



**Inter-American Institute for Global Change
Research - IAI**

Financial statements
June 30, 2004 and 2003



Inter-American Institute for Global Change Research - IAI

Financial statements

June 30, 2004 and 2003

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Independent auditors' report

To the Executive Council of
Inter-American Institute for Global Change Research - IAI
São José dos Campos

1. We have audited the balance sheets of Inter-American Institute for Global Change Research - IAI Not-for-Profit Organization as of June 30, 2004 and 2003, and the related statements of its activities, change in its net assets and its cash flows for the years then ended. These financial statements are the responsibility of Inter-American Institute for Global Change Research - IAI Not-for-Profit Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except as discussed in the third and fourth paragraphs, we conducted our audit in accordance with generally accepted auditing standards in Brazil. 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.
3. The IAI has not calculated and recognized the fair value of the accounts receivable and payable related to the CRN research project at the balance sheets date, as described in Note 2.g. Consequently, the effects of these departures from generally accepted accounting principles in the United States of America on the IAI financial position as of June 30, 2003 and its results of operations as of and for the years ended June 30, 2004 and 2003 have not been determined.
4. According to IAI project management policies, the total amount of the project expenses and liabilities are recognized when the research grant agreements between the IAI and the Research Institutes are signed. Therefore, the amount of the actual expenses under each research grant agreement and the respective amounts payable to the Research Institutes are not recognized in the financial statements each year proportionally to the development of the research activity. Additionally, in 2004 the IAI management initialized a full review of all CRN projects (main projects) in order to identify the advances paid to the Research Institutes and reclassify them to current assets, and recognize the respective projects expenses in accordance with generally accepted accounting principles in the United States of America. Until the end of our audit, the review and regularization of the accounting entries of all CRN projects had not yet been completed. Consequently, the corresponding supporting documentation to permit us to perform our audit procedures on the projects balances was not available and we could not conclude on their balances through other audit procedures.



5. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the matters discussed in the preceding paragraphs the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Inter-American Institute for Global Change Research - IAI Not-for-Profit Organization as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in accordance with generally accepted accounting principles in the United States of America.

August 20, 2004

KPMG Auditores Independentes
CRC 2SP014428/O-6

Roberto Vilela Resende
Contador CRC 1MG047618/O-5-T-SP

Inter-American Institute for Global Change Research - IAI

Balance sheets

June 30, 2004 and 2003

(In U.S. dollars)

Assets	2004	2003	Liabilities	2004	2003
Current assets			Current liabilities		
Cash and cash equivalents	1,532,512	1,690,655	Accounts payable	103,157	49,348
Collaborative research network - CRN receivable	1,333,115	2,833,115	Collaborative research network - CRN payable	2,329,202	2,254,394
SGP Receivable	20,251	100,251	Initial science program round III payable	59,466	59,466
SGP II Receivable	30,400	-	PESCA payable	(4,659)	8,250
SGP II - Project Advances	458,649	-	SGP payable	18,000	84,251
Other accounts receivable	<u>25,733</u>	<u>29,277</u>	SGP payable - Cuba	<u>7,499</u>	<u>30,000</u>
	<u>3,400,660</u>	<u>4,653,298</u>		<u>2,512,665</u>	<u>2,485,709</u>
Permanent assets			Noncurrent liabilities		
Property, plant and equipment	<u>25,598</u>	<u>19,699</u>	Collaborative research network - CRN payable	<u>-</u>	<u>1,858,353</u>
			Net assets		
			Temporarily restricted		
			Unallocated research funds:		
			ISP III	93,822	136,447
			CRN	(464,775)	(609,475)
			PESCA	8,000	89,068
			SGP	17,000	17,000
			SGP II	530,869	-
			Summer Institutes	10,000	-
			Special Research Funds	<u>5,000</u>	<u>-</u>
				199,916	(366,960)
			Unrestricted	<u>713,677</u>	<u>695,895</u>
				<u>913,593</u>	<u>328,935</u>
	<u>3,426,258</u>	<u>4,672,997</u>		<u>3,426,258</u>	<u>4,672,997</u>

See the accompanying notes to the financial statements.

