

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

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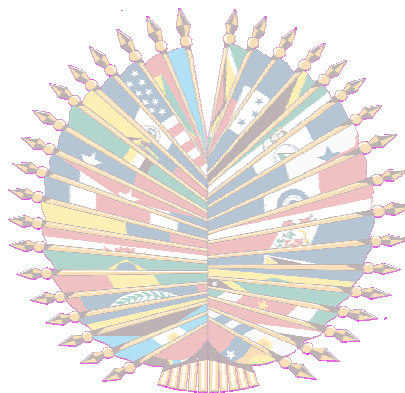
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## RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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 SB & Company, LLC 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 of External Auditors, 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.







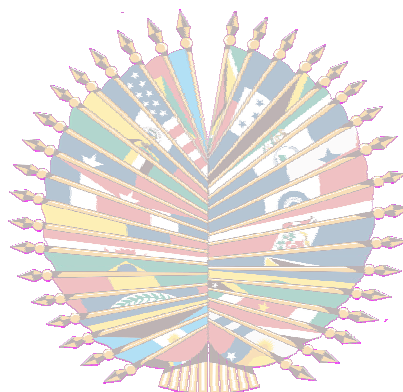
# CHAPTER 1

## INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

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**SB & COMPANY, LLC**  
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## **INDEPENDENT PUBLIC ACCOUNTANTS' REPORT**

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

We have audited the accompanying combined 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, 2005 and the related combined 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 of America 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 generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances for the Agency as of December 31, 2005, and the changes in fund balances for the year then ended on the basis of accounting described in Note 2.



**SB & COMPANY, LLC**

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Our audit has been made for the purpose of expressing an opinion on the basic financial statements referred to in the first paragraph of this report taken as a whole. The accompanying information in Supplementary Schedules 1 and 2 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.

March 22, 2006

*SB & Company, LLC*

## INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

### EXHIBIT 1

#### Combined Statement of Assets, Liabilities and Fund Balances

(In thousands)

As of December 31, 2005	Operations Fund	FEMCIDI	Specific Funds	Trust for the Americas	Combined
<b>Assets</b>					
Cash and equity in OAS Treasury Fund	\$ 211	\$ 9,836	\$ 17,122	\$ 908	\$ 28,077
Other receivables	1	-	-	-	1
Investment in Fixed Asset Fund	12	-	-	-	12
<b>Total Assets</b>	<b>\$ 224</b>	<b>\$ 9,836</b>	<b>\$ 17,122</b>	<b>\$ 908</b>	<b>\$ 28,090</b>
<b>Liabilities and Fund Balances</b>					
Unliquidated obligations	\$ 105	\$ 2,048	\$ 1,626	\$ 332	\$ 4,111
Pledges collected in advance	-	31	-	-	31
Accounts payable and other liabilities	1	1	84	12	98
	<b>106</b>	<b>2,080</b>	<b>1,710</b>	<b>344</b>	<b>4,240</b>
<b>Fund Balances</b>					
Operating subfund unappropriated	106	7,718	15,412	564	23,800
Reserve subfund	-	38	-	-	38
	<b>106</b>	<b>7,756</b>	<b>15,412</b>	<b>564</b>	<b>23,838</b>
Equity in fixed assets	12	-	-	-	12
<b>Total Liabilities and Fund Balances</b>	<b>\$ 224</b>	<b>\$ 9,836</b>	<b>\$ 17,122</b>	<b>\$ 908</b>	<b>\$ 28,090</b>

### EXHIBIT 2

#### Combined statement of changes in fund balances

(In thousands)

For the year ended December 31, 2005	Operations Fund	FEMCIDI	Specific Funds	Trust for the Americas	Combined
<b>Increases</b>					
Regular fund subsidy	\$ 425	\$ -	\$ -	\$ -	\$ 425
Contributions	-	-	3,277	3,013	6,290
Pledge collections	-	1,270	-	-	1,270
Interest income	6	343	557	18	924
Transfer from other funds	1	-	12	76	89
Other income, refunds and deobligations	14	162	-	3	179
In-kind contributions	-	-	-	231	231
Trade Unit In-kind contributions	-	-	-	354	354
<b>Total increases</b>	<b>446</b>	<b>1,775</b>	<b>3,846</b>	<b>3,695</b>	<b>9,762</b>
<b>Decreases</b>					
Expenditures and obligations	385	-	7,340	2,084	9,809
Project disbursements and obligations	-	4,047	-	-	4,047
Transfer to other funds	-	391	-	258	649
GS/OAS administrative and technical support	-	1,206	-	-	1,207
Prior year refunds	-	-	14	-	13
Return to donors	-	-	-	2	2
In-kind expenses	-	-	-	231	231
Trade unit in-kind expenses	-	-	-	354	354
<b>Total decreases</b>	<b>385</b>	<b>5,644</b>	<b>7,354</b>	<b>2,929</b>	<b>16,312</b>
Net increase (decrease) during year	61	(3,869)	(3,508)	766	(6,550)
Fund balances, beginning of year	57	11,625	18,920	(202)	30,400
<b>Fund balances, end of year</b>	<b>\$ 118</b>	<b>\$ 7,756</b>	<b>\$ 15,412</b>	<b>\$ 564</b>	<b>\$ 23,850</b>

See accompanying notes





## NOTES TO FINANCIAL STATEMENTS

### 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). Effective January 25, 2005, Executive Order No. 05-03, reorganized the General Secretariat of the Organization of American States (GS/OAS) and restructured the Executive Secretariat for Integral Development (SEDI).

