

International Institute for Sustainable Development

Consolidated financial statements
March 31, 2023



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, 2023, 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, 2023, 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 28, 2023

Ernst & Young LLP

Chartered Professional Accountants



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International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31


	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	20,417,725	23,683,386
Restricted cash <i>[note 3]</i>	8,692,139	6,743,502
Accounts receivable <i>[note 4]</i>	40,399,198	31,396,221
Prepaid expenses	965,751	581,700
Total current assets	70,474,813	62,404,809
Accounts receivable <i>[note 4]</i>	41,154,365	11,540,314
Investments <i>[note 7]</i>	12,347,331	12,308,971
Capital assets, net <i>[note 8]</i>	3,688,452	1,477,315
Intangible assets	28,584	28,584
	127,693,545	87,759,993
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[notes 3 and 6]</i>	14,444,276	10,267,320
Deferred contributions <i>[notes 3 and 9]</i>	47,784,498	40,820,802
Total current liabilities	62,228,774	51,088,122
Deferred contributions <i>[note 9]</i>	44,035,360	21,311,687
Deferred capital contributions <i>[note 10]</i>	4,475,520	2,867,164
Total liabilities	110,739,654	75,266,973
Commitments <i>[note 12]</i>		
Net assets		
Net assets invested in capital assets <i>[note 13]</i>	587,430	428,240
IISD ELA Sustainable Future Fund <i>[note 5]</i>	800,000	800,000
Remediation fund <i>[note 3]</i>	619,758	532,123
Internally restricted net assets <i>[note 16]</i>	11,489,179	9,548,743
Unrestricted net operating assets <i>[note 16]</i>	3,457,524	1,183,914
Total net assets	16,953,891	12,493,020
	127,693,545	87,759,993

See accompanying notes

On behalf of the Board:


 Name: Michelle Edkins (Chair)

Director


 Name: Andrew Lennox

Director

International Institute for Sustainable Development

**Consolidated statement of operations and changes in
unrestricted net operating assets**

Year ended March 31

	2023	2022
	\$	\$
Revenue [note 5]		
Designated grants	45,077,859	33,011,386
Operating grants	760,000	760,000
Other [notes 5 and 6]	1,229,112	770,250
IISD ELA Sustainable Future Fund [note 5]	69,655	70,759
	<u>47,136,626</u>	<u>34,612,395</u>
Expenses [schedule 1]		
Programs		
Economic Law & Policy	13,025,979	10,794,160
Resilience	7,014,245	4,396,677
Water	8,456,789	5,366,750
Tracking Progress	4,759,600	3,184,964
Energy	7,008,589	5,356,119
Program Development [note 16]	282,935	298,339
Innovation Fund [note 16]	135,096	40,883
	<u>40,683,233</u>	<u>29,437,892</u>
Corporate and Shared Services [note 11]	5,242,338	3,816,366
	<u>45,925,571</u>	<u>33,254,258</u>
Excess of revenue over expenses for the year before the following	1,211,055	1,358,137
Other income (expenses)		
Foreign exchange gain (loss)	3,289,420	(1,453,758)
Investment income (loss)	(39,604)	347,948
Excess of revenue over expenses for the year	4,460,871	252,327
Appropriation to (from) unrestricted net operating assets		
Change in net assets invested in remediation fund [note 3]	(87,635)	(3,711)
Transfer from program development	—	274,033
Change in net assets invested in capital assets [note 13]	(159,190)	(25,382)
Transfer from unrestricted to internally restricted net assets [note 16]	(1,940,436)	(7,486,414)
Net increase (decrease) in unrestricted net operating assets for the year	2,273,610	(6,989,147)
Unrestricted net operating assets, beginning of year	1,183,914	8,173,061
Unrestricted net operating assets, end of year	3,457,524	1,183,914

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> \$	IISD ELA Sustainable Future Fund <i>[note 5]</i> \$	Remediation fund <i>[note 3]</i> \$	Internally restricted net assets <i>[notes 2 and 16]</i> \$	Unrestricted net operating assets \$	Total 2023 \$	Total 2022 \$
Balance, beginning of year	428,240	800,000	532,123	9,548,743	1,183,914	12,493,020	12,240,693
Excess (deficiency) of revenue over expenses for the year	(151,229)	(36,373)	—	—	4,648,473	4,460,871	252,327
Transfer of investment income earned on investments to deferred contributions <i>[note 5]</i>	—	36,373	—	—	(36,373)	—	—
Transfer to internally restricted net assets <i>[note 16]</i>	—	—	—	1,940,436	(1,940,436)	—	—
Transfer to remediation fund <i>[note 3]</i>	—	—	87,635	—	(87,635)	—	—
Net investment in capital assets	310,419	—	—	—	(310,419)	—	—
Balance, end of year	587,430	800,000	619,758	11,489,179	3,457,524	16,953,891	12,493,020

