

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

Financial statements
June 30, 2006 and 2005

Inter-American Institute for Global Change Research - IAI

Financial statements

June 30, 2006 and 2005

Contents

Independent auditor's report

Balance Sheets

Statements of activities

Statements of changes in net assets

Statements of cash flows

Notes to the financial statements

Inter-American Institute for Global Change Research - IAI

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, 2006 and 2005, 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. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1, present fairly in all material respects, the equity and financial position of the company as of June 30, 2006 and 2005, as well as the result of its operations, changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Inter-American Institute for Global Change Research - IAI

Independent auditors' report

4. The financial statements for the year ended June 30, 2005, presented for comparative purposes, were audited by other independent auditors, whose report thereon, dated August 26, 2005, was qualified due to the non-recording of fair values of assets and liabilities related to the CRN 1 – Collaborative Research Network project, the non-recording of project expenses proportionally to the development of activities, as well as the fact that the company had concluded a review of the advances paid to research institutes.

October 9, 2006

BDO Trevisan Auditores Independentes
CRC
Valdir Arnaldo dos Santos
Sócio-Contador CRC 1SP209224/O-3

Inter-American Institute for Global Change Research - IAI

Notes to the financial statements

Years ended June 30, 2006 and 2005

(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.

In September 2005 the Executive Council of IAI approved 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.

Inter-American Institute for Global Change Research - IAI

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, 2006 and 2005.

The official rate of exchange as of June 30, 2006 was R\$ 2.1643 per US\$ 1.00 (R\$ 2.3504 per US\$ 1.00 as of June 30, 2005).

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.

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.

Inter-American Institute for Global Change Research - IAI

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.

In 2005, 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 and CRN II programs, 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 and/or accrued in accordance with the Brazilian labor laws.

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”.

Inter-American Institute for Global Change Research - IAI

3 Cash and cash equivalents

	2006	2005
Petty cash and bank balance	328,196	305,580
Short-term investments	<u>461,709</u>	<u>215,268</u>
	<u>789,905</u>	<u>520,848</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.

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 2005/2006.

a. 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:

	2006	2005
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>

Inter-American Institute for Global Change Research - IAI

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:

	2006	2005
CRN I Unallocated Research Funds		
Total National Science Foundation and ANPCyT Awards	10,485,670	10,485,670
Cash distributed to IAI	(10,356,555)	(9,152,555)
Total to be received by IAI	<u>129,115</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	567,359
Project Cancelled (CRN-038)	442,424	442,424
Funds reimbursed by grantees (CRN-038)	51,712	51,712
Funds reimbursed by grantees (CRN-038)	322	-
Supplemental funds transferred to management expenses	(111,319)	(111,319)
Dissemination Activities of the CRN I Program Results	(182,816)	-
Adjustments for projects closed (uncommitted commitments)	34,779	-
Payments for CRN I panel	<u>(26,976)</u>	<u>(26,976)</u>
Total CRN I funds not allocated	<u>337,686</u>	<u>485,401</u>

Inter-American Institute for Global Change Research - IAI

	2006	2005
CRN I Payable		
Commitments made to grantee institutions for research	10,446,439	10,446,439
Reduction of 9% to the approved budgets	(567,359)	(567,359)
Project Cancelled (CRN-038)	(494,136)	(494,136)
Adjustments for projects closed (uncommitted commitments)	34,779	-
Transfers made by IAI to the grantee institutions	<u>(9,023,065)</u>	<u>(8,548,158)</u>
Total to be transferred to the grantee institutions - short-term liabilities	<u>327,100</u>	<u>836,786</u>
National Science Foundation Award for Management Expenses	-	538,400
Commitments made for Management Expenses	-	(538,400)
Total Funds not allocated for management Expenses	<u> -</u>	<u> -</u>
Grant for Management Expenses	-	538,400
Supplemental funds transferred to Management Expenses	-	111,319
Salaries and Benefits paid	-	(609,379)
Other expenses paid	-	(40,340)
Sub-total to be transferred for Management Expenses – Short Term Liabilities	<u> -</u>	<u> -</u>
CRN Payable – Short Term Liabilities	<u>327,100</u>	<u>836,786</u>

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

b. Small Grant Program

On August 27, 2002, the National Science Foundation (NSF) awarded a grant of

Inter-American Institute for Global Change Research - IAI

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:

	2006	2005
Total National Science Foundation Award	360,000	360,000
Cash distributed to IAI	(339,749)	(339,749)
Grant Reversal (funds not used)	<u>(20,251)</u>	<u>-</u>
Total to be received by IAI	<u>-</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>6,388</u>
Total funds not allocated to any grantee institution	<u>23,388</u>	<u>23,388</u>
Commitments made to grantee institutions with NSF Funds	343,000	343,000
Commitments - non-Cuban portion of SGP-037	14,768	14,768
Commitments reversed (funds not used by the grantees)	(6,388)	(6,388)
Transfers made by IAI to grantee institutions	<u>(351,380)</u>	<u>(351,380)</u>
Total NSF funds to be transferred to grantee institutions	<u>-</u>	<u>-</u>

Inter-American Institute for Global Change Research - IAI

Commitments made to grantee institutions - Cuba	40,000	40,000
Commitments - non-Cuban portion of SGP-037	(14,768)	(14,768)
Commitments reversed (funds not used by the grantees)	(967)	(967)
Transfers made by IAI to grantee institutions - Cuba	(24,265)	(24,265)
Total to be transferred to grantee institutions - Cuba	-	-

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

c. 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:

	2006	2005
Total National Science Foundation Award	640,000	640,000
Cash distributed to IAI	(640,000)	(510,000)
Total to be received by IAI	-	130,000
Total National Science Foundation Award	640,000	640,000
SGP II Panel	(9,531)	(9,531)
Project expenses paid (Approved Costs + Final Payments)	(577,598)	(245,915)
Reimbursement from SGP II-078	2,037	-
SGP II Funds available as of June 30, 2006 (Restricted)	54,908	384,554

Inter-American Institute for Global Change Research - IAI

	2006	2005
Cash distributed to IAI	640,000	510,000
Advances to Grantee Institutions	(43,277)	(304,649)
Project expenses paid - Eligible Expenses	(458,173)	
Project expenses paid – Final Payments	(97,138)	(245,915)
Payments for SGP II Panel	<u>(10,159)</u>	<u>(9,531)</u>
Cash not distributed to grantee institutions	<u>31,253</u>	<u>(50,095)</u>
Returned payment to SGP II – 030	-	6,000
Returned Payment to SGP II – 016	<u>-</u>	<u>5,681</u>
SGP II Payable	<u>-</u>	<u>11,681</u>

d. 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:

	2006	2005
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

Inter-American Institute for Global Change Research - IAI

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:

	2006	2005
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	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)	(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>120,224</u>
 Commitments made to Grantee Institutions	 1,582,884	 1,582,884
Commitments reversed (Funds not Used by the Grantees)	(51,113)	(51,113)
Transfers made by IAI to grantee institutions	(1,481,771)	(1,481,771)
DIS project expenses	<u>(50,000)</u>	<u>(50,000)</u>
 Total to be transferred to the grantee institutions	 <u>=====</u> -	 <u>=====</u> -

(*) The remaining funds from the ISP III Program were committed to support training activities related to the objectives of this program as follows:

- Urbanization and Global Environmental Change	88,523
- Globalization and Food Systems	<u>50,012</u>
Summer Institutes (Receivables)	<u>138,535</u>

Inter-American Institute for Global Change Research - IAI

e. Collaborative Research Network – Round II (CRN II)

On September 30, 2005 the National Science Foundation approved a renewable grant (continuing grant) to support the “Second Round of the Collaborative Research Network – CRN II”. This grant was approved for approximately 6 years and it is contingent to the availability of funds by the NSF and on the scientific progress of the program.

For the period September 15, 2005 – August 31, 2006 the NSF approved a grant of US\$2,197,289. For the following periods, it is expected that the funding will be as follows:

September/2006 – August/2007	US\$2,011,222
September/2007 – August/2008	US\$2,030,835
September/2008 – August/2009	US\$1,988,200
September/2009 – August/2010	US\$1,988,200
September/2010 – August/2011	US\$ 208,200

	2006	2005
Funds Received from NSF	440,000	-
CRN II Panel (proposal selection)	(7,971)	-
Other Costs of CRN II Panel	(610)	-
Salaries and Benefits (Program Manager)	(58,187)	-
Unallocated CRN II Funds	<u>373,232</u>	<u>-</u>

e. Training Institutes on Interdisciplinary Global Environmental Change in the Americas

On September 22, 2004 the National Science Foundation approved a grant to support the “Training Institutes on Interdisciplinary Global Environmental Change in the Americas”. This grant, for an amount of US\$330,000, had an original expiration date in February 28, 2006.

