

Financial Statements of

**COUNCIL OF THE GREAT
LAKES REGION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Directors of Council of the Great Lakes Region

Opinion

We have audited the financial statements of Council of the Great Lakes Region (the Entity), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and changes of net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023 and its results of operations and its 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 auditor's report.

We are independent of the Entity 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 the financial statements in accordance with Canadian accounting standards for not-for profit organization, 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 the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the 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 the Entity'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 the Entity'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 the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

September 7, 2023

COUNCIL OF THE GREAT LAKES REGION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|----------------------------------|------------------------|------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 172,867 | \$ 208,169 |
| Trade receivable | 183,111 | 101,711 |
| Prepaid expenses | 1,638 | 35,681 |
| | <hr/> 357,616 | <hr/> 345,561 |
| Tangible capital assets (note 2) | 75,109 | 109,871 |
| | <hr/> <hr/> \$ 432,725 | <hr/> <hr/> \$ 455,432 |

Liabilities and Net Assets

| | | |
|--|------------------------|------------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (notes 3 and 4) | \$ 42,562 | \$ 117,013 |
| Deferred revenue | - | 38,423 |
| | <hr/> 42,562 | <hr/> 155,436 |
| Deferred capital contributions (note 5) | 74,587 | 109,090 |
| | <hr/> 117,149 | <hr/> 264,526 |
| Net assets | 315,576 | 190,906 |
| | <hr/> <hr/> \$ 432,725 | <hr/> <hr/> \$ 455,432 |

See accompanying notes to financial statements.

On behalf of the Board:

Brian Ames Director

 Director

COUNCIL OF THE GREAT LAKES REGION

Statement of Operations and Changes of Net Assets

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Revenue: | | |
| Policy research and projects | \$ 637,710 | \$ 353,782 |
| Memberships and non-charitable contributions | 248,271 | 59,917 |
| Event sponsorship and ticket sales | 47,057 | - |
| Amortization of deferred capital contributions (note 5) | 34,503 | 34,503 |
| | 967,541 | 448,202 |
| Expenditures: | | |
| Collaborative research | 313,058 | - |
| Salaries and benefits | 145,874 | 108,059 |
| Events | 136,295 | 19,533 |
| Professional fees | 64,036 | 23,600 |
| Partnerships | 59,570 | - |
| Amortization of tangible capital assets | 34,762 | 34,762 |
| Travel | 25,686 | 5,334 |
| Contract services | 18,984 | 220,967 |
| Marketing | 11,910 | 9,384 |
| Office and general | 9,855 | 8,984 |
| Miscellaneous expenses | 9,787 | 6,123 |
| Foreign exchange differences | 9,089 | - |
| Insurance | 2,566 | 3,298 |
| Interest and bank charges | 1,374 | 1,175 |
| Bad debts | 25 | - |
| | 842,871 | 441,219 |
| Excess of revenue over expenditures | 124,670 | 6,983 |
| Net assets, beginning of year | 190,906 | 183,923 |
| Net assets, end of year | \$ 315,576 | \$ 190,906 |

See accompanying notes to financial statements.

COUNCIL OF THE GREAT LAKES REGION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

| | 2023 | 2022 |
|--|------------------------------------|-------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenditures | \$ 124,670 | \$ 6,983 |
| Items not involving cash: | | |
| Amortization | 34,762 | 34,762 |
| Amortization of deferred capital contributions | (34,503) | (34,503) |
| Decrease (increase) in trade receivable | (81,400) | 156,595 |
| Decrease in prepaid expenses | 34,043 | - |
| Decrease in accounts payable and accrued liabilities | (74,451) | (120,805) |
| Increase (decrease) in deferred revenue | <u>(38,423)</u> | <u>25,000</u> |
| | (35,302) | 68,032 |
| Financing: | | |
| Decrease in due to related parties | - | (55,239) |
| | <u>Increase (decrease) in cash</u> | <u>12,793</u> |
| Cash, beginning of year | 208,169 | 195,376 |
| Cash, end of year | <u>\$ 172,867</u> | <u>\$ 208,169</u> |

See accompanying notes to financial statements.

