

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

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007  
AND INDEPENDENT AUDITORS' REPORT**

**INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI**  
**FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**  
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**BDO Trevisan**

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## **INDEPENDENT AUDITORS' REPORT**


To the Executive Council of  
INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI

1. We have audited the accompanying balance sheets of INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI (the "Institute"), as of June 30, 2008 and 2007, and the related statements of activities, changes in net assets and its cash flows for the years then ended, prepared under the responsibility of the Institute's Management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with applicable 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 Institute; (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 above present fairly, in all material respects, the financial position of the Institute as of June 30, 2008 and 2007, as well as the results of its operations, the changes in net assets, and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.
4. The financial statements for the year ended June 30, 2007, presented for comparative purposes, were audited by us, and our report thereon, dated September 12, 2007, was unqualified.

São José dos Campos, Brazil

August 15, 2008

  
Mauro de Almeida Ambrósio  
Engagement Partner  
BDO Trevisan Auditores Independentes

  
Marcelo Pereira Gonçalves  
Director  
BDO Trevisan Auditores Independentes

**SCHEDULE 1**

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

**BALANCE SHEETS AS OF JUNE 30, 2008 AND 2007  
(In U.S. Dollars)**

ASSETS	2008	2007	LIABILITIES	2008	2007
CURRENT ASSETS			CURRENT LIABILITIES (Note 8)		
Cash and cash equivalents (Note 4)	402.461	721.057	Accounts payable	178.114	101.772
Collaborative research network			Advanced core budget contributions	20.000	85.000
CNR I - Receivable (Note 5.1)	129.115	129.115	Research activities payable		
Collaborative research network			Training Institute - funds from Fundacrid	22.000	-
CNR I - Advances for dissemination activities	22.410	151.741		220.114	186.772
CRN II - Project advances (Note 5.5)	2.236.359	1.403.987			
SGP II - Project advances	-	19.600			
Summer institutes	61.669	140.133	NET ASSETS		
Training institutes - project advances	-	16.802	Temporarily restricted		
SGP - Human Dimensions (Note 5.7)	292.978	-	Unallocated research funds		
IDRC program (Note 5.8)	49.571	-	ISP III (Note 5.4)	42.264	120.224
Mac Arthur program (Note 5.9)	12.219	-	CRN I (Note 5.1)	242.979	449.435
Other accounts receivable	7.880	9.242	CRN II (Note 5.5)	2.249.787	1.613.615
	3.214.662	2.591.677	SGP I (Note 5.2)	23.388	23.388
PERMANENT ASSETS			SGP II (Note 5.3)	7.117	26.717
Property and equipment (Note 7)	7.999	13.686	Summer institutes - IHDP	10.000	10.000
	7.999	13.686	Summer institutes - UNEP	-	4
			Training institutes - NSF (Note 5.6)	8.281	26.562
			Training institutes - IHDP (Note 5.6)	(2.818)	(2.818)
			SGP - human dimensions (Note 5.7)	277.178	(4.450)
			Special research funds	5.000	5.000
			Training institute 2008 (Note 5.10)	(73.047)	-
			IDRC program (Note 5.8)	103.401	-
			Mac Arthur program (Note 5.9)	200.269	-
				3.093.799	2.267.677
			Unrestricted	(91.252)	150.914
				3.002.547	2.418.591
TOTAL ASSETS	3.222.661	2.605.363	TOTAL LIABILITIES AND NET ASSETS	3.222.661	2.605.363

The accompanying notes are an integral part of the financial statements.

