

Consolidated Financial Statements of

**INTERNATIONAL INSTITUTE FOR
SUSTAINABLE DEVELOPMENT**

March 31, 2013 and 2012

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 statements of financial position as at March 31, 2013, March 31, 2012, and April 1, 2011, the consolidated statements of operations and changes in unrestricted net operating assets, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 accounting standards for not-for-profit organizations 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 opinions.

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, 2013, March 31, 2012, and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013, and March 31, 2012, in accordance with accounting standards for not-for-profit organizations.



Chartered Accountants

Winnipeg, Manitoba
June 19, 2013

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APPROVED BY THE BOARD
Consolidated Statements of Financial Position
March 31, 2013, March 31, 2012 and April 1, 2011

	<u>March 31, 2013</u>	<u>March 31, 2012 (Note 2)</u>	<u>April 1, 2011 (Note 2)</u>
ASSETS			
CURRENT			
Cash (Note 9(b))	\$ 974,234	\$ 3,545,374	\$ 1,063,546
Marketable securities (Note 5)	4,878,659	7,592,158	8,104,934
Accounts receivable	13,928,508	9,628,547	9,790,219
Prepaid expenses and deposits	137,650	196,190	161,970
	<u>19,919,051</u>	<u>20,962,269</u>	<u>19,120,669</u>
 CAPITAL ASSETS (Note 6)	 210,382	 264,497	 244,301
	<u>\$ 20,129,433</u>	<u>\$ 21,226,766</u>	<u>\$ 19,364,970</u>
 LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 1,688,273	\$ 1,954,611	\$ 1,440,861
Deferred revenue (Note 7)	12,109,946	12,051,617	10,302,168
	<u>13,798,219</u>	<u>14,006,228</u>	<u>11,743,029</u>
 COMMITMENTS (Note 9)			
 NET ASSETS			
Net assets invested in capital assets	210,382	264,497	244,301
Reserve for program development (Note 3(h))	4,085,437	4,349,930	4,445,049
Innovation Fund (Note 4)	9,972	9,972	5,972
Campaign Fund (Note 4)	10,529	7,165	26,242
Unrestricted net operating assets	2,014,894	2,588,974	2,900,377
	<u>6,331,214</u>	<u>7,220,538</u>	<u>7,621,941</u>
	<u>\$ 20,129,433</u>	<u>\$ 21,226,766</u>	<u>\$ 19,364,970</u>

APPROVED BY THE BOARD

.....Director

.....Director

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2013 and 2012

Year Ended March 31, 2013	Net Assets Invested in Capital Assets	Reserve for Program Development	Innovation Fund	Campaign Fund	Unrestricted Net Operating Assets	Total 2013
BALANCE, BEGINNING OF YEAR	\$ 264,497	\$ 4,349,930	\$ 9,972	\$ 7,165	\$ 2,588,974	\$ 7,220,538
Contributions to approved projects	-	-	-	-	-	-
Contributions received	-	-	-	3,364	-	3,364
Excess of expenses over revenue	(100,459)	-	-	-	(792,229)	(892,688)
Investment in capital assets	46,344	-	-	-	(46,344)	-
Internally imposed restriction (Note 3(h))	-	(264,493)	-	-	264,493	-
BALANCE, END OF YEAR	\$ 210,382	\$ 4,085,437	\$ 9,972	\$ 10,529	\$ 2,014,894	\$ 6,331,214

Year Ended March 31, 2012	Net Assets Invested in Capital Assets	Reserve for Program Development	Innovation Fund	Campaign Fund	Unrestricted Net Operating Assets	Total 2012 (Note 2)
BALANCE, BEGINNING OF YEAR	\$ 244,301	\$ 4,445,049	\$ 5,972	\$ 26,242	\$ 2,900,377	\$ 7,621,941
Contributions to approved projects	-	-	-	(125,077)	-	(125,077)
Contributions received	-	-	4,000	106,000	-	110,000
Excess of expenses over revenue	(94,402)	-	-	-	(291,924)	(386,326)
Investment in capital assets	114,598	-	-	-	(114,598)	-
Internally imposed restriction (Note 3(h))	-	(95,119)	-	-	95,119	-
BALANCE, END OF YEAR	\$ 264,497	\$ 4,349,930	\$ 9,972	\$ 7,165	\$ 2,588,974	\$ 7,220,538

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statements of Operations and Changes in
Unrestricted Net Operating Assets
For the Years Ended March 31, 2013 and 2012

