

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2010**

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**FINANCIAL STATEMENTS**

**OCTOBER 31, 2010**

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## AUDITORS' REPORT

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To the Members of  
Ombudsman for Banking Services and Investments

We have audited the statement of financial position of Ombudsman for Banking Services and Investments ("OBSI") as at October 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of OBSI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of OBSI as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Soberman LLP*

Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
November 26, 2010

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**STATEMENT OF FINANCIAL POSITION**

At October 31

2010

2009

**ASSETS**

**Current**

Cash	\$ 931,684	\$ 465,686
Due from members	59,035	57,693
Accounts receivable	2,618	128,013
Prepaid expenses and sundry	39,258	60,253

**1,032,595**      711,645

<b>Equipment and leasehold improvements (Note 3)</b>	<b>432,616</b>	<b>439,072</b>
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**\$ 1,465,211**      **\$ 1,150,717**

**LIABILITIES**

**Current**

Accounts payable and accrued charges	\$ 925,911	\$ 1,031,379
Straight-line rent payable and deferred tenant inducements	298,173	216,882

**1,224,084**      1,248,261

**Commitments (Note 5)**

**NET ASSETS (DEFICIENCY)**

<b>Invested in equipment and leasehold improvements</b>	<b>432,616</b>	<b>439,072</b>
<b>Unrestricted</b>	<b>(191,489)</b>	<b>(536,616)</b>

**241,127**      (97,544)

**\$ 1,465,211**      **\$ 1,150,717**

*The accompanying notes are an integral part of the financial statements*

On behalf of the Board

Chair

Ombudsman and CEO

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**Year ended October 31**

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	Invested in equipment and leasehold improvements	Unrestricted	Total 2010	Total 2009
Net assets, beginning of year	\$ 439,072	\$ (536,616)	\$ (97,544)	\$ 796,653
Excess (deficiency) of revenues over expenses	(83,212)	421,883	338,671	(894,197)
Investment in equipment and leasehold improvements	76,756	(76,756)	-	-
Net assets, end of year	\$ 432,616	\$ (191,489)	\$ 241,127	\$ (97,544)

*The accompanying notes are an integral part of the financial statements*

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS  
STATEMENT OF OPERATIONS**

**Year ended October 31**

**2010**

**2009**

**Revenue**

Membership fees	\$ 7,668,402	\$ 5,524,779
Interest income	6,015	12,937
	<u>7,674,417</u>	<u>5,537,716</u>

**Expenses**

Personnel ( <i>Note 6</i> )	5,357,004	4,850,314
Special project and other one-time expenses	487,872	-
Directors' fees and expenses	306,806	364,266
Rent and operating costs	301,364	309,028
Legal fees	137,155	138,716
Supplies and services	126,422	127,157
Information technology and support	112,197	112,703
Marketing and membership	111,448	138,316
Telephone	108,413	103,390
Corporate administrative	83,361	85,659
Other	50,569	8,393
Consultant fees	28,844	88,099
Audit fees	22,600	18,850
Insurance	18,479	18,419
Amortization	83,212	68,603
	<u>7,335,746</u>	<u>6,431,913</u>

<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 338,671</b>	<b>\$ (894,197)</b>
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*The accompanying notes are an integral part of the financial statements*

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**STATEMENT OF CASH FLOWS**

Year ended October 31

2010

2009

**SOURCES (USES) OF CASH**

**Operating activities**

Excess (deficiency) of revenues over expenses \$ 338,671 \$ (894,197)

*Item not involving cash*

Amortization - capital assets 83,212 68,603

Amortization - straight-line rent and tenant inducements (32,082) -

**389,801 (825,594)**

**Changes in non-cash working capital items**

Due from members (1,342) (31,848)

Accounts receivable 125,395 (123,755)

Prepaid expenses and sundry 20,995 (43,004)

Accounts payable and accrued charges (105,468) 530,633

Straight-line rent payable and deferred tenant inducements 113,373 216,882

**Cash provided by (used in) operating activities 542,754 (276,686)**

**Investing activity**

Acquisition of equipment and leasehold improvements (76,756) (371,191)

Proceeds on sale of investments - 506,225

**Cash provided by (used in) investing activity (76,756) 135,034**

**Net increase (decrease) in cash 465,998 (141,652)**

**Cash, beginning of year 465,686 607,338**

**Cash, end of year \$ 931,684 \$ 465,686**

*The accompanying notes are an integral part of the financial statements*

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
**OCTOBER 31, 2010**

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**1. Purpose of the organization and income tax status**

Ombudsman for Banking Services and Investments ("OBSI") is incorporated under the Canada Corporations Act as a non-profit organization whose objectives are to investigate unresolved complaints from customers about banks and other deposit-taking institutions, investment dealers, mutual fund dealers and mutual fund companies.

The organization is incorporated under the Canada Corporations Act as a non-profit organization and is exempt from income tax under Section 149(1)(l) of the Income Tax Act.

**2. Significant accounting policies**

**Use of estimates**

The preparation of financial statements in accordance with generally accepted accounting principles 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 balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Fund accounting**

Revenues and expenses related to ombudsman services provided and administrative activities are reported in the unrestricted fund.

The investment in equipment and leasehold improvements represents the assets, liabilities, revenues and expenses related to OBSI's equipment and leasehold improvements.

**Revenue recognition**

OBSI follows the deferral method of accounting for contributions.

Membership fees are recognized as revenue in the year to which the billings relate.

