

Consolidated financial statements of the International Institute for Sustainable Development

March 31, 2000

Table of contents

	Page
Auditor's report	2
Consolidated statement of financial position	3
Consolidated statement of changes in net assets	3
Consolidated statement of operations	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6–12
Schedule 1 - Expenses	13
Schedule 2 - Designated grants committed during the year	14

Auditor's report

To the Members
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, 2000 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, 2000 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP.

Chartered Accountants
Winnipeg, Manitoba
April 28, 2000

Consolidated statement of financial position

March 31, 2000

	2000	1999
Assets		
Cash	\$ 1,125,457	\$ 1,342,880
Accounts receivable	5,542,898	2,632,892
Marketable securities (Note 4)	6,511,672	7,093,583
Prepaid expenses and deposits	126,943	65,281
	13,306,970	11,134,636
Capital assets (Note 5)	399,031	417,520
	\$ 13,706,001	\$ 11,552,156
Liabilities		
Accounts payable and accrued liabilities	\$ 1,174,709	\$ 1,012,733
Deferred revenue (Note 6)	4,734,264	3,240,930
	5,908,973	4,253,663
Net assets		
Net assets invested in capital assets	399,031	417,520
Reserve for program development	4,179,956	4,251,783
Reserve for long-term development	2,174,072	2,412,902
Unrestricted net operating assets	1,043,969	216,288
	7,797,028	7,298,493
	\$ 13,706,001	\$ 11,552,156

Consolidated statement of changes in net assets

For the year ended March 31, 2000

	Net assets invested in capital assets	Reserve for program develop- ment	Reserve for long-term develop- ment	Unrestricted net operating assets	Total 2000	Total 1999
Balance, beginning of year	\$ 417,520	\$ 4,251,783	\$ 2,412,902	\$ 216,288	\$ 7,298,493	\$ 7,297,759
Excess of revenue over expenses (expenses over revenue)	(277,946)	-	-	776,481	498,535	734
Investment in capital assets	259,457	-	-	(259,457)	-	-
Internally imposed restriction	-	(71,827)	(238,830)	310,657	-	-
Balance, end of year	\$ 399,031	\$ 4,179,956	\$ 2,174,072	\$ 1,043,969	\$ 7,797,028	\$ 7,298,493

Consolidated statement of operations

For the year ended March 31, 2000

	2000	1999
Revenue (Notes 2(b) and 3)		
Designated grants	\$ 6,204,459	\$ 4,482,582
Operating grants	3,027,834	3,027,832
Interest	430,170	475,497
Other revenue	163,500	91,512
Total revenue	9,825,963	8,077,423
Expenses (Schedule 1)		
Programs		
IISD Reporting Services	2,146,821	1,561,974
Measurement and Indicators	1,463,741	1,193,663
Knowledge Communications	1,448,341	1,463,954
Trade and Sustainable Development	1,059,337	719,311
The Great Plains	607,412	652,648
Community Adaptation and Sustainable Livelihoods	492,467	405,507
Solutions for Business	404,125	509,093
New program development	118,123	119,244
	7,740,367	6,625,394
Fund development and outreach	923,627	503,061
Administration	525,803	684,228
Board	137,631	264,006
Total expenses	9,327,428	8,076,689
Excess of revenue over expenses	498,535	734
Appropriation from net assets		
Net assets invested in capital assets	18,489	26,101
Reserve for program development	71,827	-
Reserve for long-term development	238,830	27,564
Increase in net operating assets	827,681	54,399
Net operating assets, beginning of year	216,288	161,889
Net operating assets, end of year	\$ 1,043,969	\$ 216,288

