

IISD Experimental Lakes Area Inc.

Financial statements
March 31, 2022



Independent auditor's report

To the Member of
IISD Experimental Lakes Area Inc.

Opinion

We have audited the financial statements of **IISD Experimental Lakes Area Inc.** [the "Organization"], which comprise the statement of financial position as at March 31, 2022, and the statement of operations and changes in unrestricted net operating surplus, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2022, and its results of operations and its 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 financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 the Organization'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 the Organization'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 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 the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 30, 2022

Ernst & Young LLP

Chartered Professional Accountants



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IISD Experimental Lakes Area Inc.

Statement of financial position

As at March 31

	2022	2021
	\$	\$
Assets		
Current		
Cash and cash equivalents	2,586,089	1,699,938
Restricted cash <i>[note 3]</i>	532,124	528,413
Current portion of grants receivable <i>[note 4]</i>	1,816,289	1,032,937
Accounts receivable <i>[note 7]</i>	68,437	80,844
Prepaid expenses	26,116	75,127
Total current assets	5,029,055	3,417,259
Grants receivable <i>[note 4]</i>	505,282	263,300
Investments <i>[note 5]</i>	1,382,242	1,245,568
Capital assets, net <i>[note 6]</i>	1,410,794	1,200,325
Intangible assets	28,584	28,584
	8,355,957	6,155,036
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	574,926	640,526
Due to International Institute for Sustainable Development <i>[note 14]</i>	104,429	74,193
Current portion of deferred contributions <i>[note 8]</i>	1,450,830	1,460,672
Total current liabilities	2,130,185	2,175,391
Deferred contributions <i>[note 8]</i>	518,815	165,032
Deferred capital contributions <i>[note 9]</i>	2,867,164	1,039,189
Total liabilities	5,516,164	3,379,612
Commitments <i>[note 10]</i>		
Net assets		
Net assets invested in capital assets	367,697	317,524
Sustainable Future Fund <i>[note 11]</i>	800,000	800,000
Remediation fund <i>[note 3]</i>	532,124	528,413
Unrestricted net operating surplus	1,139,972	1,129,487
Total net assets	2,839,793	2,775,424
	8,355,957	6,155,036

See accompanying notes

On behalf of the Board:

Andrew Lennox

Director

Jane McDonald

Director

IISD Experimental Lakes Area Inc.

Statement of operations and changes in
unrestricted net operating surplus

Year ended March 31

	2022	2021
	\$	\$
Revenue [note 15]		
Designated grants [notes 8 and 14]	3,985,539	3,735,829
Sustainable Future Fund [notes 8 and 11]	70,759	—
Donations – unrestricted	75,411	74,662
Amortization of deferred capital contributions [note 9]	124,094	143,395
Other [notes 7 and 14]	303,760	456,534
Investment income [note 14]	18,112	18,041
	<u>4,577,675</u>	<u>4,428,461</u>
Expenses		
Field station operations	972,870	746,766
Field research [note 14]	1,987,238	1,708,599
Administration [note 14]	860,888	734,940
Marketing and fundraising [note 14]	99,976	139,963
Outreach and education [note 14]	342,723	311,534
Laboratory research	40,590	63,982
Off-site research and technical review [note 14]	209,021	201,749
	<u>4,513,306</u>	<u>3,907,533</u>
Excess of revenue over expenses for the year	64,369	520,928
Appropriation from and to unrestricted net operating surplus		
Change in net assets invested in remediation fund [note 3]	(3,711)	(4,036)
Change in net assets invested in capital assets [note 12]	(50,173)	(166,554)
Increase in unrestricted net operating surplus	10,485	350,338
Unrestricted net operating surplus, beginning of year	1,129,487	779,149
Unrestricted net operating surplus, end of year	1,139,972	1,129,487

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of changes in net assets

Year ended March 31

	2022				2021	
	Net assets invested in capital assets	Sustainable Future Fund	Remediation fund	Unrestricted net operating surplus	Total	
	\$	\$	\$	\$	\$	
	[note 12]	[note 11]	[note 3]			
Balance, beginning of year	317,524	800,000	528,413	1,129,487	2,775,424	2,254,496
Excess (deficiency) of revenue over expenses for the year	(96,700)	98,530	—	62,539	64,369	520,928
Transfer of interest earned on investments to deferred contributions [notes 8 and 11]	—	(98,530)	—	98,530	—	—
Transfer to remediation fund [note 3]	—	—	3,711	(3,711)	—	—
Investment in capital assets	146,873	—	—	(146,873)	—	—
Balance, end of year	367,697	800,000	532,124	1,139,972	2,839,793	2,775,424

