



OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

Financial Statements

For the Years Ended September 30, 2005 and 2004



**and
Report Thereon**



**Reports Required in Accordance with Office of
Management and Budget Circular A-133**

For the Year Ended September 30, 2005



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RAFFA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Opportunities Industrialization Centers International, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statements of financial position of Opportunities Industrialization Centers International, Inc. (OICI) as of September 30, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of OICI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OICI as of September 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, OICI is affiliated with numerous international Opportunities Industrialization Centers. OICI and its affiliates, collectively referred to as the Organization, prepared combined financial statements as of and for the years ended September 30, 2005 and 2004. The accompanying financial statements were prepared for the purpose of presenting the financial information of OICI only.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006 on our consideration of OICI's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of OICI taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

RAFFA, P.C.

Washington, DC
February 3, 2006

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

STATEMENTS OF FINANCIAL POSITION
September 30, 2005 and 2004

	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 280,353	\$ 152,846
Cash advances to foreign programs	1,717,988	2,138,426
Grants receivable	417,868	1,713,649
Employee receivables	976	17,666
	2,417,185	4,022,587
Total Current Assets		
Investments	151,337	150,463
Deposits	-	70,477
Land, building and improvements and equipment, net	57,759	75,783
	2,626,281	4,319,310
TOTAL ASSETS	\$ 2,626,281	\$ 4,319,310
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 216,684	\$ 531,296
Accrued salaries and employee benefits	49,576	192,626
Other liabilities	696,452	-
Refundable advances	3,374,891	2,978,299
	4,337,603	3,702,221
Total Liabilities		
Risks and Contingencies		
Net Assets		
Unrestricted	(1,944,660)	254,012
Temporarily restricted	233,338	363,077
	(1,711,322)	617,089
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 2,626,281	\$ 4,319,310

The accompanying notes are an integral part
of these financial statements.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2005 and 2004**

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
U.S. Government grants	\$ 6,958,048	\$ -	\$ 6,958,048	\$ 5,439,643	\$ -	\$ 5,439,643
Donated goods and services	282,616	-	282,616	1,509,115	-	1,509,115
Other grants and contributions	183,096	-	183,096	88,764	400,256	489,020
Interest and dividends income	4,923	-	4,923	11,402	-	11,402
Other	-	-	-	28,000	-	28,000
Contract revenue	-	-	-	6,997	-	6,997
Unrealized gains on investments	-	-	-	6,872	-	6,872
Net assets released from restriction:						
Satisfaction of program restrictions	129,739	(129,739)	-	218,763	(218,763)	-
TOTAL REVENUE AND SUPPORT	7,558,422	(129,739)	7,428,683	7,309,556	181,493	7,491,049
EXPENSES						
Program Services	7,405,727	-	7,405,727	7,101,334	-	7,101,334
Supporting Services						
Management and general	2,315,765	-	2,315,765	259,401	-	259,401
Fundraising	35,602	-	35,602	102,401	-	102,401
Total Supporting Services	2,351,367	-	2,351,367	361,802	-	361,802
TOTAL EXPENSES	9,757,094	-	9,757,094	7,463,136	-	7,463,136
Change in Net Assets	(2,198,672)	(129,739)	(2,328,411)	(153,580)	181,493	27,913
NET ASSETS, BEGINNING OF YEAR	254,012	363,077	617,089	407,592	181,584	589,176
NET ASSETS, END OF YEAR	<u>\$ (1,944,660)</u>	<u>\$ 233,338</u>	<u>\$ (1,711,322)</u>	<u>\$ 254,012</u>	<u>\$ 363,077</u>	<u>\$ 617,089</u>

The accompanying notes are an integral part
of these financial statements.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2005