	2013	2012
REVENUE (Notes 3(b) and 4)		
Designated grants	\$ 13,981,637	\$ 13,079,799
Operating grants	2,491,130	2,888,530
Innovation Fund	21,550	6,667
Interest	130,491	185,751
Other (expense) revenue	(185,530)	28,877
TOTAL REVENUE	16,439,278	16,189,624
EXPENSES (Note 8 and Schedule 1)		
Projects		
Trade and Investment	5,564,278	5,462,245
Reporting Services	4,132,842	3,641,792
Climate Change and Energy	3,290,388	2,651,382
Natural and Social Capital	1,960,875	1,733,263
Global Connectivity	684,839	844,010
New Project Development	291,993	95,772
Innovation Fund	21,550	7,496
	15,946,765	14,435,960
Administration	904,055	1,403,953
Publishing Services and Media and Communications	374,505	599,415
Board	106,641	136,622
TOTAL EXPENSES	17,331,966	16,575,950
EXCESS OF EXPENSES OVER REVENUE	(892,688)	(386,326)
APPROPRIATION TO (FROM)		
UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	54,115	(20,196)
Reserve for program development	264,493	95,119
DECREASE IN UNRESTRICTED NET OPERATING ASSETS	(574,080)	(311,403)
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	2,588,974	2,900,377
UNRESTRICTED NET OPERATING ASSETS, END OF YEAR	\$ 2,014,894	\$ 2,588,974

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u> (Note 2)
OPERATING ACTIVITIES		
Excess of expenses over revenue	\$ (892,688)	\$ (386,326)
Items not affecting cash		
Amortization of fixed assets	100,459	94,402
Contributions to approved projects	-	(125,077)
Contributions received for approved projects	3,364	110,000
	<u>(788,865)</u>	<u>(307,001)</u>
Changes in non-cash operating working capital items		
Accounts receivable	(4,299,961)	161,672
Prepaid expenses and deposits	58,540	(34,220)
Accounts payable and accrued liabilities	(266,338)	513,750
Deferred revenue	58,329	1,749,449
	<u>(5,238,295)</u>	<u>2,083,650</u>
INVESTING ACTIVITIES		
Purchases of capital assets	(46,344)	(114,598)
Purchases and maturities of investments - net	2,713,499	512,776
	<u>2,667,155</u>	<u>398,178</u>
NET (DECREASE) INCREASE IN CASH	(2,571,140)	2,481,828
CASH POSITION, BEGINNING OF YEAR	3,545,374	1,063,546
CASH POSITION, END OF YEAR	\$ 974,234	\$ 3,545,374

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

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. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended March 31, 2013, the Institute adopted the new accounting standards for not-for-profit organizations (the "new standards") issued by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with Section 1501 of the CICA Handbook, First-time Adoption for Not-for-Profit Organizations, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and the Institute has prepared and presented an opening statement of financial position as at the date of transition to the new standards. This opening statement of financial position is the starting point for the Institute's accounting under the new standards.

In its opening statement of financial position, under the recommendations of Section 1501, the Institute:

- (a) recognized all assets and liabilities whose recognition is required by the new standards;
- (b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- (c) reclassified items that it recognized previously as one type of asset, liability or component of equity, but are recognized as a different type of asset, liability or component of equity under the new standards; and
- (d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented.

There was no significant impact of the adoption of the new standards on the statement of financial position as at April 1, 2011 or the statements of operations and changes in net assets or cash flows for the year ended March 31, 2012.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

Notes to the Consolidated Financial Statements

March 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting standards for not-for-profit organizations using fund accounting 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 have been eliminated upon consolidation.

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 has been activated in a three stage process. Bank accounts in its name are used under an agreement for IISD – Europe to act as a disbursing agent for IISD. In the prior year, select Geneva-based employees were transferred to IISD – Europe to provide services to IISD projects. During the year two projects were undertaken by IISD –Europe in its own right. At March 31, 2013 IISD – Europe had income of \$241 (2012 – loss \$34).

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 or future activities is recorded in the accounts as the related expenses are incurred on a percentage of completion basis. 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 are 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.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Revenue recognition (continued)

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.

c) Financial instruments

The Institute initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, accounts receivable and marketable securities. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities and deferred revenue.

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.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 other revenue.

g) Use of estimates

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations 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.

