



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

**Financial statements  
June 30, 2002 and 2001**



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

### Financial statements

**June 30, 2002 and 2001**

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## Independent auditors' report

To the Executive Council of  
Inter-American Institute for Global 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, 2002, and the related statements of revenues and expenses, net assets and cash flows for the year 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. The financial statements of Inter-American Institute for Global Change Research - IAI as of June 30, 2001, prior to their restatement for the change in accounting described in Note 5 to the financial statements, were audited by other auditors whose report dated October 31, 2001, expressed an unqualified opinion on those statements.
2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inter-American Institute for Global Change Research - IAI Not-for-Profit Organization as of June 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.
4. We also audited the adjustments described in Note 5 that were applied to restate the 2001 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

September 6, 2002

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Jarib Fogaca



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

### Balance sheets

June 30, 2002 and 2001

(In US Dollars)

Assets	2002	2001 (Restated)	Liabilities	2002	2001 (Restated)
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	1,843,159	590,426	Accounts payable	45,771	45,420
Collaborative research network - CRN receivable	2,213,915	2,941,485	Collaborative research network - CRN payable	3,557,519	2,631,543
Core budget receivable	117,460	787,837	Initial science program round III payable	62,806	(143,836)
Other accounts receivable	17,249	19,115	PESCA payable	8,250	16,418
	<u>4,191,783</u>	<u>4,338,863</u>	Other contributions	869	(2,018)
				<u>3,675,215</u>	<u>2,547,527</u>
<b>Long-term assets</b>			<b>Long-term liabilities</b>		
Collaborative research network - CRN receivable	<u>2,000,000</u>	<u>4,000,000</u>	Collaborative research network - CRN payable	<u>2,000,000</u>	<u>4,000,000</u>
			<b>Net assets</b>		
			<b>Permanently restricted net assets</b>		
Property, plant and equipment	<u>8,305</u>	<u>20,443</u>	Unallocated Research Funds:		
			ISP III	136,447	385,640
<b>Permanent assets</b>	<u>8,305</u>	<u>20,443</u>	CRN	(526,145)	444,086
			PESCA	89,068	105,900
			Others	-	2,887
				<u>(300,630)</u>	<u>938,513</u>
			<b>Unrestricted net assets</b>		
			Contributions core budget	117,460	775,412
			Net assets	<u>708,043</u>	<u>97,854</u>
				<u>524,873</u>	<u>1,811,779</u>
	<u>6,200,088</u>	<u>8,359,306</u>		<u>6,200,088</u>	<u>8,359,306</u>

See the accompanying notes to the financial statements.

# Inter-American Institute for Global Change Research - IAI

## Statements of revenues and expenses

**Years ended June 30, 2002 and 2001**

*(In US Dollars)*

	<b>2002</b>	<b>2001</b> <b>(Restated)</b>
<b>Revenues and donations</b>		
Contributions from member nations	1,368,549	502,732
Donated services, utilities and use of fixed assets	205,450	248,111
Interest income	10,932	57,801
Core budget receivable	<u>43,723</u>	<u>4,670</u>
<b>Total revenues and donations</b>	<u>1,628,654</u>	<u>813,314</u>
<b>Expenses</b>		
Initial science program round III expenses	(14,196)	-
PESCA expenses	(8,250)	(79,423)
Management and general expenses	<u>(1,019,725)</u>	<u>(961,891)</u>
<b>Total expenses</b>	<u>(1,042,171)</u>	<u>(1,041,314)</u>
<b>Supervit (deficit) for the year</b>	<u>586,483</u>	<u>(228,000)</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, 2002 and 2001

(In US Dollars)

	Contributions Core Budget	Unallocated research funds	Accumulated superavit	Total
<b>Balances at July 1, 2000</b>	-	-	325,854	325,854
Contributions core budget (unrestricted)	775,412	-	-	775,412
Unallocated Research Funds (permanently restricted)	-	938,513	-	938,513
Deficit for the year	-	-	(228,000)	(228,000)
<b>Balances at June 30, 2001 (Restated)</b>	775,412	938,513	97,854	1,811,779
Prior year adjustments unrestricted net assets of the year	-	-	23,706	23,706
Contributions core budget (unrestricted)	(657,952)	-	-	(657,952)
Unallocated Research Funds (permanently restricted)	-	(1,239,143)	-	(1,239,143)
Superavit for the year	-	-	586,483	586,483
<b>Balances at June 30, 2002</b>	117,460	(300,630)	708,043	524,873

See the accompanying notes to the financial statements.

