

International Institute for Sustainable Development

Consolidated financial statements
March 31, 2018



Independent auditors' report

To the Members of
International Institute for Sustainable Development

We have audited the accompanying consolidated financial statements of **International Institute for Sustainable Development**, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and changes in unrestricted net operating assets, changes in net assets and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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.

Auditors' 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 auditors' 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 auditors consider 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 consolidated 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 **International Institute for Sustainable Development** as at March 31, 2018, the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Winnipeg, Canada
July 24, 2018

Ernst & Young LLP

Chartered Professional Accountants



A member firm of Ernst & Young Global Limited

Table of contents

Consolidated statement of financial position	1
Consolidated statement of operations and changes in unrestricted net operating assets	2
Consolidated statement of changes in net assets	3
Consolidated statement of cash flows	4
Notes to consolidated financial statements	5
Schedule 1 – consolidated schedule of operations by activity area	19
Schedule 2 – consolidated schedule of designated grants committed during the current year	20

International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31

	2018	2017
	\$	\$
Assets		
Current		
Cash	4,594,596	5,573,446
Restricted cash <i>[note 3]</i>	533,435	471,307
Accounts receivable <i>[note 4]</i>	22,669,076	18,776,872
Prepaid expenses	372,390	293,627
Total current assets	28,169,497	25,115,252
Accounts receivable <i>[note 4]</i>	15,171,200	18,851,954
Investments <i>[note 7]</i>	6,053,771	5,725,525
Capital assets, net <i>[note 8]</i>	1,220,044	1,159,959
Intangible assets	25,985	25,985
Total assets	50,640,497	50,878,675
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	2,916,412	2,018,193
Deferred contributions <i>[note 9]</i>	23,014,397	20,112,976
Deferred capital contributions <i>[note 10]</i>	107,375	79,401
Total current liabilities	26,038,184	22,210,570
Deferred contributions <i>[note 9]</i>	15,301,146	20,619,897
Deferred capital contributions <i>[note 10]</i>	783,394	791,994
Total liabilities	42,122,724	43,622,461
Commitments <i>[note 12]</i>		
Net assets		
Net assets invested in capital assets <i>[note 13]</i>	307,171	288,564
Reserve for program development <i>[note 16]</i>	3,249,589	3,249,589
IISD ELA Sustainable Future Fund <i>[note 5]</i>	800,000	750,000
Remediation fund <i>[note 3]</i>	504,436	442,650
Unrestricted net operating assets	3,656,577	2,525,411
Total net assets	8,517,773	7,256,214
	50,640,497	50,878,675

See accompanying notes

On behalf of the Board:

Director

Director

International Institute for Sustainable Development

**Consolidated statement of operations and changes in
unrestricted net operating assets**

Year ended March 31

	2018	2017
	\$	\$
Revenue <i>[note 5]</i>		
Designated grants	25,501,761	22,973,564
Operating grants	1,124,540	1,124,540
Other	654,818	515,493
IISD ELA Sustainable Future Fund <i>[note 5]</i>	5,820	197,360
Investment income	213,839	164,619
	27,500,778	24,975,576
Expenses <i>[schedule 1]</i>		
Programs		
Economic Law & Policy	6,949,117	5,887,167
Water	4,163,920	3,989,649
Reporting Services	3,849,013	3,987,525
Resilience	3,647,297	1,813,750
Energy	3,257,321	3,984,328
SDG Knowledge	1,064,087	1,117,710
China	43,814	39,742
	22,974,569	20,819,871
Corporate and shared services <i>[note 11]</i>	3,314,650	3,273,043
	26,289,219	24,092,914
Excess of revenue over expenses for the year	1,211,559	882,662
Appropriation from unrestricted net operating assets		
Change in net assets invested in remediation fund <i>[note 3]</i>	(61,786)	(127,632)
Change in net assets invested in capital assets <i>[note 13]</i>	(18,607)	(6,225)
Increase in unrestricted net operating assets	1,131,166	748,805
Unrestricted net operating assets, beginning of year	2,525,411	1,776,606
Unrestricted net operating assets, end of year	3,656,577	2,525,411

