

IISD Experimental Lakes Area Inc.

Financial statements
March 31, 2021



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, 2021, 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, 2021, 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 25, 2021

Ernst & Young LLP

Chartered Professional Accountants



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IISD Experimental Lakes Area Inc.

Statement of financial position

As at March 31

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash and cash equivalents | 1,699,938 | 1,185,596 |
| Restricted cash <i>[note 3]</i> | 528,413 | 524,377 |
| Current portion of grants receivable <i>[note 4]</i> | 1,032,937 | 961,750 |
| Accounts receivable <i>[note 7]</i> | 80,844 | 62,046 |
| Prepaid expenses | 75,127 | 132,500 |
| Total current assets | 3,417,259 | 2,866,269 |
| Grants receivable <i>[note 4]</i> | 263,300 | 541,413 |
| Investments <i>[note 5]</i> | 1,245,568 | 952,109 |
| Capital assets, net <i>[note 6]</i> | 1,200,325 | 967,218 |
| Intangible assets | 28,584 | 28,584 |
| | 6,155,036 | 5,355,593 |
| Liabilities and net assets | | |
| Current | | |
| Accounts payable and accrued liabilities <i>[note 7]</i> | 640,526 | 452,016 |
| Due to International Institute for Sustainable Development <i>[note 14]</i> | 74,193 | 24,859 |
| Current portion of deferred contributions <i>[note 8]</i> | 1,460,672 | 1,380,427 |
| Total current liabilities | 2,175,391 | 1,857,302 |
| Deferred contributions <i>[note 8]</i> | 165,032 | 441,811 |
| Deferred capital contributions <i>[note 9]</i> | 1,039,189 | 801,984 |
| Total liabilities | 3,379,612 | 3,101,097 |
| Commitments <i>[note 10]</i> | | |
| Net assets | | |
| Net assets invested in capital assets | 317,524 | 150,970 |
| Sustainable Future Fund <i>[note 11]</i> | 800,000 | 800,000 |
| Remediation fund <i>[note 3]</i> | 528,413 | 524,377 |
| Unrestricted net operating surplus | 1,129,487 | 779,149 |
| Total net assets | 2,775,424 | 2,254,496 |
| | 6,155,036 | 5,355,593 |

See accompanying notes

On behalf of the Board:

Andrew Lennox

Director

Jane McDonald

Director

IISD Experimental Lakes Area Inc.

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

Year ended March 31

| | 2021 | 2020 |
|---|------------------|-------------|
| | \$ | \$ |
| Revenue [note 15] | | |
| Designated grants [notes 8 and 14] | 3,735,829 | 4,300,869 |
| Sustainable Future Fund [notes 8 and 11] | — | 2,176 |
| Donations – unrestricted | 74,662 | 93,452 |
| Amortization of deferred capital contributions [note 9] | 143,395 | 115,044 |
| Other [notes 7 and 14] | 456,534 | 351,316 |
| Investment income [note 14] | 18,041 | 31,159 |
| | 4,428,461 | 4,894,016 |
| Expenses | | |
| Field station operations | 746,766 | 939,847 |
| Field research [note 14] | 1,708,599 | 1,875,365 |
| Administration [note 14] | 734,940 | 762,214 |
| Marketing and fundraising [note 14] | 139,963 | 170,856 |
| Outreach and education [note 14] | 311,534 | 408,713 |
| Laboratory research | 63,982 | 75,394 |
| Offsite research and technical review [note 14] | 201,749 | 248,183 |
| | 3,907,533 | 4,480,572 |
| Excess of revenue over expenses for the year | 520,928 | 413,444 |
| Appropriation from and to unrestricted net operating surplus | | |
| Change in net assets invested in remediation fund [note 3] | (4,036) | (11,320) |
| Change in net assets invested in capital assets [note 12] | (166,554) | (27,979) |
| Increase in unrestricted net operating surplus | 350,338 | 374,145 |
| Unrestricted net operating surplus, beginning of year | 779,149 | 405,004 |
| Unrestricted net operating surplus, end of year | 1,129,487 | 779,149 |

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of changes in net assets

Year ended March 31

| | 2021 | | | | 2020 | |
|---|---|---|--|--|------------------|-------------|
| | Net assets invested in capital assets \$ <i>[note 12]</i> | Sustainable Future Fund \$ <i>[note 11]</i> | Remediation fund \$ <i>[note 3]</i> | Unrestricted net operating surplus \$ | Total \$ | Total \$ |
| Balance, beginning of year | 150,970 | 800,000 | 524,377 | 779,149 | 2,254,496 | 1,841,052 |
| Excess (deficiency) of revenue over expenses for the year | (95,478) | 286,229 | — | 330,177 | 520,928 | 413,444 |
| Transfer of interest earned on investments to deferred contributions <i>[notes 8 and 11]</i> | — | (286,229) | — | 286,229 | — | — |
| Transfer to remediation fund <i>[note 3]</i> | — | — | 4,036 | (4,036) | — | — |
| Investment in capital assets | 262,032 | — | — | (262,032) | — | — |
| Balance, end of year | 317,524 | 800,000 | 528,413 | 1,129,487 | 2,775,424 | 2,254,496 |

See accompanying notes

IISD Experimental Lakes Area Inc.

