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24 May 2019

**EXECUTIVE COUNCIL TO THE
INTER-AMERICAN INSTITUTE FOR GLOBAL
CHANGE RESEARCH
Forty-seventh meeting
Brasilia, Brazil, 4 June 2019
Agenda item 7**

**Financial and Budgetary matters
Auditors report**

1. This document has been prepared by the independent auditors contracted by the IAI Directorate.
2. The *Independent auditors' report* is available in English only.

Background

3. The *Independent auditors' report* provides information on the IAI's financial statements, which comprise its balance sheet as of 30 June 2018, and the related statements on operations including comprehensive operations, changes in net assets and cash flows, and a brief summary of accounting policies and other explanatory notes.
4. The *Report* is reviewed by the Financial and Administrative Committee and its evaluation is submitted to the Executive Council for acceptance, which, in turn, submits the report to the Conference of the Parties for approval.

Independent auditors' report

5. The *Independent auditors' report* is provided as Annex 2 to this document.

Recommendation

6. The Executive Council is invited to consider approving the draft decision contained in Annex 1 to the present document.

Annex 1

Draft decisions of the 47th Executive Council

Auditors report

Directed to the Conference of the Parties

XLVII/xx. The Conference of the Parties is invited to approve the *Independent auditors report*.

**INTER-AMERICAN INSTITUTE FOR
GLOBAL CHANGE RESEARCH - IAI**

Independent Auditors' Report

**Financial statements
As of June 30, 2018 and 2017**

INTER - AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

**Financial statements
As of June 30, 2018 and 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Executive Council of
Inter-American Institute for Global Change Research - IAI

Opinion

We have audited the accompanying financial statements of Inter-American Institute for Global Change Research -IAI ("the Institute"), which comprise the balance sheet as of June 30, 2018, and the related statements of operations and comprehensive operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Inter-American Institute for Global Change Research - IAI as of June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institute in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uruguay, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in the United States of America, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institute's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Montevideo, May 24, 2019

Ernesto Bartesaghi
Contador Público
C.J. y P.P.U. N° 52.042

BDO Auditores y Consultores S.R.L.

BDO Consulting Ltda.

BDO Auditores y Consultores S.R.L.



INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Balance sheets

As of June 30, 2018, and 2017
(In U.S. Dollars)

Assets	Explanatory note		Liabilities and net assets	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
Current				
Cash and cash equivalents	892.645	1.243.291	63.513	145.247
Collaborative research network			25.328	46.626
			88.841	191.873
CRN III - project advances	855.288	2.082.205		
Training Institutes - 2011 grant	4.109	4.109		
Other accounts receivable	96.598	19.183		
	1.848.640	3.348.788		
Non current				
Property and equipment	63.350	63.851	59.661	10.446
	63.350	63.851	377.396	829.265
Total assets	1.911.990	3.412.639	1.823.149	3.220.766
			1.911.990	3.412.639

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of operations As of June 30, 2018, and 2017 (In U.S. Dollars)

	Explanatory note	30/6/2018	30/6/2017
Revenues, gains and contributions			
Temporarily restricted revenues			
Collaborative research network - CRN III		853.686	983.124
PDS 2016		119.351	147.066
Unrestricted revenues			
Contributions from member nations	5.1	847.751	1.757.646
Donated services, utilities and use of fixed assets	5.2	123.213	132.270
Interest income			20
Overheads		2.270	27.074
Total revenues, gains and contributions		1.946.271	3.047.200
Expenses			
Core budget expenses			
Management and general expenses	8	(1.425.103)	(1.528.852)
Total core budget expenses		(1.425.103)	(1.528.852)
Research expenses			
Collaborative research network - CRN III		(1.848.649)	(1.614.828)
Mac Arthur - new program		-	(5.797)
PDS 2016		(70.136)	(104.454)
Total research expenses		(1.918.785)	(1.725.079)
Total expenses		(3.343.888)	(3.253.931)
Temporarily restricted net assets			
Collaborative research network - CRN III		(994.963)	(631.704)
Mac Arthur - new program		-	(5.797)
PDS 2016		51.485	42.612
Unrestricted net assets		(454.139)	388.158
Change in net assets for the year		(1.397.617)	(206.731)

