

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

**FINANCIAL STATEMENTS FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009
AND INDEPENDENT AUDITORS' REPORT**

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INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI
FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
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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, 2010 and 2009, 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, 2010 and 2009, 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 15, 2010.


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, 2010 AND 2009

(In U.S. dollars)

Assets	2010	2009	Liabilities	2010	2009
Current assets			Current liabilities (Note 8)		
Cash and cash equivalents (Note 4)	228.018	292.671	Accounts payable	181.033	215.826
Collaborative research network			Advanced Core Budget Contributions	6.000	21.000
CRN I - Advances for dissemination activities	8.157	14.356	Research Activities Payable		
Summer Institutes (Note 5.4)	9.341	9.341	Training institute - funds from FUNDACRID	296	11.389
CRN II - project advances (Note 5.5)	2.650.050	2.662.140	CRN II	10.368	-
Training Institutes - project advances			SGP-HD	45.209	-
SGP - Human Dimensions (Note 5.7)	80.226	418.746	IDRC	4.411	-
IDRC program - contract 104358 (Note 5.8)	83.845	198.769		247.317	248.215
Mac Arthur program (Note 5.9)	438	5.072			
Other accounts receivable	94.870	99.906			
	3.154.945	3.701.001	Net assets		
Permanent assets			Temporarily restricted		
Property, plant and equipment (Note 7)	24.213	27.124	Unallocated research funds:		
	24.213	27.124	ISP III (Note 5.4)	-	-
			CRN I (Note 5.1)	73.571	79.770
			CRN II (Note 5.5)	2.660.013	3.129.410
			SGP I (Note 5.2)	23.388	23.388
			SGP II (Note 5.3)	7.117	7.117
			Summer Institutes - IHDP	10.000	10.000
			Training Institutes - NSF(Note 5.6)	5.762	7.281
			Training Institutes - IHDP (Note 5.6)	(2.818)	(2.818)
			SGP - Human Dimensions (Note 5.7)	22.218	379.428
			Special Research Funds	5.000	5.000
			Training Institute - 2008 (Note 5.10)	(379)	(70.253)
			IDRC program (Note 5.8)	186.399	269.027
			Mac Arthur program (Note 5.9)	114.513	(56.088)
			NKAR program	(6.408)	-
				3.098.376	3.781.262
			Unrestricted	(166.535)	(301.352)
				2.931.841	3.479.910
TOTAL ASSETS	<u>3.179.158</u>	<u>3.728.125</u>	TOTAL LIABILITIES AND NET ASSETS	<u>3.179.158</u>	<u>3.728.125</u>

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 YEAR ENDED JUNE, 30, 2010 AND 2009
(In U.S. dollars)

	2010	2009
Revenues, gains and contributions		
Temporarily restricted revenues		
Collaborative research network - CRN II	1,218,447	2,772,293
SGP - Human Dimensions	115,243	297,500
Training Institute - 2008	70,253	86,555
IDRC program	83,194	174,322
Mac Arthur program	225,000	-
NKAR program	18,422	68,459
Unrestricted revenues		
Contributions from member nations	1,134,703	857,137
Donated services, utilities and use of fixed assets	343,025	264,039
Interest income	1,766	2,756
Overheads	11,812	54,118
Other	6,185	13,842
Non operational revenues	10,725	-
Total revenues, gains and contributions	3,238,775	4,591,021
Expenses		
Core budget expenses		
Management and general expenses	(1,373,399)	(1,391,929)
Total core budget expenses	(1,373,399)	(1,391,929)
Research expenses		
Collaborative research network - CRN I	(6,199)	(163,210)
Collaborative research network - CRN II	(1,687,844)	(1,892,669)
Summer Institute - Urbanization	-	(9,275)
Summer Institute - Human Dimensions	-	(43,053)
Training Institute - Paraguay (NSF Grants)	(1,519)	(1,000)
Training Institute - 2008	(379)	(83,761)
SGP-Human Dimensions	(472,453)	(195,250)
IDRC program	(165,822)	(8,695)
Mac Arthur program	(54,399)	(256,357)
NKAR Program	(24,830)	(68,459)
Total research expenses	(2,413,445)	(2,721,729)
Total expenses	(3,786,844)	(4,113,658)
	(548,069)	477,363
Temporarily restricted net assets		
Collaborative research network - CRN I	(6,199)	(163,209)
Collaborative research network - CRN II	(469,397)	879,623
Training Institutes -NSF Funds	(1,519)	(1,000)
SGP - Human Dimensions	(357,210)	102,250
Training Institute - 2008	69,874	2,794
IDRC program	(82,628)	165,626
Mac Arthur program	170,601	(256,357)
NKAR program	(6,408)	-
Unrestricted net assets	134,817	(252,364)
Change in net assets for the year	(548,069)	477,363