Consolidated statement of cash flows

For the Year Ended March 31, 2000

	2000	1999
Cash provided by operations		
Designated grants (Schedule 2)		
Government of Canada	\$ 4,583,609	\$ 1,642,509
Governments of provinces	96,075	10,250
Governments of other nations	2,247,456	1,623,716
United Nations agencies	511,912	162,988
International organizations	285,684	114,295
Philanthropic foundations	487,164	506,108
Private sector and other	250,737	154,836
Operating grants		
Government of Canada		
Environment Canada	200,000	200,000
Canadian International Development Agency	712,000	712,000
Government of Manitoba	1,145,833	1,145,833
Total operating and designated grants	10,520,470	6,272,535
Increase in accounts receivable	(2,910,006)	(14,824)
Other revenue	163,500	91,512
	7,773,964	6,349,223
Cash used in operating activities	(8,744,011)	(7,409,505)
Net cash used in operating activities	(970,047)	(1,060,282)
Cash provided by investments		
Interest for long-term development	430,170	475,497
Purchase of capital assets	(259,457)	(314,799)
Net cash provided by investing activities	170,713	160,698
Net decrease in cash and marketable securities	(799,334)	(899,584)
Cash and marketable securities, beginning of year	8,436,463	9,336,047
Cash and marketable securities, end of year	\$ 7,637,129	\$ 8,436,463
Represented by:		
Cash	\$ 1,125,457	\$ 1,342,880
Marketable securities	6,511,672	7,093,583
	\$ 7,637,129	\$ 8,436,463

Notes to the consolidated financial statements

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. Significant accounting policies

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

a) Principles of Consolidation

The 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 IISD Business Trust, all resources of the Trust must be provided to IISD as the Trust's sole beneficiary.

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 from the Government of Canada is recorded annually in the accounts in an amount equivalent to one fifth of the total funding commitment over the period April 1, 1995 to March 31, 2000. Operating grant revenue from the Province of Manitoba is recorded in an amount equal to the lesser of one third of funding from all other sources and annual amounts prescribed in the funding agreement. 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) Interest income

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

2. Significant accounting policies (continued)

c) Marketable securities

Marketable securities are carried at amortized cost plus accrued interest. Discounts or premiums on the purchase of bonds are amortized on a straight-line basis over the investment's remaining term.

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:

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

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, accounts payable and accrued liabilities, and deferred revenue are translated at the year-end exchange rate.

Non-monetary balances, including prepaid expenses 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.

3. Funding arrangements

Designated grants

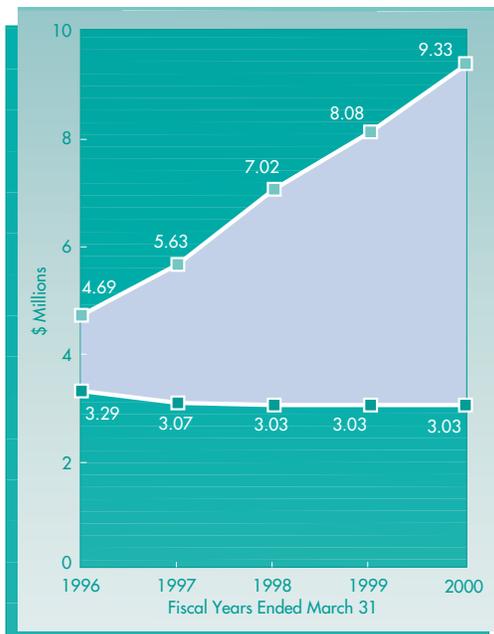
IISD receives funding from a variety of public and private sources to finance specific projects within its programs. Projects may carry on over more than one year. The related designated grants are recorded as deferred revenue when the funding commitment is made and recognized in revenue as the projects progress. A summary of designated grant funding committed and recognized in revenue during the year is as follows:

	Funding commitments Schedule 2 (\$000's)	Designated grant revenue (\$000's)	Deferred revenue increase (decrease) (\$000's)
Governments and agencies			
Canada	\$ 4,680	\$ 2,855	\$ 1,825
International	2,247	1,857	390
	6,927	4,712	2,215
United Nations agencies	511	415	96
International organizations	286	248	38
Philanthropic foundations	487	572	(85)
Private sector and other	252	257	(5)
	\$ 8,463	\$ 6,204	\$ 2,259

