

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

Independent Auditors' Report

**Financial statements
As of June 30, 2016 and 2015**

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

**Financial statements
As of June 30, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

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

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, 2016, 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.

Management's Responsibility for the Financial Statements

The Institute's 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Institute for Global Change Research - IAI as of June 30, 2016 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.

Montevideo, May 25, 2017

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

BDO Auditores y Consultores S.R.L.



INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Balance sheets As of June 30, 2016 and 2015 (In U.S. Dollars)

Assets		Explanatory note	30/06/2016	30/06/2015
Current				
Cash and cash equivalents	3	444.180	496.168	
Collaborative research network				
CRN I - Advances for dissemination activities	4.7	683	920	
CRN III - project advances	4.3	2.975.067	3.005.664	
Training Institutes - 2008	4.4	3.213	3.143	
Mac Arthur - new program	4.4	-	560	
Training Institutes - 2011 grant	4.6	4.730	105.624	
SGP - CRA	4.5	-	462.553	
Other accounts receivable		50.137	38.715	
		3.478.010	4.113.347	
Non current				
Property and equipment	6	75.708	85.683	
		75.708	85.683	
Total assets		3.553.718	4.199.030	
Explanatory notes are integral part of accounting statements.				
Liabilities and net assets				
	Explanatory note	30/06/2016	30/06/2015	
Current				
Accounts payable		125.868	142.128	
Advanced core budget contributions		352	5.300	
Research activities payable		-	-	
Training institute - funds from FUNDACRID	7	-	256	
		126.220	147.684	
Net assets				
Temporarily restricted				
Unallocated research funds:				
CRN I	4.1	66.334	66.334	
CRN III	4.7	2.971.926	3.050.427	
Training Institutes - NSF	4.2	5.762	5.762	
Training Institutes - IHDP	4.2	(2.818)	(2.818)	
Special Research Funds		5.000	5.000	
Training Institute - 2008	4.3	4.633	4.799	
Training Institute - 2011	4.6	(35.872)	71.948	
SGP - CRA	4.5	-	432.356	
Mac Arthur - new program	4.4	1.003	34.545	
NKAR program		2.587	2.587	
PDS 2016	4.8	(32.166)	-	
Unrestricted		441.109	380.406	
		3.427.498	4.051.346	
Total liabilities and net assets		3.553.718	4.199.030	

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of operations As of June 30, 2016 and 2015 (In U.S. Dollars)

	Explanatory note	30/06/2016	30/06/2015
Revenues, gains and contributions			
Temporarily restricted revenues			
Collaborative research network - CRN III		1.438.262	2.104.304
SGP - Human Dimensions		-	78.386
Training Institute - 2011		-	132.964
SGP-CRA		306.762	333.072
ENSOCIO		7.666	16.942
Unrestricted revenues			
Contributions from member nations	5.1	1.384.628	1.342.006
Donated services, utilities and use of fixed assets	5.2	160.082	194.598
Interest income		20	52
Overheads		11.229	38.754
Total revenues, gains and contributions		3.308.649	4.241.078

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of operations As of June 30, 2016 and 2015 (In U.S. Dollars)

	Explanatory note	30/6/2016	30/6/2015
Expenses			
Core budget expenses			
Management and general expenses	8	(1.495.256)	(1.636.063)
Total core budget expenses		(1.495.256)	(1.636.063)
Research expenses			
Collaborative research network - CRN I		-	(2.997)
Collaborative research network - CRN II		-	(18.198)
Collaborative research network - CRN III		(1.516.763)	(1.488.251)
SGP I		-	(23.388)
SGP II		-	(7.117)
Training Institute - 2008		(161)	(2.235)
Training Institute - 2011		(107.820)	(98.532)
SGP-CRA		(739.122)	(849.882)
Mac Arthur - new program		(33.542)	(94.454)
ENSOCIO meetings		(7.666)	(42.624)
PDS 2016		(32.166)	-
Total research expenses		(2.437.240)	(2.627.678)
Total expenses		(3.932.496)	(4.263.741)
Change in net assets for the year		(623.847)	(22.663)
Temporarily restricted net assets			
Collaborative research network - CRN I		-	(2.997)
Collaborative research network - CRN II		-	(18.198)
Collaborative research network - CRN III		(78.501)	616.053
SGP I		-	(23.388)
SGP II		-	(7.117)
SGP - Human Dimensions		-	78.386
Training Institute - 2008		(166)	(2.235)
Training Institute - 2011		(107.820)	34.432
Mac Arthur - new program		(33.542)	(94.454)
SGP-CRA		(432.360)	(516.810)
ENSOCIO meetings		-	(25.682)
PDS 2016		(32.166)	-
Unrestricted net assets		60.708	(60.653)
Change in net assets for the year		(623.847)	(22.663)