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of cash flows

Year ended March 31

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	4,460,871	252,327
Add (deduct) items not affecting cash		
Amortization of capital assets <i>[note 13]</i>	151,229	119,828
Amortization of capital assets funded by capital contributions <i>[note 10]</i>	(495,299)	124,094
Amortization of deferred capital contributions to revenue	495,299	(124,094)
Gain on disposal of capital assets	(24,501)	(23,542)
IISD ELA Sustainable Future Fund revenue	(69,655)	(70,759)
Net foreign exchange difference on cash and cash equivalents	(1,099,363)	647,551
	3,418,581	925,405
Changes in non-cash working capital balances related to operations		
Accounts receivable	(38,617,028)	(10,199,887)
Prepaid expenses	(384,051)	(174,741)
Accounts payable and accrued liabilities	4,176,956	(16,172)
Deferred contributions	29,757,024	18,061,901
Cash provided by (used in) operating activities	(1,648,518)	8,596,506
Investing activities		
Purchase of capital assets	(2,857,665)	(435,577)
Proceeds of disposal of capital assets	24,501	23,542
Purchase of investments, net	(38,360)	(316,769)
Draws from (contributions to) restricted cash	(1,948,637)	124,389
Cash used in investing activities	(4,820,161)	(604,415)
Financing activities		
Capital contributions received	2,103,655	1,952,069
Cash provided by financing activities	2,103,655	1,952,069
Net foreign exchange difference on cash and cash equivalents	1,099,363	(647,551)
Net increase (decrease) in cash during the year	(3,265,661)	9,296,609
Cash, beginning of year	23,683,386	14,386,777
Cash, end of year	20,417,725	23,683,386

See accompanying notes

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2023

1. Incorporation, mission and tax status

The International Institute for Sustainable Development ["IISD" or the "Organization"] 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. Summary of 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, 2023, IISD – Europe had an income of \$12 thousand [2022 – loss of \$3 thousand].

IISD ELA Inc. was incorporated on August 21, 2013 under the *Canada Not-for-profit Corporations Act* and IISD is the sole member. The Experimental Lakes Area is a freshwater research facility in Northwestern Ontario that has operated as a government research facility over the past 45 years. IISD ELA Inc. assumed the control of the management and operations of the Experimental Lakes Area on April 1, 2014. IISD ELA Inc. obtained charitable status in Canada on November 10, 2014. For the year ended March 31, 2023, IISD ELA Inc. had a net income of \$746 thousand [2022 – \$64 thousand].

Revenue recognition

IISD follows the deferral method of accounting for contributions, which include 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 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.

Other revenue

Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries, revenue from the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"], and lab analysis and facility fees. 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. 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 has complied and will continue to comply with all the conditions. 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.

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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 at 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 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 that are 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 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
Leasehold improvements	Remaining term
Buildings	20 years, no residual

Construction-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate 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 consolidated statement of operations and changes in unrestricted net operating assets 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 consolidated statement of operations and changes in unrestricted net operating assets 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.

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Use of estimates

The preparation of consolidated 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 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.

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.

Reserves

The Board of Directors has imposed internal restrictions on IISD's net assets as follows:

During 2022, the Board of Directors approved two new internally restricted reserve funds.

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 for the Base Reserve to be used only after utilizing all other available internally restricted and unrestricted funds.

The Operating Contingency Reserve is intended to absorb future annual deficits from operations resulting from unexpected events such as one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses, as well as the effects of realized foreign exchange gains and losses. A minimum amount for the Operating Contingency Reserve will be set at 10% of the previous year's program expenses.

Recently adopted accounting standards

Revenue

Effective January 1, 2022, the Organization adopted the amendments to Section 3400, *Revenue*, of Part II of the *CPA Canada Handbook – Accounting* ["Section 3400"].

