

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
FINANCIAL STATEMENTS
OCTOBER 31, 2009

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AUDITORS' REPORT

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, 2009 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, 2009 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, 2009



OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF FINANCIAL POSITION

At October 31

2009

2008

ASSETS

Current

Cash	\$ 465,686	\$ 607,338
Due from members	57,693	25,845
Accounts receivable	128,013	4,258
Prepaid expenses and sundry	60,253	17,249
Short-term investments	-	506,225

711,645 1,160,915

Equipment and leasehold improvements (Note 3) **439,072** 136,484

\$ 1,150,717 \$ 1,297,399

LIABILITIES

Current

Accounts payable and accrued charges	\$ 1,031,379	\$ 500,746
Straight-line rent payable and deferred tenant inducements	216,882	-

1,248,261 500,746

Commitments (Note 4)

NET ASSETS (DEFICIENCY)

Invested in equipment and leasehold improvements	439,072	136,484
Unrestricted	(536,616)	660,169

(97,544) 796,653

\$ 1,150,717 \$ 1,297,399

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	Total 2009	Total 2008
Net assets, beginning of year	\$ 136,484	\$ 660,169	\$ 796,653	\$ 546,132
Excess (deficiency) of revenues over expenses	(68,603)	(825,594)	(894,197)	250,521
<u>Investment in equipment and leasehold improvements</u>	<u>371,191</u>	<u>(371,191)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	\$ 439,072	\$ (536,616)	\$ (97,544)	\$ 796,653

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF OPERATIONS

Year ended October 31	2009	2008
Revenue		
Membership fees	\$ 5,524,779	\$ 4,973,987
Interest income	12,937	24,619
Other	-	85,356
	5,537,716	5,083,962
Expenses		
Personnel (<i>Note 5</i>)	4,850,314	3,718,736
Directors' fees and expenses	364,266	273,261
Rent and operating costs	309,028	258,942
Legal fees	138,716	33,152
Marketing and membership	138,316	107,561
Supplies and services	127,157	100,697
Information technology and support	112,703	77,520
Telephone	103,390	92,871
Consultant fees	88,099	12,509
Corporate administrative	85,659	66,898
Audit fees	18,850	18,000
Insurance	18,419	19,635
Other	8,393	1,805
Amortization	68,603	51,854
	6,431,913	4,833,441
Excess (deficiency) of revenue over expenses	\$ (894,197)	\$ 250,521

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 **2009** **2008**

SOURCES (USES) OF CASH

Operating activities

Excess (deficiency) of revenues over expenses **\$ (894,197)** **\$ 250,521**

Item not involving cash

Amortization **68,603** **51,854**

(825,594) **302,375**

Changes in non-cash working capital items

Due from members **(31,848)** **(9,754)**

Accounts receivable **(123,755)** **21,240**

Prepaid expenses and sundry **(43,004)** **1,552**

Accounts payable and accrued charges **530,633** **(1,947)**

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

Cash provided by (used in) operating activities **(276,686)** **313,466**

Investing activity

Proceeds on sale of investments **506,225** **-**

Purchase of investments **-** **(506,225)**

Acquisition of equipment and leasehold improvements **(371,191)** **(62,990)**

Cash provided by (used in) investing activity **135,034** **(569,215)**

Net decrease in cash **(141,652)** **(255,749)**

Cash, beginning of year **607,338** **863,087**

Cash, end of year **\$ 465,686** **\$ 607,338**

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2009

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.

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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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.

Future changes in accounting policies

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, 2009, and is assessing the impact on its financial statements.

3. Equipment and leasehold improvements

			2009	2008
			Net	Net
	Cost	Accumulated Amortization	Carrying Amount	Carrying Amount
Furniture and fixtures	\$ 186,108	\$ 54,722	\$ 131,386	\$ 65,534
Computer equipment	181,504	127,849	53,655	53,993
Leasehold improvements	254,031	-	254,031	16,957
	\$ 621,643	\$ 182,571	\$ 439,072	\$ 136,484

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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4. Commitments

OBSI is committed under a long-term lease for premises and various equipment leases expiring at various times from April 2010 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, 2010	\$ 162,000
2011	201,000
2012	184,000
2013	173,000
2014	175,000

5. 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 \$62,400 (2008 – \$61,600). 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. Assets of approximately \$666,313 were transferred into the new pension plan from a pension plan OBSI participated in with another organization. Contributions made to the new defined contribution plan amounted to \$143,529 (2008 - \$Nil). Contributions made to the old defined contribution plan from November 1, 2008 to December 31, 2008 amounted to \$12,605 (2008 - \$69,780). Contributions for both the new and old defined contribution plans 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:

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

	2009	2008
Change in benefit obligation		
Benefit obligation - end of prior period	\$ 279,677	\$ 306,826
Current service cost - employer	10,811	12,448
Interest cost	17,894	17,350
Benefits paid	(8,363)	(7,648)
Actuarial loss (gain)	84,404	(49,299)
	\$ 384,423	\$ 279,679
Change in plan assets		
Employer contributions	\$ 8,363	\$ 7,648
Benefits paid	(8,363)	(7,648)
	\$ -	\$ -
Reconciliation of funded status		
Funded status - deficit	\$ (384,423)	\$ (279,677)
Employer contributions after measurement date	2,091	1,912
Unamortized transitional obligation	26,635	29,964
Unamortized net actuarial loss	144,129	61,774
	\$ (211,568)	\$ (186,027)
Components of expense		
Current service cost (including provision for plan expenses)	\$ 10,811	\$ 12,448
Interest cost	17,894	17,350
Amortization of transitional obligation	3,329	3,329
Amortization of net actuarial loss	2,049	5,187
	\$ 34,083	\$ 38,314

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):

	2009	2008
Discount rate	6.25%	6.25%
Expected long-term rate of return on plan assets	7.00%	7.25%
Health care trend rates	6.80% to 4.50% over 20 years	6.30% to 4.50% over 8 years
Rate of compensation increase	4.00%	4.00%

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

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6. 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.

7. 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.

8. Comparative figures

Certain reclassifications for the year ended October 31, 2008 have been made for the purpose of comparability.