

*Consolidated Financial Statements of*

**INTERNATIONAL INSTITUTE FOR  
SUSTAINABLE DEVELOPMENT**

*March 31, 2009*

## 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, 2009 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, 2009 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  
May 12, 2009

## 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 – 16
Schedule 1 – Consolidated Schedule of Operations By Activity Area	17
Schedule 2 – Consolidated Schedule of Designated Grants Committed	18 – 20

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Statement of Financial Position**  
**March 31, 2009**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 8(b))	\$ 2,447,317	\$ 1,592,542
Marketable securities (Note 5)	8,035,878	7,923,045
Accounts receivable	7,734,176	7,747,287
Prepaid expenses and deposits	421,867	148,889
	<u>18,639,238</u>	<u>17,411,763</u>
CAPITAL ASSETS (Note 6)	363,747	432,536
	<u>\$ 19,002,985</u>	<u>\$ 17,844,299</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 1,789,305	\$ 1,653,513
Deferred revenue (Note 7)	8,911,755	7,967,108
	<u>10,701,060</u>	<u>9,620,621</u>
COMMITMENTS (Note 8)		
<b>NET ASSETS</b>		
Net assets invested in capital assets	363,747	432,536
Reserve for program development	4,595,558	4,754,179
Reserve for long-term development	460,759	833,481
Innovation Fund (Note 4)	29,743	45,764
Campaign Fund (Note 4)	30,351	31,453
Unrestricted net operating assets	2,821,767	2,126,265
	<u>8,301,925</u>	<u>8,223,678</u>
	<u>\$ 19,002,985</u>	<u>\$ 17,844,299</u>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Statement of Changes in Net Assets**  
**For the Year Ended March 31, 2009**

	Net Assets Invested in Capital Assets	Reserve for Program Development	Reserve for Long-Term Development	Innovation Fund	Campaign Fund	Unrestricted Net Operating Assets	Total 2009	Total 2008
BALANCE, BEGINNING OF YEAR	\$ 432,536	\$ 4,754,179	\$ 833,481	\$ 45,764	\$ 31,453	\$ 2,126,265	\$ 8,223,678	\$ 7,544,680
Contributions to approved projects	-	-	-	(71,502)	(82,000)	-	(153,502)	(95,373)
Contributions received	-	-	-	35,481	80,898	-	116,379	31,453
Excess of revenue over expenses (expenses over revenue)	(244,527)	-	-	-	-	359,897	115,370	742,918
Investment in capital assets	175,738	-	-	-	-	(175,738)	-	-
Internally imposed restriction	-	(158,621)	(372,722)	20,000	-	511,343	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 363,747</b>	<b>\$ 4,595,558</b>	<b>\$ 460,759</b>	<b>\$ 29,743</b>	<b>\$ 30,351</b>	<b>\$ 2,821,767</b>	<b>\$ 8,301,925</b>	<b>\$ 8,223,678</b>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT****Consolidated Statement of Operations**

For the Year Ended March 31, 2009

	<u>2009</u>	<u>2008</u>
REVENUE (Notes 3(b) and 4)		
Designated grants	\$ 11,231,702	\$ 11,836,739
Operating grants	3,301,532	3,013,569
Innovation Fund	77,969	107,328
Interest	352,496	363,352
Other revenue	488,681	278,519
<b>TOTAL REVENUE</b>	<b>15,452,380</b>	<b>15,599,507</b>
EXPENSES (Schedule 1)		
Projects		
Trade and Investment	4,799,502	4,845,587
Reporting Services	3,200,419	3,086,864
Climate Change and Energy	1,989,601	1,612,038
Sustainable Natural Resources Management	1,356,237	1,459,297
Global Connectivity	1,009,373	941,323
Measurement and Assessment	834,819	945,921
New Project Development	177,848	82,485
Innovation Fund	80,168	109,715
Economic Policy	2,747	48,787
	<b>13,450,714</b>	<b>13,132,017</b>
Administration	957,869	872,747
Fund Development and Publishing and Communications	744,451	694,687
Board	183,976	157,138
<b>TOTAL EXPENSES</b>	<b>15,337,010</b>	<b>14,856,589</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>115,370</b>	<b>742,918</b>
APPROPRIATION TO UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	68,789	32,060
Reserve for program development	138,621	82,485
Reserve for long-term development	372,722	169,655
INCREASE IN UNRESTRICTED NET OPERATING ASSETS	695,502	1,027,118
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	2,126,265	1,099,147
<b>UNRESTRICTED NET OPERATING ASSETS, END OF YEAR</b>	<b>\$ 2,821,767</b>	<b>\$ 2,126,265</b>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT****Consolidated Statement of Cash Flows**

