

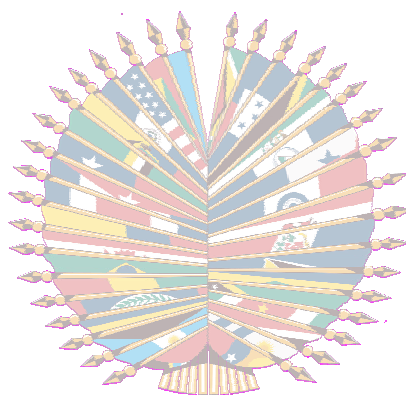
CHAPTER 4

OAS MEDICAL BENEFITS TRUST FUND

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SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

INDEPENDENT PUBLIC ACCOUNTANTS' REPORT

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

We have audited the accompanying statement of financial position of the General Secretariat of the Organization of American States Medical Benefits Trust Fund (the Trust), as of December 31, 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.

SB & Company, LLC

March 22, 2006

OAS MEDICAL BENEFITS TRUST

Statements of Financial Position

As of December 31	2005	2004
Assets		
Equity in OAS Treasury Fund and cash equivalents	\$ 230,554	\$ 432,350
Mutual fund investments	15,079,919	12,871,997
<i>Total cash equivalents and investments</i>	15,310,473	13,304,347
Retiree accounts receivable	5,773	4,630
Other account Receivable	18,708	10,598
Accounts paid in advance to CareFirst BCBS	-	404
<i>Total assets</i>	\$ 15,334,954	\$ 13,319,979
Liabilities and net assets		
Accounts payable	\$ 193,238	\$ -
Deferred income	408,836	365,882
<i>Total liabilities</i>	602,074	365,882
Net Assets		
Designated for unpaid claims	1,011,647	1,146,000
Fund balance	13,721,233	11,808,097
<i>Total net assets</i>	14,732,880	12,954,097
<i>Total liabilities and net assets</i>	\$ 15,334,954	\$ 13,319,979

Statements of Activities

For the years ended December 31	2005	2004
Income		
Contributions	\$ 8,715,461	\$ 8,121,922
Dividend and other income	580,202	404,776
Other income	71,417	91,602
Net unrealized gain on investments	326,830	1,123,743
<i>Total income</i>	9,693,910	9,742,043
Expenses		
Claims paid - BCBS	6,791,030	6,567,511
CareFirst BCBS services	508,878	501,459
Stop Loss Insurance premiums	275,541	120,722
<i>Total expenses related to CareFirst BCBS</i>	7,575,449	7,189,692
Other expenses not related to CareFirst BCBS	86,690	87,905
Kaiser health insurance	248,519	253,426
Net realized loss on investments	4,469	-
<i>Total expenses not related to CareFirst BCBS</i>	339,678	341,331
<i>Total expenses</i>	7,915,127	7,531,023
Change in net assets	1,778,783	2,211,020
Net assets, beginning of year	12,954,097	10,743,077
<i>Net assets, end of year</i>	\$ 14,732,880	\$ 12,954,097

See accompanying notes

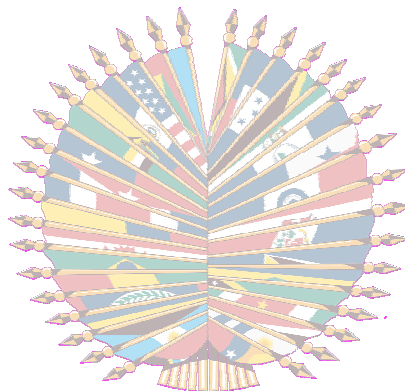
OAS MEDICAL BENEFITS TRUST

Statements of Cash Flows

For the years ended December 31

	2005	2004
Operating activities		
Change in net assets	\$ 1,778,783	\$ 2,211,020
Unrealized gain on investments	(326,830)	(1,123,743)
Realized loss on investments	4,469	-
(Increase) Decrease in receivables	(9,253)	1,892
Decrease (Increase) in accounts paid in advance to CareFirst BCBS	404	(404)
Increase (Decrease) in payables	236,192	(517,886)
<i>Net cash provided by operating activities</i>	<u>1,683,765</u>	<u>570,879</u>
Investing activities		
Purchase of investments	(1,330,000)	-
Dividends and capital gains reinvested	(555,561)	(355,972)
<i>Net cash used in operating activities</i>	<u>(1,885,561)</u>	<u>(355,972)</u>
Net (decrease) increase in cash and cash equivalents	(201,796)	214,907
Equity in OAS Treasury Fund, beginning of year	432,350	217,443
<i>Equity in OAS Treasury Fund, end of year</i>	<u>\$ 230,554</u>	<u>\$ 432,350</u>

