

# Quarterly Financial Report

For the period ending  
31 December 2013

IDRC

## Putting research to work



IDRC funds practical research in developing countries to increase prosperity and security, and to foster democracy and the rule of law, in support of Canada's international development efforts. We promote growth and development and encourage sharing knowledge with policymakers, other researchers, and communities around the world. The result is innovative, lasting solutions that aim to bring change to those who need it most.

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# Management's discussion and analysis

## Introduction

This Management's Discussion and Analysis (MD&A) provides a narrative outlining the financial results and corporate updates of the International Development Research Centre (IDRC, the Centre) for the third quarter ended 31 December 2013. This report was prepared as required under section 131.1 of the *Financial Administration Act* and is in compliance with the standard issued by the Comptroller General of Canada (Treasury Board Secretariat).

The financial information contained herein, as well as the unaudited condensed interim financial statements, were prepared in accordance with the recognition and measurement standards applicable under International Financial Reporting Standards (IFRS). All monetary amounts are in Canadian dollars unless otherwise stated. IDRC recommends that this report be read in conjunction with the unaudited condensed interim financial statements (beginning on page 11). Disclosures and information presented in IDRC's *Annual Report 2012-2013* apply to the current quarter unless otherwise indicated.

## IDRC's 2013-2014 Budget

The 2013-2014 original budget was established and approved prior to the beginning of the fiscal year. It served as the basis for the budget amounts presented in IDRC's *Annual Report 2012-2013*. As shown in Table 1, the original budget was revised mid-year as a result of changes made to the original estimates reflecting the most current information available. The revised budget is the reference budget for all IDRC managers. The decrease in revenues is due mainly to new estimates in donor contributions and investment income. The expense budget was also adjusted to reflect updated expense estimates, primarily for the Development Innovation Fund (DIF) and donor contributions.

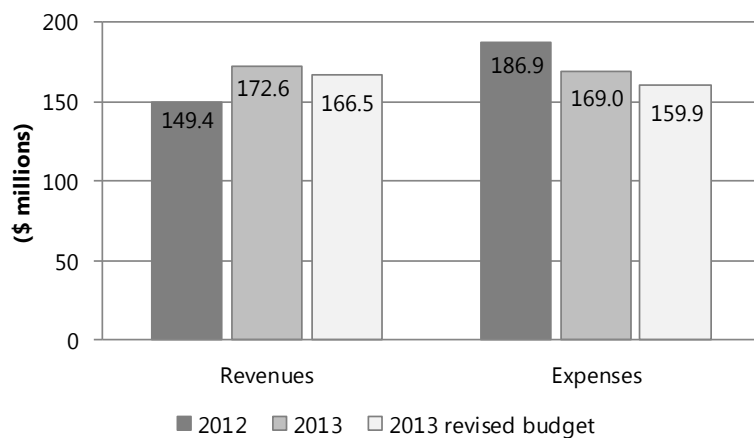
**TABLE 1: REVISED BUDGET**

| (\$000)                           | Original budget<br>2013-2014 | Revised budget<br>2013-2014 | Budget amendments |
|-----------------------------------|------------------------------|-----------------------------|-------------------|
| Revenues                          | 54 636                       | 52 148                      | (2 488)           |
| Minus: Expenses                   | 256 164                      | 248 525                     | 7 639             |
| Cost of operations                | (201 528)                    | (196 377)                   | 5 151             |
| Plus: Parliamentary appropriation | 201 705                      | 202 486                     | 781               |
| <b>Net results of operations</b>  | <b>177</b>                   | <b>6 109</b>                | <b>5 932</b>      |

## Performance

**Figure 1: FINANCIAL HIGHLIGHTS**

(for the nine months ended 31 December)



**TABLE 2: FINANCIAL HIGHLIGHTS**

| (\$000)                          | For the nine months ended 31 December |              | Year-over-year % change | Revised budget 2013-2014 <sup>a</sup> |
|----------------------------------|---------------------------------------|--------------|-------------------------|---------------------------------------|
|                                  | Actual 2012                           | Actual 2013  |                         |                                       |
| Revenues                         | 29 761                                | 38 354       | 28.9%                   | 52 148                                |
| Expenses                         | 186 896                               | 169 015      | (9.6%)                  | 248 525                               |
| Cost of operations               | (157 135)                             | (130 661)    | 16.8%                   | (196 377)                             |
| Parliamentary appropriation      | 119 668                               | 134 213      | 12.2%                   | 202 486                               |
| <b>Net results of operations</b> | <b>(37 467)</b>                       | <b>3 552</b> | <b>109.5%</b>           | <b>6 109</b>                          |

<sup>a</sup> See Table 1 for explanations of revised budget.

## Consolidated overview

### Revenues

**TABLE 3: REVENUES**

| (\$000)                     | For the quarter ended 31 December |                |               |                         | For the nine months ended 31 December |                |                |                         | Revised budget 2013-2014 <sup>a</sup> |
|-----------------------------|-----------------------------------|----------------|---------------|-------------------------|---------------------------------------|----------------|----------------|-------------------------|---------------------------------------|
|                             | 2012                              | 2013           |               | Year-over-year % change | 2012                                  | 2013           |                | Year-over-year % change |                                       |
|                             | Actual                            | Revised budget | Actual        |                         | Actual                                | Revised budget | Actual         |                         |                                       |
| <b>Total revenues</b>       | <b>50 706</b>                     | <b>54 238</b>  | <b>79 873</b> | <b>57.5%</b>            | <b>149 429</b>                        | <b>166 517</b> | <b>172 567</b> | <b>15.5%</b>            | <b>254 634</b>                        |
| Parliamentary appropriation | 40 120                            | 40 258         | 65 117        | 62.3%                   | 119 668                               | 131 753        | 134 213        | 12.2%                   | 202 486                               |
| Donor contributions         | 9 930                             | 13 765         | 14 571        | 46.7%                   | 27 833                                | 34 210         | 37 741         | 35.6%                   | 51 390                                |
| Investment and other income | 656                               | 215            | 185           | (71.8%)                 | 1 928                                 | 554            | 613            | (68.2%)                 | 758                                   |

<sup>a</sup> See Table 1 for explanations of revised budget.