**Equipment and leasehold improvements**

Purchased equipment and leasehold improvements are recorded at cost less accumulated amortization. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

Furniture and fixtures	-	10% straight line
Computer equipment	-	25% straight line
Leasehold improvements	-	straight line over the term of the lease

**Leases and tenant inducements**

Rental payments under the operating lease are included in rent and operating costs in the statement of operations on a straight-line basis over the lease term. Tenant inducements are also amortized on a straight-line basis over the lease term. Unamortized amounts are included in straight-line rent payable and deferred tenant inducements.



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**2. Significant accounting policies (continued)**

**Employee future benefits**

OBSI's eligible employees participate in the defined benefit pension plan of another organization. Contributions to this plan are based on assessment from plan administrator and are charged to personnel costs in the statement of operations as incurred.

Other employees are eligible to participate in OBSI's defined contribution pension plan. The costs of these pension benefits are charged to personnel costs in the statement of operations as incurred.

Eligible employees also participate in a non-pension post-employment benefit plan of another organization. OBSI's cost of non-pension post-retirement benefits is actuarially determined using the projected benefits method pro-rated on service and on management's best estimate of future benefit costs.

**3. Equipment and leasehold improvements**

			2010 Net Carrying Amount	2009 Net Carrying Amount
	Cost	Accumulated Amortization		
Furniture and fixtures	\$ 186,640	\$ 73,386	\$ 113,254	\$ 131,386
Computer equipment	245,548	167,949	77,599	53,655
Leasehold improvements	266,211	24,448	241,763	254,031
	<b>\$ 698,399</b>	<b>\$ 265,783</b>	<b>\$ 432,616</b>	<b>\$ 439,072</b>

**4. Credit facility**

OBSI's banking facility provides for a maximum operating line of credit of \$250,000 (2009 - \$Nil). Borrowings under the line of credit bear interest at the bank's prime rate plus 2.25%, payable monthly.

As security, the bank has provided a general security agreement consisting of a first charge over all present and future property.

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**5. Commitments**

OBSI is committed under a long-term lease for premises and various equipment leases expiring at various times from April 2011 to February 2020. Minimum annual rentals (exclusive of requirement to pay taxes, insurance and maintenance costs) for each of the next five years are approximately as follows:

Year ending October 31, 2011	\$ 189,000
2012	187,000
2013	183,000
2014	184,000
2015	191,000

**6. Employee future benefits**

OBSI's eligible employees participate in the defined benefit pension plan of another organization. As of January 1, 2006 employees can no longer opt into this plan. Employees who selected this option before that date can continue to use this plan. OBSI is assessed and pays an annual charge related to this plan which amounted to \$78,500 (2009 - \$62,400). This amount, which is based on the other organization's estimate of the pension expense attributable to OBSI's employees, has been included in personnel costs in the statement of operations.

Effective January 1, 2009, OBSI established a new defined contribution plan. Contributions made to the defined contribution plan amounted to \$185,136 (2009 - \$143,529). Contributions for the defined contribution plan have been included in personnel costs in the statement of operations.

In addition, OBSI's eligible employees participate in the non-pension post-employment plan of another organization that provides extended healthcare, dental and life insurance benefits. OBSI is assessed and pays an amount equal to the expense calculated in accordance with Canadian generally accepted accounting principles. Information about OBSI's non-pension post-employment benefits is as follows:

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**6. Employee future benefits (continued)**

	2010	2009
<b>Change in benefit obligation</b>		
Benefit obligation - end of prior period	\$ 393,048	\$ 279,677
Current service cost - employer	84,521	10,811
Interest cost	31,961	17,894
Plan amendments	22,768	-
Benefits paid	(8,144)	(8,363)
Actuarial loss	71,759	93,029
	<b>\$ 595,913</b>	<b>\$ 393,050</b>
<b>Change in plan assets</b>		
Employer contributions	\$ 8,144	\$ 8,363
Benefits paid	(8,144)	(8,363)
	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of funded status</b>		
Funded status - deficit	\$ (595,913)	\$ (393,048)
Employer contributions after measurement date	2,036	2,091
Unamortized past service costs	22,768	152,754
Unamortized transitional obligation	23,306	26,635
Unamortized net actuarial loss	218,573	-
	<b>\$ (329,230)</b>	<b>\$ (211,568)</b>
<b>Components of expense</b>		
Current service cost (including provision for plan expenses)	\$ 84,521	\$ 10,811
Interest cost	31,961	17,894
Amortization of transitional obligation	3,329	3,329
Amortization of net actuarial loss	5,940	2,049
	<b>\$ 125,751</b>	<b>\$ 34,083</b>

Management's best estimate of the significant actuarial assumptions adopted in measuring OBSI's various benefit plans is noted below (weighted-average assumptions as of October 31):

	2010	2009
Discount rate	6.75%	6.25%
Expected long-term rate of return on plan assets	6.75%	7.00%
Health care trend rates	6.70% to 4.50% over 19 years	6.80% to 4.50% over 20 years
Rate of compensation increase	3.75%	4.00%

The most recent actuarial valuation of the pension plan for funding and accounting purposes was made as of March 31, 2009 extrapolated to July 31, 2010. The next required actuarial valuation will be as of January 1, 2011.

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**7. Capital management**

OBSI defines capital as its net assets. OBSI's objective when managing its capital is to hold sufficient unrestricted net assets to enable it to fund its major activities while maintaining a solid financial position.

**8. Financial instruments**

**Fair value**

The carrying amounts of OBSI's financial instruments, consisting of cash, due from members, accounts receivable and accounts payable and accrued charges, approximate their fair values due to their short-term nature.

**9. Comparative figures**

Certain reclassifications for the year ended October 31, 2009 have been made for the purpose of comparability.