	Program Services											Supporting Services					
	Ghana PL480	Cote d'Ivoire USDA	Togo USDA Program	Nigeria	Guinea PL480	Farmer to Farmer	Institutional Capacity Building	Ethiopia (Packard Grant)	Ethiopia GDA	BGB/DOL	Other Programs	Guinea FSDA	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel costs	\$ 715,537	\$ 337,068	\$ 496,431	\$ 283,512	\$ 173,857	\$ 145,599	\$ 77,378	\$ 35,391	\$ 38,258	\$ 17,494	\$ 9,894	\$ 24,901	\$ 2,355,320	\$ 675,210	\$ 1,730	\$ 676,940	\$ 3,032,260
Other direct costs	452,374	236,907	133,602	107,272	68,713	28,569	14,199	19,440	27,491	16,017	179	-	1,104,763	225,049	997	226,046	1,330,809
Commodities and equipment	737,163	261,722	123,134	50,744	23,937	9,744	-	29,983	-	-	-	-	1,236,427	3,060	-	3,060	1,239,487
Travel and transportation	172,520	98,584	31,109	90,173	69,375	139,162	32,705	10,383	666	598	1,540	161	646,976	74,476	971	75,447	722,423
In-kind expenses	241,350	-	18,525	22,741	-	-	-	-	-	-	-	-	282,616	-	-	-	282,616
Consultants	52,783	14,593	12,097	801	39,217	61,821	9,538	17,659	1,748	26,382	17,662	-	254,301	182,287	23,545	205,832	460,133
Participant expenses	6,178	98,728	-	11,068	40,990	17,706	-	-	-	-	-	-	174,670	37,936	-	37,936	212,606
Infrastructure	-	99,223	24,548	12,561	-	-	-	-	-	-	-	-	136,332	59,842	-	59,842	196,174
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	18,024	-	18,024	18,024
Membership and dues	-	-	-	-	-	-	-	-	-	-	-	-	-	2,859	2,263	5,122	5,122
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	-	2,257,440	-	2,257,440	2,257,440
Indirect cost allocation	441,412	236,934	169,602	114,897	85,964	83,177	27,647	16,883	14,083	12,497	6,048	5,178	1,214,322	(1,220,418)	6,096	(1,214,322)	-
TOTAL EXPENSES	\$ 2,819,317	\$ 1,383,759	\$ 1,009,048	\$ 693,769	\$ 502,053	\$ 485,778	\$ 161,467	\$ 129,739	\$ 82,246	\$ 72,988	\$ 35,323	\$ 30,240	\$ 7,405,727	\$ 2,315,765	\$ 35,602	\$ 2,351,367	\$ 9,757,094

The accompanying notes are an integral part
of these financial statements.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2004

	Program Services															Supporting Services							
	Togo USDA Program	Central Inkind/ Matching	Ghana PL480	Nigeria	Cote d'Ivoire USDA	Ghana USDA Program	Ghana 202e	Farmer to Farmer	Ethiopia (Packard Grant)	Emerging Markets	ISA	Guinea PL480	Guinea FSDA	Ethiopia GDA	Matching Grant	Atrip	USDA Dollars	Chad	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel costs	\$ 439,155	\$ -	\$ 270,185	\$ 165,787	\$ 160,480	\$ 73,124	\$ 159,034	\$ 114,562	\$ 44,716	\$ 22,184	\$ 13,584	\$ 41,897	\$ 36,905	\$ 42,339	\$ 34,694	\$ 645	\$ 17,623	\$ 5,731	\$ 1,642,645	\$ 618,914	\$ 4,198	\$ 623,112	\$ 2,265,757
Other direct costs	340,969	718,099	153,912	109,203	77,870	146,729	3,472	33,315	29,065	9,694	4,747	30,945	20,390	21,009	4,073	3,440	-	3,580	1,710,512	255,223	23,508	278,731	1,989,243
Consultants	48,197	396,961	8,587	38,529	2,294	471	66,872	9,255	10,664	36,924	128,143	56,180	39,443	1,348	14,459	8,613	-	375	867,315	425,127	72,729	497,856	1,365,171
Commodities and equipment	260,482	170,905	19,229	133,318	39,052	26,305	-	12,483	59,936	-	-	1,112	837	-	550	-	-	4,342	728,551	16,894	995	17,889	746,440
Travel and transportation	18,069	63,857	129,569	60,309	11,445	21,387	10,801	61,819	8,417	27,129	5,780	16,011	15,276	12,329	4,672	10,324	-	23	477,217	53,549	971	54,520	531,737
Participant expenses	10,850	-	19,689	4,719	79,247	6,702	-	395	37,517	35,454	-	2,885	2,885	29,636	-	-	-	-	229,979	13,061	-	13,061	243,040
Infrastructure	-	-	260,532	-	45,725	-	-	-	-	-	-	20	-	-	-	-	-	-	306,277	-	-	-	306,277
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,471	-	15,471	15,471
Indirect cost allocation	282,587	-	214,515	127,761	84,465	68,528	59,949	57,865	28,448	64,869	38,003	37,203	28,888	26,623	14,589	53	4,399	93	1,138,838	(1,138,838)	-	(1,138,838)	-
TOTAL EXPENSES	\$ 1,400,309	\$ 1,349,822	\$ 1,076,218	\$ 639,626	\$ 500,578	\$ 343,246	\$ 300,128	\$ 289,694	\$ 218,763	\$ 196,254	\$ 190,257	\$ 186,253	\$ 144,624	\$ 133,284	\$ 73,037	\$ 23,075	\$ 22,022	\$ 14,144	\$ 7,101,334	\$ 259,401	\$ 102,401	\$ 361,802	\$ 7,463,136