The Centre is funded by a Parliamentary appropriation, donor contributions, and other income (which includes investment and other miscellaneous income).

**TABLE 4: PARLIAMENTARY APPROPRIATION**

| Parliamentary appropriation      | For the nine months ended 31 December |                |                         | Revised budget 2013-2014 <sup>a</sup> |
|----------------------------------|---------------------------------------|----------------|-------------------------|---------------------------------------|
|                                  | Actual 2012                           | Actual 2013    | Year-over-year % change |                                       |
| Recurring portion                | 113 985                               | 96 032         | (15.8%)                 | 143 653                               |
| Non-recurring portion            | 4 678                                 | 37 654         | 704.8%                  | 58 517                                |
| <b>Appropriation received</b>    | <b>118 664</b>                        | <b>133 686</b> | <b>11.2%</b>            | <b>202 170</b>                        |
| Appropriation amortized          | 1 004                                 | 527            | (47.5%)                 | 315                                   |
| <b>Appropriation recognized</b>  | <b>119 668</b>                        | <b>134 213</b> | <b>10.8%</b>            | <b>202 485</b>                        |
| <b>Appropriation to drawdown</b> | <b>37 559</b>                         | <b>68 485</b>  | <b>82.3%</b>            | <b>-</b>                              |

<sup>a</sup> See Table 1 for explanations of revised budget.

During the nine months ended 31 December 2013, the **Parliamentary appropriation** drawdown increased by 11.2% to \$133.7 million from \$118.7 million for the same period in 2012-2013. The Centre's **recurring** portion of the Parliamentary appropriation for the nine months ended 31 December decreased by \$18 million (15.8%) compared to the same period last year. The reduction is due to two factors: the implementation of the year two reductions announced in the Government's *Budget 2012: Economic Action Plan*; and secondly, the implementation of a new appropriation drawdown strategy by the Centre, whereby seasonal variations in funding needs are reflected in the actual drawdowns. The increase in the actual year-to-date **non-recurring** Parliamentary appropriation is mainly due to the rescheduling of

the portion of the appropriation for the DIF (\$33.4 million as at 31 December 2013 versus zero for the same period last year).

Table 5 shows how the appropriation was used during the period ending 31 December 2013.

**TABLE 5: USE OF THE PARLIAMENTARY APPROPRIATION RECEIVED**

| (\$000)  | For the nine months ended 31 December |                | Revised Budget 2013-2014 <sup>a</sup> |
|--|---------------------------------------|----------------|---------------------------------------|
|  | Actual 2012                           | Actual 2013    |                                       |
| <b>Total expenses</b>                                    | <b>186 896</b>                        | <b>169 015</b> | <b>248 525</b>                        |
| Minus:   |                                       |                |                                       |
| Donor-funded expenses                                    | 27 833                                | 37 741         | 51 390                                |
| Replenishment of financial reserve                       | 159 063                               | 131 274        | 197 135                               |
| Used for purchase of property, equipment and intangibles | 1 116                                 | 4 465          | 3 580                                 |
|  | 708                                   | 1 264          | 2 677                                 |
| <b>Total funding requirement</b>                         | <b>160 887</b>                        | <b>137 003</b> | <b>203 392</b>                        |
| Parliamentary appropriation received                     | 118 664                               | 133 686        | 202 170                               |
| <b>Unused (shortfall) appropriation</b>                  | <b>(42 223)</b>                       | <b>(3 317)</b> | <b>(1 222)</b>                        |

<sup>a</sup> See Table 1 for explanations of revised budget.

The financial reserve was replenished to compensate for the depletion that occurred with the 2012-2013 year-end accruals of additional research project expenses. For the period ended 31 December 2013, the total funding requirement exceeded the Parliamentary appropriation drawdown by \$3.3 million due to expense accruals and drawdown timing differences. The January drawdown request took into consideration the need to compensate for this quarter's shortfall. The \$1.2 million shortfall projected for fiscal year 2013-2014 as shown in Table 5 will be funded from other revenues generated by the Centre as well as from a small reduction of reserved equity (see Table 9).

In the third quarter, **donor contribution funding for development research programming** increased 46.7% year-over-year to \$14.6 million from \$9.9 million. For the nine months ended 31 December 2013, donor contributions increased by 35.6% to \$37.7 million from \$27.8 million in the same period in 2012-2013. Donor contributions, received in advance, are recognized as revenue when the related expenses are incurred (see explanation of the variance in the Expenses section below). The year-over-year variance is a direct result of increased spending under new multi-year partnership agreements signed in the later 2012-2013.



## Expenses

Expenses are tracked under two main headings: development research programming and corporate and administrative services.

**TABLE 6: EXPENSES**

| (\$000)                                      | For the quarter ended 31 December |                |               |                         | For the nine months ended 31 December |                |                |                         | Revised budget 2013-2014 <sup>a</sup> |
|--|-----------------------------------|----------------|---------------|-------------------------|---------------------------------------|----------------|----------------|-------------------------|---------------------------------------|
|  | 2012                              | 2013           |               | Year-over-year % change | 2012                                  | 2013           |                | Year-over-year % change |                                       |
|  | Actual                            | Revised budget | Actual        |                         | Actual                                | Revised budget | Actual         |                         |                                       |
| <b>Total expenses</b>                        | <b>53 543</b>                     | <b>46 832</b>  | <b>71 458</b> | <b>33.5%</b>            | <b>186 896</b>                        | <b>159 874</b> | <b>169 015</b> | <b>(9.6%)</b>           | <b>248 525</b>                        |
| <b>Development research programming</b>      |                                   |                |               |                         |                                       |                |                |                         |                                       |
| Research projects                            |                                   |                |               |                         |                                       |                |                |                         |                                       |
| Funded by Parliamentary appropriation        | 29 289                            | 20 130         | 43 589        | 48.8%                   | 113 834                               | 82 524         | 90 265         | (20.7%)                 | 140 725                               |
| Funded by donor contributions                | 7 989                             | 10 753         | 12 068        | 51.1%                   | 22 277                                | 26 655         | 30 857         | 38.5%                   | 40 580                                |
| Capacity building                            |                                   |                |               |                         |                                       |                |                |                         |                                       |
| Enhancing research capabilities              | 8 854                             | 8 417          | 8 590         | (3.0%)                  | 27 423                                | 27 647         | 26 086         | (4.9%)                  | 36 800                                |
| Research complements                         | 2 185                             | 2 342          | 2 161         | (1.1%)                  | 6 698                                 | 7 267          | 6 783          | 1.3%                    | 9 408                                 |
|  | <b>48 317</b>                     | <b>41 642</b>  | <b>66 408</b> | <b>37.4%</b>            | <b>170 232</b>                        | <b>144 093</b> | <b>153 991</b> | <b>(9.5%)</b>           | <b>227 513</b>                        |
| <b>Corporate and administrative services</b> | <b>5 226</b>                      | <b>5 190</b>   | <b>5 050</b>  | <b>(3.4%)</b>           | <b>16 664</b>                         | <b>15 781</b>  | <b>15 024</b>  | <b>(9.8%)</b>           | <b>21 012</b>                         |

