

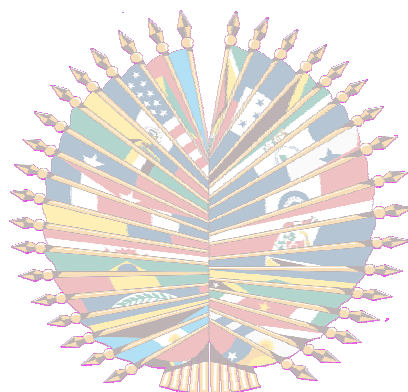
CHAPTER 2

LEO S. ROWE
PAN AMERICAN FUND

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SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

INDEPENDENT PUBLIC ACCOUNTANTS' REPORT

The Board of External Auditors
Organization of American States

We have audited the accompanying statement of financial position of the Leo S. Rowe Pan American Fund (the Fund), as of December 31, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Fund 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 Fund 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

LEO S. ROWE PAN AMERICAN FUND

Statements of Financial Position

As of December 31	2005	2004
Assets		
Equity in the OAS Treasury Fund and cash equivalents	\$ 643,661	\$ 337,020
Investments at market value:		
Money market account	294,226	91,538
Mutual funds invested in equity investments	5,269,611	6,860,254
Mutual funds invested in fixed income securities	4,621,354	2,524,880
	<u>10,185,191</u>	<u>9,476,672</u>
Loans receivable		
Students	1,980,303	2,325,505
Allowance for uncollectible loans	(150,835)	(182,094)
Total student loans receivable	<u>1,829,468</u>	<u>2,143,411</u>
Loans to employees of the OAS	380,679	578,550
Other receivable	19,278	7,644
Total assets	<u>\$ 13,058,277</u>	<u>\$ 12,543,297</u>
Liabilities and Net assets		
Accounts payable	\$ 16,163	\$ 21,488
Guarantor deposits	48,300	46,000
Due to MacLean fellowship	65,523	65,523
Total Liabilities	<u>129,986</u>	<u>133,011</u>
Net assets		
Committee designated	1,000,000	1,000,000
Available for loans	11,879,753	11,366,897
Supplementary guarantee for loans	9,992	8,812
MacLean Fellowship Fund	18,443	15,883
Student Life-Self Insurance	20,103	18,694
Total Net Assets	<u>12,928,291</u>	<u>12,410,286</u>
Total liabilities and net assets	<u>\$ 13,058,277</u>	<u>\$ 12,543,297</u>

See accompanying notes

LEO S. ROWE PAN AMERICAN FUND

Statements of Activities

For the years ended December 31

	2005	2004
Income		
Dividend and interest investment income	\$ 242,970	\$ 214,235
Realized gains on investments	154,875	29,513
Unrealized gains on investments	317,277	788,573
Revaluation of allowance	31,039	-
Other income	67,696	49,703
Total Income	813,857	1,082,024
Expenses		
Unrealized loss on investments	-	5,344
Administrative expenses	295,852	311,233
Total Expenses	295,852	316,567
<i>Change in net assets</i>	518,005	765,457
<i>Net assets at beginning of year</i>	12,410,286	11,644,829
Net assets at end of year	\$ 12,928,291	\$ 12,410,286

Statements of Cash Flows

For the years ended December 31

	2005	2004
Operating Activities		
Change in net assets	\$ 518,005	\$ 765,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(154,875)	(29,513)
Unrealized gain on investments	(317,277)	(788,573)
Revaluation of Allowance	(31,039)	(44,993)
Changes in operating assets and liabilities:		
Decrease in loans to students	344,982	84,248
Decrease in loans to employees	197,871	117,251
Increase in miscellaneous receivables	(11,634)	(2,428)
Increase (Decrease) in liabilities	(3,025)	33,666
Net cash provided by operating activities	543,008	135,115
Investing activities		
Proceeds from the sale of investments	-	414,315
Reinvestments of dividends received	(236,367)	(212,410)
Net cash (used in) provided by investing activities	(236,367)	201,905
<i>Net increase in cash and cash equivalents</i>	306,641	337,020
Equity in OAS Treasury Fund, beginning of year	337,020	-
Equity in OAS Treasury Fund, end of year	\$ 643,661	\$ 337,020

