

International Institute for Sustainable Development

Consolidated financial statements
March 31, 2021



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, 2021, 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, 2021, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



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

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

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

Winnipeg, Canada
June 29, 2021

Ernst & Young LLP

Chartered Professional Accountants



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International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31

	2021	2020
	\$	\$
Assets		
Current		
Cash	14,386,777	11,684,603
Restricted cash [note 3]	6,867,891	5,143,274
Accounts receivable [notes 4 and 6]	22,386,766	23,975,812
Prepaid expenses	406,959	336,048
Total current assets	44,048,393	41,139,737
Accounts receivable [note 4]	10,349,882	14,727,651
Investments [note 7]	11,992,202	7,574,642
Capital assets, net [note 8]	1,285,660	1,059,289
Intangible assets	28,584	28,584
	67,704,721	64,529,903
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities [notes 3 and 6]	10,283,492	7,856,741
Deferred contributions [notes 3 and 9]	30,235,276	28,124,182
Total current liabilities	40,518,768	35,980,923
Deferred contributions [note 9]	13,906,071	15,998,030
Deferred capital contributions [note 10]	1,039,189	801,984
Total liabilities	55,464,028	52,780,937
Commitments [note 12]		
Net assets		
Net assets invested in capital assets [note 13]	402,858	243,039
Reserve for program development [note 16]	2,336,362	2,476,442
IISD ELA Sustainable Future Fund [note 5]	800,000	800,000
Remediation fund [note 3]	528,412	524,376
Unrestricted net operating assets	8,173,061	7,705,109
Total net assets	12,240,693	11,748,966
	67,704,721	64,529,903

See accompanying notes

On behalf of the Board:


Director


Director

International Institute for Sustainable Development

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

Year ended March 31

	2021	2020
	\$	\$
Revenue [note 5]		
Designated grants	28,515,410	30,337,184
Operating grants	760,000	760,000
Other [notes 5 and 6]	(704,986)	2,019,029
IISD ELA Sustainable Future Fund	—	2,176
Investment income (loss)	1,014,540	(78,059)
	29,584,964	33,040,330
Expenses [schedule 1]		
Programs		
Economic Law & Policy	10,431,595	9,411,440
Resilience	3,898,753	5,244,210
Water	4,417,175	4,835,091
Tracking Progress	2,500,909	4,483,875
Energy	4,130,447	3,263,763
Climate Change	4,171	295,435
China	17,462	49,769
Program Development [note 16]	90,656	261,189
Innovation Fund [note 16]	52,249	33,255
	25,543,417	27,878,027
Corporate and Shared Services [notes 11 and 16]	3,549,820	3,270,606
	29,093,237	31,148,633
Excess of revenue over expenses for the year	491,727	1,891,697
Appropriation to (from) unrestricted net operating assets		
Change in net assets invested in remediation fund [note 3]	(4,036)	(11,320)
Change in net assets invested in program development [note 16]	140,080	304,444
Change in net assets invested in capital assets [note 13]	(159,819)	(12,609)
Increase in unrestricted net operating assets	467,952	2,172,212
Unrestricted net operating assets, beginning of year	7,705,109	5,532,897
Unrestricted net operating assets, end of year	8,173,061	7,705,109

See accompanying notes

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Consolidated statement of changes in net assets

Year ended March 31

	Net assets invested in capital assets <i>[note 13]</i>	Reserve for program development <i>[notes 2 and 16]</i>	IISD ELA Sustainable Future Fund <i>[note 5]</i>	Remediation fund <i>[note 3]</i>	Unrestricted net operating assets	Total 2021	Total 2020
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	243,039	2,476,442	800,000	524,376	7,705,109	11,748,966	9,857,269
Excess (deficiency) of revenue over expenses for the year	(118,452)	—	286,229	—	323,950	491,727	1,891,697
Transfer of investment income earned on investments to deferred contributions <i>[note 5]</i>	—	—	(286,229)	—	286,229	—	—
Transfer from reserve <i>[note 16]</i>	—	(140,080)	—	—	140,080	—	—
Transfer to remediation fund <i>[note 3]</i>	—	—	—	4,036	(4,036)	—	—
Net investment in capital assets	278,271	—	—	—	(278,271)	—	—
Balance, end of year	402,858	2,336,362	800,000	528,412	8,173,061	12,240,693	11,748,966

