOUNTING PRINCIPLES

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

A. The IACD deems it impractical to evaluate the collectibility of voluntary pledges outstanding; therefore, pledges are included in the financial statements of the various funds only to the extent collected. Contributions from member states and from other interested parties for specific purposes are similarly recorded at the time of collection.

B. Unliquidated obligations in certain funds include amounts related to commitments resulting from agreements entered into by the funds with the member states or other institutions to disburse monies for agreed to purposes. Such amounts do not represent liabilities or unrelated third party commitments at the end of the respective periods. They represent amounts anticipated to be expended in the subsequent year in the completion of a particular program or activity.

C. The General Assembly of the OAS adopts the consolidated program-budget. In the consolidated budget, the amounts appropriated for substantially all approved (career) personnel costs of the IACD are included in, and financed by, the OAS Regular Fund. In addition, certain other administrative costs benefiting all funds are included in, and financed by, the OAS Regular Fund. A portion of the OAS allocation to the IACD was withheld for execution of these costs by the General Secretariat.

In lieu of allocating administrative costs to various funds on a services rendered basis, the General Assembly has provided that the other funds pay a contribution to the OAS 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.

D. 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. With the exception of in-kind contributions to the Trust, no amounts are recorded in the accompanying financial statements relating to the use of such facilities or services in as much as the IACD deems their value inestimable.

E. A Cash Flow Statement is not presented as required by accounting principles generally accepted in the United States.

F. FEMCIDI contributions received in a fiscal year are expended in the next fiscal year. Revenue is recognized in the year it is received and credited to the FEMCIDI sectorial accounts as instructed by the contributing countries until project execution the following fiscal year. This policy reflects the provisions of Article 17 of the FEMCIDI statutes.

Management has not qualified the impact of these differences to the financial statements.

3 USE OF ESTIMATES

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

4 INVESTING ACTIVITIES

Subject to certain conditions, interest income earned by the IACD is added to the equities of the various funds in proportion to their cash balances. The IACD had invested balances of \$22,364,000 as of December 31, 2002 in a United States bank comprised of demand deposits of which the majority was invested in a daily sweep investment account. IACD also had \$6,995,000 on deposit in foreign bank accounts as of December 31, 2002 for use with the three Special Projects.

5 FOREIGN CURRENCIES

Certain income and expense transactions in 2002 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.

6 LAND, BUILDINGS AND EQUIPMENT

The IACD does not own or lease any facilities. Rather, the IACD is assigned a cost by the General Secretariat of the OAS for the space it occupies in the OAS building. In 2002, the total cost withheld by OAS from the IACD budget allocation for this purpose was \$177,000.

Equipment is restricted to equipment purchased directly by the IACD for the performance of its administrative and project tasks. For the Operations Fund, purchased equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives in the accounting records. The composition of Operations funded fixed assets as of December 31, 2002 was as follows:

Asset Type	
Computers & equipment	\$24,718
Less: Accumulated Depreciation	<u>(11,199)</u>
Net Book Value as of 12/31/01	<u>\$13,519</u>

For project funded equipment, which is the property of the project, the cost and description of the equipment are recorded in memorandum accounts. As of December 31, 2002, an undepreciated total of \$216,874 in project assets was in custody of IACD.

7 SPECIFIC FUNDS REFLAWS

In 2002, Specific Funds received project reflows or refunds of advanced but unexpended project funds which are accounted for as income in each fund. The amount of the refunds in Specific Funds for the fiscal year 2002 was \$418,021 from projects in Mexico, Argentina, and Uruguay. These reflows were reported as Other income, refunds and deobligations in the Statement of Changes in Fund Balances.

8 DUE FROM OAS

As of December 31, 2002, the OAS owed to IACD \$155,000 in the Specific fund account for project funds deposited in the OAS bank account.

9 GRANTS

Grants to IACD may be subject to donor audit as described in the related donor agreements. Management believes it is in compliance with all donor requirements.

10 CONTRIBUTIONS

Contributions to Specific Funds, Special Projects, FEMCIDI and Trust for the Americas during the year ended December 31, 2002 are detailed on the following table. Note that the 2002 Specific Funds includes contributions for the Inter-American Committee on Ports (see Note 1, Organization and Financial Statements, paragraph 3).

10 CONTRIBUTIONS

Contributor	FEMCIDI	Specific Funds	Special Projects	Trust
<i>Member States:</i>				
Antigua and Barbuda	\$ 6,988	\$ 12,000	\$ -	\$ -
Argentina	45,674	1,000	-	-
Bahamas	13,100	6,000	-	-
Barbados	16,400	5,985	-	-
Belize	7,800	6,000	-	-
Bolivia	29,100	-	-	-
Brazil	266,468	58,823	-	-
Canada	1,247,875	6,000	-	-
Chile	110,000	-	-	-
Colombia	104,600	-	-	-
Costa Rica	32,900	-	-	-
Dominica	5,100	-	-	-
Dominican Republic	35,000	6,000	-	-
Ecuador	16,679	6,000	-	-
El Salvador	32,100	17,987	340,202	-
Grenada	6,000	3,985	-	-
Guatemala	24,475	6,000	1,549,025	-
Guyana	5,100	30,556	-	-
Haiti	-	15,000	-	-
Honduras	21,000	39,312	2,564,366	-
Jamaica	39,800	6,000	-	-
Mexico	750,000	1,221,625	-	-
Nicaragua	18,000	9,000	-	-
Panama	39,600	7,000	-	-
Paraguay	15,746	14,950	-	-
Peru	70,000	8,864	-	-
St. Kitts and Nevis	5,100	26,000	-	-
Saint Lucia	7,600	-	-	-
St. Vincent and the Grenadines	5,100	6,000	-	-
Suriname	8,500	5,975	-	-
Trinidad and Tobago	31,200	-	-	-
United States	5,100,000	632,677	-	325,489
Uruguay	25,000	(19,010)	-	-
Venezuela	2,000	9,743	-	-
<i>Non Member States and Others:</i>				
Andean Development Corp.	-	38,420	-	-
CAC Pharmaceuticals	-	-	-	50,000
Cementos Mexicanos	-	-	-	50,000
Cisco	-	-	-	10,000
Denmark	-	89,725	-	-
Inter-American Development Bank (IDB)	-	104,814	-	10,000
Postobon	-	-	-	15,000
Port Institute of Valencia	-	21,162	-	-
United Parcel Services	-	-	-	15,000
United Nations	-	50,000	-	-
World Bank	-	-	-	9,675
Other	-	4,980	-	15,634
TOTAL	\$ 8,144,005	\$ 2,458,573	\$ 4,453,593	\$ 500,798

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

**INTER-AMERICAN AGENCY
FOR COOPERATION AND DEVELOPMENT
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INTERAMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2002