For the Year Ended March 31, 2009

	2009	2008
<b>CASH PROVIDED BY OPERATIONS</b>		
Designated Grants (Schedule 2)		
Government of Canada (and Agencies)	\$ 2,003,559	\$ 2,222,419
Governments of provinces	746,389	572,833
Governments of other nations	7,315,493	5,840,140
United Nations agencies	800,591	714,542
International organizations	305,826	508,992
Philanthropic foundations	603,989	236,850
Private sector and other	681,025	1,072,776
Operating Grants		
Government of Canada		
Environment Canada	-	531,250
Canadian International Development Agency	1,859,000	1,520,000
Government of Manitoba	837,130	837,130
International Development Research Centre	360,401	381,439
Campaign Fund	80,898	31,453
Innovation Fund	35,481	6,537
Total Operating and Designated Grants	15,629,782	14,476,361
Decrease in accounts receivable	191,751	20,805
Other revenue	479,317	271,018
	16,300,850	14,768,184
Cash used in operating activities	(15,508,575)	(14,667,846)
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>792,275</b>	<b>100,338</b>
<b>CASH (USED IN) PROVIDED BY INVESTMENTS</b>		
Interest for long-term development	410,207	309,207
Purchase of marketable securities	(184,187)	(482,243)
Purchase of capital assets	(175,738)	(199,770)
Proceeds from disposal of capital assets	12,218	3,329
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>62,500</b>	<b>(369,477)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>854,775</b>	<b>(269,139)</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,592,542</b>	<b>1,861,681</b>
<b>CASH, END OF YEAR</b>	<b>\$ 2,447,317</b>	<b>\$ 1,592,542</b>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2009**

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**1. INCORPORATION, MANDATE AND TAX STATUS**

The International Institute for Sustainable Development (IISD) 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 standards*

The Accounting Standards Board (AcSB) issued new accounting standard, Handbook Section 1535 Capital Disclosures, which establishes standards for an entity's objectives, policies and processes for managing capital, quantitative data about what is considered capital and whether an entity has complied with any capital requirements and consequences of non-compliance with such capital requirements. The standard is effective for reporting periods beginning on or after October 1, 2007. The Institute applied the new accounting standard at the beginning of its current fiscal year and its implementation did not have an impact on the results of operations or financial position (Note 10).

The AcSB issued two new standards relating to financial instruments. Section 3862 Financial Instruments – Disclosures, enhances the disclosure requirements of Section 3861 by placing an increased emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Both qualitative and quantitative information about exposures to risk arising from financial instruments including credit, interest rate, liquidity, currency and other price risk arising from financial instruments including credit, interest rate, liquidity, currency and other price risks are required to be disclosed. Section 3863 Financial Instruments – Presentation, carries forward, unchanged, the presentation requirements of Section 3861, which the Institute implemented for the fiscal year ended March 31, 2007.

The AcSB has agreed to allow not-for-profit organizations to apply Section 3861, Financial Instruments – Disclosure and Presentation, in place of Sections 3862 and 3863. As such, the Institute has decided to not implement Sections 3862 and 3863.

*Future accounting changes*

*Not-for-profit organization*

The AcSB will be replacing Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable profit-oriented enterprise with January 1, 2011 as the changeover date. While these standards are not developed with reference to not-for-profit organizations, the AcSB has agreed that a not-for-profit organization can apply IFRS if that approach meets the needs of the users of its financial statements.