The purpose of SEDI is to support, facilitate and foster integral development in OAS Member states. To achieve this, SEDI promotes dialogue and partnerships and mobilizes resources in order to formulate, promote and implement policies, technical cooperation projects and capacity-building activities, economic and sustainable development throughout the hemisphere. SEDI accomplishes this work in the fields of education, culture, science and technology, labor, environment, trade tourism, small enterprise development, ports, and telecommunications.

For 2005, the structure of SEDI consists of the Executive Office of the Executive Secretary for Integral Development and the following dependencies:

- The Office of Education, Science and Technology
- The Office of Sustainable, Development and Environment
- The Office of Scholarships, Training, and Information Technology for Human Development
- The Office of Trade, Growth and Competitiveness
- The Office of Development Policies and Programs
- The Office of the Executive Secretariat of the Inter-American Telecommunication Commission

To ensure observance of limitations and restrictions placed on the use of resources available to SEDI, the accounts of SEDI are maintained in accordance with fund accounting principles. Separate accounts are maintained for each fund. Prior to the establishment of SEDI, the financial resources of the Office of Education, Science and Technology, Office of Sustainable Development and Environment and the Office of Trade, Growth, and Competitiveness were maintained by fund accounts administered by the GS/OAS. In the accompanying financial statements, the funds administered by the SEDI are grouped in the following categories, according to their source of financing and purpose:

**Operations Fund:** financed by transfers from the OAS Regular Fund and by contributions of overhead, fees and interest. The purpose of this fund is to provide SEDI with general support as well as technical supervision and administrative services to SEDI 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. FEMCIDI consists of the Integral Development account and the following Sectoral accounts:

- Economic Diversification and Integration, Trade Liberalization and Market Access
- Social Development and Creation of Productive Employment
- Education
- Culture
- Scientific Development, and Exchange and Transfer of Technology
- Strengthening of Democratic Institutions
- Sustainable Development and Environment
- Sustainable Development of Tourism

**Specific Funds:** financed by grants or requests to finance activities specified by the donor or grantor, and any other contributions by public or private entities, for carrying out or strengthening specific activities or programs of the SEDI. 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 SEDI. The assets and liabilities as of December 31, 2005, and the related income and expenses for the year then ended for the following organizations are also included in this fund:

- Capital Fund for OAS Fellowships, Scholarship, and Training Programs
- Implementation of Summit of the Americas Mandates

**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 SEDI as an entry point to expand hemispheric cooperation and enhance economic development by providing a channel for information, services, goods and funds. On June 20, 2005, SEDI signed a Memorandum of Understanding (MOU) with the Trust in which a fee of 2 percent would be charged by the Office of Budget and Financial Services against all funds received by SEDI channeled through the Trust.

In 2005, the Trust received in-kind contributions, which represent the transfer of non-cash assets including services and donated items, from various organizations in support of administrative and program objectives. These in-kind contributions have been recorded at SEDI's estimated value for the services and items received.

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

The Operating Subfund Unappropriated account shown in Exhibit 1 is the account to which all income of the funds is

applied including subsidies received from 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% of FEMCIDI's pledge collections.

Although SEDI no longer has a formal agreement with the Department of Administration & Finance (DAF), formerly the Secretariat for Management, DAF continues to provide certain financial and accounting related services. Specifically, the services consists of the following: (1) maintaining SEDI's accounts in OASES, (2) holding custody of cash, (3) maintaining existing and implementing new internal controls, (4) creating and approving purchase orders, (5) processing invoices, (6) processing all disbursements, (7) posting transactions to the ledgers, and (8) processing payroll. While DAF provides procedures, processes and technical oversight of funds, SEDI retains responsibility for the control and management of the funds entrusted to it.

## **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 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 of America. The Trust for the Americas is presented in the financial statements of SEDI in accordance with the Rules and also in its own separate financial statements, which is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States

of America. The significant deviations from accounting principles generally accepted in the United States of America are as follows:

- A. SEDI 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 upon 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 SEDI 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. The GS/OAS withheld a portion of the OAS allocation to SEDI for execution of these costs.

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 GS/OAS. 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 SEDI deems their value inestimable.

- E. A cash flow statement is not presented as required by accounting principles generally accepted in the United States of America.
- 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 sectoral accounts as instructed by the contributing countries until project execution the following fiscal year. This policy reflects the provisions of the FEMCIDI statutes.

