

## Auditors' Report

To the Members of The International Institute for Sustainable Development

We have audited the consolidated statement of financial position of the International Institute for Sustainable Development as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit.

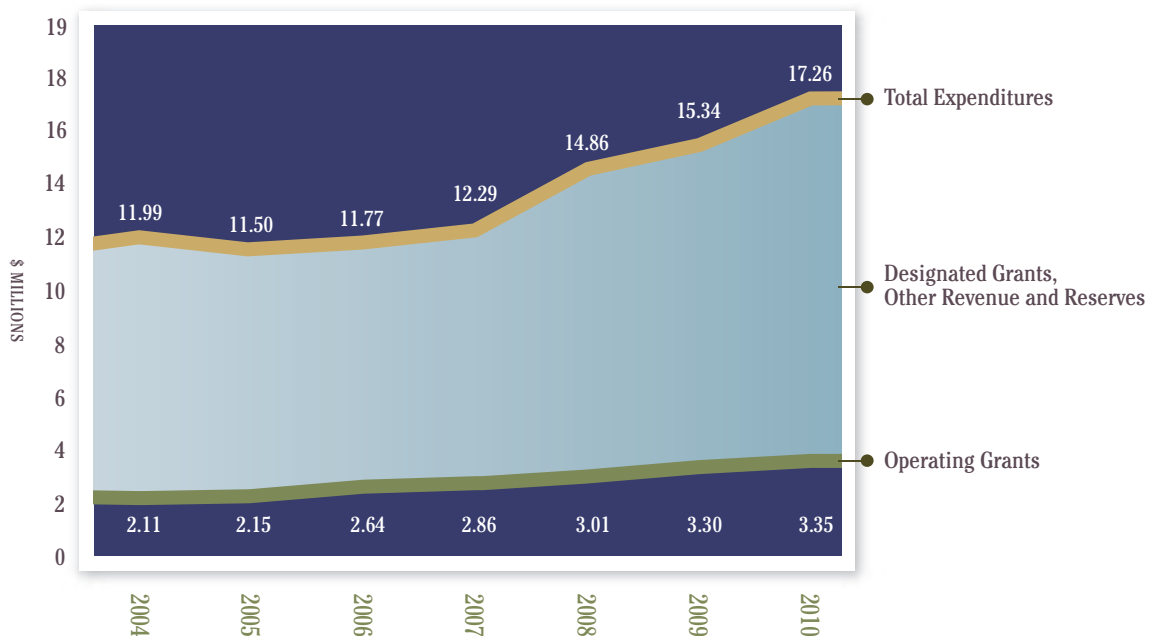
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte + Touche LLP*

Chartered Accountants  
Winnipeg, Manitoba  
May 21, 2010

### 2004—2010 IISD Financing Trend



# Consolidated Statement of Financial Position

March 31, 2010

	2010	2009
<b>ASSETS</b>		
CURRENT		
Cash	\$ 2,487,387	\$ 2,447,317
Marketable securities	8,281,403	8,035,878
Accounts receivable	8,608,564	7,734,176
Prepaid expenses and deposits	282,818	421,867
	<u>19,660,172</u>	<u>18,639,238</u>
CAPITAL ASSETS		
	294,788	363,747
	<u>\$ 19,954,960</u>	<u>\$ 19,002,985</u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,106,419	\$ 1,789,305
Deferred revenue	10,718,830	8,911,755
	<u>12,825,249</u>	<u>10,701,060</u>
<b>NET ASSETS</b>		
Net assets invested in capital assets	294,788	363,747
Reserve for program development	4,523,318	4,595,558
Reserve for long-term development	—	460,759
Innovation Fund	37,640	29,743
Campaign Fund	48,993	30,351
Unrestricted net operating assets	2,224,972	2,821,767
	<u>7,129,711</u>	<u>8,301,925</u>
	<u>\$ 19,954,960</u>	<u>\$ 19,002,985</u>