Donor and Project	Cash Balance Jan 01, '02	Contributions	Other Income & Intfnd Transf	Interest Income	Expenditures	Cash Balance Dec. 31, '02	Unliquidated Obligations	Fund Balance Dec. 31, '02
Andean Development Corp. Municipal Institutional Devel.	\$ -	\$ 38,420	\$ (920)	\$ 289	\$ (8,745)	\$ 29,045	\$ 8,808	\$ 20,236
ARGENTINA								
Horizontal Cooperation	1,272,326	-	170,614	14,561	(262,428)	1,195,072	176,472	1,018,601
Horiz. Coop. Admin. Support	40,370	-	-	337	(2,136)	38,571	15,000	23,571
Agreement IDB/White Helmets	80,473	104,814	8,032	1,605	(43,413)	151,511	39,200	112,311
White Helmets	95,678	-	11,617	1,331	(15,184)	93,442	335	93,107
White Helmets Tech. Support	3,056	-	2,432	8	(4,965)	531	-	531
BRAZIL								
Horizontal Cooperation	25,425	58,824	-	943	(19,251)	65,940	-	65,940
Horiz. Coop. Admin. Support	3,437	-	-	50	-	3,487	-	3,487
COLOMBIA Fund 156								
EL SALVADOR Administ. Supp.	20,146	11,987	-	290	(12,113)	20,311	-	20,311
GUATEMALA								
Literacy Adm. Supp.	26,346	-	-	81	(20,646)	5,781	-	5,781
United Nations Dev. Program	-	50,000	-	-	-	50,000	-	50,000
PRODECA	-	89,725	-	-	-	89,725	-	89,725
HAITI Unprogrammed	-	15,000	-	218	-	15,218	-	15,218
HONDURAS								
Education-Mar del Plata	17,036	-	-	247	-	17,283	-	17,283
Housing	66,476	33,312	-	545	(62,215)	38,117	-	38,117
ISRAEL								
Cooperation Fund	30,501	-	-	442	-	30,944	-	30,944
Tech. & Admin. Support	1,605	-	-	23	-	1,628	-	1,628
MEXICO								
Demand for Tech. Cooperation	349,767	-	-	3,557	(104,527)	248,796	-	248,796
Horizontal Cooperation Fund								
Technical Cooperation	9,545	-	-	138	-	9,683	-	9,683
Technical Coop. Admin. Support	113,026	-	-	419	(45,141)	68,304	39,000	29,304

See accompanying notes

INTERAMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2002

Donor and Project	Cash Balance		Other Income & Intfnd Transf	Interest Income	Expenditures	Cash Balance Dec. 31, '02	Unliquidated Obligations	Fund Balance Dec. 31, '02
	Jan 01, '02	Contributions						
Integral Coop. Central American and the Caribbean	631,564	612,000	184,303	6,767	(381,401)	1,053,233	579,820	473,413
Fund 22 Unprogrammed	663,019	217,546	-	12,740	(637)	892,669	1,421	891,248
Fund 22 - IMEXCI	1,046	-	-	15	-	1,062	-	1,062
Fund 33 Unprogrammed	741,613	243,709	-	13,999	(20,000)	979,321	-	979,321
Fund 33 Education	93,219	141,370	-	3,373	(1,892)	236,070	-	236,070
Fund 33 Foreign Relations	12,755	-	-	185	-	12,940	-	12,940
Microsoft- Educative Quality	-	15,000	-	213	-	15,213	-	15,213
PANAMA								
Privatization	230,925	-	(36,000)	78	(111,469)	83,533	77,925	5,608
Privatization Tech. Support	52,800	-	-	109	(45,299)	7,611	-	7,611
ICAO-Panama	-	-	36,000	-	-	36,000	36,000	-
PERU								
Horizontal Cooperation	24,946	-	-	362	-	25,308	-	25,308
Tech. & Admin. Support	749	-	-	11	-	760	-	760
PORTS - OCIP								
Special Port Program	82,047	446,531	-	3,133	(298,897)	232,814	10,747	222,067
Emergency Port Program	266,306	20,336	-	4,067	(5,800)	284,910	381	284,529
SPAIN								
Cooperation Fund	9,077	-	7,300	238	-	16,615	-	16,615
Tech. & Admin. Support	2,643	-	201	41	-	2,885	-	2,885
UNITED PARCEL SERVICE	1,667	-	-	24	-	1,691	-	1,691
UPS Tech. & Admin. Support	8,838	-	-	54	(5,105)	3,788	-	3,788
URUGUAY Horizontal Coop.	105	(25,000)	33,487	487	-	9,079	-	9,079

See accompanying notes

INTERAMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT
SPECIFIC FUNDS
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE PERIOD JANUARY 1 THROUGH DECEMBER 31, 2002

Donor and Project	Cash Balance		Other Income	Interest	Expenditures	Cash Balance	Unliquidated	Fund Balance
	Jan 01, '02	Contributions	& Int'nd Transf	Income		Dec. 31, '02	Obligations	Dec. 31, '02
UNITED STATES								
US DEP Counterpart Fund 2001	670,608	-	(625,833)	649	-	45,424	-	45,424
US DEP Counterpart Fund Int	280,847	-	4,608	4,073	-	289,527	-	289,527
Interest on US Projects- Year 2001	76,948	-	(1,383)	1,096	-	76,660	-	76,660
Connectivity & Telecom	90,502	-	150,000	1,561	(78,214)	163,850	89,624	74,226
Educational Portal	345,055	-	-	870	(277,346)	68,580	8,800	59,780
Municipal Development	82,087	-	-	104	(63,634)	18,557	11,292	7,266
Agency Overhead	161,052	-	85,000	84	(168,802)	77,335	25,453	51,882
Program for Human Develop.	494,910	-	-	373	(378,316)	116,967	84,971	31,996
e-Procurement	201,944	-	56,303	9	(183,357)	74,899	66,891	8,008
Transparency Initiative- Anticorrupt	77,775	-	(77,775)	-	-	-	-	-
Connectivity Programs/NGOs	60,327	-	-	440	(29,955)	30,812	-	30,812
New Project Dev. Activities	37,130	-	110,000	781	(61,408)	86,503	31,549	54,954
e-Government	-	-	100,000	852	(28,651)	72,201	12,416	59,785
Occupational Health & Safety	-	-	100,000	1,426	(1,661)	99,765	-	99,765
Connectivity Content	-	-	100,000	696	(37,700)	62,996	14,200	48,796
US Tech Coop 2001	500,000	-	-	4,250	(205,913)	298,337	-	298,337
US DEP Technical Coop. 2002	1,060,000	400,000	(1,070,000)	5,656	-	395,656	-	395,656
US DEP Tech Coop Interest	191,030	-	-	2,770	-	193,800	-	193,800
Airport Security Program	-	-	500,000	6,195	(71,539)	434,656	1,264	433,391
Phase II-Metro. for the Amer.	-	-	70,000	-	(70,000)	-	-	-
H. R. Development in Bosawas	-	-	500,000	-	(19,436)	480,564	480,564	-
US DEP Scholarship Fund 2001	674,735	-	(4,636)	9,718	-	679,817	-	679,817
US DEP Schol Fund Interest	47,789	-	4,636	760	-	53,185	-	53,185
CIDI Support Fund	70,903	-	-	988	(2,800)	69,091	-	69,091
Miscellaneous Unprogrammed	4,992	-	37	73	302	5,403	-	5,403
IACD Specific Funds Total	\$ 10,189,424	\$ 2,473,573	\$ 418,022	\$ 115,600	\$ (3,149,695)	\$10,046,924	\$ 1,812,134	\$ 8,234,790

See accompanying notes

INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

SCHEDULE 2

**SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI
SUMMARY OF 2002 EXECUTION OF 2001 NEW PROJECT BUDGET BY SECTOR
YEAR ENDED DECEMBER 31, 2002**