3. Funding arrangements (continued)

Designated grants and other revenue, which includes publication sales and cost recoveries, are summarized by program as follows:

Program	Sales and cost recovery (\$000's)	Designated grants (\$000's)	Total (\$000's)
IISD Reporting Services	\$ -	\$ 2,153	\$ 2,153
Measurement and Indicators	11	1,201	1,212
Knowledge Communications	9	930	939
Trade and Sustainable Development	32	669	701
The Great Plains	38	484	522
Community Adaptation and Sustainable Livelihoods	20	310	330
Solutions for Business	9	204	213
New program development	11	35	46
Administration, fund development and outreach	34	218	252
	\$ 164	\$ 6,204	\$ 6,368



**1996-2000
IISD financing trend**

- Total expenditure
- Operating grants
- Designated grants and other revenue

3. Funding arrangements (continued)

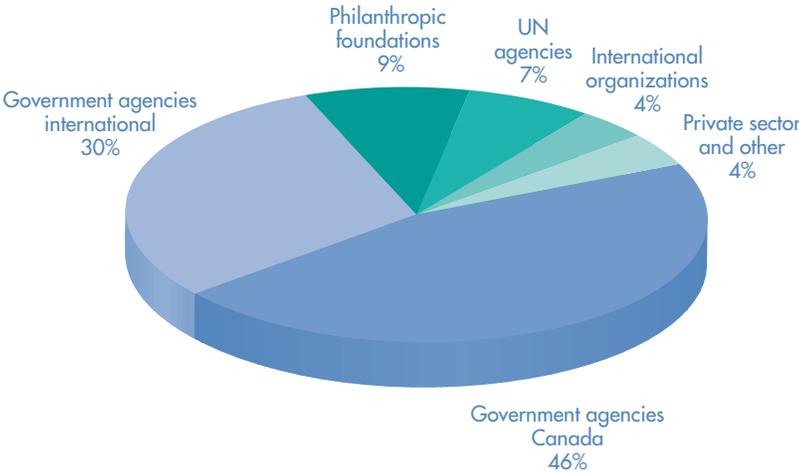
Operating grants

IISD has entered into renewed funding arrangements with the Government of Canada (Environment Canada and the Canadian International Development Agency (CIDA)) and the Government of Manitoba. The arrangements with the Government of Canada provide operating grants for the five-year period April 1, 1995 to March 31, 2000. The arrangement with the Government of Manitoba provides operating grants for the six-year period April 1, 1995 to March 31, 2001. Since April 1, 1995 CIDA has reduced its aggregate funding commitment by \$114,000 to \$4,886,000.

A summary of the funding is as follows:

	Funding commitment (\$000's)	Funding recorded		Funding commitment remaining (\$000's)
		2000 (\$000's)	Prior years (\$000's)	
Government of Canada				
Environment Canada	\$ 4,600	\$ 200	\$ 4,400	\$ -
Canadian International Development Agency	4,886	962	3,924	-
Government of Manitoba	6,875	1,146	4,813	916
	\$ 16,361	2,308	13,137	\$ 916
Decrease (increase) in deferred revenue		720	(720)	
Operating grant revenue (Note 2(b)(i))		\$ 3,028	\$ 12,417	

**1999-2000
Designated grant revenue by donor**
Total designated grant revenue of \$6,204,459 = 100%



4. Marketable securities

Marketable securities include investments in Canadian dollar denominated, fixed-rate debt instruments issued or guaranteed by the governments of Canada, its provinces, or large Canadian chartered banks. Maturities range from one month to 27 months, based on expected future cash flow requirements. Investments are normally held to maturity.