Inter-American Institute for Global Change Research - IAI

Statements of activities

Years ended June 30, 2004 and 2003

(In U.S. dollars)

	2004	2003
Revenues, gains and contributions		
Temporarily restricted revenues		
Collaborative research network - CRN	144,700	2,059,600
Small grants program - SGP	-	360,000
Small grants program II - SGP II	540,400	-
Summer Institute - Contributions from other agencies	10,000	-
Special Research Fund contributions	5,000	-
Unrestricted revenues		
Contributions from member nations	945,000	940,000
Donated services, utilities and use of fixed assets	158,660	156,305
Interest income	3,329	3,502
Other	9,213	10,949
	<u>1,816,302</u>	<u>3,530,356</u>
Expenses		
Core budget expenses		
Small grants program - SGP	-	(40,000)
Management and general expenses	(1,025,924)	(881,772)
Contribution received from member countries	(29,744)	-
Allowance for doubtful accounts	(42,753)	(139,762)
	<u>(1,098,421)</u>	<u>(1,061,534)</u>
Research expenses		
PESCA	(81,068)	-
ISP III	(42,624)	-
Collaborative research network - CRN	-	(59,600)
Small grants program II - SGPII	(9,531)	(343,000)
	<u>(133,223)</u>	<u>(402,600)</u>
Total expenses	<u>(1,231,644)</u>	<u>(1,464,134)</u>
Increase in net assets for the year	<u>584,658</u>	<u>2,066,222</u>
Temporarily restricted net assets		
Collaborative research network - CRN	144,700	2,000,000
Small grants program - SGP	-	17,000
ISP III	(42,624)	-
PESCA	(81,068)	-
Small grants program II - SGP II	530,869	-
Special Research Fund contributions	5,000	-
Summer Institute - Contributions from other agencies	10,000	-
Unrestricted net assets	<u>17,781</u>	<u>49,222</u>
Increase in net assets for the year	<u>584,658</u>	<u>2,066,222</u>

See the accompanying notes to the financial statements.

Inter-American Institute for Global Change Research - IAI

Statements of changes in net assets

Years ended June 30, 2004 and 2003

(In U.S. dollars)