See accompanying notes

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Consolidated statement of cash flows

Year ended March 31

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	491,727	1,891,697
Add (deduct) items not affecting cash		
Amortization of capital assets <i>[note 13]</i>	118,452	107,451
Amortization of capital assets funded by capital contributions <i>[note 10]</i>	143,395	115,044
Amortization of deferred capital contributions to revenue	(143,395)	(115,044)
IISD ELA Sustainable Future Fund revenue	—	(2,176)
	<u>610,179</u>	<u>1,996,972</u>
Changes in non-cash working capital balances related to operations		
Accounts receivable	5,966,815	2,213,379
Prepaid expenses	(70,911)	21,328
Accounts payable and accrued liabilities	2,426,751	4,977,063
Deferred contributions	19,135	1,638,748
Cash provided by operating activities	<u>8,951,969</u>	<u>10,847,490</u>
Investing activities		
Purchase of capital assets <i>[note 8]</i>	(488,218)	(205,704)
Purchase of intangible assets	—	(2,599)
Purchase of investments, net	(4,417,560)	(819,901)
Contributions to restricted cash	(1,724,617)	(4,601,349)
Cash used in investing activities	<u>(6,630,395)</u>	<u>(5,629,553)</u>
Financing activities		
Capital contributions received	380,600	98,606
Cash provided by financing activities	<u>380,600</u>	<u>98,606</u>
Net increase in cash during the year	2,702,174	5,316,543
Cash, beginning of year	11,684,603	6,368,060
Cash, end of year	<u>14,386,777</u>	<u>11,684,603</u>

See accompanying notes

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Notes to consolidated financial statements

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1. Incorporation, mission and tax status

The International Institute for Sustainable Development ["IISD"] is incorporated under the *Canada Not-for-profit Corporations Act*. IISD's head office is located in Winnipeg, Manitoba, Canada.

IISD is a registered charity in Canada. It is also exempt from U.S. income tax under paragraph 501(c)(3) of the Internal Revenue Code.

IISD's mission is to promote human development and environmental sustainability through innovative research, communication and partnerships. IISD provides practical solutions to the challenge of integrating environmental and social priorities with economic development.

2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Part III of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Not-for-profit Organizations", which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the following significant accounting policies:

Principles of consolidation

These consolidated financial statements include the assets, liabilities, net assets, revenue, expenses, and other transactions of International Institute for Sustainable Development – Europe ["IISD – Europe"] and IISD Experimental Lakes Area Inc. ["IISD ELA Inc."], all of which are controlled by IISD. All material intercompany transactions and balances have been eliminated upon consolidation.

IISD – Europe was established as an association under the Swiss Civil Code on June 13, 2008, to meet eligibility criteria established by certain potential European-based funders. For the year ended March 31, 2021, IISD – Europe had income of \$3 thousand [2020 – income of \$954].

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, 2021, IISD ELA Inc. had a net income of \$521 thousand [2020 – \$413 thousand].

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Revenue recognition

IISD 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 revenue as the related expenses are incurred. Designated grant commitments for specific future activities are reflected as deferred contributions and recorded when the funding commitment is made and collection is reasonably assured, and will be recognized in revenue as the project progresses.

Operating grants revenue

Operating grants are subject to the condition that they must be expended in accordance with the mandate of IISD. Operating grants are recorded as revenue in the annual amounts prescribed in the funding agreements. Any additional amounts received under current grant agreements for future years' operations are reflected as deferred contributions.