The accompanying notes are an integral part of these financial statements.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2005 and 2004
Increase (Decrease) in Cash and Cash Equivalents

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,328,411)	\$ 27,913
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,024	15,471
Unrealized gains on investments	(874)	(6,872)
Bad debt expense	2,257,440	-
Changes in assets and liabilities		
Cash advances to foreign programs	(82,558)	358,168
Grants receivable	(458,663)	(1,841,622)
Employee receivables	16,690	27,322
Deposits	70,477	15,000
Accounts payable and accrued expenses	(314,612)	140,160
Accrued salaries and employee benefits	(143,050)	(29,350)
Other liabilities	696,452	-
Refundable advances	396,592	1,156,641
	<u>127,507</u>	<u>(137,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(2,526)
	<u>-</u>	<u>(2,526)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,507	(139,695)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>152,846</u>	<u>292,541</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 280,353</u>	<u>\$ 152,846</u>

The accompanying notes are an integral part
of these financial statements.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS For the Years Ended September 30, 2005 and 2004

1. Organization and Summary of Significant Accounting Policies

Organization

Opportunities Industrialization Centers International, Inc. (OICI) is a nonprofit organization incorporated in Pennsylvania in 1970 whose purpose is to help people help themselves and improve their lives through the development of sustainable institutions that provide appropriate training and services in developing countries around the world. OICI's activities are funded primarily through U.S. Government grants.

OICI is affiliated with numerous international Opportunities Industrialization Centers (OIC's). In accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations* and SOP 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, OICI and all OIC's affiliates are presented as a single entity in separately issued combined financial statements as of and for the years ended September 30, 2005 and 2004. The combination of financial statements is permitted but not required by accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

OICI considers all money market funds to be cash equivalents.

Investments

Investments are comprised of mutual funds and equities carried at the fair market value.

Land, Building and Improvements, Equipment and Related Depreciation

Land, building and improvements, and equipment are stated at cost. Depreciation is provided using the straight-line method over estimated useful lives of five years for equipment and twenty years for building and improvements. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and equipment maintenance are charged to expense when incurred.

Classification of Net Assets

The net assets of OICI are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of OICI's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by the grantors for specific programs or future periods.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

OICI has grants and cooperative agreements with U.S. Government agencies as well as private sources, in exchange for services. Revenue from these grants is recognized as costs are incurred to perform the objectives of the agreements. Accordingly, costs incurred but not yet reimbursed from the grants and cooperative agreements are reflected as grants receivable on the accompanying statements of financial position. Funds received under grants and cooperative agreements but not yet expended are reflected as refundable advances in the accompanying statements of financial position. Funds received under grants and cooperative agreements but not expended for more than one year are reflected as payable to the U.S. Government in the accompanying statements of financial position.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of OICI have been summarized on a functional basis in the statements of functional expenses. OICI charges expenses to the programs on a direct charge basis. For its cooperative agreements with the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA), OICI is reimbursed for its direct program costs plus a percentage of fringe benefits and indirect expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Grants Receivable

At September 30, 2005 and 2004, grants receivable are comprised of the following:

	<u>2005</u>	<u>2004</u>
Federal grants	\$ 167,868	\$1,433,649
Other receivables	<u>250,000</u>	<u>280,000</u>
Total	<u>\$ 417,868</u>	<u>\$1,713,649</u>

All amounts are due within one year and are considered fully collectible.