## SCHEDULE 2 (page 1)

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

#### STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (In U.S. Dollars)

	<u>2008</u>	<u>2007</u>
Revenues, gains and contributions		
Temporarily restricted revenues		
Collaborative research network - CRN I	10,259	315,221
Collaborative research network - CRN II	1,720,000	1,582,700
Summer Institute - Contributions from UNEP	500	1,500
START Program	-	255
Training Institutes - Contributions from NSF	809	160,000
Training Institutes - Contributions from IDRC	-	1,850
Support for IPCC Co-chairs and meetings	-	12,446
LPB Meeting - Contributions from IDRC	-	11,652
SGP - Human Dimensions	282,652	-
IDRC program	117,438	-
Mac Arthur program	225,000	-
Unrestricted revenues		
Contributions from member nations	969,149	1,020,154
Donated services, utilities and use of fixed assets	302,452	185,776
Interest income	2,710	9,246
Other	-	9,789
Total revenues, gains and contributions	<u>3,630,969</u>	<u>3,310,589</u>
Expenses		
Core budget expenses		
Management and general expenses (note 9)	(1,516,475)	(1,106,798)
Project expenses - Cuba	-	-
Advanced core budget contributions	-	-
Contributions not received from member countries	-	-
Allowance for doubtful contributions from member nations	-	-
Total core budget expenses	<u>(1,516,475)</u>	<u>(1,106,798)</u>

**SCHEDULE 2 (page 2)****INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH - IAI****STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007  
(In U.S. Dollars)**

	<u>2008</u>	<u>2007</u>
Research expenses		
Collaborative research network - CRN I	(216.716)	(203.471)
Collaborative research network - CRN II	(1.083.828)	(342.317)
Small grants program II - SGPII	(19.600)	(28.191)
Summer Institute - Contributions from UNEP	(504)	(8.496)
Summer Institute - Urbanization	(77.855)	-
Summer Institute - Human Dimensions	(105)	-
START Program	-	(255)
Training Institute - Paraguay (NSF Grants)	(19.091)	(25.298)
Training Institute - Jamaica (NSF Funds)	-	(93.202)
Training Institute - Jamaica (IDRC Grants)	-	(14.500)
Training Institute - Jamaica (WMO Grants)	-	-
Training Institute - Jamaica (START Grants)	-	-
Training Institute - 2008	(73.047)	-
Support for IPCC Co-chairs and meetings	-	(12.446)
LPB meeting - contributions from IDRC	-	(11.652)
SGP-human dimensions	(1.024)	(4.450)
IDRC Program	(14.037)	-
Mac Arthur Program	(24.731)	-
Total research expenses	<u>(1.530.538)</u>	<u>(744.278)</u>
Total expenses	<u>(3.047.013)</u>	<u>(1.851.076)</u>
Change in net assets for the year	<u>583.956</u>	<u>1.459.513</u>
Temporarily restricted net assets		
ISP III	(77.960)	-
Collaborative research network - CRN I	(206.457)	111.750
Collaborative research network - CRN II	636.172	1.240.383
Small grants program II - SGP II	(19.600)	(28.191)
Summer Institutes - UNEP	(4)	(6.996)
Training Institutes -NSF Funds	(18.282)	41.500
Training Institutes -IDRC	-	(12.650)
Training Institute - 2008	(73.047)	-
SGP - human dimensions	281.628	(4.450)
IDRC Program	103.401	-
Mac Arthur Program	200.269	-
Unrestricted net assets	<u>(242.164)</u>	<u>118.167</u>
Change in net assets for the year	<u>583.956</u>	<u>1.459.513</u>

The accompanying notes are an integral part of the financial statements.

