

IISD Experimental Lakes Area Inc.

Financial statements
March 31, 2023



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, 2023, 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, 2023, 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 28, 2023

Ernst & Young LLP

Chartered Professional Accountants

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IISD Experimental Lakes Area Inc.

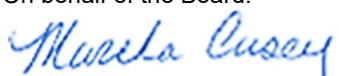
Statement of financial position

As at March 31

	2023	2022
	\$	\$
Assets		
Current		
Cash and cash equivalents	1,261,908	2,586,089
Restricted cash <i>[note 3]</i>	619,759	532,124
Current portion of grants receivable <i>[note 4]</i>	6,043,095	1,816,289
Accounts receivable	197,120	68,437
Prepaid expenses	104,987	26,116
Total current assets	8,226,869	5,029,055
Grants receivable <i>[note 4]</i>	44,174	505,282
Investments <i>[note 5]</i>	1,349,147	1,382,242
Capital assets, net <i>[note 6]</i>	3,641,972	1,410,794
Intangible assets	28,584	28,584
	13,290,746	8,355,957
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities <i>[note 7]</i>	1,434,764	574,926
Due to International Institute for Sustainable Development <i>[note 14]</i>	2,455,472	104,429
Current portion of deferred contributions <i>[note 8]</i>	1,269,192	1,450,830
Total current liabilities	5,159,428	2,130,185
Deferred contributions <i>[note 8]</i>	70,000	518,815
Deferred capital contributions <i>[note 9]</i>	4,475,520	2,867,164
Total liabilities	9,704,948	5,516,164
Commitments <i>[note 10]</i>		
Net assets		
Net assets invested in capital assets	546,926	367,697
Sustainable Future Fund <i>[note 11]</i>	800,000	800,000
Remediation fund <i>[note 3]</i>	619,759	532,124
Internally restricted net assets <i>[note 17]</i>	1,619,113	—
Unrestricted net operating surplus	—	1,139,972
Total net assets	3,585,798	2,839,793
	13,290,746	8,355,957

See accompanying notes

On behalf of the Board:



Director



Director

IISD Experimental Lakes Area Inc.

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

Year ended March 31

	2023	2022
	\$	\$
Revenue <i>[note 15]</i>		
Designated grants <i>[notes 8 and 14]</i>	7,268,260	3,985,539
Sustainable Future Fund <i>[notes 8 and 11]</i>	69,655	70,759
Donations – unrestricted	69,342	75,411
Amortization of deferred capital contributions <i>[note 9]</i>	495,299	124,094
Other <i>[note 14]</i>	413,081	303,760
Investment income	52,218	18,112
	8,367,855	4,577,675
Expenses		
Field station operations	2,010,782	972,870
Field research <i>[note 14]</i>	3,045,753	1,987,238
Administration <i>[note 14]</i>	952,126	860,888
Marketing and fundraising <i>[note 14]</i>	262,600	99,976
Outreach and education <i>[note 14]</i>	620,211	342,723
Laboratory research	99,821	40,590
Offsite research and technical review <i>[note 14]</i>	630,557	209,021
	7,621,850	4,513,306
Excess of revenue over expenses for the year	746,005	64,369
Appropriation from and to unrestricted net operating surplus		
Change in net assets invested in remediation fund <i>[note 3]</i>	(87,635)	(3,711)
Transfer to internally restricted net assets <i>[note 17]</i>	(1,619,113)	—
Change in net assets invested in capital assets <i>[note 12]</i>	(179,229)	(50,173)
(Decrease) increase in unrestricted net operating surplus	(1,139,972)	10,485
Unrestricted net operating surplus, beginning of year	1,139,972	1,129,487
Unrestricted net operating surplus, end of year	—	1,139,972