Continued

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

3. Cash Advances to Foreign Programs

Cash advances to foreign programs include monetized funds, which are the unexpended proceeds from the sale of monetized commodities. Proceeds from the sale of these goods are used to promote the mission of the affiliate as stipulated in the grant document. Proceeds not used are to be carried forward to be used for the activities of the subsequent year.

4. Land, Building and Improvements, Equipment and Accumulated Depreciation

OICI held the following land, building and improvements, and equipment as of September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land	\$ 43,750	\$ 43,750
Building and improvements	198,135	198,135
Equipment	<u>50,355</u>	<u>50,355</u>
Total land, building and improvements and equipment	292,240	292,240
Less: accumulated depreciation	<u>(234,481)</u>	<u>(216,457)</u>
Net land, building and improvements and equipment	<u>\$ 57,759</u>	<u>\$ 75,783</u>

5. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$233,338 and \$363,077 as of September 30, 2005 and 2004, respectively, are dedicated for a project in Ethiopia.

6. Risks

Major Grantors

OICI receives a substantial portion of its revenue from the U.S. Government through grants from USAID and USDA. If a substantial reduction in the level of this revenue should occur, it may have a significant effect on OICI's programs. For the years ended September 30, 2005 and 2004, OICI earned \$6,958,048 and \$5,439,643, respectively, from the U.S. Government both directly and indirectly, which is approximately 89% and 72%, respectively, of OICI's total revenue.

Continued

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

6. Risks (continued)

Provisional Indirect Cost Rate

Billings under cost reimbursable government grants are calculated using provisional rates which permit recovery of indirect costs. These rates are subject to audit on an annual basis. For the years ended September 30, 2005 and 2004, OICI has included the audit of their indirect cost rates with the audit of the financial statements.

Foreign Operations

OICI has field offices in various third world countries to work with USAID and USDA representatives and with local nongovernmental organizations on various programs for the purpose of providing vocational training for low-income people. The future results of these programs could be adversely affected by a number of potential factors such as currency devaluations or changes in the political climate.

7. Contingencies

OMB Circular A-133

OICI has instructed its independent auditors to audit the costs related to U.S. Government funds for the years ended September 30, 2005 and 2004 to ensure compliance with Circular A-133 issued by the U.S. Office of Management and Budget. Additionally, the audits performed in compliance with Circular A-133 for the years ended September 30, 2004 and 2003 have not been finalized by the U.S. Government. Until these audits are finalized, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that matters arising from USAID's review of the independent auditor's reports for 2005, 2004 and 2003 will not have a material effect on the financial position of OICI.

OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2005 and 2004

8. Donated Goods and Services

Donated goods and services are reflected in the accompanying financial statements at their estimated fair market values at the date of receipt. The donated goods and services are utilized by OICI in its matching grant and in management and general functions and are recorded as such on the statement of functional expenses. During the years ended September 30, 2005 and 2004, the following contributions were received:

	<u>2005</u>	<u>2004</u>
Consulting services	\$ 4,500	\$ 539,309
Other direct costs	128,591	725,124
Commodities and equipment	143,174	171,380
Travel and transportation	<u>6,351</u>	<u>73,302</u>
Total	<u>\$ 282,616</u>	<u>\$ 1,509,115</u>

9. Pension Plan

OICI has established a pension plan under Internal Revenue Code Section 403(b) covering all of its employees. The plan is currently funded entirely by monthly employer contributions on behalf of employees subject to certain Internal Revenue Service limitations. All contributions are used to purchase tax-deferred annuities and are fully vested in the event of an employee withdrawal from the plan. Total contributions made to the plan during the years ended September 30, 2005 and 2004 were \$72,262 and \$61,836, respectively. These amounts are included in personnel costs on the accompanying statements of functional expenses.

10. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, OICI is exempt from the payment of taxes on income other than unrelated business income. No provision for income taxes is required for the years ended September 30, 2005 and 2004 as OICI had no net unrelated business income.

11. Reclassifications

Certain 2004 amounts have been reclassified to conform with the 2005 financial statement presentation.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of
Opportunities Industrialization Centers International, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying Schedule of Determination of Indirect Cost Rates of Opportunities Industrialization Centers International, Inc. (OICI) for the year ended September 30, 2005. This schedule is the responsibility of OICI's management. Our responsibility is to express an opinion on this schedule based on our audit. We have also audited the financial statements of OICI for the year ended September 30, 2005, in accordance with auditing standards generally accepted in the United States of America, and have issued our report thereon dated February 3, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Determination of Indirect Cost Rates presents fairly, in all material respects, the determinations of the applicable indirect cost rates of OICI for the year ended September 30, 2005, in conformity with accounting principles generally accepted in the United States of America, as modified for unallowable costs and other prescribed allocation procedures as defined by the Federal Acquisition Regulations and applicable agency supplements.

RAFFA, P.C.

Washington, DC
February 3, 2006

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

SCHEDULE OF DETERMINATION OF INDIRECT COST RATES

For the Year Ended September 30, 2005

FRINGE BENEFITS RATE CALCULATION

Numerator

Total Fringe benefits	\$ 520,804
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Denominator

Total salaries and wages, including foreign salaries and wages of \$1,516,304	\$ 2,511,456
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FRINGE BENEFITS RATE	20.74%
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OVERHEAD AND GENERAL AND ADMINISTRATIVE RATE CALCULATION

Numerator

Overhead and general and administrative expenses per audited financial statements	\$ 1,278,743
Less: Fringe benefits included in overhead and general and administrative expenses	(159,464)
Plus: Fringe benefits at 20.74% on management and general salaries and wages of \$515,745	106,966
	\$ 1,226,245

Denominator

Program service expenses per audited financial statements	\$ 7,405,727
Fundraising service expenses per audited financial statements	35,602
Less: Indirect costs charged to programs	(1,220,418)
In-kind expenses	(282,616)
USDA Program Development Activity	(64,236)
Fringe benefits included in program service and fundraising expenses	(361,340)
Plus: Fringe benefits at 20.74% on program service and fundraising salaries and wages of \$1,995,711	413,838
	413,838

TOTAL	\$ 5,926,557
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OVERHEAD AND GENERAL AND ADMINISTRATIVE RATE	20.69%
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**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

SCHEDULE OF FRINGE BENEFIT EXPENSES
For the Year Ended September 30, 2005

FRINGE BENEFIT EXPENSES

Group health insurance, life, accidental death and dismemberment, and dental	\$ 162,755
Payroll taxes	208,132
Pension	72,262
Benefits to foreign employees	<u>77,655</u>
TOTAL FRINGE BENEFIT EXPENSES	<u>\$ 520,804</u>

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF OVERHEAD AND GENERAL
AND ADMINISTRATIVE EXPENSES
For the Year Ended September 30, 2005**

Salaries and wages	\$ 515,745
Fringe benefits	159,464
Consultant fees	182,287
Travel	74,476
Telephone	24,143
Conferences and meetings	37,936
Maintenance, security and janitorial	59,851
Office supplies	27,834
Utilities	67,864
Insurance	23,212
Depreciation	18,024
Postage	8,578
Vehicle expense	3,060
Bank charges	8,895
Printing and reproduction	10,513
Dues, subscriptions, membership and marketing	34,419
Internet and communications	16,227
Rent expense	1,050
Recruitment	(11,568)
Advertising	11,922
Bad debt expense	2,257,440
Other expenses	<u>4,810</u>
Subtotal	3,536,183
Less: Unallowable Costs	
Bad debt expense	<u>(2,257,440)</u>
TOTAL OVERHEAD AND GENERAL AND ADMINISTRATIVE EXPENSES	<u><u>\$ 1,278,743</u></u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Opportunities Industrialization Centers International, Inc.