**2. CHANGES IN ACCOUNTING POLICIES (Continued)**

The AcSB is also developing a made in Canada alternative set of financial reporting standards for private profit-oriented enterprises. The AcSB has agreed to consider permitting not-for-profit organizations to apply the standards for private enterprises, together with additional standards addressing their unique transactions and circumstances. Accordingly, the needs of not-for-profit organizations will be considered in the development of the private enterprise standards.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, Disclosures of Allocated Expenses by Not-for-Profit Organizations, was issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations", to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include: IFRS, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Institute continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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; all of which are controlled by IISD. All material inter-company transactions and balances and results of operations 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 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 was inactive during the year.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

**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.

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.

Loans and receivables

Loans and receivables are accounted for 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, 2009**

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**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, 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, 2009**

**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:

	Funding Commitments	
	2009 (\$000's)	2008 (\$000's)
Governments and agencies		
Canada	\$ 2,750	\$ 2,795
International	7,315	5,840
	<b>10,065</b>	<b>8,635</b>
United Nations agencies	801	715
International organizations	306	509
Philanthropic foundations	604	237
Private sector and other	681	1,073
	<b>\$ 12,457</b>	<b>\$ 11,169</b>

Designated grants and other revenue which includes publication sales, cost recoveries and, in the case of Administration, Fund Development and Publishing and Communications the net foreign exchange gain recognized at March 31 in the amount of \$402 thousand (2008 – \$50 thousand gain), are summarized by activity area as follows:

Activity Area	Other Revenue (\$000's)	Innovation Funds (\$000's)	Designated Grants (\$000's)	Total (\$000's)
Trade and Investment	\$ 19	\$ -	\$ 3,961	\$ 3,980
Reporting Services	-	-	2,905	2,905
Climate Change and Energy	19	-	1,712	1,731
Sustainable Natural Resources Management	2	-	1,172	1,174
Global Connectivity	5	-	748	753
Measurement and Assessment	3	-	684	687
Administration, New Project Development, Fund Development and Publishing and Communications	440	-	50	490
	488	-	11,232	11,720
Innovation Fund	-	78	-	78
	<b>\$ 488</b>	<b>\$ 78</b>	<b>\$ 11,232</b>	<b>\$ 11,798</b>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2009**

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**4. FUNDING ARRANGEMENTS (Continued)**

**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, 2009

	(\$000's)
Contributions:	
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)	7
	<u>452</u>
Appropriation from Reserve for Program Development	<u>20</u>
	<u>472</u>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2009**

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**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
		371

Current year

Recovery of prior years grants under expended		(2)
Private Social Equity		31
Gender Impacts of Regional Trade		29
Gender Equity in Commodity Sustainability Standards		13
		71
		442
Innovation Fund balance at March 31, 2009	\$	30

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2009**

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**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, 2009

	(\$000's)
Contributions received:	
CP Loewen Family Foundation	\$ 20
Individuals	44
JFC Burns Investment	35
HSBC Bank of Canada	13
	112

Grants awarded to projects:

Current year

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
Campaign Fund balance at March 31, 2009	\$ 30

**Operating grants**

IISD has entered into a one year agreement with Environment Canada from April 1, 2008 to March 31, 2009. The previous three year funding agreement with the Canadian International Development Agency (CIDA) which expired March 31, 2008 was increased by \$719,000 and extended by six months to September 30, 2008. Thereafter a new 18 month agreement was reached with CIDA for a total of \$2.28 million. 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.



**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
 March 31, 2009

**4. FUNDING ARRANGEMENTS (Continued)**

A summary of the operating grant funding is as follows:

	Funding Commitment (\$000's)	Funding Recorded 2009      Prior years (\$000's)		Funding Commitment Remaining (\$000's)
Government of Canada				
Environment Canada	\$ 500	\$ 500	\$ -	\$ -
Canadian International Development Agency	7,279	1,479	4,280	1,520
Government of Manitoba International Development Research Centre	4,186	837	1,674	1,675
	1,907	485	282	1,140
Operating grant revenue (Note 3(b)(i))	\$ 13,872	\$ 3,301	\$ 6,236	\$ 4,335

**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-one 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)
2010	\$ 2,320	\$ 2,318
2011	4,685	4,685
2012	1,031	1,058
	\$ 8,036	\$ 8,061