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of changes in net assets

Year ended March 31

	Net assets invested in capital assets <i>[note 13]</i>	Reserve for program development <i>[note 2]</i>	IISD ELA Sustainable Future Fund <i>[note 5]</i>	Remediation fund <i>[note 3]</i>	Unrestricted net operating assets	Total 2018	Total 2017
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	288,564	3,249,589	750,000	442,650	2,525,411	7,256,214	6,123,552
Excess (deficiency) of revenue over expenses for the year	(138,177)	—	73,547	—	1,276,189	1,211,559	882,662
Transfer of interest earned on investments to deferred contributions <i>[notes 5 and 10]</i>	—	—	(73,547)	—	73,547	—	—
Contributions received	—	—	50,000	—	—	50,000	250,000
Transfer to remediation fund <i>[note 3]</i>	—	—	—	61,786	(61,786)	—	—
Net investment in capital assets	156,784	—	—	—	(156,784)	—	—
Balance, end of year	307,171	3,249,589	800,000	504,436	3,656,577	8,517,773	7,256,214

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of cash flows

Year ended March 31

	2018	2017
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,211,559	882,662
Add (deduct) items not affecting cash		
Amortization of capital assets	138,177	134,451
Amortization of capital assets funded by capital contributions	107,375	105,367
Amortization of deferred capital contributions to revenue	(107,375)	(105,367)
Loss (gain) on write-off of capital assets	(13,678)	6,757
IISD ELA Sustainable Future Fund revenue	(5,820)	(197,360)
	<u>1,330,238</u>	<u>826,510</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	(211,450)	1,043,980
Prepaid expenses and deposits	(78,763)	130,223
Accounts payable and accrued liabilities	898,219	(190,081)
Deferred contributions	(2,411,510)	1,987,466
Cash provided by (used in) operating activities	<u>(473,266)</u>	<u>3,798,098</u>
Investing activities		
Proceeds from sale of assets	13,678	—
Purchase of capital assets	(305,637)	(718,224)
Purchase of intangible assets	—	(25,985)
Purchase of investments, net	(328,246)	(754,771)
Contributions to restricted cash	(62,128)	(156,289)
Cash used in investing activities	<u>(682,333)</u>	<u>(1,655,269)</u>
Financing activities		
Capital contributions received	126,749	561,966
Contributions received for the IISD ELA Sustainable Future Fund	50,000	250,000
Cash provided by financing activities	<u>176,749</u>	<u>811,966</u>
Net increase (decrease) in cash during the year	(978,850)	2,954,795
Cash, beginning of year	<u>5,573,446</u>	<u>2,618,651</u>
Cash, end of year	<u>4,594,596</u>	<u>5,573,446</u>

See accompanying notes

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

1. Incorporation, mission and tax status

The International Institute for Sustainable Development ["IISD"] is incorporated under the *Canada Not-for-profit Corporations Act*. IISD's head office is located 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.

IISD's mission is to promote human development and environmental sustainability through innovative research, communication and partnerships. IISD provides practical solutions to the challenge of integrating environmental and social priorities with economic development.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-profit Organizations", which sets out generally accepted principles for not-for-profit organizations in Canada and includes the following significant accounting policies:

Principles of consolidation

These consolidated financial statements include the assets, liabilities, net assets, revenue, expenses, and other transactions of International Institute for Sustainable Development – Europe ["IISD – Europe"] and IISD Experimental Lakes Area Inc. ["IISD ELA Inc."], all of which are controlled by IISD. All material intercompany transactions and balances have been eliminated upon consolidation.

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. For the year ended March 31, 2018, IISD – Europe had a net income of \$487 [2017 – \$3,445].

IISD ELA Inc. was incorporated on August 21, 2013 under the *Canada Not-for-profit Corporations Act* and IISD is the sole member. The Experimental Lakes Area is a freshwater research facility in Northwestern Ontario that has operated as a government research facility over the past 45 years. IISD ELA Inc. assumed the control of the management and operations of the Experimental Lakes Area on April 1, 2014. IISD ELA Inc. obtained charitable status in Canada on November 10, 2014. For the year ended March 31, 2018, IISD ELA Inc. had a net income of \$139 thousand [2017 – \$504 thousand].

Revenue recognition

IISD follows the deferral method of accounting for contributions, which includes government grants.

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

Designated grants revenue

Designated grants must be expended in accordance with the funder's designation. Revenue for grants designated for specific current or future activities is recorded in the accounts as revenue as the related expenses are incurred. Designated grant commitments for specific future activities are reflected as deferred contributions.

