



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

Financial statements  
June 30, 2005 and 2004



# Inter-American Institute for Global Change Research - IAI

## Financial statements

**June 30, 2005 and 2004**

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## Independent auditors' report

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

1. We have audited the balance sheets of Inter-American Institute for Global Change Research – IAI, an international, not-for-Profit Organization as of June 30, 2005 and 2004, and the related statements of its activities, changes 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 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 auditing standards generally accepted 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 nor recognized the fair value of the accounts receivable and payable related to the Collaborative Research Network (CRN I) research project at the balance sheets date, as described in Note 2.g. Consequently, the effects of these departures from accounting principles generally accepted in the United States of America on the IAI financial position and results of operations 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 are signed between the IAI and the Research Institutes. Therefore, the amount of the actual expenses under each research grant agreement and the respective amounts payable to the Research Institutes are not determined and recognized in the financial statements each year proportionally to the progress of the research activity. Additionally, in 2005 the IAI management completed a full review of the CRN I projects (main projects) in order to identify the advances paid to the Research Institutes and reclassified them to current assets. However, IAI management has not recognized the reclassification and advances identified of all CRN I projects in accordance with accounting principles generally accepted in the United States of America. Consequently, the effects of these departures from accounting principles generally accepted in the United States of America on the IAI financial position as of June 30, 2005 and 2004 and on the results of its activities have not been determined.



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, 2005 and 2004, and the results of its activities, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

August 26, 2005 (except for Note 8, which date is September 30, 2005)

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, 2005 and 2004

(In U.S. dollars)

Assets	2005	2004	Liabilities	2005	2004
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and cash equivalents	520,848	1,532,512	Accounts payable	79,846	73,413
Collaborative research network - CRN I receivable	1,333,115	1,333,115	Advanced Core Budget Contributions	57,248	29,744
SGP Receivable	20,251	20,251	Collaborative research network - CRN I payable	836,786	2,329,202
SGP II Receivable	130,000	30,400	Initial science program round III payable	-	59,466
SGP II - Project Advances	304,649	458,649	PESCA payable	-	(4,659)
Summer Institutes - Advances	138,939	-	SGP payable	-	18,000
START Program - Advances	5,000	-	SGP payable - Cuba	-	7,499
Other accounts receivable	<u>5,913</u>	<u>25,733</u>	SGP II payable	<u>11,681</u>	<u>-</u>
	<u>2,458,715</u>	<u>3,400,660</u>		<u>985,561</u>	<u>2,512,665</u>
<b>Permanent assets</b>			<b>Net assets</b>		
Property, plant and equipment	<u>26,990</u>	<u>25,598</u>	Temporarily restricted unallocated research funds:		
			ISP III	120,224	93,823
			CRN I	485,401	(464,775)
			PESCA	-	8,000
			SGP	23,388	17,000
			SGP II	384,554	530,869
			Summer Institutes - IHDP	10,000	10,000
			Training Institute - Jamaica	(3,239)	-
			START Program	9,000	-
			Special Research Funds	<u>5,000</u>	<u>5,000</u>
				1,034,328	199,917
			Unrestricted	<u>465,816</u>	<u>713,676</u>
				1,500,144	913,593
	<u>2,485,705</u>	<u>3,426,258</u>		<u>2,485,705</u>	<u>3,426,258</u>

# Inter-American Institute for Global Change Research - IAI

## Statements of activities

Years ended June 30, 2005 and 2004

(In U.S. dollars)