See accompanying notes



NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF THE TRUST

General

The OAS Medical Benefits Trust (Trust) is a not-for-profit fund established in April 1982 by the General Secretariat of the Organization of American States (GS/OAS) to carry out the provisions of GS/OAS Medical Benefits Plan (Plan). Pursuant to the provisions of the trust agreement dated June 27, 2000, the sole Trustee of the Trust is the Organization of American States General Secretariat (Secretary General). The Secretary General delegates his duties to five (5) Delegate Trustees appointed by him, two of them in consultation with the staff association and the Retiree Association of the GS/OAS. The Trust's assets are held in custody by the Bank of America.

Eligibility and Benefits

The Plan provides health benefits, including medical, dental and prescription drugs to GS/OAS employees and their covered eligible dependents. Retired employees are entitled to maintain the insurance coverage as determined by certain criteria involving age and years of service.

Current health claims of active and retired Plan participants and their covered eligible dependents are provided under a group self-insurance contract administered by Carefirst Blue Cross Blue Shield (Carefirst).

Contributions

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

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

Claims Payments

Claims payment expense is recognized in the period in which the claims are received by the third-party administrator of the Plan and billed to the Trust. Claims billed to the Trust by the third-party administrator, but not paid as of December 31, 2005, are included in accounts payable on the accompanying statement of financial position.

Trust Rights and Obligations

The Secretary General, as the Trustee, has the right under the Trust to modify the benefits provided to active and retired employees. All funds available will be used exclusively to pay benefits under the plan until the funds are depleted.

2. SUMMARY OF ACCOUNTING POLICIES

Administrative Expenses

The Trust pays all administrative expenses of the Plan. Total expenses paid by the Trust on behalf of the Plan for the year ended December 31, 2005 and 2004 was \$508,878 and \$501,459, respectively.

Valuation of Investments

The Trust investments are stated at fair value. The shares of mutual funds are valued at quoted market prices. The short-term investments are carried at cost, which approximates fair value.

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 Trust's cash management policy of maximizing the amounts of funds invested in income-earning assets, the Trust routinely anticipates the timing and amount of future cash flows.

Fair Value of Financial Instruments

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

Use of Estimates

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in accordance 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 reporting period. Actual results could differ from those estimates.

Market Risk

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

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

	31-Dec-05	31-Dec-04
Vanguard Index SP 500	\$ 6,062,860	\$ 5,462,202
Nations Fund Inc. International Value Fund	2,627,569	2,265,805
Vanguard Mid-Cap	1,584,395	1,323,338
Vanguard Small-Cap	962,835	843,400
Pimco Total Return	3,371,039	2,283,896
Pimco High Yield	471,221	693,356
Total	\$ 15,079,919	\$ 12,871,997

3. EQUITY IN OAS TREASURY FUND

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

4. NET ASSETS DESIGNATED FOR MEDICAL CLAIMS PAYABLE

As of December 31, 2005, \$1,011,647 of net assets have been designated for medical claims payable. This amount is computed based upon past claims payment experience, and in management's opinion, is a reasonable estimate of claims incurred but not reported as of December 31, 2005.

5. TAX STATUS

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

6. BENEFIT OBLIGATIONS

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

7. RISK AND UNCERTAINTIES

Management continually evaluates contingencies based on the best available evidence and provides loss allowances where necessary. The principal contingency includes medical claims liability risks. Management believes that allowances for losses have been provided to the extent necessary and that its assessment of contingencies is reasonable.

Management believes that the resolution of contingencies will not materially affect the Trust's financial position or results of operations.

8.COMMITMENTS AND CONTINGENCIES: LITIGATION

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

9.ACTUARIAL PRESENT VALUE OF ACCUMULATED POST RETIREMENT PLAN BENEFITS

The accrued or past service liabilities as of December 31, 2003 (date of last actuarial study) for postretirement health and life insurance benefits are approximately \$47.9 million (\$45.4 million for retiree health benefits and \$2.5 million for retiree life insurance). As of December 31, 2005, the Trust's assets totaled \$15,334,954. These funds are not for coverage of life insurance benefits.

