

International Institute for Sustainable Development

Consolidated financial statements
March 31, 2020



Independent auditor's report

To the Members of
International Institute for Sustainable Development

Opinion

We have audited the consolidated financial statements of **International Institute for Sustainable Development** ["IISD"], which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations and changes in unrestricted net operating assets, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of IISD as at March 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of IISD in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing IISD's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate IISD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing IISD's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IISD's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IISD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause IISD to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Winnipeg, Canada
June 29, 2020

Ernst & Young LLP

Chartered Professional Accountants



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International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31

	2020	2019
	\$	\$
Assets		
Current		
Cash	11,684,603	6,368,060
Restricted cash <i>[note 3]</i>	5,143,274	541,925
Accounts receivable <i>[note 4]</i>	23,975,812	26,035,412
Prepaid expenses	336,048	357,376
Total current assets	41,139,737	33,302,773
Accounts receivable <i>[note 4]</i>	14,727,651	14,881,430
Investments <i>[note 7]</i>	7,574,642	6,754,741
Capital assets, net <i>[note 8]</i>	1,059,289	1,076,080
Intangible assets	28,584	25,985
	64,529,903	56,041,009
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 3 and 6]</i>	7,856,741	2,879,678
Deferred contributions <i>[notes 3 and 9]</i>	28,124,182	27,419,612
Total current liabilities	35,980,923	30,299,290
Deferred contributions <i>[note 9]</i>	15,998,030	15,066,028
Deferred capital contributions <i>[note 10]</i>	801,984	818,422
Total liabilities	52,780,937	46,183,740
Commitments <i>[note 12]</i>		
Net assets		
Net assets invested in capital assets <i>[note 13]</i>	243,039	230,430
Reserve for program development <i>[note 16]</i>	2,476,442	2,780,886
IISD ELA Sustainable Future Fund <i>[note 5]</i>	800,000	800,000
Remediation fund <i>[note 3]</i>	524,376	513,056
Unrestricted net operating assets	7,705,109	5,532,897
Total net assets	11,748,966	9,857,269
	64,529,903	56,041,009

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

	2020	2019
	\$	\$
Revenue <i>[note 5]</i>		
Designated grants	30,337,184	27,882,503
Operating grants	760,000	724,540
Other	2,019,029	1,019,437
IISD ELA Sustainable Future Fund	2,176	5,769
Investment (loss) income	(78,059)	197,440
	33,040,330	29,829,689
Expenses <i>[schedule 1]</i>		
Programs		
Economic Law & Policy	9,411,440	7,687,393
Resilience	5,244,210	3,878,570
Water	4,835,091	4,553,629
Tracking Progress	4,483,875	5,375,798
Energy	3,263,763	3,085,075
Climate Change	295,435	425,030
China	49,769	66,816
Program Development <i>[note 16]</i>	261,189	139,706
Innovation Fund <i>[note 16]</i>	33,255	88,945
	27,878,027	25,300,962
Corporate and Shared Services <i>[notes 11 and 16]</i>	3,270,606	3,189,231
	31,148,633	28,490,193
Excess of revenue over expenses for the year	1,891,697	1,339,496
Appropriation to (from) unrestricted net operating assets		
Change in net assets invested in remediation fund <i>[note 3]</i>	(11,320)	(8,620)
Change in net assets invested in program development <i>[note 16]</i>	304,444	468,703
Change in net assets invested in capital assets <i>[note 13]</i>	(12,609)	76,741
Increase in unrestricted net operating assets	2,172,212	1,876,320
Unrestricted net operating assets, beginning of year	5,532,897	3,656,577
Unrestricted net operating assets, end of year	7,705,109	5,532,897

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>[notes 2 and 16]</i>	IISD ELA Sustainable Future Fund <i>[note 5]</i>	Remediation fund <i>[note 3]</i>	Unrestricted net operating assets	Total 2020	Total 2019
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	230,430	2,780,886	800,000	513,056	5,532,897	9,857,269	8,517,773
Excess (deficiency) of revenue over expenses for the year	(107,451)	—	(48,044)	—	2,047,192	1,891,697	1,339,496
Transfer of interest earned on investments to deferred contributions <i>[note 5]</i>	—	—	48,044	—	(48,044)	—	—
Transfer from reserve <i>[note 16]</i>	—	(304,444)	—	—	304,444	—	—
Transfer to remediation fund <i>[note 3]</i>	—	—	—	11,320	(11,320)	—	—
Net investment in capital assets	120,060	—	—	—	(120,060)	—	—
Balance, end of year	243,039	2,476,442	800,000	524,376	7,705,109	11,748,966	9,857,269