	2005	2004
<b>Revenues, gains and contributions</b>		
Temporarily restricted revenues		
Collaborative research network - CRN I	1,061,495	144,700
ISP III	63,466	-
Small grants program - SGP	6,388	-
Small grants program II - SGP II	99,600	540,400
Summer Institute - Contributions from other agencies	-	10,000
Special Research Fund contributions	-	5,000
START Program	9,000	-
Unrestricted revenues		
Requested contributions from member nations	945,000	945,000
Donated services, utilities and use of fixed assets	185,518	158,660
Interest income	3,322	3,329
PESCA - Cuba	16,250	-
Other	1,939	9,213
	<u>2,391,978</u>	<u>1,816,302</u>
<b>Total revenues, gains and contributions</b>	<u>2,391,978</u>	<u>1,816,302</u>
<b>Expenses</b>		
Core budget expenses		
Management and general expenses	(1,113,899)	(1,025,924)
Project Expenses- Cuba (PARA)	(20,909)	-
Advanced Core Budget Contributions	(27,504)	(29,744)
Allowance for doubtful contributions from member nations	(9,614)	(42,753)
Contributions not received	(227,963)	-
	<u>(1,399,889)</u>	<u>(1,098,421)</u>
<b>Total core budget expenses</b>	<u>(1,399,889)</u>	<u>(1,098,421)</u>
Research expenses		
PESCA	(8,000)	(81,068)
ISP III	(37,065)	(42,624)
Collaborative research network - CRN I	(111,319)	-
Small grants program II - SGPII	(245,915)	(9,531)
Training Institute - Jamaica	(3,239)	-
Total research expenses	<u>(405,538)</u>	<u>(133,223)</u>
<b>Total expenses</b>	<u>(1,805,427)</u>	<u>(1,231,644)</u>
<b>Increase in net assets for the year</b>	<u>586,551</u>	<u>584,658</u>
Temporarily restricted net assets		
Collaborative research network - CRN I	950,176	144,700
Small grants program - SGP	6,388	-
ISP III	26,401	(42,624)
PESCA	(8,000)	(81,068)
Small grants program II - SGP II	(146,315)	530,869
Special Research Fund contributions	-	5,000
Summer Institute - IHDP	-	10,000
START Program	9,000	-
Training Institute - Jamaica	(3,239)	-
Unrestricted net assets	<u>(247,860)</u>	<u>17,781</u>
<b>Increase in net assets for the year</b>	<u>586,551</u>	<u>584,658</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, 2005 and 2004

(In U.S. dollars)

	2005			2004		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
<b>Revenues, gains and contributions</b>						
Unrestricted revenues						
Requested contributions from member nations	-	945,000	945,000	-	945,000	945,000
Donated services	-	185,518	185,518	-	158,660	158,660
Interest	-	3,322	3,322	-	3,329	3,329
Other	-	18,189	18,189	-	9,213	9,213
Temporarily restricted revenues						
Collaborative research network - CRN I	1,061,495	-	1,061,495	144,700	-	144,700
Small grants program - SGP	6,388	-	6,388	-	-	-
Small grants program II - SGPII	99,600	-	99,600	540,400	-	540,400
Summer Institute - Contribution from other agencies	-	-	-	10,000	-	10,000
Special Research Funds	-	-	-	5,000	-	5,000
START Program	9,000	-	9,000	-	-	-
ISP III	63,466	-	63,466	-	-	-
Net assets released from restrictions						
Collaborative research network - CRN I	(111,319)	111,319	-	-	-	-
PESCA	(8,000)	8,000	-	(81,068)	81,068	-
ISP III	(37,065)	37,065	-	(42,624)	42,624	-
Training Institute - Jamaica	(3,239)	3,239	-	-	-	-
Small grants program II - SGP II	(245,915)	245,915	-	(9,531)	9,531	-
Total revenues, gains and contributions	834,411	1,557,567	2,391,978	566,877	1,249,425	1,816,302
<b>Expenses and losses</b>						
Unrestricted expenses						
Core budget	-	(1,399,889)	(1,399,889)	-	(1,098,421)	(1,098,421)
PESCA	-	(8,000)	(8,000)	-	(81,068)	(81,068)
ISP III	-	(37,065)	(37,065)	-	(42,624)	(42,624)
Collaborative research network - CRN I	-	(111,319)	(111,319)	-	-	-
Training Institute - Jamaica	-	(3,239)	(3,239)	-	-	-
Small grants program - SGP II	-	(245,915)	(245,915)	-	(9,531)	(9,531)
Total Expenses and losses		(1,805,427)	(1,805,427)	-	(1,231,644)	(1,231,644)
<b>Change in net assets</b>						
Unrestricted net assets - core budget	-	(247,860)	(247,860)	-	17,781	17,781
Temporarily restricted net assets - CRN I	950,176	-	950,176	144,700	-	144,700
Temporarily restricted net assets - SGP	6,388	-	6,388	-	-	-
Temporarily restricted net assets - SGP II	(146,315)	-	(146,315)	530,869	-	530,869
Temporarily restricted net assets - ISPIII	26,401	-	26,401	(42,624)	-	(42,624)
Temporarily restricted net assets - PESCA	(8,000)	-	(8,000)	(81,068)	-	(81,068)
Training Institute - Jamaica	(3,239)	-	(3,239)	-	-	-
Special Research Funds	-	-	-	5,000	-	5,000
START Program	9,000	-	9,000	-	-	-
Summer Institute - Contributions from other agencies	-	-	-	10,000	-	10,000
Total change in net assets	834,411	(247,860)	586,551	566,877	17,781	584,658
<b>Net assets at beginning of year</b>						
Unrestricted net assets - core budget	-	713,676	713,676	-	695,895	695,895
Temporarily restricted net assets - CRN I	(464,775)	-	(464,775)	(609,475)	-	(609,475)
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	17,000	-	17,000	17,000	-	17,000
Temporarily restricted net assets - SGP II	530,869	-	530,869	-	-	-
Special Research Funds	5,000	-	5,000	-	-	-
Summer Institute - Contributions from other agencies	10,000	-	10,000	-	-	-
	199,917	713,676	913,593	(366,960)	695,895	328,935
<b>Net assets at end of year</b>						
Unrestricted net assets - core budget	-	465,816	465,816	-	713,676	713,676
Temporarily restricted net assets - CRN I	485,401	-	485,401	(464,775)	-	(464,775)
Temporarily restricted net assets - SGP	23,388	-	23,388	17,000	-	17,000
Temporarily restricted net assets - PESCA	-	-	-	8,000	-	8,000
Temporarily restricted net assets - ISP III	120,224	-	120,224	93,823	-	93,823
Temporarily restricted net assets - SGP II	384,554	-	384,554	530,869	-	530,869
Training Institute - Jamaica	(3,239)	-	(3,239)	-	-	-
Special Research Funds	5,000	-	5,000	5,000	-	5,000
START Program	9,000	-	9,000	-	-	-
Summer Institute - Contributions from other agencies	10,000	-	10,000	10,000	-	10,000
	1,034,328	465,816	1,500,144	199,917	713,676	913,593