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

### **3. USE OF ESTIMATES**

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

### **4. EQUITY IN OAS TREASURY FUND**

All U.S. dollars available for use in carrying out the activities of the various funds of OAS are consolidated in the Treasury Fund. Each fund administered by the GS/OAS maintains equity to the extent of its cash balance retained therein. The GS/OAS 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.

Interest earned from specific and/or trust funds is credited to certain projects as specified in the donor agreements.

## 5. FOREIGN CURRENCIES

Certain income and expense transactions in 2005 for the Specific Funds were in currencies other than United States of America dollars. These transactions consisted principally of cash deposits, which have been translated into United States of America dollar equivalents at rates of exchange in effect at the time of the transactions. Gains or losses on foreign currency transactions for the year 2005 were not material.

## 6. EQUIPMENT

Equipment is restricted to equipment purchased directly by the SEDI 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, 2005 was as follows:

Equipment		
	Depreciation Basis	2005
Computer Equipment	- 5 years	44,436
Less: Accumulated depreciation		(32,433)
Net Book Value as of Dec. 31		12,003

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, 2005 undepreciated project assets in custody of SEDI is \$209,089.

## 7. GRANTS

Grants to SEDI may be subject to donor audit and certain financial reports of funds received and expended may be requested by donors as described in the related agreements. Management believes it is in compliance with all donor requirements.

## 8. LEASES

SEDI does not own or lease any facilities. Rather, SEDI is assigned a cost by the GS/OAS for the space it occupies in the GSB building. In 2005, the total cost withheld by OAS from the SEDI budget allocation for this purpose was \$183,100.

## 9. CONTRIBUTIONS

Contributions to Specific Funds, FEMCIDI and Trust for the Americas during the year ended December 31, 2005 are detailed on the following table:

### Contributions

Contributor	FEMCIDI	Specific Funds
<b>Member states:</b>		
Antigua and Barbuda	\$ 6,988	\$ -
Argentina	40,103	267,888
Bahamas	15,000	12,081
Barbados	16,400	5,891
Belize	7,800	12,000
Bolivia	29,100	
Brazil	267,735	216,709
Canada	-	742,456
Chile	110,000	14,000
Colombia	106,825	4,750
Costa Rica	32,900	17,453
Dominica	5,100	24,232
Dominican Republic	35,000	-
Ecuador	16,678	19,038
El Salvador	32,100	701,810
Grenada	6,000	6,000
Guatemala	25,239	7,450
Guyana	5,100	
Haiti	15,000	6,000
Honduras	23,912	159,174
Jamaica	39,800	6,000
Mexico	200,000	416,015
Nicaragua	18,000	6,020
Panama	39,600	1,000
Paraguay	6,811	6,080
Peru	55,000	13,988
St. Kitts and Nevis	5,100	6,000
Saint Lucia	7,575	6,000
St. Vicente and the Grenadines	5,100	-
Suriname	8,500	6,035
Trinidad and Tobago	31,200	-
United States	-	40,500
Uruguay	9,500	5,980
Venezuela	46,897	145,929
<b>Total Member states:</b>	<b>1,270,063</b>	<b>2,876,479</b>



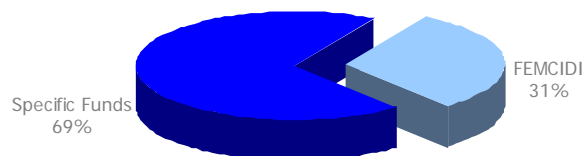
**Non-Member states  
and Others:**

Cable & Wireless Jamaican Foundation	59,000
Fundacion Valencia	18,872
Global Foundation for Democracy	79,740
& Development, Inc. Spain	15,465
Stewart International	100,000
Young American Business Trust	59,100
Other	68,312

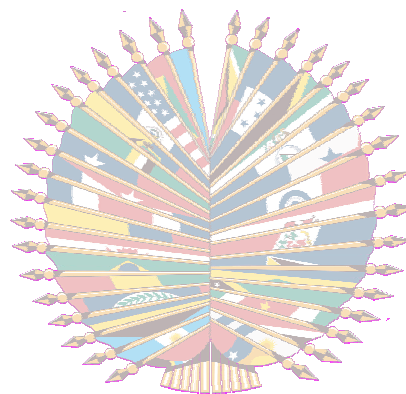
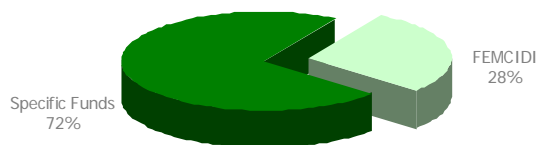
**Total Non-Member  
states and Others:**

<b>Total</b>	\$ 1,270,063	\$ 3,276,968
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Member States Contributions