# Inter-American Institute for Global Change Research - IAI

## Statements of cash flows

**Years ended June 30, 2002 and 2001**

*(In US Dollars)*

	<b>2002</b>	<b>2001</b> <b>(Restated)</b>
<b>Cash flow from operating activities</b>		
<b>Superavit (deficit) for the year</b>	586,483	(228,000)
<b>Adjustments to reconcile superavit (deficit) for the year to net cash provided by operating activities:</b>		
Depreciation and amortization	18,958	19,134
Provision for doubtful accounts	15,000	-
Prior year adjustments	23,706	1,172
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	657,243	(613,364)
Accounts payable	352	29,693
CRN receivable	2,727,570	(6,941,485)
CRN payable	(1,074,024)	5,390,653
ISP III - Scientific Awards	206,642	(266,726)
PESCA - Scientific Awards	(8,168)	(266,750)
In Kind Contributions	-	(170,324)
Other contributions	2,887	(2,887)
Contributions not received	(657,952)	775,412
Unallocated research funds	<u>(1,239,143)</u>	<u>938,513</u>
<b>Net cash from (used in) operating activities</b>	1,259,554	(1,334,959)
<b>Cash flow from investing activities:</b>		
Purchase of computer hardware	<u>(6,821)</u>	<u>(4,178)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	1,252,733	(1,339,137)
<b>Cash and cash equivalents in the beginning of year</b>	590,426	1,929,563
<b>Cash and cash equivalents in the end of year</b>	<u>1,843,159</u>	<u>590,426</u>

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, 2002 and 2001**

*(In US Dollars)*

### **1 Operations**

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 - 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 at June 30, 2002.

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 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 accounting principles generally accepted in the United States of America.

Although 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; certain donations and expenses in Brazilian reais were translated at monthly average exchange rates.

The cash and cash equivalents originated in R\$ were translated to U.S. dollars using the official rate of exchange as of June 30, 2002.

The official rate of exchange as of June 30, 2002 was R\$ 2,8444 per US\$ 1,00 (R\$ 2,3049 per US\$ 1,00 as of June 30, 2001).



# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

**Years ended June 30, 2002 and 2001**

*(In US Dollars)*

### *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. Revenue and expenses recognition*

Revenues from members contributions, considered to be exchange transactions, are recognized when it has been received effective, the amount not received is recorded as core budget contribution as equity. The expenses are recognized when are incurred.

#### *f. Income and social contribution taxes*

IAI is exempt from income taxes under Brazilian tax legislation.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

**Years ended June 30, 2002 and 2001**

*(In US Dollars)*

### **3 Cash and cash equivalents**

	<b>2002</b>	<b>2001</b>
Petty cash and Bank balance	234,884	157,579
Short-term investments	<u>1,608,275</u>	<u>432,847</u>
	<u>1,843,159</u>	<u>590,426</u>

### **4 Scientific programs**

#### **4.1 Initial Science Program 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:

	<b>2002</b>	<b>2001</b>
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 assumes 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 and approved by IAI.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

### Years ended June 30, 2002 and 2001

*(In US Dollars)*

The IAI approved the documentation for sixteen grantee institutions through June 30, 2002 and began transferring funds to the projects in May 1998. Thirteen out of sixteen projects have received 100% of their grant. Distributions from the NSF to IAI and transfers from the latter to the grantee institutions have been made as follows:

	2002	2001
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)	(1,333,691)
Payments for workshops	( 155,135)	( 155,135)
Payments for other costs	( 4,518)	( 4,518)
Total of funds not allocated for any grantee institutions	<u>136,447</u>	<u>385,640</u>
Commitments made to grantee institutions	1,582,884	1,333,691
Transfers made by IAI to grantee institutions	(1,481,771)	(1,439,731)
Dis Project expenses	( 38,307)	( 37,796)
Total to be transferred to the grantee institutions	<u>62,806</u>	<u>(143,836)</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

**Years ended June 30, 2002 and 2001**

*(In US Dollars)*

### **4.2 Collaborative Research Network Program - CRN**

The National Science Foundation (NSF) and Agencia Nacional de Promoción Científica y Tecnológica da Argentina (ANPCYT) have agreed to make awards to IAI to support the program Collaborative Research Network - CRN, a network for global change research in the Americas. This award is distributed as follows:

	<b>2002</b>	<b>2001</b>
Scientific Awards	10,829,155	10,829,155
Management costs	<u>419,200</u>	<u>359,600</u>
Total	<u>11,248,355</u>	<u>11,188,755</u>

The projects are conducted by grantee institutions, that receive the grant and assumes 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 and approved by IAI.

A provision for doubtful accounts was registered for the receivable from Agencia Nacional de Promoción Científica y Tecnológica de Argentina (ANPCYT) in the amount of US\$ 881,885 due to the temporally suspension of its participation in the project because of the financial crisis that Argentina has been going through.