Operating grants revenue

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

IISD ELA Sustainable Future Fund revenue

Revenue for IISD ELA Inc.'s Sustainable Future Fund projects is recorded in the accounts as the related expenses are incurred as prescribed in the funding agreement. Until expended, amounts related to the original capital are recorded as deferred contributions.

Investment income

Investment income is recorded on an accrual basis. Investment income includes dividend and interest income, distributions from mutual funds, and realized and unrealized gains and losses, less transaction costs and management fees.

Other revenue

Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries and in the case of Corporate and Shared Services costs, the net foreign exchange loss recognized on March 31, 2018. Donations are recognized when received, since pledges are not legally enforceable claims. Cost recoveries are recognized when received. In-kind contributions are recognized upon receipt of the in-kind item(s) and are measured at fair market value.

Financial instruments

IISD initially measures its financial assets and financial liabilities at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

The financial assets subsequently measured at amortized cost include accounts receivable and fixed income investments. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, deferred capital contributions and deferred contributions.

Allocation of expenses

The costs of personnel and other expenses directly related to functions are allocated to each function. General support and other costs are not allocated.

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

Investments

Investments include cash, equities, fixed income securities and mutual funds. Investments reported at fair value consist of equity instruments quoted in an active market, mutual funds, and fixed income securities and equity instruments not quoted in an active market that the organization designates upon purchase to be measured at fair value. Transaction costs are recognized in the consolidated statement of operations and changes in net assets in the period during which they are incurred. Transactions are recorded on a trade date basis.

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term of maturity less than 90 days or able to be cashed on demand. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than liquidity purposes are classified as investments and recorded as long-term assets.

Capital assets

Capital assets 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:

Boats, motors and vehicles	3 years, no residual
Equipment	5 years, no residual
Computer systems	3 years, no residual
Office equipment	10 years, 5% residual
Leasehold improvements	Initial term
Buildings	20 years, no residual

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate category of capital asset. No amortization is taken on the construction in progress.

Intangible assets

IISD ELA Inc. purchased the perpetual right, through a bait block purchase, to be the sole harvester of bait fish on specific lakes and streams. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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 consolidated 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 consolidated financial statements

March 31, 2018

Publication production costs

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

Foreign currency translation

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

- [i] Monetary balances, including cash, investments, accounts receivable and accounts payable and accrued liabilities, are translated at the year-end exchange rate.
- [ii] Non-monetary balances, including prepaid expenses and deposits, deferred contributions and capital assets, are translated at the exchange rate prevailing at the date of the transaction.
- [iii] Revenue and expenses are translated at the rate of exchange prevailing at the date of the transaction. Exchange gains or losses on translation of foreign currencies are included in other revenue.

Reserves

The Board of Directors has imposed internal restrictions on the IISD'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 IISD's New Project Development activities as well as any additional initiatives the Board may authorize from time to time.

3. Restricted cash

IISD ELA Inc. established a fund to cover the costs of the remediation of the ELA sites under certain circumstances, as outlined in the signed funding agreement with the Province of Ontario. IISD ELA Inc. is required to contribute a total amount of \$500 thousand to the fund. The final transfer of \$57 thousand was made in June 2017. The funds are held in an interest-bearing account, with IISD ELA Inc. and the Government of Ontario having joint signing authority. Based on the restrictions on the use of the funds, the amounts are recorded as restricted cash as well as allocated to restricted amounts within net assets. During the year, interest of \$5 thousand was earned on the account.

Pursuant to its rental agreement with La Fondation Des Immeubles Pour Les Organisations Internationales Building Foundation for International Organizations, IISD is required to maintain a balance equal to three months' rent in a specified account. As at March 31, 2018, the account holds \$29 thousand, which is recorded as restricted cash [2017 – \$29 thousand].

