

Consolidated Financial Statements of

**INTERNATIONAL INSTITUTE FOR
SUSTAINABLE DEVELOPMENT**

March 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Members of
the International Institute for Sustainable Development

We have audited the accompanying consolidated financial statements of the International Institute for Sustainable Development, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets, cash flows, and the notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the International Institute for Sustainable Development as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba
June 9, 2011

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Changes in Net Assets	2
Consolidated Statement of Operations	3
Consolidated Statement of Cash Flows	4
Notes to the Consolidated Financial Statements	5 – 17
Schedule 1 – Consolidated Schedule of Operations by Activity Area	18
Schedule 2 – Consolidated Schedule of Designated Grants Committed	19 – 21

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Financial Position
March 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Cash (Note 9(b))	\$ 1,063,546	\$ 2,487,387
Marketable securities (Note 5)	8,104,934	8,281,403
Accounts receivable	9,790,219	8,608,564
Prepaid expenses and deposits	161,970	282,818
	19,120,669	19,660,172
CAPITAL ASSETS (Note 6)	244,301	294,788
	\$ 19,364,970	\$ 19,954,960
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,440,861	\$ 2,106,419
Deferred revenue (Note 7)	10,302,168	10,718,830
	11,743,029	12,825,249
COMMITMENTS (Note 9)		
NET ASSETS		
Net assets invested in capital assets	244,301	294,788
Reserve for program development (Note 3(h))	4,445,049	4,523,318
Innovation Fund (Note 4)	5,972	37,640
Campaign Fund (Note 4)	26,242	48,993
Unrestricted net operating assets	2,900,377	2,224,972
	7,621,941	7,129,711
	\$ 19,364,970	\$ 19,954,960

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Changes in Net Assets
For the Year Ended March 31, 2011

	Net Assets Invested in Capital Assets	Reserve for Program Development	Innovation Fund	Campaign Fund	Unrestricted Net Operating Assets	Total 2011	Total 2010
BALANCE, BEGINNING OF YEAR	\$ 294,788	\$ 4,523,318	\$ 37,640	\$ 48,993	\$ 2,224,972	\$ 7,129,711	\$ 8,301,925
Contributions to approved projects	-	-	(37,500)	(449,120)	-	(486,620)	(637,797)
Contributions received	-	-	5,832	426,369	-	432,201	664,336
Excess of (expenses over revenue) revenue over expenses	(133,873)	-	-	-	680,522	546,649	(1,198,753)
Investment in capital assets	83,386	-	-	-	(83,386)	-	-
Internally imposed restriction (Note 3(h))	-	(78,269)	-	-	78,269	-	-
BALANCE, END OF YEAR	\$ 244,301	\$ 4,445,049	\$ 5,972	\$ 26,242	\$ 2,900,377	\$ 7,621,941	\$ 7,129,711

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Operations
For the Year Ended March 31, 2011

	<u>2011</u>	<u>2010</u>
REVENUE (Notes 3(b) and 4)		
Designated grants	\$ 12,618,357	\$ 13,385,202
Operating grants	3,111,467	3,353,952
Innovation Fund	32,664	66,295
Interest	267,633	248,965
Other revenue (loss)	282,681	(989,347)
TOTAL REVENUE	16,312,802	16,065,067
EXPENSES (Note 8 and Schedule 1)		
Projects		
Trade and Investment	5,210,805	4,781,443
Reporting Services	3,296,281	3,438,410
Climate Change and Energy	2,167,190	3,307,224
Sustainable Natural Resources Management	1,349,763	1,424,658
Global Connectivity	727,376	626,614
Measurement and Assessment	695,607	1,071,999
New Project Development	91,088	124,723
Innovation Fund	33,671	69,051
	13,571,781	14,844,122
Administration	1,229,383	1,363,415
Fund Development and Publishing and Communications	850,937	919,974
Board	114,052	136,309
TOTAL EXPENSES	15,766,153	17,263,820
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	546,649	(1,198,753)
APPROPRIATION TO UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	50,487	68,959
Reserve for program development	78,269	72,240
Reserve for long-term development	-	460,759
INCREASE (DECREASE) IN UNRESTRICTED NET OPERATING ASSETS	675,405	(596,795)
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	2,224,972	2,821,767
UNRESTRICTED NET OPERATING ASSETS, END OF YEAR	\$ 2,900,377	\$ 2,224,972

