

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**FINANCIAL STATEMENTS**  
**OCTOBER 31, 2008**

# OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS

## FINANCIAL STATEMENTS

OCTOBER 31, 2008

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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, 2008 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 the OBSI as at October 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants

Toronto, Canada  
November 21, 2008



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

**At October 31**

**2008**

**2007**

**ASSETS**

**Current**

Cash	\$ 607,338	\$ 863,087
Short-term investments	506,225	-
Due from members	25,845	16,091
Accounts receivable	4,258	25,498
Prepaid expenses and sundry	17,249	18,801

**1,160,915**      923,477

**Equipment and leasehold improvements (Note 3)**      **136,484**      125,348

**\$ 1,297,399**      \$ 1,048,825

**LIABILITIES**

**Current**

**Accounts payable and accrued charges**      **\$ 500,746**      \$ 502,693

**Commitments (Note 5)**

**NET ASSETS**

**Invested in equipment and leasehold improvements**      **136,484**      125,348  
**Unrestricted**      **660,169**      420,784

**796,653**      546,132

**\$ 1,297,399**      \$ 1,048,825

*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**

	Invested in equipment and leasehold improvements	Unrestricted	<b>Total 2008</b>	Total 2007
Net assets, beginning of year	\$ 125,348	\$ 420,784	\$ 546,132	\$ 295,527
Excess (deficiency) of revenues over expenses	(51,854)	302,375	250,521	250,605
Investment in equipment and leasehold improvements	62,990	(62,990)	-	-
Net assets, end of year	\$ 136,484	\$ 660,169	\$ 796,653	\$ 546,132

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

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

<b>Year ended October 31</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Membership fees	\$ 4,973,987	\$ 4,135,797
Other (Note 4)	85,356	289,800
Interest income	24,619	23,845
	<b>5,083,962</b>	<b>4,449,442</b>
<b>Expenses</b>		
Personnel (Note 6)	3,718,736	2,980,512
Directors' fees and expenses	273,261	286,973
Rent and operating costs	258,942	247,260
Marketing and membership	107,561	88,871
Supplies and services	100,697	100,947
Telephone	92,871	72,133
Information technology and support	77,520	58,061
Corporate administrative	66,898	54,483
Legal fees	33,152	62,394
Insurance	19,635	20,769
Audit fees	18,000	20,000
Consultant fees	12,509	151,526
Other	1,805	4,147
Amortization	51,854	50,761
	<b>4,833,441</b>	<b>4,198,837</b>
<b>Excess of revenue over expenses</b>	<b>\$ 250,521</b>	<b>\$ 250,605</b>

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

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

<b>Year ended October 31</b>	<b>2008</b>	<b>2007</b>
<b>SOURCES (USES) OF CASH</b>		
<b>Operating activities</b>		
Excess of revenues over expenses	\$ 250,521	\$ 250,605
<i>Item not involving cash</i>		
Amortization	51,854	50,761
	<b>302,375</b>	<b>301,366</b>
<b>Changes in non-cash working capital items</b>		
Due from members	(9,754)	56,436
Accounts receivable	21,240	(24,817)
Prepaid expenses and sundry	1,552	(5,031)
Accounts payable and accrued charges	(1,947)	(245,077)
<b>Cash provided by operating activities</b>	<b>313,466</b>	<b>82,877</b>
<b>Investing activity</b>		
Purchase of investments	(506,225)	-
Acquisition of equipment and leasehold improvements	(62,990)	(70,187)
<b>Cash used in investing activity</b>	<b>(569,215)</b>	<b>(70,187)</b>
<b>Net increase (decrease) in cash</b>	<b>(255,749)</b>	<b>12,690</b>
<b>Cash, beginning of year</b>	<b>863,087</b>	<b>850,397</b>
<b>Cash, end of year</b>	<b>\$ 607,338</b>	<b>\$ 863,087</b>

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

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**1. Purpose of the organization and income tax status**

Ombudsman for Banking Services and Investments 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.

**Short-term investments**

Short-term investments consist of fixed income instruments, and are designated on initial recognition as held-for-trading and recorded at fair value. Fair values are estimated using quoted market prices. The purchase and sale of investments are accounted for using trade-date accounting. Transaction costs associated with the acquisition and disposal of short-term investments are expensed in the period incurred. Investment income includes dividend and interest income and realized and unrealized gains and losses.



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

**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	-	20% straight line

**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 expensed when paid.

Other eligible employees participate in the defined contribution pension plan instead of the above plan. The costs of these benefits are expensed as contributions are 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.

