

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

**FINANCIAL STATEMENTS FOR THE YEARS
ENDED JUNE 30, 2009 AND 2008
AND INDEPENDENT AUDITORS' REPORT**

BDO Auditores Independentes, an audit partnership organized according to Brazilian law, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
CONTENTS

Independent auditors' report

Exhibit 1 - Balance sheets

Exhibit 2 - Statement of activities

Exhibit 3 - Statement of changes in net assets

Exhibit 4 - Statement of cash flows

Notes to the financial statements



Tel.: +55 (12) 3909-1760
Fax.: +55 (12) 3909-1770
www.bdobrazil.com.br

BDO Auditores Independentes
Rua Alfredo Ignácio Nogueira Penido, 255
Salas 2207, 2208 e 2209
São José dos Campos - SP - Brasil
12246-000

INDEPENDENT AUDITORS' REPORT

To the Executive Council of
INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

1. We have audited the accompanying balance sheets of INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI (the "Institute"), as of June 30, 2009 and 2008, and the related statements of activities, changes in net assets and its cash flows for the years then ended, prepared under the responsibility of the Institute's Management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with applicable auditing standards in United States of America and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Institute; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2009 and 2008, as well as the results of its operations, the changes in net assets, and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

São José dos Campos, October 13, 2009.


Marcelo Pereira Gonçalves
Engagement Partner
BDO Trevisan Auditores Independentes

EXHIBIT 1

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

BALANCE SHEETS AS OF JUNE 30, 2009 AND 2008

(In U.S. Dollars)

| Assets | 2009 | 2008 | Liabilities | 2009 | 2008 |
|---|-----------|-----------|---|-----------|-----------|
| Current assets | | | Current liabilities (Note 8) | | |
| Cash and cash equivalents (Note 4) | 292,671 | 402,461 | Accounts payable | 215,826 | 178,114 |
| Collaborative research network | | | Advanced Core Budget Contributions | 21,000 | 20,000 |
| CRN I receivable (Note 5.1) | - | 129,115 | Research Activities Payable | | |
| Collaborative research network | | | Training institute - funds from FUNDACRID | 11,389 | 22,000 |
| CRN I - Advances for dissemination activities | 14,356 | 22,410 | | 248,215 | 220,114 |
| CRN II - project advances (Note 5.5) | 2,662,140 | 2,236,359 | | | |
| SGP II - Project Advances | | | Net assets | | |
| Summer Institutes (Note 5.4) | 9,341 | 61,669 | Temporarily restricted | | |
| Training Institutes - project advances | | | Unallocated research funds: | | |
| SGP - Human Dimensions (Note 5.7) | 418,746 | 292,978 | ISP III (Note 5.4) | - | 42,264 |
| IDRC program - contract 104358 (Note 5.8) | 198,769 | 49,571 | CRN I (Note 5.1) | 79,770 | 242,979 |
| Mac Arthur program (Note 5.9) | 5,072 | 12,219 | CRN II (Note 5.5) | 3,129,410 | 2,249,787 |
| Other accounts receivable | 99,906 | 7,880 | SGP I (Note 5.2) | 23,388 | 23,388 |
| | 3,701,001 | 3,214,662 | SGP II (Note 5.3) | 7,117 | 7,117 |
| Permanent assets | | | Summer Institutes - IHDP | 10,000 | 10,000 |
| Property, plant and equipment (Note 7) | 27,124 | 7,999 | Training Institutes - NSF (Note 5.6) | 7,281 | 8,281 |
| | 27,124 | 7,999 | Training Institutes - IHDP (Note 5.6) | (2,818) | (2,818) |
| | | | SGP - Human Dimensions (Note 5.7) | 379,428 | 277,178 |
| | | | Special Research Funds | 5,000 | 5,000 |
| | | | Training Institute - 2008 (Note 5.10) | (70,253) | (73,047) |
| | | | IDRC program (Note 5.8) | 269,027 | 103,401 |
| | | | Mac Arthur program (Note 5.9) | (56,088) | 200,269 |
| | | | | 3,781,262 | 3,093,799 |
| | | | Unrestricted | (301,352) | (91,252) |
| | | | | 3,479,910 | 3,002,547 |
| TOTAL ASSETS | 3,728,125 | 3,222,661 | TOTAL LIABILITIES AND NET ASSETS | 3,728,125 | 3,222,661 |

The accompanying notes are an integral part of the financial statements.