Explanatory notes are integral part of accounting statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of comprehensive operations As of June 30, 2016 and 2015 (In U.S. Dollars)

	<u>2016</u>	<u>2015</u>
Change in net assets for the year	(623.847)	(22.663)
Other comprehensive operations	-	-
Total comprehensive operations for the period	<u>(623.847)</u>	<u>(22.663)</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, 2016 and 2015
(In U.S. Dollars)

	30/06/2016			30/06/2015		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations	-	1.384.628	1.384.628	-	1.342.006	1.342.006
Donated services	-	160.082	160.082	-	194.598	194.598
Interest	-	20	20	-	52	52
Overheads	-	11.229	11.229	-	38.754	38.754
Collaborative research network - CRN III	1.438.262	-	1.438.262	2.104.304	-	2.104.304
Training Institute - 2011	-	-	-	132.964	-	132.964
SGP - Human Dimensions	-	-	-	78.386	-	78.386
SGP-CRA	306.762	-	306.762	333.072	-	333.072
ENSOCIO	7.666	-	7.666	16.942	-	16.942
Total revenues, gains and contributions	1.752.690	1.555.959	3.308.649	2.665.668	1.575.410	4.241.078
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1.495.256)	(1.495.256)	-	(1.636.063)	(1.636.063)
Collaborative research network - CRN I	-	-	-	-	(2.997)	(2.997)
Collaborative research network - CRN II	-	-	-	-	(18.198)	(18.198)
Collaborative research network - CRN III	-	(1.516.763)	(1.516.763)	-	(1,488,251)	(1,488,251)
Small grants program - SGP	-	-	-	-	(23.388)	(23.388)
Small grants program II - SGP II	-	-	-	-	(7.117)	(7.117)
Training Institute - 2008	-	(161)	(161)	-	(2.235)	(2.235)
Training Institute - 2011	-	(107.820)	(107.820)	-	(98.532)	(98.532)
SGP - CRA program	-	(739.122)	(739.122)	-	(849.882)	(849.882)
Mac Arthur - new program	-	(33.542)	(33.542)	-	(94.454)	(94.454)
ENSOCIO meetings	-	(7.666)	(7.666)	-	(42.624)	(42.624)
PDS 2016	-	(32.166)	(32.166)	-	-	-
Total Expenses and losses	-	(3,932,496)	(3,932,496)	-	(4,263,741)	(4,263,741)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of changes in net assets As of June 30, 2016 and 2015 (In U.S. Dollars)

	30/06/2016		30/06/2015	
Net assets at end of year				
Unrestricted net assets - core budget	-	441.109	-	380.406
Collaborative research network - CRN I	66.334	-	66.334	66.334
Collaborative research network - CRN III	2.971.926	-	2.971.926	3.050.427
Training Institutes -NSF Funds	5.762	-	5.762	5.762
Training Institutes - IHDP	(2.818)	-	(2.818)	(2.818)
Training Institute - 2008	4.633	-	4.633	4.799
Training Institute - 2011	(35.872)	-	(35.872)	71.948
Special Research Fund contributions	5.000	-	5.000	5.000
IDRC program	-	-	-	-
Mac Arthur - new program	1.003	-	1.003	34.545
SGP - CRA	-	-	432.356	432.356
NKAR program	2.587	-	2.587	2.587
ENSOCIO meetings	-	-	-	-
PDS 2016	(32.166)	-	(32.166)	-
Total net assets at end of year	2.986.389	441.109	3.670.940	380.406

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Statement of cash flows As of June 30, 2016 and 2015 (In U.S. Dollars)

	<u>30/06/2016</u>	<u>30/06/2015</u>
Cash flow from operating activities		
Change in net assets	(623.847)	(22.663)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15.014	11.350
Changes in operating assets and liabilities		
Other accounts receivable	(11.422)	22.137
Accounts payable	(16.517)	(46.047)
CRN receivable	237	2.996
CRN III Project Advances	30.597	(723.669)
Training Institutes - Project Advances	(70)	3.891
Mac Arthur program - Grant 2011- advances	560	35.884
Training Institutes - 2011 grant	100.894	(13.450)
SGP-CRA	462.553	491.084
Advanced Core Budget Contributions	(4.948)	2.300
Net cash used in operating activities	(46.949)	(236.187)
Cash used to purchase/earned for selling fixed assets		
Purchase of fixed assets	(5.039)	(23.420)
Adjustments - fixed assets	-	706
	(5.039)	(22.714)
Change in cash and cash equivalents	(51.988)	(258.901)
Cash and cash equivalents at the beginning of year	496.168	755.069
Cash and cash equivalents at the end of year	444.180	496.168

Explanatory notes are integral part of accounting statements.

