

Consolidated Financial Statements of

**INTERNATIONAL INSTITUTE FOR
SUSTAINABLE DEVELOPMENT**

March 31, 2008

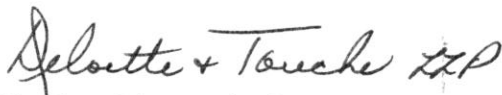
AUDITORS' REPORT

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, 2008 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, 2008 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 22, 2008

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 – 14
Schedule 1 - Schedule of Operations By Activity Area	15
Schedule 2 - Schedule of Designated Grants Committed	16 – 18

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Financial Position
March 31, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT		
Cash (Note 8(c))	\$ 1,592,542	\$ 1,861,681
Marketable securities (Note 5)	7,923,045	7,386,657
Accounts receivable	7,747,287	7,768,092
Prepaid expenses and deposits	148,889	89,456
	<u>17,411,763</u>	<u>17,105,886</u>
CAPITAL ASSETS (Note 6)	432,536	464,596
	\$ 17,844,299	\$ 17,570,482
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,653,513	\$ 1,635,850
Deferred revenue (Note 7)	7,967,108	8,389,952
	<u>9,620,621</u>	<u>10,025,802</u>
COMMITMENTS (Note 8)		
NET ASSETS		
Net assets invested in capital assets	432,536	464,596
Reserve for program development	4,754,179	4,836,664
Reserve for long-term development	833,481	1,003,136
Innovation Fund (Note 4)	45,764	141,137
Campaign Fund (Note 4)	31,453	-
Unrestricted net operating assets	2,126,265	1,099,147
	<u>8,223,678</u>	<u>7,544,680</u>
	\$ 17,844,299	\$ 17,570,482

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Changes in Net Assets
For the Year Ended March 31, 2008

	Net Assets Invested in Capital Assets	Reserve for Program Development	Reserve for Long-Term Development	Innovation Fund	Campaign Fund	Unrestricted Net Operating Assets	Total 2008	Total 2007
BALANCE, BEGINNING OF YEAR	\$ 464,596	\$ 4,836,664	\$ 1,003,136	\$ 141,137	\$ -	\$ 1,099,147	\$ 7,544,680	\$ 6,946,042
Contributions to approved projects	-	-	-	(95,373)	-	-	(95,373)	(80,800)
Excess of contributions over grants awarded	-	-	-	-	31,453	-	31,453	-
Excess of revenue over expenses (expenses over revenue)	(230,513)	-	-	-	-	973,431	742,918	679,438
Investment in capital assets	198,453	-	-	-	-	(198,453)	-	-
Internally imposed restriction	-	(82,485)	(169,655)	-	-	252,140	-	-
BALANCE, END OF YEAR	\$ 432,536	\$ 4,754,179	\$ 833,481	\$ 45,764	\$ 31,453	\$ 2,126,265	\$ 8,223,678	\$ 7,544,680

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Operations
For the Year Ended March 31, 2008

	<u>2008</u>	<u>2007</u>
REVENUE (Notes 3(b) and 4)		
Designated grants	\$ 11,836,739	\$ 9,319,176
Operating grants	3,013,569	2,857,130
Innovation Fund	107,328	46,213
Interest	363,352	316,899
Other revenue	278,519	433,086
TOTAL REVENUE	15,599,507	12,972,504
EXPENSES (Schedule 1)		
Projects		
Trade and Investment	4,845,587	3,916,182
Reporting Services	3,086,864	2,685,514
Climate Change and Energy	1,612,038	1,488,547
Knowledge Communications	941,323	807,656
Sustainable Natural Resources Management	1,459,297	788,649
Measurement and Assessment	945,921	677,515
Economic Policy	48,787	68,817
New Project Development	82,485	135,242
Innovation Fund	109,715	46,528
	13,132,017	10,614,650
Administration	872,747	877,591
Fund Development and Outreach	694,687	668,580
Board	157,138	132,245
TOTAL EXPENSES	14,856,589	12,293,066
EXCESS OF REVENUE OVER EXPENSES	742,918	679,438
APPROPRIATION TO (FROM)		
UNRESTRICTED NET OPERATING ASSETS		
Net assets invested in capital assets	32,060	(109,739)
Reserve for program development	82,485	(1,364,758)
Reserve for long-term development	169,655	315,666
INCREASE (DECREASE) IN		
UNRESTRICTED NET OPERATING ASSETS	1,027,118	(479,393)
UNRESTRICTED NET OPERATING ASSETS, BEGINNING OF YEAR	1,099,147	1,578,540
UNRESTRICTED NET OPERATING ASSETS, END OF YEAR	\$ 2,126,265	\$ 1,099,147