Statement of cash flows

Year ended March 31

| | 2021 | 2020 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| Operating activities | | |
| Excess of revenue over expenses for the year | 520,928 | 413,444 |
| Add (deduct) items not affecting cash | | |
| Amortization of capital assets | 95,478 | 86,262 |
| Amortization of capital assets funded by capital contributions | 143,395 | 115,044 |
| Amortization of deferred capital contributions to revenue | (143,395) | (115,044) |
| Sustainable Future Fund | — | (2,176) |
| | <u>616,406</u> | <u>497,530</u> |
| Changes in non-cash working capital balances related to operations | | |
| Grants receivable | 206,926 | (48,463) |
| Accounts receivable | (18,798) | 33,636 |
| Prepaid expenses | 57,373 | (88,116) |
| Accounts payable and accrued liabilities | 188,510 | 157,447 |
| Due to International Institute for Sustainable Development | 49,334 | 2,424 |
| Deferred contributions | (196,534) | 206,174 |
| Cash provided by operating activities | <u>903,217</u> | <u>760,632</u> |
| Investing activities | | |
| Purchase of capital assets | (471,980) | (199,884) |
| Purchase of intangible assets | — | (2,599) |
| Purchase of investments – net | (293,459) | 37,910 |
| Contributions to restricted cash | (4,036) | (11,320) |
| Cash used in investing activities | <u>(769,475)</u> | <u>(175,893)</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 | 514,342 | 683,345 |
| Cash and cash equivalents, beginning of year | <u>1,185,596</u> | <u>502,251</u> |
| Cash and cash equivalents, end of year | <u>1,699,938</u> | <u>1,185,596</u> |

See accompanying notes

IISD Experimental Lakes Area Inc.

Notes to financial statements

March 31, 2021

1. Incorporation, mandate and tax status

IISD Experimental Lakes Area Inc. ["IISD ELA Inc."] was incorporated on August 21, 2013 under the *Canada Not-for-profit Corporations Act* in which International Institute for Sustainable Development ["IISD"] is the sole member. The Experimental Lakes Area ["ELA"] is a freshwater research facility in Northwestern Ontario that has operated as a government research facility over the past 50 years. IISD ELA Inc. assumed control of the management and operations of the Experimental Lakes Area on April 1, 2014. IISD ELA Inc. obtained charitable status in Canada on November 10, 2014.

2. Significant accounting policies

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

Revenue recognition

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

Designated grants revenue

Designated grants must be expended in accordance with the funder's designation. Revenue for grants designated for specific current or future activities is recorded in the accounts as the related expenses are incurred.

Sustainable Future Fund revenue

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

Unrestricted donations revenue

Donations are recognized as revenue when the funds are received.

Amortization of deferred capital contributions

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

Investment income

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

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Other revenue

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

Financial instruments

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

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

Allocation of expenses

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

Investments

Investments include cash, equities, fixed income securities and mutual funds. Investments reported at fair value consist of equity instruments quoted in an active market, mutual funds, and equity instruments not quoted in an active market that IISD ELA Inc. designates upon purchase to be measured at fair value. Transaction costs are recognized in the statement of operations and changes in unrestricted net operating surplus in the period during which they are incurred. Transactions are recorded on a trade date basis.

Cash and cash equivalents

Cash and cash equivalents consists 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,

IISD Experimental Lakes Area Inc.

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and the cost less residual value over the useful life of the asset. Amortization is computed using the straight-line method over the following terms:

| | |
|----------------------------|-----------------------|
| Boats, motors and vehicles | 3 years, no residual |
| Equipment | 5 years, no residual |
| Computer systems | 3 years, no residual |
| Office equipment | 10 years, 5% residual |
| Buildings | 20 years, no residual |
| Leasehold improvements | Remaining term |

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

When conditions indicate that a capital asset is impaired, the net carrying amount of the capital asset shall be written down to the asset's fair value or replacement cost. The write-downs of capital assets shall be accounted for as expenses in the statement of operations and write-downs shall not be reversed. When a capital asset's carrying amount is written down, a corresponding amount of any unamortized deferred contributions related to the capital asset would be recognized as revenue, provided that all restrictions have been complied with.