	<u>2002 Execution of 2001 New Project Budget</u>	<u>2002 Net Cash Disbursements</u>	<u>Budget Remaining at December 31, 2002</u>
Economic Diversification and Integration, Trade Liberalization and Market Access	\$ 490,352	\$ 400,817	\$ 89,535
Social Development and Creation of Productive Employment	1,250,301	811,947	438,354
Education	1,961,412	1,159,115	802,297
Culture	103,000	43,211	59,789
Scientific Development, Exchange and Transfer of Technology	1,656,841	1,359,033	297,808
Strengthening of Democratic Institutions	484,524	285,711	198,813
Sustainable Development of Tourism	485,000	204,153	280,847
Sustainable Development and Environment	716,419	601,558	114,861
Contribution to GS/OAS for Administrative and Technical Support	<u>1,265,568</u>	<u>1,265,568</u>	<u>-</u>
TOTAL	<u>\$ 8,413,417</u>	<u>\$ 6,131,113</u>	<u>\$ 2,282,304</u>

See accompanying notes

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

March 26, 2003

External Audit Board
Inter-American Agency for Cooperation and Development
Organization of American States
1889 F Street NW
Washington, D.C. 20006

Dear Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by the General Assembly and management of the Organization of American of American States, solely to assist you with respect to compliance with the General Standards of the Organization of American States during 2002. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures performed and results thereof are broken out between director expenditures and general expenditures. The results are as follows:

Director Expenditures

For director expenditures, our population consisted of all director expenditures during 2002. The sample size was statistically determined using an 80% reliability level, a 0% expected rate of occurrence, and a 10% tolerable error rate. These criteria resulted in a sample of 25 expenditures for testing. The 25 sample units (i.e. the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the General Standards (hereafter referred to as "GS") in four areas. The four areas are:

1. Honoraria
2. Hospitality and Representational Allowances
3. Personnel (Director level)
4. Travel

Testing performed and exceptions are documented below.

Honoraria

We tested to ensure no services were rendered to any government entity or gifts, awards or honors were accepted from any government entity without the approval of the Secretary General. This testing revealed no findings.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented. This testing revealed no findings.

Personnel (Director level)

We tested expenditures related to directors to ensure that personnel at the director level:

1. maintain no connections that could involve conflicts of interest with OAS responsibilities
2. have proper check signing approval (as applicable)
3. are not considered or listed as a Career Service Member
4. if terminated during 2002 that the director was given proper notices as defined in GS Chap II Articles 20 and 54
5. have current statements of personal net worth upon hire date
6. have sworn statements of personal associations

We noted the following findings:

1. One individual's sworn statement of personal interests and sworn statement of personal associations were not current.
2. Twelve individuals' personnel files do not contain statements of personal net worth.
3. Two individual's files did not include evidence supporting a lack of conflict of interest with OAS responsibilities.

Travel

We tested expenditures related to travel to ensure the following:

1. travel is approved by appropriate supervisor or Chief of Staff
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel expense claims require approval by the supervisor within 15 days of return from travel

We noted the following findings:

1. We noted six instances whereby travel expense claims were not approved by a supervisor within 15 days of return from travel. In addition, we noted nine instances whereby the travel expense claim was missing.

General Expenditures

For general expenditures, our population consisted of all nonpayroll expenditures during 2002 (including directors). The sample size was statistically determined using an 80% reliability level, a 0% expected rate of occurrence, and a 10% tolerable error rate. These criteria resulted in a sample of 25 expenditures for testing. The 25 sample units (i.e. the expenditures) were selected using a random number generator.

For the sample described above we examined for compliance with the GS in ten general areas. The ten areas are:

1. Fixed Assets
2. Grants
3. Honoraria
4. Hospitality and Representational Allowances
5. Obligations
6. Performance Contracts (including Personal Service Contracts)
7. Procurement Contracts

8. Travel
9. General

The testing performed and exceptions noted are documented below.

Fixed Assets

We tested expenditures related to fixed assets to ensure the following:

1. the acquisitions were properly approved by officials with budgetary expenditure authority
2. all related costs to acquire the property are considered for capitalization
3. all expenditures greater than \$500 are capitalized
4. property is depreciated on a straight line basis
5. prenumbered labels are affixed to fixed assets upon receipt with proper records being maintained
6. inventories taken at regular intervals
7. an accounting of fixed assets is prepared at regular intervals

This testing revealed no findings.

Grants

We tested grants to ensure the following:

1. grants are properly approved
2. grants related to inventoried equipment have a properly approved Memorandum of Certification

This testing revealed no findings.

Honoraria

Our general expenditure testing scope did not include any honoraria expenditures. See director expenditures above.

Hospitality and Representational Allowances

We tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat unless the Secretary General indicates it is in the best interest of the entity and is properly documented.

This testing revealed no findings.

Obligations

We tested the obligations to ensure:

1. obligation records are maintained and filed
2. appropriate support is obtained by the Department of Financial Services before disbursements are made
3. that on a quarterly basis, each dependency of the General Secretariat submit to the Department of Management Analysis and Planning Support Services (“DMAPPS”) a report indicating the status of obligations that have not been fully expended in the 180 days since they were made
4. appropriations are available to meet the obligations incurred during the year
5. all obligations shall be recorded in the accounting system
6. all obligations must have a beginning and end date
7. obligations during the year do not exceed the estimated income from quotas and other revenues, unless properly approved
8. obligations must be based on firm commitments when they are approved and legally binding

This testing revealed no findings.

Performance Contracts

We tested expenditures related to performance contracts to ensure the following:

1. performance contracts are approved by the proper level of authority
2. no performance contracts are committed to, signed or executed unless all funds are available and assigned to the contract
3. contracts for more than \$50,000 are approved by the director of Legal Services

4. performance contracts for FEMCIDI shall not exceed a period of one year and for the specific fund, shall not exceed a period of three years
5. within 30 days of signing the contract, an executed copy of the contract should be sent to the Chief Office of Procurement Management Services (“OPMS”)
6. contracts greater than \$20,000 should be accompanied by required documentation and financial statements
7. performance contracts for greater than \$70,000 funded by the specific fund, operating fund or FEMCIDI require competitive bidding
8. payment should be made upon the contractor’s invoice and an authorizing official noting the service has satisfactorily provided
9. upon completion of the contract, certification for final payment must be accompanied by an evaluation of the service and signed by the authorizing contract official

We noted the following findings:

1. We noted four instances whereby an executed contract was not maintained by the respective department.
2. In one instance the authorization from the official, noting that the service has been satisfactorily provided is missing. Obligations must be based on firm commitments when they are approved and legally binding.

Procurement Contracts

We tested expenditures related to procurement contracts to ensure the following:

1. procurement contracts must be approved by a Director level or above
2. procurement contracts greater than \$30,000 require approval by the Contract Awards Committee
3. construction greater than \$50,000 and other procurement contracts greater than \$75,000 shall be reviewed by the Department of Legal Services
4. construction contracts greater than \$250,000 require contractors to be bonded
5. procurement contracts greater than \$999 require competitive bidding
6. procurement contracts may not be entered into with entities that are not Member States
7. procurement contracts greater than \$10,000 require written justification

This testing revealed no findings.

