

Consolidated financial statements

**International Institute for
Sustainable Development**

March 31, 2017



Building a better
working world

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, 2017, 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, and 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, 2017 and 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
June 26, 2017

Ernst & Young LLP

Chartered Professional Accountants



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	18
Schedule 2 – consolidated schedule of designated grants committed during the current year	19

International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31

	2017	2016
	\$	\$
Assets		
Current		
Cash	5,602,103	2,618,651
Restricted cash <i>[note 3]</i>	442,650	315,018
Accounts receivable <i>[note 4]</i>	18,791,872	18,966,491
Prepaid expenses	293,627	423,850
Total current assets	25,130,252	22,324,010
Accounts receivable <i>[note 4]</i>	18,836,954	19,706,315
Investments <i>[note 7]</i>	5,725,525	4,970,754
Capital assets, net <i>[note 8]</i>	1,159,959	688,309
Intangible assets	25,985	—
Total assets	50,878,675	47,689,388
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 6]</i>	2,018,193	2,208,274
Deferred contributions <i>[note 9]</i>	20,322,957	18,670,857
Deferred capital contributions <i>[note 10]</i>	871,395	405,969
Total current liabilities	23,212,545	21,285,100
Deferred contributions <i>[note 9]</i>	20,409,916	20,280,736
Total liabilities	43,622,461	41,565,836
Commitments <i>[note 12]</i>		
Net assets		
Net assets invested in capital assets <i>[note 13]</i>	288,564	282,339
Reserve for program development <i>[note 15]</i>	3,249,589	3,249,589
IISD ELA Sustainable Future Fund <i>[note 5]</i>	750,000	500,000
Remediation fund <i>[note 3]</i>	442,650	315,018
Unrestricted net operating assets	2,525,411	1,776,606
Total net assets	7,256,214	6,123,552
	50,878,675	47,689,388

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

	2017	2016
	\$	\$
Revenue <i>[note 5]</i>		
Designated grants	22,973,564	21,745,902
Operating grants	1,124,540	1,124,540
Other	515,493	1,329,259
IISD ELA Sustainable Future Fund <i>[note 5]</i>	197,360	56,841
Investment income	164,619	83,509
	24,975,576	24,340,051
Expenses <i>[schedule 1]</i>		
Programs		
Economic Law & Policy	5,887,167	4,722,996
Reporting Services	3,987,525	4,697,583
Energy	3,984,328	3,742,440
Experimental Lakes Area	3,223,976	2,894,262
Resilience	1,813,750	1,302,989
SDG Knowledge	1,117,710	856,747
Water	765,673	964,149
China	39,742	792,107
	20,819,871	19,973,273
Corporate and shared services <i>[note 11]</i>	3,273,043	3,412,590
	24,092,914	23,385,863
Excess of revenue over expenses for the year	882,662	954,188
Appropriation (from) to unrestricted net operating assets		
Change in net assets invested in remediation fund <i>[note 3]</i>	(127,632)	(126,841)
Change in net assets invested in capital assets <i>[note 13]</i>	(6,225)	66,542
Increase in unrestricted net operating assets	748,805	893,889
Unrestricted net operating assets, beginning of year	1,776,606	882,717
Unrestricted net operating assets, end of year	2,525,411	1,776,606

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 2017	Total 2016
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	282,339	3,249,589	500,000	315,018	1,776,606	6,123,552	4,920,005
Excess of revenue over expenses (expenses over revenue) for the year	(134,451)	—	6,196	—	1,010,917	882,662	954,188
Transfer of interest earned on investments to deferred contributions <i>[notes 5 and 10]</i>	—	—	(6,196)	—	6,196	—	(250,641)
Contributions received	—	—	250,000	—	—	250,000	500,000
Transfer to remediation fund <i>[note 3]</i>	—	—	—	127,632	(127,632)	—	—
Net investment in capital assets	140,676	—	—	—	(140,676)	—	—
Balance, end of year	288,564	3,249,589	750,000	442,650	2,525,411	7,256,214	6,123,552

