

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2019

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

DECEMBER 31, 2019

CONTENTS

	<u>Page</u>
Independent Auditors' 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 - 9

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, 2019 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, 2019 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 23, 2020

Chartered Professional Accountants
Licensed Public Accountants

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$10,278,679	\$11,095,961
Accounts receivable (Note 4)	61,853	688,811
Prepaid expenses	<u>50,770</u>	<u>58,039</u>
	10,391,302	11,842,811
Property and equipment (Note 5)	<u>105,640</u>	<u>109,136</u>
	<u>\$10,496,942</u>	<u>\$11,951,947</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 266,805	\$ 369,003
Deferred contributions (Note 6)	<u>2,490,833</u>	<u>4,865,833</u>
	<u>2,757,638</u>	<u>5,234,836</u>
NET ASSETS		
Net assets	<u>7,739,304</u>	<u>6,717,111</u>
	<u>\$10,496,942</u>	<u>\$11,951,947</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, 2019

	<u>2019</u>	<u>2018</u>
Revenue		
Membership fees	\$ 3,080,000	\$ 3,171,667
Federal funding	1,000,000	1,000,000
Provincial funding	1,000,000	1,000,000
Interest and other income	<u>201,634</u>	<u>199,586</u>
	<u>5,281,634</u>	<u>5,371,253</u>
Expenditures		
Salaries and benefits	2,046,586	1,847,692
Contractor and consulting fees	654,531	577,638
Research projects	566,525	410,526
Occupancy costs	292,817	257,873
Travel and events	220,135	157,886
Office and general	136,871	102,110
Education programs	129,192	261,580
Member relations and communication	75,561	79,701
Professional fees	37,531	33,949
Bad debt	25,000	-
Amortization	<u>74,692</u>	<u>66,633</u>
	<u>4,259,441</u>	<u>3,795,588</u>
Excess of revenues over expenditures for the year	1,022,193	1,575,665
Fund balance, beginning of year	<u>6,717,111</u>	<u>5,141,446</u>
Fund balance, end of year	<u>\$ 7,739,304</u>	<u>\$ 6,717,111</u>

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 1,022,193	\$ 1,575,665
Items not affecting cash:		
Amortization	<u>74,692</u>	<u>66,633</u>
	1,096,885	1,642,298
Adjustments for:		
Decrease (increase) in accounts receivable	626,958	(305,617)
Decrease in prepaid expenses	7,269	10,704
(Decrease) increase in accounts payable and accrued liabilities	(102,198)	221,553
Decrease in deferred contributions	<u>(2,375,000)</u>	<u>(1,916,667)</u>
	<u>(746,086)</u>	<u>(347,729)</u>
Cash flows used in investing activities		
Purchase of property and equipment	<u>(71,196)</u>	<u>(12,009)</u>
Decrease in cash and cash equivalents	(817,282)	(359,738)
Cash and cash equivalents, beginning of year	<u>11,095,961</u>	<u>11,455,699</u>
Cash and cash equivalents, end of year	<u>\$10,278,679</u>	<u>\$11,095,961</u>

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, treasury bills and term deposits.

c) Revenue recognition

i) Membership fees including National Pension Hub membership fees are for twelve months and are recognized evenly over the course of the twelve month period.

ii) Federal and Provincial funding is recognized evenly over the term of the agreement.

iii) Interest income and other income is recognized when earned.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. Summary of significant accounting policies (continued)

d) 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.

e) 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	-	60 months straight-line
Furniture and fixtures	-	60 months straight-line
Computer equipment	-	24 to 48 months straight-line

3. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash	\$ 624,915	\$ 548,398
Cash equivalents	<u>9,653,764</u>	<u>10,547,563</u>
	<u>\$10,278,679</u>	<u>\$11,095,961</u>

The cash equivalents consist of amounts invested in Government of Canada treasury bills earning interest of 1.53% and term deposits earning interest between 1.60% and 1.86%, all maturing between January and March 2020. Subsequent to the January to March 2020 maturity, the cash equivalents were renewed in Government of Canada treasury bills and term deposits. Cash amounts are invested in a savings account at a Canadian Deposit Insurance approved financial institution.

Under the funding agreements with both the Federal and Provincial governments, the Organization is to spend \$1,000,000 annually from each grant. This requirement has been met for the 2019 year.

As at December 31, 2019, \$2,490,833 (2018 - \$4,865,833) of the cash and cash equivalents balance is restricted. See note 6.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. Accounts receivable

Accounts receivable consists of:

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 60,555	\$ 606,115
HST receivable	<u>1,298</u>	<u>82,696</u>
	<u>\$ 61,853</u>	<u>\$ 688,811</u>

5. Property and equipment

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 253,280	\$ 209,387	\$ 43,893	\$ 80,869
Furniture and equipment	121,074	100,484	20,590	17,109
Computer equipment	<u>161,940</u>	<u>120,783</u>	<u>41,157</u>	<u>11,158</u>
	<u>\$ 536,294</u>	<u>\$ 430,654</u>	<u>\$ 105,640</u>	<u>\$ 109,136</u>

6. Deferred contributions

Deferred contributions consists of:

	<u>Opening</u>	<u>Additions</u>	<u>Transferred to Revenue</u>	<u>Closing</u>
Federal contribution	\$2,000,000	\$ -	\$ (1,000,000)	\$1,000,000
Provincial contribution	2,000,000	-	(1,000,000)	1,000,000
National Pension Hub membership fees	470,000	420,000	(470,000)	420,000
General membership fees	<u>395,833</u>	<u>70,833</u>	<u>(395,833)</u>	<u>70,833</u>
	<u>\$4,865,833</u>	<u>\$ 490,833</u>	<u>\$ (2,865,833)</u>	<u>\$2,490,833</u>

Deferred contributions relate to the funds received from the Provincial and Federal governments relating to future years, as well as funding from the private sector relating to 2020. The amounts from the Provincial and Federal governments are amortized into revenue over the term of the agreements which terminate on March 31, 2021 and January 1, 2021, respectively. General membership fees and National Pension Hub membership fees from the private sector are recognized in the year they pertain to.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

7. 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.

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.

8. Commitments

a) The Organization leases office facilities as well as office equipment which expire December 2020 and August 2022 respectively. Future minimum annual payments under this operating lease is as follows:

2020	\$	143,688
2021		5,988
2022		<u>2,994</u>
	\$	<u>152,670</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:

2020	\$	495,199
2021		153,744
2022		<u>28,867</u>
	\$	<u>677,810</u>

9. Subsequent event

Subsequent to year end, the World Health Organization declared a global health emergency due to the outbreak of COVID-19. The outbreak has had significant global financial impacts. At this time, it is not possible to estimate the impact on future membership fees, federal funding and provincial funding and therefore the effect on the Organization is unknown.