Total Contributions



# INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT

## SCHEDULE 1

### Specific Funds Related to FEMCIDI Activities

#### Statement of Changes in Fund Balance

For the period January 1 through December 31, 2005

Donor and Project	Cash Balance January 1, 2005	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance December 31, 2005
ANDEAN DEVELOPMENT CORP.										
CAF MuNet	\$ 74,990	\$ 88,740	\$ (6,525)	\$ -	\$ -	\$ -	\$ (5,033)	\$ 69,957	\$ 63,580	\$ 6,376
ARGENTINA										
Horizontal Cooperation	533,197	-	-	3,897	(294)	325,510	(321,907)	211,290	164,935	46,355
Horizontal Cooperation (Technical Support)	(304)	-	-	-	-	25	(25)	(329)	-	(329)
White Helmets	210,527	200,000	-	874	-	86,675	114,199	324,726	6,867	317,859
White Helmets (Technical Support)	55	-	-	8,326	-	-	8,326	8,381	-	8,381
BRAZIL										
Horizontal Cooperation	59,701	180,000	-	1,776	-	-	181,776	241,477	-	241,477
Horizontal Cooperation (Technical Support)	3,487	-	-	-	-	-	-	3,487	-	3,487
CANADA										
New Program Approaches	183,335	596,267	(6,525)	3,167	-	245,781	347,128	530,463	98,455	432,008
New Program Approaches (Overhead)	4,124	28,462	-	-	-	25,056	3,406	7,530	-	7,530
DENMARK										
Dialogue Tables in Guatemala	1,512	-	-	-	-	340	(340)	1,172	-	1,172
EL SALVADOR										
PRODERT - US	256,800	697,065	-	-	(238,874)	714,822	(256,630)	170	-	170
PRODERT - US (Administrative Support)	-	-	-	-	-	-	-	-	-	-
PRODERT - US (Overhead)	300	-	-	-	-	216	(216)	84	-	84
HONDURAS										
Education Unprogrammed Funds	-	36,468	-	-	-	-	36,468	36,468	-	36,468
Housing Execution in Honduras	1,603,404	116,556	2,546	14,023	(60,732)	1,188,390	(1,115,997)	487,407	51,222	436,185
INTER AMERICAN DEVELOPMENT BANK										
White Helmets	98,507	61,559	-	2,969	-	20,258	44,270	142,777	12,362	130,416
ICA										
Capacity Bldg. Act. in the Americas	-	-	-	-	-	-	-	-	-	-
e-Government for the Americas	12,685	-	(2,775)	-	-	6,168	(8,943)	3,742	3,720	22
IDRC										
Computers for Schools	40,707	15,955	-	-	-	37,893	(21,937)	18,770	8,259	10,511
E-Government Workshops	-	67,967	-	-	-	27,505	40,461	40,461	1,961	38,500
Horizontal Cooperation Fund (FOCOH)	-	27,805	-	-	-	11,268	16,537	16,537	2,311	14,226
ISRAEL										
Cooperation Fund	337	-	-	-	-	-	-	337	-	337
Cooperation Fund (Technical Support)	1,628	-	-	-	-	-	-	1,628	-	1,628
JAMAICA										
Cable & Wireless Jamaican Foundation	50	59,000	-	-	-	58,281	719	769	-	769
MEXICO										
Demand for Technical Cooperation	251,857	-	-	-	-	-	-	251,857	-	251,857
Administrative Overhead	3,844	-	90,584	-	-	86,558	4,026	7,870	-	7,870
Unprogrammed	929,546	-	(511,597)	32,785	-	295,390	(774,203)	155,343	6,259	149,084
Technical Coop-Latin Amer & Carib.	-	-	834,203	-	-	784,946	49,257	49,257	3,895	45,362
Technological Modernization	-	-	103,258	-	-	64,006	39,252	39,252	3,500	35,752
Technical / Adm. Support	-	-	-	-	-	-	-	-	-	-
Unprogrammed Activities	2,743,988	391,370	(1,105,692)	47,543	-	27,135	(693,914)	2,050,074	-	2,050,074
Integral Coop C. Amer & Caribbean	254,937	-	(252,027)	-	(1,534)	-	(253,562)	1,375	-	1,375
Program of Strategic Actions in Mexico	-	-	467,050	-	-	56,139	410,911	410,911	388,094	52,817
Technological Modernization of the General Direction (Phase III)	-	-	364,222	-	-	111,821	252,401	252,401	207,455	44,945
MICROSOFT										
Educational Quality	(2,760)	-	-	-	-	-	-	(2,760)	-	(2,760)
e-Government Technology	2,850	-	49,000	-	-	39,364	9,636	12,486	6,500	5,986
OPEC										
School Based Telecenters-Guatemala	39,975	-	-	-	-	-	-	39,975	-	39,975
PANAMA										
ICAO - Cooperation Development	878	-	-	-	-	-	-	878	-	878
Privatization Process	55,648	-	-	-	-	-	-	55,648	-	55,648