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

4. Accounts receivable

The principal components of accounts receivable are summarized below:

	2018	2017
	\$000's	\$000's
Accounts receivable – short term		
Government agencies		
Canada	7,509	4,985
International	12,846	11,554
United Nations agencies	535	316
International organizations	405	464
Philanthropic foundations	564	426
Private sector and other	810	988
Other receivables	—	44
	22,669	18,777
Accounts receivable – long term		
Government agencies		
Canada	8,510	10,171
International	6,430	8,666
Philanthropic foundations	—	15
Private sector and other	231	—
	15,171	18,852
Total accounts receivable	37,840	37,629

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

5. Funding arrangements

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 grants are recorded when the funding commitment is made and recognized in revenue as the projects progress. A comparative summary of the consolidated schedule of designated grants committed during the year is as follows:

	Funding commitments	
	<i>[schedule 2]</i>	
	2018	2017
	\$000's	\$000's
Governments and agencies		
Canada	7,758	4,675
International	9,566	15,109
	17,324	19,784
United Nations agencies	1,142	708
International organizations	1,258	1,667
Philanthropic foundations	2,987	2,767
Private sector and other	1,490	1,616
	24,201	26,542

Designated grants, IISD ELA Inc. Sustainable Future Fund and other revenue are summarized by activity area as follows. Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries and in the case of Corporate and Shared Services costs, the net foreign exchange loss recognized on March 31, 2018 in the amount of \$47 thousand [2017 – \$81 thousand].

Activity area	IISD ELA			2018	2017
	Designated	Sustainable	Other		
	grants	Future	revenue	\$000's	\$000's
	\$000's	Fund	\$000's	\$000's	\$000's
Economic Law & Policy	7,625	—	44	7,669	6,534
Water	4,357	6	502	4,865	4,799
Reporting Services	4,343	—	41	4,384	4,449
Resilience	4,260	—	8	4,268	2,100
Energy	3,452	—	57	3,509	4,372
SDG Knowledge	1,370	—	18	1,388	1,416
China	—	—	—	—	9
Corporate and Shared Services	95	—	(16)	79	7
	25,502	6	654	26,162	23,686

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

IISD ELA Inc. Sustainable Future Fund

The Sustainable Future Fund was created with the initial donation of capital of \$250 thousand by a private donor. This initial donation, the "Original Capital", was fully expended at March 31, 2017 as per the donation agreement. In the prior years, the fund received "Additional Capital" of \$750 thousand. During fiscal 2018, the fund received additional contributions of \$50 thousand, which is also "Additional Capital". All Additional Capital is to be permanently retained. To the extent possible, the interest earned from the Additional Capital will be used to support two to three summer students each year, as per the agreement.

Expenses amounting to \$6 thousand were incurred during fiscal 2018 [2017 – \$197 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year interest earned on the Additional Capital of \$73 thousand was recorded in deferred contributions [2017 – \$6 thousand].

The Additional Capital has been invested in an investment portfolio subject to IISD ELA Inc.'s investment policy [note 7].

Operating grants

IISD has funding agreements with the Government of Manitoba and the International Development Research Centre ["IDRC"] for six- and five-year periods ending March 31, 2019 and June 30, 2018, respectively. Both of these agreements provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of these funders. In March 2013, the IDRC agreement was amended to extend it for five years and three months to June 30, 2018 for a total of \$5 million over the extension period. In August 2013, the Manitoba agreement was renewed for a further six years for a total of \$6 million over the term of the agreement.

A summary of the operating grant funding is as follows:

	Funding commitment	Funding recorded		Funding commitment remaining
	\$000's	2018	Prior years	\$000's
		\$000's	\$000's	
Government of Manitoba	4,347	725	2,899	723
International Development Research Centre	2,000	400	1,600	—
Operating grants revenue [note 2]	6,347	1,125	4,499	723

6. Government remittances payable

Accounts payable and accrued liabilities include government remittances payable of \$18 thousand [2017 – \$22 thousand].

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

7. Investments

Investments consist of the following:

	2018 \$000's	2017 \$000's
Cash	486	556
Common shares, measured at fair value	922	558
Fixed income, measured at amortized cost	3,883	2,511
Mutual funds, measured at fair value	763	2,101
	6,054	5,726

All investments are denominated in Canadian and US dollars and invested in accordance with IISD's investment policy.

Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 9 years, 8 months and a weighted average yield to maturity of 2.55%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 4 years, 6 months and a weighted average yield to maturity of 2.42%.

The common shares and mutual funds consist of a diversified portfolio of widely held publicly traded securities and units of mutual funds. The unit price of these equities will fluctuate with market conditions. The amounts invested in mutual funds consist of domestic and global bond and equity funds.