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of cash flows

Year ended March 31

	2022	2021
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	64,369	520,928
Add (deduct) items not affecting cash		
Amortization of capital assets	96,700	95,478
Amortization of capital assets funded by capital contributions	124,094	143,395
Amortization of deferred capital contributions to revenue	(124,094)	(143,395)
Gain on disposal of capital assets	(23,542)	—
Sustainable Future Fund	(70,759)	—
	<u>66,768</u>	616,406
Changes in non-cash working capital balances related to operations		
Grants receivable	(1,025,334)	206,926
Accounts receivable	12,407	(18,798)
Prepaid expenses	49,011	57,373
Accounts payable and accrued liabilities	(65,600)	188,510
Due to International Institute for Sustainable Development	30,236	49,334
Deferred contributions	414,700	(196,534)
Cash provided by (used in) operating activities	<u>(517,812)</u>	<u>903,217</u>
Investing activities		
Purchase of capital assets	(407,721)	(471,980)
Purchase of investments – net	(136,674)	(293,459)
Contributions to restricted cash	(3,711)	(4,036)
Cash used in investing activities	<u>(548,106)</u>	<u>(769,475)</u>
Financing activities		
Capital contributions received	1,952,069	380,600
Cash provided by financing activities	<u>1,952,069</u>	<u>380,600</u>
Net increase in cash during the year	886,151	514,342
Cash and cash equivalents, beginning of year	1,699,938	1,185,596
Cash and cash equivalents, end of year	<u>2,586,089</u>	<u>1,699,938</u>

See accompanying notes

IISD Experimental Lakes Area Inc.

Notes to financial statements

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1. Incorporation, mandate and tax status

IISD Experimental Lakes Area Inc. ["IISD ELA Inc."] was incorporated on August 21, 2013 under the *Canada Not-for-profit Corporations Act* in which International Institute for Sustainable Development ["IISD"] is the sole member. The Experimental Lakes Area ["ELA"] is a freshwater research facility in Northwestern Ontario that has operated as a government research facility over the past 50 years. IISD ELA Inc. assumed 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.

2. Summary of significant accounting policies

The 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:

Revenue recognition

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

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 the related expenses are incurred.

Sustainable Future Fund revenue

Revenue for 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.

Unrestricted donations revenue

Donations are recognized as revenue when the funds are received.

Amortization of deferred capital contributions

Capital contributions are recognized as revenue as the amortization expense on the related assets are incurred.

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.

IISD Experimental Lakes Area Inc.

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Other revenue

Other revenue includes in-kind contributions, cost recoveries, lab analysis and facility fees and revenue from the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"]. Cost recoveries are recognized when received. In-kind contributions are recognized upon receipt of the in-kind items and are measured at fair market value, and lab analysis and facility fees are recognized on an accrual basis when incurred. CEWS and CERS are recognized when the amounts to be received can be reasonably estimated, ultimate collection is reasonably assured and there is reasonable assurance that IISD ELA Inc. has complied and will continue to comply with all the conditions.

Financial instruments

IISD ELA Inc. 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, grants 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.

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 equity instruments not quoted in an active market that IISD ELA Inc. designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations and changes in unrestricted net operating surplus 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 to 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.

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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
Buildings	20 years, no residual
Leasehold improvements	Remaining term

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate capital asset. No amortization is taken on the construction in progress.

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.

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.

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 financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the useful lives of capital assets. Actual results could differ from these estimates.

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Recently adopted accounting standards

Section 4460, *Disclosure of Related Party Transactions*

Section 4460 had one amendment [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. Effective April 1, 2021, IISD ELA Inc. adopted the amendments to Section 3856, *Financial Instruments*, of ASPE. The amendments provide new guidance on the accounting for financial instruments in a related party transaction and update the disclosure requirements about financial risks. Amongst other changes, these amendments require financial instruments in a related party transaction to be measured at cost, with certain exceptions, and to require the preparation of financial instrument disclosures using enterprise-specific information.

The amendments to Section 3856 were applied retrospectively with no impact on previously reported balances.

3. Restricted cash

IISD ELA Inc. established a fund to cover the costs of the remediation of the ELA sites under certain circumstances, including immediate use of the funds if and as necessary, as outlined in the signed funding agreement with the Province of Ontario. Effective April 1, 2022, IISD ELA Inc. is required under its agreement with Ontario to increase its total contributions to the fund to a total aggregate amount of \$850 thousand, by contributing \$70 thousand each year of the five-year term of the agreement up to \$350 thousand. Funds are held in an interest-bearing account at a Canadian financial institution. 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 \$4 thousand [2021 – \$4 thousand] was earned on the account.