	2004			2003		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Core budget	-	945,000	945,000	-	940,000	940,000
Donated services	-	158,660	158,660	-	156,305	156,305
Interest	-	3,329	3,329	-	3,502	3,502
Other	-	9,213	9,213	-	10,949	10,949
Temporarily restricted revenues						
Collaborative research network - CRN	144,700	-	144,700	2,059,600	-	2,059,600
Small grants program - SGP	-	-	-	360,000	-	360,000
Small grants program II - SGPII	540,400	-	540,400	-	-	-
Summer Institute - Contribution from other agencies	10,000	-	10,000	-	-	-
Special Research Funds	5,000	-	5,000	-	-	-
Net assets released from restrictions						
Collaborative research network - CRN	-	-	-	(59,600)	59,600	-
PESCA	(81,068)	81,068	-	-	-	-
ISP III	(42,624)	42,624	-	-	-	-
Small grants program II - SGP II	(9,531)	9,531	-	-	-	-
Small grants program - SGP	-	-	-	(343,000)	343,000	-
Total revenues, gains and contributions	566,877	1,249,425	1,816,302	2,017,000	1,513,356	3,530,356
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1,098,421)	(1,098,421)	-	(1,061,534)	(1,061,534)
PESCA	-	(81,068)	(81,068)	-	-	-
ISP III	-	(42,624)	(42,624)	-	-	-
Collaborative research network - CRN	-	-	-	-	(59,600)	(59,600)
Small grants program - SGP	-	-	-	-	(343,000)	(343,000)
Small grants program - SGP II	-	(9,531)	(9,531)	-	-	-
Total Expenses and losses	-	(1,231,644)	(1,231,644)	-	(1,464,134)	(1,464,134)
Change in net assets						
Unrestricted net assets - core budget	-	17,781	17,781	-	49,222	49,222
Temporarily restricted net assets - CRN	144,700	-	144,700	2,000,000	-	2,000,000
Temporarily restricted net assets - SGP	-	-	-	17,000	-	17,000
Temporarily restricted net assets - SGP II	540,400	(9,531)	530,869	-	-	-
Temporarily restricted net assets - ISPIII	(42,624)	-	(42,624)	-	-	-
Temporarily restricted net assets - PESCA	(81,068)	-	(81,068)	-	-	-
Special Research Funds	5,000	-	5,000	-	-	-
Summer Institute - Contributions from other agencies	10,000	-	10,000	-	-	-
Total change in net assets	576,408	8,250	584,658	2,017,000	49,222	2,066,222
Net assets at beginning of year						
Unrestricted net assets - core budget	-	695,895	695,895	-	646,673	646,673
Prior year adjustment	-	-	-	-	-	-
Temporarily restricted net assets - CRN	(609,475)	-	(609,475)	(2,609,475)	-	(2,609,475)
Temporarily restricted net assets - PESCA	89,068	-	89,068	89,068	-	89,068
Temporarily restricted net assets - ISP III	136,447	-	136,447	136,447	-	136,447
Temporarily restricted net assets - SGP	17,000	-	17,000	-	-	-
	(366,960)	695,895	328,935	(2,383,960)	646,673	(1,737,287)
Net assets at end of year						
Unrestricted net assets - core budget	-	713,676	713,676	-	695,895	695,895
Temporarily restricted net assets - CRN	(464,775)	-	(464,775)	(609,475)	-	(609,475)
Temporarily restricted net assets - SGP	17,000	-	17,000	17,000	-	17,000
Temporarily restricted net assets - PESCA	8,000	-	8,000	89,068	-	89,068
Temporarily restricted net assets - ISP III	93,823	-	93,823	136,447	-	136,447
Temporarily restricted net assets - SGP II	540,400	(9,531)	530,869	-	-	-
Special Research Funds	5,000	-	5,000	-	-	-
Summer Institute - Contributions from other agencies	10,000	-	10,000	-	-	-
	209,448	704,145	913,593	(366,960)	695,895	328,935

See the accompanying notes to the financial statements.

Inter-American Institute for Global Change Research - IAI

Statements of cash flows

Years ended June 30, 2004 and 2003

(In U.S. dollars)

	2004	2003
Cash flow from operating activities		
Change in net assets	584,658	2,066,222
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,512	3,937
Changes in operating assets and liabilities		
Other accounts receivable	3,544	(12,028)
Accounts payable	53,809	3,577
CRN receivable	1,500,000	(559,600)
CRN payable	(1,783,545)	(1,649,072)
ISP III - Scientific awards	-	(3,340)
PESCA - Scientific awards	(12,909)	-
SGP receivable	80,000	(100,251)
SGP payable	(88,752)	114,251
SGP II receivable	(30,400)	-
SGP II project advances	(458,649)	-
Other contributions	-	(869)
	<u> </u>	<u> </u>
Net cash used in operating activities	(145,732)	(137,173)
Cash used to purchase fixed assets		
Purchase of vehicles	-	(8,434)
Purchase of computer hardware	(12,411)	(6,897)
	<u> </u>	<u> </u>
	(12,411)	(15,331)
Decrease in cash and cash equivalents	<u> </u>	<u> </u>
	(158,143)	(152,504)
Cash and cash equivalents at the beginning of year	1,690,655	1,843,159
Cash and cash equivalents at the end of year	<u> </u>	<u> </u>
	1,532,512	1,690,655

See the accompanying notes to the financial statements.