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of comprehensive operations As of June 30, 2018, and 2017 (In U.S. Dollars)

	<u>30/6/2018</u>	<u>30/6/2017</u>
Change in net assets for the year	(1.397.617)	(206.731)
Other comprehensive operations		
Total comprehensive operations for the period	<u><u>(1.397.617)</u></u>	<u><u>(206.731)</u></u>

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of changes in net assets As of June 30, 2018, and 2017 (In U.S. Dollars)

	30/06/2018			30/06/2017		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations		847.751	847.751		1.757.646	1.757.646
Donated services		123.213	123.213		132.270	132.270
Interest					20	20
Overheads					27.074	27.074
Collaborative research network - CRN III	853.686		853.686	983.124		983.124
PDS 2016	119.351		119.351	147.066		147.066
SGP - CRA program	2.270		2.270			
Total revenues, gains and contributions	975.307	970.964	1.946.271	1.130.190	1.917.010	3.047.200
Expenses and losses						
Unrestricted expenses						
Core budget		(1.425.103)	(1.425.103)		(1.528.852)	(1.528.852)
Collaborative research network - CRN III		(1.848.649)	(1.848.649)		(1.614.828)	(1.614.828)
Mac Arthur - new program					(5.797)	(5.797)
PDS 2016		(70.136)	(70.136)		(104.454)	(104.454)
Total Expenses and losses	-	(3.343.888)	(3.343.888)	-	(3.253.931)	(3.253.931)
Change in net assets						
Unrestricted net assets - core budget		(454.139)	(454.139)		388.158	388.158
Collaborative research network - CRN III	(994.963)		(994.963)	(631.704)		(631.704)
Training Institute - 2011	119.351		119.351	147.066		147.066
Mac Arthur - new program	-		-	(5.797)		(5.797)
ENSOCIO meetings	2.270		2.270	-		-
PDS 2016	(70.136)		(70.136)	(104.454)		(104.454)
Total change in net assets	(943.478)	(454.139)	(1.397.617)	(594.889)	388.158	(206.731)
Net assets at beginning of year						
Unrestricted net assets - core budget		829.265	829.265		441.109	441.109
Collaborative research network - CRN I	66.334		66.334	66.334		66.334
Collaborative research network - CRN III	2.340.223		2.340.223	2.971.926		2.971.926
Training Institutes -NSF Funds	5.762		5.762	5.762		5.762
Training Institutes - IHDP	(2.818)		(2.818)	(2.818)		(2.818)
Training Institute - 2008	4.633		4.633	4.633		4.633
Training Institute - 2011	(35.872)		(35.872)	(35.872)		(35.872)
SGP - CRA	5.000		5.000	5.000		5.000
Mac Arthur - New Program	(4.794)		(4.794)	1.003		1.003
NKAR Program	2.587		2.587	2.587		2.587
PDS 2016	10.446		10.446	(32.166)		(32.166)
Total net assets at beginning of year	2.391.501	829.265	3.220.766	2.986.389	441.109	3.427.498
Net assets at end of year						
Unrestricted net assets - core budget		377.396	377.396		829.265	829.265
Collaborative research network - CRN I	66.334		66.334	66.334		66.334
Collaborative research network - CRN III	1.345.260		1.345.260	2.340.223		2.340.223
Training Institutes -NSF Funds	5.762		5.762	5.762		5.762
Training Institutes - IHDP	(2.818)		(2.818)	(2.818)		(2.818)
Training Institute - 2008	4.633		4.633	4.633		4.633
Training Institute - 2011	(35.872)		(35.872)	(35.872)		(35.872)
Special Research Fund contributions	5.000		5.000	5.000		5.000
Mac Arthur - new program	(4.794)		(4.794)	(4.794)		(4.794)
NKAR program	2.587		2.587	2.587		2.587
PDS 2016	59.661		59.661	10.446		10.446
Total net assets at end of year	1.445.753	377.396	1.823.149	2.391.501	829.265	3.220.766

