

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2022

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

DECEMBER 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditor's report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Financial Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

INDEPENDENT AUDITORS' REPORT

To the Members of Global Risk Institute In Financial Services:

Opinion

We have audited the financial statements of Global Risk Institute In Financial Services ("GRI"), which comprise the statement of financial position as at December 31, 2022 and the statements of financial activities and 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 GRI as at December 31, 2022 and the results of its operations and 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 GRI 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 these 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 these financial statements, management is responsible for assessing GRI's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate GRI or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing GRI'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 GRI'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 GRI'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 GRI 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.

Rosenswig McRae Thorpe LLP

Toronto, Canada
April 26, 2023

Chartered Professional Accountants
Licensed Public Accountants

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

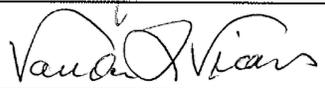
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 10,116,213	\$ 9,513,013
Investments (Note 4)	2,136,764	2,151,616
Accounts receivable	686,842	228,951
Prepaid expenses	<u>77,776</u>	<u>61,404</u>
	13,017,595	11,954,984
Property and equipment (Note 5)	314,738	19,223
Investments (Note 4)	6,551,366	8,838,318
Website (Note 6)	<u>249,188</u>	<u>-</u>
	<u>\$ 20,132,887</u>	<u>\$ 20,812,525</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 495,288	\$ 341,591
Deferred membership fees	206,792	137,000
Deferred contributions (Note 7)	1,300,000	1,300,000
Tenant inducement (Note 8)	<u>116,356</u>	<u>-</u>
	2,118,436	1,778,591
Deferred contributions (Note 7)	<u>8,750,000</u>	<u>10,050,000</u>
	<u>10,868,436</u>	<u>11,828,591</u>
NET ASSETS		
Net assets	<u>9,264,451</u>	<u>8,983,934</u>
	<u>\$ 20,132,887</u>	<u>\$ 20,812,525</u>

Approved on behalf of the Board:


_____, CEO


_____, Treasurer

See accompanying notes.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Membership fees	\$ 2,872,708	\$ 2,627,083
Federal funding	1,250,000	1,250,000
Provincial funding	1,000,000	1,000,000
Interest and other income (Note 4)	<u>294,721</u>	<u>138,789</u>
	<u>5,417,429</u>	<u>5,015,872</u>
Expenditures		
Salaries and benefits	2,895,438	2,689,475
Contractor and consulting fees	632,619	645,332
Research projects	513,877	583,756
Occupancy costs	305,281	273,908
Travel and events	261,100	79,071
Office and general	190,549	148,577
Member relations and communication	94,022	104,226
Education programs	63,108	57,651
Professional fees	49,426	35,158
Amortization	<u>131,492</u>	<u>30,022</u>
	<u>5,136,912</u>	<u>4,647,176</u>
Excess of revenues over expenditures for the year	280,517	368,696
Fund balance, beginning of year	<u>8,983,934</u>	<u>8,615,238</u>
Fund balance, end of year	<u>\$ 9,264,451</u>	<u>\$ 8,983,934</u>

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 280,517	\$ 368,696
Items not affecting cash:		
Amortization	131,492	30,022
Loss on disposals	-	6,775
Amortization of investment premiums	<u>193,805</u>	<u>146,946</u>
	605,814	552,439
Adjustments for:		
Increase in accounts receivable	(457,891)	(227,603)
(Increase) decrease in prepaid expenses	(16,372)	3,704
Increase in accounts payable and accrued liabilities	153,697	5,409
Increase in tenant inducement	116,356	-
Increase in deferred membership fees	69,792	72,917
(Decrease) increase in deferred contributions	<u>(1,300,000)</u>	<u>11,350,000</u>
	<u>(828,604)</u>	<u>11,756,866</u>
Cash flows used in investing activities		
Purchase of property and equipment and website	(676,196)	(20,651)
Net purchase of investments	<u>2,108,000</u>	<u>(11,136,880)</u>
Cash flows used in investing activities	<u>1,431,804</u>	<u>(11,157,531)</u>
Increase (decrease) in cash and cash equivalents	603,200	599,335
Cash and cash equivalents, beginning of year	<u>9,513,013</u>	<u>8,913,678</u>
Cash and cash equivalents, end of year	<u>\$ 10,116,213</u>	<u>\$ 9,513,013</u>

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Nature of operations

The Global Risk Institute in Financial Services (the "Organization") was incorporated in 2011 as a not-for profit organization whose purpose is the continuous improvement of the financial services sector through applied research into the integrative management of risks, the advancement of risk education, professional development for practitioners, executives and boards, and the ongoing examination of the mutual interests of the financial services sector and public policy makers.

The Organization is a public-private partnership that is a collaborative effort between the financial services industry and the governments of Canada and Ontario.

As a not-for profit organization, the Organization is exempt from income taxes under section 149(1) of the income tax act.