# INTER-AMERICAN AGENCY FOR COOPERATION AND DEVELOPMENT (Continued)

## SCHEDULE 1

### Specific Funds Related to FEMCIDI Activities

#### Statement of Changes in Fund Balance

For the period January 1 through December 31, 2005

Donor and Project	Cash Balance January 1, 2005	Contributions	Transfers	Interest Income	Refunds & Other Income	Expenditures	Net Change	Cash Balance	Unliquidated Obligations	Fund Balance December 31, 2005
<b>PERU</b>										
Horizontal Cooperation	26,067	-	-	-	-	2,119	(2,119)	23,948	-	23,948
<b>SPAIN</b>										
Horizontal Cooperation	19,500	-	-	-	-	-	-	19,500	-	19,500
<b>STEWART INFORMATION INTERNATIONAL INC.</b>										
Stewart e-Govt. Technology	4,864	100,000	-	-	-	45,822	54,178	59,042	19,131	39,911
<b>UNITED NATIONS</b>										
Dialogue Tables in Guatemala	1,246	-	-	-	-	-	-	1,246	-	1,246
<b>UNITED PARCEL SERVICE</b>										
Connectivity for the Americas	26	-	-	-	-	-	-	26	-	26
<b>URUGUAY</b>										
Horizontal Cooperation	379	-	-	-	-	-	-	379	-	379
<b>UNITED STATES</b>										
Meeting - Geo Spatial Technology Caribbean Airport Security Program	30	-	-	-	-	-	-	30	-	30
CIDI Support	439,025	-	-	25,769	-	25	25,744	464,769	-	464,769
Competitiveness & Policy Dialogue	19,721	-	-	1,216	-	-	1,216	20,937	-	20,937
Competitiveness Capacity Bldg. Initiative	-	-	34,077	125	-	34,202	-	-	-	-
Connectivity & Telecommunications	-	-	500,000	1,814	-	200,617	301,197	301,197	81	301,115
Connectivity Content	804	-	-	-	-	-	-	804	-	804
Counterpart Fund Interest	160	-	-	-	-	-	-	160	-	160
Counterpart Fund 2001	603,799	-	-	37,332	-	-	37,332	641,131	-	641,131
E-Business Fellowship Program	22	-	-	9	-	(85)	94	116	-	116
e-Procurement & e-Government	31,942	-	-	1,807	-	-	1,807	33,749	-	33,749
H.R. Development in Bosawas	6,166	-	-	-	-	-	-	6,166	-	6,166
Interest-US Projects 2001 & 2002	244	-	-	66	-	-	66	310	-	310
Municipal Institutional Development	-	-	-	-	-	-	-	-	-	-
New Project Development Activities	516	-	-	-	-	-	-	516	-	516
Occupational Health & Safety	94	-	-	-	-	-	-	94	-	94
Program for Human Development	640	-	-	-	-	-	-	640	-	640
Scholarship Fund 2001	696,199	-	-	42,778	-	-	42,778	738,977	-	738,977
Technical Cooperation 2002	732,175	-	(574,077)	33,259	-	-	(540,819)	191,956	-	191,956
Technical Cooperation 2004	618,847	-	-	49,727	-	-	49,727	668,574	-	668,574
Technical Cooperation Interest	-	-	-	-	-	-	-	-	-	-
Agency Overhead	221	-	-	(74)	-	-	-	147	-	147
US Tech Coop 2001	108,956	-	8	7,197	-	-	7,205	116,161	-	116,161
<b>YOUNG AMERICAS BUSINESS TRUST</b>										
Network Development	47,500	59,100	10,000	-	-	106,931	(37,831)	9,669	7,600	2,069
<b>VARIOUS DONORS</b>										
Capacity Bldg. Act. in the Americas	12,462	33,503	13,825	-	600	23,846	24,082	36,544	29,059	7,486
Connectivity for the Americas (Technical Support)	16	-	-	-	-	-	-	16	-	16
Education in Honduras	17,283	-	-	-	-	-	-	17,283	-	17,283
Emergency Port Program	245,225	-	(8,104)	-	-	4,800	(12,904)	232,321	-	232,321
Municipal Institutional Development	997	-	-	-	-	-	-	997	-	997
Portal of the Americas	163,196	146,281	2,000	-	36,720	236,310	(51,309)	111,887	29,158	82,730
Special Port Program	196,953	370,870	8,104	-	-	262,160	116,814	313,767	17,845	295,922
Special Projects-Admin. & Overhead	7,229	-	(2,546)	-	-	2,434	(4,980)	2,249	-	2,249
Virtual Education	371	-	-	-	-	182	(182)	189	-	189
<b>INTEREST AND OVERHEAD</b>										
MINIREX-Mesas	3,111	-	-	-	-	-	-	3,111	-	3,111
<b>FELLOWSHIPS, SCHOL. &amp; TRAINING</b>										
FELLOWSHIPS, SCHOL. & TRAINING	5,702,420	-	3,000	161,067	-	1,061,891	(897,824)	4,804,596	489,926	4,314,670
<b>UNPROGRAMMED FUNDS</b>										
UNPROGRAMMED FUNDS	-	-	-	79,619	250,911	500	(552,062)	250,911	-	250,911
<b>SUMMIT OF AMERICAS MANDATES</b>										
SUMMIT OF AMERICAS MANDATES	3,044,251	-	-	-	-	632,181	(552,062)	2,492,189	33,381	2,458,808
<b>IACD Specific Funds Total</b>	<b>\$ 20,119,062</b>	<b>\$ 3,276,968</b>	<b>\$ 12,008</b>	<b>\$ 557,070</b>	<b>\$ (12,703)</b>	<b>\$ 6,914,230</b>	<b>\$ (3,080,886)</b>	<b>\$ 17,038,176</b>	<b>\$ 1,625,566</b>	<b>\$ 15,412,620</b>

