

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

FINANCIAL STATEMENTS

DECEMBER 31, 2021

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

DECEMBER 31, 2021

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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, 2021 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, 2021 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.

Toronto, Canada
April 29, 2022

Rosenswig McKee Thorpe LLP
Chartered Professional Accountants
Licensed Public Accountants


GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current		
Cash and cash equivalents (Note 3)	\$ 9,513,013	\$ 8,913,678
Investments (Note 4)	2,151,616	-
Accounts receivable	228,951	1,348
Prepaid expenses	<u>61,404</u>	<u>65,108</u>
	11,954,984	8,980,134
Property and equipment (Note 5)	19,223	35,369
Investments (Note 4)	<u>8,838,318</u>	<u>-</u>
	<u>\$20,812,525</u>	<u>\$ 9,015,503</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 341,591	\$ 336,182
Deferred membership fees	137,000	64,083
Deferred contributions (Note 6)	<u>11,350,000</u>	<u>-</u>
	<u>11,828,591</u>	<u>400,265</u>
NET ASSETS		
Net assets	<u>8,983,934</u>	<u>8,615,238</u>
	<u>\$20,812,525</u>	<u>\$ 9,015,503</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, 2021

	<u>2021</u>	<u>2020</u>
Revenue		
Membership fees	\$ 2,627,083	\$ 3,146,750
Federal funding	1,250,000	1,000,000
Provincial funding	1,000,000	1,000,000
Interest and other income (Note 4)	<u>138,789</u>	<u>100,318</u>
	<u>5,015,872</u>	<u>5,247,068</u>
Expenditures		
Salaries and benefits	2,689,475	2,257,052
Contractor and consulting fees	645,332	721,949
Research projects	583,756	568,136
Occupancy costs	273,908	297,357
Office and general	148,577	131,344
Member relations and communication	104,226	88,115
Travel and events	79,071	171,146
Education programs	57,651	34,409
Professional fees	35,158	28,682
Amortization	<u>30,022</u>	<u>72,944</u>
	<u>4,647,176</u>	<u>4,371,134</u>
Excess of revenues over expenditures for the year	368,696	875,934
Fund balance, beginning of year	<u>8,615,238</u>	<u>7,739,304</u>
Fund balance, end of year	<u>\$ 8,983,934</u>	<u>\$ 8,615,238</u>

See accompanying notes.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Excess of revenues over expenditures for the year	\$ 368,696	\$ 875,934
Items not affecting cash:		
Amortization	30,022	72,944
Loss on disposals	6,775	-
Amortization of investment premiums	<u>146,946</u>	<u>-</u>
	552,439	948,878
Adjustments for:		
(Increase) decrease in accounts receivable	(227,603)	60,505
Decrease (increase) in prepaid expenses	3,704	(14,338)
Increase in accounts payable and accrued liabilities	5,409	69,377
Increase (decrease) in deferred membership fees	72,917	(426,750)
Increase (decrease) in deferred contributions	<u>11,350,000</u>	<u>(2,000,000)</u>
	<u>11,756,866</u>	<u>(1,362,328)</u>
Cash flows used in investing activities		
Purchase of property and equipment	(20,651)	(2,673)
Net purchase of investments	<u>(11,136,880)</u>	<u>-</u>
Cash flows used in investing activities	<u>(11,157,531)</u>	<u>(2,673)</u>
Increase (decrease) in cash and cash equivalents	599,335	(1,365,001)
Cash and cash equivalents, beginning of year	<u>8,913,678</u>	<u>10,278,679</u>
Cash and cash equivalents, end of year	<u>\$ 9,513,013</u>	<u>\$ 8,913,678</u>

See accompanying notes.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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, 2021

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

3. Cash and cash equivalents

	<u>2021</u>	<u>2020</u>
Cash	\$ 526,782	\$ 381,070
Term deposits	3,736,231	8,532,608
GICs	<u>5,250,000</u>	<u>-</u>
	<u>\$ 9,513,013</u>	<u>\$ 8,913,678</u>

Term deposits and GICs earn interest ranging from 0.36% to 0.75% with maturity from January 2022 to April 2022. 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.

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NOTES TO FINANCIAL STATEMENTS

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3. Cash and cash equivalents (continued)

As at December 31, 2021, \$11,487,000 (2020 - \$64,083) of cash and investments (described in Note 4) are restricted relating to federal and provincial funding as described in Note 6 and membership fees.

4. Investments

	<u>2021</u>	<u>2020</u>
Investments, at cost	\$11,136,880	\$ -
Amortization of premium	<u>(146,946)</u>	<u>-</u>
Carrying amount	<u>\$10,989,934</u>	<u>\$ -</u>

Investments consist of bonds invested with the provincial and municipal governments and other financial institutions with maturity ranging from June 2022 to June 2026 and interest rates ranging from 1.95% to 3.5%. The amortization of the premium of \$146,946 is included in the interest income for the year.

5. Property and equipment

	<u>2021</u>			<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 253,280	\$ 251,754	\$ 1,526	\$ 6,271
Furniture and equipment	24,965	23,425	1,540	14,374
Computer equipment	<u>157,444</u>	<u>141,287</u>	<u>16,157</u>	<u>14,724</u>
	<u>\$ 435,689</u>	<u>\$ 416,466</u>	<u>\$ 19,223</u>	<u>\$ 35,369</u>

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6. Deferred contributions

Deferred contributions consists of:

	<u>Opening</u>	<u>Additions</u>	<u>Recognized as Revenue</u>	<u>Closing</u>
Grants	\$ <u> -</u>	<u>\$12,650,000</u>	<u>\$(1,300,000)</u>	<u>\$11,350,000</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 2021.

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.

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.

GLOBAL RISK INSTITUTE IN FINANCIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

8. Commitments

- a) The Organization leases office facilities which expire in December 2030. Future annual payments under this operating lease is as follows:

2022	\$ 265,602
2023	354,136
2024	365,662
2025	365,662
2026 and thereafter	<u>1,932,046</u>
	<u>\$ 3,283,108</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:

2022	\$ 307,205
2023	<u>72,900</u>
	<u>\$ 380,105</u>

- c) The Organization has entered into an agreement for the renovation of their office facilities for \$482,358 to begin in fiscal 2022. The Organization will also be receiving a tenant inducement for \$408,000 from the landlord towards leasehold improvements.

9. COVID-19

In March 2020, the World Health Organization declared a global health emergency due to the outbreak of the Coronavirus, also known as COVID-19. The outbreak has had significant global financial impacts. The long term impacts of the outbreak are uncertain and as a result, no additional provision or adjustments have been made to the financial statements relating to COVID-19.

10. Comparative figures

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