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The amended standard provides additional guidance on determining whether an arrangement consists of a group of contracts or a single contract, identifying the units of account in arrangement, allocating consideration in multiple-element arrangements to separate units of account on a relative stand-alone selling price basis and methods for estimating the stand-alone selling price when it is not directly observable, and accounting for revenue under the percentage-of-completion method. The amended standard also provides indicators to consider in determining whether revenue should be reported gross or net, criteria used in determining when to recognize revenue for a bill-and-hold arrangement, and disclosure requirements for contracts-in-progress at the end of the reporting period accounted for using the percentage-of-completion method.

The Organization adopted the amendments to Section 3400 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 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 \$18 thousand [2022 – \$4 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, 2023, the account holds \$41 thousand, which is recorded as restricted cash [2022 – \$37 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 current portion of deferred contributions, and 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:

	2023	2022
	\$000's	\$000's
Accounts receivable – short term		
Government agencies		
Canada	18,823	8,040
International	9,756	12,233
United Nations agencies ["UN"]	1,701	1,619
International organizations [and intergovernmental organizations other than UN]	1,500	1,046
Foundations	7,112	7,532
Other	474	463
Trade receivables	1,033	463
	40,399	31,396
Accounts receivable – long term		
Government agencies		
Canada	20,601	2,028
International	14,214	4,746
United Nations agencies	1,667	1,775
International organizations [and intergovernmental organizations other than UN]	735	—
Foundations	3,937	2,991
	41,154	11,540
Total accounts receivable	81,553	42,936

Included within accounts receivable – Government agencies, International is the following:

- [a] In December 2018, IISD entered into a funding agreement with the Foreign, Commonwealth and Development Office ["FCDO"] to support regional and international tax initiatives for \$3.9 million [2.25 million GBP] over four years and amended to \$4.05 million [2.4 million GBP] to include funding for Artisanal gold mining and illicit financial flows in West Africa, of which \$3.5 million [2.05 million GBP] has been collected as at March 31, 2023. Included in the current portion of accounts receivable as at March 31, 2023 is \$573 thousand [343 thousand GBP] related to this project.
- [b] In March 2020, IISD entered into a funding agreement with FCDO to support research and evidence outputs on trade and development for \$2.8 million [1.58 million GBP] over one and a half years, of which the full amount has been collected as at March 31, 2023.

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- [c] In April 2021, IISD entered into a funding agreement with FCDO to support COP26 adaptation communication and last mile NAP support for \$2.08 million [1.2 million GBP] over 15 months and amended to \$2.6 million [1.53 million GBP] with a new date of March 31, 2023, of which \$2.3 million [1.34 million GBP] has been collected as at March 31, 2023. Included in the current portion of accounts receivable as at March 31, 2023 is \$314 thousand [187 thousand GBP] related to this project.
- [d] In September 2021, IISD entered into a funding agreement with FCDO to support the implementation of the ASEAN guidelines on promoting responsible investment in food, agriculture and forestry for \$411 thousand [240 thousand GBP] as amended over eight months, of which the full amount has been collected as at March 31, 2023. Designated grant revenue of \$51 thousand and project expenses of \$38 thousand have been included in the accounts of IISD during the period and \$125 thousand related to expenditures were also paid to project partners.

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	
	2023	2022
	\$000's	\$000's
	<i>[schedule 2]</i>	
Governments and agencies		
Canada	42,538	11,636
International	18,588	17,429
	61,126	29,065
United Nations agencies	1,481	4,846
International organizations [and intergovernmental organizations other than UN]	2,621	2,582
Foundations	10,811	20,162
Other	1,092	1,779
	77,131	58,434

Designated grants, IISD ELA Sustainable Future Fund and other revenue are summarized by activity area as detailed below. Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions and cost recoveries.

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	Designated grants	Other revenue	IISD ELA Sustainable Future Fund	2023 Total	2022 Total
	\$000's	\$000's	\$000's	\$000's	\$000's
Activity area					
Economic Law & Policy	14,685	81	—	14,766	12,490
Resilience	7,867	37	—	7,904	5,175
Water	8,916	991	70	9,977	5,870
Tracking Progress	5,764	9	—	5,773	3,965
Energy	7,832	20	—	7,852	6,213
Program Development	14	—	—	14	66
Corporate and Shared Services	—	91	—	91	73
	45,078	1,229	70	46,377	33,852

IISD ELA Sustainable Future Fund

The IISD ELA Sustainable Future Fund was created with the initial donation of capital of \$250 thousand by a private donor. This initial donation [the "Original Capital"] was fully expended as 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 investment income earned from the Additional Capital will be used to support two to three summer students each year, as per the agreement. In 2019, the current agreement with the funder was amended to allow for the interest earned on the fund to support the ongoing efforts of IISD-ELA Inc.'s Education and Outreach program of activities, particularly emphasizing the involvement of Canadian university student researchers.