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of cash flows As of June 30, 2018, and 2017 (In U.S. Dollars)

	<u>30/6/2018</u>	<u>30/6/2017</u>
Cash flow from operating activities		
Change in net assets	(1.397.617)	(206.731)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14.490	13.899
Other	-	-
Changes in operating assets and liabilities		
Other accounts receivable	(77.415)	30.954
Accounts payable	(81.734)	19.379
CRN receivable	-	683
CRN III Project Advances	1.226.917	892.862
Training Institutes - 2008 grant	-	3.213
Training Institutes - 2011 grant	-	621
Advanced Core Budget Contributions	(21.298)	46.274
Net cash used in operating activities	(336.657)	801.154
Cash used to purchase/earned for selling fixed assets		
Purchase of fixed assets	(13.989)	(2.043)
	(13.989)	(2.043)
Change in cash and cash equivalents	(350.646)	799.111
Cash and cash equivalents at the beginning of year	1.243.291	444.180
Cash and cash equivalents at the end of year	<u>892.645</u>	<u>1.243.291</u>

Explanatory notes are integral part of accounting statements.

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

Note 1. Organization

1.1 Nature of operations

The Inter-American Institute for Global Change Research - IAI (the "Institute") is an intergovernmental organization dedicated to supporting global change research, increasing the scientific capacity of the Americas, and to providing information in a useful and timely manner to policy makers. Its primary objective is to encourage research beyond the scope of national programs by advancing comparative and focused studies based on scientific issues important to the region as a whole.

In recognition of the importance of a regional approach to the study of global change, sixteen countries of the Americas signed the Agreement establishing the IAI on May 13, 1992 in Montevideo, Uruguay. The IAI Conference of the Parties in Mexico City, Mexico, in September 1994, elected the Instituto Nacional de Pesquisas Espaciais ("INPE") in São José dos Campos - São Paulo, Brazil, as the site of the IAI Directorate. The Directorate was inaugurated on March 1, 1996. For financial reporting purposes, the Directorate became fully operational on July 1, 1996. Nineteen countries had ratified the IAI Agreement as of June 30, 2007. In February 2012, the Conference of the Parties decided to move towards a Tri-Partite structure for the IAI Directorate, including a Science Planning office in Sao Jose dos Campos, a Science-Policy Liason office in Buenos Aires, and the Integrated Operations and Finance Directorate of the IAI to be moved to Montevideo. The moving occurred in the beginning of fiscal year 2014/2015.

The IAI Director is responsible for implementing the institutional policies and programs determined by the Conference of the Parties, the governing body of the IAI. The Scientific Advisory Committee provides general direction for the development and implementation of the IAI's scientific agenda and oversees a competitive peer review system. The IAI Executive Council assists the Conference of the Parties by providing recommendations related to IAI policies and advancement. The IAI receives voluntary contributions from member countries to support the operations of the Directorate.

The scientific programs and activities are supported by contributions from IAI member countries as well as from international funding agencies and programs. These funds are used to fund short-term research programs (up to 18 months) and long-term research programs (from 2 to 5 years).

The IAI Research Programs are composed of projects selected through a competitive process that may involve two steps: 1) presentation of a pre-proposal and 2) full proposal if the pre-proposal is approved. The evaluation of the proposals includes scientific and financial reviews.

The financial support provided by the IAI to the research activities has also permitted the different research groups and institutions to increase the contribution received by obtaining additional support within their own countries or from other agencies. In the case of the CRN Program, according to the information collected from the different research groups, support for students obtained from other sources almost tripled the support received from IAI.

Management notes to the financial statements
For the years ended June 30, 2018 and 2017
(in U.S. Dollars)

Note 2. Presentation of financial statements and significant accounting practices

2.1 Presentation of financial statements

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America.