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,891,697	1,339,496
Add (deduct) items not affecting cash		
Amortization of capital assets <i>[note 13]</i>	107,451	110,301
Amortization of capital assets funded by capital contributions <i>[note 10]</i>	115,044	119,706
Amortization of deferred capital contributions to revenue	(115,044)	(119,706)
IISD ELA Sustainable Future Fund revenue	(2,176)	(5,769)
	<u>1,996,972</u>	<u>1,444,028</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	2,213,379	(3,076,566)
Prepaid expenses	21,328	15,014
Accounts payable and accrued liabilities	4,977,063	(36,734)
Deferred contributions	1,638,748	4,175,866
Cash provided by operating activities	<u>10,847,490</u>	<u>2,521,608</u>
Investing activities		
Purchase of capital assets <i>[note 8]</i>	(205,704)	(86,043)
Purchase of intangible assets	(2,599)	—
Purchase of investments, net	(819,901)	(700,970)
Contributions to restricted cash	(4,601,349)	(8,490)
Cash used in investing activities	<u>(5,629,553)</u>	<u>(795,503)</u>
Financing activities		
Capital contributions received	98,606	47,359
Cash provided by financing activities	<u>98,606</u>	<u>47,359</u>
Net increase in cash during the year	5,316,543	1,773,464
Cash, beginning of year	6,368,060	4,594,596
Cash, end of year	<u>11,684,603</u>	<u>6,368,060</u>

See accompanying notes

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Notes to consolidated financial statements

March 31, 2020

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 accounting 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, 2020, IISD – Europe had income of \$954 [2019 – deficit of \$812].

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, 2020, IISD ELA Inc. had a net income of \$413 thousand [2019 – \$322 thousand].

Revenue recognition

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

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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 and recorded when the funding commitment is made and collection is reasonably assured, and will be recognized in revenue as the project progresses.

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 income earned in the fund 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 lab analysis and facility fees and in the case of Corporate and Shared Services costs, the net foreign exchange gain (loss) recognized. 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. Lab analysis and facility fees are recognized on an accrual basis when incurred and collection is reasonably assured.

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.

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.

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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 IISD designates upon purchase to be measured at fair value. Transaction costs are recognized in the consolidated statement of operations and changes in unrestricted net operating assets in the period during which they are incurred. Transactions are recorded on a trade date basis.

Cash and cash equivalents

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

Capital assets

Purchased capital assets are recorded at cost which include purchase price and other acquisition costs. For a contributed tangible capital asset, cost is deemed to be fair value at the date of contribution plus all costs directly attributable to the acquisition of the tangible capital asset. In unusual circumstances when fair value cannot be reasonably determined, the tangible capital asset and the related contribution shall be recorded at nominal value. Amortization shall be charged to income as the greater of the cost less salvage value over the life of the asset, and the cost less residual value over the useful life of the asset. Amortization 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	Remaining term
Buildings	20 years, no residual

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. The write-downs of capital assets shall be accounted for as expenses in the statement of operations and write-downs shall not be reversed. When a capital asset's carrying amount is written down, a corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that all restrictions have been complied with.

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Prior to April 1, 2019, the capital asset policy was as follows:

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	Remaining term
Buildings	20 years, no residual

Intangible assets

Purchased intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. A contributed intangible asset is recognized at its fair value at the date of contribution and subsequently amortized and assessed for impairment. When an estimate of fair value cannot reasonably be made, both the intangible asset and the related contribution would be recognized at nominal value. 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. Management has determined that its purchased intangible assets have an indefinite useful life and, accordingly, they are not amortized, but are tested for impairment annually. When conditions indicate that an intangible asset is impaired, the net carrying amount of the intangible asset shall be written down to the asset's fair value or replacement cost. The write-downs of intangible assets shall be accounted for as expenses in the statement of operations and a write-down shall not be reversed. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Prior to April 1, 2019, the intangible asset policy was as follows:

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 expenditures incurred to-date relative to the estimated total expenditures of the project. Actual results could differ from these estimates.

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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, 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 Program Development activities as well as any additional initiatives the Board may authorize from time to time.

