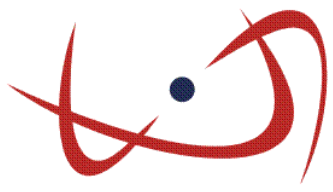
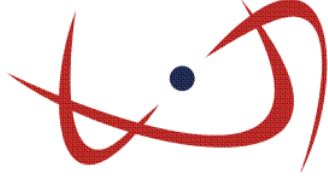


# Summary of 2005 STCU AOB & SB Results

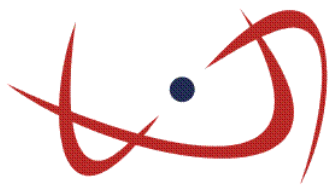


# Summary of 2005 AOB

- Total AOB \$207.5K (10.6%) Underspent
  - Recurring Costs \$168.2K Underspent
  - Non-Recurring Costs \$39.3K Underspent

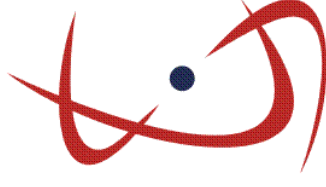


# Recurring Costs



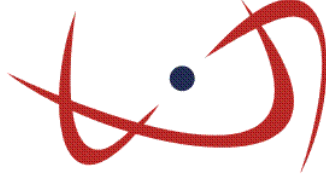
- Local Grant Payments \$118K Underspent
  - Staff not hired until later than expected (i.e. Moldova Regional Officer)
  - Staff turnover resulted in savings
- International Travel \$8.9K Underspent
  - Attributed mainly to cancellation of March '05 AC
- Travel w/in CIS \$15.3K Underspent
  - Uzbek Monitorings rescheduled to Spring '06 in order to coincide with DCAA audits

# Recurring Costs (cont.)

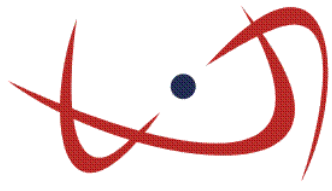


- **Vehicle Operations \$7.1K Overspent**
  - Rise in energy prices (gasoline almost double)
  - Greater than 10% overspent
- **Telecom. Services \$8.3K Overspent**
  - Devaluation of USD against UAH (6.00%) and inflation in UA (approx. 9.0%)
  - Greater than 10% overspent
- **Building Supplies \$4.7K Overspent**
  - Greater than 10% overspent

## Recurring Costs (cont.)



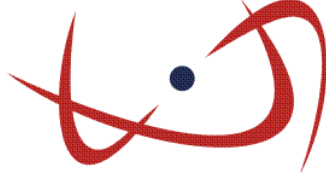
- Legal Services \$2.6K Overspent
  - Trademark of STCU logo planned for '06 done in '05
  - Greater than 10% overspent
- Regional Offices \$33. 6K Underspent
  - Delay in opening Moldova Office
- STCU Premises (21 Kameniariv)
  - Ministry of Science and Education paid approx. \$160K on behalf of STCU for 2005 rent & utilities



## Non-Recurring Costs

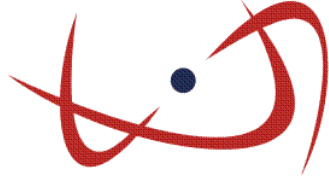
- Facility Improvements \$10K Underspent
  - STCU minimizing capital improvement to building until new user agreement (current user agreement due to expire 10/07) becomes more clear

# Shared Supplemental Budgets



- SB Activity 04.01 – Bus. Train./Sus. Support \$66K spent
  - Photon-based Nanoscience Conference
  - INTEC (Germany) Trade Show
- SB Activity 05.01 - Patent Support \$28K spent
  - 22 Patents supported (21 UA, 1 Foreign – UK, FR)
  - IPR Seminar in Baku, September '05

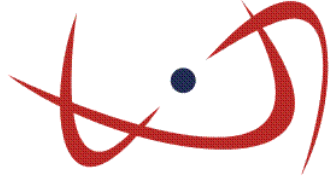
## Shared SBs (Cont.)