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2008

	<u>2008</u>	<u>2007</u>
CASH PROVIDED BY OPERATIONS		
Designated Grants (Schedule 2)		
Government of Canada (and Agencies)	\$ 2,222,419	\$ 1,535,612
Governments of provinces	572,833	579,025
Governments of other nations	5,840,140	4,513,803
United Nations agencies	714,542	666,697
International organizations	508,992	444,575
Philanthropic foundations	236,850	1,248,675
Private sector and other	1,072,776	489,298
Operating Grants		
Government of Canada		
Environment Canada	531,250	500,000
Canadian International Development Agency	1,520,000	1,210,000
Government of Manitoba	837,130	837,130
International Development Research Centre	381,439	200,000
Campaign Fund	31,453	-
Innovation Fund	6,537	20,200
Total Operating and Designated Grants	14,476,361	12,245,015
Decrease in accounts receivable	20,805	220,308
Other revenue	271,018	426,342
	14,768,184	12,891,665
Cash used in operating activities	(14,667,846)	(11,760,481)
NET CASH PROVIDED BY OPERATING ACTIVITIES	100,338	1,131,184
CASH (USED IN) PROVIDED BY INVESTMENTS		
Interest for long-term development	309,207	240,738
Purchase of marketable securities	(482,243)	(527,519)
Purchase of capital assets	(199,770)	(340,549)
Proceeds from disposal of capital assets	3,329	10,358
NET CASH USED IN INVESTING ACTIVITIES	(369,477)	(616,972)
NET (DECREASE) INCREASE IN CASH	(269,139)	514,212
CASH, BEGINNING OF YEAR	1,861,681	1,347,469
CASH, END OF YEAR	\$ 1,592,542	\$ 1,861,681

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT

Notes to the Consolidated Financial Statements

March 31, 2008

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

IISD has adopted the following recommendations of the CICA Handbook:

- a) Section 3855, *Financial Instruments – Recognition and Measurement*. This Section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.
- b) Section 3861, *Financial instruments – Disclosure and Presentation*. This Section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

IISD has made the following classification:

- Cash is classified as financial assets held for trading and is measured at fair value.
- Accounts receivable is classified as loans and receivables and is recorded at amortized cost using the effective interest rate method.
- Marketable securities are classified as financial assets held to maturity and are measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as other liabilities and measured at amortized cost using the effective interest method.

These new standards were applied retroactively as of April 1, 2007 without restatement of prior year's figures. IISD's net assets at April 1, 2007 were not affected by the application of these new standards.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

2. CHANGES IN ACCOUNTING POLICIES (Continued)

Future accounting changes

Financial Instruments

In December 2006, the CICA issued Section 3862, Financial Instruments - Disclosures; Section 3863, Financial Instruments - Presentation; and Section 1535, Capital Disclosures. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2007. Accordingly, IISD will adopt the new standards for its fiscal year beginning April 1, 2008.

Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments establishes standards for presentation of financial instruments and non-financial derivatives. Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital.

IISD is currently evaluating the impact of the adoption of these new Sections on its consolidated financial statements.