**SCHEDULE 3 (page 1)**

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

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007  
(In U.S. Dollars)**

	2008			2007		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
Revenues, gains and contributions						
Unrestricted revenues						
Contributions from member nations	-	969.149	969.149	-	1.020.154	1.020.154
Donated services	-	302.452	302.452	-	185.776	185.776
Interest	-	2.710	2.710	-	9.246	9.246
Other	-	-	-	-	9.789	9.789
Temporarily restricted revenues						
Collaborative research network - CRN I	10.259	-	10.259	315.221	-	315.221
Collaborative research network - CRN II	1.720.000	-	1.720.000	1.582.700	-	1.582.700
Summer Institute - Contributions from UNEP	500	-	500	1.500	-	1.500
START Program	-	-	-	255	-	255
Training Institutes - Contributions from NSF	809	-	809	160.000	-	160.000
Training Institutes - Contributions from IDRC	-	-	-	1.850	-	1.850
Training Institutes - Contributions from WMO	-	-	-	-	-	-
Training Institutes - Contributions from START	-	-	-	-	-	-
Support for IPCC Co-chairs and meetings	-	-	-	12.446	-	12.446
LPB Meeting - Contributions from IDRC	-	-	-	11.652	-	11.652
SGP - Human Dimensions - advances	282.652	-	282.652	-	-	-
IDRC program	117.438	-	117.438	-	-	-
Mac Arthur program	225.000	-	225.000	-	-	-
<b>Total revenues, gains and contributions</b>	<b>2.356.658</b>	<b>1.274.311</b>	<b>3.630.969</b>	<b>2.085.624</b>	<b>1.224.965</b>	<b>3.310.589</b>
Expenses and losses						
Unrestricted expenses						
Core budget	-	(1.516.475)	(1.516.475)	-	(1.106.798)	(1.106.798)
Collaborative research network - CRN I	-	(216.716)	(216.716)	-	(203.471)	(203.471)
Collaborative research network - CRN II	-	(1.083.828)	(1.083.828)	-	(342.317)	(342.317)
Small grants program II - SGPII	-	(19.600)	(19.600)	-	(28.191)	(28.191)
Summer Institute - Contributions from UNEP	-	(504)	(504)	-	(8.496)	(8.496)
Summer Institute - Urbanization (ISPIII Funds)	-	(77.855)	(77.855)	-	-	-
Summer Institute - Human Dimonsions (ISPIII Funds)	-	(105)	(105)	-	-	-
START Program	-	-	-	-	(255)	(255)
Training Institute - Paraguay (NSF Grants)	-	(19.091)	(19.091)	-	(25.298)	(25.298)
Training Institute - Paraguay (IHDP Grants)	-	-	-	-	-	-
Training Institute - Jamaica (NSF Funds)	-	-	-	-	(93.202)	(93.202)
Training Institute - Jamaica (IDRC Grants)	-	-	-	-	(14.500)	(14.500)
Training Institute - Jamaica (WMO Grants)	-	-	-	-	-	-
Training Institute - Jamaica (START Grants)	-	-	-	-	-	-
Training Institute - 2008	-	(73.047)	(73.047)	-	-	-
Support for IPCC Co-chairs and meetings	-	-	-	-	(12.446)	(12.446)
LPB Meeting - Contributions from IDRC	-	-	-	-	(11.652)	(11.652)
SGP-Human Dimensions	-	(1.024)	(1.024)	-	(4.450)	(4.450)
IDRC program	-	(14.037)	(14.037)	-	-	-
Mac Arthur program	-	(24.731)	(24.731)	-	-	-
<b>Total expenses and losses</b>	<b>-</b>	<b>(3.047.013)</b>	<b>(3.047.013)</b>	<b>-</b>	<b>(1.851.076)</b>	<b>(1.851.076)</b>

