



# ***Report Relating to Professional Services***

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

Financial Statements  
for the Year Ended June 30, 1997  
and Independent Auditors' Report

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INTER AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

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INDEPENDENT AUDITORS' REPORT

Inter-American Institute for Global Change Research - IAI  
São José dos Campos, Brazil

We have audited the accompanying statement of financial position as of June 30, 1997 of the IAI - Inter-American Institute for Global Change Research and the related statements of activities and cash-flow for the year then ended June 30, 1997. These financial statements are the responsibility of IAI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of IAI as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

*Deloitte Touche Tohmatsu*  
August 22, 1997

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 1997

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	US\$
ASSETS	
CURRENT ASSETS:	253,428
Cash and cash equivalents	27,530
Accounts receivable (less allowance for doubtful accounts)	6,210
Other current assets	287,168
Total current assets	
FIXED ASSETS:	9,866
Computer equipment	(1,973)
Less accumulated depreciation	7,893
Fixed assets, net	295,061
TOTAL	
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	30,402
Accounts payable	31,428
Deferred revenues	61,830
Total current liabilities	233,231
NET ASSETS - Unrestricted	295,061
TOTAL	

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See notes to financial statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 1997

	<u>US\$</u>
CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues and donations:	
Contributions from member nations	795,300
Donated services, utilities and use of fixed assets	741,861
Interest income	2,765
Total revenues and donations	<u>1,539,926</u>
EXPENSES:	
Management and general expenses	<u>1,306,695</u>
INCREASE IN NET ASSETS	233,231
NET ASSETS, BEGINNING OF YEAR	-
NET ASSETS, END OF YEAR	<u><u>233,231</u></u>

See notes to financial statements.

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1997

	<u>US\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	233,231
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	2,556
Allowance for doubtful accounts	1,973
Depreciation and amortization	
Changes in operating assets and liabilities:	(30,086)
Accounts receivable	(6,210)
Other current assets	31,428
Deferred revenues	30,402
Accounts payable	263,294
Net cash provided by operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES:	(9,866)
Purchase of computer hardware	
INCREASE IN CASH AND CASH EQUIVALENTS	253,428
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	253,428

See notes to financial statements.

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

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE, 30 1997

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#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Organization** - The Inter-American Institute for Global Change Research (IAI) is an intergovernmental organization dedicated to global change research, to augmenting 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, SP, Brazil, as the site of the IAI Directorate. The Directorate was inaugurated on March 1<sup>st</sup>, 1996. For financial reporting purposes the Directorate became fully operational from July 1, 1996.

The IAI Director is charged with implementing the institutional policies and programs determined by the Conference of the Parties, the governing body of the IAI. The Scientific Advisory Committee provides the general direction for the development and implementation of the Institute's science agenda and oversees a competitive peer review system. The IAI Executive Council assists the Conference of the Parties by providing recommendations related to Institute policies and advancement. The Institute receives voluntary contributions from the member countries to support the Directorate. The scientific programs and activities are supported by contributions from IAI member countries as well as from international funding agencies and programs.

**Basis of Presentation** - The financial statements are prepared on the accrual basis of accounting.

**Cash and Cash Equivalents** - IAI considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Fixed Assets** - Fixed assets consist of computer hardware which was purchased with NSF funds. Depreciation is provided using the straight-line method over the estimated useful life of five years.

**Deferred Revenue, Revenue and Expense Recognition** - Revenues from grants, considered to be exchange transactions, are recognized when expenses under the grant are incurred. Expenses charged to the National Science Foundation are subject to audit by the U.S. Government and possible adjustment. In the opinion of management, such adjustments, if any, will not have a significant effect on the accompanying financial statements.

*Donated Services, Utilities, and Use of Fixed Assets* - Donated services, which are comprised of secretarial, security, and maintenance services provided by INPE, are recorded as revenue contributions and as expenses at estimated fair value when received. The estimated fair value of such donated services was \$ 456,235 in 1997. INPE also provides IAI with the use of a building, office equipment and an automobile at no charge. IAI has recorded donations and expenses of \$ 141,180, representing the estimated rental charges if IAI were to rent the building, equipment and automobile from a third party. Additionally, during 1997, INPE as well as certain member countries paid for \$ 144,446 of IAI's expenses. All donated services, utilities, and use of fixed assets are reflected in the statement of activities in the unrestricted class of net assets.

*Tax Status* - IAI is exempt from income taxes under Brazilian tax legislation.

*Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. EXPENSES

Expenses for operating activities for the year ended June 30, 1997 are as follows:

Salaries and benefits (international staff)	371,141
Other staff salaries	353,449
Security	92,359
Telecommunications	75,341
Travel	95,334
Rental charges	141,180
Site maintenance costs	43,234
Others (Newsletter, cost of meetings, etc)	134,657
Total	<u>1,306,695</u>

## 3. DEFINED CONTRIBUTION BENEFITS

IAI has entered into employment agreements with each of its international staff. Such agreements provide that employees will make contributions to their individual retirement plans of up to 5% of their salaries which will be matched 100% by IAI for the first 12 months. Thereafter, employees may contribute up to 7% maximum 14% by IAI. IAI contributed \$16,282 to the employees' plans during 1997.