Travel

We tested expenditures related to travel to ensure the following:

1. travel is approved in advance and in writing
2. senior members produce a quarterly Official Travel Plan approved by the Secretary General one month in advance
3. supervisors complete a quarterly report of official travel for all authorized travel
4. unplanned travel requires approval by Chief of Staff of the Secretary General
5. travel advances require approval and required supporting documents (i.e. itinerary)
6. travel expense claims require approval by the supervisor within 15 days of return from travel

This testing revealed no findings.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Board of External Audit and management and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP



**SECTION III
CHAPTER 2**

**TRUST FOR THE AMERICAS
(2002-2001 FINANCIAL STATEMENTS)**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of independent auditors

To the Board of External Auditors
Inter-American Agency for Cooperation and Development:

We have audited the accompanying statement of financial position of the Trust for the Americas (the Trust), as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust as of December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Trust at December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES
TRUST FOR THE AMERICAS

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2002

Assets

Accounts Receivable	\$ <u>158,202</u>	
Total Assets		\$ <u><u>158,202</u></u>

Liabilities and Net Assets

Account Payable to OAS Treasury Fund	50,215	
Accounts Payable	<u>15,908</u>	
Total Liabilities		66,123
Unrestricted Net assets	<u>92,079</u>	
Total Net Assets		<u><u>92,079</u></u>
Total Liabilities and Net Assets		\$ <u><u>158,202</u></u>

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
TRUST FOR THE AMERICAS**

**STATEMENT OF ACTIVITIES
For the year ended December 31, 2002**

Revenue

Contributions	\$ 687,400	
In-Kind Contributions	790,140	
IACD In-kind Contributions	<u>282,761</u>	
		\$ 1,760,301

Expenses

Administrative and Project Expenses	685,829	
In-kind Expenses	790,140	
IACD In-kind Expenses	<u>282,761</u>	
		<u>1,758,730</u>

Excess of Revenue over Expenses 1,571

Net assets, beginning of year 90,508

Net Assets, end of year \$ 92,079

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
TRUST FOR THE AMERICAS**

**STATEMENT OF CASH FLOWS
For the year ending December 31, 2002**

Operating Activities

Excess of revenue over expenses	\$ 1,571
Adjustments to Reconcile Excess of Revenue over Expenses to net cash used in operating activities:	
Effect of Changes in Operating Assets and Liabilities:	
Increase in Account Receivable	(155,212)
Decrease in Prepaid Expenses	24,018
Decrease in Account Payable	(9,015)
Increase in Account Payable to OAS Treasury Fund	50,215
Decrease in Deferred Revenue	<u>(28,400)</u>
Net Decrease in Cash	(116,823)
Cash, beginning of year	<u>116,823</u>
Cash, end of year	<u>\$ -</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES TRUST FOR THE AMERICAS

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1 ORGANIZATION

The Trust for the Americas (the Trust) was created in 1997 as a non profit entity incorporated in the District of Columbia. The Trust serves the Organization of American States (OAS) as an entry point to expand hemispheric cooperation and enhance economic development by providing a channel for information, services, goods and funds.

In addressing central goals of the OAS, and in response to the Summits of the Americas, the Trust mobilizes resources to confront the problems posed by extreme poverty and to promote democracy through actions that are environmentally, economically and socially sustainable, and that foster public participation, particularly of groups previously excluded from the international dialogue.

The operation of the Trust began in fiscal year 1998 with the principal focus on establishing the framework within which to begin program activities. Funding to establish the Trust was provided by the Inter-American Council for Integral Development (CIDI) through a specific fund created to finance CIDI programs that strengthen partnerships with private enterprises and foundations. An initial grant of \$250,000 was made by the United States to foster this specific initiative.

The Trust resources have been provided by contributions from corporate donors, contributions from the Inter-American Agency for Cooperation and Development (IACD) for staff and office support, and in-kind donations from corporate and other donors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The statements cover the one year period commencing January 1, 2002 through December 31, 2002.

Fund Accounting and Net Asset Classifications

To ensure compliance with restrictions placed on the resources available to the Trust, the Trust accounts are classified for accounting and reporting into projects established according to their nature and purposes. In the financial statements, projects that have similar characteristics have been combined into two net asset categories: Unrestricted and Temporarily Restricted.

Unrestricted net assets are either not restricted by donors, or the donor-imposed restrictions have expired.

Contributions and Deferred Revenue

Contributions are recorded when earned. The Trust does have a significant ongoing grant as of December 31, 2002 with a United States government agency that is described in Note 4, "Significant Contributions". Deferred revenues are recorded when amounts are received in excess of amounts expended for cost reimbursable United States government grants. Accounts receivable are recorded when amounts expended are in excess of amounts received.

For the year ended December 31, 2002, the Trust received in-kind contributions that were donated to the Trust as part of an agreement (the Agreement) with the OAS through the IACD. Under the Agreement, the OAS through the IACD, will support the Trust with the provision of financial, material and staff support to enable the Trust to accomplish its objectives. In-kind contributions and expenses include staff and other expenses funded from the IACD budget valued at cost of \$282,761.

The Trust received in-kind contributions from corporations and other entities for carrying out its program in the amount of \$790,140 during the year ended December 31, 2002 that were valued based on the trust's best estimate of the fair market value of the services provided on the date of the contribution.

Federal Income Tax

The Trust is a non profit organization under Section 170(b)(1)(h)(VI) of the Internal Revenue Code and, as such, is exempt from federal income tax.