EXHIBIT 2

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

(In U.S. Dollars)

| | 2009 |
|---|-------------|
| Revenues, gains and contributions | |
| Temporarily restricted revenues | |
| Collaborative research network - CRN I | - |
| Collaborative research network - CRN II | 2,772,293 |
| Summer Institute - Contributions from UNEP | - |
| Training Institutes - NSF | - |
| Training Institutes - 2008 | 86,555 |
| SGP - Human Dimensions | 297,500 |
| IDRC program | 174,322 |
| Mac Arthur program | - |
| NKAR program | 68,459 |
| Unrestricted revenues | |
| Contributions from member nations | 857,137 |
| Donated services, utilities and use of fixed assets | 264,039 |
| Interest income | 2,756 |
| Overheads | 54,118 |
| Other | 13,842 |
| | <hr/> |
| Total revenues, gains and contributions | 4,591,021 |
| Core budget expenses | |
| Management and general expenses (Note 9) | (1,391,929) |
| | <hr/> |
| Total core budget expenses | (1,391,929) |
| Research expenses | |
| Collaborative research network - CRN I | (163,210) |
| Collaborative research network - CRN II | (1,892,669) |
| Small grants program II - SGPII | - |
| Summer Institute - Contributions from UNEP | - |
| Summer Institute - Urbanization | (9,275) |
| Summer Institute - Human Dimensions | (43,053) |
| Training Institute - Paraguay (NSF Grants) | (1,000) |
| Training Institute - 2008 | (83,761) |
| SGP-Human Dimensions | (195,250) |
| IDRC program | (8,695) |
| Mac Arthur program | (256,357) |
| NKAR program | (68,459) |
| | <hr/> |
| Total research expenses | (2,721,729) |
| Total expenses | 4,113,658 |
| | <hr/> |
| | 477,363 |
| Temporarily restricted net assets | |
| ISP III | - |
| Collaborative research network - CRN I | (163,209) |
| Collaborative research network - CRN II | 879,623 |
| Small grants program II - SGP II | - |
| Summer Institutes - UNEP | - |
| Training Institutes -NSF Funds | (1,000) |
| SGP - Human Dimensions | 102,250 |
| Training Institute - 2008 | 2,794 |
| IDRC program | 165,626 |
| Mac Arthur program | (256,357) |
| Unrestricted net assets | (252,364) |
| | <hr/> |
| | 477,363 |
| | <hr/> <hr/> |

The accompanying notes are an integral part of the financial statements.

EXHIBIT 3 (página 1)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(In U.S. Dollars)

| | 2009 | | | 2008 | | |
|--|------------------------|--------------|-------------|------------------------|--------------|-------------|
| | Temporarily restricted | Unrestricted | Total | Temporarily restricted | Unrestricted | Total |
| Revenues, gains and contributions | | | | | | |
| Unrestricted revenues | | | | | | |
| Contributions from member nations | - | 857,137 | 857,137 | - | 969,149 | 969,149 |
| Donated services | - | 264,039 | 264,039 | - | 302,452 | 302,452 |
| Interest | - | 2,756 | 2,756 | - | 2,710 | 2,710 |
| Overhead | - | 54,118 | 54,118 | - | - | - |
| Other | - | 13,842 | 13,842 | - | - | - |
| Temporarily restricted revenues | | | | | | |
| Collaborative research network - CRN I | - | - | - | 10,259 | - | 10,259 |
| Collaborative research network - CRN II | 2,772,293 | - | 2,772,293 | 1,720,000 | - | 1,720,000 |
| Summer Institute - Contributions from UNEP | - | - | - | 500 | - | 500 |
| Training Institutes - Contributions from NSF | - | - | - | 809 | - | 809 |
| Training Institutes - 2008 | 86,555 | - | 86,555 | - | - | - |
| SGP - Human Dimensions - advances | 297,500 | - | 297,500 | 282,652 | - | 282,652 |
| IDRC program | 174,322 | - | 174,322 | 117,438 | - | 117,438 |
| Mac Arthur program | - | - | - | 225,000 | - | 225,000 |
| NKAR program | 68,459 | - | 68,459 | - | - | - |
| Total revenues, gains and contributions | 3,399,129 | 1,191,892 | 4,591,021 | 2,356,658 | 1,274,311 | 3,630,969 |
| Expenses and losses | | | | | | |
| Unrestricted expenses | | | | | | |
| Core budget | - | (1,391,929) | (1,391,929) | - | (1,516,475) | (1,516,475) |
| Collaborative research network - CRN I | - | (163,210) | (163,210) | - | (216,716) | (216,716) |
| Collaborative research network - CRN II | - | (1,892,669) | (1,892,669) | - | (1,083,828) | (1,083,828) |
| Small grants program II - SGPII | - | - | - | - | (19,600) | (19,600) |
| Summer Institute - Contributions from UNEP | - | - | - | - | (504) | (504) |
| Summer Institute - Urbanization (ISPIII Funds) | - | (9,275) | (9,275) | - | (77,855) | (77,855) |
| Summer Institute - Human Dimonsions (ISPIII Funds) | - | (43,053) | (43,053) | - | (105) | (105) |
| Training Institute - Paraguay (NSF Grants) | - | (1,000) | (1,000) | - | (19,091) | (19,091) |
| Training Institute - 2008 | - | (83,761) | (83,761) | - | (73,047) | (73,047) |
| SGP-Human Dimensions | - | (195,250) | (195,250) | - | (1,024) | (1,024) |
| IDRC program | - | (8,695) | (8,695) | - | (14,037) | (14,037) |
| Mac Arthur program | - | (256,357) | (256,357) | - | (24,731) | (24,731) |
| NKAR program | - | (68,459) | (68,459) | - | - | - |
| Total expenses and losses | - | 4,113,658 | 4,113,656 | - | (3,047,013) | (3,047,013) |
| Change in net assets | | | | | | |
| Unrestricted net assets - core budget | | | | | | |
| ISPIII program | (42,264) | - | (42,264) | (77,960) | - | (77,960) |
| Collaborative research network - CRN I | (163,209) | - | (163,209) | (206,457) | - | (206,457) |
| Collaborative research network - CRN II | 879,624 | - | 879,624 | 636,172 | - | 636,172 |
| Small grants program II - SGP II | - | - | - | (19,600) | - | (19,600) |
| Summer Institutes - UNEP | - | - | - | (4) | - | (4) |
| Training Institutes - NSF Funds | (1,000) | - | (1,000) | (18,282) | - | (18,282) |
| Training Institutes - 2008 | 2,794 | - | 2,794 | (73,047) | - | (73,047) |
| SGP - Human Dimensions | 102,250 | - | 102,250 | 281,628 | - | 281,628 |
| IDRC program | 165,626 | - | 165,626 | 103,401 | - | 103,401 |
| Mac Arthur program | (256,357) | - | (256,357) | - | - | - |
| NKAR program | - | - | - | 200,269 | - | 200,269 |
| Total change in net assets | 687,464 | (210,101) | 477,363 | 826,120 | (242,164) | 583,956 |