IISD ELA Sustainable Future Fund revenue

Revenue for IISD ELA Inc.'s Sustainable Future Fund projects is recorded in the accounts as the related expenses are incurred as prescribed in the funding agreement. Until expended, amounts related to income earned in the fund are recorded as deferred contributions.

Investment income

Investment income is recorded on an accrual basis. Investment income includes dividend and interest income, distributions from mutual funds, and realized and unrealized gains and losses, less transaction costs and management fees.

Other revenue

Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries, revenue from the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"], lab analysis and facility fees, and in the case of Corporate and Shared Services costs, the net foreign exchange gain (loss) recognized. Donations are recognized when received, since pledges are not legally enforceable claims. Cost recoveries are recognized when received. In-kind contributions are recognized upon receipt of the in-kind item(s) and are measured at fair market value. 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.

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Financial instruments

IISD initially measures its financial assets and financial liabilities at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost.

The financial assets subsequently measured at amortized cost include accounts receivable and fixed income investments. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Allocation of expenses

The costs of personnel and other expenses directly related to functions are allocated to each function. General support and other costs are not allocated.

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.

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

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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.

Use of estimates

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include revenue recognized based on expenditures incurred to date relative to the estimated total expenditures of the project. Actual results could differ from these estimates.

Publication production costs

Publication production costs are expensed in the year in which the publication is printed.

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Foreign currency translation

Amounts denominated in a foreign currency are translated into Canadian dollars as follows:

- [i] Monetary balances, including cash, investments, accounts receivable and accounts payable and accrued liabilities, are translated at the year-end exchange rate.
- [ii] Non-monetary balances, including prepaid expenses, deferred contributions and capital assets, are translated at the exchange rate prevailing at the date of the transaction.
- [iii] Revenue and expenses are translated at the rate of exchange prevailing at the date of the transaction. Exchange gains or losses on translation of foreign currencies are included in other revenue.

Reserves

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

Reserve for program development was established with the unexpended balance of Environment Canada's initial grant [1990–1995], for eventual use in accordance with IISD's mandate. It is used to finance the costs of the IISD's Program Development activities as well as any additional initiatives the Board may authorize from time to time.

Recently issued accounting standards

Section 4460, *Disclosure of Related Party Transactions*

Section 4460 had one amendment [paragraph 4460.01A], which states that a not-for-profit organization would apply Section 3856, *Financial Instruments*, to the accounting for and disclosure of financial instruments in a related party transaction, except as otherwise specified. The effective date has been deferred to apply to periods beginning on or after January 1, 2021. IISD is currently evaluating the impact that this amendment will have on its consolidated financial statements.

3. Restricted cash

IISD ELA Inc. established a fund to cover the costs of the remediation of the ELA sites under certain circumstances, as outlined in the signed funding agreement with the Province of Ontario, which extends to November 30, 2021. IISD ELA Inc. is required to contribute a total amount of \$500 thousand to the fund, which was fully transferred in prior years. The funds are held in an interest-bearing account, with IISD ELA Inc. and the Government of Ontario having joint signing authority. Based on the restrictions on the use of the funds, the amounts are recorded as restricted cash as well as allocated to restricted amounts within net assets. During the year, interest of \$4 thousand [2020 – \$11 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, 2021, the account holds \$36 thousand, which is recorded as restricted cash [2020 – \$32 thousand].

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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, accounts payable and accrued liabilities to the extent that the amounts are unused or will be required for future settlement.

4. Accounts receivable

The principal components of accounts receivable are summarized below:

	2021 \$000's	2020 \$000's
Accounts receivable – short term		
Government agencies		
Canada	7,517	8,896
International*	10,705	11,324
United Nations agencies	1,106	937
International organizations [and intergovernmental organizations other than UN]	637	315
Foundations	1,784	2,296
Other	321	87
Trade receivables	317	121
	22,387	23,976
Accounts receivable – long term		
Government agencies		
Canada	2,010	7,466
International*	8,088	6,936
Foundations	252	—
Other	—	325
	10,350	14,727
Total accounts receivable	32,737	38,703

* 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, of which \$1.49 million [861 thousand GBP] has been collected as at March 31, 2021. Grants are recorded when the funding commitment is made and collection is reasonably assured and will be recognized in revenue as the project progresses. As such, of this \$2.4 million of accounts receivable as at March 31, 2021, \$1.2 million is classified as current accounts receivable and \$1.2 million is classified as long-term accounts receivable based on the terms and restrictions of the funding arrangements.

