

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
FINANCIAL STATEMENTS
OCTOBER 31, 2014

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS

FINANCIAL STATEMENTS

OCTOBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
Ombudsman for Banking Services and Investments

We have audited the accompanying financial statements of Ombudsman for Banking Services and Investments, which comprise the statement of financial position as at October 31, 2014, and the statement of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ombudsman for Banking Services and Investments as at October 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 5, 2015

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF FINANCIAL POSITION

At October 31

2014

2013

ASSETS

Current

Cash	\$ 1,812,591	\$ 2,071,783
Amounts due from members	27,123	92,509
Prepaid expenses and sundry	63,982	37,669
Short-term investments	1,750,000	-

3,653,696 2,201,961

Equipment and leasehold improvements (Note 3) 291,454 371,024

\$ 3,945,150 \$ 2,572,985

LIABILITIES

Current

Accounts payable and accrued charges	\$ 1,091,305	\$ 793,533
Deferred revenue	954,219	-
Straight-line rent payable and deferred tenant inducements (Note 5)	170,349	202,305

2,215,873 995,838

Net benefit obligation (Note 6) 205,231 199,086

2,421,104 1,194,924

Commitments (Note 8)

NET ASSETS

Invested in equipment and leasehold improvements	291,454	371,024
Internally restricted	58,641	57,141
Unrestricted	1,173,951	949,896

1,524,046 1,378,061

\$ 3,945,150 \$ 2,572,985

The accompanying notes are an integral part of the financial statements

On behalf of the Board

Chair of Audit Committee

Date

Ombudsman and CEO

Date

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

	Invested in equipment and leasehold improvements	Internally restricted net assets	Unrestricted	Total 2014	Total 2013
Net assets, beginning of year	\$ 371,024	\$ 57,141	\$ 949,896	\$ 1,378,061	\$ 385,011
Excess (deficiency) of revenues over expenses	(93,408)	1,500	237,893	145,985	993,050
Investment in equipment and leasehold improvements	13,838	-	(13,838)	-	-
Net assets, end of year	\$ 291,454	\$ 58,641	\$ 1,173,951	\$ 1,524,046	\$ 1,378,061

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF OPERATIONS

Year ended October 31	2014	2013
Revenue		
Membership fees	\$ 8,332,541	\$ 7,965,906
Interest income	28,603	23,481
	8,361,144	7,989,387
Expenses		
Personnel	6,604,941	5,446,554
Rent and operating costs	304,710	298,202
Governance	279,422	298,875
Legal fees	156,186	126,872
Marketing and membership	154,159	102,137
Information technology and support	138,223	142,613
Supplies and services	121,967	106,644
Corporate administration	117,048	111,381
Consultant fees	93,215	120,469
Telephone	69,097	74,588
Audit fees	33,900	46,387
Process innovation	32,571	-
Insurance	12,847	12,847
Miscellaneous expense (recovery)	3,465	(3,105)
Amortization	93,408	111,873
	8,215,159	6,996,337
Excess of revenue over expenses	\$ 145,985	\$ 993,050

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 **2014** **2013**

SOURCES (USES) OF CASH

Operating activities

Excess of revenues over expenses \$ **145,985** \$ 993,050

Items not involving cash

Amortization - equipment and leasehold improvements **93,408** 111,873

Amortization - straight-line rent and tenant inducements **(31,956)** (31,956)

Net benefit obligation **6,145** 131,540

Loss on disposal of equipment and leasehold improvements - 3,114

213,582 1,207,621

Changes in non-cash working capital items

Amounts due from members **65,386** (68,356)

Prepaid expenses and sundry **(26,313)** (753)

Accounts payable and accrued charges **297,772** (343,862)

Deferred revenue **954,219** -

Accounts receivable - 21,499

Cash provided by operating activities **1,504,646** 816,149

Investing activities

Purchase of short-term investments **(1,750,000)** -

Acquisition of equipment and leasehold improvements **(13,838)** (164,052)

Cash used in investing activities **(1,763,838)** (164,052)

Net increase (decrease) in cash **(259,192)** 652,097

Cash, beginning of year **2,071,783** 1,419,686

Cash, end of year **\$ 1,812,591** \$ 2,071,783

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

1. Purpose of the organization and income tax status

Ombudsman for Banking Services and Investments ("OBSI") is incorporated under the Canada Not-For-Profit Corporations Act as a non-profit organization whose objectives are to receive, investigate and make recommendations concerning complaints made by persons, particularly retail consumers and small businesses, having requested or received products or services from financial service providers that are members of the OBSI, which have not been dealt with in a fashion satisfactory to such persons through the internal complaint handling procedures of the financial service providers.

OBSI is exempt from income tax under Section 149(1)(l) of the Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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 statement of financial position 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 administration 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.

The internally restricted fund accounts for the funds restricted by the Board for future restructuring costs of OBSI.

Revenue recognition

OBSI follows the deferral method of accounting for contributions.