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

Years ended June 30, 2004 and 2003

(In U.S. dollars)

1 Operations

The Inter-American Institute for Global Change Research - IAI is an intergovernmental organization dedicated to supporting global change research, 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 - 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, 2004.

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 science 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 the 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.

2 Presentation of the financial statements

The financial statements were prepared in accordance with generally accepted accounting principles 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.

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

The cash and cash equivalents originated in R\$ were translated into U.S. dollars using the official rate of exchange as of June 30, 2004.

The official rate of exchange as of June 30, 2004 was R\$ 3.1075 per US\$ 1.00 (R\$ 2.872 per US\$ 1.00 as of June 30, 2003).

Description of significant accounting policies

a. Cash and cash equivalents

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

b. Provision for doubtful accounts

The provision for doubtful accounts is calculated at an amount considered adequate by Management to cover any losses arising on collection of accounts receivable.

c. Property, plant and equipment

Consist of computer hardware recorded at purchase cost, including interest and other financial charges applicable. Depreciation is provided using the straight-line method over an estimated useful life of five years.

d. Rights and obligations

Rights and obligations are price-level restated 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.

e. Recognition of revenue and expenses

Contributions from member countries to the Core Budget, considered as Unrestricted Revenues, are recognized when they are committed. The amounts not received are recorded as a provision, reducing the Assets (Core Budget Receivables) and the Unrestricted Net Assets (Core Budget Contributions). The core budget expenses are generally recognized when they are incurred.

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

The recognition of the revenues related to specific projects, and considered as temporarily restricted revenues, are those that have temporarily 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. These revenues are recognized when the donor commits them.

The research expenses and the respective amounts payable to the Research Institutes under the PESCA, ISP II, CRN and SGP I grants were recognized when the research agreements between the IAI and the Research Institutes were signed.

For the SGP II program and approved by the IAI, in 2004, the expenses and the respective amounts payable to the research institute is recognized when the institute meets all the conditions set in the grant agreement. The transfers of funds to the institute are registered, as advances until the expenses are duly reported and the financial report is approved.

f. 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 in accordance with the Brazilian labor laws.

g. Fair value calculation

In 2003, a fair value was not calculated to determine the present value in noncurrent liabilities. As the CRN program will finish on May 31, 2005, a fair value calculation is not required for 2004 to measure in short-term receivables and payables at its present value. Therefore the values shown in the balance sheets as "CRN Receivables" and "CRN Payables" are the original amounts.

3 Cash and cash equivalents

	2004	2003
Petty cash and bank balance	205,065	151,100
Short-term investments	<u>1,327,447</u>	<u>1,539,555</u>
	<u>1,532,512</u>	<u>1,690,655</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

4 Scientific programs

a. 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:

	2004	2003
Scientific awards	1,576,407	1,576,407
Workshops	227,577	227,577
DIS project	50,000	50,000
Other services	<u>25,000</u>	<u>25,000</u>
Total	<u>1,878,984</u>	<u>1,878,984</u>

The projects are conducted by grantee institutions, that receive the grant and assume legal and financial responsibility and accountability both for the awarded funds and for the performance of the grant-supported activity, and by a principal investigator who is the individual designated by the grantee to conduct the research and is approved by IAI.

