

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
FINANCIAL STATEMENTS
OCTOBER 31, 2020

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Crowe Soberman | Canada

Crowe Soberman LLP

Member Crowe Global

2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5

Main 416 964 7633

Fax 416 964 6454

www.crowesoberman.com

INDEPENDENT AUDITORS' REPORT

To the Members of Ombudsman for Banking Services and Investments

Opinion

We have audited the financial statements of Ombudsman for Banking Services and Investments (the Organization), which comprise the statement of financial position as at October 31, 2020, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at October 31, 2020, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 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.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' 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 auditors' 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 these financial statements.



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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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- 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.

We 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.

Crowe Soberman LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 10, 2021

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF FINANCIAL POSITION

At October 31

2020

2019

ASSETS

Current

Cash	\$ 2,021,585	\$ 2,130,386
Term deposits	5,349,806	5,015,725
Amounts due from members	17,548	37,499
Prepaid expenses and sundry	121,781	209,771

7,510,720 7,393,381

Equipment and leasehold improvements (Note 3) **890,813** 146,069

Software (Note 4) **845,937** 743,714

Restricted term deposits (Notes 5 and 7) **639,422** 615,780

\$ 9,886,892 \$ 8,898,944

LIABILITIES

Current

Accounts payable and accrued charges **\$ 1,188,030** \$ 1,062,290

Straight-line rent payable and deferred tenant inducements (Note 6) **424,168** 10,569

1,612,198 1,072,859

Net benefit obligation (Note 7) **639,422** 615,780

2,251,620 1,688,639

Commitments (Note 10)

NET ASSETS

Invested in capital assets **1,736,750** 889,783

Internally restricted (Note 5) - -

Unrestricted **5,898,522** 6,320,522

7,635,272 7,210,305

\$ 9,886,892 \$ 8,898,944

The accompanying notes are an integral part of the financial statements

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

	Invested in capital assets	Internally restricted	Unrestricted	Total 2020	Total 2019
Net assets, beginning of year	\$ 889,783	\$ -	\$ 6,320,522	\$ 7,210,305	\$ 6,754,700
Excess (deficiency) of revenue over expenses	(262,089)	(17,754)	751,178	471,335	(121,633)
Investment in capital assets	1,109,056	-	(1,109,056)	-	-
Employee benefit plan - remeasurement (<i>Note 5</i>)	-	(46,368)	-	(46,368)	577,238
Net transfers from unrestricted to internally restricted (<i>Note 5</i>)	-	64,122	(64,122)	-	-
Net assets, end of year	\$ 1,736,750	\$ -	\$ 5,898,522	\$ 7,635,272	\$ 7,210,305

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
STATEMENT OF OPERATIONS

Year ended October 31	2020	2019
Revenue		
Membership fees	\$ 8,911,160	\$ 8,325,559
Interest income	137,395	149,491
Resignation fees	-	257,590
	9,048,555	8,732,640
Expenses		
Personnel	6,201,473	6,424,971
Rent and operating costs	665,688	426,096
Information technology and support	547,703	544,956
Governance	358,156	417,262
Corporate administration	148,268	129,722
Marketing and membership	139,948	121,472
Supplies and services	60,251	99,157
Consultant fees	56,584	240,603
Insurance	47,843	45,503
Legal fees	33,359	73,053
Information technology infrastructure risk review	28,886	79,793
Audit fees	20,559	30,075
Loss on disposal of equipment and leasehold improvements	9,932	-
Telephone	6,413	9,641
Amortization	252,157	211,969
	8,577,220	8,854,273
Excess (deficiency) of revenue over expenses	\$ 471,335	\$ (121,633)

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

2020

2019

SOURCES (USES) OF CASH

Operating activities

Excess (deficiency) of revenue over expenses \$ 471,335 \$ (121,633)

Items not involving cash

Amortization - equipment and leasehold improvements 130,439 123,006

Amortization - software 121,718 88,963

Amortization - straight-line rent and tenant inducements (34,642) (31,956)

Non-cash personnel costs (Note 7) 29,129 135,664

Loss on disposal of equipment and leasehold improvements 9,932 -

727,911 194,044

Changes in non-cash working capital items

Amounts due from members 19,951 (7,937)

Prepaid expenses and sundry 87,990 (113,230)