# Consolidated Statement of Operations

March 31, 2010

	<b>2010</b>	<b>2009</b>
<b>REVENUE</b>		
Designated grants	\$ 13,385,202	\$ 11,231,702
Operating grants	3,353,952	3,301,532
Innovation Fund	66,295	77,969
Interest	248,965	352,496
Other (loss) revenue	(989,347)	488,681
<b>TOTAL REVENUE</b>	<b>16,065,067</b>	<b>15,452,380</b>
<b>EXPENSES</b>		
Projects		
Trade and Investment	4,781,443	4,799,502
Reporting Services	3,438,410	3,200,419
Climate Change and Energy	3,307,224	1,989,601
Sustainable Natural Resources Management	1,424,658	1,356,237
Measurement and Assessment	1,071,999	834,819
Global Connectivity	626,614	1,009,373
New Project Development	124,723	177,848
Innovation Fund	69,051	80,168
Economic Policy	—	2,747
	<b>14,844,122</b>	<b>13,450,714</b>
Administration	1,363,415	957,869
Fund Development and Publishing and Communications	919,974	744,451
Board	136,309	183,976
<b>TOTAL EXPENSES</b>	<b>17,263,820</b>	<b>15,337,010</b>
<b>EXCESS OF (EXPENSES OVER REVENUE) REVENUE OVER EXPENSES</b>	<b>(1,198,753)</b>	<b>115,370</b>
<b>APPROPRIATION TO</b>		
<b>UNRESTRICTED NET OPERATING ASSETS</b>		
Net assets invested in capital assets	68,959	68,789
Reserve for program development	72,240	138,621
Reserve for long-term development	460,759	372,722
<b>(DECREASE) INCREASE IN UNRESTRICTED NET OPERATING ASSETS</b>	<b>(596,795)</b>	<b>695,502</b>
<b>UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR</b>	<b>2,821,767</b>	<b>2,126,265</b>
<b>UNRESTRICTED NET OPERATING ASSETS, END OF YEAR</b>	<b>\$ 2,224,972</b>	<b>\$ 2,821,767</b>

## Note on Funding Arrangements

**Designated grants** IISD receives funding from a variety of public and private sources to finance specific projects relating to its strategic objectives. Projects may carry on over more than one year. The related designated grants are recorded when the funding commitment is made and recognized in revenue as the projects progress. A comparative summary of designated grant funding committed during the year is as follows:

	Funding Commitments	
	2010 (\$000's)	2009 (\$000's)
Governments and agencies		
Canada	\$ 1,983	\$ 2,750
International	7,612	7,315
	9,595	10,065
United Nations agencies	4,130	801
International organizations	605	306
Philanthropic foundations	363	604
Private sector and other	981	681
	\$ 15,674	\$ 12,457

Designated grants and other revenue are summarized by activity area as follows. Other revenue includes publication sales, cost recoveries and, in the case of Administration, New Project Development, Fund Development and Publishing and Communications the net foreign exchange loss recognized at March 31, 2010 in the amount of \$1,146 thousand (2009 – \$402 thousand gain):

Activity Area	Other Revenue (\$000's)	Innovation Funds (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Trade and Investment	\$ 29	\$ –	\$ 4,308	\$ 4,337
Reporting Services	5	–	3,244	3,249
Climate Change and Energy	51	–	3,121	3,172
Sustainable Natural Resources Management	6	–	1,281	1,287
Measurement and Assessment	25	–	847	872
Global Connectivity	5	–	484	489
Administration, New Project Development, Fund Development and Publishing and Communications	(1,110)	–	100	(1,010)
	(989)	–	13,385	12,396
Innovation Fund	–	66	–	66
	\$ (989)	\$ 66	\$ 13,385	\$ 12,462

**Operating grants** The Institute has entered into a one year agreement with Environment Canada from April 1, 2009 to March 31, 2010. In October 2008, an 18-month agreement was reached with Canadian International Development Agency (CIDA) for a total of \$2.28 million with \$760 thousand attributed to the 2008–09 fiscal year and \$1.52 million to the 2009–10 fiscal year. The full amount attributed to the 2009–10 fiscal year has been received and is included in revenue for the year. The arrangement with CIDA provides operating grants. The arrangement with Environment Canada provides a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of Canada. IISD has funding agreements with the Government of Manitoba and the International Development Research Centre (IDRC) for five- and six-year periods ending March 31, 2011 and June 30, 2012 respectively. Both of these arrangements also provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of the funders. During the year the operating grant portion of the IDRC agreement was increased by \$115,000.