## SPECIAL MULTILATERAL FUND OF THE INTER-AMERICAN COUNCIL FOR INTEGRAL DEVELOPMENT - FEMCIDI

### SCHEDULE 2

#### Summary of Disposition of 2005 Appropriations

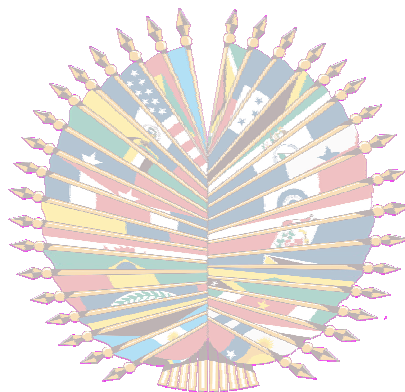
Year ended December 31, 2005

	Adjusted Budget (a)	2005 Obligations and Expenditures (b)	Unused Appropriations
Integral Development Account	\$ 191,584	\$ 4,050	\$ 187,534
Economic Diversification and Integration, Trade Liberalization and Market Access	972,556	235,586	736,970
Social Development and Creation of Productive Employment	1,130,274	474,027	656,247
Education	4,156,143	1,559,310	2,596,833
Culture	164,822	104,187	60,635
Scientific Development, Exchange and Transfer of Technology	1,960,382	747,910	1,212,472
Strengthening of Democratic Institutions	310,438	74,863	235,575
Sustainable Development of Tourism	962,443	273,322	689,121
Sustainable Development and Environment	1,190,460	367,329	823,131
Projects Preparation	634,118	31,210	602,908
Projects Evaluation	348,062	200,829	147,233
Contribution for Administrative and Technical Support	1,180,954	1,181,628	(674)
<b>Total</b>	<b>\$ 13,202,236</b>	<b>\$ 5,254,251</b>	<b>\$ 7,947,985</b>

Notes:

(a) Includes the remaining budget of the pre-2002 award FEM-ADM-2002 project, pre-2003 FEMCIDI awards and 2004 FEMCIDI programming awards approved by the IACD Management Board on June 21, 2005 (IACD/JD/doc.95/05 Rev. 1).

(b) Includes expenditures from pre-2002 award, FEM-ADM-2002 project, pre-2003 FEMCIDI award and 2004 FEMCIDI awards.





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March 22, 2006

Board of External Auditors  
Inter-American Agency for Cooperation and Development  
1889 F Street NW  
Washington, DC 20006

Dear Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by the General Assembly and management, solely to assist you with respect to compliance with the General Standards of the Organization of American States during 2005. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of procedures described below either for the purpose for which this report has 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:

### **1. Director Expenditures**

For director expenditures, the population consisted of all director expenditures during 2005. Using the firm's guidance, we determined our sample size to be 20 expenditures based on a 90% confidence level, 2% error rate and 5% tolerable error rate. The 20 sample units (i.e., the expenditures) were selected using a random number generator.

For the samples 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**

For the sample items selected, 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. No exceptions noted.





### **Hospitality and Representational Allowances**

For the sample items selected, we tested to ensure hospitality and representational allowances are not spent to entertain staff members of the General Secretariat until the Secretary General indicates it is in the best interest of the entity and is properly documented. No exceptions noted.

### **Personnel (Director level)**

For the sample items selected, we tested expenditures related to directors to ensure that personnel at the director level:

- 1) Have current statement of conflict of interest.
- 2) Have proper check signing approval (as applicable).
- 3) Are not considered or listed as a Career Service Member.
- 4) If terminated during 2005 that the director was given proper notices as defined in GS Chapter III, Articles 21.
- 5) Have current statements of personal net worth upon hire date.
- 6) Have sworn statements of personal associations.

No exceptions noted.

### **Travel**

For the sample items selected, 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 of all travel carried out during the three months prior to completing the quarterly report.
- 4) Travel expense claims require approval by the supervisor within 15 days of return from travel.

No exceptions noted.



## **2. General Expenditures**

For general expenditures, the population consisted of all expenditures during 2005 (excluding director expenses). Using the firm's guidance, we determined our sample size to be 21 expenditures based on a 90% confidence level, 2% error rate and 5% tolerable error rate. The 21 sample units (i.e., the expenditures) were selected using a random number generator. For 2 out of 21 expenditures tested, management could not locate any support for the 2 expenditures.