A summary of marketable securities is as follows:

Maturity	Carrying value (\$000's)	Market value (\$000's)
2000	\$ 5,032	\$ 5,006
2001	1,480	1,506
	\$ 6,512	\$ 6,512

5. Capital assets

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

Category	2000			1999
	Cost	Accumulated amortization (\$000's)	Net asset value	Net asset value (\$000's)
Equipment	\$ 674	\$ 507	\$ 167	\$ 201
Leaseholds	99	97	2	11
Computer systems	1,349	1,119	230	206
	\$ 2,122	\$ 1,723	\$ 399	\$ 418

6. Deferred revenue

The amount by which recorded commitments exceed the revenue recognized as designated or operating grants is reflected as deferred revenue. The principal components of deferred revenue are summarized below:

	2000 (\$000's)	1999 (\$000's)
Designated grants		
Government agencies		
Canada	\$ 3,178	\$ 1,354
International	1,094	734
United Nations agencies	122	30
International organizations	38	1
Philanthropic foundations	266	360
Private sector and other	36	42
	\$ 4,734	\$ 2,521
Operating grants	-	720
	\$ 4,734	\$ 3,241

7. Commitments

a) IISD is obligated to make payments under various leases expiring up to March 31, 2005 as follows:

	(\$000's)
2001	\$ 120
2002	114
2003	111
2004	111
2005	87

b) IISD has guaranteed a bank line of credit for IISD Solutions, as trustee for IISD Business Trust, in the maximum amount of \$250,000. At March 31, 2000 there was a balance of \$37,005 outstanding against this credit facility.

8. 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.

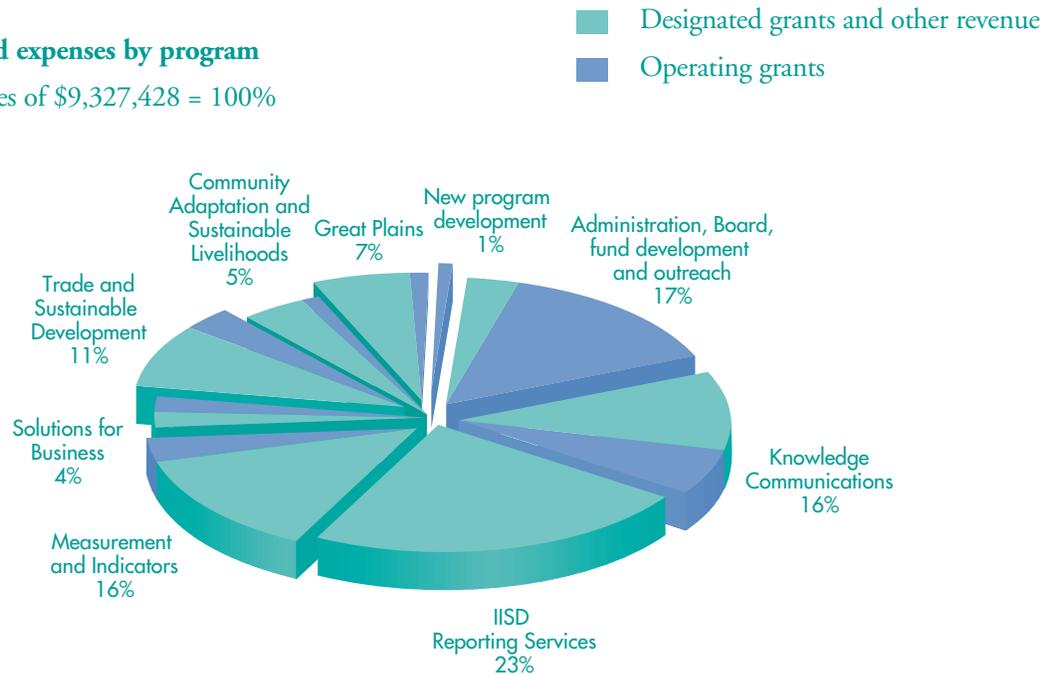
Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. IISD's credit risk is managed through a Board-approved investment policy which restricts its investment to Canadian dollar denominated, fixed-rate debt instruments 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.