8. Capital assets

The categories of capital assets are summarized as follows:

	2018		2017	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	380	298	328	264
Equipment	344	158	233	89
Computer systems	142	131	136	99
Office equipment	149	92	149	82
Leasehold improvements	244	113	232	87
Buildings	794	41	34	1
Construction in progress	—	—	670	—
	2,053	833	1,782	622
Net book value		1,220		1,160

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

The changes in the cost of purchased and donated capital assets are summarized as follows:

	2018		2017	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	87	35	73	—
Equipment	111	—	117	—
Computer systems	6	—	20	1,044
Office equipment	—	—	4	4
Leasehold improvements	12	—	2	5
Buildings	90	—	34	—
Construction in progress	—	—	468	—
	306	35	718	1,053

9. Deferred contributions

Deferred contributions are amounts by which recorded funding commitments exceed the revenue recognized as Designated or Operating grants.

The principal components of deferred contributions are summarized below:

	2018 \$000's	2017 \$000's
Designated grants		
Government agencies		
Canada	14,761	17,476
International	19,527	19,244
United Nations agencies	316	225
International organizations	423	477
Philanthropic foundations	2,108	1,840
Private sector and other	1,181	1,071
	38,316	40,333
Operating grants		
Government agencies		
Canada	—	400
Total grants	38,316	40,733
Less current	23,015	20,113
Long-term	15,301	20,620

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

10. Deferred capital contributions

Deferred capital contributions represent contributed assets and externally restricted contributions for the purchase or construction of capital assets. These contributions are being amortized on the same basis as the amortization of the related capital assets. The changes in the deferred capital contributions balance for the year are as follows:

	2018 \$000s	2017 \$000s
Balance, beginning of year	871	406
Capital contributions	127	570
Amounts amortized to revenue	(107)	(105)
Balance, end of year	891	871

At March 31, 2018, the deferred capital contributions balances are as follows:

	2018 \$000s	2017 \$000s
Michael Paterson and Gail Asper	663	692
Richardson Foundation	124	47
Manitoba Hydro	52	57
Thomas Sill Foundation	30	40
Government of Canada [Department of Fisheries and Oceans]	17	35
Canadian Energy Pipeline Association	5	—
	891	871
Less current portion	107	79
	784	792

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

11. Corporate and shared services

The categories of corporate and shared services are summarized as follows:

	Administration \$000's	Executive \$000's	Communications \$000's	Geneva office \$000's	Board \$000's	Institutional planning \$000's	Innovation Fund \$000s	Fundraising \$000's	2018 \$000's	2017 \$000's
Personnel	951	643	205	170	—	11	45	44	2,069	1,807
Board – expenses	—	—	—	—	76	—	—	—	76	156
Travel	4	124	17	3	—	17	4	1	170	176
Publishing	—	—	25	—	—	—	1	—	26	46
Consulting	3	4	18	—	—	137	13	14	189	132
Meetings	2	3	8	—	—	1	—	—	14	31
Supplies and other	167	9	33	27	—	1	—	—	237	457
Research material	9	—	—	—	—	—	—	—	9	10
Telecommunications	44	5	1	17	—	—	—	—	67	65
Office rent	269	—	—	166	—	—	—	—	435	359
Amortization	23	—	—	—	—	—	—	—	23	34
	1,472	788	307	383	76	167	63	59	3,315	3,273

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

12. Commitments

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

	\$000's
2019	424
2020	290
2021	274
	<u>988</u>

[b] IISD has an operating line of credit with a maximum amount of \$250,000 bearing interest at the bank's prime rate. As at March 31, 2018, there was a balance of nil [2017 – nil] outstanding under this credit facility.

[c] IISD has an outstanding letter of guarantee from Canadian Imperial Bank of Commerce in the amount of \$265 USD [2018 – \$342 thousand CAD and 2017 – \$353 thousand CAD], expiring April 30, 2019, as performance security under its reporting services agreement with the United Nations.

13. Internally restricted for capital assets

Change in net assets internally restricted for capital assets is calculated as follows:

	2018 \$000's	2017 \$000's
Amortization of capital assets	(138)	(134)
Loss on write-off of capital assets	—	(7)
Purchase of capital assets	157	147
	<u>19</u>	<u>6</u>

14. IISD Endowment Fund

On September 24, 2007, the organization entered into an agreement with The Winnipeg Foundation to establish the IISD Endowment Fund. Contributions to the fund are made by both IISD and the general public. All contributions made to the endowment fund are held and invested by The Winnipeg Foundation. Investment income generated from the contributed capital may be used at the discretion of the Board of Directors of IISD. In the event of a proven extraordinary need of IISD to access the fund, such as cashflow short falls or necessary capital expenditures, IISD can be funded up to 25% of the endowment contributions at the discretion of The Winnipeg Foundation.

