GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2020

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

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CONTENTS

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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, 2020 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, 2020 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.

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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 22, 2021

Chartered Professional Accountants
Licensed Public Accountants

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

	2020	2019
ASSETS		
Current		
Cash and cash equivalents (Note 3)	$ 8,913,678	$10,278,679
Accounts receivable	1,348	61,853
Prepaid expenses	65,108	50,770
	8,980,134	10,391,302
Property and equipment (Note 4)	35,369	105,640
	$ 9,015,503	$10,496,942
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 336,182	$ 266,805
Deferred contributions (Note 5)	64,083	2,490,833
	400,265	2,757,638
NET ASSETS		
Net assets	8,615,238	7,739,304
	$ 9,015,503	$10,496,942

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, 2020

	2020	2019
Revenue		
Membership fees	$ 3,146,750	$ 3,080,000
Federal funding	1,000,000	1,000,000
Provincial funding	1,000,000	1,000,000
Interest and other income	100,318	201,634
	5,247,068	5,281,634
Expenditures		
Salaries and benefits	2,257,052	2,046,586
Contractor and consulting fees	721,949	654,531
Research projects	568,136	566,525
Occupancy costs	297,357	292,817
Travel and events	171,146	220,135
Office and general	131,344	136,871
Member relations and communication	88,115	75,561
Education programs	34,409	129,192
Professional fees	28,682	37,531
Bad debt	-	25,000
Amortization	72,944	74,692
	4,371,134	4,259,441
Excess of revenues over expenditures for the year	875,934	1,022,193
Fund balance, beginning of year	7,739,304	6,717,111
Fund balance, end of year	$ 8,615,238	$ 7,739,304

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
Cash flows from operating activities		
Excess of revenues over expenditures for the year	$ 875,934	$ 1,022,193
Items not affecting cash:		
Amortization	72,944	74,692
	948,878	1,096,885
Adjustments for:		
Decrease in accounts receivable	60,505	626,958
(Increase) decrease in prepaid expenses	(14,338)	7,269
Increase (decrease) in accounts payable and accrued liabilities	69,377	(102,198)
Decrease in deferred contributions	(2,426,750)	(2,375,000)
	(1,362,328)	(746,086)
Cash flows used in investing activities		
Purchase of property and equipment	(2,673)	(71,196)
Decrease in cash and cash equivalents	(1,365,001)	(817,282)
Cash and cash equivalents, beginning of year	10,278,679	11,095,961
Cash and cash equivalents, end of year	$ 8,913,678	$ 10,278,679

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 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.

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

	2020	2019
Cash	$ 381,071	$ 624,915
Cash equivalents	8,532,607	9,653,764
	$ 8,913,678	$10,278,679

The cash equivalents consist of amounts invested in term deposits earning interest of 0.4% maturing January 2021. Subsequent to the January 2021 maturity, the cash equivalents were renewed in term deposits. Cash amounts are invested in savings and chequing accounts 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 2020 year. Subsequent to year end, both funding agreements were renewed as described in Note 9.

As at December 31, 2020, $64,083 (2019 - $2,490,833) of the cash and cash equivalents balance is restricted. See note 5.

4. Property and equipment

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 253,280	$ 247,009	$ 6,271	$ 43,893
Furniture and equipment	121,074	106,700	14,374	20,590
Computer equipment	164,614	149,890	14,724	41,157
	$ 538,968	$ 503,599	$ 35,369	$ 105,640

5. Deferred contributions

Deferred contributions consists of:

	Opening	Additions	Transferred to Revenue	Closing
Grants	$ 5,047	$ -	$ (5,000)	$ 47

Deferred contributions relate to funding from the private sector for 2021, which are recognized in the year they pertain to.

6. 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.

7. Commitments

a) The Organization leases office facilities as well as office equipment which expire December 2021 and August 2022 respectively. Future annual payments under these operating leases are as follows:

2021	$ 303,935
2022	2,994
	$ 306,929

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:

2021	$ 294,296
2022	15,867
	$ 310,163

8. COVID-19

In March 2020, the World Health Organization declared a global health emergency due to the outbreak of COVID-19. The outbreak has had significant global financial impacts. Revenues of the Organization have not been significantly adversely affected, however it is not possible to estimate the impact on future membership fees or Federal and Provincial funding and therefore no provisions or adjustments have been made to the financial statements relating to COVID-19.

9. Subsequent events

In January 2021, the Organization entered into the following government funding agreements in support of their ongoing projects :

i) Federal funding for $12,500,000 for the period January 1, 2021 to January 1, 2031

ii) Provincial funding for $3,000,000 for the period January 1, 2021 to March 31, 2023

iii) Federal funding for $150,000 for the period January 1, 2021 to March 31, 2023