



Inter-American Institute  
For Global Change Research

FINANCIAL STATUS REPORT  
ACCOUNTING TO MAR. 31<sup>st</sup>, 2016  
CONTRIBUTION STATUS TO APR 30<sup>th</sup>, 2016

Report for the EC - CoP Meeting  
Santiago - Chile  
June, 2016

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## 1) Status of the Core Budget

### a) Country Contributions

As of April 30, 2016 the funds collected (cash incomes) represent the equivalent of 98% of the approved contributions for the fiscal year 2015/2016. Table I shows the status of the contributions.

**Status of Country Contributions as of April 30, 2016**  
Amounts in US\$

	Due as of 30-Jun-15	Contribution for FY 15/16	Paid - in 2015/2016 to be applied to:			Due as of 30-Jun-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				8,000
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 (*)	242,203	831,000	(173,203)	(743,940)		156,060
Venezuela	45,000	45,000				90,000
<b>Totals</b>	<b>1,313,936</b>	<b>1,400,000</b>	<b>(407,334)</b>	<b>(966,994)</b>	<b>(352)</b>	<b>1,339,255</b>

The response from the countries to the IAI contacts has decreased. Only 10 countries have made payments, or owed less than an annual amount. Some of the biggest parties of the Institute failed to pay their dues before the end of the fiscal year.

Unpaid contributions are significant, and are becoming a significant reason for limiting spending on new and discretionary activities. Brazilian non-contributions now account for the principal portion of pending contributions, Currently unpaid contributions by Brazil amount to US\$460,000, and increase to US\$580,000 in fiscal year 2016/2017.

In addition, since 2004, the IAI had to contribute to salaries for Brazilian staff that according to the host country agreement should have been entirely funded by Brazil. Since October 2012, the IAI fully paid all salaries for Brazilian staff that should have been covered under the Host Country Agreement. This was one of the reasons for the move to a new host country. Even 2 years after the move to Uruguay, one person remains in Brazil to deal with administrative needs.

The total shortfall in the IAI core budget from those circumstances amounts to near US\$750,000, or nearly three quarters of the actual annual operating budget. This shortfall alone has forced the IAI to operate at about 80% of approved budgeted expenses for the past years. The Directorate's discretionary Funds have been eliminated for the past 4 years eliminating the IAI's ability to respond to any additional funding requests.

The pending amount is also undermining reserves for Unliquidated Obligations which include funds for renewing the Director's position with costs of two moves and contractual obligations.

Approximately one third of the core budget covers science program administration, and from the current CRN 3 program alone, Brazilian Institutions and researchers receive a total of US\$2.6 million over 5 years.

It is important that all countries benefiting from IAI activities make timely contributions.

The total revenues for the year amount to US\$ 1,374,328, amount that includes payments for arrears and the current year. Compared to the approved contribution amount, the IAI did not collect a total of US\$25,672.

There are still issues with countries that continue to accumulate unpaid contributions. Guatemala and Dominican Republic have never paid contributions.

Positive news comes from Mexico and Costa Rica which paid all pending contributions; Peru paid most of the pending contributions.

The new award for the US contributions was in place by October 1<sup>st</sup>, 2015. The current dues reflect undisbursed funds that are available upon request and a balance that IAI is currently negotiating with NSF arising from the timing of the US contribution grant and the establishment of the current contribution level.

## **b) Collection of Country Contributions**

The funding requests continue to involve all senior members of the IAI staff. Every opportunity to promote IAI and request funds is used. Whenever staff members travel, contacts are made in order to promote IAI with country officials, meeting with persons with political and budgetary decision power, and move towards a decision to engage the country and commit funds (see also the directorate report). The strategy to engage more countries is based on content driven efforts, using local science and capacity building and involving local scientists in the IAI's request for contributions.

Whenever the IAI communicates with member countries, a country profile is provided in order to show the tangible financial and scientific benefits that the countries have obtained from participating in IAI. This has had a positive impact in several countries over the past years.

However, the IAI needs more support from the member countries, as contributions should be received at the earliest from all members. We have undertaken additional collection efforts with positive results, however some major contributors are still not paying the full amounts, and some small countries are not contributing, and therefore, the balance of pending contributions is relatively stable: the total amount not yet collected is now US\$1.33 million.

## **c) Expenses**

The following table shows the expenses at the close of March 2016 (nine months into the fiscal year). This comparison shows the status of the core budget compared to the actual expenses in the corresponding period (75% of the total approved budget).