Management notes to the financial statements For the years ended June 30, 2016 and 2015 (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, 2016 and 2015
(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, 2016 and 2015.

The official rate of exchange as of June 30, 2016 was \$ 30.617 per US\$1.00 and \$ 27.07 per US\$1.00 as of June 30, 2015.

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, 2016 and 2015 (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

	2016	2015
Projects	-	85.089
Core Budget	444.180	411.079
Total	444.180	496.168

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 2016 and 2015 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, 2016 and 2015 (in U.S. Dollars)

This award is distributed as follows:

	2016	2015
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	2016	2015
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 reseach	9.947.270	9.947.270
ANPCyT Award for reseach	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

CRN I Payable		
Commitments made to grantee institutions for research	10.446.439	10.446.439
Transfers made by IAI to the grantee institutions	(9.094.882)	(9.094.882)
Reduction of 9% in the approved budgets	(567.359)	(567.359)
Adjustments for closed projects (uncommitted commitments)	(784.198)	(784.198)
Total to be transferred to the grantee institutions - short-term liabilities	-	-

On April 24, 2007, the National Science Foundation granted an extension of time until November, 2007 without additional funds. These funds were used to pay publication costs.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2016 and 2015 (in U.S. Dollars)

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.

	2016	2015
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:

	2016	2015
TISG - P1	754	754
TISG - P2	3.502	3.502
TISG - P3	1.506	1.506
	5.762	5.762

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2016 and 2015 (in U.S. Dollars)

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:

	<u>2016</u>	<u>2015</u>
Contributions received from NSF	300.000	300.000
Reversion of TI in Panamá, paid using CRN II fund	62.729	62.729
Reimburse of air tickets not used	510	510
	<u>363.239</u>	<u>363.239</u>
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)	(26.908)
Publications	(12)	(12)
	<u>(349.503)</u>	<u>(349.337)</u>
Administrative support	(8.724)	(8.724)
Translation services	(379)	(379)
Remaining NSF Funds	<u>4.633</u>	<u>4.799</u>

Note: Although the financial statements show the total of US\$ 4.869 as "Remaining NSF Funds", the "cash flow" of this program as of June 30, 2016 has the following composition:

	<u>2016</u>	<u>2015</u>
Remaining NSF Funds	4.633	4.799
Advances for meetings	(3.213)	(3.143)
Cash balance	<u>1.420</u>	<u>1.656</u>

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.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

Management notes to the financial statements For the years ended June 30, 2016 and 2015 (in U.S. Dollars)

Expected payment schedule:

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

	<u>2016</u>	<u>2015</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)	(69.214)
Equipments	(1.797)	(1.797)
Subgrants	(199.548)	(199.403)
Overhead	(36.273)	(32.705)
Remaining MacArthur funds	<u>1.003</u>	<u>34.545</u>

Note: The “cash flow” of this program as of June 30, 2016 has the following composition:

	<u>2016</u>	<u>2015</u>
Remaining Mac Arthur Funds	1.003	34.545
Advances for meetings		(560)
Cash balance	<u>1.003</u>	<u>33.985</u>

4.5. Small Grant Program for Collaborative Research in the Americas (SGP-CRA)

On March 3th, 2012 the National Science Foundation (NSF) approved a grant (GEO- 1138881 1138881) to support the scientific activity entitled: “Small Grant Program for Collaborative Research in the Americas SGP-CRA.” 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\$ 2.757.237;
- Effective: January 1, 2012 to December 21, 2015.

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	2016	2015
Contributions received from NSF	2.757.237	2.450.504
UNFCCC Meetings	(34.900)	(24.189)
IPBES Meetings	(9.087)	(9.087)
Training	(9.980)	(6.520)
Meetings	(46.488)	(10.675)
Special agreement	(5.898)	(5.898)
CRA 2050	(22.631)	(22.631)
MOOC	(25.000)	
Dissemination	(12.075)	
Audit	(5.820)	
Administrative support	(7.947)	
Reported expenses	(2.577.411)	(1.939.148)
Equity	-	432.356
Advances to Grantees (balance)	-	(462.553)
Cash on Hand	-	(30.197)

4.6. 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

	2016	2015
Contributions received from NSF	684.712	684.712
Administrative Support	(19.262)	(13.210)
Meetings	(265.462)	(262.889)
Reported Expenses from Grantees	(435.860)	(336.665)
Equity	(35.872)	71.948
Advances to Grantees (balance)	(4.730)	(105.624)
Cash on Hand	(40.602)	(33.676)

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4.7. 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.