Accounts payable and accrued charges 125,740 (78,660)

Cash provided by (used in) operating activities 961,592 (5,783)

Investing activities

Purchase of restricted term deposits (23,642) (615,780)

Purchase of term deposits (5,349,806) (5,015,725)

Sale of term deposits 5,015,725 5,059,079

Acquisition of equipment and leasehold improvements (885,115) (41,094)

Acquisition of software (223,941) (104,930)

Additions to deferred tenant inducements 448,241 -

Payment to benefit obligation plan (51,855) (43,424)

Cash used in investing activities (1,070,393) (761,874)

Net decrease in cash (108,801) (767,657)

Cash, beginning of year 2,130,386 2,898,043

Cash, end of year \$ 2,021,585 \$ 2,130,386

The accompanying notes are an integral part of the financial statements

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

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 contingent liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period. The more subjective of such estimates is net benefit obligation. Management believes its estimates to be appropriate; however, actual results could differ from those estimates.

In March 2020, there was a global outbreak of COVID-19, which has had a significant impact on services through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. There is significant uncertainty regarding the extent and duration of the impact of the COVID-19 pandemic on the Organization's operations. The impact of the pandemic on the Organization's financial condition, cash flows, operations, credit risk, liquidity and availability of credit is highly uncertain and cannot be predicted. Management will continue to monitor and assess the impact of the pandemic on its judgments, estimates, accounting policies and amounts recognized in these financial statements. As at the financial statement date, management has determined that there has been no material adverse effect on OBSI.

Fund accounting

Revenue and expenses related to ombudsman services provided and administration activities are reported in the unrestricted fund, unless internally restricted. Net assets to be used for the purpose of funding the non-pension post-retirement medical plan are internally restricted by the Board of Directors. The invested in capital assets fund represents the assets, liabilities, revenue and expenses related to OBSI's equipment, leasehold improvements and software.

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

2. Significant accounting policies (continued)

Revenue recognition

Membership fees are recognized as revenue proportionately over 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 fiscal year they are received.

Financial instruments

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

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

Transaction costs are recognized in the statement of operations in the period incurred.

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 year straight-line
Computer equipment	-	4 year straight-line
Leasehold improvements	-	straight-line over the term of the lease

Software

Software is recorded at cost less accumulated amortization. Amortization is provided annually on bases designed to amortize the assets over their estimated useful lives, as follows:

Database software	-	10 year straight-line
Portal software	-	5 year straight-line

Leases and deferred tenant inducements

Rental payments under operating leases and deferred tenant inducements are included in the determination of excess (deficiency) of revenue over expenses over the lease term on a straight-line basis.

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

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2020

2. Significant accounting policies (continued)

Employee future benefits

OBSI has a defined contribution pension plan, a multiemployer defined benefit pension plan and a non-pension post retirement medical plan.

OBSI accounts for the cost of benefits related to the defined contribution pension plan as contributions are due. These costs are recorded as personnel expenses in the statement of operations.

OBSI accounts for the multiemployer defined benefit pension plan as a defined contribution pension plan since it is a multiemployer plan for which the amount of the obligation attributable to each participating entity cannot be quantified.

OBSI accounts for its non-pension post retirement medical plan using the immediate recognition approach. OBSI recognizes the amount of the accrued benefit obligation, net of the fair value of plan assets measured at the statement of financial position date, adjusted for any valuation allowances. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses and differences between actual and expected returns on plan assets and past service costs are recognized as a direct increases or decreases in net assets. The accrued benefit obligation is determined based on an actuarial valuation report prepared for funding purposes. This report is required to be prepared at least on a triennial basis. In years where the actuarial valuations are not prepared, OBSI uses a roll-forward technique to estimate the accrued liability using assumptions from the most recent actuarial valuation report.

3. Equipment and leasehold improvements

			2020		2019
			Net		Net
			Carrying		Carrying
	Cost	Accumulated Amortization	Amount		Amount
Furniture and fixtures	\$ 525,809	\$ 236,264	\$ 289,545	\$	48,792
Computer equipment	477,712	405,965	71,747		46,534
Leasehold improvements	994,900	465,379	529,521		50,743
	\$ 1,998,421	\$ 1,107,608	\$ 890,813	\$	146,069

Amortization expense for the year amounted to \$130,439 (2019 - \$123,006).