Changes in significant accounting policies

Section 4433, Tangible Capital Assets Held by Not-for-Profit Organizations and Section 4434, Intangible Assets Held by Not-for-Profit Organizations

Section 4433 and Section 4434 prescribe that not-for-profit organizations follow the guidance in Accounting Standards for Private Enterprises ["ASPE"] Sections 3061, *Property, Plant and Equipment*, Section 3064, *Goodwill and Intangible Assets*, and Section 3310, *Asset Retirement Obligations*, except for not-for-profit organizations specific guidance included in Section 4433 and Section 4434 on contributed assets and write-downs of assets. Applying Section 3061 would include considering the guidance on asset componentization. Additionally, a tangible capital asset or intangible asset is written down to its fair value or replacement cost to reflect a partial impairment of the asset when conditions indicate that the asset:

- No longer contributes to a not-for-profit organization's ability to provide goods or services; or
- The value of future economic benefits or service potential associated with the asset is less than its net carrying amount.

Section 4433 and Section 4434 provide examples of conditions that may indicate impairment and any impairment would be disclosed in accordance with the requirements in ASPE Section 3063, *Impairment of Long-lived Assets*. The standards are effective for fiscal years beginning on or after January 1, 2019. Effective April 1, 2019, IISD adopted Section 4433 and 4434 and have applied the standards prospectively. Accordingly, the information presented for fiscal year ended March 31, 2019 has not been restated. IISD applied the requirements of componentization to tangible capital assets held on April 1, 2019 by allocating the cost of tangible capital assets

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and related amortization to their component parts based on their relative cost at the date the assets were acquired. Adoption of Section 4433 and 4434 did not have a material impact on the Company's financial statements.

Recently issued accounting standards

Section 4460, *Disclosure of Related Party Transactions*

Section 4460 had one amendment effective for periods beginning on or after January 1, 2020 [paragraph 4460.01A], which states that a not-for-profit organization would apply Section 3856, *Financial Instruments*, to the accounting for and disclosure of financial instruments in a related party transaction, except as otherwise specified. IISD is currently evaluating the impact that this amendment will have on its consolidated financial statements.

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, which was fully transferred in prior years. The funds are held in an interest-bearing account, with IISD ELA Inc. and the Government of Ontario having joint signing authority. Based on the restrictions on the use of the funds, the amounts are recorded as restricted cash as well as allocated to restricted amounts within net assets. During the year, interest of \$11 thousand [2019 – \$9 thousand] was earned on the account.

Pursuant to its rental agreement with La Fondation Des Immeubles Pour Les Organisations Internationales Building Foundation for International Organizations, IISD is required to maintain a balance equal to three months' rent in a specified account. As at March 31, 2020, the account holds \$32 thousand, which is recorded as restricted cash [2019 – \$29 thousand].

Also included in restricted cash are funds designated to be used for a specific program based on restrictions established by an external funder. A corresponding liability has been recorded in deferred contributions, accounts payable and accrued liabilities to the extent that the amounts are unused or will be required for future settlement.

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4. Accounts receivable

The principal components of accounts receivable are summarized below:

	2020	2019
	\$000's	\$000's
Accounts receivable – short term		
Government agencies		
Canada	8,896	5,349
International*	11,324	14,874
United Nations agencies	937	857
International organizations	315	1,118
Foundations	2,296	2,553
Private sector and other	87	1,148
Other receivables	121	137
	23,976	26,036
Accounts receivable – long term		
Government agencies		
Canada	7,466	7,420
International*	6,936	5,920
Foundations	—	1,541
Private sector and other	325	—
	14,727	14,881
Total accounts receivable	38,703	40,917

* In December 2018, IISD entered into a funding agreement with the Department for International Development ["DFID"] to support regional and international tax initiatives for \$3.9 million [2.25 million GBP] over four years, of which \$464 thousand [275 thousand GBP] has been collected as at March 31, 2020. Grants are recorded when the funding commitment is made and collection is reasonably assured and will be recognized in revenue as the project progresses. As such, of this \$3.4 million of accounts receivable as at March 31, 2020, \$1.1 million is classified as current accounts receivable and \$2.3 million is classified as long-term accounts receivable.

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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 collection is reasonably assured 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	
	2020	2019
	\$000's	\$000's
	<i>[schedule 2]</i>	
Governments and agencies		
Canada	15,632	5,925
International	11,617	13,879
	27,249	19,804
United Nations agencies	1,750	1,429
International organizations	629	2,788
Foundations	2,364	6,696
Private sector and other	754	1,448
	32,746	32,165

Designated grants, IISD ELA Inc. Sustainable Future Fund and other revenue are summarized by activity area as follows. Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries and in the case of Corporate and Shared Services costs, the net foreign exchange gain recognized on March 31, 2020 in the amount of \$1.13 million [2019 – \$132 thousand].