<sup>a</sup> See Table 1 for explanations of revised budget.

The **research project expenses funded by Parliamentary appropriation** are higher than targeted for the third quarter but lower than actuals for the same period last year. The year-over-year decrease is directly attributable to the expense reductions mandated by the Government's *Budget 2012: Economic Action Plan* as well as to the realignment of Development Innovation Fund expenditures through to 2016-2017.

**TABLE 7: RESEARCH PROJECTS FUNDED BY PARLIAMENTARY APPROPRIATION**

|  | For the nine months ended 31 December |                |               | Year-over-year % change | Revised budget 2013-2014 <sup>a</sup> |
|--|---------------------------------------|----------------|---------------|-------------------------|---------------------------------------|
|  | 2012                                  | 2013           |               |                         |                                       |
|  | Actual                                | Revised budget | Actual        |                         |                                       |
| Research projects                                  | 92 584                                | 58 024         | 69 697        | (24.7%)                 | 101 894                               |
| Development Innovation Fund                        | 21 250                                | 24 500         | 20 568        | (3.2%)                  | 38 831                                |
| <b>Total funded by Parliamentary appropriation</b> | <b>113 834</b>                        | <b>82 524</b>  | <b>90 265</b> | <b>(20.7%)</b>          | <b>140 725</b>                        |

<sup>a</sup> See Table 1 for explanations of revised budget.

Table 7 expands further on the *Research projects funded by Parliamentary appropriation* line in Table 6. The research projects budget variance is largely the result of project remittances on research projects occurring sooner than forecasted. As a result, it is expected that the research projects expenses budget will be exceeded by approximately 1.7% at year end. The budget variance for the DIF is related to the remittances being delayed to the beginning of the fourth quarter rather than being issued in the later part of the third quarter.

**Actual expenses on research projects funded by donor contributions** for both the third quarter and the nine months ended 31 December 2013 show an increase when compared year-over-year. This increase was expected and reflected in this year's budget which is higher than the actuals for 2012-2013. The increase in donor-funded research projects relates to a number of large partnerships ramping up their programming activities to their intended scale.

The year-over-year decline for both the quarter and the nine-month period in **expenses for enhancing research capabilities** is directly linked to the reduction in the appropriation related to the Government's *Budget 2012: Economic Action Plan*. Higher donor-funded expenses incurred as part of new agreements signed in 2012-2013 have partially offset this reduction. The lower expenses compared to budget reflects, among other things, lower salary and benefit expenses as a result of staffing vacancies, as well as less travel and fewer professional services being engaged.

The **research complements** for the nine months ended 31 December 2013 increased by 1.3% compared to the previous year. This increase, as well as the variance of the actuals against the year-to-date budget, is related to the timing of ongoing activities within the current year.

The decrease in **corporate and administrative services** in the third quarter and the nine months ended 31 December 2013 versus 2012 is due principally to the completed consolidation of six regional offices into four as part of the Centre's strategy to reduce its expenses in line with the reduction of its appropriation. The variance against budget reflects the reduced use of professional services and less travel.

## Financial position

**TABLE 8: SUMMARY OF ASSETS AND LIABILITIES**

| (\$000)                  | December 2013 | March 2013    | % change    |
|--------------------------|---------------|---------------|-------------|
| <b>Total assets</b>      | <b>69 045</b> | <b>65 379</b> | <b>5.6%</b> |
| Current                  | 59 116        | 55 104        | 7.3%        |
| Non-current              | 9 929         | 10 275        | (3.4%)      |
| <b>Total liabilities</b> | <b>53 341</b> | <b>53 227</b> | <b>0.2%</b> |
| Current                  | 47 386        | 48 248        | (1.8%)      |
| Non-current              | 5 955         | 4 979         | 19.6%       |

Total **assets** at 31 December 2013 increased by 5.6% (from \$65.4 million to \$69 million) as compared to 31 March 2013. The increase in current assets directly relates to the increase in donor contribution revenues (see page 4) for the nine months ending 31 December 2013.

Total **Liabilities** are relatively stable compared to 31 March 2013.

Management is currently reviewing the composition of working capital and its associated restrictions in order to include enhanced working capital disclosure in future reports.

**TABLE 9: EQUITY**

| (\$000)                           | For the nine months ended 31 December |                                |               | Year-over-year<br>% change | Revised<br>budget<br>2013-2014 <sup>a</sup> |
|-----------------------------------|---------------------------------------|--------------------------------|---------------|----------------------------|---|
|                                   | 2012                                  | 2013                           |               |                            |   |
|                                   | Actual                                | Revised<br>budget <sup>a</sup> | Actual        |                            |   |
| <b>Total equity</b>               | <b>66 367</b>                         | <b>18 795</b>                  | <b>15 704</b> | <b>(76.3%)</b>             | <b>18 261</b>                               |
| Unrestricted                      | 14 387                                | 2 629                          | ( 529)        | -                          | 1 505                                       |
| Internally restricted             | 34 138                                | 1 166                          | 1 133         | (96.7%)                    | 1 169                                       |
| Net investments in capital assets | 10 249                                | 10 577                         | 9 929         | (3.1%)                     | 11 301                                      |
| Reserved                          | 7 593                                 | 4 423                          | 5 171         | (31.9%)                    | 4 286                                       |

The third quarter's **internally restricted** equity is virtually the same as it was at the beginning of the fiscal year. The *2012-2013 Annual Report* provides details on the components of internally restricted equity during that year and states that they were fully utilized by 31 March 2013.