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.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

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>	
	March 31, 2013	March 31, 2012
	(\$000's)	(\$000's)
Governments and agencies		
Canada	\$ 2,263	\$ 1,465
International	10,209	6,623
	12,472	8,088
United Nations agencies	643	1,105
International organizations	1,432	1,025
Philanthropic foundations	898	233
Private sector and other	1,068	2,741
	\$ 16,513	\$ 13,192

Designated grants and other revenue are summarized by activity area as follows. Other revenue includes publication sales, honorariums and, in the case of Administration, New Project Development, Fund Development and Publishing and Communications the net foreign exchange loss recognized at March 31, 2013 in the amount of \$219 thousand (2012 – \$9 thousand gain):

<u>Activity Area</u>	<u>Other Revenue</u> (\$000's)	<u>Innovation Funds</u> (\$000's)	<u>Designated Grants</u> (\$000's)	<u>2013 Total</u> (\$000's)
Trade and Investment	\$ 3	\$ -	\$ 5,032	\$ 5,035
Reporting Services	2	-	3,959	3,961
Climate Change and Energy	-	-	2,874	2,874
Natural and Social Capital	5	-	1,512	1,517
Global Connectivity	-	-	577	577
Administration, New Project Development, Fund Development and Publishing and Communications	(195)	-	27	(168)
	(185)	-	13,981	13,796
Innovation Fund	-	22	-	22
	\$ (185)	\$ 22	\$ 13,981	\$ 13,818

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

4. FUNDING ARRANGEMENTS (continued)

Innovation Fund

In 2005, the Board of Directors established the IISD Innovation Fund. Contributions received from donors from inception up to March 31, 2013 of \$483 thousand, were used in developing new ideas for a better world and to meet the needs of the future. Grants of \$473 thousand have been awarded to specific Innovation Fund projects as at March 31, 2013. The Innovation Fund balance at March 31, 2013 is \$10 thousand (2012 - \$10 thousand).

Campaign Fund

In 2007, the Board of Directors initiated a fundraising campaign. Contributions received from donors since inception up to March 31, 2013 of \$1.304 million were used for projects involving young professionals in sustainable development, climate change related initiatives, community initiatives and other program needs. Grants of \$1.294 million have been awarded to specific projects which met the Campaign criteria. The Campaign Fund balance at March 31, 2013 is \$10 thousand (2012 - \$7 thousand).

Operating Grants

In March 2012, the prior year agreement with Canadian International Development Agency (CIDA) was amended to extend it for a further 9 months to December 31, 2012, in an amount of \$1.254 million. The full amount attributed to the 2012-13 fiscal year has been received and is included in revenue for the year. The arrangement with CIDA provides operating grants. 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, 2016 and June 30, 2012 respectively. Both of these arrangements provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of the funders. In March 2012 the IDRC agreement was amended to extend it for a further 12 months and funded in the amount of \$1 million for the extension period. The funding for the extension period is included in revenue at March 31, 2013. Subsequently, in April 2013 the IDRC agreement was amended to extend it for a further five years for a total of \$5 million over the extension period.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

4. FUNDING ARRANGEMENTS (continued)

A summary of the operating grant funding is as follows:

	<u>Funding Commitment</u> (\$000's)	<u>Funding Recorded</u> 2013 Prior years (\$000's)		<u>Funding Commitment Remaining</u> (\$000's)
Government of Canada Canadian International Development Agency	\$ 2,926	\$ 1,254	\$ 1,672	\$ -
Government of Manitoba International Development Research Centre	4,186	837	837	2,512
	2,422	400	2,022	-
Operating grant revenue (Note 3(b)(i))	\$ 9,534	\$ 2,491	\$ 4,531	\$ 2,512

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 two months to nine 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)
2014	4,879	4,877

6. CAPITAL ASSETS

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

	<u>March 31, 2013</u>		<u>March 31, 2012</u>		<u>April 1, 2011</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	(\$000's)		(\$000's)		(\$000's)	
Computer systems	\$ 2,854	\$ 2,775	\$ 2,811	\$ 2,703	\$ 2710	\$ 2,637
Equipment	754	657	751	645	737	633
Leaseholds	245	211	245	195	245	178
	3,853	3,643	3,807	3,543	3,692	3,448
Net book value	\$ 210		\$ 264		\$ 244	

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

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 amounts of the grants awarded (Note 4) and the eligible costs incurred to March 31, 2013. The principal components of deferred revenue are summarized below:

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)	April 1, 2011 (\$000's)
Designated grants			
Government agencies			
Canada	\$ 438	\$ 1,116	\$ 1,653
International	9,926	6,985	6,363
United Nations agencies	30	312	1,266
International organizations	599	75	264
Philanthropic foundations	569	1,774	278
Private sector and other	515	81	392
	12,077	10,343	10,216
Operating grants			
Government agencies			
Canada	-	1,654	25
Innovation Fund	33	54	61
	\$ 12,110	\$ 12,051	\$ 10,302