**SCHEDULE 3 (page 2)**

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

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007  
(In U.S. Dollars)**

	2008			2007		
	Temporarily restricted	Unrestricted	Total	Temporarily restricted	Unrestricted	Total
<b>Change in net assets</b>						
Unrestricted net assets - core budget	-	(242.164)	(242.164)	-	118.167	118.167
ISPIII program	(77.960)	-	(77.960)	-	-	-
Collaborative research network - CRN I	(206.457)	-	(206.457)	111.750	-	111.750
Collaborative research network - CRN II	636.172	-	636.172	1,240.383	-	1,240.383
Small grants program II - SGP II	(19.600)	-	(19.600)	(28.191)	-	(28.191)
Summer Institutes - UNEP	(4)	-	(4)	(6.996)	-	(6.996)
Training Institutes - NSF Funds	(18.282)	-	(18.282)	41.500	-	41.500
Training Institutes - IDRC	-	-	-	(12.650)	-	(12.650)
Training Institutes - 2008	(73.047)	-	(73.047)	-	-	-
SGP - Human Dimensions	281.628	-	281.628	(4.450)	-	(4.450)
IDRC program	103.401	-	103.401	-	-	-
Mac Arthur program	200.269	-	200.269	-	-	-
<b>Total change in net assets</b>	<b>826.120</b>	<b>(242.164)</b>	<b>583.956</b>	<b>1,341.346</b>	<b>118.167</b>	<b>1,459.513</b>
<b>Net assets at beginning of year</b>						
Unrestricted net assets - core budget	-	150.914	150.914	-	32.747	32.747
ISPIII	120.224	-	120.224	120.224	-	120.224
Collaborative research network - CRN I	449.435	-	449.435	337.685	-	337.685
Collaborative research network - CRN II	1,613.615	-	1,613.615	373.232	-	373.232
Small grants program - SGP	23.388	-	23.388	23.388	-	23.388
Small grants program II - SGP II	26.717	-	26.717	54.908	-	54.908
Summer Institutes - IHDP	10.000	-	10.000	10.000	-	10.000
Summer Institutes - UNEP	4	-	4	7.000	-	7.000
Training Institutes - NSF Funds	26.562	-	26.562	(14.938)	-	(14.938)
Training Institutes - IDRC	-	-	-	12.650	-	12.650
Training Institutes - IHDP	(2.818)	-	(2.818)	(2.818)	-	(2.818)
SGP - Human Dimensions	(4.450)	-	(4.450)	-	-	-
Special Research Fund contributions	5.000	-	5.000	5.000	-	5.000
<b>Total net assets at beginning of year</b>	<b>2,267.677</b>	<b>150.914</b>	<b>2,418.591</b>	<b>926.331</b>	<b>32.747</b>	<b>959.078</b>
<b>Net assets at end of year</b>						
Unrestricted net assets - core budget	-	(91.252)	(91.252)	-	150.914	150.914
ISP III	42.264	-	42.264	120.224	-	120.224
Collaborative research network - CRN I	242.979	-	242.979	449.435	-	449.435
Collaborative research network - CRN II	2,249.787	-	2,249.787	1,613.615	-	1,613.615
Small grants program - SGP	23.388	-	23.388	23.388	-	23.388
Small grants program II - SGP II	7.117	-	7.117	26.717	-	26.717
Summer Institutes - IHDP	10.000	-	10.000	10.000	-	10.000
Summer Institutes - UNEP	-	-	-	4	-	4
Training Institutes - NSF Funds	8.281	-	8.281	26.562	-	26.562
Training Institutes - IDRC	-	-	-	-	-	-
Training Institutes - IHDP	(2.818)	-	(2.818)	(2.818)	-	(2.818)
Training Institutes - 2008	(73.047)	-	(73.047)	-	-	-
SGP - Human Dimensions	277.178	-	277.178	(4.450)	-	(4.450)
Special Research Funds	5.000	-	5.000	5.000	-	5.000
IDRC program	103.401	-	103.401	-	-	-
Mac Arthur program	200.269	-	200.269	-	-	-
<b>Total net assets at end of year</b>	<b>3,093.799</b>	<b>(91.252)</b>	<b>3,002.547</b>	<b>2,267.677</b>	<b>150.914</b>	<b>2,418.591</b>

The accompanying notes are an integral part of the financial statements.



## SCHEDULE 4

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

#### STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (In U.S. Dollars)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	583.956	1.459.513
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6.836	7.906
Changes in operating assets and liabilities		
Other accounts receivable	1.365	11.853
Accounts payable	76.339	(41.934)
CRN payable	-	(327.100)
Training institutes - funds from Fundacrid, payable	22.000	-
CRN I Advances for Dissemination Activities	129.330	83.259
CRN II Project Advances	(832.372)	(1.283.177)
SGP II project advances	19.600	23.677
START Program payable	-	(1.000)
Summer Institutes - advances	78.463	(1.598)
Training Institutes - Project Advances	16.802	(16.802)
SGP - Human Dimensions - advances	(292.977)	-
IDRC program - advances	(49.571)	-
Mac Arthur program - advances	(12.219)	-
Advanced Core Budget Contributions	(65.000)	20.000
Net cash used by operating activities	(317.448)	(65.403)
Cash used to purchase fixed assets		
Purchase of computer hardware	(1.148)	(3.445)
	(1.148)	(3.445)
Change in cash and cash equivalents	(318.596)	(68.848)
Cash and cash equivalents at beginning of year	721.057	789.905
Cash and cash equivalents at end of year	<u>402.461</u>	<u>721.057</u>

The accompanying notes are an integral part of the financial statements.