Intangible assets

Purchased intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. A contributed intangible asset is recognized at its fair value at the date of contribution and subsequently amortized and assessed for impairment. When an estimate of fair value cannot reasonably be made, both the intangible asset and the related contribution would be recognized at nominal value. IISD ELA Inc. purchased the perpetual right, through a bait block purchase, to be the sole harvester of bait fish on specific lakes and streams. Management has determined that its purchase intangible assets have an indefinite useful life and, accordingly, they are not amortized, but are tested for impairment annually. When conditions indicate that an intangible asset is impaired, the net carrying amount of the intangible asset shall be written down to the asset's fair value or replacement cost. The write-downs of intangible assets shall be accounted for as expenses in the statement of operations and a write-down shall not be reversed. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Use of estimates

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the useful lives of capital assets. Actual results could differ from these estimates.

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Recently issued accounting standards

Standards issued but not yet adopted

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 ELA Inc. is currently evaluating the impact that this amendment will have on its 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. 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.

4. Grants receivable

Grants receivable consist of the following:

| | 2021 \$000s | 2020 \$000s |
|---|----------------|----------------|
| Government of Canada [Department of Fisheries and Oceans] | 543 | 659 |
| Genome Canada and Genome Prairie | 353 | 596 |
| Federal Economic Development Initiative for Northern Ontario [FedNor] | 180 | 40 |
| FortWhyte Alive | 90 | 45 |
| Jacor LLC | 82 | 82 |
| Michael Paterson and Gail Asper | 25 | — |
| University of Toronto | 18 | — |
| Ontario Trillium Foundation | 5 | 5 |
| Natural Sciences and Engineering Research Council | — | 73 |
| Department of Canadian Heritage | — | 3 |
| | 1,296 | 1,503 |
| Less current portion | 1,033 | 962 |
| | 263 | 541 |

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5. Investments

Investments consist of the following:

| | 2021 \$000s | 2020 \$000s |
|---|----------------|----------------|
| Common shares, measured at fair value | 603 | 426 |
| Canadian and foreign fixed income, measured at amortized cost | 390 | 324 |
| Mutual funds, measured at fair value | 253 | 202 |
| | 1,246 | 952 |

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 1.78%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 9 years, 10 months and a weighted average yield to maturity of 1.40%.

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:

| | 2021 | | 2020 | |
|----------------------------|----------------|---------------------------------------|----------------|---------------------------------------|
| | Cost \$000s | Accumulated amortization \$000s | Cost \$000s | Accumulated amortization \$000s |
| Boats, motors and vehicles | 572 | 488 | 478 | 422 |
| Equipment | 675 | 421 | 478 | 310 |
| Computer systems | 77 | 76 | 75 | 73 |
| Office equipment | 20 | 13 | 20 | 11 |
| Leasehold improvements | 138 | 126 | 138 | 114 |
| Buildings | 888 | 167 | 831 | 123 |
| Construction in progress | 121 | — | — | — |
| | 2,491 | 1,291 | 2,020 | 1,053 |
| Net book value | 1,200 | | 967 | |

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Construction in progress relates to costs incurred to install two new generator units and transfer switches to replace the old generators in the facility powerhouse. As at March 31, 2021, this generator is in the process of being constructed as such, no amortization was recorded for the year.

7. Government remittances and assistance

- [a] Accounts payable and accrued liabilities include government remittances payable of \$7 thousand [2020 – \$8 thousand].
- [b] Included in other revenue is \$269 thousand [2020 – nil], which represents IISD-ELA's claim for the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy. There are no other unfulfilled or other contingencies attached to the subsidies recognized. Included in accounts receivable as at March 31, 2021 is \$24 thousand [2020 – nil] and \$1 thousand [2020 – nil] in amounts owing to the Organization for claims made under CEWS and CERS, respectively.

8. Deferred contributions

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

| | 2021 \$000s | 2020 \$000s |
|--|----------------|----------------|
| Balance, beginning of year | 1,822 | 1,618 |
| Deferred contributions received | 3,253 | 4,555 |
| Transfer of interest earned from (to) Sustainable Future Fund <i>[note 11]</i> | 286 | (48) |
| Amounts amortized to revenue | (3,735) | (4,303) |
| Balance, end of year | 1,626 | 1,822 |