The **net investment in capital assets** of \$9.9 million segregates the portion of the equity representing the Centre's net investments in capital assets. This class of equity funds offsets future amortization and depreciation expenses for capital assets — it is not a cash account as it represents the property, equipment and intangible values stated in the condensed interim statement of financial position.

The **reserved** equity at 31 December 2013 is 31.9% lower than at the same time in 2012. The decrease is directly related to the Centre's expense reductions (see Table 6). This component of the Centre's equity is meant to provide working capital and a means of protecting the Centre from the effects of fluctuations in the expensing of outstanding program commitments. With lower expenses, the risk of expense variance is also lower. The reserved equity at 31 December 2013 also includes an amount for the future purchase of property, equipment and intangibles which is expected to be fully utilized by the end of the fiscal year.

The **unrestricted** equity normally represents the residual balance of equity after allotments are made to the internally restricted and reserved equity. The negative amount reflects the timing variances both in project expenses and Parliamentary revenues for the nine months ending 31 December 2013 (see Table 7). The negative unrestricted equity was replenished in January 2014 when the requisite Parliamentary appropriation was drawn down.

## Cash flows

**TABLE 10: SUMMARY OF CASH FLOWS**

| (\$000)   | For the quarter ended 31 December |               | Year-over-year change | For the nine months ended 31 December |               | Year-over-year change |
|---|-----------------------------------|---------------|-----------------------|---------------------------------------|---------------|-----------------------|
|   | Actual 2012                       | Actual 2013   |                       | Actual 2012                           | Actual 2013   |                       |
| Net results of operations                               | (2 837)                           | 8 415         | 11 252                | (37 467)                              | 3 552         | 41 019                |
| Changes in items other than cash and cash equivalents   | (6 525)                           | ( 193)        | 6 332                 | 43 402                                | (2 331)       | (45 733)              |
| <b>Cash flows (used in)/from operating activities</b>   | <b>(9 362)</b>                    | <b>8 222</b>  | <b>17 584</b>         | <b>5 935</b>                          | <b>1 221</b>  | <b>(4 714)</b>        |
| Purchase of investments                                 | (35 794)                          | 0             | 35 794                | (138 762)                             | (25 178)      | 113 584               |
| Maturity of investments                                 | 44 133                            | 10 468        | (33 665)              | 141 777                               | 66 099        | (75 678)              |
| Other   | ( 266)                            | ( 908)        | ( 642)                | ( 614)                                | (1 334)       | ( 720)                |
| <b>Cash flows from investing activities</b>             | <b>8 073</b>                      | <b>9 560</b>  | <b>1 487</b>          | <b>2 401</b>                          | <b>39 587</b> | <b>37 186</b>         |
| <b>(Decrease)/Increase in cash and cash equivalents</b> | <b>(1 289)</b>                    | <b>17 782</b> | <b>19 071</b>         | <b>8 336</b>                          | <b>40 808</b> | <b>32 472</b>         |
| <b>Cash and cash equivalents, beginning of period</b>   | <b>19 119</b>                     | <b>23 607</b> | <b>4 488</b>          | <b>9 494</b>                          | <b>581</b>    | <b>(8 913)</b>        |
| <b>Cash and cash equivalents, end of period</b>         | <b>17 830</b>                     | <b>41 389</b> | <b>23 559</b>         | <b>17 830</b>                         | <b>41 389</b> | <b>23 559</b>         |

For the nine months ended 31 December 2013, the **operating activities** increased cash flows by \$1.2 million (from a contribution of \$5.9 million for the same period in 2012). The **changes in items other than cash and cash equivalents** are due largely to greater accounts receivable and deferred revenue as well as the decline in accounts payable and accrued liabilities.

The cash flows from **investing activities** as at 31 December 2013 show a year-over-year increase of \$37.2 million which is due to a reduction in new investment activities. It should be noted that the bulk of the cash held at the end of the period is restricted for use on donor-funded projects and programs.

## Corporate developments

During the quarter, IDRC and the William and Flora Hewlett Foundation (the Hewlett Foundation) signed a five-year co-funding agreement for the second phase of the *Think Tank Initiative*. Over the course of the agreement, the Hewlett Foundation will contribute \$21.3 million and IDRC \$2.2 million. The Hewlett Foundation's share will be accounted for as donor contribution revenues over the life of the program.

The relocation of the Centre's Regional Office for Sub-Saharan Africa within the city of Nairobi, Kenya has been successfully completed.

## Risk management

There has not been any material change in the risks to performance as reported in the "Management's Discussion and Analysis" section in the *Annual Report 2012-2013*.

## **Outlook**

The remaining aspects of the context in which IDRC operates remain the same as detailed in the *Annual Report 2012-2013*.



# Unaudited condensed interim financial statements

## Statement of management responsibility


Management is responsible for the preparation and fair presentation of these condensed quarterly financial statements, which, we confirm, have been prepared in accordance with the International Accounting Standard 34, *Interim Financial Reporting* and the *Standard on Quarterly Financial Reports for Crown Corporations* as issued by the Treasury Board of Canada.

Management has implemented internal controls that aim to keep condensed quarterly financial statements free from material misstatements. Management is also responsible for ensuring that all other information in this condensed quarterly financial report for the period ending 31 December 2013 is consistent, where appropriate, with the condensed quarterly financial statements.

Based on our knowledge, these unaudited condensed quarterly financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Centre, as at the date of, and for the periods presented in, the condensed quarterly financial statements.