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

### **FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007 (In U.S. dollars)**

#### **1. OPERATIONS**

The Inter-American Institute for Global Change Research - IAI (the "Institute") is an intergovernmental organization dedicated to supporting global change research, increasing the scientific capacity of the Americas, and to providing information in a useful and timely manner to policy makers. Its primary objective is to encourage research beyond the scope of national programs by advancing comparative and focused studies based on scientific issues important to the region as a whole.

In recognition of the importance of a regional approach to the study of global change, sixteen countries of the Americas signed the Agreement establishing the IAI on May 13, 1992 in Montevideo, Uruguay. The IAI Conference of the Parties in Mexico City, Mexico, in September 1994, elected the Instituto Nacional de Pesquisas Espaciais ("INPE") in São José dos Campos - São Paulo, Brazil, as the site of the IAI Directorate. The Directorate was inaugurated on March 1, 1996. For financial reporting purposes, the Directorate became fully operational on July 1, 1996. Nineteen countries had ratified the IAI Agreement as of June 30, 2007.

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

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

## **2. BASIS OF PRESENTATION**

The financial statements were prepared in accordance with accounting principles generally accepted 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\$ (Brazilian reais) were translated into U.S. dollars using the official rate of exchange as of June 30, 2008 and 2007.

The official rate of exchange as of June 30, 2008 was R\$1.5959 per US\$1.00 and R\$1.9262 per US\$1.00 as of June 30, 2007.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES**

The significant accounting practices adopted to prepare financial statements were as follows:

### Accounting classification

Receivables and payables with maturities of more than 12 months from the balance sheet dates are considered as long-term.

### Cash and cash equivalents

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

### Allowance for doubtful contributions from member nations

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

### Property and equipment

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

Receivables and payables

Receivables and payables are price-level adjusted 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.

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.

Recognition of revenues 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.

Until June 30, 2005, the research expenses and the respective amounts payable to the Research Institutes under the CRN I grants were recognized when the research agreements between the IAI and the Research Institutes were signed.

After that, for all programs, the expenses and the respective amounts payable to the research institute were 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.

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 Brazilian labor laws.

**4. CASH AND CASH EQUIVALENTS**

	<u>2008</u>	<u>2007</u>
Petty cash and bank balance	330,809	387
Short-term investments	<u>71,652</u>	<u>334,475</u>
	<u>402,461</u>	<u>721,057</u>

The short-term investments are overnight deposits (risk-free) managed by the Bank of America and Citibank.

The bank makes overnight investments of the daily outstanding balances. The interest earned is deposited in the accounts at the end of the month.

## 5. 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 2007 and 2008 fiscal years.

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.

### 5.1. 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 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:

	<u>2008</u>	<u>2007</u>
Scientific awards	9,947,270	9,947,270
Management costs	538,400	538,400
	<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:

CRNI Unallocated Research Funds	2008	2007
Total National Science Foundation award	10,485,670	10,485,670
Cash distributed to IAI	(10,356,555)	(10,356,555)
Total to be received by IAI	129,115	129,115
National Science Foundation Award for reseach	9,947,270	9,947,270
ANPCyT Award for reseach	61,370	61,370
Commitments made to grantee institutions	(10,446,439)	(10,446,439)
Reduction of 9% in the approved budgets	567,359	567,359
Payments for CRN I panel	(26,976)	(26,976)
Supplemental funds transferred to management expenses	(111,319)	(111,319)
Closing of program and remaining funds reimbursed by grantees	854,717	844,457
Dissemination Activities of the CRN I Program Results	(603,003)	(386,287)
Total CRN I funds not allocated	242,979	449,435
<u>CRNI Payable</u>		
Commitments made to grantee institutions for research	10,446,439	10,446,439
Transfers made by IAI to the grantee institutions	(9,094,882)	(9,094,882)
Reduction of 9% in the approved budgets	(567,359)	(567,359)
Adjustments for closed projects (uncommitted commitments)	(784,198)	(784,198)
Total to be transferred to the grantee institutions - short-term liabilities	-	-

On April 24, 2007 the National Science Foundation granted an extension of time until November, 2007 without additional funds. These funds were used to pay publication costs.