These funds were used to support two Training Institutes, one in Paraguay, another in Jamaica, and a “Seed Grants” Program.

The first advance of funds was requested to the NSF on September 27, 2005.

Inter-American Institute for Global Change Research - IAI

On February 10, 2006 the NSF approved an extension to the expiration date, without additional funds, until February 28, 2007.

	2006	2005
Funds Received from the NSF	170,000	
Expenses with TI-Paraguay (NSF Funds)	(81,794)	-
Expenses with TI-Jamaica (NSF Funds)	<u>(103,144)</u>	<u>(3,239)</u>
Unallocated NSF Funds for TI	<u>(14,938)</u>	<u>(3,239)</u>
Funds Received from IDRC	24,247	-
Expenses with TI-Jamaica (IDRC Funds)	<u>(11,597)</u>	<u>-</u>
Unallocated NSF Funds for TI	<u>12,650</u>	<u>-</u>
Funds Received from IHDP	-	-
Expenses with TI-Paraguay (IHDP Funds)	<u>(2,818)</u>	<u>-</u>
	(2,818)	<u>-</u>

Inter-American Institute for Global Change Research - IAI

5. Core budget receivable

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

	Due as of 30/Jun/2005	Approved Contributions 2005/2006	PAYMENTS IN 2005/2006				Due as of 30/Jun/2006	Aging of Unpaid Contributions (years)
			Advanced in 2004/2005	Arrears	Current Year	Advanced		
Argentina	125,025	50,000					175,025	3
Bolivia	15,000	5,000					20,000	4
Brazil	19,164	85,000		(19,164)	(85,000)		-	-
Canada	-	125,000			(125,000)		-	-
Chile	10,000	5,000		(5,000)	(5,000)		5,000	1
Colombia	40,080	10,000			(10,080)		40,000	4
Costa Rica	-	5,000	(3,008)				1,992	-
Cuba	10,067	5,000					15,067	3
Dominican Republic	40,000	5,000					45,000	9
Ecuador	20,000	5,000					25,000	5
Guatemala	40,000	5,000					45,000	9
Jamaica	5,000	5,000					10,000	2
Mexico	-	60,000	(54,240)		(65,760)	60,000	-	-
Panama	5,000	5,000		(5,000)	(10,000)	5,000	-	-
Paraguay	45,000	5,000					50,000	10
Peru	35,000	5,000					40,000	8
Uruguay	35,000	5,000					40,000	8
USA (*)	227,963	595,000		(227,963)			595,000	1
Venezuela	159,329	30,000	-	(22,348)	-	-	166,981	6
Subtotal	831,628	1,015,000	(57,248)	(279,475)	(300,840)	65,000	1,274,065	
Allowance for doubtful contributions	(831,628)				217,563		(614,065)	
USA-Grant Approved for Contrib. 2005/06					(595,000)		(595,000)	
Contributions Received in Advance						(65,000)	(65,000)	
Total	-	1,015,000	(57,248)	(279,475)	(678,277)	-	-	

(*) 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 2005/2006 the award number was: GEO-0613166) 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.

As of June 30, 2006 the IAI did not request 100% of the awarded funds.

Inter-American Institute for Global Change Research - IAI

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	2006	2005
Vehicle expenses and maintenance	4,034	1,649
Communications	4,733	7,277
Office supplies	3,201	3,116
Premises, equipment and security	73,765	107,596
Support staff	<u>79,783</u>	<u>65,880</u>
	<u>165,516</u>	<u>185,518</u>

6 Management and general expenses

Description	<u>2006</u>		<u>2005</u>
	Budget	Actual	Actual
Salaries and benefits	694,500	674,604	635,402
Staff travel	79,100	74,450	81,306
Dissemination	65,000	19,570	44,261
Director's funds	60,000	31,343	60,720
Others	116,400	210,277	106,692
Donated services, utilities and use of fixed assets	<u>-</u>	<u>165,516</u>	<u>185,518</u>
Total	<u>1,015,000</u>	<u>1,175,760</u>	<u>1,113,899</u>

Inter-American Institute for Global Change Research - IAI

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 2005/2006 was US\$37,463 (US\$26,314 in fiscal year 2004/2005).

8 Subsequent events

On September 15, 2006, the National Science Foundation approved a grant (GEO-0642841) to support the scientific activity entitled: “Small Grant Program for the Human Dimensions SGP-HD.”. This is a continuing grant for approximately 3 years, contingent on the availability of funds and the scientific progress of the project.