COUNCIL OF THE GREAT LAKES REGION

Notes to Financial Statements

Year ended March 31, 2023

Council of the Great Lakes Region (the "Council") was incorporated on January 14, 2013 under the Canada Not-for-profit Corporations Act and is a bi-national regional organization. Its mandate is to advance effective and coordinated private sector, public sector, and civil society responses to the region's shared challenges. The Council is exempt from income tax under section 149(1)(l) of the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition:

The Council follows the deferral method of accounting for contributions for not-for-profit organizations.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership fees and sponsorship income are recognized as revenue in the year to which they relate.

(c) Tangible capital assets:

Tangible capital assets are stated at cost, less accumulated amortization. Amortization is provided using the straight-line method and following annual rate:

| Asset | Rate |
|-------------------------|---------|
| Machinery and equipment | 5 years |

The estimated useful lives of assets are reviewed by management and adjusted if necessary.

COUNCIL OF THE GREAT LAKES REGION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Council has elected to carry investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, the Council determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Council expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(e) Contributed services:

Contributed services which are used in the normal course of the Council's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organization requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

COUNCIL OF THE GREAT LAKES REGION

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Tangible capital assets:

| | | | 2023 | 2022 |
|-------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Machinery and equipment | \$ 173,812 | \$ 98,703 | \$ 75,109 | \$ 109,871 |

Cost and accumulated amortization as at March 31, 2022 amounted to \$173,812 and \$63,941, respectively.

3. Accounts payable and accrued liabilities:

There are no government remittances included in accounts payable such as payroll-related remittances or sales taxes (2022 - \$Nil).

Included in accounts payable and accrued liabilities is \$Nil (2022 - \$91,575) in salaries owing to the President and CEO, as all retropay amounts were settled within the year. The remaining amounts are accounts payable and accrued liabilities within the normal course of business of the Council.

4. Due to related parties:

The Council has significant influence over the Council of the Great Lakes Region Foundation (the "Foundation") through common Board members. The Foundation, incorporated under the laws of the State of Ohio as a nonprofit corporation and tax exempt under the Internal Revenue Service Section 501(c)(3) as a charitable organization. The Foundation's objectives is to support programs for the economic development and sustainability of the Great Lakes Region.

The Council has significant influence over the Council of the Great Lakes Region USA (the Council USA") through common Board members. The Council USA, incorporated under the laws of the State of Ohio as a nonprofit corporation and tax exempt status from the Internal Revenue Service under Section 501(c)(6) as an organization comparable to a trade association. The Council USA's objectives is to mirror the objectives of the Council within the confines of the United States, supporting the economic development and sustainability of the Great Lakes Region.

In the prior year, the Foundation and the Council USA forgave outstanding amounts owing by the Council of \$42,045 and \$13,194, respectively, which were recorded in Membership and non-charitable contributions revenue on the Statement of operations. There were no other related party amounts payable as of March 31, 2022. As of March 31, 2023, the Council had \$9,760 payable to the Foundation.

COUNCIL OF THE GREAT LAKES REGION

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Due to related parties (continued):

These transactions are in the normal course of operations or business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Deferred capital contributions:

Deferred capital contributions reported include restricted contributions received with which the Council purchased Seabins for an ongoing project. The changes in the deferred capital contributions balance for the year are as follows:

| | 2023 | 2022 |
|----------------------------|-----------------|------------------|
| Balance, beginning of year | \$ 109,090 | \$ 143,593 |
| Recognized as revenue | (34,503) | (34,503) |
| | <hr/> \$ 74,587 | <hr/> \$ 109,090 |

6. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Council will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Council manages its liquidity risk by monitoring its operating requirements. The Council prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Council is exposed to credit risk with respect to the accounts receivable. The Council assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. At year-end, there were no amounts allowed for in accounts receivable.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk, and other price risk.

COUNCIL OF THE GREAT LAKES REGION

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Financial risks and concentration of risk: (continued):

(d) Currency risk:

Foreign currency risk refers to the extent to which instruments denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to other currencies. The Council's foreign currency risk is limited to its holdings of US denominated cash.

(e) 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. The Council believes it is not subject to significant interest rate risk arising from its financial instruments.

(f) Other price risk:

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Council believes it is not subject to significant other price risk arising from its financial instruments.