A summary of the operating grant funding is as follows:

	Funding Commitment (\$000's)	Funding Recorded 2010 (\$000's)	Funding Recorded Prior years (\$000's)	Funding Commitment Remaining (\$000's)
Government of Canada				
Environment Canada	\$ 500	\$ 500	\$ –	\$ –
Canadian International Development Agency	2,280	1,520	760	–
Government of Manitoba	4,186	837	2,511	838
International Development Research Centre	2,022	497	767	758
Operating grant revenue	\$ 8,988	\$ 3,354	\$ 4,038	\$ 1,596

## Note on Funding Arrangements

### Innovation Fund

In 2005, the Board of Directors established the IISD Innovation Fund to receive contributions from donors, which are to be used in developing new ideas for a better world and to meet the needs of the future. The Innovation Fund provides IISD's researchers with "intellectual venture capital" to push the boundaries of innovation with a flexibility that is typically not present in conventional funding mechanisms. Grants are awarded to specific Innovation Fund projects through a formal review process using pre-set criteria.

#### Summary of Innovation Fund activity from inception to March 31, 2010 (\$000's)

##### Contributions received:

Alcan Inc.	\$ 90
The Kathleen M. Richardson Foundation	75
The Great West Life Assurance Company	75
Investors Group	75
Manitoba Hydro	75
JFC Burns Investment	35
E. I. du Pont Canada Company	20
Others (under \$10,000)	8
	453
Appropriation from Reserve for Program Development	20
	\$ 473

##### Grants awarded to projects

###### Prior years

Human Development and Ecosystem Report	\$ 17
Identify Environment and Security Challenges in China	14
Governance and Accountability Challenges for Non-Legal Entities	13
Natural Disasters and Resource Rights	13
Building Capacity for Sustainable Development in North Korea	7
Climate Change, Resources & Conflict: Understanding the Links Between Environment & Security in Sudan	25
Realizing the Budapest Advantage: Institutionalizing IISD's Presence in the European Union	9
An Electronic and Updatable Digest of International Investment Law Arbitration Decisions	34
An Ecosystem Approach to the Millennium Development Goals and Multilateral Environmental Agreements	26
Health Dimensions of Climate Change	17
Advisory Centre for International Investment Law	29
Sustainable Procurement	25
Commonwealth and Francophonie Dialogue	30
Building Next-Generation Stakeholder Information Systems for Integrated Indicator/Future Scenario Projects	30
Cold Fusion/Open Source Software: IISD's Communications Lab	23
GreenSpace Feasibility Study	19
Promoting Sustainable Investment in the Water Sector: Refocusing the OECD Cross-Division Project on Water	40

Private Social Equity	31
Gender Impacts of Regional Trade Agreements	29
Gender Equity in Commodity Sustainability Standards	13
Recovery of prior years grants under expended	(2)
	442
<b>Current year</b>	
Recovery of prior years grants under expended	(7)
	435
Innovation Fund balance at March 31, 2010	\$ 38

### Campaign Fund

In 2007, the Board of Directors initiated a fundraising campaign to receive contributions from donors, which are to be used for projects involving young professionals in sustainable development, climate change related initiatives, community initiatives and other program needs. Grants are awarded to specific projects which meet the Campaign criteria.

#### Summary of Campaign Fund activity from inception to March 31, 2010 (\$000's)

##### Contributions received:

Manitoba Hydro	\$ 250
McCall MacBain Foundation	237
Individuals	101
RBC Foundation	100
JFC Burns Investment	35
CP Loewen Family Foundation	20
HSBC Bank of Canada	13
Delmar Global Trusts	12
Export Development Canada	1
	769

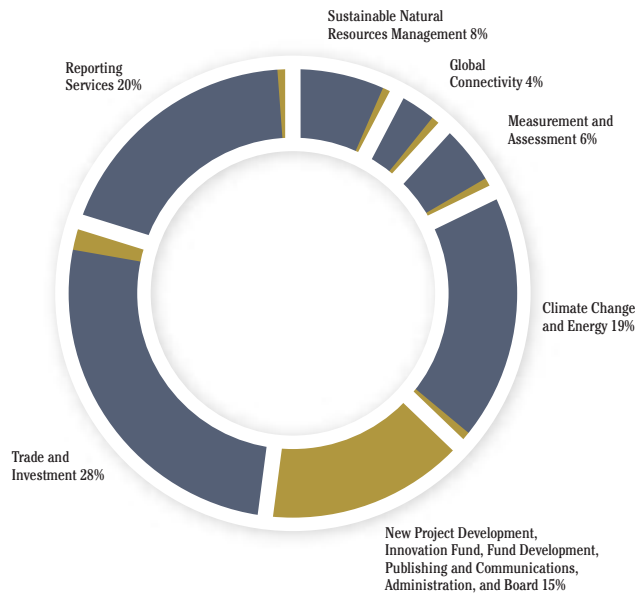
##### Grants awarded to projects

###### Prior years

IISD Board Youth Consultation	13
Leaders for a Sustainable Future/Trade Knowledge Network Internship	39
Intern Community Training Platform	20
Building Alliance of Institutions Training Young Professionals	10
	82