For the period September 15, 2006 – August 31, 2007, the IAI will have available US\$400,000. It is expected that the NSF will continue supporting this activity for the FY 2007 with another US\$400,000.

Management of the Organization

Ma. Assunção Silva Dias
Chair of the Executive Committee

Holm Tiessen
Director

Silvio Bianchi
Administrative and Financial Officer

Anita José Soares
Financial Assistant CRC 1SP224182-P0

Inter-American Institute for Global Change Research - IAI

Balance sheets

June 30, 2006 and 2005

(In U.S. dollars)

Assets	2.006	2.005	Liabilities	2.006	2.005
Current assets			Current liabilities		
Cash and cash equivalents	789,905	520,848	Accounts payable	143,706	79,846
Collaborative research network			Advanced Core Budget Contributions	65,000	57,248
CRN I receivable	129,115	1,333,115	Research Activities Payable		
SGP Receivable	0	20,251	CRN payable	327,100	836,786
SGP II Receivable	0	130,000	START Program payable	1,000	0
Collaborative research network			SGP II payable	0	11,681
CRN I - Advances for dissemination activities	235,000	0		<u>536,806</u>	<u>985,561</u>
CRN II - project advances	120,810	0			
SGP II - Project Advances	43,277	304,649			
Summer Institutes	138,535	138,939			
START Program	0	5,000			
Other accounts receivable	21,094	5,913			
	<u>1,477,737</u>	<u>2,458,715</u>			
Permanent assets			Net assets		
Property, plant and equipment	18,147	26,990	Temporarily restricted		
	<u>18,147</u>	<u>26,990</u>	Unallocated research funds:		
			ISP III	120,224	120,224
			CRN	337,686	485,401
			CRN II	373,232	0
			SGP	23,388	23,388
			SGP II	54,908	384,554
			Summer Institutes - IHDP	10,000	10,000
			Summer Institutes - UNEP	7,000	0
			Training Institutes - NSF	(14,938)	(3,239)
			Training Institutes - IDRC	12,650	0
			Training Institutes - IHDP	(2,818)	0
			START Program	0	9,000
			Special Research Funds	5,000	5,000
				<u>926,331</u>	<u>1,034,328</u>
			Unrestricted	<u>32,747</u>	<u>465,816</u>
				<u>959,078</u>	<u>1,500,144</u>
	<u>1,495,884</u>	<u>2,485,705</u>		<u>1,495,884</u>	<u>2,485,705</u>

See the accompanying notes to the financial statements.

Statements of activities

Years ended June 30, 2006 and 2005

(In U.S. dollars)

	2006	2005
REVENUES, GAINS AND CONTRIBUTIONS		
Temporarily restricted revenues		
Collaborative research network - CRN I	37,917	1,061,495
Collaborative research network - CRN II	440,000	
ISP III	-	63,466
Small grants program - SGP	0	6,388
Small grants program II - SGP II	2,036	99,600
Summer Institute - Contributions from UNEP	7,000	0
START Program	1,000	9,000
Training Institutes - Contributions from NSF	170,000	0
Training Institutes - Contributions from IDRC	24,247	0
Training Institutes - Contributions from WMO	10,285	0
Training Institutes - Contributions from START	3,497	0
Unrestricted revenues		
Contributions from member nations	572,524	945,000
Donated services, utilities and use of fixed assets	165,516	185,518
Interest income	3,052	3,322
PESCA - Cuba	0	16,250
Other	1,600	1,939
	<u>1,438,673</u>	<u>2,391,978</u>
Expenses		
Core budget expenses		
Management and general expenses	(1,175,760)	(1,113,899)
Project Expenses- Cuba	0	(20,909)
Advanced Core Budget Contributions	0	(27,504)
Contributions not received from member countries	0	(227,963)
Allowance for doubtful contributions from member nations	0	(9,614)
	<u>(1,175,760)</u>	<u>(1,399,889)</u>
Research expenses		
PESCA	0	(8,000)
ISP III	0	(37,065)
Collaborative research network - CRN I	(185,632)	(111,319)
Collaborative research network - CRN II	(66,768)	-
Small grants program II - SGP II	(331,683)	(245,915)
Training Institute - Paraguay (NSF Grants)	(81,794)	-
Training Institute - Paraguay (IHDP Grants)	(2,818)	-
Training Institute - Jamaica (NSF Funds)	(99,905)	(3,239)
Training Institute - Jamaica (IDRC Grants)	(11,597)	-
Training Institute - Jamaica (WMO Grants)	(10,285)	-
Training Institute - Jamaica (START Grants)	(3,497)	-
START Program	(10,000)	-
	<u>(803,979)</u>	<u>(405,538)</u>
Total expenses	<u>(1,979,739)</u>	<u>(1,805,427)</u>
Change in net assets for the year	<u>(541,066)</u>	<u>586,551</u>
Temporarily restricted net assets		
Collaborative research network - CRN I	(147,715)	950,176
Collaborative research network - CRN II	373,232	-
Small grants program - SGP	-	6,388
ISP III	-	26,401
PESCA	-	(8,000)
Small grants program II - SGP II	(329,646)	(146,315)
Special Research Fund contributions	-	-
START Program	(9,000)	9,000
Training Institutes -NSF Funds	(11,699)	(3,239)
Training Institutes - IDRC	12,650	-
Training Institutes - IHDP	(2,818)	-
Summer Institutes - IHDP	-	-
Summer Institutes - UNEP	7,000	-
Unrestricted net assets	<u>(433,069)</u>	<u>(247,860)</u>
Change in net assets for the year	<u>(541,066)</u>	<u>586,551</u>