5.2. Small Grant Program I - SGP I

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 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:

	<u>2008</u>	<u>2007</u>
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>(20,251)</u>
Total to be received by IAI	<u>-</u>	<u>-</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>
	<u>2008</u>	<u>2007</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>
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	<u>(24,265)</u>	<u>(24,265)</u>
Total to be transferred to grantee institutions - Cuba	<u>-</u>	<u>-</u>

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

5.3. 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 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:

	<u>2008</u>	<u>2007</u>
Total National Science Foundation Award	640,000	640,000
Cash distributed to IAI	<u>(640,000)</u>	<u>(640,000)</u>
Total to be received by IAI	<u>-</u>	<u>-</u>
Total National Science Foundation Award	640,000	640,000
SGP II Panel	(9,531)	(9,531)
Project expenses paid (Approved Costs + Final Payments)	(625,389)	(605,789)
Reimbursement from SGP II-078	<u>2,037</u>	<u>2,037</u>
SGP II Funds available	<u>7,117</u>	<u>26,717</u>

5.4. 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:

	<u>2008</u>	<u>2007</u>
Scientific awards	1,576,407	1,576,407
Workshop	227,577	227,577
DIS project	50,000	50,000
Other services	<u>25,000</u>	<u>25,000</u>
	<u>1,878,984</u>	<u>1,878,984</u>



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:

	<u>2008</u>	<u>2007</u>
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	<u>-</u>	<u>-</u>
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	(4,518)	(4,518)
Payments for Summer Institute on Urbanization	(77,855)	-
Payments for Summer Institute on Human Dimensions	<u>(105)</u>	<u>-</u>
Total funds not allocated to any grantee institutions (*)	<u>42,264</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:

	<u>2008</u>	<u>2007</u>
Urbanization and Global Environmental Change	11,669	90,028
Globalization and Food Systems	<u>50,000</u>	<u>50,105</u>
Summer Institutes (Receivables)	<u>61,669</u>	<u>140,133</u>

5.5. Collaborative Research Network Program - 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 on the availability of funds from 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, the funding is expected to 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

	<u>2008</u>	<u>2007</u>
Funds Received from NSF	3,742,700	2,022,700
Project expenses (reported expenses year 1)	(1,239,444)	(289,810)
Salaries and Benefits (Program Manager)	(152,540)	(104,524)
CRN II Panel (proposal selection)	(7,971)	(7,971)
CRN II Panel (other costs)	(610)	(610)
Meetings supported by CRN II funds	(91,214)	(6,170)
Auditing process	(1,134)	-
Unallocated CRN II Funds	<u>2,249,787</u>	<u>1,613,615</u>

Note: Although the financial statements show the total of \$2,249,787 as "Unallocated CRN II Funds", the "cash flow" of this program as of June 30, 2008 has the following composition:

	<u>2008</u>	<u>2007</u>
Unallocated CRN II Funds	2,249,787	1,613,615
Advances to Grantees	(2,236,359)	(1,403,987)
Cash "on hand"	<u>13,428</u>	<u>209,628</u>

5.6. 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". The original expiration date of the grant, which totaled US\$330,000, was 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.

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

	<u>2008</u>	<u>2007</u>
Funds Received from the NSF	330,000	330,000
Expenses on TI-Paraguay	(81,794)	(81,794)
Seed Grants - TI Paraguay	(44,389)	(25,298)
Expenses on TI-Jamaica	(108)	(108)
Seed Grants - TI Jamaica	(41,101)	(41,101)
Meetings related to the TIs	(46,971)	(46,971)
Remaining funds from TISG-P1	<u>810</u>	<u>-</u>
Unallocated NSF Funds for TI	<u>8,281</u>	<u>26,562</u>
Committed funds to TISG Meeting in Peru	-	(9,760)
Advances to Grantees (Seed Grants)	<u>-</u>	<u>(16,802)</u>
Remaining funds from NSF	<u>-</u>	<u>-</u>
Funds Received from IDRC	26,097	26,097
Expenses on TI-Jamaica	(11,597)	(11,597)
Expenses with Seed Grants - TI Jamaica	<u>(14,500)</u>	<u>(14,500)</u>
Unallocated NSF Funds for TI	<u>-</u>	<u>-</u>
Expenses on TI-Paraguay (IHDP Funds)	<u>(2,818)</u>	<u>(2,818)</u>
	<u>(2,818)</u>	<u>(2,818)</u>

The "Unallocated NSF Funds for TI" refers to remaining funds in the following activities - and will be used to cover future publication costs:

TISG - P1	3,273
TISG - P2	3,502
TISG - P3	<u>1,506</u>
	<u><u>8,281</u></u>

#### 5.7. Small Grant Program - Human Dimensions

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 grant continuing for approximately 3 years, contingent on the availability of funds and on the scientific progress of the project.