###### Current year

Water Innovation Centre	325
Clean Energy and Climate Change	248
CSIN Conference: Accountability Through Measurement	34
Sustainable Leadership Innovation Centre	25
Manitoba Eco Tender	25
Recovery of Prior Year Grants Under Expended	(19)
	638
Campaign Fund balance at March 31, 2010	\$ 49

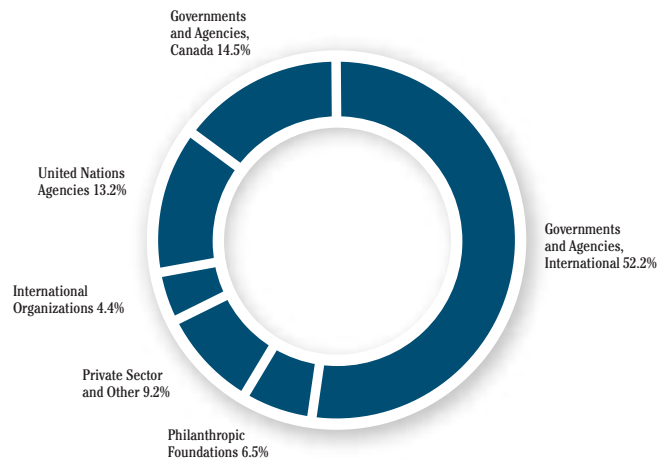


### 2009-2010 Revenue and Expenses by Activity Area

Total expenses of \$17,263,820

Financed by:

- Operating Grants and Reserves
- Designated Grants and Other Revenue



### 2009-2010 Designated Grant Revenue by Donor

Total designated grant revenue of \$13,385,202

## Schedule of Operations By Activity Area (\$'000's)

For the Year Ended March 31, 2010

	Trade and Investment	Reporting Services	Climate Change and Energy	Sustainable Natural Resources Management	Measurement and Assessment	Global Connectivity	Innovation Fund	New Project Development	Publishing and Communications	Fund Development	Administration	Board	2010 Total	2009 Total
Revenue	\$ 4,337	\$ 3,249	\$ 3,172	\$ 1,287	\$ 872	\$ 489	\$ 66	\$ 52	\$ 5	\$ 2	\$ (1,069)	\$ —	\$ 12,462	\$ 11,798
Personnel	2,551	842	1,461	884	606	406	40	68	319	250	905	—	8,332	7,767
Collaborators	1,080	1,219	819	189	130	79	28	37	53	1	182	—	3,817	3,065
Travel	355	1,060	457	165	98	76	—	13	26	18	93	—	2,361	2,158
Rent	151	103	78	47	31	20	—	—	17	12	48	—	507	484
Supplies and other	130	79	61	45	25	15	—	2	40	18	71	—	486	491
Publishing	86	40	60	44	56	6	1	—	31	22	—	—	346	245
Amortization of capital assets	44	30	22	17	9	7	—	—	10	5	16	—	160	238
Meetings	330	—	295	13	92	9	—	5	45	24	23	—	836	412
Telecommunications	36	60	46	15	20	6	—	—	18	3	19	—	223	229
Board	—	—	—	—	—	—	—	—	—	—	—	136	136	184
Research materials	18	6	8	6	5	3	—	—	2	5	7	—	60	64
Total expenses	4,781	3,439	3,307	1,425	1,072	627	69	125	561	358	1,364	136	17,264	15,337
Excess of expenses over designated grants and other revenue	\$ (444)	\$ (190)	\$ (135)	\$ (138)	\$ (200)	\$ (138)	\$ (3)	\$ (73)	\$ (556)	\$ (356)	\$ (2,433)	\$ (136)	(4,802)	(3,539)

Excess of expenses over designated grants funded by:

Operating grants

Interest

Excess of (expenses over revenue) revenue over expenses

Operating grants	3,354	3,302
Interest	249	352
Excess of (expenses over revenue) revenue over expenses	\$ (1,199)	\$ 115