The IAI approved the documentation for fourteen grantee institutions through June 30, 2002 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:

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

### Years ended June 30, 2002 and 2001

(In US Dollars)

	2002	2001
Total National Science Foundation and ANPCYT Awards	11,248,355	11,188,755
Provision for doubtful accounts - ANPCYT	( 881,885)	-
Cash distributed to IAI	( 6,152,555)	( 4,247,270)
Total to be received by IAI	4,213,915	6,941,485
Total to be received by IAI – long-term assets	(2,000,000)	(4,000,000)
Total to be received by IAI – short-term assets	<u>2,213,915</u>	<u>4,941,485</u>
National Science Foundation Award for research	10,829,155	10,829,155
Commitments made to grantee institutions	(10,446,439)	(10,358,093)
Provision for doubtful accounts - ANPCYT	( 881,885)	-
Payments for panel CRN	( 26,976)	( 26,976)
Total of funds for research not allocated for any grantee institution	( 526,145)	<u>444,086</u>
Commitments made to grantee institutions for research	10,446,439	10,446,439
Transfers made by IAI to the grantee institutions	( 4,977,895)	( 3,920,725)
Total to be transferred to the grantee institutions	5,468,544	6,525,714
Total to be transferred to the grantee institutions – long-term liabilities	(2,000,000)	(4,000,000)
Sub-total to be transferred to the grantee institutions – short-term liabilities	<u>3,468,544</u>	<u>2,525,714</u>
National Science Foundation Award for management expenses	419,200	359,600
Commitments made to the grantee institutions	( 419,200)	( 359,600)
Total of funds not allocated for any grantee institution	-	-
Grant for management expenses	419,200	359,400
Salaries and Benefits paid	( 301,036)	( 205,602)
Other expenses paid	( 29,189)	( 47,969)
Sub-total to be transferred to grantee institutions – short-term liabilities	<u>88,975</u>	<u>105,829</u>
Total to be transferred to the grantee institutions – short-term liabilities	<u>3,557,519</u>	<u>2,613,543</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

### Years ended June 30, 2002 and 2001

(In US Dollars)

#### 4.3 Program to Expand Scientific Capacity in the Americas - PESCA

The National Science Foundation (NSF) on May 15, 2000, 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 receives the grant and assumes 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 and approved by IAI. NSF funds are not used to support any research activities in Cuba.

The IAI approved the documentation for eleven grantee institutions through June 30, 2002 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:

	2002	2001
Total National Science Foundation Award	300,000	300,000
Cash distributed to IAI	(300,000)	(300,000)
Total to be received by IAI	-	-
Total National Science Foundation Award	300,000	300,000
Commitments made to the grantee institutions	(194,100)	(177,268)
Payments for working groups and panel	<u>(16,832)</u>	<u>(16,832)</u>
Total of funds not allocated for any grantee institutions	<u>89,068</u>	<u>105,900</u>
Commitments made to grantee institutions	194,100	177,268
Commitments made to grantee institutions - Cuba	79,423	79,423
Transfers made by IAI to grantee institutions	(202,100)	(177,100)
Transfers made by IAI to grantee institutions - Cuba	<u>(63,173)</u>	<u>(63,173)</u>
Total to be transferred to the grantee institutions	<u>8,250</u>	<u>16,418</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

### Years ended June 30, 2002 and 2001

(In US Dollars)

#### 5 Change in accounting policy

The Institute has changed the accounting policy for recognition of revenues and expenses related to the Scientific Programs. For the period ended on June 30, 2001, the institute recorded the receivables from the National Science Foundation - NSF as revenues and the transfers to the grantee institutions as expenses.

As mentioned in the note 4, the transfer made to grantee institutions is a grant and all the legal, financial and accountability both for the awarded funds and for the performance of the scientific programs are responsibility of the grantee institutions, as established in the agreement between IAI and the grantee institutions. The agreement between IAI and the grantee institutions is a "Grant Agreement", IAI is responsible to monitor the grant progress and ensure compliance with applicable standards.

IAI is responsible just to recognize the accounts receivable from NSF, the accounts payable to the grantee institutions already allocated in the program and a reserve of funds not allocated by the end of the fiscal year. The effects of the change in the balance sheet and the statement of activities of June 30, 2001 are as follows:

	Assets	Liabilities			Statement of activities		
	Total assets	Current liabilities	Equity	Total liabilities	Revenues	Expenses	Net assets
2001 originally reported	1,417,821	(1,319,967)	( 97,854)	(1,417,821)	3,249,163	(3,475,991)	(226,828)
2001 reflecting new accounting policy	<u>8,359,307</u>	<u>(6,547,529)</u>	<u>(1,811,778)</u>	<u>(8,359,307)</u>	<u>813,314</u>	<u>(1,041,314)</u>	<u>(228,000)</u>
Effects of the change	<u>6,941,486</u>	<u>(5,227,562)</u>	<u>(1,713,924)</u>	<u>(6,941,486)</u>	<u>(2,435,849)</u>	<u>2,434,677</u>	<u>(1,172)</u>

#### 6 Defined contribution benefits

IAI has entered into employment agreements with each of its international staff. Such agreements provide that employees will make contributions of 7% of their individual retirement plans and IAI will contribute 14% of the salaries. IAI contributed in amount of US\$ 25,254 to the employees' plans during 2002 (US\$ 21,631 in 2001).

# Inter-American Institute for Global Change Research - IAI

## **Management of the Organization**

Antonio Mac Dowell  
Chair of The Executive Committee

John Stewart  
Director

Silvio Bianchi  
Financial Officer