EXHIBIT 3 (página 2)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(In U.S. Dollars)

| | 2009 | | | 2008 | | |
|---|---------------------------|--------------|-----------|---------------------------|--------------|-----------|
| | Temporarily restricted | Unrestricted | Total | Temporarily restricted | Unrestricted | Total |
| Net assets at beginning of year | | | | | | |
| Unrestricted net assets - core budget | - | (91,252) | (91,252) | - | 150,914 | 150,914 |
| ISPIII | 42,264 | - | 42,264 | 120,224 | - | 120,224 |
| Collaborative research network - CRN I | 242,979 | - | 242,979 | 449,435 | - | 449,435 |
| Collaborative research network - CRN II | 2,249,787 | - | 2,249,787 | 1,613,615 | - | 1,613,615 |
| Small grants program - SGP | 23,388 | - | 23,388 | 23,388 | - | 23,388 |
| Small grants program II - SGP II | 7,117 | - | 7,117 | 26,717 | - | 26,717 |
| Summer Institutes - IHDP | 10,000 | - | 10,000 | 10,000 | - | 10,000 |
| Summer Institutes - UNEP | - | - | - | 4 | - | 4 |
| Training Institutes - NSF Funds | 8,281 | - | 8,281 | 26,562 | - | 26,562 |
| Training Institutes - IHDP | (2,818) | - | (2,818) | - | - | - |
| Training Institutes - 2008 | (73,047) | - | (73,047) | (2,818) | - | (2,818) |
| SGP - Human Dimensions | 277,178 | - | 277,178 | (4,450) | - | (4,450) |
| Special Research Fund contributions | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| IDRC program | 103,401 | - | 103,401 | - | - | - |
| Mac Arthur program | 200,269 | - | 200,269 | - | - | - |
| Total net assets at beginning of year | 3,093,799 | - | 3,002,547 | 2,267,677 | 150,914 | 2,418,591 |
| Net assets at end of year | | | | | | |
| Unrestricted net assets - core budget | - | (301,352) | (301,352) | - | (91,252) | (91,252) |
| ISP III | - | - | - | 42,264 | - | 42,264 |
| Collaborative research network - CRN I | 79,770 | - | 79,770 | 242,979 | - | 242,979 |
| Collaborative research network - CRN II | 3,129,410 | - | 3,129,410 | 2,249,787 | - | 2,249,787 |
| Small grants program - SGP | 23,388 | - | 23,388 | 23,388 | - | 23,388 |
| Small grants program II - SGP II | 7,117 | - | 7,117 | 7,117 | - | 7,117 |
| Summer Institutes - IHDP | 10,000 | - | 10,000 | 10,000 | - | 10,000 |
| Training Institutes - NSF Funds | 7,281 | - | 7,281 | 8,281 | - | 8,281 |
| Training Institutes - IHDP | (2,818) | - | (2,818) | (2,818) | - | (2,818) |
| Training Institutes - 2008 | (70,253) | - | (70,253) | (73,047) | - | (73,047) |
| SGP - Human Dimensions | 379,428 | - | 379,428 | 277,178 | - | 277,178 |
| Special Research Funds | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| IDRC program | 269,027 | - | 269,027 | 103,401 | - | 103,401 |
| Mac Arthur program | (56,088) | - | (56,088) | 200,269 | - | 200,269 |
| NKAR program | - | - | - | - | - | - |
| Total net assets at end of year | 3,781,262 | (301,352) | 3,479,910 | 3,093,799 | (91,252) | 3,002,547 |

The accompanying notes are an integral part of the financial statements.

