

# International Institute for Sustainable Development

Consolidated financial statements  
March 31, 2019



# 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** [the "Organization"], which comprise the consolidated statement of financial position as at March 31, 2019, 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 the Organization as at March 31, 2019, 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 the Organization 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 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 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 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 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 the Organization 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 21, 2019

*Ernst & Young LLP*

Chartered Professional Accountants



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International Institute for Sustainable Development

Consolidated statement of financial position

As at March 31

	2019	2018
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	6,368,060	4,594,596
Restricted cash [note 3]	541,925	533,435
Accounts receivable [note 4]	26,035,412	22,669,076
Prepaid expenses	357,376	372,390
<b>Total current assets</b>	<b>33,302,773</b>	<b>28,169,497</b>
Accounts receivable [note 4]	14,881,430	15,171,200
Investments [note 7]	6,754,741	6,053,771
Capital assets, net [note 8]	1,076,080	1,220,044
Intangible assets	25,985	25,985
<b>Total assets</b>	<b>56,041,009</b>	<b>50,640,497</b>
<b>Liabilities and net assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities [note 6]	2,879,678	2,916,412
Deferred contributions [note 9]	27,419,612	23,014,397
<b>Total current liabilities</b>	<b>30,299,290</b>	<b>25,930,809</b>
Deferred contributions [note 9]	15,066,028	15,301,146
Deferred capital contributions [note 10]	818,422	890,769
<b>Total liabilities</b>	<b>46,183,740</b>	<b>42,122,724</b>
Commitments [note 12]		
<b>Net assets</b>		
Net assets invested in capital assets [note 13]	230,430	307,171
Reserve for program development [note 16]	2,780,886	3,249,589
IISD ELA Sustainable Future Fund [note 5]	800,000	800,000
Remediation fund [note 3]	513,056	504,436
Unrestricted net operating assets	5,532,897	3,656,577
<b>Total net assets</b>	<b>9,857,269</b>	<b>8,517,773</b>
	<b>56,041,009</b>	<b>50,640,497</b>

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

	2019	2018
	\$	\$
<b>Revenue</b> <i>[note 5]</i>		
Designated grants	27,882,503	25,501,761
Operating grants	724,540	1,124,540
Other	1,019,437	654,818
IISD ELA Sustainable Future Fund <i>[note 5]</i>	5,769	5,820
Investment income	197,440	213,839
	<b>29,829,689</b>	<b>27,500,778</b>
<b>Expenses</b> <i>[schedule 1]</i>		
Programs		
Economic Law & Policy	7,687,393	6,949,117
Water	4,553,629	4,163,920
Resilience	3,878,570	3,647,297
Reporting Services	4,193,148	3,849,013
Energy	3,085,075	3,257,321
SDG Knowledge	1,182,650	1,064,087
Climate Change	425,030	—
China	66,816	43,814
Innovation Fund	88,945	63,368
Program Development	139,706	—
	<b>25,300,962</b>	<b>23,037,937</b>
Corporate and shared services <i>[note 11]</i>	<b>3,189,231</b>	<b>3,251,282</b>
	<b>28,490,193</b>	<b>26,289,219</b>
<b>Excess of revenue over expenses for the year</b>	<b>1,339,496</b>	<b>1,211,559</b>
Appropriation to (from) unrestricted net operating assets		
Change in net assets invested in remediation fund <i>[note 3]</i>	(8,620)	(61,786)
Change in net assets invested in program development <i>[note 16]</i>	468,703	—
Change in net assets invested in capital assets <i>[note 13]</i>	76,741	(18,607)
<b>Increase in unrestricted net operating assets</b>	<b>1,876,320</b>	<b>1,131,166</b>
Unrestricted net operating assets, beginning of year	<b>3,656,577</b>	<b>2,525,411</b>
<b>Unrestricted net operating assets, end of year</b>	<b>5,532,897</b>	<b>3,656,577</b>