See the accompanying notes to the financial statements.

# Inter-American Institute for Global Change Research - IAI

## Statements of cash flows

Years ended June 30, 2005 and 2004

(In U.S. dollars)

	2005	2004
<b>Cash flow from operating activities</b>		
<b>Change in net assets</b>	586,551	584,658
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	8,314	6,512
<b>Changes in operating assets and liabilities</b>		
Other accounts receivable	19,820	3,544
Accounts payable	33,937	53,809
CRN I receivable	-	1,500,000
CRN I payable	(1,492,416)	(1,783,545)
ISP III - Scientific awards	(59,466)	-
PESCA - Scientific awards	4,659	(12,909)
SGP receivable	-	80,000
SGP payable	(25,499)	(88,752)
SGP II receivable	(99,600)	(30,400)
SGP II payable	11,681	-
SGP II project advances	154,000	(458,649)
Summer Institutes	(138,939)	-
START Program	(5,000)	-
	<u>(1,001,958)</u>	<u>(145,732)</u>
<b>Net cash used in operating activities</b>		
<b>Cash used to purchase fixed assets</b>		
Purchase of computer hardware	(9,706)	(12,411)
	<u>(9,706)</u>	<u>(12,411)</u>
<b>Decrease in cash and cash equivalents</b>	<u>(1,011,664)</u>	<u>(158,143)</u>
<b>Cash and cash equivalents at the beginning of year</b>	1,532,512	1,690,655
<b>Cash and cash equivalents at the end of year</b>	<u><u>520,848</u></u>	<u><u>1,532,512</u></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, 2005 and 2004

*(In U.S. dollars)*

#### **1 Operations**

The Inter-American Institute for Global Change Research - IAI is an intergovernmental organization dedicated to support global change research, augmenting the scientific capacity of the Americas, and to provide 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, 2005.

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 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. 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 pre-proposal is approved. The evaluation of the proposals includes scientific and financial reviews.

The financial support provided to the research activities by the IAI 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.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

*(In U.S. dollars)*

In September 2005 the Executive Council of IAI will discuss and approve a new CRN Program (CRN II) composed of, at least, 10 research projects. The cost of this research program will be around US\$ 10.4 million over six years. It is also expected that during 2006 a new Small Grants Program (SGP) will be approved.

### **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.

The cash and cash equivalents originated in R\$ were translated into U.S. dollars using the official rate of exchange as of June 30, 2005 and 2004.