EXHIBIT 4

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(In U.S. Dollars)

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Cash flow from operating activities | | |
| Change in net assets | 477,363 | 583,956 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,862 | 6,836 |
| Changes in operating assets and liabilities | | |
| Other accounts receivable | (92,026) | 1,365 |
| Accounts payable | 37,712 | 76,339 |
| CRN receivable | 129,115 | - |
| CRN payable | - | - |
| CRN I Advances for Dissemination Activities | 8,054 | 129,330 |
| CRN II Project Advances | (425,781) | (832,372) |
| SGP II project advances | - | 19,600 |
| Summer Institutes Receivables | 52,328 | 78,463 |
| Training Institutes - Project Advances | - | 16,802 |
| Training Institutes - Project Payable - Fundacrid | (10,611) | 22,000 |
| SGP - Human Dimensions | (125,768) | (292,977) |
| IDRC program - contract 104358 | (149,198) | (49,571) |
| Mac Arthur program | 7,147 | (12,219) |
| Advanced Core Budget Contributions | 1,000 | (65,000) |
| Net cash used in operating activities | <u>(84,803)</u> | <u>317,488</u> |
| Cash used to purchase fixed assets | | |
| Purchase of computer hardware | (25,738) | (1,148) |
| Tax credit - fixed assets | 150 | - |
| Selling of fixed assets | 601 | - |
| | <u>(24,987)</u> | <u>(1,148)</u> |
| Change in cash and cash equivalents | <u>(109,790)</u> | <u>(318,596)</u> |
| Cash and cash equivalents at the beginning of year | 402,461 | 721,057 |
| Cash and cash equivalents at the end of year | <u>292,671</u> | <u>402,461</u> |

The accompanying notes are an integral part of the financial statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008 (In U.S. dollars)

1. 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.

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.

2. BASIS OF PRESENTATION

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

Although the IAI is based in Brazil, it maintains its official accounting records in U.S. dollars. Most of IAI's transactions are denominated in U.S. dollars; donations received from the Government of the Federative Republic of Brazil (INPE) and expenses in Brazilian Reais were translated at monthly average exchange rates.

The cash and cash equivalents originated in R\$ (Brazilian reais) were translated into U.S. dollars using the official rate of exchange as of JUNE 30, 2009 and 2008.

The official rate of exchange as of June 30, 2009 was R\$1.9516 per US\$1.00 and R\$ 1.5919 per US\$1.00 as of June 30, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The significant accounting practices adopted to prepare financial statements were as follows:

Accounting classification

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

Cash and cash equivalents

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

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.

Property and equipment

Consist of computer hardware and vehicles 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.

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.

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.

Income and social contribution taxes

IAI is exempt from income taxes under Brazilian tax legislation. The contributions to social security (INSS, FGTS, etc.) on the salaries paid to the Brazilian employees are paid and/or accrued in accordance with Brazilian labor laws.

4. CASH AND CASH EQUIVALENTS

| | <u>2009</u> | <u>2008</u> |
|-----------------------------|----------------|----------------|
| Petty cash and bank balance | 221,872 | 330,809 |
| Short-term investments | <u>70,799</u> | <u>71,652</u> |
| | <u>292,671</u> | <u>402,461</u> |

The short-term investments are overnight deposits (risk-free) managed by Citibank and Itaú.

5. 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 2008 and 2009 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.

5.1. 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.

This award is distributed as follows:

| | 2009 | 2008 |
|-------------------|-------------------|-------------------|
| Scientific awards | 9,947,270 | 9,947,270 |
| Management costs | 538,400 | 538,400 |
| | <u>10,485,670</u> | <u>10,485,670</u> |

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 | 2009 | 2008 |
|--|--------------|--------------|
| 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) | |
| Total to be received by IAI | - | 129,115 |
| 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 | 854,717 | 854,717 |
| Remaining funds sent back to NSF thru check | (26,040) | - |
| Dissemination Activities of the CRN I Program Results | (740,172) | (603,003) |
| Total CRN I funds not allocated | 79,770 | 242,979 |
| 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 | - | - |

5.2. SMALL GRANT PROGRAM I - SGP I

On August 27, 2002 the National Science Foundation (NSF) awarded a grant of US\$360,000 to the IAI to support the Program: "IAI Small Grant Program - SGP".