See accompanying notes

International Institute for Sustainable Development

Consolidated statement of changes in net assets

Year ended March 31

	Net assets invested in capital assets <i>[note 13]</i> \$	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 2019 \$	Total 2018 \$
<b>Balance, beginning of year</b>	<b>307,171</b>	<b>3,249,589</b>	<b>800,000</b>	<b>504,436</b>	<b>3,656,577</b>	<b>8,517,773</b>	7,256,214
Excess (deficiency) of revenue over expenses for the year	(110,301)	—	80,078	—	1,369,719	1,339,496	1,211,559
Transfer of interest earned on investments to deferred contributions <i>[note 5]</i>	—	—	(80,078)	—	80,078	—	—
Contributions received	—	—	—	—	—	—	50,000
Transfer from reserve <i>[note 16]</i>	—	(468,703)	—	—	468,703	—	—
Transfer to remediation fund <i>[note 3]</i>	—	—	—	8,620	(8,620)	—	—
Net investment in capital assets	33,560	—	—	—	(33,560)	—	—
<b>Balance, end of year</b>	<b>230,430</b>	<b>2,780,886</b>	<b>800,000</b>	<b>513,056</b>	<b>5,532,897</b>	<b>9,857,269</b>	8,517,773

See accompanying notes

## International Institute for Sustainable Development

### Consolidated statement of cash flows

Year ended March 31

	2019	2018
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses for the year	1,339,496	1,211,559
Add (deduct) items not affecting cash		
Amortization of capital assets	110,301	138,177
Amortization of capital assets funded by capital contributions	119,706	107,375
Amortization of deferred capital contributions to revenue	(119,706)	(107,375)
Gain on sale of capital assets	—	(13,678)
IISD ELA Sustainable Future Fund revenue	(5,769)	(5,820)
	<u>1,444,028</u>	1,330,238
Changes in non-cash working capital balances related to operations		
Accounts receivable	(3,076,566)	(211,450)
Prepaid expenses	15,014	(78,763)
Accounts payable and accrued liabilities	(36,734)	898,219
Deferred contributions	4,175,866	(2,411,510)
<b>Cash provided by (used in) operating activities</b>	<u>2,521,608</u>	(473,266)
<b>Investing activities</b>		
Proceeds from sale of assets	—	13,678
Purchase of capital assets	(86,043)	(305,637)
Purchase of investments, net	(700,970)	(328,246)
Contributions to restricted cash	(8,490)	(62,128)
<b>Cash used in investing activities</b>	<u>(795,503)</u>	(682,333)
<b>Financing activities</b>		
Capital contributions received	47,359	126,749
Contributions received for the IISD ELA Sustainable Future Fund	—	50,000
<b>Cash provided by financing activities</b>	<u>47,359</u>	176,749
<b>Net increase (decrease) in cash during the year</b>	<u>1,773,464</u>	(978,850)
Cash, beginning of year	4,594,596	5,573,446
<b>Cash, end of year</b>	<u>6,368,060</u>	4,594,596

See accompanying notes



## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 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 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, 2019, IISD – Europe had a deficit of \$812 [2018 – net income of \$487].

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, 2019, IISD ELA Inc. had a net income of \$322 thousand [2018 – \$139 thousand].

##### Revenue recognition

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

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### *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.

#### *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 the original capital 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, and lab analysis and facility fees and in the case of Corporate and Shared Services costs, the net foreign exchange loss recognized as of March 31, 2019. 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. Lab analysis and facility fees are recognized on an accrual basis when incurred and collection is reasonably assured.

#### **Financial instruments**

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

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

#### **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.

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 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 fixed income securities and equity instruments not quoted in an active market that the organization 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 consists of cash deposits and short-term investments with an original term of 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

Capital assets are recorded at cost. Amortization, which is based on the cost less the residual value over the useful life of the asset, 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

#### Intangible assets

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. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. 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 the estimated percentage of completion. Actual results could differ from these estimates.

#### Publication production costs

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

# International Institute for Sustainable Development

## Notes to consolidated financial statements

March 31, 2019

### 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 New Project Development activities as well as any additional initiatives the Board may authorize from time to time.

### Recently issued accounting standards

#### *Standards issued but not yet adopted*

Section 4433, *Tangible capital assets held by not-for-profit organizations* and Section 4434, *Intangible assets held by not-for-profit organizations*

Section 4433 and Section 4434 prescribe that not-for-profit organizations follow the guidance in Accounting Standards for Private Enterprises ["ASPE"] Sections 3061, *Property, Plant and Equipment*, Section 3064, *Goodwill and Intangible Assets*, and Section 3310, *Asset Retirement Obligations*, except for not-for-profit organizations specific guidance included in Section 4433 and Section 4434 on contributed assets and write-downs of assets. Applying Section 3061 would include considering the guidance on asset componentization. Additionally, a tangible capital asset or intangible asset is written down to its fair value or replacement cost to reflect a partial impairment of the asset when conditions indicate that the asset:

- No longer contributes to a not-for-profit organizations' ability to provide goods or services; or
- The value of future economic benefits or service potential associated with the asset is less than its net carrying amount.