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the financial statements of Opportunities Industrialization Centers International, Inc. (OICI) as of and for the year ended September 30, 2005 and have issued our report thereon dated February 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OICI's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect OICI's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above (item 2005-1) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OICI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2005-1.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



RAFFA, P.C.

Washington, DC
February 3, 2006



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

To the Board of Directors of
Opportunities Industrialization Centers International, Inc.

Compliance

We have audited the compliance of Opportunities Industrialization Centers International, Inc. (OICI) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. OICI's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of OICI's management. Our responsibility is to express an opinion on OICI's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OICI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of OICI's compliance with those requirements.

As described in items 2005-2 through 2005-4 in the accompanying schedule of findings and questioned costs, OICI did not comply with certain requirements regarding financial reporting, federal financial reporting and cash management that are applicable to its major federal programs from the U.S. Agency for International Development. Compliance with such requirements is necessary, in our opinion, for OICI to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, OICI complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of OICI is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered OICI's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect OICI's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-2 through 2005-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above, items 2005-2 through 2005-4, to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



RAFFA, P.C.

Washington, DC
February 3, 2006

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Grant Number</u>	<u>Federal Expenditures</u>
U.S. Agency for International Development:			
Ghana PL 480	N/A	FFP-A-00-04-00085-00	\$ 2,577,967
Nigeria Job and Business Development Service Initiative	N/A	620-A-00-04-00022-00	671,028
Guinea PL 480	N/A	FFP-A-00-04-00074-00	502,055
Farmer-to-Farmer Program	N/A	EDH-A-00-03-00021-00	485,778
ISA/Institutional Capacity Building	N/A	AFP-A-00-04-00017-00	161,467
Ethiopia – Innovative Community Based Academic and Computer Learning Centers	N/A	663-G-00-02-00368-00	82,246
Guinea Food and Livelihood Security Project	N/A	675-A-00-04-00084-00	<u>30,240</u>
Total U.S. Agency for International Development			<u>4,510,781</u>
U.S. Department of Agriculture:			
Commodity Credit Corporation:			
Cote D'Ivoire Monetized Commodities	N/A	FGR-681-2004/034-00	1,383,759
Togo Monetized Commodities	N/A	FGR-693-2003/222-00	<u>990,521</u>
Total U.S. Department of Agriculture			<u>2,374,280</u>
U.S. Department of Labor:			
Building Global Bridges:			
Creating Opportunities for Employment In International Development	N/A	AF-14560-05-60	<u>72,987</u>
Total U.S. Department of Labor			<u>72,987</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,958,048</u>

See accompanying note to this schedule.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2005**

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted: Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified Qualified
 Adverse Disclaimer

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Subpart E, Section 510? Yes No

Grant number	Program Title
AFP-A-00-04-00017-00	Institutional Capacity Building Program
FFP-A-00-04-00074-00	Guinea PL 480
FFP-A-00-04-00085-00	Ghana PL 480

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes No

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding No. 2005-1

Condition: A number of account analyses and reconciliations were not accurate and resulted in material year-end audit adjustments.

Criteria: Performing accurate account analyses and reconciliations is part of maintaining an adequate internal control structure.

Effect: Management reports may contain inaccuracies.

Cause: While account analyses and reconciliations were prepared for most accounts, the analyses and reconciliations were not always timely and required further analysis and review to ensure accuracy.

Perspective Information: The required adjustments for the year ended September 30, 2005 related principally to federal grant revenue, federal receivables, federal refundable advances and net assets.

Questioned Costs: None. All material adjustments to accurately reconcile accounts were recorded as of September 30, 2005.

Recommendation: In order to improve the process of reporting financial information, we recommend that procedures be followed consistently to ensure that detailed analyses and reconciliations of all accounts are performed and reviewed on a monthly basis.