* 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 \$1.29 million [740 thousand GBP] has been collected as at March 31, 2021. Grants are recorded when the funding commitment is made and collection is reasonably assured and will be recognized in revenue as the project progresses. As such, the accounts receivable for this project in the amount of \$1.5 million as at March 31, 2021 is classified as current accounts receivable based on the terms and restrictions of the funding arrangements.

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5. Funding arrangements

IISD receives funding from a variety of public and private sources to finance specific projects relating to its strategic objectives. Projects may carry on over more than one year. The related grants are recorded when the funding commitment is made and collection is reasonably assured and recognized in revenue as the projects progress. A comparative summary of the consolidated schedule of designated grants committed during the year is as follows:

	Funding commitments	
	2021	2020
	\$000's	\$000's
	<i>[schedule 2]</i>	
Governments and agencies		
Canada	5,122	15,632
International	15,852	11,617
	20,974	27,249
United Nations agencies	1,343	1,750
International organizations [and intergovernmental organizations other than UN]	1,358	682
Foundations	5,994	2,364
Other	604	701
	30,273	32,746

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, revenue from the Canada Emergency Wage Subsidy ["CEWS"] and Canada Emergency Rent Subsidy ["CERS"], cost recoveries, and in the case of Corporate and Shared Services costs, the net foreign exchange loss recognized for the period ending March 31, 2021 in the amount of \$2.04 million [2020 – \$1.13 million foreign exchange gain].

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	Designated grants	Other revenue	2021 Total	2020 Total
	\$000's	\$000's	\$000's	\$000's
Activity area				
Economic Law & Policy	11,687	58	11,745	10,573
Resilience	4,389	6	4,395	6,048
Water	4,641	678	5,319	5,631
Tracking Progress	2,874	14	2,888	4,814
Energy	4,857	5	4,862	3,661
Climate Change	10	—	10	414
Program Development	8	—	8	—
Corporate and Shared Services <i>[note 5]</i>	50	(1,466)	(1,416)	1,217
	28,516	(705)	27,811	32,358

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

No expenses were incurred during fiscal 2021 [2020 – \$2 thousand], resulting in no revenue being recorded to match the expenses incurred. The current year investment income on the Additional Capital of \$286 thousand was recorded in deferred contributions [2020 – \$48 thousand investment loss].

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

Operating grants

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

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A summary of the operating grant funding is as follows:

	Funding commitment	Funding recorded		Funding commitment remaining
	\$000's	2021	Prior years	\$000's
	\$000's	\$000's	\$000's	\$000's
Government of Manitoba	3,800	760	760	2,280
Operating grants revenue [note 2]	3,800	760	760	2,280

6. Government remittances and assistance

- [a] Accounts payable and accrued liabilities include government remittances payable of \$28 thousand [2020 – \$26 thousand].
- [b] Included in other revenue is \$798 thousand [2020 – nil], which represents IISD's claim for the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy. There are no other unfulfilled or other contingencies attached to the subsidies recognized. Included in accounts receivable as at March 31, 2021 is \$87 thousand [2020 – nil] and \$7 thousand [2020 – nil] in amounts owing to IISD for claims made under CEWS and CERS, respectively.
- [c] Included as a reduction in personnel expenses in its respective program is \$189 thousand that represents IISD's claims for the Compensation for reduced Working Hours from The Swiss Government.

7. Investments

Investments consist of the following:

	2021	2020
	\$000's	\$000's
Cash	192	173
Common shares, measured at fair value	2,406	1,961
Fixed income, measured at amortized cost	8,582	4,762
Mutual funds, measured at fair value	812	679
	11,992	7,575

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

Canadian fixed income investments consist of bonds that have a weighted average term to maturity of 10 years, 3 months and a weighted average yield to maturity of 1.81%.