Section 4433 and Section 4434 provide examples of conditions that may indicate impairment and any impairment would be disclosed in accordance with the requirements in ASPE Section 3063, *Impairment of Long-lived Assets*. These standards are applied prospectively in accordance with Section 1506, *Accounting Changes*, except as permitted by the transitional provisions. These standards will be effective for fiscal years beginning on or after January 1, 2019. IISD is currently evaluating the impact that these new standards will have on its consolidated financial statements.

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### Section 4460, *Disclosure of Related Party Transactions*

Section 4460 had one amendment effective for periods beginning on or after January 1, 2020 [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. 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. 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 \$9 thousand [2018 – \$5 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, 2019, the account holds \$29 thousand, which is recorded as restricted cash [2018 – \$29 thousand].

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 4. Accounts receivable

The principal components of accounts receivable are summarized below:

	2019	2018
	\$000's	\$000's
<b>Accounts receivable – short term</b>		
Government agencies		
Canada	5,349	7,509
International*	14,874	12,846
United Nations agencies	857	535
International organizations	1,118	405
Philanthropic foundations	2,553	564
Private sector and other	1,148	810
Other receivables	137	—
	<b>26,036</b>	<b>22,669</b>
<b>Accounts receivable – long term</b>		
Government agencies		
Canada	7,420	8,510
International*	5,920	6,430
Philanthropic foundations	1,541	—
Private sector and other	—	231
	<b>14,881</b>	<b>15,171</b>
<b>Total accounts receivable</b>	<b>40,917</b>	<b>37,840</b>

\* In December 2018, IISD entered into a funding agreement with the Department for International Development ["DFID"] to support regional and international tax initiatives for \$3.9 million [\$2.25 million GBP] over four years of which nil has been collected or invoiced as at March 31, 2019. 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 \$3.9 million, \$1 million is classified as current accounts receivable and \$2.9 million is classified as long-term accounts receivable as at March 31, 2019.

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 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:

	<b>Funding commitments</b>	
	<i>[schedule 2]</i>	
	<b>2019</b>	<b>2018</b>
	\$000's	\$000's
Governments and agencies		
Canada	<b>5,925</b>	7,758
International	<b>13,879</b>	9,566
	<b>19,804</b>	17,324
United Nations agencies	<b>1,429</b>	1,142
International organizations	<b>2,788</b>	1,258
Philanthropic foundations	<b>6,696</b>	2,987
Private sector and other	<b>1,448</b>	1,490
	<b>32,165</b>	24,201

Designated grants, IISD ELA Inc. Sustainable Future Fund and other revenue are summarized by activity area as follows. Other revenue includes unrestricted donations, amortization of deferred capital contributions, in-kind contributions, cost recoveries and in the case of Corporate and Shared Services costs, the net foreign exchange loss recognized on March 31, 2019 in the amount of \$132 thousand [2018 – \$47 thousand].

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

Activity area	Designated	IISD ELA Sustainable	Other	2019	2018
	grants	Future	revenue	Total	Total
	\$000's	Fund	\$000's	\$000's	\$000's
		\$000's			
Economic Law & Policy	8,808	—	132	8,940	7,669
Water	4,540	6	681	5,227	4,865
Resilience	4,659	—	57	4,716	4,268
Reporting Services	4,255	—	16	4,271	4,384
Energy	3,459	—	32	3,491	3,509
SDG Knowledge	1,440	—	37	1,477	1,388
Climate Change	570	—	8	578	—
China	—	—	95	95	—
Corporate and Shared Services	152	—	(39)	113	79
	<b>27,883</b>	<b>6</b>	<b>1,019</b>	<b>28,908</b>	<b>26,162</b>

#### IISD ELA Inc. 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 the 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 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.

Expenses amounting to \$6 thousand were incurred during fiscal 2019 [2018 – \$6 thousand], resulting in revenue of that amount being recorded to match the expenses incurred. The current year investment income earned on the Additional Capital of \$80 thousand was recorded in deferred contributions [2018 – \$73 thousand].

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

#### Operating grants

IISD has a funding agreement with the Government of Manitoba for a five-year period ending March 31, 2019. In May 2019 a new five-year agreement was signed with the Province of Manitoba for \$6.5 million, of which \$3.8 million is directed to core operations [note 17]. Both agreements provide for a blend of operating grant and contributions in support of research that is consistent with the interests and priorities of Manitoba.



## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

A summary of the operating grant funding is as follows:

	<b>Funding commitment</b>	<b>Funding recorded</b>		<b>Funding commitment remaining</b>
	\$000's	<b>2019</b>	<b>Prior years</b>	\$000's
		\$000's	\$000's	\$000's
				<i>[note 17]</i>
Government of Manitoba	4,348	<b>724</b>	3,624	—
<b>Operating grants revenue</b> <i>[note 2]</i>	<b>4,348</b>	<b>724</b>	<b>3,624</b>	—

#### 6. Government remittances payable

Accounts payable and accrued liabilities include government remittances payable of \$25 thousand [2018 – \$18 thousand].

#### 7. Investments

Investments consist of the following:

	<b>2019</b>	<b>2018</b>
	\$000's	\$000's
Cash	<b>533</b>	486
Common shares, measured at fair value	<b>1,044</b>	922
Fixed income, measured at amortized cost	<b>4,369</b>	3,883
Mutual funds, measured at fair value	<b>809</b>	763
	<b>6,755</b>	6,054

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 8 years, 8 months and a weighted average yield to maturity of 2.34%.

Foreign fixed income investments consist of bonds that have a weighted average term to maturity of 4 years, 1 month and a weighted average yield to maturity of 2.32%.

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.

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 8. Capital assets

The categories of capital assets are summarized as follows:

	2019		2018	
	Cost \$000's	Accumulated amortization \$000's	Cost \$000's	Accumulated amortization \$000's
Boats, motors and vehicles	421	363	380	298
Equipment	377	233	344	158
Computer systems	147	142	142	131
Office equipment	154	102	149	92
Leasehold improvements	244	140	244	113
Buildings	794	81	794	41
	<b>2,137</b>	<b>1,061</b>	<b>2,053</b>	<b>833</b>
<b>Net book value</b>		<b>1,076</b>		<b>1,220</b>

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

	2019		2018	
	Additions \$000's	Disposals \$000's	Additions \$000's	Disposals \$000's
Boats, motors and vehicles	43	2	87	35
Equipment	33	—	111	—
Computer systems	5	—	6	—
Office equipment	5	—	—	—
Leasehold improvements	—	—	12	—
Buildings	—	—	90	—
Construction in progress	—	—	—	—
	<b>86</b>	<b>2</b>	<b>306</b>	<b>35</b>

#### 9. Deferred contributions

Deferred contributions are amounts by which recorded funding commitments exceed the revenue recognized as Designated or Operating grants.

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

The principal components of deferred contributions are summarized below:

	<b>2019</b>	<b>2018</b>
	\$000's	\$000's
<b>Designated grants</b>		
Government agencies		
Canada	<b>12,497</b>	14,761
International	<b>21,472</b>	19,527
United Nations agencies	<b>544</b>	316
International organizations	<b>835</b>	423
Philanthropic foundations	<b>5,922</b>	2,108
Private sector and other	<b>1,216</b>	1,181
	<b>42,486</b>	38,316
Less current	<b>27,420</b>	23,015
<b>Long-term</b>	<b>15,066</b>	15,301

#### 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:

	<b>2019</b>	<b>2018</b>
	\$000s	\$000s
<b>Balance, beginning of year</b>	<b>891</b>	871
Capital contributions	<b>47</b>	127
Amounts amortized to revenue	<b>(120)</b>	(107)
<b>Balance, end of year</b>	<b>818</b>	891

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

	<b>2019</b>	<b>2018</b>
	\$000s	\$000s
Michael Paterson and Gail Asper	<b>625</b>	663
Richardson Foundation	<b>88</b>	124
Manitoba Hydro	<b>51</b>	52
Thomas Sill Foundation	<b>15</b>	30
Government of Canada [Department of Fisheries and Oceans]	<b>15</b>	17
Canadian Association of Petroleum Producers	<b>14</b>	5
Other restricted donations	<b>10</b>	—
	<b>818</b>	891

**International Institute for Sustainable Development**

**Notes to consolidated financial statements**

March 31, 2019

**11. Corporate and shared services**

The categories of corporate and shared services are summarized as follows:

	<b>Administration</b>	<b>Executive</b>	<b>Communications</b>	<b>Geneva office</b>	<b>Institutional planning</b>	<b>Fundraising</b>	<b>2019</b>	<b>2018</b>
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Personnel	<b>748</b>	<b>553</b>	<b>252</b>	<b>168</b>	<b>15</b>	<b>53</b>	<b>1,789</b>	2,024
Board – expenses	<b>145</b>	—	—	—	—	—	<b>145</b>	76
Travel	<b>9</b>	<b>65</b>	<b>15</b>	—	<b>16</b>	<b>4</b>	<b>109</b>	166
Publishing	<b>2</b>	—	<b>20</b>	—	—	—	<b>22</b>	24
Consulting	<b>31</b>	<b>7</b>	<b>173</b>	<b>8</b>	—	<b>57</b>	<b>276</b>	176
Meetings	<b>1</b>	<b>4</b>	<b>8</b>	—	<b>3</b>	—	<b>16</b>	14
Supplies and other	<b>213</b>	<b>24</b>	<b>49</b>	<b>40</b>	<b>4</b>	<b>3</b>	<b>333</b>	237
Research material	<b>4</b>	—	—	—	—	—	<b>4</b>	9
Telecommunications	<b>33</b>	<b>5</b>	<b>2</b>	<b>7</b>	—	—	<b>47</b>	67
Office rent	<b>268</b>	—	—	<b>160</b>	—	—	<b>428</b>	435
Amortization	<b>20</b>	—	—	—	—	—	<b>20</b>	23
	<b>1,474</b>	<b>658</b>	<b>519</b>	<b>383</b>	<b>38</b>	<b>117</b>	<b>3,189</b>	3,251

## International Institute for Sustainable Development

### Notes to consolidated financial statements

March 31, 2019

#### 12. Commitments

[a] IISD is obligated to make payments under various operating leases over the next three years as follows:

	\$000's
2020	400
2021	274
2022	274
	<u>948</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, 2019, there was a balance of nil [2018 – nil] outstanding under this credit facility.

[c] IISD has an outstanding letter of guarantee from Canadian Imperial Bank of Commerce in the amount of \$265 thousand USD [2019 – \$354 thousand CAD and 2018 – \$342 thousand CAD], expiring April 30, 2019, as performance security under its reporting services agreement 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:

	2019 \$000's	2018 \$000's
Amortization of capital assets	(110)	(138)
Purchase of capital assets	34	157
	<u>(76)</u>	19

#### 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.

As of March 31, 2019, the IISD Endowment Fund had a market value of \$79 thousand [2018 – \$75 thousand], and the IISD ELA Inc. Endowment Fund had a market value of \$164 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.

## **Notes to consolidated financial statements**

March 31, 2019

### **15. Financial instruments**

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 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.

The Board of Directors has internally restricted net assets in the reserve for program development of \$3.2 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 \$535 thousand towards Corporate and Program development [2018 – nil]. At March 31, 2019, \$469 thousand was expended.

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

**International Institute for Sustainable Development**

**Notes to consolidated financial statements**

March 31, 2019

**17. Subsequent events**

In May 2019, a new five-year agreement was signed with the Province of Manitoba for \$6.5 million, of which \$3.8 million is directed to core operations *[note 5]*.

**18. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.





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

[Expressed in thousands of dollars]

Year ended March 31, 2019

		\$
Government of Canada [and agencies]		
Department of Fisheries and Oceans Canada (DFO)		1,000
International Development Research Centre (IDRC)		727
Environment Canada		470
Natural Sciences and Engineering Research Council (NSERC)		185
Natural Resources Canada		112
Minister of Families, Children and Social Development		85
Ministry of Fisheries and Oceans Canada		32
		<b>2,611</b>
Governments of provinces or territories		
Yukon		36
Alberta		480
Manitoba		768
Ontario		2,030
		<b>3,314</b>
Governments of other nations		
Austria		
Federal Ministry of Sustainability and Tourism		100
Belgium		
European Union	10	
Ministry of National Planning, Environment and Mobility	95	105
China		
China Council for International Cooperation on Environment and Development		46
European Union		1,267
Finland		
Ministry of the Environment		40
France		
Ministry of Europe and Foreign Affairs		235
Germany		
Deutsche Gesellschaft Fur Internationale Zusammenarbeit (GIZ)	1,453	
Federal Ministry for the Environment, Nature Conservation and Nuclear Safety	304	1,757
Italy		
Italian Ministry for the Environment, Land and Sea (IMELS)		225
Korea		
Korea Meteorological Administration		12
Monaco		
La Fondation Prince Albert II de Monaco	40	
Monaco Ministry of Foreign Affairs	22	62
Namibia		
Government of Namibia		89
Netherlands		
Ministry of Foreign Affairs		38
New Zealand		
Ministry of Foreign Affairs and Trade		144
Norway		
Norwegian Environment Agency	40	