8. ALLOCATED EXPENSES

The categories of allocated expenses are summarized as follows:

	March 31, 2013 (\$000's)	March 31, 2012 (\$000's)
Personnel	\$ 1,090	\$ 1,174
Collaborators	1	6
Supplies and others	208	214
Research materials	39	60
Telecommunications	101	121
Rent	550	516
Amortization of capital assets	77	70
	\$ 2,066	\$ 2,161

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2013 and 2012

9. COMMITMENTS

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

	(\$000's)
2014	\$ 230
2015	144
	<hr/> \$ 374 <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, 2013, there was a balance of \$Nil (2012 - 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, 2013 and 2012

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 \$4,085,437. These Internally restricted amounts are not available for other purposes without approval of the Board of Directors. The Innovation Fund of \$9,972 and Campaign Fund of \$10,529 are externally restricted by contributors.

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

12. COMPARATIVE FIGURES

Certain prior year comparatives have been reclassified to conform to the current year's presentation.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Operations By Activity Area (\$000's)
For the Year Ended March 31, 2013

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

	Trade and Investment	Reporting Services	Climate Change and Energy	Natural and Social Capital	Global Connectivity	New Projects	Innovation Fund	Publishing Services	Media and Communications	Administration	Board	Total
Revenue (Note 4)	\$ 5,035	3,961	2,874	1,517	577	27	22	2	-	(197)	-	\$ 13,818
Personnel	3,152	1,000	1,641	1,381	380	131	22	134	96	644	-	8,581
Board - Expenses	-	-	-	-	-	-	-	-	-	-	107	107
Travel	451	1,276	224	95	65	17	-	-	-	24	-	2,152
Publishing	122	34	46	11	18	7	-	17	-	-	-	255
Consulting	1,105	1,535	1,117	217	159	125	-	15	41	13	-	4,327
Meetings	268	-	30	41	9	6	-	1	11	1	-	367
Supplies and Other	152	87	68	73	14	6	-	19	6	154	-	579
Research Material	16	4	7	7	2	-	-	1	1	3	-	41
Telecommunications	48	66	31	28	8	-	-	10	2	14	-	207
Office Rent	213	120	107	91	25	-	-	9	6	44	-	615
Amortization	37	11	19	17	5	-	-	4	1	7	-	101
Total expenses	5,564	4,133	3,290	1,961	685	292	22	210	164	904	107	17,332
Excess of expenses over designated grants and other revenue	\$ (529)	\$ (172)	\$ (416)	\$ (444)	\$ (108)	\$ (265)	\$ -	\$ (208)	\$ (164)	\$ (1,101)	\$ (107)	\$ (3,514)

Excess of expenses over designated grants funded by:

Operating grants	2,491
Interest	130
Excess of expense over revenue	<u>\$ (893)</u>

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Operations By Activity Area (\$000's)
For the Year Ended March 31, 2012

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

	Trade and Investment	Reporting Services	Climate Change and Energy	Natural and Social Capital	Global Connectivity	Innovation Fund	New Projects	Publishing Services	Media and Communications	Administration	Board	2012 Total
Revenue (Note 4)	\$ 4,916	3,413	2,287	1,638	783	7	1	-	46	24	-	\$ 13,115
Personnel	3,097	916	1,604	1,222	503	4	59	229	169	1,003	-	8,806
Board - expenses	-	-	-	-	-	-	-	-	-	-	137	137
Travel	453	1,071	255	72	76	-	28	-	14	94	-	2,063
Publishing	170	31	30	54	5	1	-	28	15	-	-	334
Consulting	987	1,348	449	161	179	3	9	50	7	73	-	3,266
Meetings	337	1	103	42	9	-	-	1	7	3	-	503
Supplies and other	128	87	50	55	20	-	-	24	10	132	-	506
Research materials	21	6	11	9	4	-	-	2	2	6	-	61
Telecommunications	54	60	36	30	14	-	-	5	3	24	-	226
Office rent	183	112	97	73	29	-	-	14	11	61	-	580
Amortization	32	10	16	15	5	-	-	6	2	8	-	94
Total expenses	5,462	3,642	2,651	1,733	844	8	96	359	240	1,404	137	16,576
Excess of expenses over designated grants and other revenue	\$ (546)	\$ (229)	\$ (364)	\$ (95)	\$ (61)	\$ (1)	\$ (95)	\$ (359)	\$ (194)	\$ (1,380)	\$ (137)	\$ (3,461)