3 USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

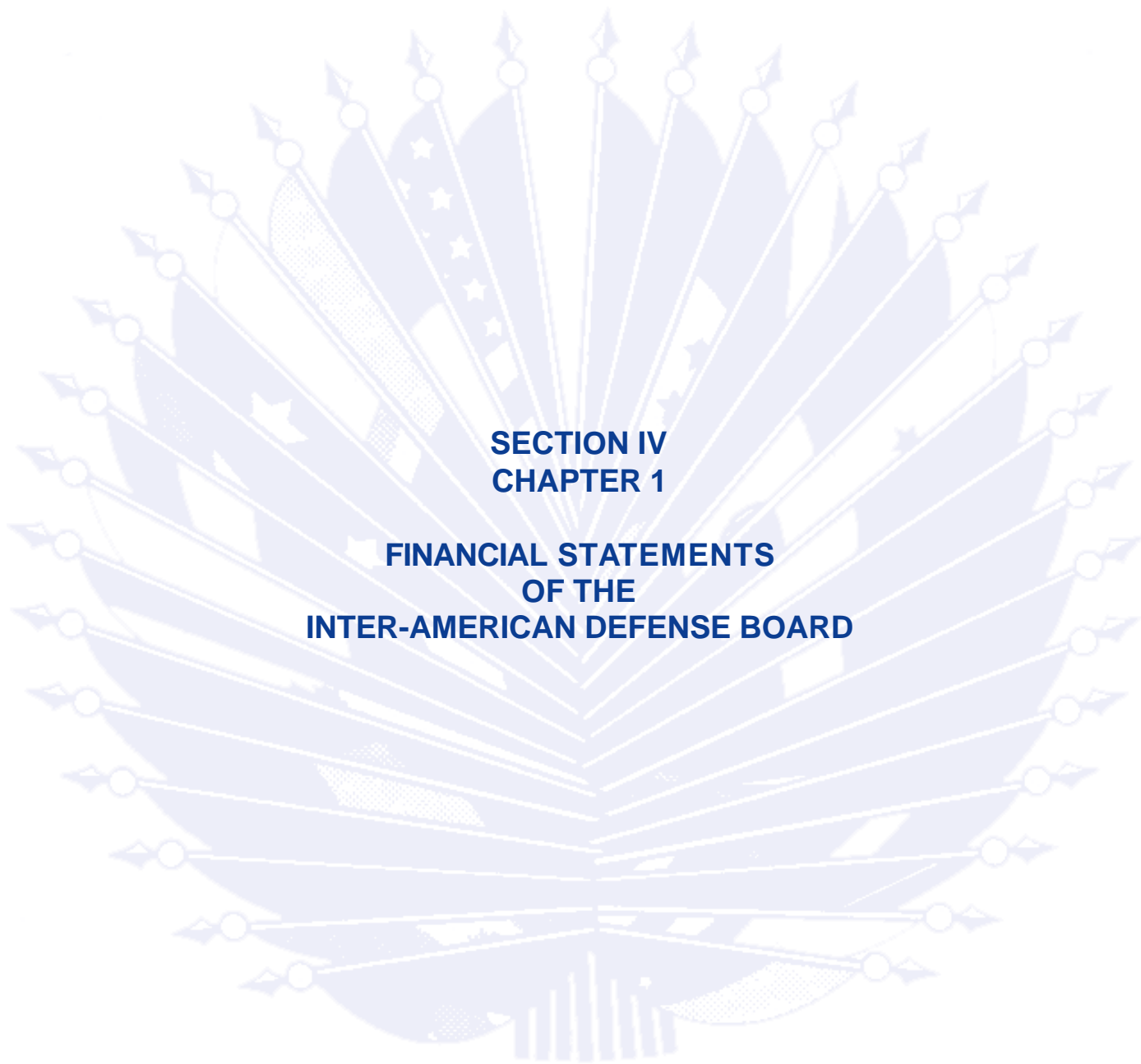
4 SIGNIFICANT CONTRIBUTIONS

The Trust has a significant grant agreement with the United States Department of Labor for activities in El Salvador. The agreement is for a total of \$1,379,948 of which \$325,489 was received and \$483,691 expended for the year ended December 31, 2002. The excess \$158,202 expended was unreimbursed at year end and is recorded as an accounts receivable.



SECTION IV

**FINANCIAL STATEMENTS
OF OTHER AGENCIES, ENTITIES RELATED
TO THE
ORGANIZATION OF AMERICAN STATES**



**SECTION IV
CHAPTER 1**

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of External Auditors
Inter-American Agency for Cooperation and Development

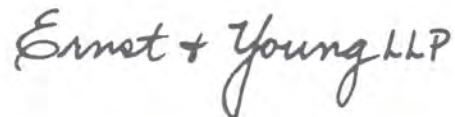
We have audited the accompanying statement of assets, liabilities and fund balances of the funds of the Inter-American Agency for Cooperation and Development (the Agency), an entity of the Organization of American States, as of December 31, 2002 and the related statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the external auditing requirements prescribed in Chapter IX 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 audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements were prepared on the basis of accounting principles prescribed or permitted 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 accounting principles generally accepted in the United States.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance for the Agency as of December 31, 2002, and the changes in fund balances for the year then ended on the basis of accounting described in Note 2.

Our audit has been made for the purpose of expressing an opinion on the 2002 basic financial statements referred to in the first paragraph of this report taken as a whole. The accompanying information in Supplementary Schedules 1 through 3 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in our 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.



Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENTS OF FINANCIAL POSITION

	Year ended December 31,	
	2002	2001
Assets		
Current Assets		
Cash and cash equivalents	100,562	188,428
Prepaid expenses and other assets	100,274	60,234
	200,836	248,662
Property and equipment, at cost		
Equipment	663,032	660,531
Furniture	133,593	133,593
Less: Accumulated Depreciation	715,976	643,758
	80,649	150,366
Total assets	281,485	399,028
Liabilities and net assets		
Current Liabilities		
Account Payable	10,630	25,178
Accrued Leave	111,928	140,683
	122,558	165,861
Unrestricted net assets	158,927	233,167
Total Liabilities and net assets	281,485	399,028

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENT OF ACTIVITIES

	Year ended December 31,	
	2002	2001
Revenue:		
Funding received from OAS (Note 5)	1,824,253	1,948,694
Interest and other income	<u>4,211</u>	<u>19,490</u>
Total revenue	1,828,464	1,968,184
Expenses:		
Personnel	966,951	1,140,966
General and administrative	628,569	582,531
Depreciation	72,218	75,638
Contracts	<u>234,966</u>	<u>247,818</u>
Total expenses	<u>1,902,704</u>	<u>2,046,953</u>
Change in net assets	(74,240)	(78,769)
Unrestricted net assets at beginning of year	233,167	311,936
Unrestricted net assets at end of year	<u><u>158,927</u></u>	<u><u>233,167</u></u>

See accompanying notes

**ORGANIZATION OF AMERICAN STATES
INTER-AMERICAN DEFENSE BOARD**

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2002</u>	<u>2001</u>
Operating Activities		
Change in net assets	(\$74,240)	(\$78,769)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	72,218	75,638
Changes in operating assets and liabilities:		
Decrease in prepaid expenses and other assets	(40,040)	(19,345)
Decrease in account payable	(14,548)	(36,992)
Decrease in accrued leave	<u>(28,755)</u>	<u>(19,807)</u>
Net cash (used in) provided by operating activities	(85,365)	(79,275)
Investing Activities		
Purchase of property and equipment	<u>(2,501)</u>	<u>(39,566)</u>
Net Cash used in investing activities	<u>(2,501)</u>	<u>(39,566)</u>
Net decrease in cash and cash equivalents	(87,866)	(118,842)
Cash and cash equivalents at beginning of year	<u>188,428</u>	<u>307,270</u>
Cash and cash equivalents at end of year	<u><u>\$100,562</u></u>	<u><u>\$188,428</u></u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES INTER-AMERICAN DEFENSE BOARD

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1 ORGANIZATION

The Inter-American Defense Board (The Board) was established on March 30, 1942 and was designed, 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 nation's defense establishments. The mission of the Board is to maintain the collective self-defense of the Western Hemisphere with peace and security as primary objectives.

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

The Board is an affiliated agency of the Organization of American States (OAS) and receives a substantial portion of its operating budget from the OAS; however, the two organizations maintain separate management structures. The Board has experienced a continuous decrease in its budget due to decreases in funding provided by the OAS. In response to the lower budgets, the Board has had to dramatically reduce its civilian work force from 87 civilian personnel in 1987 to 15 civilian personnel at the end of fiscal year 2002.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basic of accounting, in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Board's financial instruments consist of cash and cash equivalents, accounts receivable (included in prepaids and other assets) and accounts payable. In management's opinion, the carrying amounts of these financial instruments approximate their fair value at December 31, 2002 and 2001.

Cash and cash Equivalents

The Board considers all highly liquid investments with maturity of three months or less at the date of purchase to be cash equivalents.

Accounts receivable and current assets

Accounts receivable and current assets as of December 31, 2002 and 2001, consist primarily of amounts owed to the Board for expenses that they have incurred on behalf of the other entities.

Equipment and Furniture

Equipment and furniture are stated at cost, net of accumulated depreciation. Depreciation expense is recognized using the straight-line method over the estimated useful life of the assets. The useful life of furniture and printing equipment is estimated at ten years; the estimated life of other equipment, including computer equipment, is three years.