**6. CAPITAL ASSETS**

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

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	(\$000's)		(\$000's)	
Computer systems	\$ 2,570	\$ 2,409	\$ 2,472	\$ 2,263
Equipment	720	612	712	599
Leaseholds	240	145	240	129
	3,530	3,166	3,424	2,991
Net book value	\$ 364		\$ 433	

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2009**

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**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, 2009. The principal components of deferred revenue are summarized below:

	<u>2009</u> (\$000's)	<u>2008</u> (\$000's)
Designated grants		
Government agencies		
Canada	\$ 1,527	\$ 1,672
International	5,532	4,043
United Nations agencies	82	252
International organizations	89	157
Philanthropic foundations	757	1,062
Private sector and other	240	345
	<u>8,227</u>	<u>7,531</u>
Operating grants		
Government agencies		
Canada	555	300
Innovation Fund	130	136
	<u>\$ 8,912</u>	<u>\$ 7,967</u>

**8. COMMITMENTS**

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

	(\$000's)
2010	\$ 223
2011	43
2012	13

- b) IISD Solutions has an operating line of credit in the maximum amount of \$250,000 bearing interest at prime rate. As at March 31, 2009, there was a balance of \$Nil (2008 - \$12) outstanding against this credit facility.

**9. 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.

# INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

## Notes to the Consolidated Financial Statements

March 31, 2009

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### 9. FINANCIAL INSTRUMENTS (Continued)

#### *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 cash, accounts receivable and accounts payable and accrued liabilities approximates their fair values due to their short-term to maturity. The fair value of marketable securities is disclosed in Note 5.

### 10. 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 included in the Reserve for program development of \$4,595,558 and the Reserve for long-term development of \$460,759. These Internally restricted amounts are not available for other purposes without approval of the Board of Directors. The Innovation Fund of \$29,743 and Campaign Fund of \$30,351 are externally restricted by contributors.

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Schedule of Operations By Activity Area (\$000's)**  
**For the Year Ended March 31, 2009**

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	New Project Development	Innovation Fund	Economic Policy	Administration	Fund Development and Publishing and Communications	Board	2009 Total	2008 Total
Revenue (Note 4)	\$ 3,980	\$ 2,905	\$ 1,731	\$ 1,174	\$ 753	\$ 687	\$ 39	\$ 78	\$ -	\$ 432	\$ 19	\$ -	\$ 11,798	\$ 12,223
Personnel	2,327	958	1,277	898	509	533	64	42	1	705	453	-	7,767	7,170
Collaborators	1,261	911	154	190	235	113	57	20	-	48	76	-	3,065	3,023
Travel	526	979	240	76	135	79	30	14	-	48	31	-	2,158	2,409
Rent	150	106	67	47	28	27	-	-	-	34	25	-	484	454
Supplies and other	142	86	70	40	24	24	4	4	-	51	46	-	491	456
Publishing	74	42	32	8	11	14	-	-	-	13	51	-	245	299
Amortization of capital assets	58	54	28	27	13	14	-	-	2	20	22	-	238	230
Meetings	200	-	65	50	30	6	21	-	-	15	25	-	412	388
Telecommunications	39	57	46	15	21	21	1	-	-	18	11	-	229	213
Board	-	-	-	-	-	-	-	-	-	-	-	184	184	157
Research materials	22	7	11	5	4	4	1	-	-	6	4	-	64	58
Total expenses	4,799	3,200	1,990	1,356	1,010	835	178	80	3	958	744	184	15,337	14,857
Excess of expenses over designated grants and other revenue	\$ (819)	\$ (295)	\$ (259)	\$ (182)	\$ (257)	\$ (148)	\$ (139)	\$ (2)	\$ (3)	\$ (526)	\$ (725)	\$ (184)	(3,539)	(2,634)

Excess of expenses over designated grants funded by:

Operating grants	3,302	3,014
Interest	352	363
Excess of revenue over expenses	\$ 115	\$ 743

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Schedule of Designated Grants Committed (\$000's)**