As of March 31, 2018, the fund had a market value of \$75 thousand [2017 – \$71 thousand].

IISD did not make any contributions to The Winnipeg Foundation, nor did it draw out investment income earned on the endowment fund during the year.

Notes to consolidated financial statements

March 31, 2018

15. Financial instruments

IISD is exposed to various financial risks through transactions in financial instruments.

Interest rate risk

IISD is exposed to fluctuations in interest rates that could affect the cash flows from cash accounts. IISD does not use derivative financial instruments to manage interest rate risk.

IISD is exposed to interest rate risk with respect to its fixed income investments as well as fixed income mutual funds that hold fixed income securities because the fair value of the investment will fluctuate due to change in market interest rates.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Credit risk related to IISD's accounts receivable is mitigated by the fact that the majority of the receivables are due from established entities as outlined 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 expenses is in other currencies, thereby reducing its exposure to anticipated levels of net foreign currency inflow and outflow.

Other price risk

IISD is exposed to other price risk through changes in market prices other than changes arising from interest rate risk or currency risk in connection with its investments in equity securities and mutual funds invested in underlying equities.

16. Capital management

IISD 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 \$3.2 million. These internally restricted amounts are not available for other purposes without approval of the Board of Directors.

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

17. Subsequent events

In May 2018, a four-year funding agreement ending March 31, 2022 with the Government of Canada (Fisheries and Oceans) was signed, providing funding of \$1 million per year to IISD ELA Inc.

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2018

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Consolidated schedule of operations by activity area

Year ended March 31

	Economic Law & Policy	Water	Reporting Services	Resilience	Energy	SDG Knowledge	China	Corporate and Shared Services	2018 Total	2017 Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue <i>[note 5]</i>	7,669	4,865	4,384	4,268	3,509	1,388	—	79	26,162	23,686
Expenses										
Personnel	2,827	2,255	854	1,295	2,416	568	1	2,069	12,285	12,106
Board – expenses	—	—	—	—	—	—	—	76	76	160
Travel	1,505	120	1,279	859	176	52	20	170	4,181	3,362
Publishing	169	40	42	114	59	18	6	26	474	464
Consulting	1,956	419	1,497	1,130	521	410	16	189	6,138	4,629
Meetings	397	31	—	168	17	—	—	14	627	476
Supplies and other	58	918	80	72	58	13	1	237	1,437	1,803
Research material	9	22	—	—	—	—	—	9	40	44
Telecommunications	25	48	27	9	10	3	—	67	189	193
Office rent	3	97	62	—	—	—	—	435	597	617
Amortization	—	214	8	—	—	—	—	23	245	240
	6,949	4,164	3,849	3,647	3,257	1,064	44	3,315	26,289	24,094
Excess of revenue (expenses) over designated grants and other revenue	720	701	535	621	252	324	(44)	(3,236)	(127)	(408)
Excess of expenses over designated grants funded by										
								Operating grants	1,125	1,125
								Investment income	214	165
								Excess of revenue over expenses for the year	1,212	882

See accompanying notes

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2018

		\$
Government of Canada [and agencies]		
Environment Canada		2,179
Department of Fisheries and Oceans Canada [DFO]		1,103
International Development Research Centre [IDRC]		601
Natural Resources Canada		183
Employment and Social Development Canada		39
The Embassy of Canada in Indonesia		23
		4,128
Governments of provinces or territories		
Ontario		2,000
Manitoba		1,059
Northwest Territories		558
Quebec		6
Nova Scotia		5
Yukon		2
		3,630
Governments of other nations		
Switzerland		
Swiss Agency for Development and Cooperation	2,931	
Federal Office for the Environment [FOEN]	142	
Swiss State Secretariat for Economic Affairs [SECO]	(1)	3,073
Sweden		
The Swedish International Development Cooperation Agency [SIDA]		3,584
Germany		
Deutsche Gesellschaft Fur Internationale Zusammenarbeit [GIZ]	890	
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	111	
Projekt-Consult [GmbH]	32	1,033
Saudi Arabia		
The Kingdom of Saudi Arabia		343
Italy		
Italian Ministry for the Environment, Land and Sea (IMELS)[240
Finland		
Ministry of Environment	196	
The Ministry For Foreign Affairs of Finland	102	298
France		
French Ministry of Foreign Affairs	74	
Ministry of Ecology	13	87
United States of America		
US Fish and Wildlife Service		32
Norway		
Norwegian Ministry of Climate and Environment	16	
Norwegian Environment Agency	9	25
United Kingdom		
Department for International Development [DFID]		15

