

FINANCIAL STATEMENTS



**PAN AMERICAN DEVELOPMENT
FOUNDATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

PAN AMERICAN DEVELOPMENT FOUNDATION

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statement of Financial Position, as of September 30, 2012, with Summarized Financial Information for 2011	3
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2012, with Summarized Financial Information for 2011	4
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2012, with Summarized Financial Information for 2011	5 - 6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2012, with Summarized Financial Information for 2011	7
NOTES TO FINANCIAL STATEMENTS	8 - 14



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Pan American Development Foundation
Washington, D.C.

We have audited the accompanying statement of financial position of the Pan American Development Foundation (the Foundation) as of September 30, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of September 30, 2011 were audited by other auditors, whose report dated March 22, 2012, expressed an unqualified opinion on those statements.

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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Foundation as of September 30, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013, on our consideration of Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

April 16, 2013

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFPCA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

PAN AMERICAN DEVELOPMENT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS

CURRENT ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 16,185,376	\$ 13,548,821
Strategic Development Fund (Note 2)	759,980	759,600
Accounts and grants receivable	4,369,888	2,062,840
Advances to subcontractors	554,247	297,312
Undesignated donated goods	397,080	142,224
Prepaid expenses and other assets	511,289	397,379
Property and equipment, net of accumulated depreciation and amortization of \$830,727 and \$789,414, for 2012 and 2011, respectively (Notes 3 and 6)	<u>336,405</u>	<u>331,774</u>
TOTAL ASSETS	<u>\$ 23,114,265</u>	<u>\$ 17,539,950</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities (Note 6)	\$ 7,554,393	\$ 2,972,585
Refundable advances, Non-Federal	11,118,982	10,150,057
Refundable advances, Federal	<u>52,672</u>	<u>450,170</u>
Total liabilities	<u>18,726,047</u>	<u>13,572,812</u>

NET ASSETS

Unrestricted:		
Undesignated	2,241,969	1,609,430
Board designated (Note 2)	<u>759,980</u>	<u>759,600</u>
Total unrestricted net assets	3,001,949	2,369,030
Temporarily restricted (Note 4)	<u>1,386,269</u>	<u>1,598,108</u>
Total net assets	<u>4,388,218</u>	<u>3,967,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,114,265</u>	<u>\$ 17,539,950</u>

See accompanying notes to financial statements.

PAN AMERICAN DEVELOPMENT FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions (Note 9)	\$ 46,349,143	\$ 1,000,334	\$ 47,349,477	\$ 44,147,760
Donated goods and supplies (Note 5)	-	6,178,235	6,178,235	6,174,666
Shipping reimbursements and subsidies (Note 10)	172,956	-	172,956	109,719
Other income (Note 2)	186,302	-	186,302	106,422
Net assets released from donor restrictions (Note 4)	<u>7,390,408</u>	<u>(7,390,408)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>54,098,809</u>	<u>(211,839)</u>	<u>53,886,970</u>	<u>50,538,567</u>
EXPENSES				
Program Services:				
Creating Economic Opportunities Strengthening Communities and Civil Society	29,176,917	-	29,176,917	30,464,488
Responding to Natural Disasters	<u>10,278,373</u>	<u>-</u>	<u>10,278,373</u>	<u>10,937,703</u>
Total program services	<u>48,268,632</u>	<u>-</u>	<u>48,268,632</u>	<u>45,525,418</u>
Supporting Services:				
Management and General Development	4,855,150	-	4,855,150	4,978,057
	<u>342,108</u>	<u>-</u>	<u>342,108</u>	<u>323,286</u>
Total supporting services	<u>5,197,258</u>	<u>-</u>	<u>5,197,258</u>	<u>5,301,343</u>
Total expenses	<u>53,465,890</u>	<u>-</u>	<u>53,465,890</u>	<u>50,826,761</u>
Change in net assets	632,919	(211,839)	421,080	(288,194)
Net assets at beginning of year	<u>2,369,030</u>	<u>1,598,108</u>	<u>3,967,138</u>	<u>4,255,332</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,001,949</u>	<u>\$ 1,386,269</u>	<u>\$ 4,388,218</u>	<u>\$ 3,967,138</u>

See accompanying notes to financial statements.