Expenses of \$70 thousand were incurred during fiscal 2023 [2022 – \$71 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment loss on the Additional Capital of \$36 thousand was recorded in deferred contributions [2022 – \$99 thousand investment gain].

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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Notes to consolidated financial statements

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A summary of the operating grant funding is as follows:

	Funding commitment	Funding recorded		Funding commitment remaining
	\$000's	2023	Prior years	\$000's
		\$000's	\$000's	
Government of Manitoba	3,800	760	2,280	760
Operating grants revenue [note 2]	3,800	760	2,280	760

Development Fund

In 2022, the Board of Directors approved the establishment of the IISD Development Fund for general unrestricted donations to IISD. The Fund shall be used to advance IISD and IISD-ELA Inc.'s strategic goals and support their highest priorities including those in the existing strategic plan. The Development Fund shall be administered by a committee, whose principal role is to manage the timely disbursements of the funds, objectively assess requests for available funds, and monitor the expenditures so that IISD can report back to donors generally on the impact of their giving. The committee shall act as the deciding body on all requests for funding and is responsible for monitoring and administering the Development Fund. Since inception, the Development Fund has received contributions of \$123 thousand and has awarded \$70 thousand to projects.

6. Government remittances and assistance

- [a] Accounts payable and accrued liabilities include government remittances payable of \$36 thousand [2022 – \$30 thousand].
- [b] Included in other revenue is nil [2022 – \$44 thousand], which represents IISD's claim for the CEWS and CERS. There are no other unfulfilled or other contingencies attached to the subsidies recognized.

7. Investments

Investments consist of the following:

	2023	2022
	\$000's	\$000's
Cash	281	281
Common shares, measured at fair value	2,978	3,012
Fixed income, measured at amortized cost	8,138	8,013
Mutual funds, measured at fair value	950	1,003
	12,347	12,309

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

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Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 8 years, 10 months and a weighted average yield to maturity of 4.16%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 5 years, 10 months and a weighted average yield to maturity of 2.89%.

The common shares and mutual funds consist of a diversified portfolio of widely held publicly traded securities and units of mutual funds. The unit price of these equities will fluctuate with market conditions. The amounts invested in mutual funds consist of domestic and global bond and equity funds.

8. Capital assets

The categories of capital assets are summarized as follows:

	2023		2022	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	702	578	572	515
Equipment	2,680	970	763	522
Computer systems	174	170	170	161
Office equipment	160	139	160	129
Leasehold improvements	244	223	244	208
Buildings	1,289	276	890	211
Construction-in-progress	795	—	424	—
	6,044	2,356	3,223	1,746
Net book value	3,688		1,477	

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

	2023		2022	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	166	(36)	39	(44)
Equipment	1,917	—	94	(6)
Computer systems	4	—	4	—
Buildings	399	—	1	—
Construction-in-progress	371	—	304	—
	2,857	(36)	442	(50)

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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 for IISD ELA, includes construction of the Centre of Climate and Lake Learning. As at March 31, 2023, these projects are in the process of being constructed; as such, no amortization was recorded for the year.

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:

	2023 \$000's	2022 \$000's
Designated grants		
Government agencies		
Canada	35,749	13,777
International	31,372	27,374
United Nations agencies	2,510	3,747
International organizations [and intergovernmental organizations other than UN]	2,462	1,611
Foundations	18,596	14,359
Other	1,131	1,264
	<u>91,820</u>	<u>62,132</u>
Less current	47,784	40,821
Long-term	<u>44,036</u>	<u>21,311</u>

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:

	2023 \$000's	2022 \$000's
Balance, beginning of year	2,867	1,039
Capital contributions	2,104	1,952
Amounts amortized to revenue	(495)	(124)
Balance, end of year	<u>4,476</u>	<u>2,867</u>