The IAI has approved the documentation for sixteen grantee institutions up to June 30, 2002 and began transferring funds to the projects in May 1998. Thirteen out of sixteen projects have received 100% of their grant. The National Science Foundation granted a "no-cost extension" until September 30, 2004, without additional funds, on July 25, 2003. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

	2004	2003
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	-	-
Total National Science Foundation Award	1,878,984	1,878,984
Commitments made to grantee institutions	(1,582,884)	(1,582,884)
Payments for workshops	(155,135)	(155,135)
Funds committed for Summer Institutes (LUCC, VACVCC, GWGC)	(42,624)	-
Payments for other costs	<u>(4,518)</u>	<u>(4,518)</u>
Total funds not allocated for any grantee institutions	<u>93,823</u>	<u>136,447</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

	2004	2003
Commitments made to grantee institutions	1,582,884	1,582,884
Transfers made by IAI to grantee institutions	(1,481,771)	(1,481,771)
DIS project expenses	<u>(41,647)</u>	<u>(41,647)</u>
Total to be transferred to the grantee institutions	<u>59,466</u>	<u>59,466</u>

The ISP III program and all its related activities will be closed in October 2004.

b. Collaborative Research Network Program - CRN

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, a network for global change research in the Americas.

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.

The CRN Project started in March 1999 and the total amount of support requested for this project to 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:

	2004	2003
Scientific awards	9,947,270	9,863,940
Management costs	<u>538,400</u>	<u>538,400</u>
Total	<u>10,485,670</u>	<u>10,402,340</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

The IAI approved the documentation for fourteen grantee institutions until June 30, 2003 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:

	2004	2003
CRN Unallocated Research Funds		
Total National Science Foundation and ANPCyT Awards	10,485,670	10,402,340
Cash distributed to IAI	<u>(9,152,555)</u>	<u>(7,569,225)</u>
Total to be received by IAI	<u>1,333,115</u>	<u>2,833,115</u>
National Science Foundation and ANPCyT Awards for research	10,008,640	9,863,940
Commitments made to grantee institutions	<u>(10,446,439)</u>	<u>(10,446,439)</u>
Payments for CRN panel	<u>(26,976)</u>	<u>(26,976)</u>
Total funds for research not allocated to any grantee institution	<u>(464,775)</u>	<u>(609,475)</u>
CRN Payable		
Commitments made to grantee institutions for research	10,446,439	10,446,439
Transfers made by IAI to the grantee institutions	<u>(8,109,732)</u>	<u>(6,421,592)</u>
Total to be transferred to the grantee institutions	2,336,707	4,024,847
Total to be transferred to the grantee institutions - long-term liabilities	<u>-</u>	<u>(1,858,353)</u>
Sub-total to be transferred to the grantee institutions - short-term liabilities	<u>2,336,707</u>	<u>2,166,494</u>
National Science Foundation Award for management expenses	538,400	538,400
Commitments made for management expenses	<u>(538,400)</u>	<u>(538,400)</u>
Total funds not allocated for management expenses	<u>-</u>	<u>-</u>
Grant for management expenses	538,400	538,400
Salaries and benefits paid	<u>(505,565)</u>	<u>(410,664)</u>
Other expenses paid	<u>(40,340)</u>	<u>(39,836)</u>
Sub-total to be transferred for management expenses - short-term liabilities	<u>(7,505)</u>	<u>87,900</u>
CRN Payable - short-term liabilities	<u>2,329,202</u>	<u>2,254,394</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

On January 6, 2004 the National Science Foundation granted a time extension until May 31, 2005 without additional funds.

Control of the payments advanced to the grantees

Starting July 1st, 2003 the advances of funds sent to the CRN grantees are being controlled when the financial reports received are analyzed. Once the fourteen grantees submit their latest financial statement (as of June 30, 2004 seven reports have been analyzed) the advances not reported (outstanding advances) will be followed-up through our accounting system.

This follow-up will also allow IAI to recognize the actual expenses by each research grant as well as the respective amounts payable to each grantee, proportionally to the development of each research activity.

We expect that the remaining financial reports will be received and analyzed before the end of this calendar year.

c. Program to Expand Scientific Capacity in the Americas - PESCA

On May 15, 2000, the National Science Foundation (NSF) awarded a grant of US\$ 300,000 to IAI to support the Program to Expand Scientific Capacity in the Americas - PESCA.

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 to conduct the research and is approved by IAI.