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 and IISD Solutions, both 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
Notes to the Consolidated Financial Statements
March 31, 2008

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.

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

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Financial instruments (continued)

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.

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.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Foreign currencies

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

Monetary balances, including cash, marketable securities, accounts receivable, 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. Actual results could differ from these estimates.

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</u>	
	<u>2008</u>	<u>2007</u>
	(\$000's)	(\$000's)
Governments and agencies		
Canada	\$ 2,795	\$ 2,115
International	5,840	4,514
	<u>8,635</u>	<u>6,629</u>
United Nations agencies	715	667
International organizations	509	445
Philanthropic foundations	237	1,249
Private sector and other	1,073	489
	<u>\$ 11,169</u>	<u>\$ 9,479</u>

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

4. FUNDING ARRANGEMENTS (Continued)

Designated grants and other revenue which includes publication sales, cost recoveries and, in the case of Administration, Fund Development and Outreach the unrealized foreign exchange gain recognized at March 31 in the amount of \$22 thousand (2007 – \$201 thousand gain), are summarized by activity area as follows:

<u>Activity Area</u>	<u>Other Revenue</u> ((\$000's))	<u>Innovation Funds</u> ((\$000's))	<u>Designated Grants</u> ((\$000's))	<u>Total</u> ((\$000's))
Trade and Investment	\$ 1	\$ -	\$ 4,521	\$ 4,522
Reporting Services	-	-	2,837	2,837
Climate Change and Energy Sustainable Natural Resources Management	96	-	1,334	1,430
Measurement and Assessment	15	-	1,343	1,358
Knowledge Communications	13	-	824	837
Economic Policy	7	-	821	828
Administration, Fund Development and Outreach	3	-	31	34
	144	-	126	270
	279	-	11,837	12,116
Innovation Fund	-	107	-	107
	\$ 279	\$ 107	\$ 11,837	\$ 12,223

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, 2008

	(\$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
E. I. du Pont Canada Company	20
Others (under \$10,000)	7
	417

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

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
		259

Current year

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
		112
		371
Innovation Fund balance at March 31, 2008	\$	46

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, 2008

(\$000's)

Contributions received:		
CP Loewen Family Foundation	\$	20
Individuals		11
Campaign Fund balance at March 31, 2008	\$	31

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

4. FUNDING ARRANGEMENTS (Continued)

Operating grants

IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency (CIDA)) for a three year period from April 1, 2005 to March 31, 2008. 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 also renewed its funding agreements with the Government of Manitoba and the International Development Research Centre (IDRC) for five and six year periods ending March 31, 2011 and June 30, 2012 respectively. Both of these arrangements also provide for a blend of operating grants and contributions in support of research that is consistent with the interests and priorities of the funders.

A summary of the operating grant funding is as follows:

	<u>Funding Commitment</u> (\$000's)	<u>Funding Recorded</u>		<u>Funding Commitment Remaining</u> (\$000's)
		2008	Prior years	
		(\$000's)		
Government of Canada				
Environment Canada	\$ 1,375	\$ 375	\$ 1,000	\$ -
Canadian International Development Agency	4,280	1,520	2,760	-
Government of Manitoba	4,186	837	837	2,512
International Development Research Centre	1,907	282	-	1,625
Operating grant revenue (Note 3(b)(i))	<u>\$ 11,748</u>	<u>\$ 3,014</u>	<u>\$ 4,597</u>	<u>\$ 4,137</u>

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 sixteen 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)
2009	\$ 6,859	\$ 7,061
2010	1,064	1,102
	<u>\$ 7,923</u>	<u>\$ 8,163</u>

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

6. CAPITAL ASSETS

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

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
	(\$000's)		(\$000's)	
Computer systems	\$ 2,472	\$ 2,263	\$ 2,356	\$ 2,100
Equipment	712	599	670	584
Leaseholds	240	129	236	113
	<u>3,424</u>	<u>2,991</u>	<u>3,262</u>	<u>2,797</u>
Net book value	\$ 433		\$ 465	