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

	2023	2022
	\$000's	\$000's
Environment and Climate Change Canada	1,664	—
Anonymous	1,004	1,016
Michael Paterson and Gail Asper	971	981
Federal Economic Development Initiative for Northern Ontario [FedNor]	143	180
Northern Ontario Heritage Fund Corporation	143	180
Ontario Trillium Foundation	111	—
The Winnipeg Foundation	106	109
New Gold Inc.	100	100
Norah Grogan	100	100
Other Restricted Donations	34	63
Michelle Edkins	26	26
Swancoat Investments	20	—
Manitoba Hydro	19	29
Red River Cooperative	8	—
Genome Canada and Genome Prairie	6	12
Andrea Moffat	5	—
Thomas Sill Foundation	5	10
Richardson Foundation	5	5
Enterprise Holdings	3	—
Government of Canada [Department of Fisheries and Oceans]	3	9
Azrieli Foundation	—	45
Canadian Association of Petroleum Producers	—	2
	4,476	2,867

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11. Corporate and Shared Services

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

	Administration \$000's	Executive \$000's	Communications \$000's	Geneva office \$000's	Philanthropy \$000's	Institutional Planning \$000's	Total 2023 \$000's	Total 2022 \$000's
Personnel	1,510	897	454	242	252	—	3,355	2,442
Board – expenses	192	—	—	—	—	—	192	62
Travel	2	99	16	—	11	—	128	39
Publishing	13	—	28	—	1	—	42	34
Consulting	14	115	10	—	2	14	155	146
Meetings	1	7	—	2	—	28	38	40
Supplies and other	518	48	56	50	18	—	690	441
Research material	26	—	—	—	—	—	26	2
Telecommunications	22	4	14	7	1	—	48	67
Office rent	359	—	—	185	—	—	544	520
Amortization	24	—	—	—	—	—	24	23
	2,681	1,170	578	486	285	42	5,242	3,816

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Notes to consolidated financial statements

March 31, 2023

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
2024	409
2025	274
2026	274
	<u>957</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, 2023, there was a balance of nil [2022 – nil] outstanding under this credit facility.

- [c] IISD has one outstanding letter of guarantee from Canadian Imperial Bank of Commerce in the amount of \$165 thousand USD [\$233 thousand CAD] expiring June 1, 2025 as performance security under Earth Negotiations Bulletin.

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:

	2023	2022
	\$000's	\$000's
Amortization of capital assets	(151)	(120)
Purchase of capital assets	310	145
	<u>159</u>	<u>25</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 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, 2023, the IISD Endowment Fund had a market value of \$102 thousand [2022 – \$100 thousand], and the IISD ELA Inc. Endowment Fund had a market value of \$3.4 million [2022 – \$2.7 million].

Neither organization made any contributions to The Winnipeg Foundation, and IISD ELA Inc. withdrew \$36 thousand of investment income earned on the endowment funds during the year.

Notes to consolidated financial statements

March 31, 2023

15. Financial instruments and risk management

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.

During 2022, the Board of Directors approved a new reserve policy, in which two new internally restricted funds have 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 for the Base Reserve to be used only after utilizing all other available internally restricted and unrestricted funds. As at March 31, 2023, the target base reserve of \$7.45 million is fully funded.

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The Operating Contingency Reserve is intended to absorb future annual deficits from operations resulting from unexpected events such as one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses, as well as the effects of realized foreign exchange gains and losses. A minimum amount for the Operating Contingency Reserve will be set at 10% of the previous year's program expenses. If this reserve falls below the targeted or minimum amount established by the Board of Directors, it is the intention of IISD to replenish this reserve within a reasonably short period of time. As at March 31, 2023, the target contingency reserve of \$4.04 million is fully funded.

The following represents activities within these internally restricted net asset funds during the year:

	Internally Restricted Base Reserve	Internally restricted Operating Contingency Reserve	2023 Total	2022 Total
	\$000's	\$000's	\$000's	\$000's
Balance, beginning of year	5,456	4,092	9,548	2,336
Transfer to unrestricted net operating assets	—	(50)	(50)	(274)
Transfer from unrestricted net operating assets and program development reserve	1,991	—	1,991	7,486
Balance, end of year	7,447	4,042	11,489	9,548

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

17. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from consolidated financial statements previously presented to conform to the presentation of the 2023 consolidated financial statements.