Jean Lebel, PhD  
President



Sylvain Dufour, Eng., CPA, CMA, M.Sc.  
Vice-President, Resources, and CFO

Ottawa, Canada  
19 February 2014





## Condensed Interim Statement of Financial Position

as at

(in thousands of Canadian dollars)

(unaudited)

|  | <u>31 December 2013</u> | <u>31 March 2013</u> |
|--|-------------------------|----------------------|
| <b>Assets</b>                            |                         |                      |
| Current                                  |                         |                      |
| Cash and cash equivalents                | 41 389                  | 581                  |
| Investments                              | 9 778                   | 50 795               |
| Accounts receivable                      | 7 126                   | 1 984                |
| Prepaid expenses                         | 823                     | 1 744                |
|  | <u>59 116</u>           | <u>55 104</u>        |
| Non-current                              |                         |                      |
| Property and equipment                   | 7 041                   | 7 423                |
| Intangible assets                        | 2 888                   | 2 852                |
|  | <u>69 045</u>           | <u>65 379</u>        |
| <b>Liabilities</b>                       |                         |                      |
| Current                                  |                         |                      |
| Accounts payable and accrued liabilities | 10 201                  | 25 094               |
| Provision for restructuring              | —                       | 292                  |
| Deferred revenue (Note 5)                | 37 185                  | 22 862               |
|  | <u>47 386</u>           | <u>48 248</u>        |
| Non-current                              |                         |                      |
| Deferred revenue (Note 5)                | 1 660                   | 615                  |
| Employee benefits                        | 4 295                   | 4 364                |
|  | <u>53 341</u>           | <u>53 227</u>        |
| <b>Equity</b>                            |                         |                      |
| Unrestricted                             | ( 529)                  | —                    |
| Internally restricted                    | 1 133                   | 1 171                |
| Net investments in capital assets        | 9 929                   | 10 275               |
| Reserved                                 | 5 171                   | 706                  |
|  | <u>15 704</u>           | <u>12 152</u>        |
|  | <u>69 045</u>           | <u>65 379</u>        |

Commitments (Notes 8 and 11)

Contingencies (Note 9)

*The accompanying notes form an integral part of these condensed interim financial statements.*

## Condensed Interim Statement of Comprehensive Income

(unaudited)

(in thousands of Canadian dollars)

|  | For the quarter ended<br>31 December |                       | For the 9 months ended<br>31 December |                        |
|--|--------------------------------------|-----------------------|---------------------------------------|------------------------|
|  | 2013                                 | 2012                  | 2013                                  | 2012                   |
| <b>Revenues</b>                                      |                                      |                       |                                       |                        |
| Donor contributions (Notes 6 and 12)                 | 14 571                               | 9 930                 | 37 741                                | 27 833                 |
| Investment and other income (Note 12)                | 185                                  | 656                   | 613                                   | 1 928                  |
|  | <u>14 756</u>                        | <u>10 586</u>         | <u>38 354</u>                         | <u>29 761</u>          |
| <b>Expenses</b>                                      |                                      |                       |                                       |                        |
| Development research programming (Note 10)           |                                      |                       |                                       |                        |
| <i>Research projects</i>                             |                                      |                       |                                       |                        |
| Funded by Parliamentary appropriation                | 43 589                               | 29 289                | 90 265                                | 113 834                |
| Funded by donor contributions                        | 12 068                               | 7 989                 | 30 857                                | 22 277                 |
| <i>Capacity building</i>                             |                                      |                       |                                       |                        |
| Enhancing research capabilities                      | 8 590                                | 8 854                 | 26 086                                | 27 423                 |
| Research complements                                 | 2 161                                | 2 185                 | 6 783                                 | 6 698                  |
|  | <u>66 408</u>                        | <u>48 317</u>         | <u>153 991</u>                        | <u>170 232</u>         |
| Corporate and administrative services (Note 10)      |                                      |                       |                                       |                        |
| Corporate services                                   | 4 260                                | 4 379                 | 12 545                                | 13 028                 |
| Regional office administration                       | 790                                  | 847                   | 2 479                                 | 3 636                  |
|  | <u>5 050</u>                         | <u>5 226</u>          | <u>15 024</u>                         | <u>16 664</u>          |
| <b>Total expenses</b>                                | <b><u>71 458</u></b>                 | <b><u>53 543</u></b>  | <b><u>169 015</u></b>                 | <b><u>186 896</u></b>  |
| Cost of operations before Parliamentary appropriatic | (56 702)                             | (42 957)              | (130 661)                             | (157 135)              |
| Parliamentary appropriation (Note 7)                 | <u>65 117</u>                        | <u>40 120</u>         | <u>134 213</u>                        | <u>119 668</u>         |
| <b>Net results of operations</b>                     | <b><u>8 415</u></b>                  | <b><u>(2 837)</u></b> | <b><u>3 552</u></b>                   | <b><u>(37 467)</u></b> |

The accompanying notes form an integral part of these condensed interim financial statements.

## Condensed Interim Statement of Changes in Equity

(unaudited)

(in thousands of Canadian dollars)

|   | For the quarter ended<br>31 December |               | For the 9 months ended<br>31 December |               |
|---|--------------------------------------|---------------|---------------------------------------|---------------|
|   | 2013                                 | 2012          | 2013                                  | 2012          |
| <b>Unrestricted equity</b>                  |                                      |               |                                       |               |
| Beginning of period                         | (9 708)                              | 11 274        | —                                     | 10 996        |
| Net results of operations                   | 8 415                                | (2 837)       | 3 552                                 | (37 467)      |
| Transfers from/(to) other classes of equity | 764                                  | 5 950         | (4 081)                               | 40 858        |
| Balance end of period                       | (529)                                | 14 387        | (529)                                 | 14 387        |
| <b>Internally restricted equity</b>         |                                      |               |                                       |               |
| Beginning of period                         | 1 130                                | 40 088        | 1 171                                 | 74 996        |
| Net increase (decrease)                     | 3                                    | (5 950)       | (38)                                  | (40 858)      |
| Balance end of period                       | 1 133                                | 34 138        | 1 133                                 | 34 138        |
| <b>Net investments in capital assets</b>    |                                      |               |                                       |               |
| Beginning of period                         | 9 859                                | 10 885        | 10 275                                | 11 365        |
| Net increase (decrease)                     | 70                                   | (636)         | (346)                                 | (1 116)       |
| Balance end of period                       | 9 929                                | 10 249        | 9 929                                 | 10 249        |
| <b>Reserved equity</b>                      |                                      |               |                                       |               |
| Beginning of period                         | 6 008                                | 6 957         | 706                                   | 6 477         |
| Net (decrease) increase                     | (837)                                | 636           | 4 465                                 | 1 116         |
| Balance end of period                       | 5 171                                | 7 593         | 5 171                                 | 7 593         |
| <b>Equity, end of period</b>                | <b>15 704</b>                        | <b>66 367</b> | <b>15 704</b>                         | <b>66 367</b> |

The accompanying notes form an integral part of these condensed interim financial statements.