The official rate of exchange as of June 30, 2005 was R\$ 2.3504 per US\$ 1.00 (R\$ 3.1075 per US\$ 1.00 as of June 30, 2004).

#### ***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. Allowance for doubtful contributions from member nations***

This allowance is calculated at an amount considered adequate by Management to cover any losses arising on collection of the requested contributions.

##### ***c. Property, plant and equipment***

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

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

*(In U.S. dollars)*

### *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 received. The core budget expenses are generally recognized when they are incurred.

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. These revenues are recognized when the donor commits them.

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

For the SGP II program, approved by the IAI in 2004, the expenses and the respective amounts payable to the research institute are 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.

### *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.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

### *g. Fair value calculation*

As indicated by IAI Management, the CRN I program will be finished in 2006, thus a fair value has not been calculated to determine the present value for noncurrent liabilities in 2005 and 2004. Therefore, the original amounts are shown in the balance sheets as “CRN I Receivables” and “CRN I Payables”.

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

	<b>2005</b>	<b>2004</b>
Petty cash and bank balance	305,580	205,065
Short-term investments	<u>215,268</u>	<u>1,327,447</u>
	<u>520,848</u>	<u>1,532,512</u>

The short-term investments are overnight deposits (risk-free) managed by the Bank of America. The bank makes overnight investments of the daily standing balances. The interest earned is deposited in the accounts at the end of the month.

The interest earned on the NSF advances is remitted annually to the Department of Health and Human Services (OMB Circular A-110).

### **4 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 fiscal year 2004/2005.

#### *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:

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

	<b>2005</b>	<b>2004</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 were conducted by grantee institutions that received the grant and assumed 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 was the individual assigned by the grantee to conduct the research and was approved by 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:

	<b>2005</b>	<b>2004</b>
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)
Commitments reversed (funds not used by the grantees)	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)	-
Payments for other costs	<u>( 4,518)</u>	<u>( 4,518)</u>
Total funds not allocated to any grantee institutions	(*) <u>120,224</u>	<u>93,823</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

	2005	2004
Commitments made to grantee institutions	1,582,884	1,582,884
Commitments reversed (funds not used by the grantees)	( 51,113)	-
Transfers made by IAI to grantee institutions	(1,481,771)	(1,481,771)
DIS project expenses	<u>( 50,000)</u>	<u>( 41,647)</u>
Total to be transferred to the grantee institutions	<u>          -</u>	<u>  59,466</u>

(\*) The remaining funds from the ISP II Program were committed to support training activities related to the objectives of this program.

### ***b. 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 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 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:

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

	<b>2005</b>	<b>2004</b>
Scientific awards	9,947,270	9,947,270
Management costs	<u>538,400</u>	<u>538,400</u>
Total	<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:

	<b>2005</b>	<b>2004</b>
<b>CRN I Unallocated Research Funds</b>		
Total National Science Foundation and ANPCyT Awards	10,485,670	10,485,670
Cash distributed to IAI	<u>(9,152,555)</u>	<u>(9,152,555)</u>
Total to be received by IAI	<u>1,333,115</u>	<u>1,333,115</u>
National Science Foundation and ANPCyT Awards for research	10,008,640	10,008,640
Commitments made to grantee institutions	(10,446,439)	(10,446,439)
Reduction of 9% to the approved budgets	567,359	-
Project Cancelled (CRN-038)	442,424	-
Funds reimbursed by grantees (CRN-038)	51,712	-
Supplemental funds transferred to management expenses	( 111,319)	-
Payments for CRN I panel	<u>( 26,976)</u>	<u>( 26,976)</u>
Total funds for research not allocated to any grantee institution	<u>485,401</u>	<u>( 464,775)</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

	<b>2005</b>	<b>2004</b>
<b>CRN I Payable</b>		
Commitments made to grantee institutions for research	10,446,439	10,446,439
Reduction of 9% to the approved budgets	(567,359)	-
Project Cancelled (CRN-038)	(494,136)	-
Transfers made by IAI to the grantee institutions	( <u>8,548,158</u> )	( <u>8,109,732</u> )
 Total to be transferred to the grantee institutions - short-term liabilities	 <u>836,786</u>	 <u>2,336,707</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
Supplemental Funds Transferred to management expenses	111,319	-
Salaries and benefits paid	(609,379)	( 505,565 )
Other expenses paid	( <u>40,340</u> )	( <u>40,340</u> )
 Sub-total to be transferred for management expenses - short-term liabilities	 <u>          -</u>	 <u>( 7,505 )</u>
 CRN I Payable - short-term liabilities	 <u><u>836,786</u></u>	 <u><u>2,329,202</u></u>

On March 14, 2005 the National Science Foundation granted an extension of time until May 31, 2006 without additional funds.



# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

### *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 were conducted by grantee institutions that received the grant and assumed 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 was the individual designated by the grantee to conduct the research and was approved by IAI.

The IAI approved the documentation for eleven grantee institutions until June 30, 2005 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:

	<b>2005</b>	<b>2004</b>
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)
Commitments reversed (funds not used by the grantees)	(8,000)	-
Payments for working groups and panels	( 16,832)	( 16,832)
Funds committed for Summer Institutes (LUCC, VACVCC, GWGC)	<u>( 81,068)</u>	<u>( 81,068)</u>
Total funds not allocated to any grantee institutions	<u>      -</u>	<u>      8,000</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

	2005	2004
Commitments made to grantee institutions	194,100	194,100
Transfers made by IAI to grantee institutions	<u>(202,100)</u>	<u>(215,009)</u>
Commitments reversed (funds not used by the grantees)	8,000	-
Total to be received by the grantee institutions	<u>          -</u>	<u>( 20,909)</u>
Commitments made to grantee institutions - Cuba	79,423	79,423
Commitments reversed (funds not used by the grantees)	(16,250)	-
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>          -</u>	<u> 16,250</u>
Total to be transferred to the grantee institutions	<u>          -</u>	<u>( 4,659)</u>

On May 2, 2003 the National Science Foundation approved an extension of time until October 30, 2003, without additional funds. The financial closure of these research grants was performed during fiscal year 2004/2005. As the projects had already finished their activities, there were no costs associated to the financial closing.

### **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 assigned 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)

	<b>2005</b>	<b>2004</b>
Total National Science Foundation Award	360,000	360,000
Cash distributed to IAI	<u>(339,749)</u>	<u>(339,749)</u>
 Total to be received by IAI	 <u>20,251</u>	 <u>20,251</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>-</u>
 Total funds not allocated to any grantee institution	 <u>23,388</u>	 <u>17,000</u>
 Commitments made to grantee institutions with NSF Funds	 343,000	 343,000
Commitments - non-Cuban portion of SGP-037	14,768	-
Commitments reversed (funds not used by the grantees)	(6,388)	-
Transfers made by IAI to grantee institutions	<u>(351,380)</u>	<u>(325,000)</u>
 Total NSF funds to be transferred to grantee institutions	 <u>-</u>	 <u>18,000</u>
 Commitments made to grantee institutions - Cuba	 40,000	 40,000
Commitments - non-Cuban portion of SGP-037	(14,768)	-
Commitments reversed (funds not used by the grantees)	(967)	-
Transfers made by IAI to grantee institutions - Cuba	(24,265)	<u>(32,501)</u>
 Total to be transferred to grantee institutions - Cuba	 <u>-</u>	 <u>7,499</u>

As of June 30, 2005, the sixteen approved projects had finished their activities.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

### *e. 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 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, 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:

	<b>2005</b>	<b>2004</b>
Total National Science Foundation Award	640,000	540,400
Cash distributed to IAI	<u>(510,000)</u>	<u>(510,000)</u>
Total to be received by IAI	<u>130,000</u>	<u>30,400</u>
Total National Science Foundation Award	640,000	540,400
SGP II Panel	( 9,531)	( 9,531)
Project expenses paid (Final Payments)	<u>(245,915)</u>	<u>-</u>
SGP II Funds available as of June 30, 2005 (Restricted)	<u>384,554</u>	<u>530,869</u>

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

*(In U.S. dollars)*

	<b>2005</b>	<b>2004</b>
Cash distributed to IAI	510,000	510,000
Advances to grantee institutions	(304,649)	(458,649)
Project expenses paid (Final Payments)	(245,915)	-
Payments for SGP II Panel	<u>( 9,531)</u>	<u>( 9,531)</u>
Cash not distributed to grantee institutions	<u>(50,095)</u>	<u>41,820</u>
Returned payment to SGP II – 030	6,000	-
Returned Payment to SGP II – 016	<u>5,681</u>	-
SGP II Payable	<u>11,681</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 requested contributions to the core budget from the member countries