See the accompanying notes to the financial statements.

Inter-American Institute for Global Change Research - IAI

5th DRAFT - Nov 25, 2005

Statements of changes in net assets

Years ended June 30, 2006 and 2005

(In U.S. dollars)

	2006			2005		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations	-	572,524	572,524	-	945,000	945,000
Donated services	-	165,516	165,516	-	185,518	185,518
Interest	-	3,052	3,052	-	3,322	3,322
Other	-	1,600	1,600	-	18,189	18,189
Temporarily restricted revenues						
Collaborative research network - CRN I	37,917	-	37,917	1,061,495	-	1,061,495
Collaborative research network - CRN II	440,000	-	440,000	-	-	-
Small grants program - SGP	-	-	-	6,388	-	6,388
Small grants program II - SGPII	2,036	-	2,036	99,600	-	99,600
Summer Institute - Contribution from other agencies	-	-	-	-	-	-
Summer Institute - Contributions from UNEP	7,000	-	7,000	-	-	-
START Program	1,000	-	1,000	9,000	-	9,000
ISP III	-	-	-	63,466	-	63,466
Training Institutes - Contributions from NSF	170,000	-	170,000	-	-	-
Training Institutes - Contributions from IDRC	24,247	-	24,247	-	-	-
Training Institutes - Contributions from WMO	10,285	-	10,285	-	-	-
Training Institutes - Contributions from START	3,497	-	3,497	-	-	-
Net assets released from restrictions						
Collaborative research network - CRN	-	-	-	(111,318)	111,318	-
PESCA	-	-	-	(8,000)	8,000	-
ISP III	-	-	-	(37,065)	37,065	-
Training Institute - Jamaica	-	-	-	(3,240)	3,240	-
Small grants program II - SGP II	-	-	-	(245,915)	245,915	-
Total revenues, gains and contributions	695,982	742,691	1,438,673	834,411	1,557,567	2,391,978
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1,175,760)	(1,175,760)	-	(1,399,889)	(1,399,889)
PESCA	-	-	-	-	(8,000)	(8,000)
ISP III	-	-	-	-	(37,065)	(37,065)
Collaborative research network - CRN I	-	(185,632)	(185,632)	-	(111,318)	(111,318)
Collaborative research network - CRN II	-	(66,768)	(66,768)	-	-	-
Small grants program - SGP	-	-	-	-	-	-
Small grants program - SGP II	-	(331,683)	(331,683)	-	(245,915)	(245,915)
Training Institute - Jamaica (NSF Funds)	-	(99,905)	(99,905)	-	(3,240)	(3,240)
Training Institute - Jamaica (IDRC Grants)	-	(11,597)	(11,597)	-	-	-
Training Institute - Jamaica (WMO Grants)	-	(10,285)	(10,285)	-	-	-
Training Institute - Jamaica (START Grants)	-	(3,497)	(3,497)	-	-	-
Training Institute - Paraguay (NSF Grants)	-	(81,794)	(81,794)	-	-	-
Training Institute - Paraguay (IHDP Grants)	-	(2,818)	(2,818)	-	-	-
START Program	-	(10,000)	(10,000)	-	-	-
Total Expenses and losses	-	(1,969,739)	(1,979,739)	-	(1,805,427)	(1,805,427)
Change in net assets						
Unrestricted net assets - core budget	-	(433,069)	(433,069)	-	(247,860)	(247,860)
Temporarily restricted net assets - CRN I	(147,716)	-	(147,716)	1,061,495	(111,318)	950,177
Temporarily restricted net assets - CRN II	373,232	-	373,232	-	-	-
Temporarily restricted net assets - SGP	-	-	-	6,388	-	6,388
Temporarily restricted net assets - SGP II	(329,646)	-	(329,646)	99,600	(245,915)	(146,315)
Temporarily restricted net assets - ISPIII	-	-	-	63,466	(37,065)	26,401
Temporarily restricted net assets - PESCA	-	-	-	-	(8,000)	(8,000)
Training Institutes - NSF Funds	(11,699)	-	(11,699)	-	(3,239)	(3,239)
Training Institutes - IDRC	12,650	-	12,650	-	-	-
Training Institutes - IHDP	(2,818)	-	(2,818)	-	-	-
Summer Institute - UNEP	7,000	-	7,000	-	-	-
Summer Institute - Contributions from other agencies	-	-	-	-	-	-
Special Research Funds	-	-	-	-	-	-
START Program	(9,000)	-	(9,000)	9,000	-	9,000
Total change in net assets	(107,998)	(433,069)	(541,066)	1,239,949	(653,397)	586,551
Net assets at beginning of year						
Unrestricted net assets - core budget	-	465,817	465,817	-	713,676	713,676
Temporarily restricted net assets - CRN	485,402	-	485,402	(464,775)	-	(464,775)
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	23,388	-	23,388	17,000	-	17,000
Temporarily restricted net assets - SGP II	384,554	-	384,554	540,400	(9,531)	530,869
Special Research Funds	5,000	-	5,000	5,000	-	5,000
Training Institute - Jamaica	(3,239)	-	(3,239)	-	-	-
START Program	9,000	-	9,000	-	-	-
Summer Institute - Contributions from other agencies	10,000	-	10,000	10,000	-	10,000
Total net assets at beginning of year	1,034,329	465,817	1,500,144	199,917	713,676	913,593
Net assets at end of year						
Unrestricted net assets - core budget	-	32,747	32,747	-	465,817	465,817
Temporarily restricted net assets - CRN I	337,686	-	337,686	485,402	-	485,402
Temporarily restricted net assets - CRN II	373,232	-	373,232	-	-	-
Temporarily restricted net assets - SGP	23,388	-	23,388	23,388	-	23,388
Temporarily restricted net assets - PESCA	-	-	-	-	-	-
Temporarily restricted net assets - ISP III	120,224	-	120,224	120,224	-	120,224
Temporarily restricted net assets - SGP II	54,908	-	54,908	384,554	-	384,554