The IAI approved the documentation for eleven grantee institutions until June 30, 2003 and began transferring funds to the projects in March 2000. 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

Notes to the financial statements

(In U.S. dollars)

	2004	2003
Total National Science Foundation Award	300,000	300,000
Cash distributed to IAI	<u>(300,000)</u>	<u>(300,000)</u>
Total to be received by IAI	-	-
Total National Science Foundation Award	300,000	300,000
Commitments made to the grantee institutions	(194,100)	(194,100)
Payments for working groups and panel	(16,832)	(16,832)
Funds committed for Summer Institutes (LUCC, VACVCC, GWGC)	<u>(81,068)</u>	<u>-</u>
Total funds not allocated to any grantee institutions	<u>8,000</u>	<u>89,068</u>
Commitments made to grantee institutions	194,100	194,100
Transfers made by IAI to grantee institutions	<u>(215,009)</u>	<u>(202,100)</u>
Total to be received by the grantee institutions	<u>(20,909)</u>	<u>(8,000)</u>
Commitments made to grantee institutions - Cuba	79,423	79,423
Transfers made by IAI to grantee institutions - Cuba	<u>(63,173)</u>	<u>(63,173)</u>
Total to be transferred to the grantee institutions - Cuba	<u>16,250</u>	<u>16,250</u>
Total to be transferred to the grantee institutions	<u>(4,659)</u>	<u>8,250</u>

On May 2, 2003 the National Science Foundation approved a time extension until October 30, 2003, without additional funds. The financial closure of these research grants will be performed during fiscal year 2004/2005. As the projects already finished their activities, there will not be any cost associated to the financial closure.

d. Small Grant Program

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 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 to conduct the research and is approved by IAI.

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:

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

	2004	2003
Total National Science Foundation Award	360,000	360,000
Cash distributed to IAI	<u>(339,749)</u>	<u>(259,749)</u>
Total to be received by IAI	<u>20,251</u>	<u>100,251</u>
Total National Science Foundation Award	360,000	360,000
Commitments made to grantee institutions with NSF funds	<u>(343,000)</u>	<u>(343,000)</u>
Total funds not allocated to any grantee institution	<u>17,000</u>	<u>17,000</u>
Commitments made to grantee institutions with NSF Funds	343,000	343,000
Transfers made by IAI to grantee institutions	<u>(325,000)</u>	<u>(258,749)</u>
Total NSF funds to be transferred to grantee institutions	<u>18,000</u>	<u>84,251</u>
Commitments made to grantee institutions - Cuba	40,000	40,000
Transfers made by IAI to grantee institutions - Cuba	<u>(32,501)</u>	<u>(10,000)</u>
Total to be transferred to grantee institutions - Cuba	<u>7,499</u>	<u>30,000</u>

As of June 30, 2004, twelve out of the sixteen approved projects finished their activities. The remaining four projects will finish their activities on or before December 2005. During the first half of 2005 all these projects will be financially closed. This process will not imply any additional cost to the program.

e. Small Grant Program II - SGP II

On September 9, 2003, the National Science Foundation (NSF) awarded a grant of US\$ 540,400 to the IAI to support the Program: "IAI Small Grant Program II- SGP II". This is a continuing grant for approximately 30 months. NSF expects to continue supporting this activity in the next fiscal year for approximately an additional amount of US\$99,600.

The projects are conducted by grantee institutions, that receive the grant and assume legal and financial responsibility and accountability both for the awarded funds and for the performance of the grant-supported activity and by a principal investigator who is the individual designated by the grantee to conduct the research and is approved by IAI.