- SB Activity 06.01 - Travel Grant Fund  
\$116.5K spent
  - 130 Travel Grants processed in '05, w/ 91 approved
- SB Activity 09.01 – Workshops/Sem. Support  
\$28K spent
  - \$12K spent for NATO workshop to be applied in '06

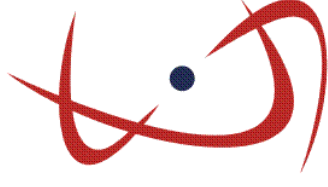


## Shared SBs (Cont.)



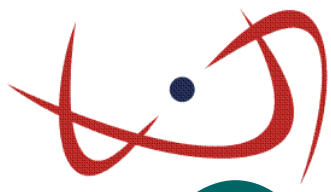
- SB Activity 11.01 – Targeted R&D Initiatives \$500K spent
  - Seven (7) co-funded STCU and GoU projects
- SB Activity 12.01 – Targeted Training \$80K spent
  - CD-based training packages
  - Business coaching in preparation for Environmental Workshop in Dnipropetrovsk, missions to CA, road shows, etc.

# US Supplemental Budgets



- SB Activity 01.01 - Tech, Collab, & Contractor Trav Supp \$66.5K spent
  - Technical audit and GBM support
- SB Activity 02.03 - Internet Initiative \$17K spent
  - 1 Azeri internet “cafe” established (Institute of Medical Prophylaxis)

# US Supplemental Budgets (cont.)

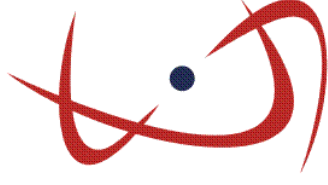


- SB Activity 06.02 – U.S. Designated Travel  
\$25K spent
  - Joldashova’s trip to Cambridge, MA

# CA Supplemental Budget

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- SB Activity 06.06 – CA Designated Travel  
approx. \$39.5K spent
  - Mission for Nanophotonics in September
  - Conference of Metals in Calgary in August





**SCIENCE AND TECHNOLOGY CENTER IN UKRAINE - STCU  
STATEMENT OF ADMINISTRATIVE OPERATING BUDGET (AOB) as of September 30, 2005**