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 YEAR ENDED JUNE, 30, 2010 AND 2009
(In U.S. dollars)

	2010			2009		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations	-	1,134,703	1,134,703	-	857,137	857,137
Donated services	-	343,025	343,025	-	264,039	264,039
Interest	-	1,766	1,766	-	2,756	2,756
Overheads	-	11,812	11,812	-	54,118	54,118
Other	-	16,910	16,910	-	13,842	13,842
Collaborative research network - CRN II	1,218,447	-	1,218,447	2,772,293	-	2,772,293
Training Institute - 2008	70,253	-	70,253	86,555	-	86,555
SGP - Human Dimensions	115,243	-	115,243	297,500	-	297,500
IDRC program	83,194	-	83,194	174,322	-	174,322
Mac Arthur Program	225,000	-	225,000	-	-	-
NKAR program	18,422	-	18,422	68,459	-	68,459
Total revenues, gains and contributions	1,730,559	1,508,216	3,238,775	3,399,129	1,191,892	4,591,021
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1,373,399)	(1,373,399)	-	(1,391,929)	(1,391,929)
Collaborative research network - CRN I	-	(6,199)	(6,199)	-	(163,210)	(163,210)
Collaborative research network - CRN II	-	(1,687,844)	(1,687,844)	-	(1,892,669)	(1,892,669)
Summer Institute - Urbanization (ISPIII Funds)	-	-	-	-	(9,275)	(9,275)
Summer Institute - Human Dimensions (ISPIII Funds)	-	-	-	-	(43,053)	(43,053)
Training Institute - Paraguay (NSF Grants)	-	(1,519)	(1,519)	-	(1,000)	(1,000)
Training Institute - 2008	-	(379)	(379)	-	(83,761)	(83,761)
SGP - Human Dimensions	-	(472,453)	(472,453)	-	(195,250)	(195,250)
IDRC program	-	(165,822)	(165,822)	-	(8,695)	(8,695)
Mac Arthur Program	-	(54,399)	(54,399)	-	(256,357)	(256,357)
NKAR program	-	(24,830)	(24,830)	-	(68,459)	(68,459)
Total Expenses and losses	-	(3,786,844)	(3,786,844)	-	(4,113,658)	(4,113,658)
Change in net assets						
Unrestricted net assets - core budget	-	134,817	134,817	-	(210,101)	(210,101)
ISPIII	-	-	-	(42,264)	-	(42,264)
Collaborative research network - CRN I	(6,199)	-	(6,199)	(163,209)	-	(163,209)
Collaborative research network - CRN II	(469,397)	-	(469,397)	879,624	-	879,624
Training Institutes -NSF Funds	(1,519)	-	(1,519)	(1,000)	-	(1,000)
Training Institute - 2008	69,874	-	69,874	2,794	-	2,794
SGP - Human Dimensions	(357,210)	-	(357,210)	102,250	-	102,250
IDRC program	(82,628)	-	(82,628)	165,626	-	165,626
Mac Arthur Program	170,601	-	170,601	(256,357)	-	(256,357)
NKAR program	(6,408)	-	(6,408)	-	-	-
Total change in net assets	(682,886)	134,817	(548,069)	687,464	(210,101)	477,363

EXHIBIT 3 (página 2)

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE, 30, 2010 AND 2009
(In U.S. dollars)