The IAI approved the documentation for twenty-two grantee institutions through June 30, 2004 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:

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Notes to the financial statements

(In U.S. dollars)

	2004
Total National Science Foundation Award	540,400
Cash distributed to IAI	<u>(510,000)</u>
 Total to be received by IAI	 <u>30,400</u>
 Total National Science Foundation Award	 540,400
SGP II Panel	(9,531)
SGP II Funds available as of June 30, 2004 (Restricted)	(530,869)
 Cash distributed to IAI	 510,000
Advances to grantee institutions	<u>(458,649)</u>
 Payments for SGP II Panel	 <u>(9,531)</u>
 Cash not distributed to grantee institutions	 <u>41,820</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

5 Core budget receivable

a. Status of the contributions to the core budget from the member countries

Member Country	Due as of 30-Jun-03	Contribution for FY 03/04	Paid Jul/03 - Jun/04	Advances	Due as of 30-Jun- 04	Aging of unpaid contributions (years)
Argentina	125,025	45,000	(15,000)		155,025	4
Bolivia	5,000	5,000	-		10,000	2
Brazil	(21,736)	80,000	(80,000)	21,736	-	-
Canada	-	115,000	(115,000)		-	-
Chile	10,000	5,000	-		15,000	3
Colombia	30,000	10,000	-		40,000	4
Costa Rica	(8,139)	5,000	(4,869)	8,008	-	-
Cuba	10,067	5,000	(5,000)		10,067	2
Dominican Republic	30,000	5,000	-		35,000	7
Ecuador	15,000	5,000	(5,000)		15,000	3
Guatemala	30,000	5,000	-		35,000	7
Jamaica	5,000	5,000	(5,000)		5,000	1
Mexico	52,005	55,000	(107,378)		(373)	-
Panama	5,000	5,000	(5,000)		5,000	1
Paraguay	35,000	5,000	-		40,000	8
Peru	25,000	5,000	-		30,000	6
Uruguay	25,000	5,000	-		30,000	6
USA (*)	-	550,000	(550,000)		-	-
Venezuela	<u>121,829</u>	<u>30,000</u>	<u>(10,000)</u>	<u>-</u>	<u>141,829</u>	5
Sub Total	494,051	945,000	(902,247)	29,744	566,548	
Allowance for doubtful accounts	(494,051)	-	(42,753)		(536,804)	
Contributions Received in Advance	-	-	-	(29,744)	(29,744)	
Total	<u>-</u>	<u>945,000</u>	<u>(945,000)</u>	<u>-</u>	<u>-</u>	

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

b. 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:

Description	2004	2003
Vehicle	-	2,644
Vehicle expenses and maintenance	2,029	1,591
Communications	6,399	6,795
Office supplies	2,591	328
Premises, equipment and security	84,493	70,938
Support staff	<u>63,148</u>	<u>74,009</u>
	<u>158,660</u>	<u>156,305</u>

6 Management and general expenses

Description	<u>2004</u>		<u>2003</u>
	Budget	Actual	Actual
Salaries and benefits	543,020	574,046	456,449
Staff travel	108,600	65,634	81,768
Dissemination	98,500	88,707	45,158
Director funds	75,000	64,816	61,769
Others	104,050	74,061	120,323
Donated services, utilities and use of fixed assets	<u>-</u>	<u>158,660</u>	<u>156,305</u>
Sub-total	929,170	1,025,924	921,772
Small grants program - SGP	<u>-</u>	<u>-</u>	<u>(40,000)</u>
Total	<u>929,170</u>	<u>1,025,924</u>	<u>881,772</u>

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

(In U.S. dollars)

7 Defined contribution benefits

In the case of the foreign employees (non-Brazilians and not permanent residents) the agreement 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 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 Chair of the Executive Council on behalf of the IAI. The employment contracts with the rest of the foreign employees (non-Brazilians and not permanent residents) are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2003/2004 was US\$33,594 (US\$28,464 in fiscal year 2002/2003).

* * *

Management of the Organization

Antonio MacDowell
Chair of the Executive Committee

Gustavo V. Necco
Director

Silvio Bianchi
Administrative and Financial Officer

Anita José Soares
Financial Assistant CRC 1SP224182-P0