

IISD Experimental Lakes Area Inc.

Financial statements
March 31, 2025



Shape the future
with confidence

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, 2025, 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, 2025, 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 24, 2025

Ernst & Young LLP

Chartered Professional Accountants



Table of contents

Statement of financial position	1
Statement of operations and changes in unrestricted net operating surplus	2
Statement of changes in net assets	3
Statement of cash flows	4
Notes to financial statements	5

IISD Experimental Lakes Area Inc.

Statement of financial position

As at March 31

	2025	2024
	\$	\$
Assets		
Current		
Cash and cash equivalents	4,618,120	3,953,599
Restricted cash <i>[note 3]</i>	830,587	724,862
Current portion of grants receivable <i>[note 4]</i>	12,796,544	11,465,917
Accounts receivable	283,085	273,734
Prepaid expenses	34,961	150,212
Total current assets	18,563,297	16,568,324
Grants receivable <i>[note 4]</i>	17,010,202	25,971,256
Investments <i>[note 5]</i>	3,261,114	2,076,026
Capital assets, net <i>[note 6]</i>	5,747,497	5,219,680
Intangible assets	28,584	28,584
	44,610,694	49,863,870
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	1,186,112	2,318,253
Due to International Institute for Sustainable Development <i>[note 14]</i>	344,552	278,510
Current portion of deferred contributions <i>[note 8]</i>	11,364,170	10,943,540
Total current liabilities	12,894,834	13,540,303
Deferred contributions <i>[note 8]</i>	16,040,771	25,095,539
Deferred capital contributions <i>[note 9]</i>	10,330,687	6,913,587
Total liabilities	39,266,292	45,549,429
Commitments <i>[note 10]</i>		
Net assets		
Net assets invested in capital assets	253,702	390,760
Sustainable Future Fund <i>[note 11]</i>	800,000	800,000
Remediation fund <i>[note 3]</i>	830,587	724,862
Internally restricted net assets <i>[note 17]</i>	3,460,113	2,398,819
Total net assets	5,344,402	4,314,441
	44,610,694	49,863,870

See accompanying notes

On behalf of the Board:

Martha Casey

Martha Casey,
Director

*ANDREW
Lennox*

Andrew Lennox,
Director

IISD Experimental Lakes Area Inc.

**Statement of operations and changes in
unrestricted net operating surplus**

Year ended March 31

	2025	2024
	\$	\$
Revenue <i>[note 15]</i>		
Designated grants <i>[note 8]</i>	7,875,674	8,486,102
Sustainable Future Fund <i>[notes 8 and 11]</i>	6,292	5,844
Donations – unrestricted	81,109	19,970
Amortization of deferred capital contributions <i>[note 9]</i>	917,000	761,435
Other <i>[note 14]</i>	737,136	455,071
Investment income	255,172	269,269
	9,872,383	9,997,691
Expenses		
Field station operations	2,176,747	2,213,474
Field research <i>[note 14]</i>	3,776,922	3,706,111
Administration <i>[note 14]</i>	1,220,129	1,201,264
Marketing and fundraising <i>[note 14]</i>	445,143	197,031
Outreach and education <i>[note 14]</i>	383,662	893,227
Laboratory research	207,396	270,863
Offsite research and technical review <i>[note 14]</i>	632,423	787,078
	8,842,422	9,269,048
Excess of revenue over expenses for the year	1,029,961	728,643
Appropriation from and to unrestricted net operating surplus		
Change in net assets invested in remediation fund <i>[note 3]</i>	(105,725)	(105,103)
Transfer to internally restricted net assets <i>[note 17]</i>	(1,061,294)	(779,706)
Change in net assets invested in capital assets <i>[note 12]</i>	137,058	156,166
Increase in unrestricted net operating surplus	—	—
Unrestricted net operating surplus, beginning of year	—	—
Unrestricted net operating surplus, end of year	—	—