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2023

		\$
Government of Canada [and agencies]		
Global Affairs Canada		23,600
Environment and Climate Change Canada		13,535
International Development Research Centre		1,500
Fisheries and Oceans Canada		1,210
Ontario Trillium Foundation		150
Natural Resources Canada		40
Office of the Auditor General of Canada		38
		40,073
Governments of provinces or territories		
Ontario		1,900
Manitoba		508
Quebec		37
Alberta		20
		2,465
Governments of other nations		
Australia		
State of Queensland		56
Belgium		
Federal Public Services		22
Botswana		
Embassy of the Republic of Botswana		12
European Commission		
		1,098
France		
Agence Française de Développement		107
Germany		
Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH	2,260	
Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV)	348	
	348	2,608
Monaco		
Ministry of Foreign Affairs and Cooperation	27	
Prince Albert II of Monaco Foundation	12	
	12	39
New Zealand		
Ministry of Foreign Affairs and Trade		162
Norway		
Norwegian Agency for Development Cooperation	7,644	
Norwegian Environment Agency	108	
	108	7,752
Sweden		
Swedish International Development Cooperation Agency	704	
Ministry of the Environment	377	
Swedish Environmental Protection Agency	138	
	138	1,219

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

[Expressed in thousands of dollars]

Year ended March 31, 2023

		\$
Switzerland		
Federal Department of Foreign Affairs	846	
Federal Office for the Environment	135	
Federal Food Safety and Veterinary Office	29	1,010
Taiwan		
Taipei Economic and Cultural Office in New York		64
United Kingdom		
Foreign, Commonwealth & Development Office		519
USA		
U.S. Department of State		3,920
		18,588
United Nations [and UN agencies]		
United Nations Environment Programme		1,130
Food and Agriculture Organization of the United Nations		125
United Nations Office for Project Services		90
UN Department of Economic and Social Affairs		48
United Nations Framework Convention on Climate Change		40
United Nations Educational, Scientific and Cultural Organization		26
United Nations Convention to Combat Desertification		14
Others [under \$10,000]		8
		1,481
International organizations [and intergovernmental organizations other than UN]		
Organisation for Economic Co-operation and Development		1,556
Asian Development Bank		289
Global Environment Facility		217
Group on Earth Observations		82
Climate Risk Institute		80
Ramsar Convention on Wetlands Secretariat		76
African Center for Aquatic Research and Education		63
International Institute for Environment and Development		40
Commonwealth Secretariat		38
United Cities and Local Governments		37
Ocean and Climate Platform		23
Action For Sustainable Development		16
International Union of Forest Research Organizations		16
World Resources Institute		12
Global Energy Interconnection Development and Cooperation Organization		12
International Livestock Research Institute		12
Others [under \$10,000]		52
		2,621

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

[Expressed in thousands of dollars]

Year ended March 31, 2023

	\$
Foundations	
Windward Fund	1,933
The PEW Charitable Trusts	1,729
Stichting Foundation for International Law for the Environment	1,687
Laudes Foundation	1,066
John D. and Catherine T. MacArthur Foundation	615
Trottier Family Foundation	600
Ford Foundation	546
European Climate Foundation	418
Anonymous	350
Rockefeller Philanthropy Advisors	341
ClimateWorks Foundation	303
KR Foundation	181
Sequoia Climate Fund	173
Environment Funders Canada	130
Community Foundations of Canada	96
New Venture Fund	84
International Sustainable Energy Foundation	82
Wellcome Trust	66
Graham C. Lount Family Foundation	60
Brasseurs Numériques Inc.	50
Canada Life	50
Children's Investment Fund Foundation	48
The Winnipeg Foundation	36
Richardson Foundation	28
Ivey Foundation	26
Chisholm Thomson Family Foundation	25
Indian Institute of Management Calcutta	24
United Way Winnipeg	20
Tearfund	16
Victoria Foundation	10
Others [under \$10,000]	18
	10,811

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

[Expressed in thousands of dollars]

Year ended March 31, 2023

	\$
Other	
Cowater UK Limited	270
World Energy, LLC	187
Enbridge Inc.	100
Myera Group	96
University of Toronto	80
ETH Zurich	56
Canadian Parks and Wilderness Society - Manitoba Chapter	45
Cedar Lake Fisheries Inc	37
Michael Paterson & Gail Asper	36
Loughborough University	35
Wawanesa Insurance	20
Swancoat Investments Ltd.	20
University of California, Santa Barbara	13
Johnston Group	13
Pollination Foundation	12
GSS Carbon and Bioinnovation	12
Delta Electronics	12
Others [under \$10,000]	48
	1,092
	77,131

See accompanying notes