<u>Supporting Services</u>					<u>2011</u>
<u>Management and General</u>	<u>Development</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>	<u>Total Expenses</u>	
\$ 2,431	\$ -	\$ 2,431	\$ 29,954,489	\$ 24,910,270	
922,462	1,386	923,848	11,460,229	12,130,219	
3,054,098	267,402	3,321,500	8,627,848	9,027,652	
383,745	33,052	416,797	1,794,555	2,786,468	
288,969	36,346	325,315	1,125,706	1,405,082	
74,795	32	74,827	181,096	180,647	
81,061	3,066	84,127	168,087	149,674	
16,685	70	16,755	104,615	101,170	
9,346	754	10,100	24,082	20,478	
<u>21,558</u>	<u>-</u>	<u>21,558</u>	<u>25,183</u>	<u>115,101</u>	
<u>\$ 4,855,150</u>	<u>\$ 342,108</u>	<u>\$ 5,197,258</u>	<u>\$ 53,465,890</u>	<u>\$ 50,826,761</u>	

See accompanying notes to financial statements.

PAN AMERICAN DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 421,080	\$ (288,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	195,357	197,167
Receipt of donated goods	(6,178,235)	(6,174,666)
Donated goods placed in service	5,923,379	6,776,659
(Increase) decrease in:		
Accounts and grants receivable	(2,307,048)	11,447
Advances to subcontractors	(256,935)	1,267,419
Undesignated donated goods	-	(2,000)
Prepaid expenses and other assets	(113,910)	(52,629)
Increase (decrease) in:		
Accounts payable and accrued liabilities	4,581,808	(496,389)
Refundable advances	<u>571,427</u>	<u>3,021,661</u>
Net cash provided by operating activities	<u>2,836,923</u>	<u>4,260,475</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(199,988)	(63,168)
Purchase of Strategic Development Fund assets	<u>(380)</u>	<u>(682)</u>
Net cash used by investing activities	<u>(200,368)</u>	<u>(63,850)</u>
Net increase in cash and cash equivalents	2,636,555	4,196,625
Cash and cash equivalents at beginning of year	<u>13,548,821</u>	<u>9,352,196</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 16,185,376</u>	<u>\$ 13,548,821</u>

See accompanying notes to financial statements.

PAN AMERICAN DEVELOPMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Pan American Development Foundation (the Foundation) is a non-profit organization created in 1962 through a unique agreement between the Organization of American States (OAS) and the private sector. The Foundation, located in Washington, D.C. creates public-private partnerships to assist the least advantaged people in Latin American and the Caribbean. The Foundation engages community-based groups, non-governmental organizations (NGOs), municipal governments and the private sector in the process of implementing appropriate solutions for sustainable development. Through these partnerships, the Foundation seeks to achieve excellence and lasting programmatic impact in creating economic opportunities and social progress; strengthening capacities of individuals, communities and civil society; and preparing for and responding to natural disasters and other humanitarian crises. These activities are funded primarily through foreign and United States Government grants and contracts, and other non-Federal grants and contributions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). The Foundation maintains a portion of its cash balances at financial institutions in non-interest bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

At times during the year, the Foundation maintains a portion of its cash balances in interest-bearing accounts at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

As of September 30, 2012 and 2011, the Foundation held approximately \$10,900,000 and \$3,700,000, respectively, of cash and cash equivalents in foreign countries. The majority of such funds are not insured.

Strategic Development Fund -

The Strategic Development Fund consisted of cash and cash equivalents as of September 30, 2012 and 2011. The funds are invested according to the Foundation's approved investment policy. Its primary objective is the preservation of principal and a high level of liquidity. Interest earned is included in other income in the accompanying Statement of Activities and Change in Net Assets.