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Activity area	Designated grants	IISD ELA Sustainable Future Fund	Other revenue	2020 Total	2019 Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Economic Law & Policy	10,392	—	181	10,573	8,940
Resilience	6,028	—	20	6,048	4,716
Water	5,098	2	531	5,631	5,227
Tracking Progress	4,709	—	105	4,814	5,748
Energy	3,648	—	13	3,661	3,491
Climate Change	412	—	2	414	578
China	—	—	—	—	95
Corporate and Shared Services	50	—	1,167	1,217	113
	30,337	2	2,019	32,358	28,908

IISD ELA Inc. Sustainable Future Fund

The Sustainable Future Fund was created with the initial donation of capital of \$250 thousand by a private donor. This initial donation [the "Original Capital"], was fully expended at March 31, 2017, as per the donation agreement. In the prior years, the fund received "Additional Capital" of \$800 thousand. 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. During the year, the current agreement with the funder was amended to allow for the interest earned on the fund to support the ongoing efforts of the IISD-ELA's Education and Outreach program of activities, particularly emphasizing the involvement of Canadian university student researchers.

Expenses amounting to \$2 thousand were incurred during fiscal 2020 [2019 – \$6 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment loss on the Additional Capital of \$48 thousand was recorded in deferred contributions [2019 – \$80 thousand income earned].

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

Operating grants

In May 2019 a new five-year funding agreement was signed with the Province of Manitoba for \$6.5 million, of which \$3.8 million is directed to core operations.

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A summary of the operating grant funding is as follows:

	Funding commitment	Funding recorded 2020	Prior years	Funding commitment remaining
	\$000's	\$000's	\$000's	\$000's
Government of Manitoba	3,800	760	—	3,040
Operating grants revenue [note 2]	3,800	760	—	3,040

6. Government remittances payable

Accounts payable and accrued liabilities include government remittances payable of \$26 thousand [2019 – \$25 thousand].

7. Investments

Investments consist of the following:

	2020	2019
	\$000's	\$000's
Cash	173	533
Common shares, measured at fair value	1,961	1,044
Fixed income, measured at amortized cost	4,762	4,369
Mutual funds, measured at fair value	679	809
	7,575	6,755

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

Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 9 years, 3 months and a weighted average yield to maturity of 2.10%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 7 years, 4 months and a weighted average yield to maturity of 1.24%.

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.

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Notes to consolidated financial statements

March 31, 2020

8. Capital assets

The categories of capital assets are summarized as follows:

	2020		2019	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	483	427	421	363
Equipment	478	310	377	233
Computer systems	147	145	147	142
Office equipment	160	112	154	102
Leasehold improvements	244	166	244	140
Buildings	831	124	794	81
	2,343	1,284	2,137	1,061
Net book value	1,059		1,076	

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

	2020		2019	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	62	—	43	2
Equipment	101	—	33	—
Computer systems	—	—	5	—
Office equipment	6	—	5	—
Leasehold improvements	—	—	—	—
Buildings	37	—	—	—
	206	—	86	2

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Notes to consolidated financial statements

March 31, 2020

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:

	2020	2019
	\$000's	\$000's
Designated grants		
Government agencies		
Canada	17,762	12,497
International	20,726	21,472
United Nations agencies	918	544
International organizations	149	835
Foundations	4,031	5,922
Private sector and other	536	1,216
	44,122	42,486
Less current	28,124	27,420
Long-term	15,998	15,066

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:

	2020	2019
	\$000s	\$000s
Balance, beginning of year	818	891
Capital contributions	99	47
Amounts amortized to revenue	(115)	(120)
Balance, end of year	802	818

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Notes to consolidated financial statements

March 31, 2020

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

	2020	2019
	\$000s	\$000s
Michael Paterson and Gail Asper	587	625
Richardson Foundation	54	88
Manitoba Hydro	45	51
Other Restricted Donations	26	10
Thomas Sill Foundation	25	15
Government of Canada [Department of Fisheries and Oceans]	22	15
Genome Canada and Genome Prairie	18	—
The John and Pat McCutcheon Charitable Foundation	16	—
Canadian Association of Petroleum Producers	9	14
	802	818

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Notes to consolidated financial statements

March 31, 2020

11. Corporate and Shared Services

The categories of Corporate and Shared Services are summarized as follows:

	Administration	Executive	Communications	Geneva office	Institutional planning	Fundraising	2020	2019
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Personnel	860	384	280	196	—	139	1,859	1,789
Board – expenses	150	—	—	—	—	—	150	145
Travel	9	75	18	—	31	9	142	109
Publishing	1	1	20	—	—	—	22	22
Consulting	67	66	14	—	24	31	202	276
Meetings	1	—	13	2	15	2	33	16
Supplies and other	233	5	56	23	—	5	322	333
Research material	10	—	—	—	—	—	10	4
Telecommunications	31	3	5	11	—	—	50	47
Office rent	278	—	—	183	—	—	461	428
Amortization	20	—	—	—	—	—	20	20
	1,660	534	406	415	70	186	3,271	3,189

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Notes to consolidated financial statements

March 31, 2020

12. Commitments

- [a] IISD is obligated to make payments under various operating leases on office space and other services over the next three years as follows:

	\$000's
2021	413
2022	274
2023	274
	<u>961</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, 2020, there was a balance of nil [2019 – nil] outstanding under this credit facility.

- [c] IISD has an outstanding letter of guarantee from Canadian Imperial Bank of Commerce in the amount of \$265 USD [2020 – \$376 thousand CAD and 2019 – \$354 thousand CAD], expiring September 27, 2020, as performance security under its reporting services agreement with the United Nations.

13. Internally restricted for capital assets

Change in net assets internally restricted for capital assets relates to assets that were acquired without specific directed funding and is calculated as follows:

	2020	2019
	\$000's	\$000's
Amortization of capital assets	(107)	(110)
Purchase of capital assets	120	34
	<u>13</u>	<u>(76)</u>

14. Endowment Funds

In September 2007, IISD entered into an agreement with The Winnipeg Foundation to establish the IISD Endowment Fund. In September 2018, IISD ELA Inc. entered into a similar agreement with The Winnipeg Foundation. Contributions to the funds are made by both IISD, IISD ELA Inc. and the general public. All contributions made to the endowment funds are held and invested by The Winnipeg Foundation. Investment income generated from the contributed capital may be used at the discretion of the Board of Directors of IISD and IISD ELA Inc.

As of March 31, 2020, the IISD Endowment Fund had a market value of \$76 thousand [2019 – \$79 thousand], and the IISD ELA Inc. Endowment Fund had a market value of \$603 thousand [2019 – \$164 thousand].

Neither organization made any contributions to The Winnipeg Foundation, nor did they draw out investment income earned on the endowment funds during the year.

Notes to consolidated financial statements

March 31, 2020

15. Financial instruments

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

Interest rate risk

IISD is exposed to fluctuations in interest rates that could affect cash flows. 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 investments will fluctuate due to changes 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. The carrying value reflects management's assessment of the associated maximum exposure to such credit risk.

Currency risk

Currency risk is the risk that arises from fluctuations in currency exchange rates, and the degree of volatility of these rates. A significant portion of IISD's revenue and expenses is in various other currencies, thereby reducing its exposure to anticipated levels of net foreign currency inflow and outflow.

Other price risk

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

16. Capital management

IISD relies on government grants, private contributions and investment income to finance its operations. The funds available are allocated to the various programs based on the priorities identified by the Board of Directors and contributors' designations.

The Board of Directors has internally restricted net assets in the reserve for program development of \$2.476 million as at March 31, 2020. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. During the year, the Board of Directors authorized IISD to utilize \$500 thousand towards innovation fund, corporate and program development [2019 – \$535]. During the year, \$304 thousand was expended [2019 – \$469].

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

Notes to consolidated financial statements

March 31, 2020

17. Subsequent event

The ongoing Coronavirus disease ["COVID-19"] pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses and various organizations globally resulting in an economic slowdown. Further to this, global equity and fixed income markets have experienced significant uncertainty and volatility. The duration and impact of the COVID-19 outbreak, including related travel advisories and restrictions that may impact future planned projects and activities, is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of IISD in future periods. These impacts could also include decreased values in the investment portfolio, declines in investment performance and volatility in IISD's foreign exchange gain or loss resulting from its cash, investments and grants receivable held in foreign currency.