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of cash flows

Year ended March 31

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	882,662	954,188
Add (deduct) items not affecting cash		
Amortization of capital assets	134,451	123,782
Amortization of capital assets funded by capital contributions	105,367	85,680
Amortization of deferred capital contributions to revenue	(105,367)	(85,680)
Loss on write-off of capital assets	6,757	41,852
IISD ELA Sustainable Future Fund revenue	(197,360)	(56,841)
	<u>826,510</u>	<u>1,062,981</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	1,043,980	(21,474,207)
Prepaid expenses and deposits	130,223	(73,594)
Accounts payable and accrued liabilities	(190,081)	(533,195)
Deferred contributions	1,987,466	19,303,745
Cash provided by (used in) operating activities	<u>3,798,098</u>	<u>(1,714,270)</u>
Investing activities		
Purchase of capital assets	(718,224)	(394,092)
Purchase of intangible assets	(25,985)	—
Proceeds from (purchase of) investments – net	(754,771)	1,000,867
Contributions to restricted cash	(127,632)	(126,841)
Cash (used in) provided by investing activities	<u>(1,626,612)</u>	<u>479,934</u>
Financing activities		
Capital contributions received	561,966	295,000
Contributions received for the IISD ELA Sustainable Future Fund	250,000	500,000
Cash provided by financing activities	<u>811,966</u>	<u>795,000</u>
Net increase (decrease) in cash during the year	2,983,452	(439,336)
Cash, beginning of year	2,618,651	3,057,987
Cash, end of year	<u>5,602,103</u>	<u>2,618,651</u>

See accompanying notes

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

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, 2017, IISD – Europe had a net income of \$3 thousand [2016 – \$3 thousand].

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, 2017, IISD ELA Inc. had a net income of \$504 thousand [2016 – net loss of \$6 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, 2017

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, 2017. 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, 2017

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 investment with an original term of maturity less than 90 days or able to be cashed on demand. Cash and investment 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, 2017

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 will be 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 earned on the account of \$3 thousand as well as another \$125 thousand invested in the account were allocated from unrestricted net assets to the remediation fund.

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

4. Accounts receivable

The principal components of accounts receivable are summarized below:

	2017 \$000's	2016 \$000's
Accounts receivable – short term		
Government agencies		
Canada	4,985	2,737
International	11,554	11,633
United Nations agencies	316	1,137
International organizations	464	463
Philanthropic foundations	441	361
Private sector and other	988	2,492
Other receivables	44	143
	18,792	18,966
Accounts receivable – long term		
Government agencies		
Canada	10,171	14,675
International	8,666	4,713
Philanthropic foundations	—	318
	18,837	19,706
Total accounts receivable	37,629	38,672

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>	
	2017 \$000's	2016 \$000's
Governments and agencies		
Canada	4,675	22,811
International	15,109	12,006
	19,784	34,817
United Nations agencies	708	1,938
International organizations	1,667	1,144
Philanthropic foundations	2,767	1,286
Private sector and other	1,616	2,589
	26,542	41,774

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

Designated grants, IISD ELA 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, 2017 in the amount of \$81 thousand [2016 – \$474 thousand gain].

Activity area	Other revenue \$000's	IISD ELA Sustainable Future Fund \$000's	Designated grants \$000's	2017 Total \$000's	2016 Total \$000's
Reporting Services	24	—	4,425	4,449	5,528
Economic Law & Policy	130	—	6,404	6,534	5,204
Energy	62	—	4,310	4,372	4,339
Experimental Lakes Area	358	197	3,276	3,831	2,761
Resilience	10	—	2,090	2,100	1,461
Water	15	—	953	968	1,209
SDG Knowledge	3	—	1,413	1,416	1,063
China	—	—	9	9	686
Corporate and Shared Services	(86)	—	93	7	881
	516	197	22,973	23,686	23,132

IISD ELA Sustainable Future Fund

The IISD ELA 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 year, the fund received “Additional Capital” of \$500 thousand. During fiscal 2017, the fund received additional contributions of \$250 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 \$197 thousand were incurred during fiscal 2017 [2016 – \$57 thousand], resulting in revenue of that amount being recorded for the Original Capital to match the expenses incurred. The current year interest earned on the Additional Capital of \$6 thousand was recorded in deferred contributions.