**Budget Performance**  
**July 2015 - March 2016**  
Amounts in US\$

Category	Actuals 2015/2016	YTD Budget 2015/2016	Difference	%
Salaries & Benefits	717,251	690,172	27,079	3.9%
Travel & Training	63,350	74,460	(11,110)	-14.9%
Equipment	4,889	8,025	(3,136)	-39.1%
Operational Costs	100,395	222,641	(122,246)	-54.9%
Dissemination & Outreach	31,739	29,250	2,489	8.5%
Director's Fund	-	40,500	(40,500)	-100.0%
<b>Total</b>	<b>917,624</b>	<b>1,065,048</b>	<b>(147,424)</b>	<b>-13.8%</b>

TABLE II: Core Budget expenses as of March 31, 2016.

At the close of the March 2016, expenses were 13.8% lower than the budget (75% of the total budget).

Salaries and Benefits are higher than expected due to the effect of adjustments in Benefits particularly in the cost of term life insurance and health insurance. This line is also affected by salaries complements for local staff and extra benefits approved. At the end of the fiscal year, we expect to be in line with the full-year budget.

Travel and training expenses are lower than expected as travel has been reduced and covered by non-core funds whenever possible. Additional expenses will be incurred later in the fiscal year.

In the line of operational costs, additional expenses have been incurred to fully implement the offices in Uruguay, systems management and improvements. Also, additional expenses were incurred due to the extension of services contracts to close the operations in Brazil. Most of the other budgeted amounts are contracts with a fixed price. Savings arise from reserves that are not been replenished due to the country contribution scenario.

Dissemination and Outreach is lower due to lower cost for the Bi-annual Report. Activities under Director's Special Fund have been frozen because of budget constraints.

## 2) Cash Composition and Core Budget Reserves

The cash balance at the end of March 2016 was 34% higher than the balance at the end of February 2015. Program Funds from NSF are

requested as needed and the balance of Cash-on-hand for these funds is close to zero, consistent with the change of policy in NSF from 2014. If the country contributions from the main parties of IAI had been received, the cash situation would be improved from the previous fiscal year's position. Expenses continue to be tightly controlled and some countries continue to pay for past contributions, however until the pending contributions from Brazil among others, have been received the IAI is not in position to commit funds for new hiring.

The Cash reconciliation reflects a slightly decreased position in the core budget, with reserves covering 3.8 months of operations. If the undisbursed funds by the US are taken into consideration, the current available funds cover 5.4 months of operations, lower than last year.

#### **Cash Reconciliation**

At the end of Mar-16

Amounts in US\$

	Feb-15	Mar-16	Variance
Program Funds	38,785.95	60,412.24	55.8%
IAI CB Funds	337,003.88	443,480.96	31.6%
<b>Total Cash</b>	<b>375,789.83</b>	<b>503,893.20</b>	<b>34.1%</b>

### **3) Administrative Area**

#### a) Changes to Administrative Processes / Internal Controls

##### Employee Manual

The changes to the forms and approved policies are being compiled and attached to the manual as a new annex. The manual needs an in-depth revision to update all recent changes in the Directorate's structure.

##### Tripartite Agreement Implementation

The offices in Montevideo have been fully functional for the past two years, the positions needed have been filled and all expected staff is now in place.

Argentina placed a Director in the Science-Policy office in 2015, towards the full implementation of the agreement.

The Tripartite Agreement has not been implemented in Brazil, generating a high risk environment for the expanded Directorate;

this situation and the missing Brazilian core budget contributions of about US\$ 460k, as well as non-payment since 2012 of the local support salaries specified in the host country agreement by Brazil, one of the 3 parties involved in the Tripartite Agreement have created complications for the IAI Financial Management and forces IAI to take firm measures to control expenses until the situation is favorably resolved, and to guard against similar situations arising under the Tripartite Agreement.

#### Internal Controls

The controls remain in place, being reviewed and updated when opportunities for improvement are detected. Currently there are no critical Internal Control Issues outstanding either from the FAC or the External Auditors. The IAI has received the report for the past fiscal year (2014/2015), and the included in the meeting documents. The report was received without qualifications.

#### Accounting and Information Management Software

The Accounting and Information management software has been fully implemented with minimum impact to the IAI operations. It is an improvement from the previous accounting system of IAI as it is more robust and controls not only the accounting part of IAI, but that also gives us better control for projects, country participation, individuals involved and improve management reporting for all areas of IAI.