Excess of expenses over designated grants funded by:

Operating grants	2,889
Interest	186
Excess of expense over revenue	\$ (386)

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2013

Government of Canada (and Agencies)		
Environment Canada	\$	802
International Development Research Centre (IDRC)		638
Natural Resources Canada (NRCAN)		52
Aboriginal Affairs and Northern Development Canada		10
Western Economic Diversification Canada		1
		1,503
Governments of provinces		
Manitoba		476
British Columbia		182
Alberta		84
Newfoundland and Labrador		6
Nova Scotia		6
Ontario		6
		760
Governments of other nations		
United Kingdom		
Department for International Development (DFID)	2,418	
Foreign and Commonwealth Office (FCO)	<u>344</u>	2,762
Denmark		
Danish Ministry of Foreign Affairs		2,613
Switzerland		
State Secretariat for Economic Affairs (SECO)	1,402	
Swiss Agency for Development and Cooperation (SDC)	144	
Federal Office for the Environment (FOEN)	<u>107</u>	1,653
Norway		
Ministry of Foreign Affairs	1,581	
Ministry for the Environment	<u>17</u>	1,598
Sweden		
Swedish International Development Cooperation Agency (SIDA)	365	
Ministry of the Environment	<u>29</u>	394
France		
Ministry of Ecology	234	
Institut de l'Energie et de l'Environnement de la Francophonie (IEPF)	<u>139</u>	373
Qatar		
The State of Qatar		236
Germany		
Federal Ministry for the Environment (BMU)	98	
Ministry of National Planning, Environment and Mobility - Wallonne Region	78	
Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ)	<u>28</u>	204
Australia		
Agency for International Development (AID)	144	
Government Climate Change Department - Government of Australia	<u>31</u>	175
Finland		
Ministry of Foreign Affairs		98
Taiwan		
Taipei Economic and Cultural Office in Canada (TECO)		51
Austria		
Federal Ministry of Agriculture, Forestry, Environment		26
India		
Ministry of Environment and Forests		18
New Zealand		
Ministry of Foreign Affairs and Trade		8
		10,209

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2013

United Nations agencies	
United Nations Environment Programme (UNEP)	\$ 367
United Nations Development Programme (UNDP)	97
Food and Agriculture Organization of the United Nations (FAO)	61
United Nations Framework Convention on Climate Change (UNFCCC)	41
United Nations Office at Nairobi (UNON)	32
United Nations Economic Commission for Europe (UNECE)	23
United Nations Office at Geneva (UNOG)	18
United Nations Economic Commission for Latin America and the Caribbean (ECLAC)	2
United Nations Economic Commission for Africa (UNECA)	2
	643
International organizations	
Asian Development Bank	549
International Council on Mining and Metals	175
World Bank	144
International Renewable Energy Agency	81
The Secretariat of the Convention on Biological Diversity	77
Adventist Development and Relief Agency (ADRA) Canada	74
Organisation for Economic Co-operation and Development (OECD)	41
Stitching BirdLife Europe	39
Union of Forest Research Organizations (IUFRO)	39
Caribbean Community Secretariat (CARICOM)	36
Fairfood International	28
World Business Council for Sustainable Development (WBCSD)	23
Economic Community of West Africa States (ECOWAS)	22
International Trade Centre (ITS)	22
Institute for Advance Sustainability Studies	17
Ramsar Convention Secretariat	15
International Centre for Integrated Mountain Development (ICIMOD)	13
Open Society Initiative for West Africa	12
Others (under \$10,000)	25
	1,432
Philanthropic foundations	
John D. and Catherine T. MacArthur Foundation	459
Berteismann Stiftung	111
United Way of Winnipeg	90
RBC Foundation	80
Stitching Foundation Renewable Energy Technology Deployment (RETD)	67
Asia-Europe Foundation (ASEF)	40
The Gail Asper Family Foundation Inc.	30
Wild Chimpanzee Foundation (WCF)	20
Others (under \$10,000)	1
	898

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
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Private sector and other		
IVL Swedish Environmental Research Institute	\$	308
Manitoba Hydro		257
Manitoba Lotteries Corporation		153
Pulse Crops Canada Association		84
Nestle SA		48
Prairie Improvement Network (P.I.N.)		34
University of Winnipeg		26
Transparency International		25
Deerwood Soil and Water Management Association Inc.		20
HTSPE Limited		15
Oxford Policy Management Limited		13
Enbridge		10
Shell Canada		10
TransCanada Energy		10
Others (under \$10,000)		55
		1,068
	\$	16,513
