



Financial Statements

Ombudsman for Banking Services and
Investments

October 31, 2023

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Independent Auditor's 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, 2023, and the statements of operations, changes in net assets and 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, 2023, 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.

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 Auditor's 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.

Auditor's 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 auditor's 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. 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 auditor's 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 auditor's 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.

Grant Thornton LLP

Markham, Canada
February 28, 2024

Chartered Professional Accountants
Licensed Public Accountants

Ombudsman for Banking Services and Investments

Statement of Operations

Year ended October 31	2023	2022
Revenues		
Membership fees	\$ 11,831,227	\$ 10,711,568
Interest income	<u>403,841</u>	<u>114,724</u>
	<u>12,235,068</u>	<u>10,826,292</u>
Expenditures		
Personnel	10,201,820	7,803,905
Rent and operating costs	582,624	564,263
Information technology and support	735,552	578,220
Governance	534,681	409,351
Corporate administration	234,970	216,862
Marketing and membership	159,971	166,126
Legal fees	36,141	12,137
Insurance	91,119	77,840
Supplies and services	95,846	50,639
Consulting fees	67,744	239,345
Audit fees	29,394	25,963
Telephone	5,928	6,054
Amortization	<u>369,802</u>	<u>336,708</u>
	<u>13,145,592</u>	<u>10,487,413</u>
(Deficiency) excess of revenue over expenses before other income (expenses)	(910,524)	338,879
Loss on disposal of equipment	<u>(26,542)</u>	<u>-</u>
(Deficiency) excess of revenue over expenses	<u>\$ (937,066)</u>	<u>\$ 338,879</u>

Ombudsman for Banking Services and Investments Statement of Changes in Net Assets

Year ended October 31

	Invested in capital assets	Internally restricted	Unrestricted	Total 2023	Total 2022
Net assets, beginning of year	\$ 1,569,499	\$ -	\$ 6,158,339	\$ 7,727,838	\$ 7,372,118
(Deficiency) excess of revenue over expenses	(369,802)	(1,857)	(565,407)	(937,066)	338,879
Investment in capital assets	272,625	-	(272,625)	-	-
Disposal of capital assets	(26,552)	-	26,552	-	-
Employee benefit plan - remeasurement	-	147,523	-	147,523	16,841
Net transfers from unrestricted to internally restricted	-	(145,666)	145,666	-	-
Net assets, end of year	<u>\$ 1,445,770</u>	<u>\$ -</u>	<u>\$ 5,492,525</u>	<u>\$ 6,938,295</u>	<u>\$ 7,727,838</u>

See accompanying notes to the financial statements.

Ombudsman for Banking Services and Investments

Statement of Financial Position

October 31

2023

2022

Assets

Current

Cash	\$ 2,428,392	\$ 3,015,366
Term deposits	4,869,750	4,608,076
Amounts due from members	233,019	41,695
Prepaid expenses and sundry	<u>87,716</u>	<u>101,430</u>

7,618,877 7,766,567

Restricted term deposits (Note 3)	491,702	665,603
Equipment and leasehold improvements (Note 4)	918,635	971,065
Software (Note 5)	<u>527,145</u>	<u>598,435</u>

\$ 9,556,359 **\$ 10,001,670**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 1,797,590	\$ 1,241,520
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Straight-line rent payable and deferred tenant inducements (Note 6)	327,211	366,709
Net benefit obligation (Note 7)	<u>493,263</u>	<u>665,603</u>

2,618,064 2,273,832

Net assets

Invested in capital assets	1,445,770	1,569,501
Internally restricted	-	-
Unrestricted	<u>5,492,525</u>	<u>6,158,337</u>

6,938,295 7,727,838

\$ 9,556,359 **\$ 10,001,670**

Commitment (Note 10)