## Condensed Interim Statement of Cash Flows

(unaudited)

(in thousands of Canadian dollars)

|   | For the quarter ended |                | For the 9 months ended |               |
|---|-----------------------|----------------|------------------------|---------------|
|   | 31 December           |                | 31 December            |               |
|   | 2013                  | 2012           | 2013                   | 2012          |
| <b>Operating activities</b>   |                       |                |                        |               |
| Net results of operations   | 8 415                 | (2 837)        | 3 552                  | (37 467)      |
| Items not affecting cash  |                       |                |                        |               |
| Amortization and depreciation of property and equipment and intangible assets | 697                   | 346            | 1 539                  | 1 095         |
| Amortization of bond premium  | —                     | 276            | 96                     | 937           |
| Loss on disposal of property and equipment                                    | 140                   | 555            | 140                    | 634           |
| Employee benefits   | ( 57)                 | (2 861)        | ( 68)                  | (3 150)       |
|   | 780                   | (1 684)        | 1 707                  | ( 484)        |
| Change in non-cash operating items  |                       |                |                        |               |
| Accounts receivable   | (2 703)               | 2 869          | (5 142)                | 24 455        |
| Prepaid expenses  | 299                   | 402            | 922                    | 397           |
| Accounts payable and accrued liabilities                                      | (4 499)               | (5 016)        | (15 186)               | (7 002)       |
| Deferred revenue  | 5 930                 | (3 096)        | 15 368                 | 26 036        |
|   | ( 973)                | (4 841)        | (4 038)                | 43 886        |
| <b>Cash flows from/(used in) operating activities</b>                         | <b>8 222</b>          | <b>(9 362)</b> | <b>1 221</b>           | <b>5 935</b>  |
| <b>Investing activities</b>   |                       |                |                        |               |
| Purchase of investments   | —                     | (35 794)       | (25 178)               | (138 762)     |
| Maturity of investments   | 10 468                | 44 133         | 66 099                 | 141 777       |
| Acquisition of property and equipment and intangible assets                   | ( 838)                | ( 439)         | (1 264)                | ( 708)        |
| Net (costs)/proceeds of disposition of property and equipment                 | ( 70)                 | 173            | ( 70)                  | 94            |
| <b>Cash flows from investing activities</b>                                   | <b>9 560</b>          | <b>8 073</b>   | <b>39 587</b>          | <b>2 401</b>  |
| <b>Increase/(Decrease) in cash and cash equivalents</b>                       | <b>17 782</b>         | <b>(1 289)</b> | <b>40 808</b>          | <b>8 336</b>  |
| <b>Cash and cash equivalents, beginning of period</b>                         | <b>23 607</b>         | <b>19 119</b>  | <b>581</b>             | <b>9 494</b>  |
| <b>Cash and cash equivalents, end of period</b>                               | <b>41 389</b>         | <b>17 830</b>  | <b>41 389</b>          | <b>17 830</b> |
| Composition of cash and cash equivalents                                      |                       |                |                        |               |
| Cash  | 41 389                | 17 830         | 41 389                 | 17 830        |
| Cash equivalents  | —                     | —              | —                      | —             |
|   | <b>41 389</b>         | <b>17 830</b>  | <b>41 389</b>          | <b>17 830</b> |

The accompanying notes form an integral part of these condensed interim financial statements.

# Notes to the Condensed Interim Financial Statements

For the period ended 31 December 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

## 1. Corporate information

The International Development Research Centre (the Centre), a Canadian Crown corporation without share capital, was established in 1970 by the Parliament of Canada through the *International Development Research Centre Act*. The Centre is a registered charity and is exempt under section 149 of the *Income Tax Act* from the payment of income tax.

The Centre's head office is located at 150 Kent Street, Ottawa, Canada.

## 2. Authority and objective

The Centre is funded primarily through an annual appropriation received from the Parliament of Canada. In accordance with section 85(1.1) of the *Financial Administration Act*, the Centre is exempt from Divisions I to IV of Part X of the Act, except for subsection 105(2) and sections 113.1, 119, 131 to 148 and 154.01.

The objective of the Centre is to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions.

## 3. Basis of preparation

The condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand (\$000) except when otherwise indicated.

These condensed interim financial statements have been prepared in accordance with the International Accounting Standard 34 *Interim financial reporting* based on recognition and measurement standards applicable under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the *Standard on Quarterly Financial Reports for Crown Corporations* as issued by the Treasury Board of Canada. These statements have not been audited or reviewed by the Centre's external auditors.

The condensed interim financial statements were prepared on the basis of historical cost unless otherwise indicated and do not include all the information and disclosures required for full annual financial statements. The present interim statements should be read in conjunction with the Centre's audited financial statements as at 31 March 2013.

The Centre's operations consist of building the capacity for self-reliance in research in the developing regions of the world. It receives most of its funding from the Parliament of Canada. Parliamentary revenue is recognized when it is received or receivable, whereas donor contributions are recognized when expended for their intended purpose. The Centre's operations are seasonal. Most of the development research programming expenses are driven by several different cycles (academic, climatic, and agricultural) and tend not to be evenly distributed during the year.

## 4. Summary of significant accounting policies

### a. General

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Centre's annual financial statements as at 31 March 2013.