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2011

	<u>2011</u>	<u>2010</u> (Note 12)
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue) for the year	\$ 546,649	\$ (1,198,753)
Items not affecting cash		
(Gain) loss on disposal of capital assets	(1,225)	159
Contributions to approved projects	(486,620)	(637,797)
Contributions received for approved projects	432,201	664,336
Amortization of fixed assets	133,716	158,746
	624,721	(1,013,309)
Changes in non-cash operating working capital items		
Accounts receivable	(1,181,655)	(874,388)
Prepaid expenses and deposits	120,848	139,049
Accounts payable and accrued liabilities	(665,558)	317,114
Deferred revenue	(416,662)	1,807,075
	(1,518,306)	375,541
INVESTING ACTIVITIES		
Purchases of capital assets	(83,386)	(91,402)
Proceeds from disposal of capital assets	1,383	1,456
Purchases and maturities of investments - net	176,468	(245,525)
	94,465	(335,471)
NET (DECREASE) INCREASE IN CASH	(1,423,841)	40,070
CASH POSITION, BEGINNING OF YEAR	2,487,387	2,447,317
CASH POSITION, END OF YEAR	\$ 1,063,546	\$ 2,487,387

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

Notes to the Consolidated Financial Statements

March 31, 2011

1. INCORPORATION, MANDATE AND TAX STATUS

The International Institute for Sustainable Development (IISD or the “Institute”) was incorporated on March 15, 1990 as a corporation without share capital under Part II of the Canada Corporations Act. It commenced operations shortly thereafter at its head office in Winnipeg, Manitoba, Canada.

IISD is a registered charity in Canada. It is also exempt from U.S. income tax under paragraph 501(c)(3) of the Internal Revenue Code.

The vision of IISD is better living for all – sustainably. Its mission is to champion innovation, enabling societies to live sustainably.

2. CHANGES IN ACCOUNTING POLICIES

New accounting framework

In December 2010, the CICA issued a new accounting framework applicable to not-for-profit organizations in the private sector. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations in the private sector will have to choose between International Financial Reporting Standards and Accounting Standards for Not-for-Profit organizations, whichever suits them best. The Institute currently plans to adopt Accounting Standards for Not-for-Profit Organizations for its fiscal year beginning on April 1, 2012, however, the impact of this transition has not yet been determined and is not expected to be significant.

3. SIGNIFICANT ACCOUNTING POLICIES

The Institute has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Institute for the year ended March 31, 2011. The Institute applies the requirements of Section 3861 of the CICA Handbook.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Principles of consolidation

These consolidated financial statements include the assets, liabilities, net assets, revenues, expenses, and other transactions of IISD Business Trust, IISD Solutions and International Institute for Sustainable Development – Europe (IISD – Europe); all of which are controlled by IISD. All material inter-company transactions and balances and results of operations have been eliminated upon consolidation.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Principles of consolidation (continued)

IISD Business Trust carries on consulting and other business activities consistent with the mandate of IISD. IISD Solutions is a corporation without share capital incorporated under Part II of the Canada Corporations Act and is the trustee of IISD Business Trust. IISD appoints the members of IISD Solutions and, according to the terms of the IISD Business Trust, all resources of the Trust must be provided to IISD as the Trust's sole beneficiary. International Institute for Sustainable Development Europe (IISD – Europe) was established as an association under the Swiss Civil Code on June 13, 2008 to meet eligibility criteria established by certain potential European based funders. It is being activated in a three stage process. During the year, bank accounts were opened in its name to be used under an agreement for IISD – Europe to act solely as a disbursing agent for IISD.