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

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

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	2017	Prior years	\$000's
		\$000's	\$000's	
Government of Manitoba	4,347	725	2,174	1,448
International Development Research Centre	2,000	400	1,200	400
Operating grants revenue [note 2]	6,347	1,125	3,374	1,848

6. Government remittances payable

Accounts payable and accrued liabilities include government remittances payable of \$22 thousand [2016 – \$13 thousand].

7. Investments

Investments consist of:

	2017	2016
	\$000's	\$000's
Cash	556	3,396
Common Shares, measured at fair value	558	—
Fixed Income, measured at amortized cost	2,511	1,575
Mutual Funds, measured at fair value	2,101	—
	5,726	4,971

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

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 9.76 years and a weighted average yield to maturity of 2.17%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 3.95 years and a weighted average yield to maturity of 1.74%.

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:

	2017		2016	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	328	264	255	157
Equipment	233	89	116	42
Computer systems	136	99	1,160	1,095
Office equipment	149	82	149	71
Leasehold improvements	232	87	235	64
Buildings	34	1	—	—
Construction in progress	670	—	202	—
	1,782	622	2,117	1,429
Net book value		1,160		688

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

	2017		2016	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	73	—	46	—
Equipment	117	—	17	—
Computer systems	20	1,044	70	—
Office equipment	4	4	3	667
Leasehold improvements	2	5	56	5
Buildings	34	—	—	—
Construction in progress	468	—	202	—
	718	1,053	394	672

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

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:

	2017	2016
	\$000's	\$000's
Designated grants		
Government agencies		
Canada	17,476	21,238
International	19,244	13,422
United Nations agencies	225	474
International organizations	477	246
Philanthropic foundations	1,840	632
Private sector and other	1,071	2,140
	40,333	38,152
Operating grants		
Government agencies		
Canada	400	800
Current	20,323	18,671
Long-term	20,410	20,281
	40,733	38,952

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

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.

	2017 \$000's	2016 \$000's
Balance, beginning of year	406	203
Capital contributions received	570	289
Amounts amortized to revenue	(105)	(86)
Balance, end of year	871	406

The deferred capital contribution balances are as follows:

	2017 \$	2016 \$
Michael Paterson and Gail Asper	692	224
Manitoba Hydro	57	20
Richardson Foundation	47	—
Thomas Sill Foundation	40	45
Government of Canada [Department of Fisheries and Oceans]	35	117
	871	406

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

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 costs \$000's	Board \$000's	Institutional planning \$000's	Fundraising \$000's	2017 \$000's	2016 \$000's
Personnel	696	639	258	156	—	30	28	1,807	1,888
Board – expenses	—	—	—	—	156	—	—	156	134
Travel	14	134	1	—	—	23	4	176	170
Publishing	—	—	44	—	—	2	—	46	72
Consulting	2	57	43	—	—	24	6	132	164
Meetings	2	17	4	—	—	4	4	31	67
Supplies and other	224	138	34	52	—	1	8	457	359
Research material	10	—	—	—	—	—	—	10	4
Telecommunications	28	8	2	27	—	—	—	65	84
Office rent	153	—	—	206	—	—	—	359	439
Amortization	33	1	—	—	—	—	—	34	32
	1,162	994	386	441	156	84	50	3,273	3,413

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2017

12. Commitments

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

	\$000's
2018	424
2019	302
2020	279
	<u>1,005</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, 2017, there was a balance of nil [2016 – nil] outstanding under this credit facility.