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of changes in net assets

Year ended March 31

	2025					2024	
	Net assets invested in capital assets	Sustainable Future Fund	Remediation fund	Internally restricted net assets	Unrestricted net operating surplus	Total	Total
	\$	\$	\$	\$	\$	\$	\$
	[note 12]	[note 11]	[note 3]	[note 17]			
Balance, beginning of year	390,760	800,000	724,862	2,398,819	—	4,314,441	3,585,798
Excess (deficiency) of revenue over expenses for the year	(137,058)	120,533	—	—	1,046,486	1,029,961	728,643
Transfer of interest earned on investments to deferred contributions [notes 8 and 11]	—	(120,533)	—	—	120,533	—	—
Transfer to internally restricted net assets [note 17]	—	—	—	1,061,294	(1,061,294)	—	—
Transfer to remediation fund [note 3]	—	—	105,725	—	(105,725)	—	—
Balance, end of year	253,702	800,000	830,587	3,460,113	—	5,344,402	4,314,441

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of cash flows

Year ended March 31

	2025	2024
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	1,029,961	728,643
Add (deduct) items not involving cash		
Amortization of capital assets	137,058	156,166
Amortization of capital assets funded by capital contributions	917,000	761,435
Amortization of deferred capital contributions to revenue	(917,000)	(761,435)
Gain on disposal of capital assets	(23,906)	—
Sustainable Future Fund	(6,292)	(5,844)
Net foreign exchange difference on cash and cash equivalents	978	(97)
	1,137,799	878,868
Changes in non-cash working capital balances related to operations		
Grants receivable	7,630,427	(31,349,904)
Accounts receivable	(9,351)	(76,614)
Prepaid expenses	115,251	(45,225)
Accounts payable and accrued liabilities	(1,132,141)	883,489
Due to International Institute for Sustainable Development	66,042	(176,962)
Deferred contributions	(8,627,846)	34,705,731
Cash provided by (used in) operating activities	(819,819)	4,819,383
Investing activities		
Purchase of capital assets	(1,581,875)	(2,495,309)
Proceeds on disposal of capital assets	23,906	—
Purchase of investments	(1,185,088)	(726,879)
Contributions to restricted cash	(105,725)	(105,103)
Cash used in investing activities	(2,848,782)	(3,327,291)
Financing activities		
Repayment to International Institute for Sustainable Development	—	(2,000,000)
Capital contributions received	4,334,100	3,199,502
Cash provided by financing activities	4,334,100	1,199,502
Net foreign exchange difference on cash and cash equivalents	(978)	97
Net increase in cash during the year	664,521	2,691,691
Cash and cash equivalents, beginning of year	3,953,599	1,261,908
Cash and cash equivalents, end of year	4,618,120	3,953,599

See accompanying notes

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

1. Incorporation, mandate and tax status

IISD Experimental Lakes Area Inc. ["IISD ELA Inc." or the "Organization"] 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 was operated as a government research facility for over 45 years. IISD ELA Inc. assumed control of the management and operations of the ELA 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 include 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 is incurred.

Investment income

Investment income is recorded on an accrual basis as earned. 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.

Notes to financial statements

March 31, 2025

Other revenue

Other revenue includes in-kind contributions, cost recoveries, lab analysis and facility fees. 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.

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.

Related party financial instruments that have repayment terms are initially recorded at cost, representing the undiscounted cash flows of that instrument, excluding interest payments. Related party financial instruments that do not have repayment terms are recorded at cost, determined using the consideration transferred or received by the Organization. If the consideration transferred or received has repayment terms, then the cost is determined using undiscounted cash flows, excluding interest payments, of the financial instrument transferred as consideration. If, however, the consideration transferred is an asset or liability that does not have repayment terms, the cost is initially recognized at the carrying or exchange amount of the consideration transferred or received, depending on the circumstances. The exchange amount is used when the transaction is in the normal course of operations or the transaction is not in the normal course of operations but has commercial substance, the change in ownership interest in the related financial item transferred is substantive and the amount of consideration transferred or received is established and agreed to by the related parties and is supported by independent evidence. Otherwise, the carrying amount of the consideration transferred or received is used as the cost of the related party financial instrument.

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.

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

Cash and cash equivalents

Cash and cash equivalents consist of cash deposits and short-term investments with an original term to maturity of 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 includes 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	Over remaining term of lease

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 changes in unrestricted net operating surplus 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 changes in unrestricted net operating surplus 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.

Notes to financial statements

March 31, 2025

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 as 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.

Reserves

During 2022, the Board of Directors approved a new internally restricted reserve fund. The Base Reserve is intended to provide an internal source of funds to meet future operating requirements in the event major financial difficulties are encountered. The Base Reserve is not intended to replace a shorter-term permanent loss of funds or eliminate an ongoing budget gap. It is the intention of IISD ELA Inc. for the Base Reserve to be used only after utilizing all other available internally restricted and unrestricted funds.