		2005	Spent	Projected	Projected	Projected	%
		Budget	as of	Final	Final	Remaining	-Over/
			30.cen	3 Mo. Exp	Year Exp.	Budget	Underspend
<b>Recurring Costs</b>							
<b>Personnel</b>							
161110	LOCAL GRANT PAYMENTS	\$ 789 000	\$ 459 835	\$ 211 120	\$ 670 955	\$ 118 045	14,96%
161140	STAFF EDUCATION & TRAINING	\$ 63 280	\$ 34 550	\$ 26 559	\$ 61 109	\$ 2 171	3,43%
161360	EMPLOYEE MORALE & WELFARE	22 000	16 163	6 000	22 163	(163)	-0,74%
161365	MEDICAL & DENTAL PLANS	71 850	41 007	30 000	71 007	843	1,17%
	<b>Subtotal</b>	<b>\$ 946 130</b>	<b>\$ 551 555</b>	<b>\$ 273 679</b>	<b>\$ 825 234</b>	<b>\$ 120 896</b>	<b>12,78%</b>
<b>Travel</b>							
161210	INTERNATIONAL TRAVEL	\$ 32 400	\$ 14 224	\$ 9 320	\$ 23 544	\$ 8 856	27,33%
161220	TRAVEL WITHIN THE CIS	\$ 137 615	\$ 79 401	\$ 42 909	\$ 122 310	\$ 15 305	11,12%
161230	LOCAL TRAVEL	18 625	13 996	5 000	18 996	(371)	-1,99%
	<b>Subtotal</b>	<b>\$ 188 640</b>	<b>\$ 107 621</b>	<b>\$ 57 229</b>	<b>\$ 164 850</b>	<b>\$ 23 790</b>	<b>12,61%</b>
<b>Office Operations</b>							
161130	REPRESENTATION	\$ 15 000	\$ 6 740	\$ 8 200	\$ 14 940	\$ 60	0,40%
161305	POSTAGE AND DELIVERY	10 000	6 996	3 000	9 996	4	0,04%
161310	CUSTOMS STORAGE	500	282	-	282	218	43,60%
161315	GENERAL OFFICE SUPPLIES	23 000	19 535	4 000	23 535	(535)	-2,33%
161320	OFFICE EQUIPMENT REPAIR/MAINT	7 000	594	2 000	2 594	4 406	62,94%
161325	VEHICLE OPERATIONS	9 000	12 131	4 000	16 131	(7 131)	-79,23%
161330	PRINTING AND REPRODUCTION	24 000	18 762	5 000	23 762	238	0,99%
161335	TELECOMMUNICATIONS SERVICES	40 000	36 335	12 000	48 335	(8 335)	-20,84%
161340	BUSINESS MEETINGS & CONFERENCES	6 000	5 057	1 000	6 057	(57)	-0,95%
161345	SUBSCRIPTIONS AND PUBLICATIONS	8 000	1 772	6 000	7 772	228	2,85%
161350	PUBLIC AFFAIRS	34 500	25 606	9 000	34 606	(106)	-0,31%
161370	BUILDING SUPPLIES	7 000	9 686	2 000	11 686	(4 686)	-66,94%
161375	BRANCH OFFICES OVERHEAD	\$ 90 720	\$ 25 098	\$ 30 000	\$ 55 098	\$ 35 622	39,27%
161380	INSURANCE EXPENSE	9 000	7 944	1 000	8 944	56	0,62%
161385	BANK FEES - OFFSHORE	75 000	51 925	24 000	75 925	(925)	-1,23%
161390	BANK FEES - ONSHORE	57 000	31 727	16 000	47 727	9 273	16,27%
161395	BUSINESS GROUP OPERATIONS	50 000	53 807	-	53 807	(3 807)	-7,61%
	<b>Subtotal</b>	<b>\$ 465 720</b>	<b>\$ 313 998</b>	<b>\$ 127 200</b>	<b>\$ 441 198</b>	<b>\$ 24 522</b>	<b>5,27%</b>
<b>Contracted Services</b>							
161405	LEGAL SERVICES	\$ 10 000	\$ 12 595	\$ -	\$ 12 595	\$ (2 595)	-25,95%
161410	ACCOUNTING AND AUDITING	83 273	83 273	-	83 273	-	0,00%
161415	OTHER PROFESSIONAL	98 000	91 376	15 000	106 376	(8 376)	-8,55%
	<b>Subtotal</b>	<b>\$ 191 273</b>	<b>\$ 187 244</b>	<b>\$ 15 000</b>	<b>\$ 202 244</b>	<b>\$ (10 971)</b>	<b>-5,74%</b>
	<b>Subtotal Recurring Costs</b>	<b>\$ 1 791 763</b>	<b>\$ 1 160 418</b>	<b>\$ 473 108</b>	<b>\$ 1 633 526</b>	<b>\$ 158 237</b>	<b>8,83%</b>
	<b>Contingency - Recurring</b>	10 000	-	-	-	10 000	100,00%
	<b>Total Recurring Costs</b>	<b>\$ 1 801 763</b>	<b>\$ 1 160 418</b>	<b>\$ 473 108</b>	<b>\$ 1 633 526</b>	<b>\$ 168 237</b>	<b>9,34%</b>
<b>Non-Recurring Expenses</b>							
161505	FACILITY IMPROVEMENTS	\$ 10 000	\$ -	\$ -	\$ -	\$ 10 000	100,00%
161510	FURNITURE & FIXTURES	10 000	2 694	7 306	10 000	-	0,00%
161515	TELECOMMUNICATIONS EQUIPMENT	13 450	11 910	-	11 910	1 540	11,45%
161520	OFFICE EQUIPMENT	10 000	8 480	1 520	10 000	-	0,00%
161525	VEHICLE PURCHASE	25 000	22 786	-	-	2 214	8,86%
161530	COMPUTER HARDWARE	35 700	32 959	2 800	35 759	(59)	-0,17%
161535	COMPUTER SOFTWARE	28 445	22 195	5 650	27 845	600	2,11%
	<b>Subtotal Non-Recurring Costs</b>	<b>\$ 132 595</b>	<b>\$ 101 024</b>	<b>\$ 17 276</b>	<b>\$ 95 514</b>	<b>\$ 14 295</b>	<b>10,78%</b>
	<b>Contingency - Non-Recurring</b>	25 000	-	-	-	25 000	100,00%
	<b>Total Non-Recurring Costs</b>	<b>\$ 157 595</b>	<b>\$ 101 024</b>	<b>\$ 17 276</b>	<b>\$ 95 514</b>	<b>\$ 39 295</b>	<b>24,93%</b>
	<b>TOTAL BUDGET:</b>	<b>\$ 1 959 358</b>	<b>\$ 1 261 442</b>	<b>\$ 490 384</b>	<b>\$ 1 729 040</b>	<b>\$ 207 532</b>	<b>10,59%</b>