### b. Recent accounting pronouncements

The International Accounting Standards Board has a number of projects underway, some of which will affect standards relevant to the Centre. The Centre is closely monitoring the progress of these projects. Revisions and additions to the standards could potentially have an impact on the financial statements and may require revisiting the Centre's conclusions. The Centre is currently assessing the impact of the following amendments:

# Notes to the Condensed Interim Financial Statements

For the period ended 31 December 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

- IAS 32 – *Financial Instruments: Presentation* – was amended to provide further guidance to the criteria for offsetting financial assets and financial liabilities and presenting the net amount in the statement of financial position. This amendment is effective for annual periods beginning on or after 1 January 2014.
- IAS 36 – *Impairment of Assets* – was amended to require the disclosure of the recoverable amount of impaired assets and additional disclosures about the measurement of the recoverable amount of impaired assets. This amendment is effective for annual periods beginning on or after 1 January 2014.
- IFRS 9 – *Financial instruments* – The IASB's intention is to fully replace IAS 39 - *Financial Instruments: Recognition and Measurement* with IFRS 9. The new standard defines the classification, recognition, derecognition and measurement guidance for financial assets and financial liabilities. The Centre early adopted IFRS 9 (2009 edition) effective 1 April 2010. Since then, additional amendments have been made to integrate IAS 39 into the new standard which incorporates mandatory effective date and transition disclosures effective for annual periods beginning on or after 1 January 2017.

## 5. Deferred revenue

Deferred revenue includes the unspent portion of funds received or receivable on donor contribution activities, and the unspent portion of certain Parliamentary appropriations received for specific projects and programs.

Details of these balances are as follows:

|  | <u>31 December 2013</u> | <u>31 March 2013</u> |
|--|-------------------------|----------------------|
| Current  |                         |                      |
| Donor contribution funding for development research programs | 37 185                  | 22 335               |
| Parliamentary appropriations – projects and programs         | —                       | 527                  |
| Total current  | <u>37 185</u>           | <u>22 862</u>        |
| Non-current  |                         |                      |
| Donor contribution funding for development research programs | 1 660                   | 615                  |
|  | <u>38 845</u>           | <u>23 477</u>        |

## 6. Donor contributions

Donor contribution funding is directed toward development research programming and relates specifically to projects conducted or managed by the Centre on behalf of other organizations. A breakdown of the revenue recognition including administrative cost recovery for donor contributions is provided below:

|   | <u>For the quarter ended</u> |              | <u>For the 9 months ended</u> |               |
|---|------------------------------|--------------|-------------------------------|---------------|
|   | <u>31 December</u>           |              | <u>31 December</u>            |               |
|   | <u>2013</u>                  | <u>2012</u>  | <u>2013</u>                   | <u>2012</u>   |
| Foreign Affairs, Trade and Development*       | 5 824                        | 6 041        | 17 587                        | 15 171        |
| William and Flora Hewlett Foundation          | 3 129                        | 1 315        | 7 452                         | 4 427         |
| Department for International Development (UK) | 3 525                        | 799          | 7 474                         | 1 939         |
| Bill & Melinda Gates Foundation               | 1 563                        | 1 382        | 4 010                         | 4 472         |
| Other donor agencies                          | 530                          | 381          | 1 218                         | 1 806         |
| Other Government of Canada entities           | —                            | 12           | —                             | 18            |
|   | <u>14 571</u>                | <u>9 930</u> | <u>37 741</u>                 | <u>27 833</u> |

\* formerly the Canadian International Development Agency

# Notes to the Condensed Interim Financial Statements

For the period ended 31 December 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

## 7. Parliamentary appropriation

|  | For the quarter ended<br>31 December |                | For the 9 months ended<br>31 December |                |
|--|--------------------------------------|----------------|---------------------------------------|----------------|
|  | 2013                                 | 2012           | 2013                                  | 2012           |
| Approved annual Parliamentary appropriation  | 226 170                              | 241 646        | 226 170                               | 241 646        |
| Re-profiled, unused, and lapsed appropriations                                     | —                                    | (79 209)       | —                                     | (79 209)       |
| Frozen allotment   | (24 000)                             | (6 214)        | (24 000)                              | (6 214)        |
| Total appropriation available  | <u>202 170</u>                       | <u>156 223</u> | <u>202 170</u>                        | <u>156 223</u> |
| Appropriation received as of 31 December   | 64 891                               | 39 555         | 133 686                               | 118 664        |
| Amortization of deferred Parliamentary<br>appropriation – projects and programs    | <u>226</u>                           | <u>565</u>     | <u>527</u>                            | <u>1 004</u>   |
| Parliamentary appropriation recognized in the<br>statement of comprehensive income | <u>65 117</u>                        | <u>40 120</u>  | <u>134 213</u>                        | <u>119 668</u> |

## 8. Commitments

### a. Program-related

The Centre is committed to making payments of up to \$309.1 million (31 March 2013: \$345.4 million) during the next five years, subject to funds being provided by Parliament or donors, and subject to compliance by recipients with the terms and conditions of grant agreements. Of this amount, \$248.4 million (31 March 2013: \$294.4 million) is expected to be funded from future Parliamentary appropriations and the balance of \$60.7 million (31 March 2013: \$51.0 million) by donor contribution agreements.

|  | 31 December 2013 | 31 March 2013  |
|--|------------------|----------------|
| Within one year                        | 135 438          | 124 325        |
| After one year, but not more than five | 173 635          | 221 073        |
| Total future payments                  | <u>309 073</u>   | <u>345 398</u> |

### b. Operating leases

The Centre has entered into various operating leases for office premises in Canada and abroad and for staff accommodation in various countries. The Centre has finalized a lease for its new Nairobi office accommodations and the move was completed December 2013. Lease commitments have been adjusted accordingly. The lease agreements expire at different dates up to 2022. Future payments related to these contractual commitments as at 31 December 2013 are as follows:

|  | 31 December 2013 | 31 March 2013 |
|--|------------------|---------------|
| Within one year                        | 7 389            | 7 395         |
| After one year, but not more than five | 30 860           | 30 712        |
| More than five years                   | 30 533           | 38 116        |
| Total future payments                  | <u>68 782</u>    | <u>76 223</u> |

## 9. Contingencies

Various claims have been asserted or instituted against the Centre. Litigation is subject to many uncertainties and the outcome of individual matters is not predictable. Based on the advice of legal counsel, management is of the opinion that these claims are unlikely to materialize.