Although the IAI is based in Uruguay, it maintains its official accounting records in U.S. dollars. Most of IAI's transactions are denominated in U.S. dollars; expenses in other currencies were translated at monthly average exchange rates.

The cash and cash equivalents originated in \$ (Uruguayan pesos) were translated into U.S. dollars using the official rate of exchange as of June 30, 2018 and 2017.

The official rate of exchange as of June 30, 2018 was \$ 31.466 per US\$1.00 and \$ 28.495 per US\$1.00 as of June 30, 2017.

2.2 Significant accounting practices

The main accounting practices used in preparing these financial statements are as follows:

2.2.1. Accounting classification

Receivables and payables with maturities of more than 12 months from the balance sheet dates are considered as long-term.

2.2.2. Cash and cash equivalents

IAI considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

2.2.3. Allowance for doubtful contributions from member nations

This allowance is calculated at an amount considered adequate by management to cover any losses arising from collection of the requested contributions.

2.2.4. Property, plant and equipment and Intangible assets

Consist of computer hardware and software recorded at purchase cost, including interest and other finance charges applicable. Depreciation is calculated using the straight-line method over an estimated useful life of five years for all them, with the exception of furniture, ten years.

2.2.5. Receivables and payables

Receivables and payables are price-level adjusted according to the exchange rates or indices and interest rates specified in the contracts in force, to reflect amounts accrued through the balance sheet date.

The revenues related to specific projects, and considered as temporarily restricted revenues, are those that have temporary restrictions imposed by the donor. These restrictions permit the use of the assets as specified in the grant agreement and are satisfied either by the passage of time or by the actions of the organization.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

2.2.6. Recognition of revenues and expenses

Contributions from member countries to the Core Budget, considered as Unrestricted Revenues, are recognized when they are received. The core budget expenses are generally recognized when they are incurred.

Until June 30, 2005, the research expenses and the respective amounts payable to the Research Institutes under the CRN I grants were recognized when the research agreements between the IAI and the Research Institutes were signed.

After that, for all programs, the expenses and the respective amounts payable to the research institute were recognized when the grantee institution meets all the conditions set in the grant agreement. The transfers of funds to the grantees are recorded as advances until the expenses are duly reported and the financial report is approved.

2.2.7. Income taxes

IAI is exempt from income taxes under Uruguayan tax legislation.

3. Cash and cash equivalents

	2018	2017
Proyectos	367.658	333.141
Core Budget	524.987	910.150
Total	892.645	1.243.291

4. Scientific programs

The columns for each line item represent the cumulative values as of June of each year. The difference between both columns represents the financial activity during 2018 and 2017 fiscal years.

The projects are conducted by grantee institutions that receive the grant and assume legal and financial responsibility and accountability both for the funds awarded and for the performance of the grant-supported activity, and by a principal investigator who is the individual designated by the grantee and approved by IAI.

4.1. Collaborative Research Network Program - CRN I

The National Science Foundation (NSF) and the Agencia Nacional de Promoción Científica y Tecnológica de Argentina (ANPCYT) have agreed to make awards to IAI to support the Collaborative Research Network - CRN I, a network for global change research in the Americas.

The CRN I Project started in March 1999 and the total amount of support requested for this project from the National Science Foundation - NSF was approximately US\$ 10.000.000, which would be provided over a period of 5 years. For each year, NSF has sent an amendment to confirm the correct amount that the Institute could recognize in that year.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

This award is distributed as follows:

	2018	2017
Scientific awards	9.947.270	9.947.270
Management costs	538.400	538.400
	10.485.670	10.485.670

The IAI approved the documentation for fourteen grantee institutions until June 30, 2005 and began transferring funds to the projects in September 1999. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