## SELECTION OF AUDITOR FOR YEAR THE END FINANCIAL STATEMENTS 2005 AND 2006

### Background

In accordance with Article XVI (C) of the STCU Statute, which states the following: "An annual audit by an auditor approved by the Board shall be conducted of the Center's expenditures and related financial activities. Results of the audit shall be reported to the Board within 30 days after completion."

The STCU Annual Financial Statement Audit has the following objectives:

- a. Report to the Governing Board (GB) whether the financial statements present fairly the financial position of the STCU and whether the financial statements are in conformity with the accounting principles recognized by the International Accounting Standards Committee.
- b. Conduct the annual audit in accordance with the International Standards on Auditing (ISA). The ISA require that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misrepresentations.

### Status of Current Request for Proposal for Annual Financial Statement Audit

1. Request for Proposal Issued 13 June, 2005
2. Due Date For Notification of Interest 29 July, 2005  
STCU received Notifications of Interest from the following firms:
  - ✓ Lubbock Fine Chartered Accountants (London Office)
  - ✓ Deloitte Touche Tomatsu (Toronto Office)
3. Proposals were due by 17:00, 2, September 2005
4. Approval and Award by Evaluation Committee
  - ✓ The Evaluation Committee was comprised of the following people: David Cleave – Evaluator, Roman Pischalov – Secretary, and Curt Bjelajac – Evaluator.
  - ✓ The proposal opening session occurred on September 5, 2005 at 11:00 a.m. local Kyiv time.
  - ✓ The Evaluation Committee reviewed the proposal and the committee recommends that the contract be awarded as follows:

Rank	Supplier	Evaluated Offer Price	Contract Price upon Award, US\$
1	<u>Lubbock Fine (London)</u>	<u>\$191,775</u>	<u>Year 2005: 92,001</u> <u>Year 2006: 91,624</u>
2*	Deloitte, Touch, Tomatsu (Tokyo)	\$232,307	Year 2005: 105,000 Year 2006: 110,000

\*The proposal ranked 2nd is subject to reconsideration in the event that Lubbock Fine does not deliver the offered services.