	2010			2009		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Net assets at beginning of year						
Unrestricted net assets - core budget	-	(301.352)	(301.352)	-	(91.252)	(91.252)
ISPIII	-	-	-	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 Institute - 2008	(70.253)	-	(70.253)	(73.047)	-	(73.047)
SGP - Human Dimensions	379.428	-	379.428	277.178	-	277.178
Special Research Fund contributions	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
Total net assets at beginning of year	3.781.262	(301.352)	3.479.910	3.093.799	(91.252)	3.002.547
Net assets at end of year						
Unrestricted net assets - core budget		(166.535)	(166.535)		(301.352)	(301.352)
Collaborative research network - CRN I	73.571	-	73.571	79.770	-	79.770
Collaborative research network - CRN II	2.660.013	-	2.660.013	3.129.410	-	3.129.410
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	5.762	-	5.762	7.281	-	7.281
Training Institutes - IHDP	(2.818)	-	(2.818)	(2.818)	-	(2.818)
Training Institute - 2008	(379)	-	(379)	(70.253)	-	(70.253)
SGP - Human Dimensions	22.218	-	22.218	379.428	-	379.428
Special Research Fund contributions	5.000	-	5.000	5.000	-	5.000
IDRC program	186.399	-	186.399	269.027	-	269.027
Mac Arthur Program	114.513	-	114.513	(56.088)	-	(56.088)
NKAR program	(6.408)	-	(6.408)	-	-	-
Total net assets at end of year	3.098.376	(166.535)	2.931.841	3.781.262	(301.352)	3.479.910

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 YEAR ENDED JUNE, 30, 2010 AND 2009
(In U.S. dollars)

	<u>2010</u>	<u>2009</u>
Cash flow from operating activities		
Change in net assets	(548.069)	477.363
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7.621	5.862
Changes in operating assets and liabilities		
Other accounts receivable	5.036	(92.026)
Accounts payable	(34.793)	37.712
CRN receivable	-	129.115
CRN I Advances for Dissemination Activities	6.199	8.054
CRN II Project Advances	12.090	(425.781)
CRN II - Payable	10.368	-
Summer Institutes Receivables	-	52.328
Training Institutes - Project Payable - Fundacrid	(11.093)	(10.611)
SGP - Human Dimensions - project advances	338.520	(125.768)
SGP - Human Dimensions - payable	45.209	-
IDRC program - contract 104358 - project advances	114.924	(149.198)
IDRC program - contract 104358- payable	4.411	-
Mac Arthur program	4.634	7.147
Advanced Core Budget Contributions	(15.000)	1.000
Net cash used in operating activities	(59.943)	(84.803)
Cash used to purchase/earned for selling fixed assets		
Purchase of fixed assets	(4.726)	(25.738)
Adjustments - fixed assets	16	-
Tax credit - fixed assets	-	150
Selling of fixed assets	-	601
	(4.710)	(24.987)
Change in cash and cash equivalents	<u>(64.653)</u>	<u>(109.790)</u>
Cash and cash equivalents at the beginning of year	292.671	402.461
Cash and cash equivalents at the end of year	<u>228.018</u>	<u>292.671</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, 2010 AND 2009 (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, 2010 AND 2009.

The official rate of exchange as of June 30, 2010 was R\$1.8015 per US\$1.00 and R\$ 1,9516 per US\$1.00 as of June 30, 2009.

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 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>2010</u>	<u>2009</u>
Petty cash and bank balance	219,144	221,872
Short-term investments	<u>8,874</u>	<u>70,799</u>
	<u>228,018</u>	<u>292,671</u>

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

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 2009 and 2010 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:

	2010	2009
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	2010	2009
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	854,717	854,717
Remaining funds sent back to NSF thru check	(26,040)	(26,040)
Dissemination Activities of the CRN I Program Results	(746,371)	(740,172)
Total CRN I funds not allocated	73,571	79,770
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.

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>2010</u>	<u>2009</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>2010</u>	<u>2009</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>2010</u>	<u>2009</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><u>7,117</u></u>	<u><u>7,117</u></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>2010</u>	<u>2009</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><u>1,878,984</u></u>	<u><u>1,878,984</u></u>

Inter-American Institute for Global Change Research - IAI

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:

	2010	2009
Total National Science Foundation Award	1,878,984	1,878,984
Cash distributed to IAI	(1,878,984)	(1,878,984)
Total to be received by IAI	-	-
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	(42,369)	(42,369)
Total funds not allocated to any grantee institutions (*)	-	-
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	(50,000)	(50,000)
Total to be transferred to the grantee institutions	-	-

(*) The remaining funds from the ISP III Program were committed to support training activities related to the objectives of this program, as follows:

	2010	2009
Urbanization and Global Environmental Change	2,395	2,395
Globalization and Food Systems	6,946	6,946
Summer Institutes (Receivables)	9,341	9,341

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 is 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