	Due as of June 30, 2004	Contribution for FY 04/05	Paid July 2004 – June 2005	Advances	Due as of June 30, 2005	Aging of unpaid contributions (years)
Argentina	155,025	45,000	( 75,000)		125,025	3
Bolivia	10,000	5,000	-		15,000	3
Brazil	( 21,736)	80,000	( 39,100)		19,164	-
Canada	-	115,000	(115,000)		-	-
Chile	15,000	5,000	( 10,000)		10,000	2
Colombia	40,000	10,000	( 9,920)		40,080	4
Costa Rica	(8,008)	5,000	-	3,008	-	-
Cuba	10,067	5,000	( 5,000)		10,067	2
Dominican Republic	35,000	5,000	-		40,000	8
Ecuador	15,000	5,000	-		20,000	4
Guatemala	35,000	5,000	-		40,000	8
Jamaica	5,000	5,000	( 5,000)		5,000	1
Mexico	( 373)	55,000	(108,866)	54,239	-	-
Panama	5,000	5,000	( 5,000)		5,000	1
Paraguay	40,000	5,000	-		45,000	9
Peru	30,000	5,000	-		35,000	7
Uruguay	30,000	5,000	-		35,000	7
USA (*)	-	550,000	(322,037)		227,963	-
Venezuela	<u>141,829</u>	<u>30,000</u>	<u>( 12,500)</u>	-	<u>159,329</u>	5
Subtotal	536,804	945,000	(707,423)	57,247	831,628	
Allowance for doubtful requested contributions from member nations	(536,804)	-	(9,614)	-	(546,418)	
Contributions not received – USA	-	-	(227,963)	-	(227,963)	
Contributions received in advance	-	-	-	<u>(57,247)</u>	<u>( 57,247)</u>	
Total	-	<u>945,000</u>	<u>(945,000)</u>	-	-	

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 fiscal year 2004/2005 the award number was: GEO-0513971) 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 to the terms of the award.

# Inter-American Institute for Global Change Research - IAI

## Notes to the financial statements

(In U.S. dollars)

As of June 30, 2005 the IAI did not request 100% of the awarded funds.

### **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:

<b>Description</b>	<b>2005</b>	<b>2004</b>
Vehicle expenses and maintenance	1,649	2,029
Communications	7,277	6,399
Office supplies	3,116	2,591
Premises, equipment and security	107,596	84,493
Support staff	<u>65,880</u>	<u>63,148</u>
	<u>185,518</u>	<u>158,660</u>

### **6 Management and general expenses**

<b>Description</b>	<b>2005</b>		<b>2004</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
Salaries and benefits	601,883	635,402	574,046
Staff travel	79,100	81,306	65,634
Dissemination	72,000	44,261	88,707
Director's funds	60,000	60,720	64,816
Others	125,336	106,692	74,061
Donated services, utilities and use of fixed assets	<u>-</u>	<u>185,518</u>	<u>158,660</u>
Total	<u>938,319</u>	<u>1,113,899</u>	<u>1,025,924</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 in Brazil) the employment 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 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 not permanent residents) are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2004/2005 was US\$26,314 (US\$33,594 in fiscal year 2003/2004).

### **8 Subsequent events**

On September 30, 2005 the National Science Foundation approved the grant entitled "Second Round of the Collaborative Research Network - CRN II". The total contribution from the NSF over the six years will amount US\$ 10,423,946.

This is a continuing grant which has been approved on scientific / technical merit for approximately 6 years. Contingent on the availability of funds and the scientific progress of the project, NSF expects to support the CRN II Program at approximately US\$ 2,000,000 per year in the next 5 years. The funds for first year 2005/2006, amounting US\$ 2,197,289 are already available to the IAI since September 15, 2005. Payments will be requested according to the financial needs. The IAI has already advanced US\$ 20,000 for administrative expenses that will be included in the next request of funds to the NSF.



# Inter-American Institute for Global Change Research - IAI

## **Management of the Organization**

Adrian Fernandez  
Chairman of the Executive Committee

John W. Stewart  
Interim Director

Silvio Bianchi  
Administrative and Financial Officer

Anita José Soares  
Financial Assistant CRC 1SP224182-P0