13. Internally restricted for capital assets

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

	2017 \$000's	2016 \$000's
Amortization of capital assets	(134)	(124)
Loss on write-off of capital assets	(7)	(42)
Purchase of capital assets	147	99
	<u>6</u>	<u>(67)</u>

14. 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.

Notes to consolidated financial statements

March 31, 2017

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 are in other currencies, therefore reducing its exposure to anticipated levels of net foreign currency inflow and outflow.

Other price risk

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

Fair value

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

15. Capital management

The 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.

16. 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

	Reporting Services \$000's	Economic Law & Policy \$000's	Energy \$000's	Experimental Lakes Area \$000's	Resilience \$000's	Water \$000's	SDG Knowledge \$000's	China \$000's	Corporate and Shared Services \$000's	2017 Total \$000's	2016 Total \$000's	
Revenue [note 5]	4,449	6,534	4,372	3,831	2,100	968	1,416	9	7	23,686	23,132	
Expenses												
Personnel	821	2,708	2,696	1,870	1,054	578	572	—	1,807	12,106	10,909	
Board – expenses	—	—	—	4	—	—	—	—	156	160	134	
Travel	1,242	1,222	239	79	348	24	32	—	176	3,362	3,230	
Publishing	34	174	58	49	74	17	12	—	46	464	495	
Consulting	1,642	1,230	814	83	158	97	442	31	132	4,629	5,652	
Meetings	—	331	36	17	36	10	15	—	31	476	451	
Supplies and other	122	175	117	798	69	24	41	—	457	1,803	1,412	
Research material	—	12	12	—	—	10	—	—	10	44	30	
Telecommunications	36	19	11	38	14	6	4	—	65	193	220	
Office rent	84	15	—	89	61	—	—	9	359	617	644	
Amortization	7	1	1	197	—	—	—	—	34	240	210	
	3,988	5,887	3,984	3,224	1,814	766	1,118	40	3,273	24,094	23,387	
Excess of revenue (expenses) over designated grants and other revenue	461	647	388	607	286	202	298	(31)	(3,266)	(408)	(255)	
Excess of expenses over designated grants funded by:												
										Operating grants	1,125	1,125
										Investment income	165	84
										Excess of revenue over expenses for the year	882	954

See accompanying notes

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2017

		\$
Government of Canada (and Agencies)		
Department of Fisheries and Oceans Canada (DFO)		1,103
International Development Research Centre (IDRC)		625
Natural Resources Canada		163
Environment Canada		105
National Energy Board		40
Federation of Canadian Municipalities		34
Global Affairs Canada (GAC)		22
Employment and Social Development Canada		12
Western Economic Diversification Canada		11
		2,115
Governments of provinces or territories		
Ontario		2,023
Manitoba		339
Quebec		121
Alberta		51
Nunavut		13
Nova Scotia		5
Northwest Territories		4
Yukon		4
		2,560
Governments of other nations		
United States of America		
Department of State	7,727	
US Fish and Wildlife Service	13	7,740
Norway		
Royal Norwegian Embassy in Beijing (MFA)	2,199	
Norwegian Environment Agency	29	2,228
Denmark		
Ministry of Foreign Affairs	942	
Danish Embassy	86	1,028
Switzerland		
Swiss Agency for Development and Cooperation	559	
Federal Office for the Environment (FOEN)	135	
The Swiss Confederation	36	730
Saudi Arabia		
The Kingdom of Saudi Arabia		700
Italy		
Italian Ministry for the Environment, Land and Sea (IMELS)		575
Sweden		
Swedish International Development Cooperation Agency (SIDA)	302	
Ministry for Foreign Affairs	139	
Energimyndigheten	82	523
Germany		
Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ)	287	
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	179	466
United Kingdom		
Foreign and Commonwealth Office (FCO)	155	
Department for International Development (DFID)	81	236
Mexico		
Secretariat of Environment and Natural Resources		197
Finland		
Ministry of Environment		153
European Union		
European Union		88
France		
Ministry of Ecology	72	
Ministry of the Environment, Energy and Sea	13	85