**For the Year Ended March 31, 2009**

Government of Canada (and Agencies)		
International Development Research Centre (IDRC)	\$	1,000
Environment Canada		264
Agriculture and Agri-Food Canada (AAFC)		215
Canadian International Development Agency (CIDA)		148
Wildlife Conservation Society (WCS)		122
Department of Foreign Affairs and International Trade		87
Indian and Northern Affairs Canada (INAC)		81
Industry Canada		46
National Resources Canada		24
National Round Table on the Environment and the Economy (NTREE)		17
		<b>2,004</b>
Governments of provinces		
Manitoba		691
Alberta		36
British Columbia		16
Ontario		3
		<b>746</b>
Governments of other nations		
Denmark		
Royal Danish Ministry of Foreign Affairs		1,936
Norway		
Norwegian Agency for Development Cooperation (NORAD)	793	
Permanent Mission of Norway Geneva	476	
Ministry of Foreign Affairs	147	1,416
Switzerland		
Swiss Agency for Development and Cooperation (SDC)	434	
State Secretariat for Economic Affairs (SECO)	397	
Federal Office for the Environment (FOEN)	46	877
United Kingdom		
Department for International Development	805	
British Government for Climate Change	31	836
Sweden		
Swedish Ministry of Foreign Affairs		621
Netherlands		
Ministry of Agriculture, Nature and Food Quality (LNV)	254	
Environmental Assessment Agency	140	394
Germany		
Federal Ministry for the Environment	122	
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)	50	172
Italy		
Italian Ministry for Environment, Land and Sea		148
European Commission		147

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Schedule of Designated Grants Committed (\$000's)**  
**For the Year Ended March 31, 2009**

Spain		
Spanish Ministry of the Environment	\$	146
Japan		
Institute for Global Environmental Strategies (IGES)	90	
Global Industrial and Social Progress Research Institute (GISPRI)	38	128
Finland		
Ministry of Foreign Affairs	84	
Ministry of the Environment	23	107
Turkey		
5th World Water Forum Secretariat		106
France		
Institut de l' Energie et de l' Environnement de la Francophonie		92
Taiwan		
Forestry Bureau, Council of Agriculture		57
New Zealand		
Ministry of Foreign Affairs and Trade		41
Suriname		
Government of Suriname		31
Korea		
Korean Institute for International Economic Policy		27
Philippines		
Clean Air Initiative - Asia Centre		16
Austria		
Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management		14
Iceland		
Icelandic Ministry of Foreign Affairs		3
		<b>7,315</b>
United Nations agencies		
United Nations Environment Programme (UNEP)		599
United Nations Food and Agriculture Organization (FAO)		65
United Nations Industrial Development Organization (UNIDO)		41
United Nations Office for Project Services (UNOPS)		37
United Nations Framework Convention on Climate Change (UNFCCC)		34
United Nations Development Programme (UNDP)		21
Others (under \$10,000)		4
		<b>801</b>

**INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT**  
**Consolidated Schedule of Designated Grants Committed (\$000's)**

**For the Year Ended March 31, 2009**

International organizations	
International Centre for Trade and Sustainable Development (ICTSD)	\$ 141
International Institute for Environment and Development (IIED)	61
Lake Balaton Development Coordination Agency	37
Canadian International Council (CIC)	33
Organization for Economic Co-operation and Development (OECD)	20
Others (under \$10,000)	14
	<b>306</b>
Philanthropic foundations	
Citigroup Foundation	154
The German Marshall Fund of the United States	129
Rockefeller Brothers Fund	123
Lodestar Foundation	77
Charles Stewart Mott Foundation	51
The Swedish Foundation for Strategic Environmental Research (MISTRA)	39
PEW Charitable Trusts	20
Others (under \$10,000)	11
	<b>604</b>
Private sector and other	
Hivos	125
Western Governors' Association	110
Commission for Environmental Cooperation (CEC)	77
ETH Domain	74
Federation of Canadian Municipalities (FCM)	66
The Aylmer Group	33
Oxfam - Quebec	22
Prince Albert Model Forest Aboriginal Caucus	20
Collage of Marine & Earth Studies, University of Delaware	17
Transcanada Corporation	16
Serecon Management Consulting Inc.	12
INFRAS Consulting Group for Policy Analysis and Implementation	11
Shell Canada	10
ConocoPhillips Canada	10
Others (under \$10,000)	78
	<b>681</b>
	<b>\$ 12,457</b>