For the period September 15, 2006 - August 31, 2007 the IAI will have US\$400,000 available. The NSF is expected to continue supporting this activity for the FY 2007 / 2008 with another US\$400,000.

	<u>2008</u>	<u>2007</u>
Contributions received from NSF	282,652	-
Panel SGP-HD	(4,450)	(4,450)
GECAFS Conference	<u>(1,024)</u>	<u>-</u>
Remaining NSF Funds	<u><u>277,178</u></u>	<u><u>(4,450)</u></u>

Note: Although the financial statements show the total of US\$277,178 as "Remaining NSF Funds", the "cash flow" of this program as of June 30, 2008 has the following composition:

	<u>2008</u>	<u>2007</u>
Remaining NSF Funds	277,178	(4,450)
Advances to Grantees	<u>(292,978)</u>	<u>-</u>
Cash "on hand"	<u><u>(15,800)</u></u>	<u><u>(4,450)</u></u>

5.8. IDRC Program

On March 1st, 2008, the project “Land use change, biofuels and rural development in the La Plata Basin” has started. The completion date of the contract between IAI and IDRC is August 31st, 2010.

The main goal of this project is to understand the dynamic interactions of natural and human components in agroecosystems of the La Plata Basin and to provide guidance to actors and decision makers in the processes of rural development and land use. Over the 30 project months, the Inter-American Institute for Global Change Research (IAI) will reinforce and expand an interdisciplinary and international network of researchers and stakeholders in Argentina, Bolivia, Brazil, Paraguay and Uruguay to conduct research, interact with and inform stakeholders and policy makers.

	<u>2008</u>
Contributions received from IDRC	117,438
Panel expenses	<u>(14,037)</u>
Remaining IDRC Funds	<u><u>103,401</u></u>

Note: Although the financial statements show the total of \$103,405 as “Remaining IDRC Funds”, the “cash flow” of this program as of June 30, 2008 has the following composition:

	<u>2008</u>
Remaing IDRC Funds	103,401
Advances to Grantees	<u>(49,571)</u>
Cash “on hand”	<u><u>53,830</u></u>

5.9. Mac Arthur Program

The Mac Arthur grant for supporting the assessment of climate change impacts on biodiversity in the Andes was signed on Dec 18th, 2007. The completion date will be December 31, 2009.

Expected payment schedule:

Initial Installment: \$225,000  
 Year 2: \$225,000

	<u>2008</u>
Contributions received from MacArthur	225,000
Salaries and Benefits	(17,838)
Meetings (1st Meeting in Bogotá)	<u>(6,893)</u>
Remaining Mac Arthur Funds	<u><u>200,269</u></u>

Note: Although the financial statements show the total of \$200,270 as "Remaining Mac Arthur Funds", the "cash flow" of this program as of June 30, 2008 has the following composition:

	<u>2008</u>
Remaing Mac Arthur Funds	200,269
Advances - 1st meeting	<u>(12,219)</u>
Cash "on hand"	<u><u>188,050</u></u>

5.10. Training Institutes to Develop Capacity in Interdisciplinary Global Environmental Change Sciences

On August 1st, 2008, the National Science Foundation approved a grant of \$225,000 to support the project (GEO-0745732). This award will expire on January 31st, 2011. The activities related to the new Training Institutes started on February 2008 - and the mentioned grant may cover the expenses occurred before the commencement date (August 2008), by submitting a Fastlane request to NSF, for authorization.