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of changes in net assets

Year ended March 31

	2023					2022	
	Net assets invested in capital assets \$ [note 12]	Sustainable Future Fund \$ [note 11]	Remediation fund \$ [note 3]	Internally restricted net assets \$ [note 17]	Unrestricted net operating surplus \$	Total \$	Total \$
Balance, beginning of year	367,697	800,000	532,124	—	1,139,972	2,839,793	2,775,424
Excess (deficiency) of revenue over expenses for the year	(127,040)	(36,373)	—	—	909,418	746,005	64,369
Transfer of interest earned on investments to deferred contributions [notes 8 and 11]	—	36,373	—	—	(36,373)	—	—
Transfer to internally restricted net assets [note 17]	—	—	—	1,619,113	(1,619,113)	—	—
Transfer to remediation fund [note 3]	—	—	87,635	—	(87,635)	—	—
Investment in capital assets	306,269	—	—	—	(306,269)	—	—
Balance, end of year	546,926	800,000	619,759	1,619,113	—	3,585,798	2,839,793

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of cash flows

Year ended March 31

	2023	2022
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	746,005	64,369
Add (deduct) items not affecting cash		
Amortization of capital assets	127,040	96,700
Amortization of capital assets funded by capital contributions	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)
Sustainable Future Fund	(69,655)	(70,759)
Net foreign exchange difference on cash and cash equivalents	(897)	51
	<u>777,992</u>	<u>66,819</u>
Changes in non-cash working capital balances related to operations		
Grants receivable	(3,765,698)	(1,025,334)
Accounts receivable	(128,683)	12,407
Prepaid expenses	(78,871)	49,011
Accounts payable and accrued liabilities	859,838	(65,600)
Due to International Institute for Sustainable Development	351,043	30,236
Deferred contributions	(560,798)	414,700
Cash used in operating activities	<u>(2,545,177)</u>	<u>(517,761)</u>
Investing activities		
Purchase of capital assets	(2,829,016)	(407,721)
Proceeds, net of purchases of investments	33,095	(136,674)
Contributions to restricted cash	(87,635)	(3,711)
Cash used in investing activities	<u>(2,883,556)</u>	<u>(548,106)</u>
Financing activities		
Due to International Institute for Sustainable Development <i>[note 14]</i>	2,000,000	—
Capital contributions received <i>[note 9]</i>	2,103,655	1,952,069
Cash provided by financing activities	<u>4,103,655</u>	<u>1,952,069</u>
Net foreign exchange difference on cash and cash equivalents	<u>897</u>	<u>(51)</u>
Net increase (decrease) in cash during the year	<u>(1,324,181)</u>	<u>886,151</u>
Cash and cash equivalents, beginning of year	2,586,089	1,699,938
Cash and cash equivalents, end of year	<u>1,261,908</u>	<u>2,586,089</u>

See accompanying notes

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2023

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 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 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.

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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 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 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.

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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.

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 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.

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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.

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.

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*.

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 the 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, *Revenue* 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.

IISD Experimental Lakes Area Inc.

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4. Grants receivable

Grants receivable consist of the following:

	2023	2022
	\$000s	\$000s
Environment and Climate Change Canada	5,007	18
RBC Foundation	334	667
Government of Canada [Department of Fisheries and Oceans]	210	417
The Winnipeg Foundation	100	100
Federal Economic Development Initiative for Northern Ontario [FedNor]	96	133
FortWhyte Alive	90	90
Jacor LLC	83	83
University of Toronto	62	—
Genome Canada and Genome Prairie	50	351
Graham C Lount Family Foundation	40	—
Ontario Trillium Foundation	15	5
Michael Paterson and Gail Asper	—	277
Northern Ontario Heritage Fund Corporation	—	180
	6,087	2,321
Less current portion	6,043	1,816
	44	505

5. Investments

Investments consist of the following:

	2023	2022
	\$000s	\$000s
Common shares, measured at fair value	601	613
Canadian and foreign fixed income, measured at amortized cost	476	474
Mutual funds, measured at fair value	272	295
	1,349	1,382

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, 6 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 9 years, 1 month and a weighted average yield to maturity of 4.30%.

IISD Experimental Lakes Area Inc.