b) Revenue recognition

i) Operating grant revenue

Operating grants are subject to the condition that they must be expended in accordance with the mandate of IISD. Operating grant revenue is recorded in the annual amounts prescribed in the funding agreements. Any additional amounts received under current grant agreements are reflected as deferred revenue.

ii) Designated grant revenue

Designated grants must be expended in accordance with the donor's designation. Revenue for grants designated for specific current activities is recorded in the accounts as the related expenses are incurred. Designated grant commitments for specific future activities are reflected as deferred revenue. Revenue for grants designated generally for use in program or long-term development activities is recorded in the accounts in the year in which the grant is awarded.

iii) Innovation Fund revenue

Revenue for Innovation Fund projects is recorded in the accounts as the related expenses are incurred.

iv) Campaign Fund revenue

Revenue for projects supported from the Campaign Fund is recorded in the accounts as the related expenses are incurred.

v) Interest income

Interest income is recorded on an accrual basis, net of amortization of discounts or premiums on the purchase of bonds.

vi) Other revenue

Other revenue is recorded in the accounts when the service has been provided and amounts are determined and collection is probable.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and IISD's designation of such instruments.

Classification

Cash	Held for trading
Accounts receivable	Loans and receivables
Marketable securities	Held to maturity
Accounts payable and accrued liabilities	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

IISD uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Capital assets

Capital asset expenditures are recorded at cost. Amortization, which is based on the cost less the residual value over the useful life of the asset, is computed using the straight-line method over the following terms:

Computer systems	3 years, no residual
Equipment	10 years, 5% residual
Leaseholds	Initial term plus one renewal

e) Publication production costs

Publication production costs are expensed in the year in which the publication is printed.

f) Foreign currencies

Amounts denominated in a foreign currency are translated to Canadian dollars as follows:

Monetary balances, including cash, marketable securities, accounts receivable and accounts payable and accrued liabilities are translated at the year-end exchange rate.

Non-monetary balances, including prepaid expenses and deposits, deferred revenue and capital assets are translated at the exchange rate prevailing at the date of the transaction.

Revenue and expenses are translated at the rate of exchange prevailing at the time of the transaction. Exchange gains or losses on translation of foreign currencies are included in net income.

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include revenue recognized based on the estimated percentage of completion. Actual results could differ from these estimates.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Reserves

The Board of Directors has imposed internal restrictions on the Institute's net assets as follows:

Reserve for program development was established with the unexpended balance of Environment Canada's initial grant (1990-1995), for eventual use in accordance with IISD's mandate. It is used to finance the costs of the Institute's New Project Development activities as well as any additional initiatives the Board may authorize from time to time.

i) Allocation of expense

IISD allocates expenses from overhead accounts on a monthly basis to programs based on an allocation percentage that is the total direct labour in a project relative to the total direct labour for the Institute in that month. The required disclosures are included in Note 8.

4. 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:

	<u>Funding Commitments (Schedule 2)</u>	
	<u>2011</u>	<u>2010</u>
	(\$000's)	(\$000's)
Governments and agencies		
Canada	\$ 1,901	\$ 1,983
International	7,253	7,612
	<u>9,154</u>	<u>9,595</u>
United Nations agencies	1,009	4,130
International organizations	901	605
Philanthropic foundations	585	363
Private sector and other	767	981
	<u>\$ 12,416</u>	<u>\$ 15,674</u>

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

4. FUNDING ARRANGEMENTS (continued)

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 gain recognized at March 31, 2011 in the amount of \$147 thousand (2010 – \$1,146 thousand loss):