	2010	2009
Funds Received from NSF	7,733,147	6,514,700
Project expenses (reported expenses year 1)	(4,599,705)	(2,916,805)
Salaries and Benefits (Program Manager)	(189.372)	(189.372)
CRN II Panel (proposal selection)	(7,971)	(7,971)
CRN II Panel (other costs)	(610)	(610)
Folders, posters and other printings	(1,594)	-
Meetings supported by CRN II funds	(155.910)	(152.560)
Training Institute in Panama	(62.729)	(62.729)
Auditing process	(44.826)	(44.826)
Synsthesis	(10.417)	(10.417)
	<u>2,660,013</u>	<u>3,129,410</u>
Unallocated CRN II Funds		

Note: Although the financial statements show the total of US\$2,660,013 as “Unallocated CRN II Funds”, the “cash flow” of this program as of June 30, 2010 has the following composition:

	2010	2009
Unallocated CRN II Funds	2,660,013	3,129,410
Advances to Grantees	(2,650,050)	(2,662,140)
Payable to Grantees	10,368	-
	<u>20,331</u>	<u>467,270</u>
Cash “on hand”		

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.

	2010	2009
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)	(46,971)
Remaining funds from TISG-P1	810	810
Unallocated NSF Funds for TI	5,762	7,281
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:

	2010	2009
TISG - P1	754	2,273
TISG - P2	3.502	3.502
TISG - P3	1.506	1.506
	<u>5.762</u>	<u>7.281</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.

	2010	2009
Contributions received from NSF	695,395	580,152
Panel SGP-HD	(4,450)	(4,450)
GECAFS Conference and other meetings	(7,024)	(1,024)
Reported Expenses	(661,703)	(195,250)
Remaining NSF Funds	<u>22,218</u>	<u>379,428</u>

Note: Although the financial statements show the total of US\$22,218 as “Remaining NSF Funds”, the “cash flow” of this program as of June 30, 2010 has the following composition:

	2010	2009
Remaing NSF Funds	22,218	379,428
Advances to Grantees	(80,226)	(418,746)
Payable to Grantees	45,209	-
Cash “on hand”	<u>(12,799)</u>	<u>(39,318)</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>2010</u>	<u>2009</u>
Contributions received from IDRC	374,954	291,759
Panel expenses	(14,037)	(14,037)
Landuse Change Meeting in Brazil	(9,596)	-
Reported Expenses	(144,415)	-
Overhead	(20,507)	(8,695)
	<u>186,399</u>	<u>269,027</u>
Remaining IDRC Funds	<u>186,399</u>	<u>269,027</u>

Note: Although the financial statements show the total of \$186,399 as “Remaining IDRC Funds”, the “cash flow” of this program as of June 30, 2010 has the following composition:

	<u>2010</u>	<u>2009</u>
Remaing IDRC Funds	186,399	269,027
Advances to Grantees	(83,845)	(198,769)
Payable to Grantees	4,411	-
	<u>106,965</u>	<u>70,258</u>
Cash “on hand”	<u>106,965</u>	<u>70,258</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 would b December 31, 2009.

In November 2009, MacArthur approved a no-cost extension, until August 2010.

Expected payment schedule:

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

	<u>2010</u>	<u>2009</u>
Contributions received from MacArthur	450,000	225,000
Salaries and Benefits	(83,074)	(53,510)
Meetings	(196,885)	(183,605)
Translations and publications costs	(12,850)	(9,050)
Other administrative costs	(21)	-
Overhead	(34,923)	(34,923)
Final Synthesis	(7,734)	-
	<u>114,513</u>	<u>(56,088)</u>
Remaining Mac Arthur Funds	<u>114,513</u>	<u>(56,088)</u>

Note: Although the financial statements show the total of \$ 114,513 as “Remaining Mac Arthur Funds”, the “cash flow” of this program as of June 30, 2010 has the following composition:

	<u>2010</u>	<u>2009</u>
Remaing Mac Arthur Funds	114,513	(56,088)
Advances for meetings	(438)	(5,072)
	<u>114,075</u>	<u>(61,160)</u>
Cash balance	<u>114,075</u>	<u>(61,160)</u>

5.10. TRAINING INSTITUTES TO DEVELOP CAPACITY IN INTERDISCIPLINARY GLOBAL ENVIRONMENTAL CHANGES 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.