CRN I Unallocated Research Funds	2018	2017
<hr/> Total National Science Foundation award	10.485.670	10.485.670
Cash distributed to IAI	(10.356.555)	(10.356.555)
Remaining funds that will not be received by IAI	(129.115)	(129.115)
Total to be received by IAI	-	-
National Science Foundation Award for research	9.947.270	9.947.270
ANPCyT Award for research	61.370	61.370
Commitments made to grantee institutions	(10.446.439)	(10.446.439)
Reduction of 9% in the approved budgets	567.359	567.359
Payments for CRN I panel	(26.976)	(26.976)
Supplemental funds transferred to management expenses	(111.319)	(111.319)
Closing of program and remaining funds reimbursed by grantees	854.718	854.718
Remaining funds sent back to NSF thru check	(26.040)	(26.040)
Dissemination Activities of the CRN I Program Results	(753.609)	(753.609)
Total CRN I funds not allocated	66.334	66.334

4.2. Training Institutes on Interdisciplinary Global Environmental Change in the Americas

On September 22, 2004 the National Science Foundation (NSF) approved a grant to support the "Training Institutes on Interdisciplinary Global Environmental Change in the Americas". The original expiration date of the grant, which totalled US\$ 330.000, was February 28, 2006.

These funds were used to support two Training Institutes, one in Paraguay, another in Jamaica, and a "Seed Grants" Program.

The first advance of funds was requested to the NSF on September 27, 2005.

On February 10, 2006 the NSF approved an extension of the expiration date, without additional funds, until February 28, 2007.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

	2018	2017
Funds Received from the NSF	330.000	330.000
Expenses on TI-Paraguay	(81.794)	(81.794)
Seed Grants - TI Paraguay	(45.389)	(45.389)
Expenses on TI-Jamaica	(108.274)	(108.274)
Seed Grants - TI Jamaica	(41.101)	(41.101)
Meetings related to the TIs	(48.490)	(48.490)
Remaining funds from TISG-P1	810	810
Unallocated NSF Funds for TI	5.762	5.762
Funds Received from IDRC	26.097	26.097
Expenses on TI-Jamaica	(11.597)	(11.597)
Expenses with Seed Grants - TI Jamaica	(14.500)	(14.500)
Unallocated NSF Funds for TI	-	-
Expenses on TI-Paraguay (IHDP Funds)	(2.818)	(2.818)
	(2.818)	(2.818)

The "Unallocated NSF Funds for TI" refers to remaining funds in the following activities - and will be used to cover future publication costs:

	2018	2017
TISG - P1	754	754
TISG - P2	3.502	3.502
TISG - P3	1.506	1.506
	5.762	5.762

4.3. Training Institutes to Develop Capacity in Interdisciplinary Global Environmental Change Sciences

On August 1st, 2008, the National Science Foundation approved a grant of US\$ 300.000 to support the project (GEO-0745732). This award will expire on January 31st, 2011.

The activities related to the new Training Institutes started on February 2008, but the grant covered only the expenses incurred after May, 2008.

The expenses incurred before that, were covered by CRN II program funds:

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

	2018	2017
Contributions received from NSF	300.000	300.000
Reversion of TI in Panamá, paid using CRN II funds	62.729	62.729
Reimburse of air tickets not used	510	510
	363.239	363.239
Training Institute - Panama	(62.729)	(62.729)
Training Institute - Honduras	(10.318)	(10.318)
Training Institute - Costa Rica	(16.063)	(16.063)
Training Institute - Natal	(67.697)	(67.697)
Training Institute - Santiago	(53.906)	(53.906)
Training Institute - Montevideo	(28.641)	(28.641)
Training Institute - Paraguay	(27.178)	(27.178)
Foro Editorial in Buenos Aires	(48.370)	(48.370)
Launch of IAI/CEP Book	(4.361)	(4.361)
Climate Conference in Montego Bay	(3.154)	(3.154)
IAI/CPTEC Internship program	(27.074)	(27.074)
Publications	(12)	(12)
	(349.503)	(349.503)
Administrative support	(8.724)	(8.724)
Translation services	(379)	(379)
Remaining NSF Funds	4.633	4.633

4.4. Mac Arthur – new program

A new Mac Arthur grant for supporting the assessment of climate change impacts on biodiversity in the tropical Andes was signed on Dec 22nd, 2010. The completion date would be December 31, 2013. No cost extension has been approved. New end date is now December 31, 2016.