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

[Expressed in thousands of dollars]

Year ended March 31, 2017

		\$
Australia		
Department of Foreign Affairs & Trade	70	
Department of Environment and Energy	7	77
New Zealand		
Ministry of Foreign Affairs		66
Taiwan		
Taiwan Economic and Cultural Office (TECO)		65
Monaco		
La Fondation Prince Albert II de Monaco	32	
Principality of Monaco	15	47
Hungary		
Ministry of Foreign Affairs and Trade		37
Austria		
Federal Ministry of Agriculture, Forestry, Environment and Water		29
Japan		
Institute for Global Environmental Strategies (IGES)		23
Belgium		
Directorate-General for Environment (DG Environment)		9
India		
Wildlife Institute of India		7
		15,109
United Nations [and UN agencies]		
United Nations Environment Programme (UNEP)		259
The Food and Agriculture Organization of the United Nations (FAO)		186
UN Habitat III Secretariat		117
The United Nations Convention to Combat Desertification (UNCCD)		55
United Nations Framework Convention on Climate Change (UNFCCC)		41
United Nations Office at Geneva (UNOG)		38
United Nations Development Programme (UNDP)		12
		708
International organizations		
Oil Change International		483
World Bank		232
International Union for Conservation of Nature (IUCN)		161
United Cities and Local Governments (UCLG)		94
OXFAM Hong Kong		86
Adam Smith International		78
Sustainable Development Strategies Group (SDSG)		71
VITO NV		64
World Wildlife Fund (WWF)		56
Chatham House		43
World Business Council for Sustainable Development		29
Expo 2020 Dubai		27
Smart Development Works (SNV) Uganda		25
Caribbean Community Secretariat (CARICOM)		23
Global Environment Facility (GEF)		22
Wildlife Justice Commission		21
Women's Environment & Development Organization (WEDO)		20
Organisation for Economic Co-operation and Development		20
Center for International Forestry Research (CIFOR)		14
World Business Council for Sustainable Development		14
International Coastal and Ocean Organization (ICO)		12
Royal Academy of Science International Trust (RASIT)		12
Others [under \$10,000]		60
		1,667

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

[Expressed in thousands of dollars]

Year ended March 31, 2017

	\$
Philanthropic foundations	
Mava Fondation Pour La Nature	1,202
New Venture Fund	376
KR Foundation	250
Open Society Foundation	197
ClimateWorks Foundation	134
Rockefeller Brothers Foundation (RBF)	130
European Climate Foundation	112
RBC Foundation	95
Richardson Foundation	75
Community Foundations of Canada (CFC)	68
United Way	54
TIDES Canada	24
The McLean Foundation	20
The Winnipeg Foundation	15
Lake Winnipeg Foundation	15
	2,767
Private sector and other	
Michael Paterson and Gail Asper	585
Anonymous	250
Institute of Geographic Sciences and Natural Resources Research (IGNSNRR-CAS)	143
Institute for Advanced Sustainability Studies (IASS)	87
University of Winnipeg	79
Boreal Songbird Initiative (BSI)	78
UT-Batelle, LLC	77
Institute de L'Energie et de l'Environnement de la Francophonie (IEPF)	60
Inuit Tapiriit Kanatami (ITK)	52
GDF Suez Consultancy Services (GDF Suez)	45
Simon Fraser University (SFU)	40
Klynveld Peat Marwick Goerdeler (KPMG)	22
Albertine Rift Conservation Society (ARCOS)	16
The Nature Conservancy	15
PricewaterhouseCoopers Services Limited	10
Enbridge	10
Others [under \$10,000]	47
	1,616
	26,542