The IAI approved the documentation for sixteen grantee institutions until June 30, 2003 and began transferring funds to the projects in October 2002. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Total National Science Foundation Award | 360,000 | 360,000 |
| Cash distributed to IAI | (339,749) | (339,749) |
| Grant Reversal (funds not used) | <u>(20,251)</u> | <u>(20,251)</u> |
| Total to be received by IAI | <u>-</u> | <u>-</u> |
| Total National Science Foundation Award | 360,000 | 360,000 |
| Commitments made to grantee institutions with NSF funds | (343,000) | (343,000) |
| Commitments reversed (funds not used by the grantees) | <u>6,388</u> | <u>6,388</u> |
| Total funds not allocated to any grantee institution | <u>23,388</u> | <u>23,388</u> |
| | <u>2009</u> | <u>2008</u> |
| Commitments made to grantee institutions with NSF Funds | 343,000 | 343,000 |
| Commitments - non-Cuban portion of SGP-037 | 14,768 | 14,768 |
| Commitments reversed (funds not used by the grantees) | (6,388) | (6,388) |
| Transfers made by IAI to grantee institutions | <u>(351,380)</u> | <u>(351,380)</u> |
| Total NSF funds to be transferred to grantee institutions | <u>-</u> | <u>-</u> |
| Commitments made to grantee institutions - Cuba | 40,000 | 40,000 |
| Commitments - non-Cuban portion of SGP-037 | (14,768) | (14,768) |
| Commitments reversed (funds not used by the grantees) | (967) | (967) |
| Transfers made by IAI to grantee institutions - Cuba | <u>(24,265)</u> | <u>(24,265)</u> |
| Total to be transferred to grantee institutions - Cuba | <u>-</u> | <u>-</u> |

As of June 30, 2005 the sixteen approved projects had finished their activities.

5.3. SMALL GRANT PROGRAM II - SGP II

On September 9, 2003 the National Science Foundation (NSF) awarded an initial grant of US\$540,400. An additional grant was awarded in fiscal year 2004/2005 in the amount of US\$99,600.

The IAI approved the documentation for twenty-two grantee institutions through June 30, 2005 and began advancing funds to the projects in March 2004. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Total National Science Foundation Award | 640,000 | 640,000 |
| Cash distributed to IAI | <u>(640,000)</u> | <u>(640,000)</u> |
| Total to be received by IAI | <u>-</u> | <u>-</u> |
| Total National Science Foundation Award | 640,000 | 640,000 |
| SGP II Panel | (9,531) | (9,531) |
| Project expenses paid (Approved Costs + Final Payments) | (625,389) | (625,389) |
| Reimbursement from SGP II-078 | <u>2,037</u> | <u>2,037</u> |
| SGP II Funds available | <u>7,117</u> | <u>7,117</u> |

5.4. INITIAL SCIENCE PROGRAM (ISP) ROUND III

At the meeting of the IAI Executive Council in November 1997 in Panama City, Panama, sixteen scientific projects were approved, as recommended by the Scientific Advisory Committee. For these projects, an award in the amount of US\$1,878,984 has been approved by the NSF (National Science Foundation), distributed as follows:

| | <u>2009</u> | <u>2008</u> |
|-------------------|------------------|------------------|
| Scientific awards | 1,576,407 | 1,576,407 |
| Workshop | 227,577 | 227,577 |
| DIS project | 50,000 | 50,000 |
| Other services | <u>25,000</u> | <u>25,000</u> |
| | <u>1,878,984</u> | <u>1,878,984</u> |

The IAI approved the documentation for sixteen grantee institutions and began transferring funds to the projects in May 1998. This program was closed in October 2004. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

Inter-American Institute for Global Change Research - IAI

| | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|
| Total National Science Foundation Award | 1,878,984 | 1,878,984 |
| Cash distributed to IAI | <u>(1,878,984)</u> | <u>(1,878,984)</u> |
| Total to be received by IAI | <u>-</u> | <u>-</u> |
| Total National Science Foundation Award | 1,878,984 | 1,878,984 |
| Commitments made to grantee institutions | (1,582,884) | (1,582,884) |
| Commitments reversed (funds not used by the grantees) | 51,113 | 51,113 |
| Payments for workshops | (155,135) | (155,135) |
| Funds committed for Summer Institutes (LUCC, VACVCC, GWGC) | (42,624) | (42,624) |
| Payments for DIS | (24,712) | (24,712) |
| Payments for other costs | (4,518) | (4,518) |
| Payments for Summer Institute on Urbanization | (77,855) | (77,855) |
| Payments for Summer Institute on Human Dimensions | <u>(42,369)</u> | <u>(105)</u> |
| Total funds not allocated to any grantee institutions (*) | <u>-</u> | <u>42,264</u> |
| Commitments made to Grantee Institutions | 1,582,884 | 1,582,884 |
| Commitments reversed (Funds not Used by the Grantees) | (51,113) | (51,113) |
| Transfers made by IAI to grantee institutions | (1,481,771) | (1,481,771) |
| DIS project expenses | <u>(50,000)</u> | <u>(50,000)</u> |
| Total to be transferred to the grantee institutions | <u>-</u> | <u>-</u> |
| (*) The remaining funds from the ISP III Program were committed to support training activities related to the objectives of this program, as follows: | | |
| | <u>2009</u> | <u>2008</u> |
| Urbanization and Global Environmental Change | 2,395 | 11,669 |
| Globalization and Food Systems | <u>6,946</u> | <u>50,000</u> |
| Summer Institutes (Receivables) | <u>9,341</u> | <u>61,669</u> |

5.5. COLLABORATIVE RESEARCH NETWORK PROGRAM - CRN II

On September 30, 2005 the National Science Foundation approved a renewable grant (continuing grant) to support the “Second Round of the Collaborative Research Network - CRN II”. This grant was approved for approximately 6 years and it is contingent on the availability of funds from the NSF and on the scientific progress of the program.