<u>Activity Area</u>	<u>Other Revenue</u> (\$000's)	<u>Innovation Funds</u> (\$000's)	<u>Designated Grants</u> (\$000's)	<u>Total</u> (\$000's)
Trade and Investment	\$ 42	\$ -	\$ 4,845	\$ 4,887
Reporting Services	7	-	3,420	3,427
Climate Change and Energy	22	-	1,852	1,874
Sustainable Natural Resources Management	6	-	1,207	1,213
Global Connectivity	8	-	577	585
Measurement and Assessment	26	-	504	530
Administration, New Project Development, Fund Development and Publishing and Communications	172	-	213	385
	283	-	12,618	12,901
Innovation Fund	-	33	-	33
	\$ 283	\$ 33	\$ 12,618	\$ 12,934

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, 2011

	(\$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)	14
	459
Appropriation from Reserve for Program Development	20
	479

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

4. FUNDING ARRANGEMENTS (continued)

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		(9)
		435

Current year

Promoting Gender Equity in Sustainable Commodity Standards		38
		473
Innovation Fund balance at March 31, 2011	\$	6

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

4. FUNDING ARRANGEMENTS (continued)

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, 2011

	(\$000's)
Contributions received:	
Manitoba Hydro	\$ 500
McCall MacBain Foundation	237
RBC Foundation	200
Individuals	110
JFC Burns Investment	35
Stewards Edge	25
Winnipeg Foundation	25
CP Loewen Family Foundation	20
HSBC Bank of Canada	13
Delmar Global Trusts	12
Lake Winnipeg Foundation	10
Gold Coast Securities	5
Assiniboine Credit Union	2
Export Development Canada	1
	1,195

Grants awarded to projects:

Prior years

Water Innovation Centre	325
Clean Energy and Climate Change	248
Leaders for a Sustainable Future/Trade Knowledge Network Internship	39
Canadian Sustainability Indicators Network Conference:	
Accountability Through Measurement	34
Manitoba Eco Tender	25
Sustainable Leadership Innovation Centre	25
Intern Community Training Platform	20
IISD Board Youth Consultation	13
Building Alliance of Institutions Training Young Professionals	10
Recovery of Prior Year Grants Under Expended	(19)
	720

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

4. FUNDING ARRANGEMENTS (continued)

Campaign Fund (continued)

Current year

Water Innovation Centre	\$	350
Assessment of Microbial Genomics for Bio-refining		34
Sustainable Leadership Innovation Centre – Domestic Winnipeg Pilot		25
Linkages between Poverty and Ecosystem Services		25
Winnipeg Community Indicator System - United Way Pilot		10
Canadian Sustainability Indicators Network Secretariat		5
		<u>449</u>
Campaign Fund balance at March 31, 2011	\$	<u>26</u>

Operating grants

The Institute had entered into a six month agreement with Environment Canada from October 1, 2010 to March 31, 2011. In April 2010, a one year agreement was reached with Canadian International Development Agency (CIDA) for a total of \$1.52 million. The full amount attributed to the 2010-11 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.

A summary of the operating grant funding is as follows:

	Funding Commitment (\$000's)	Funding Recorded 2011	Funding Recorded Prior years	Funding Commitment Remaining (\$000's)
Government of Canada				
Environment Canada	\$ 375	\$ 375	\$ -	\$ -
Canadian International Development Agency	1,520	1,520	-	-
Government of Manitoba	4,186	837	3,349	-
International Development Research Centre	2,022	379	1,264	379
Operating grant revenue (Note 3(b)(i))	<u>\$ 8,103</u>	<u>\$ 3,111</u>	<u>\$ 4,613</u>	<u>\$ 379</u>

Subsequent to year end, the Institute concluded agreements to renew prior operating grant relationships. A one year agreement was reached with Canadian International Development Agency (CIDA) for a total of \$1.67 million. A five year agreement was reached with the Province of Manitoba. The total commitment from the Province is \$5.6 million, \$4.19 million comprising operating grants and the remainder designated for specific future projects.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

5. MARKETABLE SECURITIES

Marketable securities include investments in fixed rate debt instruments having a credit rating which is comparable to those issued or guaranteed by the governments of Canada, its provinces, or large Canadian chartered banks. Maturities range from one month to thirty months based on expected future cash flow requirements.