Grantee Response: Internal conditions within OICI Finance Office in fiscal year 2005, including change in management personnel and the ensuing transition, accounted for most of the problems observed. OICI management has already initiated measures to address these problems by the end of fiscal year 2005 and particularly as it began fiscal year 2006.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

**Finding No. 2005-2: Contract AFP-A-00-04-00017-00 Institutional Capacity Building;
Contract FFP-A-00-04-00074-00 Guinea PL 480; Contract FFP-A-00-04-00085-00 Ghana
PL 480**

Finding Number 2005-1 in Section B of this schedule is also a finding with respect to each of the major federal programs (as cited herein). Some of the account analyses and reconciliations were not accurate and resulted in material year-end audit adjustments. This affects the accuracy of the quarterly federal reports.

**Finding No. 2005-3: Contract AFP-A-00-04-00017-00 Institutional Capacity Building;
Contract FFP-A-00-04-00074-00 Guinea PL 480; Contract FFP-A-00-04-00085-00 Ghana
PL 480**

Condition: We noted that some of the SF 269 federal financial reports reported expenses which agreed with the general ledger for the time period indicated from the support attached to the report. However the expenses did not agree with the current general ledger for the same period due to recording additional expenses after the federal report was submitted.

Criteria: OMB Circular A-133 specifies that all federal financial reports shall be reconciliable to the entity's general ledger and all federal contract agreements specify the nature and due dates for all interim and final reports.

Effect: Inaccurate information may have been reported.

Cause: The new OICI finance team experienced some difficulties in reconciling certain data, given personnel changes in fiscal year 2005 and the transition period.

Perspective Information: Federal financial reports were not yet amended or updated to recapture costs that were entered at a later date for previous reported periods. Amendments are in order.

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005**

Questioned Costs: None

Recommendation: We recommend OICI review all federal financial reports for the year ended September 30, 2005 and prepare and file amended reports as necessary. We also recommend that to help ensure the accuracy of financial reports in the future, the supporting general ledger information and reconciliations be attached to the report for reference and review.

Grantee Response: The new OICI finance team has already begun to take steps to review and amend discrepancies as appropriate, as it continues to take over the financial management and operations from the former finance leadership.

Finding No. 2005-4: Contract 620-A-00-04-00022-00 Nigeria – Job and Business Development Services Initiative Contract EDH-A-00-03-00021-00 Farmer-to-Farmer

Condition: We noted, under the first contract, that OICI had total drawdowns of \$1,037,000 during the year and spent \$671,027 during the year. We noted, under the second contract, that OICI had total drawdowns of \$771,571 and spent \$485,778 during the year. These funds remained unspent 100 days after the advances were received.

Criteria: The principles of cash management under OMB Circular A-133 require an organization to maintain an internal control structure and implement procedures to effectively monitor all federal cash drawdowns. OMB Circular A-133 also requires an organization to deposit federal funds into an interest bearing account and remit all interest income earned on these funds in excess of \$250.

Effect: Some of the provisions of OMB Circular A-133 regarding cash management were not followed.

Cause: The transition in finance management personnel in mid-fiscal year 2005 affected the timely tracking of drawdown, reporting and recording of expenditures.

Perspective Information: The drawdowns referenced in this comment were made between October 2004 and March 2005 for the first contract and between March 2005 and June 2005 for the second, nearly \$589,854 and \$472,099 remained unspent as of September 30, 2005.

Continued

**OPPORTUNITIES INDUSTRIALIZATION CENTERS
INTERNATIONAL, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2005**

- Questioned Costs: None. We understand that OICI will apply the overdrawn funds to allowable program expenses incurred in fiscal year 2005.
- Recommendation: We recommend that OICI revise and strengthen procedures to more closely monitor drawdowns, cashflow and program expenditures. Each federal advance request should be supported by documented assumptions for anticipated program costs to be incurred and actual program costs incurred must then be reconciled to the cash on hand prior to the next drawdown advance request. Similarly, federal reimbursement requests must be supported by documentation of actual costs incurred. Additionally, we recommend that OICI maintain federal funds in a separate interest bearing bank account. All interest income in excess of \$250 annually should be reported and remitted to the applicable federal agency on a quarterly basis.
- Grantee Response: OICI management and current finance team already implemented most of the above recommendation. Some of the remedies already took place during fiscal year 2005 after the change in finance management personnel. The inadequacy observed was temporary and due partially to delayed field expenditure reports.