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

	Cost	Accumulated Amortization	2020 Net Carrying Amount	2019 Net Carrying Amount
Database software	\$ 984,027	\$ 359,658	\$ 624,369	\$ 589,548
Portal software	252,285	30,717	221,568	154,166
	\$ 1,236,312	\$ 390,375	\$ 845,937	\$ 743,714

Amortization expense for the year amounted to \$121,718 (2019 - \$88,963).

5. Interfund transfers

In the prior year, the Board of Directors passed a resolution to create an internally restricted fund for purposes of funding the non-pension post-retirement medical plan. A portion of the term deposits are restricted at the end of each fiscal year to agree to the balance of the net benefit obligation.

The net benefit obligation was remeasured during the current year, resulting in an increase to the net benefit obligation of \$46,368 (refer to Note 7). Term deposits in the amount of \$64,122 were restricted as at the end of the fiscal year to agree to the net benefit obligation balance at year end of \$639,422.

6. Straight-line rent payable and deferred tenant inducements

	Tenant inducements	Reduced rent benefits	2020 Net	2019 Net
Balance, beginning of year	\$ 5,383	\$ 5,186	\$ 10,569	\$ 42,525
Addition	322,965	125,276	448,241	-
Amortization	(29,456)	(5,186)	(34,642)	(31,956)
	\$ 298,892	\$ 125,276	\$ 424,168	\$ 10,569

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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7. Employee future benefits

OBSI has a defined contribution pension plan, a multiemployer defined benefit pension plan and a non-pension post-retirement medical plan.

During the year ended October 31, 2020, OBSI's contributions to the defined contribution plan were \$170,143 (2019 - \$157,113) and have been recorded as personnel expenses in the statement of operations.

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 opted into this plan before that date can continue to use this plan. Since it is a multiemployer plan for which the amount of the obligation attributable to each participating entity cannot be quantified, OBSI cannot account for this plan as a defined benefit plan, and instead accounts for it as a defined contribution plan. There is no available information about the plan's surplus or deficit and there are no changes in the contractual elements of the plan. During the year ended October 31, 2020, OBSI's contributions to the defined contributions plan were \$72,500 (2019 - \$60,800) and have been recorded as personnel expenses in the statement of operations.

OBSI's eligible employees participate in a non-pension post-retirement 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. The accrued benefit obligation is not funded as funding is provided when benefits are paid, and accordingly, there are no plan assets. The most recent actuarial valuation for funding purposes was performed as at October 31, 2020. During the year ended October 31, 2020, OBSI recognized expenses of \$17,754 (2019 - \$164,030) relating to the plan which have been recorded as personnel expenses in the statement of operations. Remeasurements consist of actuarial gains (losses) and the difference between expected and actual investment returns on plan assets and amounted to a loss of \$46,368 (2019 - gain of \$577,238). The remeasurements have been recorded in the statement of changes in net assets.

8. Credit facility

OBSI's banking facility provides for a maximum operating line of credit of \$500,000 (2019 - \$500,000). Borrowings under the line of credit bear interest at the bank's prime rate (3.95%), payable monthly. As security, OBSI has provided a general security agreement consisting of a first charge over all present and future property. There were drawings of \$nil (2019 - \$nil) against the operating line of credit as at October 21, 2020.

OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS
NOTES TO FINANCIAL STATEMENTS
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9. 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 and accrued charges. Accounts payable and accrued charges are generally repaid within the credit terms. OBSI considers that it has sufficient funds available to meet its obligations as they come do.

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

10. Commitments

OBSI is committed under a long-term lease for premises and various equipment leases which expire at various times between December 2023 and February 2030. Minimum annual rentals (exclusive of requirement to pay taxes, insurance and maintenance costs) for each of the next five years, and thereafter, are approximately as follows:

Year ending October 31, 2021	\$ 373,700
2022	373,700
2023	384,600
2024	389,000
2025	387,600
Thereafter	1,701,800
	<hr/>
	\$ 3,610,400

OBSI is committed under an agreement for telecommunications services for the next year which expires in October 2021 for \$33,200.

11. Comparative figures

Certain reclassifications for the year ended October 31, 2019 have been made for the purpose of comparability.