4. Grants receivable

Grants receivable consist of the following:

	2022	2021
	\$000s	\$000s
RBC Foundation	667	—
Government of Canada [Department of Fisheries and Oceans]	417	543
Genome Canada and Genome Prairie	351	353
Michael Paterson and Gail Asper	277	25
Northern Ontario Heritage Fund Corporation	180	—
Federal Economic Development Initiative for Northern Ontario [FedNor]	133	180
The Winnipeg Foundation	100	—
FortWhyte Alive	90	90
Jacor LLC	83	82
Environment and Climate Change Canada	18	—
Ontario Trillium Foundation	5	5
University of Toronto	—	18
	2,321	1,296
Less current portion	1,816	1,033
	505	263

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5. Investments

Investments consist of the following:

	2022 \$000s	2021 \$000s
Common shares, measured at fair value	613	603
Canadian and foreign fixed income, measured at amortized cost	474	390
Mutual funds, measured at fair value	295	253
	1,382	1,246

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

Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 10 years, 10 months and a weighted average yield to maturity of 3.04%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 9 years, 6 months and a weighted average yield to maturity of 2.50%.

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.

6. Capital assets

The categories of capital assets are summarized as follows:

	2022		2021	
	Cost \$000s	Accumulated amortization \$000s	Cost \$000s	Accumulated amortization \$000s
Boats, motors and vehicles	567	510	572	488
Equipment	763	522	675	421
Computer systems	77	76	77	76
Office equipment	20	15	20	13
Leasehold improvements	138	134	138	126
Buildings	890	211	888	167
Construction in progress	424	—	121	—
	2,879	1,468	2,491	1,291
Net book value	1,411		1,200	

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Construction in progress relates to costs incurred to install two new generator units and transfer switches to replace the old generators in the facility powerhouse, construction of Cabin 4 and the Centre of Climate and Lake Learning. As at March 31, 2022, these projects are in the process of being constructed and as such, no amortization was recorded for the year.

7. Government remittances and assistance

- [a] Accounts payable and accrued liabilities include government remittances payable of \$6 thousand [2021 – \$7 thousand].
- [b] Included in other revenue is \$44 thousand [2021 – \$269 thousand], which represents IISD-ELA's claim for the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy. There are no other unfulfilled or other contingencies attached to the subsidies recognized. Included in accounts receivable as at March 31, 2022 is nil [2021 – \$24 thousand] and nil [2021 – \$1 thousand] in amounts owing to the Organization for claims made under CEWS and CERS, respectively.

8. Deferred contributions

Deferred contributions are amounts by which recorded funding commitments exceed the revenue recognized.

	2022	2021
	\$000s	\$000s
Balance, beginning of year	1,626	1,822
Deferred contributions received	4,301	3,253
Transfer of interest earned from (to) Sustainable Future Fund <i>[note 11]</i>	99	286
Amounts amortized to revenue	(4,056)	(3,735)
Balance, end of year	1,970	1,626

IISD Experimental Lakes Area Inc.

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

	2022	2021
	\$000s	\$000s
RBC Foundation	762	—
Sustainable Future Fund	411	384
Genome Canada and Genome Prairie	257	444
Government of Canada [Department of Fisheries and Oceans]	160	341
FortWhyte Alive	158	158
Jacor LLC	67	67
Ontario Trillium Foundation	45	50
James A. Richardson Foundation	28	13
McLean Foundation	19	19
Wawanesa Insurance	17	—
Telus Friendly Future Foundation	10	—
TD Friends of the Environment	8	—
Winnipeg Foundation	8	—
Canadian Energy Pipeline Association	5	5
Canadian Association of Petroleum Producers	5	5
Other restricted donations	4	3
MakeWay Foundation	3	12
Estate of Robert Cooke	3	3
Michael Paterson and Gail Asper	—	9
University of Toronto	—	7
Natural Sciences and Engineering Research Council	—	61
Azrieli Foundation	—	45
	1,970	1,626
Less current portion	1,451	1,461
	519	165

The deferred contributions are mainly intended to fund technology development for monitoring and freshwater management, diluted bitumen research, eDNA research, freshwater science literacy, summer students visiting and working on-site, and First Nations outreach and engagement.

IISD Experimental Lakes Area Inc.