For the period September 15, 2005 - August 31, 2006 the NSF approved a grant of US\$2,197,289. For the following periods, the funding was expected to be as follows:

| | |
|------------------------------|---------------|
| September/2006 - August/2007 | US\$2,011,222 |
| September/2007 - August/2008 | US\$2,030,835 |
| September/2008 - August/2009 | US\$1,988,200 |
| September/2009 - August/2010 | US\$1,988,200 |
| September/2010 - August/2011 | US\$208,200 |

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Funds Received from NSF | 6,514,700 | 3,742,700 |
| Project expenses (reported expenses year 1) | (2,916,805) | (1,239,444) |
| Salaries and Benefits (Program Manager) | (189,372) | (152,540) |
| CRN II Panel (proposal selection) | (7,971) | (7,971) |
| CRN II Panel (other costs) | (610) | (610) |
| Meetings supported by CRN II funds | (152,560) | (91,214) |
| Training Institute in Panama | (62,729) | - |
| Auditing process | (44,826) | (1,134) |
| Synsthesis | (10,417) | - |
| | <u>3,129,410</u> | <u>2,249,787</u> |
| Unallocated CRN II Funds | <u>3,129,410</u> | <u>2,249,787</u> |

Note: Although the financial statements show the total of \$3,129,410 as “Unallocated CRN II Funds”, the “cash flow” of this program as of June 30, 2009 has the following composition:

| | <u>2009</u> | <u>2008</u> |
|--------------------------|----------------|---------------|
| Unallocated CRN II Funds | 3,129,410 | 2,249,787 |
| Advances to Grantees | (2,662,140) | (2,236,359) |
| | <u>467,270</u> | <u>13,428</u> |
| Unallocated CRN II Funds | <u>467,270</u> | <u>13,428</u> |

5.6. TRAINING INSTITUTES ON INTERDISCIPLINARY GLOBAL ENVIRONMENTAL CHANGE IN THE AMERICAS

On September 22, 2004 the National Science Foundation approved a grant to support the “Training Institutes on Interdisciplinary Global Environmental Change in the Americas”. The original expiration date of the grant, which totaled 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.

| | 2009 | 2008 |
|--------------------------------------|----------------|----------------|
| Funds Received from the NSF | 330,000 | 330,000 |
| Expenses on TI-Paraguay | (81,794) | (81,794) |
| Seed Grants - TI Paraguay | (45,389) | (44,389) |
| Expenses on TI-Jamaica | (108,274) | (108,274) |
| Seed Grants - TI Jamaica | (41,101) | (41,101) |
| Meetings related to the TIs | (46,971) | (46,971) |
| Remaining funds from TISG-P1 | 810 | 810 |
| Unallocated NSF Funds for TI | 7,281 | 8,281 |
| Expenses on TI-Paraguay (IHDP Funds) | (2,818) | (2,818) |
| | <u>(2,818)</u> | <u>(2,818)</u> |

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

| | 2009 | 2008 |
|-----------|--------------|--------------|
| TISG - P1 | 2,273 | 3,273 |
| TISG - P2 | 3,502 | 3,502 |
| TISG - P3 | 1,506 | 1,506 |
| | <u>7,281</u> | <u>8,281</u> |

5.7. SMALL GRANT PROGRAM - HUMAN DIMENSIONS

On September 15, 2006 the National Science Foundation approved a grant (GEO-0642841) to support the scientific activity entitled: "Small Grant Program for the Human Dimensions SGP-HD.". This is a grant continuing for approximately 3 years, contingent on the availability of funds and on the scientific progress of the project.

For the period September 15, 2006 - August 31, 2007 the IAI had US\$400,000 available.