Reclassification

Certain 2002 balances have been reclassified to conform with current year presentation

In-kind Contributions

The Board received in-kind contributions from the OAS and member countries totaling approximately \$3,200,000 and \$2,821,000 for the years ending December 31, 2002 and 2001 respectively. These in-kind contributions were valued at fair market value on the date of the contribution. The use of office space provided to the Board and College by the U.S. Department of Defense (DoD) and the OAS accounted for approximately \$2,464,000 or 76% and \$2,377,000 or 84% of the total in-kind contributions for

the years ended December 31, 2002 and 2001, respectively. The U.S. DoD also supported Board and College related travel and transportation expenses including the cost of using U.S. aircraft for student trips totaling approximately \$444,000 and \$456,000 for the years ended December 31, 2002 and 2001, respectively. These figures do not include the services of approximately 90 military personnel and delegates as the Board deems it impractical to measure the value of those contributions.

The Board sought and received support from the U.S. DoD for several funded seminars and for the development of a Distance Learning Course. This support was valued at approximately \$292,000 and \$33,000 for the years ended December 31, 2002 and 2001, respectively. These new initiatives were in addition to the normal operations and curriculum of the College providing greater participation opportunities to all OAS member countries. While the Board intends to continue seeking external funding for such events all future contributions will be subject to individual event approval by the U.S. DoD agency providing the funding.

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 leave; certain employees receive terminal pay, merit awards, and special leave. The payments made during 2002 and 2001 for these benefits amounted to approximately \$17,000 and \$123,000, respectively. The Council of Delegates of the Board modified the civilian regulation during fiscal year 2001. This modification resulted in reducing the benefits of new employees to reduce future personnel costs.

3 INCOME TAXES

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

4 PENSION PLAN

Substantially all of the employees of the Board participate in a contributory multi-employer pension plan administered by the Retirement and Pension Plan Committee of the OAS. Contributions to the plan by the Board and employees are based on fixed percentages of annual pensionable salaries in accordance with United Nations tables and approximated \$167,000 and \$177,000 in fiscal years 2002 and 2001, respectively.

5 FUNDING

Funding received from the OAS in the form of direct cash contributions decreased from \$1,948,694 in 2001 to \$1,824,253 in 2002. The OAS has currently appropriated \$1,772,800 for 2003. The Board relies upon the OAS for funding substantially all its operating activities and is depending upon the continued financial support of the OAS.

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

6 PROGRAM EXPENSES

The Board's expenses consist primarily of four primary functions: the Council of Delegates, the Inter-American Defense College, the International Staff, and Administrative Support.

The expenses incurred during 2002 were as follows:

- Council of Delegates - \$1,202,864
- Interamerican Defense College - \$263,190
- International Staff - \$205,490
- Administrative Support - \$161,256

7 COMMITMENTS AND CONTINGENCIES

The Board is not subject to any lawsuits which management believes will have a material adverse effect on the Board's financial condition.



**SECTION IV
CHAPTER 2**

**FINANCIAL STATEMENTS
OF THE
RETIREMENT AND PENSION FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of External Auditors
Organization of American States

We have audited the accompanying statement of net assets available for benefits of the Organization of American States Retirement and Pension Fund (the Fund) as of December 31, 2002 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund as of December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, information regarding the Plan's net assets available for benefits at December 31, 2002, and the changes therein for the year then ended, and the financial status of the Plan at December 31, 2002, and the changes therein for the year then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Baltimore, Maryland
February 28, 2003

FINANCIAL STATEMENTS

**Organization of American States
Retirement and Pension Fund**

Statements of Net Assets Available for Benefits

	December 31	
	2002	2001
Assets		
Cash	\$1,370,640	\$ -
Investments, at market:		
Money market funds	28,226,162	31,371,126
U.S. government obligations	25,159,072	30,322,095
Corporate debt	76,146,700	86,209,854
Foreign government debt	2,245,324	1,315,700
Commingled equity trusts	140,255,715	176,745,292
Common stock	10,829,377	13,358,109
	282,862,350	339,322,176
Accrued interest and dividends	1,195,341	1,570,184
Total assets	285,428,331	340,892,360
Liabilities		
Due to broker for securities purchased	17,596,478	19,968,785
Provident Plan participants accounts	301,929	690,940
Administrative expenses payable	165,381	134,301
Total liabilities	18,063,788	20,794,026
Net assets available for benefits	\$267,364,543	\$320,098,334

See accompanying notes

**Organization of American States
Retirement and Pension Fund**

Statements of Changes in Net Assets Available for Benefits

	Years ended December 31	
	2002	2001
Additions		
Interest and dividends	6,289,721	7,480,356
Less investment expenses	(516,525)	(597,937)
	5,773,196	6,882,419
Contributions:		
Institutions	7,617,370	7,454,508
Participants	3,810,198	3,754,793
Participant rollovers for credit purchase	1,341,984	-
	12,769,552	11,209,301
Total additions	18,542,748	18,091,720
Deductions		
Payments to pensioners	4,375,567	4,008,348
Liquidations paid to participants (or their beneficiaries)	32,600,011	28,884,896
Interest credited to Provident Plan accounts	-	8,788
Administrative expenses	633,674	609,740
Net depreciation	33,667,287	34,378,312
Total deductions	71,276,539	67,890,084
Net decrease	52,733,791	49,798,364
Net assets available for benefits		
Beginning of year	320,098,334	369,896,698
End of year	<u>\$ 267,364,543</u>	<u>\$ 320,098,334</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES RETIREMENT AND PENSION FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1 DESCRIPTION OF FUND

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

General

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

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

Funding Policy

The Plan and the Provident Plan are funded by the General Secretariat, other affiliated agencies and compulsory participants' contributions at fixed percentages of annual pensionable remuneration. A portion of the income earned on the Retirement and Pension Fund's investments is allocated semiannually to Plan and Provident Plan participants' accounts at rates determined by the Committee. The remaining portion, if any, is retained in the Fund's General Reserve for operational costs and to ensure continued Fund stability. Interest credited to participants' accounts as determined by the Committee was 0% and 1.5% in 2002 and 2001, respectively. Plan participants' accumulated contributions were \$92,568,780 and \$101,313,875 at December 31, 2002 and 2001, respectively, including interest credited at rates determined by the Committee, compounded semiannually.

Benefits

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

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

Minimum conditions for retirement are fifty-five years of age and fifteen years of participation in the Plan. Upon retiring, participants in the Plan are entitled to pensions payable for life. Participants who joined the Plan before January 1, 1982 may elect, instead of the preceding benefit, a life annuity based on the total sum standing to their credit in their accounts. Alternatively, at their request, the Retirement and Pension Committee (the Committee) has the discretion to substitute some other form of benefit of equivalent value.

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

Death Benefits of the Plan

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

Disability Benefits of the Plan

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

Fund Termination

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Benefits are recorded when paid.

Investment Valuation and Income Recognition

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

reported at cost, which approximates fair value. Commingled equity trusts are valued by obtaining a price from their issuer.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those estimated future periodic payments, including lump sum distributions, that are attributable under the Plan's provisions to the participants or their beneficiaries. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, and (b) present employees or their beneficiaries. The actuarial present value of accumulated plan benefits is determined by the consulting actuaries, Buck Consultants.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Reclassifications

Certain amounts in the 2001 financial statements have been reclassified to conform to the 2002 presentation.

3 INVESTMENTS

The Fund's investment portfolio is managed by State Street Bank, The Northern Trust Company, Barclays Global Investors, Deutsche Bank Trust Company, and Lord, Abnett & Co., within the investment policy guidelines established by the Committee. The Committee also retains the firm Buck Consultants as financial advisors.