Expected payment schedule:

Initial Installment: US\$ 170.000;
Year 2: US\$ 165.000;
Year 3: US\$ 165.000.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2018 and 2017 (in U.S. Dollars)

	<u>2018</u>	<u>2017</u>
Contributions received from MacArthur	500.000	500.000
Project management	(16.561)	(16.561)
Part I - Climate, landuse and biodiversity - scientific coordination	(119.482)	(119.482)
Part I - Climate component - travel	(11.017)	(11.017)
Steering Committee - Meetings in Quito	(8.009)	(8.009)
Nature Serve - Meetings in Quito	(7.267)	(7.267)
Meetings and PI travels	(99.043)	(99.043)
Equipments	(1.797)	(1.797)
Subgrants	(199.548)	(199.548)
Overhead	(36.273)	(36.273)
Remaining MacArthur funds	<u>1.003</u>	<u>1.003</u>

Note: The “cash flow” of this program as of June 30, 2018 has the following composition:

	<u>2018</u>	<u>2017</u>
Remaining Mac Arthur Funds	1.003	1.003
Advances for meetings	(5.797)	(5.797)
Cash balance	<u>(4.794)</u>	<u>(4.794)</u>

4.5. IAI Interdisciplinary Training Program (Training Institute 2011)

On September 29, 2011 the National Science Foundation (NSF) approved a grant (GEO-1143506) to support the project “IAI Interdisciplinary Training Program”.

This is a grant continuing for approximately 3 years, contingent on the availability of funds and on the scientific progress of the project.

NSF approved the full budget of US\$ 820.000

Effective: October 1st, 2011 to September 30, 2014

No cost extension has been approved. New end date is now September 30, 2016

	<u>2018</u>	<u>2017</u>
Contributions received from NSF	684.712	684.712
Administrative Support	(19.262)	(19.262)
Meetings	(265.462)	(265.462)
Reported Expenses from Grantees	(435.860)	(435.860)
Equity	<u>(35.872)</u>	<u>(35.872)</u>
Advances to Grantees (balance)	(4.109)	(4.109)
Cash on Hand	<u>(39.981)</u>	<u>(39.981)</u>

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4.6. Collaborative Research Network Program III (CRN III)

On March 3, 2012 the National Science Foundation (NSF) approved a grant (GEO-1128040) to support the scientific activity entitled: "3rd Collaborative Research Network – CRN3"

This is a grant continuing for approximately 4 years, contingent on the availability of funds and on the scientific progress of the project:

- NSF approved the full budget of US\$ 10.500.000;
- Effective: March 1, 2012 to February 28, 2017.

	2018	2017
Contributions received from NSF	8.929.429	6.357.046
Administrative expenses	(1.701)	(1.701)
Meetings	(380.132)	(103.699)
Reported Expenses - from grantees	(7.202.336)	(3.911.423)
Equity	1.345.260	2.340.223
Advances to Grantees (balance)	(855.288)	(2.082.205)
Cash on Hand	489.972	258.018

4.7. IAI Interdisciplinary Training Program (PDS 2016)

On August 13, 2015 the National Science Foundation (NSF) approved a grant (GEO-1434450) to support the project "IAI Professional Development Seminars to develop capacity building for global environmental change science and its policy application in the Americas". On August 11, 2016 the National Science Foundation (NSF) approved additional support for the award.

This is a grant continuing for approximately 4 years, contingent on the availability of funds and on the scientific progress of the project.