A summary of marketable securities is as follows:

<u>Maturity</u>	<u>Carrying Value</u> (\$000's)	<u>Market Value</u> (\$000's)
2012	\$ 4,851	\$ 4,864
2013	2,847	2,847
2014	407	407
	<u>\$ 8,105</u>	<u>\$ 8,118</u>

6. CAPITAL ASSETS

The categories of capital assets and components of net assets invested in capital assets are summarized as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	(\$000's)		(\$000's)	
Computer systems	\$ 2,710	\$ 2,637	\$ 2,646	\$ 2,539
Equipment	737	633	729	624
Leaseholds	245	178	245	162
	<u>3,692</u>	<u>3,448</u>	<u>3,620</u>	<u>3,325</u>
Net book value	<u>\$ 244</u>		<u>\$ 295</u>	

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

7. DEFERRED REVENUE

The amount by which recorded funding commitments exceed the revenue recognized as Designated or Operating grants is reflected as deferred revenue. Innovation Fund deferred revenue is the difference between the amount of the grants awarded (Note 4) and the eligible costs incurred to March 31, 2011. The principal components of deferred revenue are summarized below:

	<u>2011</u> (\$000's)	<u>2010</u> (\$000's)
Designated grants		
Government agencies		
Canada	\$ 1,653	\$ 1,269
International	6,363	5,433
United Nations agencies	1,266	2,421
International organizations	264	289
Philanthropic foundations	278	487
Private sector and other	392	714
	<hr/> 10,216	<hr/> 10,613
Operating grants		
Government agencies		
Canada	25	50
Innovation Fund	61	56
	<hr/> \$ 10,302	<hr/> \$ 10,719

8. ALLOCATED EXPENSES

The categories of allocated expenses are summarized as follows:

	<u>2011</u> (\$000's)	<u>2010</u> (\$000's)
Personnel	\$ 1,199	\$ 1,173
Travel	15	28
Consulting	2	15
Supplies and others	217	269
Research materials	54	55
Telecommunications	116	85
Office rent	483	429
Amortization	90	104
	<hr/> \$ 2,176	<hr/> \$ 2,158

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

9. COMMITMENTS

- a) IISD is obligated to make payments under various operating leases over the next five years as follows:

	(\$000's)
2012	\$ 239
2013	237
2014	163
2015	144
2016	-
	<hr/> \$ 783 <hr/>

- b) IISD Solutions has an operating line of credit with a maximum amount of \$250,000 bearing interest at prime rate. As at March 31, 2011, there was a balance of \$Nil (2010 - Nil) outstanding against this credit facility.

10. FINANCIAL INSTRUMENTS

Interest rate risk

IISD is exposed to fluctuations in interest rates that could affect the cash flows from term deposits and marketable securities at the time of maturity and reinvestment of individual instruments. These fluctuations could affect the fair values of financial assets. IISD does not use derivative financial instruments to manage interest rate risk. This risk is addressed by staggering investment terms to correlate with expected future cash flow requirements.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. IISD's credit risk is managed through an investment policy which restricts its investment to fixed rate debt instruments having a credit rating which is comparable to those issued or guaranteed by the government of Canada, its provinces, or large Canadian chartered banks. Credit risk related to IISD's accounts receivable is mitigated by the fact that the receivables are comprised of amounts due from numerous public and private sector entities which are identified in Schedule 2.

Currency risk

Currency risk is the risk that arises from fluctuations in currency exchange rates, and the degree of volatility of these rates. A significant portion of IISD's revenue and expenditures are in other currencies, thus reducing its exposure to anticipated levels of net foreign currency inflow and outflow. IISD does not use derivative instruments to reduce its exposure to foreign currency risk.