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

[Expressed in thousands of dollars]

Year ended March 31, 2019

		<u>\$</u>
Norwegian Ministry of Foreign Affairs	1,588	1,628
Qatar		
Ministry of Municipality and Environment		6
Saudi Arabia		
The Kingdom of Saudi Arabia		265
Sweden		
Ministry for Foreign Affairs	131	
Swedish Ministry of the Environment and Energy	568	699
Switzerland		
Federal Department of Foreign Affairs	13	
Swiss Agency for Development and Cooperation	3,255	
The Swiss Confederation	41	3,309
Singapore		
The Permanent Mission of Singapore to the United Nations		20
United Arab Emirates		
Environment Agency		21
United Kingdom		
Department for International Development (DFID)		3,797
United States		
United States Forest Service		14
		<u>13,879</u>
United Nations [and UN agencies]		
United Nations Environment Programme (UNEP)		720
The Food and Agriculture Organization of the United Nations (FAO)		274
United Nations Development Program		155
United Nations Economic Commission for Africa (UNECA)		78
United Nations Office for Project Services		40
United Nations Economic Commission for Europe		39
United Nations Office for Disaster Risk Reduction		34
International Tropical Timber Organization		26
Secretariat of the Convention on Biological Diversity		21
World Health Organization (WHO)		20
United Nations Convention to Combat Desertification		10
Others [under \$10,000]		12
		<u>1,429</u>
International Organizations		
World Bank		949
International Food Policy Research Institute		692
European Climate Foundation (ECF)		240
AECOM Limited		236
Oil Change International		119
Global Environment Facility (GEF)		110
Institut de la Francophonie pour le développement durable (IFDD)		60
International Bamboo and Rattan Network		60

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

[Expressed in thousands of dollars]

Year ended March 31, 2019

	\$
Organisation for Economic Co-operation and Development	37
Southern African Development Community	36
The Ramsar Convention Secretariat	33
South Pacific Regional Fisheries Management Organisation	28
XL Catlin	24
International Union for Conservation of Nature	20
University of Central Asia	18
Ocean and Climate Platform	18
VITO NV	13
Natural Resources Defense Council, Inc.	13
Global Green Growth Institute	10
Others [under \$10,000]	72
	<b>2,788</b>
<b>Philanthropic Foundations</b>	
Bill & Melinda Gates Foundation	3,253
Mava Fondation Pour La Nature	1,311
The PEW Charitable Trusts	722
RBC Foundation	500
Community Foundations of Canada (CFC)	273
The Overseas Development Institute (ODI)	191
Swedish Postcode Foundation	183
Fort Whyte Foundation	86
Azrieli Foundation	50
McConnell Foundation	40
METCALF Foundation	40
Heinrich Boll Foundation	15
Oceano Azul Foundation	14
United Nations Foundation	13
Others [under \$10,000]	5
	<b>6,696</b>
<b>Private Sector and Other</b>	
The Finnish Innovation Fund	227
Clean Economy Fund	150
World Resources Institute	137
Taipei Economic and Cultural Office in New York (TECO)	137
Jacor LLC	100
Canadian Energy Pipeline Association (CEPA)	95
Canadian Association of Petroleum Producers (CAPP)	95
Anonymous	80
Inter-American Development Bank	53
United Way	48
Eau Vive Internationale	46
TMG Research gGmbH	41
Others [under \$10,000]	31
Institute of Geographic Sciences and Natural Resources Research (IGSNRR-CAS)	28

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

[Expressed in thousands of dollars]

Year ended March 31, 2019

	<u>\$</u>
Manitoba Habitat Heritage Corporation	25
FortWhyte Alive (FWA)	24
Institute for Global Environmental Strategies	23
Insurance Bureau of Canada	20
Boreal Songbird Initiative (BSI)	17
Varda B.V.	16
Centre for International Climate and Environmental Research	15
Delta Electronics	14
Michael Paterson and Gail Asper	13
National Marine Biodiversity Institute of Korea	13
	<u>1,448</u>
	<u><b>32,165</b></u>