NSF approved the full budget of US\$ 276.750
Effective: August 13, 2015 to July 31, 2019

	2018	2017
Contributions received from NSF	119.351	10.446
Administrative Support	10.446	
Meetings	(70.136)	
Equity	59.661	10.446

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5. Core budget receivable

5.1. Status of the requested contributions to the core budget from the member countries

	Due as of 30-Jun-17	Contribution for FY 17/18	Paid - in 2017/2018 to be applied to:			Due as of 30-Jun-18
			Arrears	Current year	Advances	
Argentina	78.957	69.000				147.957
Bolivia	55.000	5.000				60.000
Brazil	120.206	120.000				240.206
Canada	77.821	173.000		(146.362)		104.459
Chile	6.000	8.000				14.000
Colombia	13.256	13.000	(8.823)			17.433
Costa Rica	(5.340)	5.000		(5.042)	5.382	-
Cuba	65.067	5.000				70.067
Dominican Republic	100.000	5.000	(5.000)			100.000
Ecuador	(5.000)	5.000				-
Guatemala	100.000	5.000				105.000
Jamaica	65.000	5.000				70.000
Mexico	-	85.000				85.000
Panama	(4.915)	5.000				85
Paraguay	39.153	5.000	(10.169)			33.984
Peru	(26.285)	6.000			20.285	-
Uruguay	(5.000)	5.000				-
USA (*)	121.415	831.000	(52.416)	(573.313)		326.686
Venezuela	135.000	45.000				180.000
Totals	930.335	1.400.000	(76.408)	(724.717)	25.667	1.554.877
Total Revenues:	(1.757.294)					(801.125)
Advanced received:	(46.626)					(25.667)
Advance from las year:	(352)					(46.626)
Total Revenues:	(1.757.646)					(847.751)

(*) The contribution from the United States of America is paid through the National Science Foundation (NSF). Every year the NSF approves an award for the equivalent amount of the USA's voluntary contribution to the IAI. This amount remains available at the NSF and the IAI requests transfers according to its cash needs and the terms of the award.

5.2. Donated services, utilities and use of fixed assets

According to Article IV of the Agreement between the República Oriental del Uruguay and the IAI concerning the headquarters of the Institute, the Uruguayan Government provides the IAI, at no cost, with the following resources:

	<u>2018</u>	<u>2017</u>
Support staff	84.506	96.336
Office	32.422	30.786
Cleaning and common expenses	6.285	5.148
	<u>123.213</u>	<u>132.270</u>

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6. Property and equipment and Intangible assets

	Annual Depreciation Rates - %	2018		2018	2017
		Cost	Accumulated Depreciation	Net	Net
Capital Equipment (computer and accessories)	20	42.710	(30.565)	12.145	8.364
Software	10	19.032	(10.955)	8.077	11.651
Communication Equipments	10	4.210	(825)	3.385	731
Furniture and office equipments	10	68.125	(28.382)	39.743	43.105
		134.077	(70.727)	63.350	63.851

7. Current liabilities

Accounts payable	2018	2017
Salaries, Benefits and taxes over payroll	56.801	140.727
Suppliers	6.712	4.520
Contributions advance to Core Budget	25.328	46.626
	88.841	191.873

8. Management and general expenses

	2018		2017	
	Budget	Actual	Budget	Actual
Salaries and benefits	993.062	1.023.609	978.903	1.076.597
Staff travel	86.930	97.850	99.280	84.955
Equipment	13.198	12.921	10.700	3.262
Dissemination	19.000	32.607	39.000	48.219
Director's funds	54.000		54.000	
Others	233.810	134.903	218.117	183.549
assets		123.213		132.270
	1.400.000	1.425.103	1.400.000	1.528.852

Management notes to the financial statements
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9. Defined contribution benefits

In the case of the foreign employees, the employment contract provides for a Retirement Plan as follows: "Retirement. The Employee's monthly contribution will be matched two-for-one by the IAI, but will be capped at fourteen (14) percent for the Employer's contribution. The maximum contribution for retirement will be twenty-one (21) percent of the monthly salary, representing the Employee's maximum contribution of seven (7) percent and IAI's maximum contribution of fourteen (14) percent."

The employment contract between the Director and the IAI is approved by the IAI Executive Council and signed by the Chairman of the Executive Council on behalf of the IAI. The employment contracts with the rest of the foreign employees are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2017/2018 was US\$78,665 (US\$88,295 in fiscal year 2016/2017).

10. Subsequent events

The Institute evaluated subsequent events as of May 22, 2019.