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 the Province of 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 \$36 thousand [2024 – \$35 thousand] was earned on the account.

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

4. Grants receivable

Grants receivable consist of the following:

	2025	2024
	\$000s	\$000s
Environment and Climate Change Canada	12,328	16,757
Canada Foundation for Innovation	8,358	9,296
Government of Ontario	3,800	5,700
Fisheries and Oceans Canada	2,479	3,347
Federal Economic Development Initiative for Northern Ontario [FedNor]	1,000	—
Natural Resources Canada	632	1,093
Northern Ontario Heritage Fund Corporation	448	550
Myera Group	364	364
Canada Life	150	—
The Winnipeg Foundation	100	100
Jacor LLC	83	83
Genome Canada and Genome Prairie	40	50
University of Toronto	24	76
RBC Foundation	1	1
Graham C Lount Family Foundation	—	20
	29,807	37,437
Less current portion	12,797	11,466
	17,010	25,971

5. Investments

Investments consist of the following:

	2025	2024
	\$000s	\$000s
Common shares, measured at fair value	715	705
Canadian and foreign fixed income, measured at amortized cost	1,730	872
Mutual funds, measured at fair value	816	499
	3,261	2,076

All investments are denominated in Canadian and US 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 10.30 [10 years, three months] and a weighted average yield to maturity of 3.47%.

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 8.00 [eight years] and a weighted average yield to maturity of 3.10%.

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:

	2025		2024	
	Cost \$000s	Accumulated amortization \$000s	Cost \$000s	Accumulated amortization \$000s
Boats, motors and vehicles	1,223	958	982	736
Equipment	4,144	2,374	3,739	1,640
Computer systems	77	77	77	77
Office equipment	20	20	20	20
Leasehold improvements	138	138	138	138
Buildings	1,683	445	1,683	360
Construction in progress	2,474	—	1,552	—
	9,759	4,012	8,191	2,971
Net book value	5,747		5,220	

Construction in progress relates to the construction of the following: Renewable Energy/Solar Project and Centre for Climate and Lake Learning. As at March 31, 2025, these projects are in the process of being constructed and, as such, no amortization was recorded for the year.

7. Government remittances payable

Accounts payable and accrued liabilities include government remittances payable of \$12 thousand [2024 – \$11 thousand].

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

8. Deferred contributions

Deferred contributions are amounts by which recorded funding commitments exceed the revenue recognized. The changes in the deferred contributions balance for the year are as follows:

	2025	2024
	\$000s	\$000s
Balance, beginning of year	36,039	1,339
Deferred contributions received	702	42,996
Transfer of interest earned from Sustainable Future Fund <i>[note 11]</i>	121	196
Transfer to deferred capital contributions <i>[note 9]</i>	(1,575)	—
Amounts amortized to revenue	(7,882)	(8,492)
Balance, end of year	27,405	36,039

As at March 31, the deferred contributions balance is as follows:

	2025	2024
	\$000s	\$000s
Environment and Climate Change Canada	10,000	15,000
Canada Foundation for Innovation	9,209	10,063
Government of Ontario	3,800	5,700
Fisheries and Oceans Canada	2,000	3,000
Sustainable Future Fund	610	496
RBC Foundation	609	—
Natural Resources Canada	369	632
Northern Ontario Heritage Corporation	337	433
Myera Group	275	353
Enbridge Inc.	70	76
Jacor LLC	64	64
Other restricted donations	27	19
Graham C Lount Family Foundation	18	20
Michael Paterson and Gail Asper	17	20
ForthWhyte Alive	—	100
University of Toronto	—	63
	27,405	36,039
Less current portion	11,364	10,943
	16,041	25,096

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

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

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:

	2025 \$000s	2024 \$000s
Balance, beginning of year	6,914	4,476
Capital contributions	2,759	3,200
Transfer from deferred contributions <i>[note 8]</i>	1,575	—
Amounts amortized to revenue	(917)	(762)
Balance, end of year	10,331	6,914

As at March 31, the deferred capital contributions balance is as follows:

	2025 \$000s	2024 \$000s
Environment and Climate Change Canada	4,216	3,435
The John and Pat McCutcheon Charitable Foundation	1,997	1,000
Federal Economic Development Initiative for Northern Ontario [FedNor]	1,143	143
Michael Paterson and Gail Asper	1,058	914
Jim and Leney Richardson	516	516
The Winnipeg Foundation	388	224
Canada Life	225	—
Northern Ontario Heritage Fund Corporation	143	143
New Gold Inc.	100	100
Norah Grogan	100	100
Other restricted donations	93	67
Anonymous	75	—
Ontario Trillium Foundation	56	83
Michelle Edkins	53	53
RBC Foundation	52	70
Government of Ontario	34	31
Red River Cooperative	22	15
Stephen Paterson	20	—
Swancoat Investments	20	20
Lois McDonald	20	—
	10,331	6,914

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

10. Commitments

- [a] The rental payments for the upcoming year are \$80 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 four years.
- [b] IISD ELA Inc. 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, 2025, there was a balance of nil [2024 – nil] outstanding under this credit facility.

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. In 2019, 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 \$6 thousand were incurred during the year ended March 31, 2025 [2024 – \$6 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment income of \$121 thousand was recorded in deferred contributions [2024 – \$196 thousand].

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:

	2025 \$000s	2024 \$000s
Amortization of capital assets	(137)	(156)
Purchase of capital assets	—	—
	<u>(137)</u>	<u>(156)</u>

Notes to financial statements

March 31, 2025

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 as 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 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 not considered significant. IISD ELA Inc. does not use derivative instruments to reduce its exposure to foreign currency risk.

IISD ELA Inc. is exposed to currency risk with respect to the underlying investments of its global mutual funds or equity instruments denominated in foreign currencies as 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 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.

Liquidity risk

Liquidity risk is the risk that IISD ELA Inc. will not be able to meet its financial obligations as they become due. IISD ELA Inc. manages liquidity risk by maintaining adequate cash balances and reserves. IISD ELA Inc.'s current liabilities are expected to be settled within 12 months.

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

14. Related party transactions

IISD is the sole member of IISD ELA Inc. During the year, IISD ELA Inc. earned revenue from IISD of \$238 thousand [2024 – \$63 thousand] and incurred \$743 thousand in expenses under a shared services agreement with IISD [2024 – \$959 thousand], in addition to \$597 thousand of additional services provided by IISD [2024 – \$521 thousand]. As at March 31, 2025, IISD ELA Inc. has an amount owing to IISD of \$345 thousand [2024 – \$279 thousand]. This amount owing to IISD represents the expenses incurred in the last month of the year due as at March 31 and is 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 funding agreements with the Government of Ontario, Government of Canada [Department of Fisheries and Oceans], and Environment and Climate Change Canada ending March 31, 2027 for \$1.9 million, \$1 million and \$5 million, respectively, each year and Canada Foundation for Innovation for \$11.7 million ending March 31, 2029. These designated grants account for 73% of the total revenue in the current year [2024 – 72%].

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 and received distributions of \$167 thousand [2024 – \$121 thousand] of investment income from the funding during the year allocated to the capital project, Centre for Climate and Lake Learning.

As at March 31, 2025, the fund has a market value of \$4.5 million [2024 – \$4 million]. The gifts received to the IISD-ELA Inc. Endowment Fund during the year amount to \$259 thousand.

17. Capital management

IISD ELA Inc. 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.

During 2022, the Board of Directors approved a new reserve policy, in which a new internally restricted fund has been set aside by action of the Board of Directors.

The Base Reserve is intended to provide an internal source of funds to meet future operating requirements in the event major financial difficulties are encountered. The Base Reserve is not intended to replace a shorter-term permanent loss of funds or eliminate an ongoing budget gap. It is the intention of IISD ELA Inc. for the Base Reserve to be used only after utilizing all other available internally restricted and unrestricted funds. The target

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2025

minimum of the Restricted Base Reserve is equal to six months of the average monthly operating costs, being \$3.7 million. If this reserve falls below the targeted or minimum amount established by the Board of Directors, it is the intention of IISD ELA Inc. to replenish this reserve within a reasonably short period of time. As at March 31, 2025, IISD ELA Inc. has a Base Reserve balance of \$3.5 million.

The internally restricted amounts are not available for other purposes without approval of the Board of Directors. Capital management objectives, policies and procedures are unchanged from the prior year.