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Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 6 years, 7 months and a weighted average yield to maturity of 0.97%.

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:

	2021		2020	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	577	493	483	427
Equipment	675	421	478	310
Computer systems	165	153	147	145
Office equipment	160	121	160	112
Leasehold improvements	244	189	244	166
Buildings	888	167	831	124
Construction in progress	121	—	—	—
	2,830	1,544	2,343	1,284
Net book value	1,286		1,059	

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

	2021		2020	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	94	—	62	—
Equipment	197	—	101	—
Computer systems	18	—	—	—
Office equipment	—	—	6	—
Buildings	58	—	37	—
Construction in progress	121	—	—	—
	488	—	206	—

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. As at March 31, 2021, this generator is in the process of being constructed as such, no amortization was recorded for the year.

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Notes to consolidated financial statements

March 31, 2021

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:

	2021	2020
	\$000's	\$000's
Designated grants		
Government agencies		
Canada	12,562	17,762
International	23,217	20,726
United Nations agencies	976	918
International organizations [and intergovernmental organizations other than UN]	721	149
Foundations	5,950	4,031
Other	715	536
	44,141	44,122
Less current	30,235	28,124
Long-term	13,906	15,998

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:

	2021	2020
	\$000s	\$000s
Balance, beginning of year	802	818
Capital contributions	381	99
Amounts amortized to revenue	(144)	(115)
Balance, end of year	1,039	802

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Notes to consolidated financial statements

March 31, 2021

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

	2021	2020
	\$000s	\$000s
Michael Paterson and Gail Asper	595	587
FedNor	180	—
Other Restricted Donations	57	26
Manitoba Hydro	40	45
Anonymous Foundation	29	16
Richardson Foundation	25	54
Russell Reynolds Associates	26	—
New Gold Inc.	25	—
Thomas Sill Foundation	15	25
Government of Canada [Department of Fisheries and Oceans]	16	22
Genome Canada and Genome Prairie	14	18
The Winnipeg Foundation	12	—
Canadian Association of Petroleum Producers	5	9
	1,039	802

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March 31, 2021

11. Corporate and Shared Services

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

	Administration	Executive	Communications	Geneva office	Fundraising	2021	2020
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Personnel*	1,083	749	292	204	218	2,546	1,859
Board – expenses	69	—	—	—	—	69	150
Travel	—	—	—	—	—	—	142
Publishing	2	—	17	—	2	21	22
Consulting	5	14	25	—	—	44	202
Meetings	6	—	—	—	—	6	33
Supplies and other	199	9	48	14	11	281	322
Research material	15	—	—	—	—	15	10
Telecommunications	30	2	13	6	2	53	50
Office rent	285	—	—	207	—	492	461
Amortization	23	—	—	—	—	23	20
	1,717	774	395	431	233	3,550	3,271

*In addition to the cost of personnel involved in the activity of Administration for IISD, costs attributed to personnel down-time due to COVID-19 were recorded under Administration in the amount of \$192 thousand for IISD. Similar costs for IISD ELA Inc. of \$37 thousand are recorded in the Water program expenses [schedule 1].

International Institute for Sustainable Development

Notes to consolidated financial statements

March 31, 2021

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
2022	410
2023	274
2024	274
	<u>958</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, 2021, there was a balance of nil [2020 – nil] outstanding under this credit facility.

- [c] IISD has two outstanding letters of guarantee from Canadian Imperial Bank of Commerce in the amount of \$265 thousand USD [\$333 thousand CAD] and \$16 thousand USD [\$20 thousand CAD], expiring March 26, 2022 and June 15, 2021 as performance security under Earth Negotiations Bulletin and its Geneva 2030 Ecosystem agreements with the United Nations.