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9. 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:

	2022	2021
	\$000s	\$000s
Balance, beginning of year	1,039	802
Capital contributions	1,952	381
Amounts amortized to revenue	(124)	(144)
Balance, end of year	2,867	1,039

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

	2022	2021
	\$000s	\$000s
Anonymous	1,016	29
Michael Paterson and Gail Asper	981	595
Federal Economic Development Initiative for Northern Ontario [FedNor]	180	180
Northern Ontario Heritage Fund Corporation	180	—
The Winnipeg Foundation	109	12
New Gold Inc.	100	25
Norah Grogan	100	—
Other Restricted Donations	63	57
Azrieli Foundation	45	—
Manitoba Hydro	29	40
Michelle Edkins	26	26
Genome Canada and Genome Prairie	12	14
Thomas Sill Foundation	10	15
Government of Canada [Department of Fisheries and Oceans]	9	16
Richardson Foundation	5	25
Canadian Association of Petroleum Producers	2	5
	2,867	1,039

10. Commitments

The rental payments for the upcoming year are \$76 thousand, which represent the rent portion allocated to IISD ELA Inc. by its parent company IISD, which will be determined and renewed on an annual basis, over the next three years.

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11. 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 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 prior year, the agreement with the funder was amended to allow for the interest earned on the fund to support the ongoing efforts of the IISD-ELA Inc.'s Education and Outreach program of activities, particularly emphasizing the involvement of Canadian university student researchers.

Expenses amounting to \$71 thousand were incurred during fiscal 2022 [2021 – nil], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment income on the Additional Capital of \$99 thousand was recorded in deferred contributions [2021 – \$286 thousand investment gain].

The Additional Capital has been invested in an investment portfolio subject to IISD ELA Inc.'s investment policy [note 5].

12. 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:

	2022 \$000s	2021 \$000s
Amortization of capital assets	(97)	(95)
Purchase of capital assets	147	262
	<u>50</u>	<u>167</u>

13. Financial instruments and risk management

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

Interest rate risk

IISD ELA Inc. is exposed to fluctuations in interest rates that could affect cash flows. IISD ELA Inc. does not use derivative financial instruments to manage interest rate risk.

IISD ELA Inc. 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.

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Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Credit risk related to IISD ELA Inc.'s grants receivable and accounts receivable is mitigated by the fact that the majority of the receivables are due from established entities as outlined in note 4. 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. Since IISD ELA Inc.'s cash inflows and outflows are mainly in Canadian dollars, the exposure to currency risk is insignificant. IISD ELA Inc. does not use derivative instruments to reduce its exposure to foreign currency risk.

IISD ELA Inc. is exposed to foreign currency risk with respect to the underlying investments of its global mutual funds or equity instruments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to changes in the relative value of foreign currencies against the Canadian dollar. IISD ELA Inc.'s foreign currency risk is mitigated by its investment portfolio, which has a limited foreign component.

Other price risk

IISD ELA Inc. 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.

14. Related party transactions

IISD is the sole member of IISD ELA Inc. During the year, IISD ELA Inc. earned revenue from IISD of \$1 thousand [2021 – \$18 thousand] and incurred \$482 thousand in expenses under a shared services agreement with IISD [2021 – \$443 thousand], in addition to \$136 thousand of additional services provided by IISD [2021 – \$187 thousand]. At March 31, 2022, IISD ELA Inc. has an amount owing to IISD of \$104 thousand [2021 – \$74 thousand]. This amount owing to IISD represents the expenses incurred in the last month of the year due as at March 31 and accordingly the balances are non-interest bearing.

Related party transactions are recorded at the exchange amount and are in the normal course of operations.

15. Economic dependence

IISD ELA Inc. has three funding agreements with the Government of Canada [Department of Fisheries and Oceans], one agreement ended March 31, 2022 for \$1.0 million annually and two agreements both ending March 31, 2023 for \$780 thousand, for which \$181 thousand of revenue had been recognized during the year. In March 2021, an eight-month extension of the funding agreement with the Government of Ontario was signed providing funding for \$1.5 million, and on November 2021, a four-month extension to March 31, 2022 was signed providing funding for \$500 thousand. On February 2022, a new five-year funding agreement effective April 1, 2022 has been signed with the Government of Ontario, providing up to \$1.9 million each year. These designated grants account for 69% of the total revenue in the current year [2021 – 71%].

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2022

16. IISD ELA Inc. Endowment Fund

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

IISD ELA Inc. did not make any contributions to The Winnipeg Foundation, nor did it draw out investment income earned on the endowment fund during the year.

As of March 31, 2022, the fund had a market value of \$2.7 million [2021 – \$1.1 million].