PAN AMERICAN DEVELOPMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Donated goods and supplies -

Donated goods consist of donated health service equipment and tools inventory and are valued at fair market value at the date of donation. Items which have not yet been distributed to a recipient are capitalized as inventory, shown on the Statement of Financial Position as Undesignated donated goods. The allowance for obsolete inventory is reviewed and calculated annually by management and is primarily used for computer hardware that is not in workable condition; if a piece of hardware is considered unusable it is then deducted from inventory at the same value at which it was originally recorded. There was no provision for obsolete inventory as of September 30, 2012 and 2011.

Furthermore, the Foundation reports donated goods and supplies contributions as temporarily restricted support when received as these goods are received with donor stipulations that limit their use. When the goods are designated by the Foundation to a potential recipient, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as a release from restriction.

As of September 30, 2012 and 2011, undesignated donated goods consisted of tools and equipment in the amounts of \$397,080 and \$142,224, respectively.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Property and equipment purchased with federal funds are expensed and charged to the corresponding program.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended September 30, 2012 and 2011, the Foundation has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

PAN AMERICAN DEVELOPMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

The Foundation receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Shipping reimbursements and subsidies -

Shipping reimbursements and subsidies represent financial contributions given to the Foundation to support the related costs of shipping health supplies, tools and equipment.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

PAN AMERICAN DEVELOPMENT FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Foreign currency translation -

The dollar ("Dollars") is the functional currency for the Foundation's operations. Transactions in currencies other than Dollars are translated into Dollars at the rate of exchange in effect during the month of the transaction. The exchange gains resulting from such transactions totaled \$179,377 and \$68,116 for the years ended September 30, 2012 and 2011, respectively, and are included in other income on the Statement of Activities and Change in Net Assets.

Assets and liabilities denominated in non-U.S. currency are translated into Dollars at the exchange rate in effect at the date of the Statement of Financial Position.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. STRATEGIC DEVELOPMENT FUND

The Strategic Development Fund consisted of the following at September 30, 2012 and 2011, respectively:

	2012	2011
	Fair Value	Fair Value
Cash and Cash Equivalents	\$ 759,980	\$ 759,600

The Strategic Development Fund earned interest income of \$380 and \$682 during the years ended September 30, 2012 and 2011, respectively. Furthermore, the value of the Strategic Development Fund represents the aggregate amount reported as Board designated net assets (unrestricted), which are not subject to donor-imposed restrictions, but are designated for use by the Board of Trustees.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2012 and 2011, respectively:

	2012	2011
Furniture and equipment	\$ 637,446	\$ 605,486
Leasehold improvements	207,730	259,015
Vehicles, software and other	321,956	256,687
Total property and equipment	1,167,132	1,121,188
Less: Accumulated depreciation and amortization	(830,727)	(789,414)
NET PROPERTY AND EQUIPMENT	\$ 336,405	\$ 331,774

PAN AMERICAN DEVELOPMENT FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

3. PROPERTY AND EQUIPMENT (Continued)

Depreciation and amortization expense totaled \$195,357 and \$197,167 during the years ended September 30, 2012 and 2011, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2012 and 2011:

	2012	2011
Creating Economic Opportunities	\$ 633,999	\$ 784,101
Strengthening Communities and Civil Society	264,854	236,925
Responding to Natural Disasters	487,416	577,082
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 1,386,269	\$ 1,598,108

The following temporarily restricted net assets were released from donor restrictions by incurring programmatic expenses, thus satisfying the restricted purposes specified by the donors:

	2012	2011
Creating Economic Opportunities	\$ 7,196,662	\$ 7,343,550
Strengthening Communities and Civil Society	68,108	42,373
Responding to Natural Disasters	125,638	152,552
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 7,390,408	\$ 7,538,475

5. DONATED GOODS AND SUPPLIES

During the years ended September 30, 2012 and 2011, the Foundation was the beneficiary of donated goods, which allow the Foundation to provide greater resources for the benefit of its various programs.