For the next period, NSF has approved another US\$400,000. in September 13,2007.

| | <u>2009</u> | <u>2008</u> |
|---------------------------------|-----------------------|-----------------------|
| Contributions received from NSF | 580,152 | 282,652 |
| Panel SGP-HD | (4,450) | (4,450) |
| GECAFS Conference | (1,024) | (1,024) |
| Reported Expenses | <u>(195,250)</u> | - |
| Remaining NSF Funds | <u><u>379,428</u></u> | <u><u>277,178</u></u> |

Note: Although the financial statements show the total of US\$379,428 as "Remaining NSF Funds", the "cash flow" of this program as of June 30, 2009 has the following composition:

| | <u>2009</u> | <u>2008</u> |
|----------------------|------------------------|------------------------|
| Remaing NSF Funds | 379.428 | 277,178 |
| Advances to Grantees | <u>(418,746)</u> | <u>(292,978)</u> |
| Cash balance | <u><u>(39,318)</u></u> | <u><u>(15,800)</u></u> |

5.8. IDRC PROGRAM

On March 1st, 2008, the project "Land use change, biofuels and rural development in the La Plata Basin" has started. The completion date of the contract between IAI and IDRC is August 31st, 2010.

The main goal of this project is to understand the dynamic interactions of natural and human components in agroecosystems of the La Plata Basin and to provide guidance to actors and decision makers in the processes of rural development and land use. Over the 30 project months, the Inter-American Institute for Global Change Research (IAI) will reinforce and expand an interdisciplinary and international network of researchers and stakeholders in Argentina, Bolivia, Brazil, Paraguay and Uruguay to conduct research, interact with and inform stakeholders and policy makers.

| | <u>2009</u> | <u>2008</u> |
|----------------------------------|----------------|----------------|
| Contributions received from IDRC | 291,759 | 117,438 |
| Panel expenses | (14,037) | (14,037) |
| Overhead | (8,695) | - |
| | <u>269,027</u> | <u>103,401</u> |
| Remaining IDRC Funds | <u>269,027</u> | <u>103,401</u> |

Note: Although the financial statements show the total of \$269,027 as “Remaining IDRC Funds”, the “cash flow” of this program as of June 30, 2008 has the following composition:

| | <u>2009</u> | <u>2008</u> |
|----------------------|---------------|---------------|
| Remaing IDRC Funds | 269,027 | 103,401 |
| Advances to Grantees | (198,769) | (49,571) |
| | <u>70,258</u> | <u>53,830</u> |
| Cash balance | <u>70,258</u> | <u>53,830</u> |

5.9. MAC ARTHUR PROGRAM

The Mac Arthur grant for supporting the assessment of climate change impacts on biodiversity in the Andes was signed on Dec 18th, 2007. The completion date will be December 31, 2009.

Expected payment schedule:

- Initial Installment: \$225,000
- Year 2: \$225,000

| | 2009 | 2008 |
|---------------------------------------|-----------------|----------------|
| Contributions received from MacArthur | 225,000 | 225,000 |
| Salaries and Benefits | (53,510) | (17,838) |
| Meetings | (183,605) | (6,893) |
| Translations and publications costs | (9,050) | - |
| Overhead | (34,923) | - |
| Remaining Mac Arthur Funds | <u>(56,088)</u> | <u>200,269</u> |

Note: Although the financial statements show the total of \$(56,088) as “Remaining Mac Arthur Funds”, the “cash flow” of this program as of June 30, 2009 has the following composition:

| | 2009 | 2008 |
|----------------------------|-----------------|----------------|
| Remaining Mac Arthur Funds | (56,088) | 200,269 |
| Advances - 1st meeting | (5,072) | (12,219) |
| Cash balance | <u>(61,160)</u> | <u>188,050</u> |

5.10. TRAINING INSTITUTES TO DEVELOP CAPACITY IN INTERDISCIPLINARY GLOBAL ENVIRONMENTAL CHANGE SCIENCES

On August 1st, 2008, the National Science Foundation approved a grant of \$225,000 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.

Inter-American Institute for Global Change Research - IAI

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

| | <u>2009</u> | <u>2008</u> |
|--|------------------------|------------------------|
| Contributions received from NSF | 23,316 | - |
| Reversion of TI in Panamá, paid using CRN II funds | 62,729 | - |
| Reimbursement of air tickets not used | 510 | - |
| | <u>86,555</u> | <u>-</u> |
| Training Institute - Panama | (62,729) | (62,729) |
| Training Institute - Honduras | (10,318) | (10,318) |
| Training Institute - Costa Rica | (16,064) | - |
| Training Institute - Natal | (67,697) | - |
| | <u>(156,808)</u> | <u>(73,047)</u> |
| Remaining NSF Funds | <u><u>(70,253)</u></u> | <u><u>(73,047)</u></u> |