5. Board Approval By Governing Board

Presented for approval to the 21<sup>st</sup> STCU Board of Governors on December 02, 2005

**SCIENCE AND TECHNOLOGY CENTER IN UKRAINE - STCU**  
**STATEMENT OF SUPPLEMENTAL BUDGET ACTIVITY**  
as of September 30, 2005

Activity	Sub-Activity	Supplemental Expense	Budget	Booked Expenditures	Projected 3 Mo. Expenses	Remaining Budget
01	TECHNIC., COLLABOR., CONT. TRAV. SUPP.		\$ 310,000.00 + € 130,000.00	\$ 256,973.50 + € 4,497.77	\$ 230,000.00 + € 0.00	\$ 300,266.50 + € 125,502.23
	01.01	- U.S. DESIGNATED TRAVELERS	\$ 310,000.00	\$ 256,973.50	\$ 230,000.00	\$ 30,266.50
	01.02	- E.U. DESIGNATED TRAVELERS	€ 130,000.00	€ 4,497.77	€ -	€ 125,502.23
02	INFORMATION TECHNOLOGY SUPPORT (USA)		\$ 350,000.00	\$ 168,713.79	\$ 11,000.00	\$ 170,286.21
	02.01	- U.S.DATABASE PROJECT	\$ 20,000.00	\$ 20,415.38	\$ -	\$ (415.38)
	02.02	- STCU SERVER UPGRADE	\$ 10,000.00	\$ 9,808.61	\$ -	\$ 191.39
	02.03	- Internet Initiative in Uzb., Geo., and Ukr Pilot	\$ 231,490.00	\$ 138,499.80	\$ 11,000.00	\$ 82,000.20
	02.04	- UNIDENTIFIED	\$ 88,510.00	\$ -	\$ -	\$ 88,510.00
03	COMMUNICATIONS SUPPORT (USA)		\$ 332,785.00	\$ 7,698.80	\$ -	\$ 325,086.20
	03.01	- Government of Ukraine's Registration Communication	\$ 7,500.00	\$ 5,143.67	\$ -	\$ 2,356.33
	03.02	- CASRI	\$ -	\$ 2,555.13	\$ -	\$ (2,555.13)
	03.03	- UNIDENTIFIED	\$ 325,285.00	\$ -	\$ -	\$ 325,285.00
04	BUSINESS TRAINING/SUSTAIN. SUPP.		\$ 575,942.00	\$ 128,913.28	\$ 23,000.00	\$ 424,028.72
	04.01	- SHARED	\$ 170,772.00	\$ 96,900.06	\$ 23,000.00	\$ 50,871.94
	04.02	- U.S. DESIGNATED	\$ 400,000.00	\$ 32,013.22	\$ -	\$ 367,986.78
	04.02.01	3 Pilot Trainings (IPR Prot. Present. Bus. Plan)	\$ 38,419.20	\$ 32,013.22	\$ -	\$ 6,405.98
	04.02.02	Pilot Internship Project	\$ 25,000.00	\$ -	\$ -	\$ 25,000.00
	04.02.03	Unidentified	\$ 336,580.80	\$ -	\$ -	\$ 336,580.80
	04.03	- EU DESIGNATED	\$ 5,170.00	\$ -	\$ -	\$ 5,170.00
05	PATENT SUPPORT		\$ 268,592.00	\$ 88,975.84	\$ 21,000.00	\$ 158,616.16
	05.01	- SHARED	\$ 150,000.00	\$ 88,975.84	\$ 21,000.00	\$ 40,024.16
	05.02	- U.S. DESIGNATED	\$ 100,000.00	\$ -	\$ -	\$ 100,000.00
	05.03	- EU DESIGNATED	\$ 18,592.00	\$ -	\$ -	\$ 18,592.00
06	TRAVEL AND MOBILITY SUPPORT		\$ 1,428,736.98	\$ 856,673.90	\$ 62,000.00	\$ 510,063.08