# Notes to the Condensed Interim Financial Statements

For the period ended 31 December 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

## 10. Schedule of expenses

|  | For the quarter ended<br>31 December |               | For the 9 months ended<br>31 December |                |
|--|--------------------------------------|---------------|---------------------------------------|----------------|
|  | 2013                                 | 2012          | 2013                                  | 2012           |
| <b>Development research programming</b>            |                                      |               |                                       |                |
| Contribution to research projects                  | 54 007                               | 35 988        | 117 563                               | 132 575        |
| Core salaries and benefits                         | 6 451                                | 6 741         | 19 945                                | 21 155         |
| Project-related salaries and benefits <sup>a</sup> | 1 157                                | 1 219         | 4 089                                 | 3 648          |
| Accommodations                                     | 996                                  | 879           | 2 913                                 | 2 778          |
| Travel   | 1 061                                | 957           | 2 968                                 | 2 949          |
| Professional services                              | 1 122                                | 1 032         | 2 565                                 | 2 912          |
| Amortization and depreciation                      | 428                                  | 223           | 954                                   | 705            |
| Project-related expenses <sup>a</sup>              | 548                                  | 397           | 1 473                                 | 1 231          |
| Other  | 638                                  | 881           | 1 521                                 | 2 279          |
|  | <u>66 408</u>                        | <u>48 317</u> | <u>153 991</u>                        | <u>170 232</u> |
| <b>Corporate and administrative services</b>       |                                      |               |                                       |                |
| Salaries and benefits                              | 3 194                                | 3 237         | 9 949                                 | 10 725         |
| Accommodations                                     | 539                                  | 685           | 1 755                                 | 2 155          |
| Office supplies and expenses                       | 229                                  | 215           | 793                                   | 727            |
| Amortization and depreciation                      | 269                                  | 124           | 585                                   | 391            |
| Furniture, equipment, and maintenance              | 196                                  | 119           | 483                                   | 515            |
| Professional services                              | 159                                  | 331           | 418                                   | 712            |
| Travel   | 200                                  | 187           | 303                                   | 490            |
| Other  | 264                                  | 328           | 738                                   | 949            |
|  | <u>5 050</u>                         | <u>5 226</u>  | <u>15 024</u>                         | <u>16 664</u>  |
| <b>Total expenses</b>                              | <u>71 458</u>                        | <u>53 543</u> | <u>169 015</u>                        | <u>186 896</u> |

<sup>a</sup> Includes all Centre-administered portions of project expenses, associated to the "Contribution to research projects" line above and funded for a finite period of time, over and above core operations. They represent total expenses for the quarter of \$1 705 (31 December 2012: \$1 616) and for the nine months \$5 562 (31 December 2012: \$4 879).

## 11. Adjustment to program-related commitments

During the preparation of the 30 June 2013 financial statements, management discovered that program-related commitments funded by donor contributions were overstated with the inclusion of a closed project that had been completed 31 March 2012. However, the balance of outstanding commitments was not reduced. The effects of the changes to the Centre's notes to the financial statements are summarized in the tables below:

| <b>Program-related commitments</b>     | <b>31 March 2013 as<br/>previously stated</b> | <b>Effect of change</b> | <b>31 March 2013<br/>restated</b> |
|--|---|-------------------------|-----------------------------------|
| To be funded by Parliament             | 294 376                                       | —                       | 294 376                           |
| To be funded by donor contributions    | 67 299  | (16 277)                | 51 022                            |
| Total                                  | <u>361 675</u>                                | <u>(16 277)</u>         | <u>345 398</u>                    |
| Within one year                        | 130 510                                       | (6 185)                 | 124 325                           |
| After one year, but not more than five | 231 165                                       | (10 092)                | 221 073                           |
| Total future payments                  | <u>361 675</u>                                | <u>(16 277)</u>         | <u>345 398</u>                    |



# Notes to the Condensed Interim Financial Statements

For the period ended 31 December 2013 (unaudited)

(in thousands of Canadian dollars unless otherwise stated)

|  | 31 March 2012 as<br>previously stated | Effect of change | 31 March 2012<br>restated |
|--|---------------------------------------|------------------|---------------------------|
| To be funded by Parliament             | 359 646                               | —                | 359 646                   |
| To be funded by donor contributions    | 94 327                                | (16 277)         | 78 050                    |
| Total                                  | 453 973                               | (16 277)         | 437 696                   |
| Within one year                        | 154 563                               | —                | 154 563                   |
| After one year, but not more than five | 299 410                               | (16 277)         | 283 133                   |
| Total future payments                  | 453 973                               | (16 277)         | 437 696                   |

## 12. Reclassification

To streamline and enhance reporting, two changes were made to the statement of comprehensive income. Donor contributions now include all funding for development research programs and the related recovery of administrative costs. Investment income and other income are now reported under "Investment and other income".

### Previous presentation method

|   | For the quarter ended<br>31 December |        | For the 9 months ended<br>31 December |        |
|---|--------------------------------------|--------|---------------------------------------|--------|
|   | 2013                                 | 2012   | 2013                                  | 2012   |
| <b>Revenues</b>                           |                                      |        |                                       |        |
| Donor contributions                       |                                      |        |                                       |        |
| Funding for development research programs | 13 256                               | 9 044  | 34 362                                | 25 399 |
| Recovery of administrative costs          | 1 315                                | 886    | 3 379                                 | 2 434  |
| Investment income                         | 71                                   | 263    | 221                                   | 965    |
| Other income                              | 114                                  | 393    | 392                                   | 963    |
|   | 14 756                               | 10 586 | 38 354                                | 29 761 |

### Reclassified

#### Revenues

|                             |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|
| Donor contributions         | 14 571 | 9 930  | 37 741 | 27 833 |
| Investment and other income | 185    | 656    | 613    | 1 928  |
|                             | 14 756 | 10 586 | 38 354 | 29 761 |

# How to reach us

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