For the sample described above, we examined for compliance with the General Standards (GS) in eight general areas. The eight areas are as follows:

- 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

The testing performed and exceptions noted are documented below.

### **Fixed Assets**

For the sample items selected, we tested expenditures related to fixed assets ensure the following:

- 1) The acquisitions were properly approved by the appropriate 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.



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- 7) An accounting of fixed assets is prepared at regular intervals.

No exceptions noted.

### **Grants**

For the sample items selected, 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.

No exceptions noted.

### **Honoraria**

For the sample items selected, 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. No exceptions noted.

### **Hospitality and Representational Allowances**

For the sample items tested, 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. No exceptions noted.

### **Obligations**

For the sample items selected, 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 (DMAPSS) 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.





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- 7) Obligations during the year do not exceed the estimated income from quotas and other revenues, unless properly approved, by fund level.
- 8) Obligations must be based on firm commitments when they are approved and legally binding.

We note the following exception:

- We were missing the related purchase order for one expenditure.

**Performance Contracts**

For the sample items selected, 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 shall 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 require competitive bidding.
- 8) Payment should be made upon the contractor's invoice and an authorizing official noting the service has been 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 exception:

- One of the performance contracts tested did not have an executed copy of the contract sent to the Chief Office of Procurement Management Services.



### **Procurement Contracts**

For the sample items selected, 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 quotes from three suppliers.
- 6) Procurement contracts may not be entered into with certain entities/individuals of Member States.
- 7) Procurement contracts greater than \$10,000 require written justification.

No exceptions noted.

### **Travel**

For the sample items selected, we tested expenditures related to travel to ensure the following:

- 1) Travel is approved in advance and in writing.
- 2) Supervisors complete a quarterly report of official travel of all travel carried out during the three months prior to completing the quarterly report.
- 3) Senior members produce an official travel plan approved by the Secretary General one month in advance.
- 4) Travel advances require approval and required supporting documents (i.e., itinerary).
- 5) Travel expense claims require approval by the supervisor within 15 days of return from travel.

No exceptions noted.

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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.





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

Very Truly Yours,

*SB & Company, LLC*



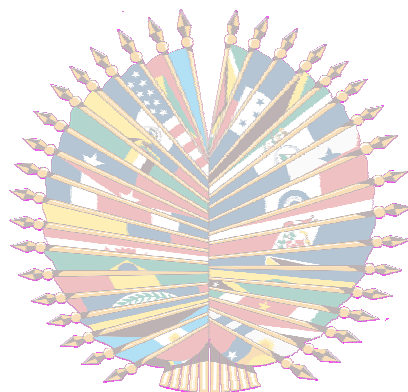
## CHAPTER 2

### TRUST FOR THE AMERICAS

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- 163. Independent Public Accountants' Report
- 165. Statements of Financial Position
- 165. Statements of Activities
- 166. Statements of Cash Flows
- 167. Notes to Financial Statements







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## **INDEPENDENT PUBLIC ACCOUNTANTS' REPORT**

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

We have audited the accompanying statement of financial position of the Trust of the Americas (the Trust), as of December 31, 2005 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 and for the year ended December 31, 2004 were audited by other auditors whose report dated April 1, 2005 expressed an unqualified opinion on those statements.

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 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 of the Trust as of December 31, 2005, 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 of America.

March 22, 2006

*SB & Company, LLC*





## TRUST FOR THE AMERICAS

### Statements of Financial Position

As of December 31	2005	2004
<b>Assets</b>		
Equity in OAS Treasury Fund	\$ 908,150	\$ 150,262
Accounts receivable	-	291,321
<b>Total assets</b>	<b>\$ 908,150</b>	<b>\$ 441,583</b>
<b>Liabilities and net assets</b>		
Accounts payable	\$ 12,694	\$ 153,612
Deferred revenue	272,151	18,112
<b>Total liabilities</b>	<b>284,845</b>	<b>171,724</b>
Temporarily Restricted Net Assets	506,162	230,336
Unrestricted Net Assets	117,143	39,523
<b>Total Net Assets</b>	<b>623,305</b>	<b>269,859</b>
<b>Total liabilities and net assets</b>	<b>\$ 908,150</b>	<b>\$ 441,583</b>

### Statements of Activities

For the years ended December 31	2005	2004
<b>Unrestricted</b>		
<b>Revenue</b>		
Contributions	\$ 1,812,494	\$ 1,128,482
Transfer	53,000	63,461
Interest and other income	21,043	8,895
In-kind contributions	356,011	11,000
SEDI in-kind contributions	228,767	212,016
Release from restrictions	402,984	-
<b>Total Revenue</b>	<b>2,874,299</b>	<b>1,423,854</b>
<b>Expenses</b>		
Transfers	257,788	202,566
Return to donor	1,805	322
Administrative and project expenses	1,952,308	1,393,240
In-kind expenses	584,778	223,016
<b>Total Expenses</b>	<b>2,796,679</b>	<b>1,819,144</b>
<b>Change in unrestricted net assets</b>	<b>77,620</b>	<b>(395,290)</b>
<b>Temporarily restricted</b>		
Contributions	678,810	230,336
Release from restrictions	(402,984)	-
<b>Total temporarily restricted</b>	<b>275,826</b>	<b>230,336</b>
<b>Change in Net Assets</b>	<b>353,446</b>	<b>(164,954)</b>
Net assets, beginning of the year	269,859	434,813
<b>Net assets, end of the year</b>	<b>\$ 623,305</b>	<b>\$ 269,859</b>