Administrative expenses	(1.701)	(1.701)
Meetings	(103.699)	(55.439)
Reported Expenses - from grantees	(3.279.720)	(1.811.217)
Equity	2.971.926	3.050.427
Advances to Grantees (balance)	(2.975.067)	(3.005.664)
Cash on Hand	(3.141)	44.763

4.8. 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

	2016	2015
Contributions received from NSF	-	-
Meetings	(32.166)	-
Equity	(32.166)	-

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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	Contribution	Paid - in 2015/2016 to be applied to:			Due as of
	30-Jun-15		for FY 15/16	Arrears	Current year	Advances
Argentina	147.957	69.000	(69.000)			147.957
Bolivia	45.000	5.000				50.000
Brazil	340.000	120.000				460.000
Canada	14.000	173.000	(14.000)	(125.661)		47.339
Chile	-	8.000		(5.000)		3.000
Colombia	13.000	13.000	(13.000)	(3.808)		9.192
Costa Rica	18.024	5.000	(18.024)	(5.000)	(352)	(352)
Cuba	55.067	5.000				60.067
Dominican Republic	90.000	5.000				95.000
Ecuador	5.000	5.000				10.000
Guatemala	90.000	5.000				95.000
Jamaica	55.000	5.000				60.000
Mexico	85.000	85.000	(85.000)	(85.000)		-
Panama	(5.000)	5.000				-
Paraguay	44.457	5.000	(5.580)			43.877
Peru	29.527	6.000	(29.527)	(3.585)		2.415
Uruguay	(300)	5.000				4.700
USA (*)	242.202,84	831.000	(173.203)	(743.940)		156.059
Venezuela	45.000	45.000				90.000
Totals	1.313.935	1.400.000	(407.334)	(971.994)	(352)	1.334.255
Total Revenues:	(1.339.006)			Total Revenues:		(1.379.328)
Advanced received:	(5.300)			Advanced received:		(352)
Advance from las year:	(3.000)			Advance from las year:		(5.300)
Total Revenues:	(1.342.006)			Total Revenues:		(1.384.628)

(*) 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 Annex A of the Agreement between the Government of the Federative Republic of Brazil and the IAI concerning the headquarters of the Institute, the Brazilian Government provides the IAI, at no cost, with the following resources:

	2016	2015
Premises, equipment and security	42.042	54.476
Cleaning and common expenses	10.822	42.702
	52.864	97.178

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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:

	2015	2014
Support staff	59.578	
Office	29.848	
Cleaning and common expenses	7.994	
	<u>37.842</u>	

6. Property and equipment and Intangible assets

	Annual Depreciation Rates - %	2016		2016	2015
		Cost	Accumulated Depreciation	Net	Net
Capital Equipment (computer and accessories)	20	34.263	(23.489)	10.774	10.315
Software	10	19.032	(3.806)	15.226	19.032
Telephone lines	10	-	-	-	-
Communication Equipments	10	1.297	(306)	991	1.251
Photographic Equipments	10	-	-	-	-
Furniture and office equipments	10	63.454	(14.737)	48.717	55.085
vehicles	20	-	-	-	-
		<u>118.046</u>	<u>(42.338)</u>	<u>75.708</u>	<u>85.683</u>

7. Current liabilities

Accounts payable	2016	2015
Salaries, Benefits and taxes over payroll	107.141	117.365
Suppliers	18.727	24.182
Contributions advance to Core Budget	352	5.300
Grantees (Programs Payable)		256
Other payables		581
	<u>126.220</u>	<u>147.684</u>

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8. Management and general expenses

	2016		2015	
	Budget	Actual	Budget	Actual
Salaries and benefits	920.230	1.001.133	957.122	1.080.446
Staff travel	99.280	118.675	99.280	81.525
Equipment	10.700	-	-	-
Dissemination	39.000	43.840	39.000	37.560
Director's funds	54.000	-	54.000	730
Others	296.854	171.909	220.626	241.204
Donated Services, utilities and use of fixed assets	-	159.699	-	194.598
	1.420.064	1.495.256	1.370.028	1.636.063

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 2015/2016 was US\$86,121 (US\$81,112 in fiscal year 2014/2015).

10. Subsequent events

The Institute evaluated subsequent events as of may 22, 2017.