**Consolidated schedule of designated grants committed
during the current year**

[Expressed in thousands of dollars]

Year ended March 31, 2018

	\$
Austria	
Federal Ministry of Agriculture, Forestry, Environment and Water	172
Monaco	
La Fondation Prince Albert II de Monaco	148
Philippines	
Department of Environment and Natural Resources, Philippines	127
China	
Government of the People's Republic of China	124
New Zealand	
Ministry of Foreign Affairs	95
Taiwan	
Taiwan Economic and Cultural Office [TECO]	65
Chile	
Institute de Fomento Pesquero	40
Poland	
Poland Ministry of Environment	31
Australia	
Department of Foreign Affairs & Trade	23
Netherlands	
Ministry of Infrastructure and the Environment	6
Korea	
Marine Biodiversity Institute of Korea [MABIK]	5
	9,566
United Nations [and UN agencies]	
United Nations Environment Programme [UNEP]	727
The Food and Agriculture Organization of the United Nations [FAO]	227
United Nations Conference on Trade and Development [UNCTAD]	63
United Nations Industrial Development Organization [UNIDO]	46
United Nations Office for Project Services [UNOPS]	36
United Nations Economic Commission for Africa [UNECA]	34
United Nations Institute for Training and Research [UNITAR]	6
United Nations	3
	1,142
International organizations	
AECOM Limited	478
Oil Change International	162
Global Environment Facility [GEF]	155
Oxford Policy Management	94
Institut de la Francophonie pour le développement durable [IFDD]	56
International Food Policy Research Institute [IFPRI]	50
The Intergovernmental Panel on Climate Change [IPCC]	43
Expo 2020 Dubai	29
International Union for Conservation of Nature [IUCN]	29
International Labour Office	19
World Wildlife Fund [WWF]	18
Inter-American Institute for Global Change Research [IAI]	17
Adelphi consult GmbH	14
Antarctica & Southern Ocean Coalition	13
Biovision Foundation for Ecological Development	12
VITO NV	12
Others [under \$10,000]	57
	1,258

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2018

	\$
Philanthropic foundations	
Mava Fondation Pour La Nature	1,311
Ivey Foundation	300
Bill & Melinda Gates Foundation	300
Open Society Foundation	250
New Venture Fund	125
Richardson Foundation	115
RBC Foundation	100
Inuit Tapiriit Kanatami [ITK]	80
ECHO Foundation	60
Sustainable Building Manitoba	51
Edward Taylor Coombs Foundation [ETC]	43
United Way	42
TIDES Canada	30
The Association Of Manitoba Community Pastures [AMCP]	28
European Climate Foundation	26
Salamander Foundation	25
The McLean Foundation	20
Lutheran World Relief	17
Suomen itsenäisyyden juhlarahasto [SITA]	17
Wildlife Conservation Society	16
The Overseas Development Institute [ODI]	14
Heinrich Boll Foundation	12
Others [under \$10,000]	5
	2,987
Private sector and other	
Canadian Association of Petroleum Producers	400
Canadian Energy Pipeline Association [CEPA]	400
Cement Association Of Canada	125
Anonymous	111
Natural Sciences and Engineering Research Council [NSER]	88
Klynveld Peat Marwick Goerdeler [KPMG]	84
Environmental Defence Canada Inc.	48
Urbanice Malaysia	44
Carleton University	36
University of Waterloo	30
Seascope Consultants Ltd.	29
Institut national de la recherche scientifique [INRS]	17
the greenwerk	15
TELUS Corporation	15
Kazakhstan Association of Oil, Gas & Energy Sector Organizations [Kazenergy]	11
Michael Paterson and Gail Asper	10
Enbridge	10
Others [under \$10,000]	17
	1,490
	24,201