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND FINANCING

The Leo S. Rowe Pan American Fund (the Fund), a charitable trust, was established in 1948 by the Governing Board of the General Secretariat of the Pan American Union (PAU) from monies and in accordance with the will of Dr. Leo S. Rowe, a former Pan American Union Director General. The purpose of the Fund is to provide loans to students from Latin American and Caribbean Member states, who desire to study at colleges in the United States of America, and to provide education and emergency loans to staff of the Organization of American States (OAS). The Fund is administered within the General Secretariat by special committees. The Fund's Committee consists of representatives of the Permanent Council and Secretary General and has the responsibility to oversee and approve the Fund's activities. This Committee designated net assets of \$1,000,000 comprised of investments and is not considered to be available for the purpose of granting loans.

2. BASIS OF ACCOUNTING

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

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

3. INCOME TAX STATUS

As an international organization, OAS is exempt from United States of America Federal income taxes. This exemption also applies to the Fund.

4. EQUITY IN OAS TREASURY FUND

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

5. CASH EQUIVALENTS

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

6. INVESTMENTS

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

The table on the following page shows a summary of the investments.

MUTUAL FUND INVESTMENTS

Dec. 31 - 05	Fixed income securities	Equity investments	Total
Market Value at 1/1/05	\$ 2,616,418	\$ 6,860,254	\$9,476,672
Purchases/Sales	2,221,883	(2,221,883)	-
Dividends	116,130	120,237	236,367
Realized Gain and Loss	-	154,875	154,875
Unrealized Gain and Loss	(38,851)	356,128	317,277
Market Value at 12/31/05	\$ 4,915,580	\$ 5,269,611	\$10,185,191

Dec. 31 - 04	Fixed income securities	Equity investments	Total
Market Value at 1/1/04	\$ 2,253,361	\$ 6,607,130	\$8,860,491
Purchases/Sales	240,042	(654,357)	(414,315)
Dividends	129,497	82,913	212,410
Unrealized and Realized Gain	(6,482)	824,568	818,086
Market Value at 12/31/04	\$ 2,616,418	\$ 6,860,254	\$9,476,672

7. LOAN STATUS

Loans Receivable and Allowance for Loan Losses

Loans receivable as of December 31, 2005 and 2004 are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible because of present conditions, and based on evaluations of the collectibility of loans and prior loan loss experience. The allowance for loan losses is based on estimates and ultimate losses may vary from the current estimates.

Non interest bearing loans are granted to students, payable on various terms not to exceed 53 months from the

termination of the studies for which the loans are granted. The Committee of the Leo S. Rowe Pan American Fund (the Committee) has extended the repayment dates for certain loans. Management believes that the allowance of \$150,835 or approximately 7.62% of the student loan balance as of December 31, 2005, is sufficient to provide for losses that may be incurred upon the ultimate realization of these loans.

During 2005 and 2004, the Fund approved new student loans aggregating approximately \$286,154 and \$573,800, respectively. The Fund received loan repayments of \$631,356 and \$644,104 in 2005 and 2004, respectively.

New loans approved to employees for educational purposes or in emergency situations aggregated \$97,523 and \$173,884 in 2005 and 2004, respectively. The Fund received loan repayments of \$295,394 and \$235,706 in 2005 and 2004, respectively. The interest rate applied to employee loans is equivalent to the prime rate of the United States of America and is adjusted periodically. The interest rate on employee loans granted in 2005 varied between 5.25% and 7%. Interest rates on loans granted in 2004 varied between 3% and 4%.

UNCOLLECTIBLE LOANS

	2005	2004
Balance at beginning of year	\$ 182,094	\$ 227,087
Write off of loans receivable	(220)	(44,993)
Revaluation of Allowance	(31,039)	-
Balance at end of year	\$ 150,835	\$ 182,094

8. DUE TO MACLEAN

The balance of Due to MacLean Fund as of December 31, 2005 and 2004, represents amounts due to the Julia MacLean Legacy Fund (The MacLean Fund), a separate fund established to provide fellowships for Peruvian women studying in Washington D.C, using the interest earned on the initial endowment to provide for these fellowships. The balance due to The MacLean Fund is equal to the initial endowment of \$65,523 received from the estate of Mrs. Julia MacLean to The MacLean Fund.

9. COMMITMENTS AND CONTINGENCIES

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