See accompanying notes

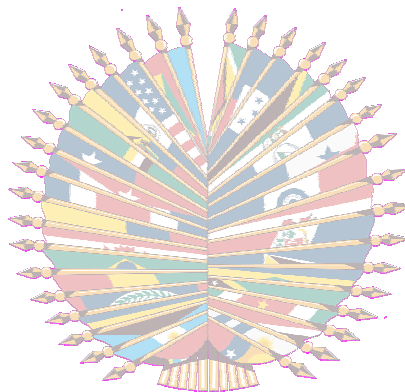
## TRUST FOR THE AMERICAS

### Statements of Cash Flows

For the years ended December 31

	2005	2004
<b>Operating activities</b>		
Excess of revenue over expenses	\$ 353,446	\$ (164,954)
Effect of changes in operating assets and liabilities:		
Accounts receivable	291,321	(267,409)
Prepaid expenses	-	2,989
Accounts payable	(140,918)	141,437
Deferred revenue	254,039	(53,534)
<b>Net Increase (Decrease) in cash</b>	757,888	(341,471)
Equity in OAS Treasury, beginning of the year	150,262	491,733
<b>Equity in OAS Treasury, end of the year</b>	<b>\$ 908,150</b>	<b>\$ 150,262</b>

See accompanying notes



## NOTES TO FINANCIAL STATEMENTS

### 1. ORGANIZATION AND FINANCIAL STATEMENTS

The Trust for the Americas (the Trust) was created in 1997 as a not for 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 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 Inter-American Council for Integral Development (CIDI) through a specific fund created to finance CIDI programs that strengthen partnerships with private enterprises and foundations.

The resources have been provided by contributions from corporate donors, Federal grants, 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 of America.

#### 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. Temporarily restricted net assets are contributions restricted by the donor for a specific purpose or time and which the restricted purpose has not been met or the time has not passed.

#### Government Grants and Deferred Revenue

Contributions are recorded when earned. The Trust has a significant ongoing grant as of December 31, 2005 and 2004 with a United States governmental agency that is described in "Significant Contributions". Deferred revenue is recorded when amounts received are in excess of amounts expended for cost reimbursable by United States government grants. Accounts receivable are recorded when amounts expended are in excess of amounts received. Deferred revenue represents contributions received that must be refunded to the donors if not spent for the donated purpose.

#### In-kind Contributions

The Trust received in-kind contributions that are 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 supports the Trust with financial, material and staff support to enable the Trust to accomplish its objectives. In-kind contributions include personnel and other costs funded from the IACD budget, with an approximate value of \$228,767 and \$212,016, as of December 31, 2005 and 2004, respectively. These amounts are included as revenue and expenses in the accompanying statements of activities for the years ended December 31, 2005 and 2004.

The Trust also received in-kind contributions from corporations and other entities for carrying out its program in the amount of \$356,011 and \$11,000 during the years ended December 31, 2005 and 2004, respectively, that were based on the Trust's estimate of the fair market value of the services provided on the date of the contribution.

### **Federal Income Tax**

The Trust is exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c) (3). The Trust is not a private foundation within the meaning of section 509(a) of the Code, because it is an organization described in section 509(a)(1)(A)(vi).

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 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.

The Trust entered into a significant grant agreement in 2004 with the United States of America Agency for International Development (USAID) for activities in Colombia. The agreement is for a total of \$1,136,226 of which \$753,952 was expended for the year ended December 31, 2005, and \$1,092,000 from the inception of the agreement.

The Trust's revenue is recognized as the expense is incurred, and is the basis for drawdown of the funds from the letter of credit with the USAID, and for recognition of receivables.

The Trust's project expenditures correspond to its two main initiatives and were incurred as follows:

- Transparency and Governance Projects: \$1,141,834
- Technology for Development Projects: \$529,396

These expenditures are included in Administrative and Project Expenses on the Statements of Activities.

Unrestricted net assets are assets and contributions that are not restricted by donors or for which restrictions have expired. The majority of the Trust's unrestricted net assets represent the administrative portion retained from various project contributions and grants.

Temporarily restricted net assets are those assets whose use by the Trust has been limited by donors primarily for a specific purpose. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions which have the restrictions relieved in the same year as the contribution is received are included in unrestricted net assets.

### **3. EQUITY IN OAS TREASURY FUND**

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