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

	<u>2010</u>	<u>2009</u>
Contributions received from NSF	93,569	23,316
Reversion of TI in Panamá, paid using CRN II funds	62,729	62,729
Reimburse of air tickets not used	510	510
	<u>156,808</u>	<u>86,555</u>
Training Institute - Panama	(62,729)	(62,729)
Training Institute - Honduras	(10,318)	(10,318)
Training Institute - Costa Rica	(16,064)	(16,064)
Training Institute - Natal	(67,697)	(67,697)
	<u>(156,808)</u>	<u>(156,808)</u>
Translation services	(379)	-
Remaining NSF Funds	<u>(379)</u>	<u>(70,253)</u>

6. CORE BUDGET RECEIVABLE

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

	Due as of 30/6/2009	Contribution for FY 09/10	Paid - in 2009/2010 to be applied to:			Due as of 30/6/2010
			Arrears	Current year	Advances	
Argentina	58.957	57.000	(50.000)	-	-	65.957
Bolivia	25.000	5.000	(10.000)	-	-	20.000
Brazil	20.000	100.000	(34.847)	(85.153)	-	-
Canada	71.500	143.000	(71.500)	(143.000)	-	-
Chile	(9.000)	6.000	(1.000)	(1.000)	(1.000)	(6.000)
Colombia	29.000	11.000	(3.804)	(11.000)	-	25.196
Costa Rica	9.863	5.000	(3.899)	-	-	10.964
Cuba	25.067	5.000	-	-	-	30.067
Dominican Republic	60.000	5.000	-	-	-	65.000
Ecuador	40.000	5.000	-	-	-	45.000
Guatemala	60.000	5.000	-	-	-	65.000
Jamaica	25.000	5.000	-	-	-	30.000
Mexico	70.000	70.000	-	-	-	140.000
Panama	-	5.000	-	-	-	5.000
Paraguay	65.000	5.000	-	-	-	70.000
Peru	18.351	5.000	-	-	-	23.351
Uruguay	55.000	5.000	-	-	-	60.000
USA (*)	691.000	691.000	(691.000)	-	-	691.000
Venezuela	226.521	37.000	-	(12.500)	-	251.021
Totals	1.541.259	1.170.000	(866.050)	(252.653)	(1.000)	1.591.556

Revenues (arrears and current)	(1.118.703)
Revenues (advances from last f	(16.000)
Advances in this fiscal year:	(1.000)
Contributions not received:	(51.297)

(*) 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, 2010 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:

	2010	2009
Vehicle expenses and maintenance	2,286	3,049
Communications	7,667	10,087
Office supplies	1,368	1,368
Premises, equipment and security	185,963	143,064
Support staff	145,741	106,471
	<u>343,025</u>	<u>264,039</u>

7. PROPERTY AND EQUIPMENT

		2010	2009		
	Annual Depreciation Rates - %	Cost	Accumulated Depreciation	Net	Net
Capital Equipment (computer and accessories)	20	35,949	(30,684)	5,265	5,461
Software	10	21,028	(21,028)	-	-
Telephone lines	10	951	(951)	-	-
Communication Equipments	10	295	(295)	-	-
Photografic Equipments	10	548	(548)	-	-
Furniture and office equipments	10	2,322	(395)	1,927	
Vehicles	20	23,210	(6,189)	17,021	21,663
		<u>84,303</u>	<u>(60,090)</u>	<u>24,213</u>	<u>27,124</u>

8. CURRENT LIABILITIES

	2010	2009
Salaries, Benefits and taxes over payroll	118,417	108.496
Suppliers	45,627	63.447
Contributions advance to Core Budget	6,000	21.000
Grantees (Programs Payable)	60,284	11.389
Other payables	16,989	43.883
	<u>247,317</u>	<u>248.215</u>

9. MANAGEMENT AND GENERAL EXPENSES

	2010		2009	
	Budget	Actual	Budget	Actual
Salaries and benefits	777,477	882,592	826,932	962,442
Staff travel	74,510	20,343	84,200	42,584
Dissemination	49,000	19,512	43,000	34,710
Director's funds	60,000	-	45,000	2,366
Others	202,130	107,927	164,330	85,788
Donated services, utilities and use of fixed assets	-	343,025	-	264,039
	<u>1,163,117</u>	<u>1,373,399</u>	<u>1,163,462</u>	<u>1,391,929</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 2009/2010 was US\$43,704 (US\$43,660 in fiscal year 2008/2009).

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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-P0