Fair value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The fair value of marketable securities is disclosed in Note 5.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2011

11. CAPITAL MANAGEMENT

The Institute relies on government grants, private contributions and investment income to finance its operations. The funds available are allocated to the various programs based on the priorities identified by the Board of Directors and contributors' designations.

The Board of Directors has internally restricted net assets in the Reserve for program development of \$4,445,049. These Internally restricted amounts are not available for other purposes without approval of the Board of Directors. The Innovation Fund of \$5,972 and Campaign Fund of \$26,242 are externally restricted by contributors.

Capital management objectives, policies and procedures are unchanged from the prior year.

12. COMPARATIVE FIGURES

In the current year, the Institute changed from the direct method of cash flow statement presentation to the indirect method. As a result, the prior year figures and presentation of the cash flow statement have been adjusted accordingly.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Operations By Activity Area (\$000's)
For the Year Ended March 31, 2011

The following table summarizes expenses incurred in each of the IISD's activity areas:

	Trade and Investment	Reporting Services	Climate Change and Energy	Sustainable Natural Resources Management	Global Connectivity	Measurement and Assessment	Innovation Fund	New Project Development	Publishing and Communications	Fund Development	Administration	Board	2011 Total	2010 Total
Revenue (Note 4)	\$ 4,887	\$ 3,427	\$ 1,874	\$ 1,213	\$ 585	\$ 530	\$ 33	\$ 13	\$ 1	\$ 108	\$ 263	\$ -	\$ 12,934	\$ 12,462
Personnel	2,765	897	1,289	919	407	397	26	77	282	267	828	-	8,154	8,332
Collaborators	1,286	1,153	335	138	170	129	5	-	57	18	91	-	3,382	3,817
Travel	382	873	270	87	65	79	-	7	5	21	70	-	1,859	2,361
Rent	159	112	80	55	25	28	-	-	16	17	54	-	546	507
Supplies and other	108	111	73	51	25	17	-	-	30	20	125	-	560	486
Meetings	241	-	32	40	7	20	-	1	1	32	17	-	391	836
Publishing	159	72	16	22	11	2	3	4	39	17	1	-	346	346
Telecommunications	49	50	44	17	8	15	-	1	6	4	27	-	221	223
Amortization of capital assets	43	21	19	14	7	6	-	-	10	4	10	-	134	160
Board	-	-	-	-	-	-	-	-	-	-	-	114	114	136
Research materials	19	7	9	7	2	3	-	1	2	3	6	-	59	60
Total expenses	5,211	3,296	2,167	1,350	727	696	34	91	448	403	1,229	114	15,766	17,264
Excess of expenses over designated grants and other revenue	\$ (324)	\$ 131	\$ (293)	\$ (137)	\$ (142)	\$ (166)	\$ (1)	\$ (78)	\$ (447)	\$ (295)	\$ (966)	\$ (114)	(2,832)	(4,802)

Excess of expenses over designated grants funded by:

Operating grants	3,111	3,354
Interest	268	249
Excess of revenue over expenses (expenses over revenue)	\$ 547	\$ (1,199)

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2011

Government of Canada (and Agencies)		
Canadian International Development Agency (CIDA)	\$	495
International Development Research Centre (IDRC)		450
Natural Resources Canada		83
Agriculture and Agri-Food Canada (AAFC)		67
Department of Foreign Affairs and International Trade (DFAIT)		64
Department of Indian and Northern Affairs Canada (INAC)		60
Environment Canada		20
Human Resources and Skills Development Canada (HRSDC)		10
National Round Table on the Environment and the Economy (NRTEE)		10
		1,259
Governments of provinces		
Manitoba		523
Alberta		40
Nova Scotia		31
Saskatchewan		13
New Brunswick		11
Newfoundland and Labrador		6
Ontario		6
British Columbia		6
Quebec		6
		642
Governments of other nations		
Norway		
Norwegian Agency for Development Cooperation (NORAD)	2,707	
Ministry of Foreign Affairs	<u>508</u>	3,215
Denmark		
Ministry of Foreign Affairs		1,580
Switzerland		
State Secretariat for Economic Affairs (SECO)	282	
Federal Office for the Environment (FOEN)	172	
Federal Office for Agriculture	11	
Swiss Agency for Development and Cooperation (SDC)	<u>4</u>	469
Sweden		
Ministry of Foreign Affairs	297	
Ministry of the Environment	<u>70</u>	367
Germany		
Federal Ministry for the Environment (BMU)	297	
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	<u>33</u>	330
United States of America		
U.S. Department of State		270
Finland		
Ministry of Foreign Affairs		181
Australia		
Climate Change Department - Government of Australia	126	
Agency for International Development	<u>27</u>	153
Italy		
Ministry of the Environment		136