Inter-American Institute for Global Change Research - IAI

Statements of cash flows

Years ended June 30, 2006 and 2005

(In U.S. dollars)

	2006	2005
Cash flow from operating activities		
Change in net assets	(541.066)	586.551
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8.842	8.314
Changes in operating assets and liabilities		
Other accounts receivable	(15.181)	19.820
Accounts payable	63.860	33.937
CRN receivable	1.204.000	-
CRN payable	(509.686)	(1.492.416)
CRN I Advances for Dissemination Activities	(235.000)	-
CRN II Project Advances	(120.810)	-
ISP III - Scientific awards	-	(59.466)
PESCA - Scientific awards	-	4.659
SGP receivable	20.251	-
SGP payable	-	(25.499)
SGP II receivable	130.000	(99.600)
SGP II payable	(11.681)	11.681
SGP II project advances	261.372	154.000
START Program Receivable	5.000	(5.000)
START Program Payable	1.000	-
Summer Institutes Receivables	404	(138.939)
Advanced Core Budget Contributions	7.752	-
Net cash used in operating activities	<u>269.057</u>	<u>(1.001.958)</u>
Cash used to purchase fixed assets		
Purchase of computer hardware	-	(9.706)
	-	(9.706)
Change in cash and cash equivalents	<u>269.057</u>	<u>(1.011.664)</u>
Cash and cash equivalents at the beginning of year	520.848	1.532.512
Cash and cash equivalents at the end of year	<u><u>789.905</u></u>	<u><u>520.848</u></u>

See the accompanying notes to the financial statements.