18. Comparative figures

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

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2020

		\$
Government of Canada [and agencies]		
Environment and Climate Change Canada		5,558
Global Affairs Canada		2,000
International Development Research Centre		1,617
Fisheries and Oceans Canada		1,559
Genome Canada and Genome Prairie		861
Natural Sciences and Engineering Research Council		145
Natural Resources Canada		145
Employment and Social Development Canada		91
Department of Canadian Heritage		52
Office of the Auditor General of Canada		2
		12,030
Governments of provinces or territories		
Ontario		2,040
Manitoba		1,501
Nunavut		28
Quebec		17
Yukon		12
Northwest Territories		4
		3,602
Governments of other nations		
Austria		
Federal Ministry of Agriculture, Regions and Tourism		43
Belgium		
Directorate-General for the Environment		3
Denmark		
Ministry for Foreign Affairs		3,829
Finland		
Ministry for Foreign Affairs	88	
Ministry of the Environment	42	130
France		
Embassy of France in Canada		72
Germany		
Deutsche Gesellschaft für Internationale Zusammenarbeit	1,076	
Federal Ministry for Economic Cooperation and Development	678	
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	359	2,113
Hungary		
Ministry of Foreign Affairs and Trade		40
Luxembourg		
Ministry of the Environment, Climate and Sustainable Development		14

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

[Expressed in thousands of dollars]

Year ended March 31, 2020

		\$
New Zealand		
Ministry of Foreign Affairs and Trade		295
Norway		
Norwegian Environment Agency	70	
Ministry of Climate and Environment	104	
Ministry of Foreign Affairs	15	189
Singapore		
Permanent Mission of Singapore to the United Nations		13
Spain		
Ministry for Ecological Transition		24
Sweden		
Nordic Council of Ministers	174	
Ministry of the Environment	432	
Swedish Environmental Protection Agency	20	626
Switzerland		
Federal Food Safety and Veterinary Office	20	
Federal Office for the Environment	134	
Swiss Agency for Development and Cooperation	2	
Federal Department of Foreign Affairs	22	178
United Arab Emirates		
Department of Municipalities and Transport		78
United Kingdom		
Department for Business, Energy & Industrial Strategy	53	
The European Centre for Medium-Range Weather Forecasts	292	
Department for International Development	3,625	3,970
		11,617
United Nations [and UN agencies]		
United Nations Environment Programme		668
United Nations Office for Project Services		390
Food and Agriculture Organization of the United Nations		340
Secretariat of the United Nations Convention to Combat Desertification		147
Green Climate Fund		79
United Nations Human Settlements Programme		45
United Nations Economic Commission for Africa		39
United Nations University		16
World Health Organization		11
Others [under \$10,000]		15
		1,750

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

[Expressed in thousands of dollars]

Year ended March 31, 2020

	\$
International Organizations	
World Bank	156
Global Environment Facility	109
United Cities and Local Governments	77
Institut de la Francophonie pour le développement durable	61
ASEAN Centre for Biodiversity	51
South Pacific Regional Fisheries Management Organisation	35
General Secretariat of the Organization of American States	32
Organisation for Economic Co-operation and Development	24
International Energy Agency	15
Secretariat of the Global Ocean Biodiversity Initiative	14
Secretariat of the Pacific Regional Environment Programme	13
Others [under \$10,000]	42
	629
Foundations	
Mava Fondation pour La Nature	603
Ford Foundation	458
The Foundation to Promote Open Society	321
Ivey Foundation	300
Stichting SED Fund	162
The Winnipeg Foundation	105
Institute for Global Environmental Strategies	102
La Fondation Prince Albert II de Monaco	60
United Way	53
Ontario Trillium Foundation	50
FortWhyte Alive [Fort Whyte Foundation]	45
Heinrich Böll Stiftung	25
Thomas Sill Foundation	25
The John and Pat McCutcheon Charitable Foundation	20
Walter and Duncan Gordon Foundation	20
Others [under \$10,000]	15
	2,364

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

[Expressed in thousands of dollars]

Year ended March 31, 2020

	\$
Private Sector and Other	
Aqua Forum	77
Manitoba Habitat Heritage Corporation	75
Taipei Economic and Cultural Office in New York	65
Sayisi Dene First Nation	60
Oxford Policy Management Limited	56
World Resources Institute	53
Rosamond Ivey	50
Environmental Defence	49
SouthSouthNorth	46
Institute for Advanced Sustainability Studies	36
Calgary Local Immigration Partnership	25
The Finnish Innovation Fund - SITRA	28
Overseas Environmental Cooperation Center, Japan	24
Stockholm Environment Institute US	13
Canadian Council for International Co-operation	15
Johnston Group	13
William Marsh Rice University	13
MaRS Discovery District	10
James Richardson & Sons, Limited and Affiliated Companies	10
TMG Research gGmbH	10
Others [under \$10,000]	26
	754
	32,746