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, 2008. The principal components of deferred revenue are summarized below:

	<u>2008</u>	<u>2007</u>
	(\$000's)	(\$000's)
Designated grants		
Government agencies		
Canada	\$ 1,672	\$ 1,138
International	4,043	4,989
United Nations agencies	252	201
International organizations	157	148
Philanthropic foundations	1,062	1,431
Private sector and other	345	141
	<u>7,531</u>	<u>8,048</u>
Operating grants		
Government agencies		
Canada	300	200
Innovation Fund	136	142
	<u>\$ 7,967</u>	<u>\$ 8,390</u>

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Notes to the Consolidated Financial Statements
March 31, 2008

8. COMMITMENTS

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

	(\$000's)
2009	\$ 290
2010	203
2011	32
2012	10

- b) IISD is obligated under a letter of credit in favour of a designated grant funder to a maximum amount of \$160,000 to guarantee advance payments of project funding.
- c) IISD Solutions has an operating line of credit in the maximum amount of \$90,000. As at March 31, 2008, there was a balance of \$12 (2007 - \$6,494) that was outstanding against this credit facility which has been consolidated in the accounts of the Institute.

9. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of these rates. This risk is addressed by staggering investment terms to correlate with expected future cash flow requirements. IISD does not use derivative instruments to manage its exposure to interest rate risk.

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 expenditures are in other currencies, thus reducing its exposure to anticipated levels of net foreign currency inflow. IISD does not use derivative instruments to manage its exposure to 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.

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Schedule of Operations By Activity Area (\$000's)
For the Year Ended March 31, 2008

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	Knowledge Communications	Measurement and Assessment	Economic Policy	New Project Development	Innovation Fund	Administration	Outreach	Board	2008		2007 Total
													Total	Total	
Revenue (Note 4)	\$ 4,522	\$ 2,837	\$ 1,430	\$ 1,358	\$ 828	\$ 837	\$ 34	\$ -	\$ 107	\$ 111	\$ 159	\$ -	\$ 12,223	\$ 9,798	
Personnel	2,203	934	920	913	445	572	34	55	58	648	388	-	7,170	6,123	
Collaborators	1,321	816	108	231	307	168	-	13	21	25	13	-	3,023	2,548	
Travel	641	1,016	295	145	94	77	5	13	14	60	49	-	2,409	1,851	
Rent	128	115	45	50	24	32	2	-	7	30	21	-	454	344	
Supplies and other	131	58	55	48	21	24	3	-	10	54	52	-	456	410	
Publishing	131	28	24	9	6	33	-	1	-	-	67	-	299	220	
Amortization of capital assets	55	57	21	27	13	16	3	-	-	19	19	-	230	227	
Meetings	171	-	100	11	16	4	-	-	-	16	70	-	388	165	
Telecommunications	44	59	35	17	12	16	1	-	-	16	13	-	213	224	
Board	-	-	-	-	-	-	-	-	-	-	-	157	157	132	
Research materials	21	4	9	8	3	4	1	-	-	5	3	-	58	49	
Total expenses	4,846	3,087	1,612	1,459	941	946	49	82	110	873	695	157	14,857	12,293	
Excess of (expenses over designated grants and other revenue) designated grants and other revenue over expenses	\$ (324)	\$ (250)	\$ (182)	\$ (101)	\$ (113)	\$ (109)	\$ (15)	\$ (82)	\$ (3)	\$ (762)	\$ (536)	\$ (157)	\$ (2,634)	\$ (2,495)	

Excess of expenses over designated grants funded by:

Operating grants	3,014	2,857
Interest	363	317
Excess of revenue over expenses	\$ 743	\$ 679