**Future changes in accounting policies**

**Financial instruments - disclosure and presentation**

The CICA issued two new accounting standards on financial instruments, Section 3862 and Section 3863. Section 3862 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Section 3863 establishes requirements for presentation of financial instruments which are essentially unchanged from those formerly in Section 3860. Additional requirements for disclosure include: financial risk management objectives and policies, fair value methods and assumptions, and unrecognized impairment. These standards are effective for the interim and annual financial statements relating to fiscal years commencing on or after October 1, 2008.

OBSI will adopt these new standards effective November 1, 2008 and is assessing the impact on its financial statements.

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

**Future changes in accounting policies (continued)**

Presentation and disclosure

The CICA has issued amendments to several standards and one new standard which address disclosure and presentation requirements for not-for-profit organizations. The more significant amendments eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets; clarify that revenues and expenses must be recognized and presented on a gross basis; make the cash flow statement, interim financial statements and disclosure of related party transactions consistent with the requirements for profit entities. The new standard, Disclosure of Allocated Expenses requires the policy adopted for allocation, the nature, basis and amounts of fundraising and general support expenses allocated to various functions to be disclosed.

The new requirements are effective for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2009. OBSI will adopt the new requirements effective November 1, 2008, and is assessing the impact on its financial statements.

**3. Equipment and leasehold improvements**

	2008		2007	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Furniture and fixtures	\$ 178,523	\$ 112,989	\$ 65,534	\$ 70,700
Computer equipment	148,988	94,995	53,993	27,806
Leasehold improvements	114,620	97,663	16,957	26,842
	\$ 442,131	\$ 305,647	\$ 136,484	\$ 125,348

Amortization expense for the year amounted to \$51,854 (2007 - \$50,761).

**4. CFSON fees**

During fiscal 2006, the Board of Directors and members of Centre for the Financial Services OmbudsNetwork (CFSON) agreed to wind-up the corporation and, accordingly, OBSI ceased to collect membership fees on behalf of CFSON at the end of the second quarter. Until that time, in accordance with the Membership Fee and Funding Resolution of the CFSON, and as approved by the Board of Directors of OBSI on December 3, 2002, the OBSI collected membership fees on behalf of CFSON from OBSI members and remitted such membership fees to CFSON. The CFSON membership fees were determined by CFSON based on the costs of operating CFSON and these costs were allocated across OBSI membership according to a formula determined by CFSON. The membership fees were collected and remitted by OBSI.

As a result of the wind-up, OBSI received a refund from CFSON of \$85,356 (2007 - \$289,800) which was recorded as other revenue.

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**5. Commitments**

OBSI is committed under a long-term lease for premises and various equipment leases at various times from August 2009 to June 2012. Minimum annual rentals (exclusive of requirement to pay taxes, insurance and maintenance costs) for each of the next four years are approximately as follows:

Year ending October 31, 2009	\$ 98,000
2010	9,900
2011	9,000
2012	6,000

**6. Employee future benefits**

OBSI's eligible employees participate in the defined benefit pension plan of another organization. OBSI is assessed and pays an annual charge related to this plan which amounted to \$61,600 (2007 – 57,900). This amount, which is based on the other organization's estimate of the pension expense attributable to OBSI's employees, has been recorded as an operating expense in the statement of operations. Contributions made to the defined contribution plan amounted to \$69,780 (2007 - \$38,286), has been recorded as an operating expense 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:

	<b>2008</b>	2007
Cumulative payments to another organization	\$ 186,027	\$ 155,912
Accrued benefit obligation	<b>(279,677)</b>	(306,826)
Funded status - deficit	<b>(93,650)</b>	(150,914)
Unamortized transitional obligation	<b>29,964</b>	33,293
Unamortized net actuarial loss	<b>61,774</b>	116,260
Employer contributions after measurement date	<b>1,912</b>	1,361
<b>Accrued benefit liability</b>	<b>\$ -</b>	\$ -
<b>Benefits paid</b>	<b>\$ -</b>	\$ -
<b>Contributions</b>	<b>\$ 38,314</b>	\$ 37,067
<b>Expenses</b>	<b>\$ 38,314</b>	\$ 37,067

**OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS**  
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**6. Employee future benefits (continued)**

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

	<b>2008</b>	2007
Discount rate	<b>6.25%</b>	5.50%
Expected long-term rate of return on plan assets	<b>7.25%</b>	7.00%
Health care trend rates	<b>6.30% to 4.50% over 8 years</b>	6.50% to 4.50% over 9 years
Rate of compensation increase	<b>4.00%</b>	4.00%

The most recent actuarial valuation of the pension plan for funding and accounting purposes was made as of January 1, 2008 extrapolated to July 31, 2008. The next required actuarial valuation will be as of January 1, 2009.

**7. Comparative figures**

Certain reclassifications for the year ended October 31, 2007 have been made for the purpose of comparability.

**8. Financial instruments**

**Fair value**

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