1999-2000

Revenue and expenses by program

Total expenses of \$9,327,428 = 100%



Schedule 1

Expenses (\$ 000's)

For the year ended March 31, 2000

The following table summarizes expenses incurred in each of IISD's programs:

	<i>IISD Reporting Services</i>	<i>Measurement and Indicators</i>	<i>Knowledge Communications</i>	<i>Trade and Sustainable Development</i>	<i>The Great Plains</i>	<i>Community Adaptation and Sustainable Livelihoods</i>	<i>Solutions for Business</i>	<i>New program development</i>	<i>Fund development and outreach</i>	<i>Administration</i>	<i>Board</i>	<i>2000 Total</i>	<i>1999 Total</i>
Personnel	\$417	\$508	\$616	\$274	\$225	\$207	\$171	\$47	\$627	\$422	\$ -	\$3,514	\$3,467
Consulting	717	354	426	395	143	87	130	40	50	-	-	2,342	1,794
Travel	801	365	132	157	83	125	29	22	99	27	-	1,840	1,186
Amortization of capital assets	30	35	95	29	25	12	16	-	20	16	-	278	341
Rent	42	35	43	33	22	14	26	-	34	20	-	269	248
Meetings	-	62	47	99	11	21	4	2	7	2	-	255	73
Supplies and other	37	30	34	28	20	16	13	1	35	23	-	237	218
Publishing	36	42	17	20	62	1	-	6	35	1	-	220	284
Telecommunications	67	26	25	18	12	6	12	-	11	11	-	188	162
Research materials	-	7	13	6	4	3	3	-	6	4	-	46	40
Board	-	-	-	-	-	-	-	-	-	-	138	138	264
	\$2,147	\$1,464	\$1,448	\$1,059	\$607	\$492	\$404	\$118	\$924	\$526	\$138	\$9,327	\$8,077

Schedule 2

Designated grants committed (\$ 000's)
Year ended March 31, 2000

<hr/>		United Nations Development Programme (UNDP)	47
Government of Canada (and agencies)		Global Environment Facility Secretariat	45
Canadian International Development Agency (CIDA)	\$ 3,310	United Nations Office Geneva	25
Department of Foreign Affairs and International Trade	337	Secretariat of the United Nations Framework	26
Environment Canada	300	United Nations Food and Agriculture	24
China Council for International Cooperation on Environment and Development (CIDA)	161	United Nations Division for Sustainable Development	5
International Development Research Centre (IDRC)	152	<hr/>	511
Human Resources Development Canada	120	International organizations	
Natural Resources Canada	100	The World Conservation Union (IUCN)	64
Indian and Northern Affairs Canada	65	Ifo Institute	61
Statistics Canada	27	World Bank	58
Prairie Farm Rehabilitation Administration	5	World Commission on Dams	36
Department of Fisheries and Oceans	4	Commission for Environmental Cooperation	31
Auditor General	3	Luso-Americana	15
	4,584	Organization for Economic Cooperation and Development	13
<hr/>		World Trade Organization	8
Governments of provinces and territories		<hr/>	286
Manitoba	91	Philanthropic foundations	
Northwest Territories	5	MISTRA	211
	96	Wallace Global Fund	186
<hr/>		Walter & Duncan Gordon Foundation	75
Governments of other nations		Mott Foundation	15
United Kingdom (DFID)	519	<hr/>	487
United States of America (USAID)	453	Private sector and other	
European Commission	274	Cowater International Inc.	52
Denmark	226	IRG (USAID)	41
Norway	223	Alberta Research Council	35
Switzerland	151	Harvard University	31
Germany	121	BP Amoco	15
The Netherlands	87	Great Plains Institute	12
Australia (AUSAID)	62	Other	13
Sweden	55	Pan Canadian Petroleum Limited	10
Finland	52	Sun Life	10
Spain	17	Applied Sustainability LLC	9
France (ACCT/IEPF; ADERLY)	7	Ducks Unlimited	9
	2,247	World Commission on Forests and Sustainable Development	9
<hr/>		York University	6
United Nations agencies		<hr/>	252
United Nations Environment Programme (UNEP)	339		\$ 8,463
		<hr/>	