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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:

	2023		2022	
	Cost \$000s	Accumulated amortization \$000s	Cost \$000s	Accumulated amortization \$000s
Boats, motors and vehicles	697	573	567	510
Equipment	2,680	970	763	522
Computer systems	77	77	77	76
Office equipment	20	20	20	15
Leasehold improvements	138	138	138	134
Buildings	1,289	276	890	211
Construction in progress	795	—	424	—
	5,696	2,054	2,879	1,468
Net book value	3,642		1,411	

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, and construction of the Centre of Climate and Lake Learning. As at March 31, 2023, 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 \$9 thousand [2022 – \$6 thousand].

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:

	2023 \$000s	2022 \$000s
Balance, beginning of year	1,970	1,626
Deferred contributions received	6,743	4,301
Transfer of interest earned (reduction from investment loss) from (to) Sustainable Future Fund [note 11]	(36)	99
Amounts amortized to revenue	(7,338)	(4,056)
Balance, end of year	1,339	1,970

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

	2023	2022
	\$000s	\$000s
RBC Foundation	444	762
Sustainable Future Fund	306	411
FortWhyte Alive	104	158
Enbridge Inc.	100	—
Genome Canada and Genome Prairie	96	257
Jacor LLC	64	67
Government of Canada [Department of Fisheries and Oceans]	60	160
University of Toronto	57	—
Graham C Lount Family Foundation	32	—
Michael Paterson and Gail Asper	31	—
Southeast Resource Development Corp.	15	—
Wawanesa Insurance	5	17
Canadian Energy Pipeline Association	5	5
Canadian Association of Petroleum Producers	5	5
Grand Council Treaty 3	5	—
Other restricted donations	4	4
Richardson Foundation	3	28
Estate of Robert Cooke	3	3
Ontario Trillium Foundation	—	45
McLean Foundation	—	19
Telus Friendly Future Foundation	—	10
TD Friends of the Environment	—	8
The Winnipeg Foundation	—	8
MakeWay Foundation	—	3
	1,339	1,970
Less current portion	1,269	1,451
	70	519

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.

Notes to financial statements

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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:

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

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

	2023 \$000s	2022 \$000s
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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10. Commitments

The rental payments for the upcoming year are \$81 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 two years.

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 \$70 thousand were incurred during the year ended March 31, 2023 [2022 – \$71 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment loss 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 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:

	2023	2022
	\$000s	\$000s
Amortization of capital assets	(127)	(97)
Purchase of capital assets	306	147
	179	50

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.

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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. The Organization is also exposed to interest rate risk with respect to its intercompany loan payable to IISD, which fluctuates based on changes in the prime lending rate.

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 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 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 [2022 – \$1 thousand] and incurred \$736 thousand in expenses under a shared services agreement with IISD [2022 – \$482 thousand], in addition to \$361 thousand of additional services provided by IISD [2022 – \$136 thousand]. As at March 31, 2023, IISD ELA Inc. has an amount owing to IISD of \$2,455 thousand [2022 – \$104 thousand]. This amount owing to IISD represents the expenses incurred in the last month of the year due in the amount of \$455 thousand as at March 31, which are non-interest bearing and an intercompany loan balance of \$2 million at an interest rate of prime plus 1%. The \$2 million intercompany loan payable was fully repaid in April 2023.

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

IISD Experimental Lakes Area Inc.

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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. IISD ELA Inc. also has two agreements with the Government of Canada [Department of Fisheries and Oceans] ending March 31, 2023, and March 31, 2024, for which \$134 thousand of revenue had been recognized during the year. These designated grants account for 72% of the total revenue in the current year [2022 – 69%].

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 withdrew \$36 thousand of investment income from the fund, which has been recognized as revenue during the year.

As at March 31, 2023, the fund had a market value of \$3.4 million [2022 – \$2.7 million].

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 minimum of the Restricted Base Reserve is equal to six months of the average monthly operating costs being \$2.99 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, 2023, IISD ELA Inc. has a Base Reserve balance of \$1.62 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.