The following donated goods have been included in temporarily restricted revenue during the years ended September 30, 2012 and 2011:

	2012	2011
Health Service Equipment	\$ 5,099,568	\$ 4,922,294
Tools for Training	1,078,667	1,252,372
	\$ 6,178,235	\$ 6,174,666

The following programs have benefited from the donated goods placed in service for the years ended September 30, 2012 and 2011:

	2012	2011
Creating Economic Opportunities	\$ 5,923,379	\$ 6,776,659

PAN AMERICAN DEVELOPMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

6. LEASE COMMITMENTS

The Foundation has entered into a non-cancelable operating lease agreement with the Organization for American States (see Note 10) for office space, which commenced on April 1, 2004 and through subsequent amendments, expires on March 31, 2013. The Foundation also acquired additional office space under an agreement that is currently set to expire on August 31, 2013.

In addition the Foundation has entered into an equipment lease (for a Xerox copier) that is set to expire in December 2013, and that liability is included in "accounts payable and accrued liabilities" in the Statement of Financial Position for the amounts of \$16,432 and \$29,260 as of September 30, 2012 and 2011, respectively. The cost of the leased asset was \$50,800 as of September 30, 2012 and 2011; the related accumulated amortization on this leased asset aggregated \$34,925 and \$22,225 as of September 30, 2012 and 2011, respectively.

Following is a schedule of the future minimum lease payments under the aforementioned leases:

<u>Year Ending September 30,</u>	<u>Operating Lease</u>	<u>Equipment Lease</u>	<u>Total</u>
2013	\$ 287,279	\$ 13,450	\$ 300,729
2014	-	3,363	3,363
	<u>\$ 287,279</u>	<u>\$ 16,813</u>	<u>\$ 304,092</u>

The Foundation also leases office space in Haiti and Colombia under operating leases which are renewable annually as they do not require a long-term occupancy commitment. Rent expense (worldwide) for the years ended September 30, 2012 and 2011 totaled \$463,797 and \$448,485, respectively.

7. RETIREMENT PLAN

The Foundation maintains a defined contribution retirement savings plan for all qualified employees who have met certain length of service requirements. The Foundation makes contributions equal to 10% of eligible employees' base salaries. These contributions are immediately vested. Upon termination, death or retirement, employees are entitled to the current value of the contributions in their accounts. Retirement savings plan expenses totaled \$217,969 and \$214,282, for the years ended September 30, 2012 and 2011, respectively.

8. FOREIGN OPERATIONS

The Foundation maintains field offices in Colombia and Haiti, which are funded under awards from USAID, the State Department, the World Bank, corporate donors, local organizations and NGOs; these local offices provide the following: (1.) assistance to persons displaced by violence, (2.) vocational training for low-income people, (3.) agro forestry programs to promote soil conservation and reforestation, (4.) medical equipment and supplies to health care facilities, and (5.) tools for vocational training addressing the most critical needs of disaster victims and to better prepare them for future natural disasters. The future results of these programs could be adversely affected by a number of potential factors such as currency devaluation and/or changes in the political climate.

PAN AMERICAN DEVELOPMENT FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

9. CONTINGENCY

The Foundation receives grants from various agencies of the United States Government; such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2012. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. RELATED PARTY

The Foundation, while separate from the Organization of American States (OAS), has a working agreement with OAS (approved by the OAS General Assembly) under which the Foundation received (during the years ended September 30, 2012 and 2011) a grant of \$131,800 and \$102,949, respectively, for general operating support. In addition, under the agreement, the Permanent Council of the OAS may appoint a representative to the Foundation's Executive Committee and two of the 18 Trustees of the Foundation are officials of the OAS General Secretariat.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 16, 2013, the date the financial statements were issued.