2. Summary of significant accounting policies

The Organization has elected to apply the standards in Part III of the CPA Canada Handbook, referred to as Canadian Accounting Standards for Not-for-Profit Organizations ("ASNPO"). These financial statements have been prepared by management and the significant accounting policies are summarized as follows:

a) Accrual basis of accounting

Expenditures are recorded on the accrual basis, whereby they are reflected in the financial statements in the period in which they have been incurred, whether or not such transactions have been finally settled by payment of money.

b) Cash and cash equivalents

Cash and cash equivalents consists of cash, term deposits and guaranteed investment certificates ("GICs").

c) Revenue recognition

i) Membership fees are for twelve months and are recognized evenly over the course of the twelve month period.

ii) Federal and provincial funding are recognized evenly over the terms of the agreements.

iii) Interest and other income are recognized when earned.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. Summary of significant accounting policies (continued)

d) Investments

Investments are initially recorded at fair value and subsequently at amortized cost. The assets are held until maturity and any premium or discount are amortized on a straight line basis over the life of the instrument.

e) Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is charged to earnings at rates that, in the opinion of management, allocate the cost of such assets over their estimated useful lives. The Organization records amortization using the following annual rates:

Leasehold improvements	-	Straight-line over the lease term
Furniture and fixtures	-	60 months straight-line
Computer equipment	-	24 to 48 months straight-line

g) Website

The Organization's definite-lived intangibles are amortized on a straight-line basis over 48 months. Management believes that no events or circumstances have indicated an impairment in assets.

h) Tenant inducement

Tenant inducements received for entering into long-term leases are amortized on a straight-line basis over the term of the lease, are recorded as a reduction in occupancy costs and are carried at the inducement amount less accumulated amortization.

3. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
Cash	\$ 922,795	\$ 526,782
Term deposits	2,918,122	3,736,231
GICs	<u>6,275,296</u>	<u>5,250,000</u>
	<u>\$ 10,116,213</u>	<u>\$ 9,513,013</u>

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

3. Cash and cash equivalents (continued)

Term deposits and GICs earn interest ranging from 1.00% to 4.11% with maturity from January 2023 to June 2023. Term deposits and GICs that have matured subsequent to year end have either been reinvested into the same instruments or invested into bonds as described in note 4. Cash amounts are invested in savings and chequing accounts at a Canadian Deposit Insurance approved financial institution.

As at December 31, 2022, \$10,256,792 (2021 - \$11,487,000) of cash and investments (described in Note 4) are restricted relating to federal and provincial funding as described in Note 7 and membership fees.

4. Investments

	<u>2022</u>	<u>2021</u>
Investments, at cost	\$ 8,881,935	\$ 11,136,880
Amortization of premium	<u>(193,805)</u>	<u>(146,946)</u>
Carrying amount	<u>\$ 8,688,130</u>	<u>\$ 10,989,934</u>

Investments consist of bonds invested with the provincial and municipal governments and other financial institutions with maturity ranging from May 2024 to Sep 2026 and interest rates ranging from 1.95% to 3.5%. The amortization of the premium of \$193,805 is included in the interest income for the year.

5. Property and equipment

	<u>2022</u>			<u>2021</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 78,468	\$ 5,333	\$ 73,135	\$ 1,526
Furniture and equipment	121,753	31,146	90,607	1,540
Computer equipment	170,919	150,094	20,825	16,157
Equipment	<u>144,634</u>	<u>14,463</u>	<u>130,171</u>	<u>-</u>
	<u>\$ 515,774</u>	<u>\$ 201,036</u>	<u>\$ 314,738</u>	<u>\$ 19,223</u>

Included in amortization expense is \$48,429 (2021 - \$30,022) related to property and equipment.

During the year, the Organization received a tenant allowance of \$408,000 (2021 - \$nil) which has been netted against the leasehold improvements asset.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Website

	2022		Net Book	2021
	Cost	Accumulated Amortization	Value	Net Book Value
Website	\$ <u>332,251</u>	\$ <u>83,063</u>	\$ <u>249,188</u>	\$ <u>-</u>

Included in amortization expense is \$83,063 (2021 - \$nil) related to the website.

7. Deferred contributions

Deferred contributions consists of:

	Opening	Additions	Recognized as Revenue	Closing
Grants	\$ <u>11,350,000</u>	\$ <u>-</u>	\$ <u>(1,300,000)</u>	\$ <u>10,050,000</u>

Deferred contributions relate to funding received from the Federal government for 2022 and onwards. Under the two funding agreements with the Federal government, the Organization is to spend \$1,250,000 and \$50,000 annually from each grant respectively. This requirement has been met for fiscal 2022.

8. Tenant inducement

In fiscal 2021, GRI negotiated the extension of their lease for their existing office space for a period of 9 years from January 1, 2022 to December 31, 2030. Per the lease extension, GRI received the first 3 months of fiscal 2022 rent free. GRI later received June and July 2022 rent free due to remediation work on GRI's office ceiling. The free rent is being amortized on a straight-line basis over the term of the lease. \$14,544 was recorded as a reduction of occupancy costs on the statement of financial activities (2021 - \$nil).

9. Financial instrument risks

a) Liquidity risk

Liquidity risk arises through having excess financial obligations over available financial assets at any point in time. The Organization manages its liquidity risk by maintaining sufficient readily available funds in order to meet its liquidity requirements at any point in time.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

9. Financial instrument risks (continued)

b) Management of capital

The Organization views its capital as its net assets. The Organization's objective when managing capital is to ensure that it will continue as a going concern and meet its mandated activity obligations. The Organization manages its capital structure in a manner to ensure that adequate resources are kept on hand to meet its financial needs.

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates with its fixed rate investments. The Organization monitors the interest rates and manages this risk by entering into fixed rate investments ranging in maturity dates and interest rates.

There has been no significant change in the risks from the prior year.

10. Commitments

a) The Organization leases office facilities and office equipment. Future annual payments under these operating leases are as follows:

2023	\$	355,636
2024		367,162
2025		366,412
2026		377,188
2027 and thereafter		<u>1,621,564</u>
	\$	<u>3,087,962</u>

b) The Organization has entered into agreements with various universities and institutions to provide funding for research projects and education programs. Future payments under these agreements, conditional upon the achievement of certain milestones at specified completion dates, are as follows:

2023	\$	336,290
2024		158,000
2025		<u>66,875</u>
	\$	<u>561,165</u>