# GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

## FINANCIAL STATEMENTS

## DECEMBER 31, 2023

# GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

## DECEMBER 31, 2023

CONTENTS

Rosenswig McRae Rosso LLP
Chartered Professional Accountants
Associated with MGI Worldwide

Michael Rosenswig
Jeff McRae
Tony Rosso
Lorraine Varga
Michelle Koscec
Dustin Jainaraine

# 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, 2023 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, 2023 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.

T 416 977 6600 F 416 977 5874 www.rmrcpa.ca
36 Toronto Street, Suite 800, Toronto, Ontario, Canada M5C 2C5

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.

RMR Rosenswig McRae Rosso LLP

Toronto, Canada
April 18, 2024

Chartered Professional Accountants
Licensed Public Accountants

# GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

## STATEMENT OF FINANCIAL POSITION

## DECEMBER 31, 2023

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents (Note 3) | $ 11,086,615 | $ 10,116,213 |
| Investments (Note 4) | 2,135,565 | 2,136,764 |
| Accounts receivable | 601,792 | 686,842 |
| Prepaid expenses | 98,822 | 77,776 |
| | 13,922,794 | 13,017,595 |
| Property and equipment (Note 5) | 343,229 | 314,738 |
| Investments (Note 4) | 4,315,787 | 6,551,366 |
| Website (Note 6) | 164,279 | 249,188 |
| | $ 18,746,089 | $ 20,132,887 |
| **LIABILITIES** | | |
| Current | | |
| Accounts payable and accrued liabilities | $ 501,754 | $ 495,288 |
| Deferred membership fees | 266,583 | 206,792 |
| Deferred contributions (Note 7) | 1,250,000 | 1,300,000 |
| Tenant inducement (Note 8) | 101,811 | 116,356 |
| | 2,120,148 | 2,118,436 |
| Deferred contributions (Note 7) | 7,500,000 | 8,750,000 |
| | 9,620,148 | 10,868,436 |
| **NET ASSETS** | | |
| Net assets | 9,125,941 | 9,264,451 |
| | $ 18,746,089 | $ 20,132,887 |

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, 2023

| | 2023 | 2022 |
|---|---|---|
| Revenues | | |
| Membership fees | $ 2,990,208 | $ 2,872,708 |
| Federal funding | 1,250,000 | 1,250,000 |
| Provincial funding | 1,750,000 | 1,000,000 |
| Interest and other income (Note 4) | 610,876 | 294,721 |
| | 6,601,084 | 5,417,429 |
| Expenditures | | |
| Salaries and benefits | 3,389,134 | 2,895,438 |
| Contractor and consulting fees | 858,672 | 632,619 |
| Research projects | 629,632 | 513,877 |
| Travel and events | 547,525 | 261,100 |
| Occupancy costs | 340,537 | 305,281 |
| Member relations and communication | 274,424 | 94,022 |
| Office and general | 263,010 | 190,549 |
| Education programs | 225,802 | 63,108 |
| Professional fees | 37,524 | 49,426 |
| Amortization | 173,334 | 131,492 |
| | 6,739,594 | 5,136,912 |
| (Deficit) excess of revenues over expenditures for the year | (138,510) | 280,517 |
| Fund balance, beginning of year | 9,264,451 | 8,983,934 |
| Fund balance, end of year | $ 9,125,941 | $ 9,264,451 |

See accompanying notes.

# GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

## STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED DECEMBER 31, 2023

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| (Deficit) excess of revenues over expenditures for the year | $ | (138,510) | $ | 280,517 |
| Items not affecting cash: | | | | |
| Amortization | | 173,334 | | 131,492 |
| Amortization of investment premiums | | 128,778 | | 193,805 |
| | | 163,602 | | 605,814 |
| Adjustments for: | | | | |
| Decrease (increase) in accounts receivable | | 85,050 | | (457,891) |
| Increase in prepaid expenses | | (21,046) | | (16,372) |
| Increase in accounts payable and accrued liabilities | | 6,466 | | 153,698 |
| (Decrease) increase in tenant inducement | | (14,545) | | 116,356 |
| Increase in deferred membership fees | | 59,791 | | 69,792 |
| Decrease in deferred contributions | | (1,300,000) | | (1,300,000) |
| | | (1,020,682) | | (828,603) |
| Cash flows generated by investing activities | | | | |
| Purchase of property and equipment and website | | (116,916) | | (676,196) |
| Net purchase of investments | | 2,108,000 | | 2,108,000 |
| Cash flows generated by investing activities | | 1,991,084 | | 1,431,804 |
| Increase in cash and cash equivalents | | 970,402 | | 603,201 |
| Cash and cash equivalents, beginning of year | | 10,116,213 | | 9,513,012 |
| Cash and cash equivalents, end of year | $ | 11,086,615 | $ | 10,116,213 |

See accompanying notes.

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 funding is recognized evenly over the terms of the agreements.

iii) Provincial funding is recognized when earned, the amount is measurable and collection is reasonably assured.

iv) Interest and other income are recognized when earned.

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

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Organization may undertake in the future. Significant estimates include the useful life of property and equipment and accrued liabilities. Due to the inherent uncertainty involved in making estimates, actual results could differ from those 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 |
| Equipment | - | 60 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.

i) Financial instruments

The Organization accounts for financial instruments at fair value on initial recognition and are subsequently accounted for at cost or amortized cost.

3. Cash and cash equivalents

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 593,618 | $ 922,795 |
| Term deposits | 3,159,204 | 2,918,122 |
| GICs | 7,333,793 | 6,275,296 |
| | $ 11,086,615 | $ 10,116,213 |

Term deposits and GICs earn interest ranging from 4.55% to 5.10% with maturity from January 2024 to June 2026. 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, 2023, $9,016,583 (2022 - $10,256,792) 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

| | 2023 | 2022 |
|---|---|---|
| Investments, at cost | $ 6,580,130 | $ 8,881,935 |
| Amortization of premium | (128,778) | (193,805) |
| Carrying amount | $ 6,451,352 | $ 8,688,130 |

Investments consist of bonds invested with the provincial and municipal governments and other financial institutions with maturity ranging from May 2024 to June 2026 and interest rates ranging from 1.95% to 3.5%. The amortization of the premium of $128,778 is included in the interest income for the year.

5. Property and equipment

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Leasehold improvements | $ 122,613 | $ 19,941 | $ 102,672 | $ 73,135 |
| Furniture and equipment | 120,642 | 51,233 | 69,409 | 90,607 |
| Computer equipment | 158,456 | 125,956 | 32,500 | 20,825 |
| Equipment | 185,837 | 47,189 | 138,648 | 130,171 |
| | $ 587,548 | $ 244,319 | $ 343,229 | $ 314,738 |

Included in amortization expense is $92,118 (2022 - $48,429) related to property and equipment.

6. Website

| | 2023 | | | 2022 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Website | $ 328,558 | $ 164,279 | $ 164,279 | $ 249,188 |

Included in amortization expense is $81,216 (2022 - $83,063) related to the website.

7. Deferred contributions

Deferred contributions consists of:

| | Opening | Additions | Recognized as Revenue | Closing |
|---|---|---|---|---|
| Grants | $ 10,050,000 | $ - | $ (1,300,000) | $ 8,750,000 |

Deferred contributions relate to funding received from the Federal government for 2024 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 2023.

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. $14,545 was recorded as a reduction of occupancy costs on the statement of financial activities (2022 - $14,544).

9. Financial risk management

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.

9. Financial risk management (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. In addition, the Organization has entered into agreements for other operating costs during the year. Future annual payments under these operating leases are as follows:

| | |
|---|---|
| 2024 | $ 459,100 |
| 2025 | 445,850 |
| 2026 | 390,386 |
| 2027 | 390,386 |
| 2028 and thereafter | 1,286,167 |
| | $ 2,971,889 |

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:

| | |
|---|---|
| 2024 | $ 382,375 |
| 2025 | 111,667 |
| 2026 | 14,500 |
| | $ 508,542 |