6. CORE BUDGET RECEIVABLE

6.1. STATUS OF THE REQUESTED CONTRIBUTIONS TO THE CORE BUDGET FROM THE MEMBER COUNTRIES

| | Due as of 30/6/2008 | Contribution for FY 08/09 | Paid - in 2008/2009 to be applied to: | | | | Advanced last year | Due as of 30/6/2009 |
|--------------------|------------------------|------------------------------|---------------------------------------|-----------------------------|-----------------|-----------------|-----------------------|------------------------|
| | | | Arrears | Current year | Advances | | | |
| Argentina | 51.957 | 57.000 | (50.000) | | | | 58.957 | |
| Bolivia | 20.000 | 5.000 | | | | | 25.000 | |
| Brazil | 5.000 | 100.000 | | (85.000) | | | 20.000 | |
| Canada | - | 143.000 | | (71.500) | | | 71.500 | |
| Chile | (15.000) | 6.000 | - | - | - | (5.000) | (9.000) | |
| Colombia | 50.000 | 11.000 | (10.000) | (11.000) | (11.000) | | 29.000 | |
| Costa Rica | 12.000 | 5.000 | (2.137) | (5.000) | | | 9.863 | |
| Cuba | 25.067 | 5.000 | | (5.000) | | | 25.067 | |
| Dominican Republic | 55.000 | 5.000 | | | | | 60.000 | |
| Ecuador | 35.000 | 5.000 | | | | | 40.000 | |
| Guatemala | 55.000 | 5.000 | | | | | 60.000 | |
| Jamaica | 20.000 | 5.000 | | | | | 25.000 | |
| Mexico | - | 70.000 | | | - | | 70.000 | |
| Panama | (5.000) | 5.000 | | | | (5.000) | - | |
| Paraguay | 60.000 | 5.000 | | | | | 65.000 | |
| Peru | 13.351 | 5.000 | | | | | 18.351 | |
| Uruguay | 50.000 | 5.000 | | | | | 55.000 | |
| USA (*) | 595.000 | 691.000 | (595.000) | - | | | 691.000 | |
| Venezuela | 202.021 | 37.000 | | (12.500) | | | 226.521 | |
| Totals | 1.229.396 | 1.170.000 | (657.137) | (190.000) | (11.000) | (10.000) | 1.541.259 | |
| | | | | Total Revenues: | | | (857.137) | |
| | | | | Total Advances: | | | (11.000) | |
| | | | | Contributions not received: | | | (322.863) | |
| | | | | Advances from last year: | | | (10.000) | |

(*) 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.

On June 30, 2009 the IAI did not request any of the awarded funds.

6.2. 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:

| | 2009 | 2008 |
|----------------------------------|----------------|----------------|
| Vehicle expenses and maintenance | 3,049 | 4,158 |
| Communications | 10,087 | 9,326 |
| Office supplies | 1,368 | 1,645 |
| Premises, equipment and security | 143,064 | 169,996 |
| Support staff | 106,471 | 117,327 |
| | <u>264,039</u> | <u>302,452</u> |

7. PROPERTY AND EQUIPMENT

| | | 2009 | 2008 | | |
|-------------------|-------------------------------------|----------------|-----------------------------|---------------|--------------|
| | Annual Depreciation Rates - % | Cost | Accumulated Depreciation | Net | Net |
| Capital Equipment | 20 | 55,481 | (50,020) | 5,461 | 7,999 |
| Software | 10 | 21,028 | (21,028) | - | - |
| Telephone lines | 10 | 951 | (951) | - | - |
| Vehicles | 20 | 31,643 | (9,980) | 21,663 | - |
| | | <u>109,103</u> | <u>(81,979)</u> | <u>27,124</u> | <u>7,999</u> |

8. CURRENT LIABILITIES

| | 2009 | 2008 |
|---|----------------|----------------|
| Salaries, Benefits and taxes over payroll | 108,496 | 115,469 |
| Suppliers | 63,447 | 36,131 |
| Contributions advance to Core Budget | 21,000 | 20,000 |
| Grantees (Programs Payable) | 11,389 | 22,000 |
| Other payables | 43,883 | 26,514 |
| | <u>248,215</u> | <u>220,114</u> |

9. MANAGEMENT AND GENERAL EXPENSES

| | 2009 | | 2008 | |
|---|------------------|------------------|------------------|------------------|
| | Budget | Actual | Budget | Actual |
| Salaries and benefits | 826,932 | 962,442 | 756,000 | 863,769 |
| Staff travel | 84,200 | 42,584 | 80,000 | 96,548 |
| Dissemination | 43,000 | 34,710 | 43,000 | 31,941 |
| Director's funds | 45,000 | 2,366 | 36,400 | 32,731 |
| Others | 164,330 | 85,788 | 99,600 | 189,034 |
| Donated services, utilities and use of fixed assets | - | 264,039 | - | 302,452 |
| | <u>1,163,462</u> | <u>1,391,929</u> | <u>1,015,000</u> | <u>1,516,475</u> |

10. DEFINED CONTRIBUTION BENEFITS

In the case of the foreign employees (non-Brazilians and non-permanent residents in Brazil) 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 (non-Brazilians and non-permanent residents) are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2008/2009 was US\$43,660 (US\$44,637 in fiscal year 2007/2008).

* * *

MANAGEMENT OF THE ORGANIZATION

Paul Filmer
Chairman of the Executive Committee

Holm Tiessen
Director

Rafael Atmetlla
Administrative and Financial Officer

Anita Soares
Financial Assistant
CRC 1SP224182-PO