State Street Bank manages the domestic passive equity and long-term bond portfolios and acts as custodian for one equity index commingled trust. Lord, Abnett & Co. manages the active small cap value style of the domestic equity portfolio. The Northern Trust Company manages and acts as the custodian for the short-term fixed-income investment portfolio, and acts as custodian for the active small cap equity portfolio and the long-term fixed income portfolio. Barclays Global Investors manages and acts as custodian of the passive international equity portfolio. Deutsche Bank Trust Company manages and acts as custodian for the active portion of the international equity portfolio.

The above mentioned firm, Buck Consultants, also performs the monitoring of the investment managers and in-

vestment returns to assure compliance with the Committee's established policies. Quarterly reports are presented by Buck Consultants to the Committee.

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

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

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
State Street Russell 1000 Fund	\$98,636,724	\$127,268,214
EAFE (excluding Japan) Equity Index Fund	25,130,545	30,196,057

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

<u>Portfolios 2002</u>					
<u>Financial Categories</u>	<u>Short-term</u>	<u>Fixed-term</u>	<u>Domestic Equities</u>	<u>Intl. Equity</u>	<u>Total</u>
Short-term investments	\$11,477,364	\$17,627,148	\$492,283	\$ -	\$ 29,596,795
U.S. Government and agency issues	15,550,941	42,096,725	-	-	57,647,666
Corporate bonds	3,823,400	26,263,677	-	-	30,087,077
Miscellaneous bonds	2,493,854	13,322,499	-	-	15,816,353
Equity index funds /common stock	-	-	109,466,100	41,618,999	151,085,099
Total	\$33,345,559	\$99,310,049	\$109,958,383	\$41,618,999	\$284,232,990

<u>Portfolios 2001</u>					
<u>Financial Categories</u>	<u>Short-term</u>	<u>Fixed-term</u>	<u>Domestic Equities</u>	<u>Intl. Equity</u>	<u>Total</u>
Short-term investments	\$ 7,666,161	\$ 23,236,447	\$ 468,513	\$ -	\$31,371,121
U.S. Government and agency issues	10,844,848	53,807,422	-	-	64,652,270
Corporate bonds	7,968,463	33,709,973	-	-	41,678,436
Miscellaneous bonds	1,433,179	10,083,764	-	-	11,516,943
Equity index funds /common stock	-	-	140,623,337	49,480,069	190,103,406
Total	\$27,912,651	\$120,837,606	\$141,091,850	\$49,480,069	\$339,322,176

These tables facilitate the understanding of the composition and nature of the investment structure of the Fund. Also, the listing of investment assets in the Statement of

Net Assets available for Benefits follows the classification by financial instruments in full compliance with accounting principles generally accepted in the United States.

Net realized and unrealized depreciation for the years ended December 31, 2002 and 2001 is as follows:

	2002	2001
U.S. government-backed securities	\$1,318,185	660,471
Corporate debt	2,993,877	2,028,743
Foreign government debt	(208,027)	(124,352)
Commingled equity trusts	(35,239,575)	(36,510,436)
Common stocks	(2,531,747)	(432,738)
	<u>\$ (33,667,287)</u>	<u>\$ (34,378,312)</u>

4 ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

The following table shows the actuarial assumptions used in the December 31, 2002 and 2001 actuarial valuations. These assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, differ-

ent actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

	December 31, 2002	December 31, 2001
Mortality	United Nations Mortality Tables – Male 1990, Female 1982	United Nations Mortality Tables – Male 1990, Female 1982
Retirement	1.3% to 6.3% for ages 55-64 with 15 or more years of service 75% to 90% for ages 65-69 with 15 or more years of service	1.3% to 6.3% for ages 55-64 with 15 or more years of service 75% to 90% for ages 65-69 with 15 or more years of service
Interest	8.5% of which 5.1 points assumed credited to participant accounts	8.5% of which 5.5 points assumed credited to participant accounts
Retirement benefit election	75% of participants who entered prior to 1/1/82 elect full commutation Remaining assumed to elect 1/3 commutation In all cases, the value of the benefit will not be less than the account balance	20% of participants who entered prior to 1/1/82 and 100% of subsequent participants elect pensions upon retirement, with all such individuals commuting 1/3 of their benefit Remaining assumed to elect full commutation
Operational costs	0.4%	0.4%

The actuarial present value of accumulated Plan benefits, and benefit information for December 31, 2002 and 2001 are shown in the following table:

	December 31,	
	2002	2001
	<i>(In Thousands)</i>	
Actuarial present value of accumulated plan benefits		
Vested benefits:		
Participants	\$206,542	\$242,449
Pensioners	45,265	40,699
Total vested benefits	251,807	283,148
Non-vested benefits	13,759	27,014
Total actuarial present value of accumulated plan benefits	<u>\$265,566</u>	<u>\$310,162</u>

The reconciliation shown below sets forth the reasons for the decrease in the total actuarial present value of accumulated Plan benefits between 2002 and 2001.

	December 31	
	2002	2001
	<i>(In Thousands)</i>	
Total actuarial present value of accumulated Plan benefits at beginning of the year	\$310,162	\$277,398
Increase (decrease) attributable to:		
Interest earned on accumulated Plan benefits	24,797	22,181
Benefits paid	(36,860)	(32,893)
Benefits accumulated	(32,533)	43,476
Total actuarial present value of accumulated Plan benefits at end of the year	<u>\$265,566</u>	<u>\$310,162</u>

5 MONEY MARKET ACCOUNT

The Fund has an operational money market account with Merrill Lynch from which liquidation and annuitant payments are made. This account is considered to be part of the investment portfolio maintained by the Fund and is included as part of cash and cash equivalents when calculating the investment allocation in accordance with the investment policy guidelines established by the Committee. Money market account balances of \$7,116,597 and \$5,578,597 at December 31, 2002 and 2001, respectively, have been included in short-term investments in the investment matrix in Note 3.

6 SECURITIES LENDING

The Fund participates in a securities lending program administered by The Northern Trust Company (Northern). Certain securities of the Fund are loaned to participating brokers who provide collateral, in the form of cash, government securities, or irrevocable bank letters of agreement, valued at 102% of the market value of the securities on loan. The collateral is invested on behalf of the Fund and the associated investment income, net of the amount rebated to the borrower as a return on the collateral, is shared 60/40 and 50/50 between the Fund and Northern for government securities and corporate securities, respectively. The Fund and Northern have economic risk if the return earned on the invested collateral is less than the agreed rebate to the borrower. This risk is managed by investing the collateral in a pool of low risk, short-

term investment securities. The Fund retains ownership of the loaned securities and the right to recall them at any time. Accordingly, the loaned securities, which total approximately \$35,478,142 as of December 31, 2002, are included in the net assets of the Fund at December 31, 2002.