Membership fees are recognized as revenue in the fiscal year to which they relate. Membership fees received in advance of the membership year to which they relate are recorded as deferred revenue.

Resignation fees are recognized as revenue in the internally restricted fund, in the fiscal year they are received.

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

Financial instruments

OBSI initially measures its financial assets and liabilities at fair value.

OBSI subsequently measures all its financial instruments at amortized cost using the straight line method.

Equipment and leasehold improvements

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 deferred tenant inducements

Deferred tenant inducements includes reduced rent benefits and tenant inducements received in cash.

OBSI recognizes rental expenses using the straightline method whereby any contractual rents over the term of a lease are recognized into operations evenly over that term. The difference between the rental expense recognized and rental payments made is shown as deferred tenant inducements.

Pension costs and obligations

OBSI provides three employee future benefit plans to its employees based on certain eligibility criteria: defined contribution plan, defined benefit plan and post-retirement medical plan.

The defined benefit plan is accounted for as a defined contribution plan because it is a multi-employer plan. The costs of pension benefits for this plan are charged to operations as incurred and included in personnel costs.

The costs of pension benefits for defined contribution plans are charged to operations as incurred and included in personnel costs.

OBSI accounts for its post-retirement medical plan using the immediate recognition approach whereby OBSI recognizes the cost of the plan for the period plus the change in the accrued benefit obligation net of the change in the fair value of the plan assets.

OBSI accrues its obligations under the post-retirement medical plan as the employees render the services necessary to earn the benefits. The actuarial determination of the accrued benefit obligations is based on the funding valuation. The measurement date of the plan assets and accrued benefit obligation coincides with OBSI's fiscal year. The most recent actuarial valuation of the pension plans for funding purposes was as of November 13, 2014.

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2014

3. Equipment and leasehold improvements

		Accumulated	2014	2013
	Cost	Amortization	Net Carrying Amount	Net Carrying Amount
Furniture and fixtures	\$ 204,428	\$ 146,815	\$ 57,613	\$ 74,640
Computer equipment	228,450	136,132	92,318	129,106
Leasehold improvements	268,684	127,161	141,523	167,278
	\$ 701,562	\$ 410,108	\$ 291,454	\$ 371,024

Amortization expense for the year amounted to \$93,408 (2013 - \$111,873).

4. Credit facility

OBSI's banking facility provides for a maximum operating line of credit of \$230,000 (2013 - \$230,000).

Borrowings under the line of credit bear interest at the bank's prime rate plus 2.25%, payable monthly.

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

5. Straight-line rent payable and deferred tenant inducements

	Tenant	Reduced	2014	2013
	Inducements	Rent Benefits	Net	Net
Balance, beginning of year	\$ 102,313	\$ 99,992	\$ 202,305	\$ 234,261
Amortization	(16,155)	(15,801)	(31,956)	(31,956)
	\$ 86,158	\$ 84,191	\$ 170,349	\$ 202,305

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
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6. Pension plans

OBSI's eligible employees participate in the multi-employer 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 \$63,000 (2013 - \$90,700). 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.

Total contributions to the defined contribution plan amounted to \$229,970 (2013 - \$313,884). OBSI's employer contributions to the defined contribution plan of \$126,878 (2013 - \$138,057) have been included in personnel costs in the statement of operations.

In addition, OBSI's eligible employees participate in the non-pension post-employment medical 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 the projected benefit method, and bases its accounting for plan assets on its proportionate interest in the assets of the multiple employer plan. The plan costs depend on several factors, including the amounts of benefits paid, the number of employees in the plan, and health care trend rates. Costs recognized during the year are \$257,060 (2013 - \$131,540), which are included in personnel costs in the statement of operations.

	2014	2013
Accrued benefit obligation	\$ (1,090,630)	\$ (845,524)
Fair value of plan assets	-	-
Prepayment to other participating organization	885,399	646,438
Net plan deficit, end of year	\$ (205,231)	\$ (199,086)

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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7. Financial instruments

OBSI regularly evaluates and manages the principal risks assumed with its financial instruments. The risks that arise from transacting in financial instruments include liquidity risk, credit risk, market risk, interest rate risk, and foreign currency risk. The following analysis provides a measure of OBSI's risk exposure and concentrations. There are no significant changes in the risk exposures from the prior period.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities as they come due. OBSI is exposed to this risk mainly in respect of its accounts payable. Accounts payable are generally paid within the credit terms.

Credit risk

OBSI is exposed to credit risk with respect to amounts due from members.

OBSI assesses, on a continuous basis, amounts due from members on the basis of amounts for which ultimate collection is reasonably assured based on their estimated realizable value.

OBSI is not exposed to any significant market risk, foreign currency risk, and interest rate risk at the statement of financial position date.

8. Commitments

OBSI is committed under a long-term lease for premises and various equipment leases which expire at various times from April 2015 to March 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, 2015	\$	230,000
	2016		225,000
	2017		226,000
	2018		228,000
	2019		230,000
	Thereafter		64,000
			<hr/>
			\$ 1,203,000
			<hr/>