13. Internally restricted for capital assets

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

	2021 \$000's	2020 \$000's
Amortization of capital assets	(118)	(107)
Purchase of capital assets	278	120
	<u>160</u>	<u>13</u>

14. Endowment funds

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

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Notes to consolidated financial statements

March 31, 2021

As of March 31, 2021, the IISD Endowment Fund had a market value of \$97 thousand [2020 – \$76 thousand], and the IISD ELA Inc. Endowment Fund had a market value of \$1.1 million [2020 – \$603 thousand].

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

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.

International Institute for Sustainable Development

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March 31, 2021

The Board of Directors has internally restricted net assets in the reserve for program development of \$2.336 million as at March 31, 2021 [2020 - \$2.476 million]. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. During the year, the Board of Directors authorized IISD to utilize \$500 thousand towards business development for COVID recovery opportunities, government relations support for major proposals, the innovation fund, and strategic priorities [2020 – \$500 thousand]. During the year, \$140 thousand was expended [2020 – \$304 thousand].

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

17. COVID-19

The COVID-19 pandemic resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures included the implementation of travel bans, self-imposed quarantine periods and social distancing and have affected economies and financial markets around the world. IISD has implemented a specific response plan, informed by measures recommended by public health agencies, to enable it to continue to perform research and operate while safeguarding the health and safety of employees.

The breadth and duration of this pandemic are unknown due to the uncertainty surrounding the ability to contain outbreaks and the timing of vaccinations. IISD obtained financial assistance through the Canadian government's CEWS and CERS programs and the Swiss government's compensation for reduced working hours. It is not possible to reliably estimate the length and severity of these developments, as well as the impact on the financial position and financial results of IISD in future periods.

Consolidated schedule of operations by activity area

Year ended March 31

	Economic Law & Policy \$000's	Resilience \$000's	Water \$000's	Tracking Progress \$000's	Energy \$000's	Climate Change \$000's	China \$000's	Program Development \$000's	Innovation Fund \$000's	Corporate and Shared Services \$000's	2021 Total \$000's	2020 Total \$000's	
Revenue [note 5]	11,745	4,395	5,319	2,888	4,862	10	—	8	—	(1,416)	27,811	32,358	
Expenses													
Personnel	4,829	1,653	2,807	1,273	2,393	2	—	48	38	2,546	15,589	13,156	
Board – expenses	—	—	—	—	—	—	—	—	—	69	69	152	
Travel	16	18	14	5	9	—	—	—	—	—	62	3,977	
Publishing	376	74	25	11	125	1	—	—	6	21	639	549	
Consulting	4,805	2,068	337	1,093	1,498	1	2	41	7	44	9,896	9,507	
Meetings	255	32	77	4	32	—	—	—	—	6	406	905	
Supplies and other	104	49	691	67	64	—	1	2	1	281	1,260	1,860	
Research material	12	—	58	—	—	—	—	—	—	15	85	21	
Telecommunications	35	5	72	48	6	—	—	—	—	53	219	220	
Office rent	—	—	97	—	3	—	14	—	—	492	606	579	
Amortization	—	—	239	—	—	—	—	—	—	23	262	222	
	10,432	3,899	4,417	2,501	4,130	4	17	91	52	3,550	29,093	31,148	
Excess of revenue (expenses) over designated grants and other revenue	1,313	496	902	387	732	6	(17)	(83)	(52)	(4,966)	(1,282)	1,210	
Excess of revenue (expenses) over designated grants funded by													
											Operating grants	760	760
											Investment income (loss)	1,014	(78)
											Excess of revenue over expenses for the year	492	1,892