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

| | 2021 | 2020 |
|---|--------------|-------------|
| | \$000s | \$000s |
| Genome Canada and Genome Prairie | 444 | 624 |
| Government of Canada [Department of Fisheries and Oceans] | 341 | 292 |
| Sustainable Future Fund | 384 | 98 |
| FortWhyte Alive | 158 | 114 |
| Jacor LLC | 67 | 69 |
| Natural Sciences and Engineering Research Council | 61 | 135 |
| Ontario Trillium Foundation | 50 | 50 |
| Azrieli Foundation | 45 | 50 |
| McLean Foundation | 19 | — |
| James A. Richardson Foundation | 13 | — |
| MakeWay Foundation | 12 | — |
| Michael Paterson and Gail Asper | 9 | — |
| University of Toronto | 7 | — |
| Canadian Energy Pipeline Association | 5 | 70 |
| Canadian Association of Petroleum Producers | 5 | 34 |
| Other Restricted Donations | 3 | 4 |
| Estate of Robert Cooke | 3 | 3 |
| RBC Foundation | — | 221 |
| Department of Canadian Heritage | — | 33 |
| Manitoba Hydro | — | 25 |
| | 1,626 | 1,822 |
| Less current portion | 1,461 | 1,380 |
| | 165 | 442 |

The deferred contributions are mainly intended to fund diluted bitumen studies, long-term monitoring and research on indicators of fish productivity, freshwater science literacy, summer students visiting and working onsite, First Nations outreach and research infrastructure.

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:

| | 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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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 | — |
| Government of Canada [Department of Fisheries and Oceans] | 16 | 22 |
| Thomas Sill Foundation | 15 | 25 |
| Genome Canada and Genome Prairie | 14 | 18 |
| The Winnipeg Foundation | 12 | — |
| Canadian Association of Petroleum Producers | 5 | 9 |
| | 1,039 | 802 |

10. Commitments

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

11. Sustainable Future Fund

The Sustainable Future Fund was created with the initial donation of capital of \$250 thousand by a private donor. This initial donation, the “Original Capital,” was fully expended at March 31, 2017 as per the donation agreement. In prior years, the fund received “Additional Capital” of \$800 thousand. All Additional Capital is to be permanently retained. To the extent possible, the interest earned from the Additional Capital will be used to support two to three summer students each year, as per the agreement. During the prior year, the agreement with the funder was amended to allow for the interest earned on the fund to support the ongoing efforts of the IISD-ELA Inc.’s Education and Outreach program of activities, particularly emphasizing the involvement of Canadian university student researchers.

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 5].

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Notes to financial statements

March 31, 2021

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:

| | 2021 \$000s | 2020 \$000s |
|--------------------------------|----------------|----------------|
| Amortization of capital assets | (95) | (86) |
| Purchase of capital assets | 262 | 114 |
| | <u>167</u> | <u>28</u> |

13. Financial instruments and risk management

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

Interest rate risk

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

IISD ELA Inc. is exposed to interest rate risk with respect to its fixed income investments as well as fixed income mutual funds that hold fixed income securities because the fair value of the investments will fluctuate due to changes in market interest rates.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. Credit risk related to IISD ELA Inc.'s grants receivable and accounts receivable is mitigated by the fact that the majority of the receivables are due from established entities as outlined in note 4. The carrying value reflects management's assessment of the associated maximum exposure to such credit risk.

Currency risk

Currency risk is the risk that arises from fluctuations in currency exchange rates, and the degree of volatility of these rates. Since IISD ELA Inc.'s cash inflows and outflows are mainly in Canadian dollars, the exposure to currency risk is insignificant. IISD ELA Inc. does not use derivative instruments to reduce its exposure to foreign currency risk.

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

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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 \$18 thousand [2020 – \$33 thousand] and incurred \$443 thousand in expenses under a shared services agreement with IISD [2020 – \$476 thousand], in addition to \$187 thousand of additional services provided by IISD [2020 – \$150 thousand]. At March 31, 2021, IISD ELA Inc. has an amount owing to IISD of \$74 thousand [2020 – \$25 thousand]. This amount owing to IISD represents the expenses incurred in the last month of the year due as at March 31 and accordingly the balances are non-interest bearing.

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

15. Economic dependence

IISD ELA Inc. has funding agreements with the Government of Ontario and the Government of Canada [Department of Fisheries and Oceans] ending March 31, 2021 and March 31, 2022 for \$2.0 million and \$1 million, respectively, each year. IISD ELA Inc. also has other funding agreements with Department of Fisheries and Oceans ending on March 31, 2023 for \$780 thousand, and for which \$144 thousand of revenue had been recognized for the year. These designated grants account for 71% of the total revenue in the current year [2020 – 66%]. In March 2021, an eight-month extension of the current funding agreement with the Government of Ontario was signed providing funding for \$1.5 million. Negotiations are currently ongoing with the Province of Ontario for a new five-year funding agreement.

16. IISD ELA Inc. Endowment Fund

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

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

As of March 31, 2021, the fund had a market value of \$1.1 million [2020 – \$603 thousand].

Notes to financial statements

March 31, 2021

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 ELA Inc 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 ability to contain outbreaks and the timing of vaccinations. IISD-ELA obtained financial assistance through the Canadian governments CEWS and CERS program. 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 ELA Inc. in future periods.