7 INCOME TAX STATUS OF THE FUND

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



**SECTION IV
CHAPTER 3**

**FINANCIAL STATEMENTS
OF THE
OAS MEDICAL BENEFITS TRUST FUND**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Board of Trustees
General Secretariat of the Organization of American States
Medical Benefits Trust Fund

We have audited the accompanying statement of financial position of the General Secretariat of the Organization of American States Medical Benefits Trust Fund (the Trust), as of December 31, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Trust for the year ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 20, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the financial position of the Trust at December 31, 2002, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Baltimore, Maryland
March 17, 2003

FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES

OAS MEDICAL BENEFITS TRUST
STATEMENT OF FINANCIAL POSITION

As of December 31, 2002

Assets

Cash Equivalents and Investments

Equity in OAS Treasury Fund and cash equivalents \$ 91,725

Investments at Market Value

Mutual funds invested in equity investment 5,203,779

Mutual funds invested in fixed income securities 2,646,166

Dividends and Interest Receivable 12,160

Total Cash Equivalents and Investments 7,953,830

Retiree Accounts Receivable 7,658

Accounts Receivable 81,344

Other Accounts Receivable 72,076

Total Assets \$ 8,114,908

Liabilities and Net Assets

Accounts payable 36,483

Deferred Income 306,980

Total Liabilities 343,463

Unrestricted Net Assets

Designated for unpaid claims \$ 1,039,400

Available for future cost increase and for catastrophic cases 6,732,045 7,771,445

Total liabilities and net assets \$ 8,114,908

See accompanying notes

ORGANIZATION OF AMERICAN STATES

OAS MEDICAL BENEFITS TRUST

STATEMENT OF ACTIVITIES

For the year ended December 31, 2002

Income

Contributions	\$	6,050,398
Contributions to be received from retirees		7,658
Dividend and other income		<u>363,351</u>
Total income		6,421,407

Expenses

Administrative Expenses Related to Plan Administrator		
Claims paid	\$	5,658,837 *
Plan Administrator Services		479,803
Utilization Case Management		19,106
Stop Loss Insurance premiums		<u>100,018</u>
Total expenses related to Plan Administrator		6,257,764
Other Expenses not related to Plan Administrator		69,204
Net Unrealized loss on investments		<u>1,441,854</u>
Total expenses		7,768,822

Change in net assets	(1,347,415)
Net assets at beginning of year	<u>9,118,860</u>
Net assets at end of year	<u>\$ 7,771,445</u>

* Includes insurance reimbursement for expenses in excess of \$150,000

See accompanying notes

ORGANIZATION OF AMERICAN STATES

OAS MEDICAL BENEFITS TRUST
STATEMENT OF CASH FLOWS
For the year ended December 31, 2002

Operating Activities

Change in net assets	\$	(1,347,415)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net Unrealized loss on investments		1,441,854
Changes in operating assets and liabilities:		
Increase in miscellaneous receivables		(137,455)
Increase in miscellaneous payables		39,551
Net cash used in operating activities		<u>(3,465)</u>

Investing Activities

Proceeds from sale of investments		200,000
Dividends and capital gains reinvested		<u>(124,905)</u>
Net cash provided by investing activities		<u>75,095</u>

Net increase in cash equivalents **71,630**

Equity in OAS Treasury Fund and cash equivalents at beginning of year 20,095

Equity in OAS Treasury Fund and cash equivalents at end of year \$ 91,725

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION OF AMERICAN STATES MEDICAL BENEFITS TRUST FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002

1 DESCRIPTION OF THE TRUST

General

The Trust is a not-for-profit trust established by the General Secretariat of the Organization of American States (GS/OAS) in April 1982 to carry out the provisions of GS/OAS Medical Benefits Plan (Plan). Pursuant to the provisions of the trust agreement dated July 1, 2000, the sole Trustee of the Trust is the Organization of American States General Secretariat (Secretary General). The Trust's assets are held by the Bank of America.

Eligibility and Benefits

The Plan provides health benefits, including medical, dental and prescription drugs to GS/OAS employees and their beneficiaries and covered dependents. Retired employees are entitled to the extended insurance coverage on a case-by-case basis as determined by certain criteria.

Current health claims of active and retired Plan participants and their dependents and beneficiaries are provided under a group insurance contract with Carefirst Blue Cross Blue Shield (Carefirst), which is experience-rated after the anniversary date of the policy.

Contributions

Employees and retirees participating in the Plan contribute specified amounts to the Trust, determined periodically by Carefirst, for coverage for themselves and eligible dependents.

Contribution revenues are recognized and earned on a monthly basis for the period the health care coverage is in effect. Deferred income represents prepayments of premiums for future health care coverage.

Claims Payments

Claims payment expense is recognized in the period in which the claims are received by the third-party administrator of the Plan and billed to the Trust. Claims billed to the Trust, by the third-party administrator, but not paid as of December 31, 2002, are included in claims payable on the accompanying statement of financial position.

Trust Termination

Although it has not expressed any intention to do so, the Secretary General, as the Trustee, has the right under the Trust to modify the benefits provided to active and retired employees, to discontinue its contributions and to terminate the Trust at any time.

Administrative Expenses

The Trust pays all administrative expenses of the Plan. Total expenses paid by the Trust on behalf of the Plan for the year ended December 31, 2002 was approximately \$480,000.

2 SUMMARY OF ACCOUNTING POLICIES

Valuation of Investments

The General Secretariat of the Organization of American States Medical Benefits Trust Fund's (Trust) investments are stated at fair value. The shares of mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Trust at year-end. The short-term investments are carried at cost, which approximates fair value.

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in accounts that are readily convertible to cash. Investments with contractual maturities of ninety days or less from the date of original purchase are classified as cash and cash equivalents. In accordance with the Trust's cash management policy of maximizing the amounts of funds invested in income-earning assets, the Trust routinely anticipates the timing and amount of future cash flows.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, contributions receivable and accounts payable approximate fair value given the short term nature of these financial instruments.

Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

The fair value of individual investments of the Trust's total net assets are as follows:

	<u>December 31, 2002</u>
Vanguard Index	\$ 3,046,912
Nations Fund Inc. International Value Fund	1,207,259
Vanguard Mid-Cap	578,773
Vanguard Small-Cap	370,835
Pimco Total Return	2,106,987
Pimco High Yield	<u>539,179</u>
Total	<u>\$ 7,849,945</u>

Market Risk

The Trust's investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Further, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of net assets available for benefits.

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. The Medical Benefits Trust Fund maintains equity to the extent of its cash balances retained there in. The OAS Treasury Fund is administered by the General Secretariat and amounts not immediately required for operations are invested. Subject to certain conditions, income earned by the OAS Treasury Fund is added to the equities of the various funds in proportion to their equity balances.

4 NET ASSETS DESIGNATED FOR MEDICAL CLAIMS PAYABLE

As of December 31, 2002, \$1,039,400 of net assets have been designated for medical claims payable. This amount is computed based upon past claims payment experience and, in management's opinion, is a reasonable es-

timate of claims incurred but not reported as of December 31, 2002.

5 TAX STATUS

As an international organization, the OAS is exempt from U.S. federal income taxes. As a result, this exemption applies to the Trust.

6 BENEFIT OBLIGATIONS

Health costs incurred by participants and their beneficiaries and dependents are covered by insurance contracts maintained by the Trust. It is the present intention of the GS/OAS and the Trust to continue obtaining insurance coverage for benefits. Insurance premiums for the Trust's future postretirement benefit obligation will be funded by GS/OAS contributions to the Trust in those later years.

7 RISK AND UNCERTAINTIES

Management continually evaluates contingencies based on the best available evidence and provides loss allowances where necessary. The principal contingency includes medical claims liability risks. Management believes that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable. Management believes that the resolution of contingencies will not materially affect the Trust's financial position or results of operations.

8 COMMITMENTS AND CONTINGENCIES: LITIGATION

The Trust is not subject to litigation which management believes will have a material adverse effect on the Trust's financial condition.

9 ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

The accrued or past service liabilities as of December 31, 2000 (date of last actuarial study) for postretirement health and life insurance benefits are approximately \$42.2 million (\$40.3 million for retiree health benefits and \$1.9 million for retiree life insurance). As of December 31, 2002, the Trust's assets totaled approximately \$8,142,000.