	06.01	- TRAVEL GRANT FUND (SHARED)	\$ 380,000.00	\$ 307,832.82	\$ 42,000.00	\$ 30,167.18
	06.02	- U.S. DESIGNATED TRAVELERS	\$ 378,000.00	\$ 265,410.93	\$ 20,000.00	\$ 92,589.07
	06.03	- E.U. DESIGNATED TRAVELERS	\$ 111,676.00	\$ 15,393.64	\$ -	\$ 96,282.36
	06.04	- PARTNER DESIGNATED TRAVELERS	\$ 446,325.00	\$ 215,333.48	\$ -	\$ 230,991.52
	06.04.01	U.S. Department of Agriculture	\$ 205,000.00	\$ 119,924.96	\$ -	\$ 85,075.04
	06.04.02	U.S. National Cancer Institute	\$ 171,325.00	\$ 74,480.19	\$ -	\$ 96,844.81
	06.04.03	U.S. Department of Energy/IPP Program	\$ 70,000.00	\$ 20,928.33	\$ -	\$ 49,071.67
	06.04.04	U.S. Environmental Protection Agency	\$ -	\$ -	\$ -	\$ -
	06.05	- SW DESIGNATED TRAVELERS	\$ 104,199.86	\$ 4,655.59	\$ -	\$ 99,544.27
	06.06	- CA DESIGNATED TRAVELERS	\$ 8,536.12	\$ 48,047.44	\$ -	\$ (39,511.32)
07	EXPERT CONTACT (PROGRAM RELATED)		\$ 50,000.00	\$ 81.90	\$ -	\$ 49,918.10
	07.01	- U.S. DESIGNATED TRAVELERS	\$ 50,000.00	\$ 81.90	\$ -	\$ 49,918.10
08	EXPERT REVIEW AND ADVISORS		€ 60,000.00	€ 50,310.99	€ -	€ 9,689.01
	08.01	- E.U. DESIGNATED REVIEWERS	€ 60,000.00	€ 50,310.99	€ -	€ 9,689.01
09	SEMINARS/WORKSHOPS SUPPORT		\$ 386,884.00	\$ 215,528.62	\$ -	\$ 171,355.38
	09.01	- SHARED	\$ 225,800.00	\$ 161,387.37	\$ -	\$ 64,412.63
	09.01a	- SHARED - NATO	\$ 64,000.00	\$ 12,303.53	\$ -	\$ 51,696.47
	09.02	- E.U. DESIGNATED SEMINARS/WORKSHOPS	\$ 47,084.00	\$ -	\$ -	\$ 47,084.00
	09.03	- U.S. DESIGNATED SEMINARS/WORKSHOPS	\$ 50,000.00	\$ 41,837.72	\$ -	\$ 8,162.28
10	SERVICE CONTRACTS		\$ 386,734.00 + € 144,174.50 = \$ 530,908.50	\$ 350,731.03 + € 1,389,461.70 = \$ 1,740,192.73	\$ 200,000.00 + € 68,000.00 = \$ 268,000.00	\$ 1,600,295.77 + € -15,715.80 = \$ 1,584,579.97
	10.01	- U.S. DESIGNATED CONTRACTS	\$ 386,734.00	\$ 350,731.03	\$ 200,000.00	\$ 160,295.77
	10.02	- E.U. DESIGNATED CONTRACTS	€ 144,174.50	€ 1,389,461.70	€ 68,000.00	€ (15,715.80)
11	TARGETED R&D		\$ 500,000.00	\$ -	\$ 500,000.00	\$ -
	11.01	- SHARED	\$ 500,000.00	\$ -	\$ 500,000.00	\$ -
12	TARGETED TRAINING		\$ 117,000.00	\$ 56,734.15	\$ 23,000.00	\$ 37,265.85
	12.01	- SHARED	\$ 117,000.00	\$ 56,734.15	\$ 23,000.00	\$ 37,265.85
		<b>Total Supplemental Expenses</b>	\$ 8,187,279.98	\$ 5,287,604.21	\$ 863,000.00	\$ 2,036,675.77
			€ 1,631,745.90	€ 1,444,270.46	€ 68,000.00	€ 119,475.44