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2008

Government of Canada (and Agencies)		
International Development Research Centre (IDRC)	\$	876
Environment Canada		429
Agriculture and Agri-Food Canada		300
National Resources Canada		273
Canadian International Development Agency (CIDA)		135
Department of Foreign Affairs and International Trade		108
International Fund for Agriculture Development (IFAD)		36
Wildlife Conservation Society (WRI)		20
Federal Office for Agriculture		16
Industry Canada		10
Indian and Northern Affairs Canada (INAC)		10
National Round Table on Environment and Economy		9
		<u>2,222</u>
Governments of provinces		
Manitoba		477
Alberta		53
British Columbia		16
Ontario		17
Nova Scotia		5
Quebec		5
		<u>573</u>
Governments of other nations		
Norway		
Norwegian Agency for Development Cooperation (NORAD)	1,243	
Ministry of Foreign Affairs	122	
Ministry of the Environment	34	1,399
Switzerland		
State Secretariat for Economic Affairs (SECO)	999	
Swiss Agency for Development and Cooperation (SDC)	106	
Federal Office for the Environment and International Affairs	104	1,209
Denmark		
Royal Danish Ministry of Foreign Affairs		744
Germany		
		568
Netherlands		
Ministry of Housing, Spatial Planning and the Environment		455
United Kingdom		
Department for International Development		284
Finland		
		195
European Commission		
		154
Italy		
		146
Spain		
		131
Japan		
Institute for Global Environmental Strategies (IGES)	71	
Global Industrial and Social Progress Research Institute (GISPRI)	26	97
Austria		
		97
Sweden		
Swedish Ministry of the Environment		96
Australia		
		94

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2008

France		
Institut de l' Energie et de l' Environnement de la Francophonie	\$	70
New Zealand		40
Taiwan		40
Belgium		21
		5,840
United Nations agencies		
United Nations Environment Programme (UNEP)		547
United Nations Framework Convention on Climate Change		67
United Nations Industrial Development Organization (UNIDO)		31
United Nations Food and Agriculture Organization (FAO)		19
United Nations Development Programme (UNDP)		18
Others (under \$10,000)		33
		715
International organizations		
Common Fund for Commodities (CFC)		121
The World Conservation Union (IUCN)		68
CIRAD / IMOSEB Sec.		58
World Resources Institute (WRI)		50
Solidaridad (GDF)		42
Lake Balaton Development Coordination Agency		41
CORDAID		28
International Centre for Environment Technology Transfer (ICETT)		18
International Gorilla Conservation Programme (WWF)		18
International Fund for Agricultural Development (IFAD)		16
Organisation for Economic Co-operation and Development (OECD)		13
International Centre for Trade and Sustainable Development (ICTSD)		12
International Institute for Environment and Development (IIED)		10
Others (under \$10,000)		14
		509
Philanthropic foundations		
CitiGroup Foundation		107
Atkinson Foundation		103
PEW Charitable Trusts		27
		237

INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT
Schedule of Designated Grants Committed (\$000's)
For the Year Ended March 31, 2008

Private sector and other		
Oxfam - Quebec	\$	253
Manitoba Hydro		106
Cadbury Schweppes Plc.		97
EcoResources		81
Prairie Agricultural Machinery Institute (PAMI)		50
Alcan Inc.		45
Bayer Crop Science A G		35
Transcanada Corporation		33
Intermediate Technology Development Group (TSCTD)		32
Shell Canada		30
Assembly of Manitoba Chiefs		29
PNG Forest Authority ITC 42		28
Serecon Management Consulting Inc.		26
United States Energy Association		26
Manitoba Clean Environment Commission		25
INFRAS Consulting Group for Policy Analysis and Implementation		24
Suncor Energy Inc.		20
Directorate for Nature Management		20
Holiday Travel		15
HIVOS		15
Conoco Phillips Canada		14
Stratos Inc.		13
Icelandic Soil Conservation Service		12
Others (under \$10,000)		44
		<u>1,073</u>
	\$	<u>11,169</u>