See accompanying notes

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2021

		\$
Government of Canada [and agencies]		
Department of Fisheries and Oceans Canada		1,221
Environment and Climate Change Canada		788
Fednor		180
Natural Resources Canada		107
Department of Foreign Affairs, Trade and Development		40
Infrastructure Canada		25
Employment and Social Development Canada		9
		2,370
Governments of provinces or territories		
Ontario		2,000
Manitoba		713
Quebec		39
		2,752
Governments of other nations		
Austria		
Federal Ministry Republic of Austria		16
Denmark		
Nordic Council of Ministers		195
Finland		
Ministry of the Environment	8	
Natural Resources Institute Finland	3	11
France		
Ministry for the Ecological and Transition	24	
The Embassy of France in Canada	55	79
Germany		
Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH	1,299	
Federal Ministry for Economic Cooperation and Development	91	
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	266	1,656
Netherlands		
Ministry of Foreign Affairs		7,411
New Zealand		
Ministry of Foreign Affairs and Trade		178
Norway		
Norwegian Environment Agency	54	
Ministry of Climate and Environment	213	267

Consolidated schedule of designated grants committed during the current year

[Expressed in thousands of dollars]

Year ended March 31, 2021

		\$
Sweden		
Ministry of the Environment		607
Switzerland		
Federal Office for the Environment	233	
Swiss Agency for Development and Cooperation	1,725	1,958
United Kingdom		
Foreign, Commonwealth & Development Office		3,474
		15,852
 United Nations [and UN agencies]		
United Nations Office for Project Services		382
United Nations Environment Programme		350
The Food and Agriculture Organization of the United Nations		334
United Nations Entity for Gender Equality and the Empowerment of Women		157
United Nations Industrial Development Organization		61
World Health Organization		29
United Nations Convention to Combat Desertification		14
United Nations Economic Commission for Europe		13
Others [under \$10,000]		3
		1,343
 International organizations [and intergovernmental organizations other than UN]		
World Resources Institute		326
Caribbean Natural Resources Institute		191
Sustainable Finance Geneva		173
Women Deliver		102
International Food Policy Research Institute		95
Global Environment Facility		77
WWF South Africa		70
Organización Mundial de Ciudades y Gobiernos Locales		64
HELVETAS Swiss Intercooperation		43
African Center for Aquatic Research and Education		40
World Bank		39
Swiss Network for International Studies		37
International Civil Society Centre		34
Stiftelsen The Stockholm Environment Institute Asia Centre		15
Stockholm Environment Institute U.S.		14
Institute for Development Policy		12
Others [under \$10,000]		26
		1,358

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

[Expressed in thousands of dollars]

Year ended March 31, 2021

	\$
Foundations	
MAVA, Fondation pour la Nature	3,105
The PEW Charitable Trusts	878
Bill & Melinda Gates Foundation	613
ClimateWorks Foundation	280
European Climate Foundation	195
The Stichting SED Fund	127
Environment Funders Canada	108
Ivey Foundation	100
Clean Economy Fund	79
Sustainable Markets Foundation	75
United Way Winnipeg	63
The Geneva Science-Policy Interface	58
Fort Whyte Foundation Inc.	45
McCall MacBain Foundation	43
The Winnipeg Foundation	30
Chisholm Thomson Family Foundation	25
Anonymous Foundation	25
Clean Prosperity Canada	20
J.W. McConnell Family Foundation	20
The McLean Foundation	19
The Finnish Innovation Fund Sitra	15
James A. Richardson Foundation	13
MakeWay Foundation	12
MakeWay Charitable Society	12
Others [under \$10,000]	34
	5,994

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

[Expressed in thousands of dollars]

Year ended March 31, 2021

	\$
Other	
Taipei Economic and Cultural Office in New York	68
Tearfund	52
IMC Worldwide Limited	50
Rosamond Ivey	50
Insurance Bureau of Canada	40
Queen's University	36
Columbia University	26
Russell Reynolds Associates	26
Michal Paterson and Gail Asper	50
Johnston Group	25
New Gold Inc.	25
TMG Research gGmbH	25
Royal Melbourne Institute of Technology	18
University of Toronto	18
Midsummer Analytics	12
Norwegian Institute of International Affairs	11
Environmental Defence Canada Inc.	10
MANTECH INC.	10
Others [under \$10,000]	52
	604
	30,273

See accompanying notes