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2011

Spain		
Ministry of the Environment	\$	119
New Zealand		
Ministry of Foreign Affairs and Trade		89
Netherlands		
Netherlands Agency, Ministry of Agriculture, Nature and Food Quality	69	
Ministerie van Landbouw, Natuur end Voedselkwaliteit	8	
Ministerie van Volkshuisvesting, Ruimtelijke, Ordening en Milieubeheer	7	84
Brazil		
Instituto Interamericano de Cooperacao Para A Agricultura (IICA)		56
Taiwan		
Taipei Economic and Cultural Office in Canada (TECO)		47
Japan		
Institute for Global Environmental Strategies (IGES)	35	
Global Industrial and Social Progress Research Institute (GISPRI)	11	46
France		
Ministry of Ecology	27	
Institut de l' Energie et de l' Environnement de la Francophonie (IEPF)	10	37
India		
Ministry of New and Renewable Energy		37
Austria		
Federal Ministry of Agriculture, Forestry and Environment		24
Korea		
Ministry of Foreign Affairs and Trade		13
		7,253
United Nations agencies		
United Nations Environment Programme (UNEP)		564
United Nations Development Programme (UNDP)		197
United Nations Institute For Training and Research (UNITAR)		115
United Nations Office at Nairobi (UNON)		62
United Nations Food and Agriculture Organization (FAO)		38
United Nations Framework Convention on Climate Change (UNFCCC)		17
United Nations Office at Geneva (UNOG)		16
		1,009

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2011

International organizations		
Climate Strategies	\$	152
African Development Bank		124
World Bank		91
Commission for Environmental Cooperation (CEC)		80
International Institute for Environment and Development (IIED)		56
Global Environment Facility, USA		50
International Council on Mining and Metals		47
Union of Forest Research Organizations (IUFRO)		43
Organisation for Economic Co-operation and Development (OECD)		39
World Resources Institute (WRI)		32
Commonwealth Secretariat		25
Global Initiatives, Singapore		24
Greenpeace International (GPI)		21
Institute for Social and Environmental Transition		21
Rights and Resources Initiative, USA		20
Caribbean Community Secretariat (CARICOM)		20
World Wide Fund for Nature - South Africa (WWF-SA)		18
Friends of the Earth		14
World Business Council for Sustainable Development		11
Others (under \$10,000)		13
		901
Philanthropic foundations		
The Swedish Foundation for Strategic Environmental Research (MISTRA)		445
Citigroup Foundation		80
The German Marshall Fund of the United States		27
United Way of Winnipeg		15
The Free Software and Open Source Foundation of Africa (FOSSFA)		12
Others (under \$10,000)		6
		585
Private sector and other		
Simon Fraser University		145
Canadian Internet Registration Authority (CIRA)		102
Masdar		97
Pimachiowin Aki Corporation		95
Shell Canada Energy		66
Greenland Consulting		56
University of Delaware		40
Mekong River Commission		25
Enbridge		25
TransCanada Pipelines		21
AECOM International Development, Inc.		20
Carrier Sekani Tribal Council		19
University of Sheffield		16
Suncor		10
Others (under \$10,000)		30
		767
	\$	12,416