	<u>2008</u>
Contributions received from NSF	-
Meetings	<u>(73,047)</u>
Remaining NSF Funds	<u><u>(73,047)</u></u>

## 6. CORE BUDGET RECEIVABLE

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

	Due as of 30/jun/07	Contribution for FY 07/08	Advanced in 06/07	Paid - in 2007/2008 to be applied to:			Due as of 30/jun/08
				Arrears	Current year	Advances	
Argentina	51.957	50.000		(50.000)			51.957
Bolivia	25.000	5.000		(10.000)			20.000
Brazil	(80.000)	85.000	(80.000)				5.000
Canada	-	125.000			(125.000)		-
Chile	(5.000)	5.000	(5.000)	-	-	(15.000)	(15.000)
Colombia	40.000	10.000					50.000
Costa Rica	7.000	5.000					12.000
Cuba	20.067	5.000					25.067
Dominican Republic	50.000	5.000					55.000
Ecuador	30.000	5.000					35.000
Guatemala	50.000	5.000					55.000
Jamaica	15.000	5.000					20.000
Mexico	-	60.000			(60.000)	-	-
Panama	-	5.000			(5.000)	(5.000)	(5.000)
Paraguay	55.000	5.000					60.000
Peru	35.000	5.000		(26.649)			13.351
Uruguay	45.000	5.000					50.000
USA (*)	595.000	595.000		(595.000)			595.000
Venezuela	184.521	30.000		(12.500)	-		202.021
<b>Totals</b>	<b>1.118.545</b>	<b>1.015.000</b>	<b>(85.000)</b>	<b>(694.149)</b>	<b>(190.000)</b>	<b>(20.000)</b>	<b>1.229.396</b>

<b>Total Revenues:</b>	<b>(969.149)</b>
<b>Total Advances:</b>	<b>(20.000)</b>

(\*) 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 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 the terms of the award.

On June 30, 2008 the IAI did not request any of the awarded funds.

### 6.2. 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:

	<u>2008</u>	<u>2007</u>
Vehicle expenses and maintenance	4,158	4,470
Communications	9,326	5,677
Office supplies	1,645	1,577
Premises, equipment and security	169,996	80,249
Support staff	117,327	93,804
	<u>302,452</u>	<u>185,777</u>

## 7. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates - %	2008		2008	2007
		Cost	Accumulated Depreciation	Net	Net
Capital Equipment	20	53,942	(45,943)	7,999	13,124
Software	10	21,028	(21,028)	-	-
Telephone lines	10	951	(951)	-	-
Vehicles	20	8,434	(8,434)	-	562
		<u>84,355</u>	<u>(76,356)</u>	<u>7,999</u>	<u>13,686</u>

## 8. CURRENT LIABILITIES

Descrição	2008	2007
Accounts payable		
Salaries, Benefits and taxes over payroll	115,469	68,066
Suppliers	36,131	8,779
Contributions advance to Core Budget	20,000	85,000
Grantees (Programs Payable)	22,000	-
Other payables	26,514	24,927
	<u>220,114</u>	<u>186,772</u>

## 9. MANAGEMENT AND GENERAL EXPENSES

	2008		2007	
	Budget	Actual	Budget	Actual
Salaries and benefits	756,000	863,769	741,103	674,150
Staff travel	80,000	96,548	80,000	54,410
Dissemination	43,000	31,941	39,000	27,879
Director's funds	36,400	32,731	28,397	17,474
Others	99,600	189,034	126,500	147,108
Donated services, utilities and use of fixed assets	-	302,452	-	185,777
	<u>1,015,000</u>	<u>1,516,475</u>	<u>1,015,000</u>	<u>1,106,798</u>



## **10. DEFINED CONTRIBUTION BENEFITS**

In the case of the foreign employees (non-Brazilians and non-permanent residents in Brazil) the employment contract 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 non-permanent residents) are signed by the Director on behalf of the IAI. The contribution from IAI during fiscal year 2007/2008 was US\$44,637 (US\$39,272 in fiscal year 2006/2007).

## **11. SUBSEQUENT EVENTS**

As mentioned in the item 5.10, on August 1st, 2008, the National Science Foundation approved a grant of \$225,000 for supporting the new training institute activities (GEO-0745732). This award will expire on January 31st, 2011.

## MANAGEMENT OF THE ORGANIZATION

Paul Filmer  
Chairman of the Executive Committee

Holm Tiessen  
Director

Rafael Atmetlla  
Administrative and Financial Officer

Anita Soares  
Financial Assistant  
CRC 1SP224182-P0

\* \* \*