# Consolidated Schedule of Designated Grants Committed (\$'000's)

For the Year Ended March 31, 2010

<b>Government of Canada (and Agencies)</b>					
International Development Research Centre (IDRC)	\$ 890			Indonesia	
Environment Canada	341			Ministry of Marine Affairs and Fisheries	45
Agriculture and Agri-Food Canada (AAFC)	67			Asia	
Department of Indian Affairs and Northern Development (DIAND)	57			Asian Development Bank	42
Department of Foreign Affairs and International Trade (DFAIT)	53				7,612
Canadian International Development Agency (CIDA)	20			<b>United Nations agencies</b>	
Human Resources and Skills Development Canada	19			United Nations Environment Programme (UNEP)	1,884
Health Canada	12			United Nations Development Programme (UNDP)	1,795
Indian and Northern Affairs Canada (INAC)	10			United Nations Food and Agriculture Organization (FAO)	189
	1,469			United Nations Institute For Training and Research (UNITAR)	58
				United Nations Industrial Development Organization (UNIDO)	50
<b>Governments of provinces</b>				Secretariat of the Pacific Regional Environment Programme (SPREP)	40
Manitoba	368			World Meteorological Organization	26
Quebec	95			United Nations International Strategy for Disaster Reduction	25
Nunavut	22			United Nations Framework Convention on Climate Change (UNFCCC)	21
New Brunswick	5			United Nations Economic Commission for Europe	20
Newfoundland and Labrador	5			United Nations Office for Project Services (UNOPS)	11
Ontario	5			Others (under \$10,000)	11
Nova Scotia	5				4,130
Alberta	5			<b>International organizations</b>	
British Columbia	4			Humanist Institute for Cooperation with Developing Countries (HIVOS)	103
	514			Cooperative for Assistance and Relief Everywhere, Inc. (CARE)	91
<b>Governments of other nations</b>				Climate Strategies (CS)	78
Norway				Organisation for Economic Co-operation and Development (OECD)	65
Norwegian Agency for Development Cooperation (NORAD)	1,642			International Institute for Environment and Development (IIED)	60
Ministry of Foreign Affairs	397			Partnership for Environmental Management for the Seas of East Asia (PEMSEA)	51
Directorate for Nature Management	24	2,063		World Bank	47
United Kingdom				The Organization of the Petroleum Exporting Countries (OPEC)	45
Department for International Development (DFID)		1,409		The Center for International Forestry Research (CIFOR)	26
Switzerland				Others (under \$10,000)	20
Swiss Agency for Development and Cooperation (SDC)	1,142			Commonwealth Secretariat	19
Federal Office for the Environment (FOEN)	111				605
National Centre of Competence in Research (NCCR)	50			<b>Philanthropic foundations</b>	
State Secretariat for Economic Affairs (SECO)	48	1,351		Rockefeller Brothers Fund	129
Sweden				Citigroup Foundation	116
Ministry of Foreign Affairs	254			United Way of Winnipeg	70
International Development Cooperation Agency (SIDA)	179			Community Foundations of Canada	17
Ministry of the Environment	71	504		Africa Progress Panel Foundation	11
France				Others (under \$10,000)	20
Ministry of Ecology	270				363
Institut de l'Energie et de l'Environnement de la Francophonie (IEPF)	180	450		<b>Private sector and other</b>	
European Commission		445		Genome Prairie	175
Denmark				Accountability Strategies	114
Permanent Mission in Geneva	311			Canarie Incorporated	100
Ministry of Foreign Affairs	103	414		Manitoba Hydro	95
Germany				ESSA Technologies Ltd.	83
Federal Ministry for the Environment (BMU)	125			Commission for Environmental Cooperation (CEC)	55
Federal Ministry for the Environment (BMZ)	90			Rainforest Alliance	53
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	55	270		Red River Basin Commission	35
Italy				TransCanada Pipelines	30
Ministry for Environment		150		Federation of Canadian Municipalities	30
Austria				International Tropical Timber Council	27
Federal Ministry of Agriculture, Forestry, Environment	134			EcoResources Consultants Inc.	21
Federal Ministry of European and International Affairs	14	148		City of Winnipeg	20
Japan				Health in Common	20
Institute for Global Environmental Strategies (IGES)	79			EMC Computer Systems South Africa Ltd.	19
Global Industrial and Social Progress Research Institute (GISPRI)	35	114		Canadian Internet Registration Authority	19
Belgium				Environment Development Action in the Third World (ENDA)	16
Ministry of National Planning, Environment and Mobility		90		Deloitte	13
New Zealand				Claremont Graduate University	10
Ministry of Foreign Affairs and Trade		63		Others (under \$10,000)	46
Taiwan					981
Taipei Economic and Cultural Office in Canada (TECO)		54			\$ 15,674