Ombudsman for Banking Services and Investments

Statement of Cash Flows

Year ended October 31

2023

2022

Increase (decrease) in cash

Operating

(Deficiency) excess of revenue over expenses	\$ (937,066)	\$ 338,879
Items not affecting cash		
Amortization - equipment and leasehold improvements	212,260	158,524
Amortization - software	157,542	178,184
Loss on disposal of equipment and leasehold improvements	26,542	-
Amortization - straight-line rent and tenant inducements	(32,030)	(32,030)
Non-cash personnel costs	<u>26,504</u>	<u>22,319</u>
	(546,248)	665,876
Change in non-cash working capital items		
Amounts due from members	(191,324)	(38,954)
Prepaid expenses and sundry	13,714	(47,356)
Accounts payable and accrued liabilities	<u>556,071</u>	<u>(24,805)</u>
	(167,787)	554,761

Investing

Release of restricted term deposits	173,901	48,002
Purchase of term deposits	(4,869,750)	(4,608,076)
Sale of term deposits	4,608,076	5,462,898
Purchase of equipment and leasehold improvements	(159,830)	(111,316)
Purchase of software	(112,798)	(106,921)
Additions to deferred tenant inducements	(7,468)	3,300
Payment to benefit obligation plan	<u>(51,318)</u>	<u>(53,480)</u>
	(419,187)	634,407

(Decrease) increase in cash (586,974) 1,189,168

Cash

Beginning of year	<u>3,015,366</u>	<u>1,826,198</u>
End of year	<u>\$ 2,428,392</u>	<u>\$ 3,015,366</u>

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

1. Nature of operations

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

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

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.

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 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.

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.

Investment income is recognized when received or receivable and the amount can be reasonable estimated and collection reasonably assured.

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

2. Significant accounting policies (continued)

Financial instruments

OBSI's financial instruments are comprised of cash, term deposits, amounts due from members, and accounts payable. Financial assets and liabilities are initially measured at fair value.

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

For financial assets measured at cost or amortized cost, the Organization regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Organization determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of revenue over expenditure. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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 years Straight-line
Leasehold improvements	Over term of lease Straight-line
Computer equipment	4 years Straight-line

Software

Software is amortized on a straight line over their expected useful life. The amortization method and estimated useful lives are reviewed annually.

The following rates applied on a straight line will allocate the cost over the estimated useful lives of intangible assets:

Database software	10 years Straight-line
Portal software	5 years Straight-line
Miscellaneous computer software	5 years Straight-line

Impairment of long-lived assets

When a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of revenue over expenditure. Long-lived assets are tested for impairment when events or changes in circumstances indicate that an asset might be impaired. The assets are tested for impairment by comparing their net carrying value to their fair value or replacement cost. If the asset's fair value or replacement cost is determined to be less than its net carrying value, the resulting impairment is reported in the statement of operations. Any impairment recognized is not reversed.

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

2. Significant accounting policies (continued)

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.

Employee future benefits

OBSI has a defined contribution pension plan, a multiemployer defined benefit pension plan and a 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 post retirement medical plan using the immediate recognition approach. OBSI recognizes the amount of the accrued benefit obligation. Current service and finance costs are expensed during the year. Remeasurements and other items related to actuarial gains and losses 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. Interfund transfers

In 2019, the Board of Directors passed a resolution to create an internally restricted fund for purposes of funding the 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 a decrease to the net benefit obligation of \$147,523 (refer to Note 7). Term deposits in the amount of \$173,901 were unrestricted as at the end of the fiscal year to agree to the net benefit obligation balance at year end of \$491,702.

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

4. Equipment and leasehold improvements

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 614,638	\$ 346,482	\$ 268,156	\$ 254,091
Leasehold improvements	1,169,819	679,836	489,983	567,347
Computer equipment	<u>817,740</u>	<u>657,244</u>	<u>160,496</u>	<u>149,627</u>
	<u>\$ 2,602,197</u>	<u>\$ 1,683,562</u>	<u>\$ 918,635</u>	<u>\$ 971,065</u>

Amortization expense for the year amounted to \$212,260 (2022 - \$158,524).

5. Software

			<u>2023</u>	<u>2022</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Database software	\$ 986,734	\$ 599,961	\$ 386,773	\$ 405,319
Portal software	257,052	171,082	85,970	155,498
Miscellaneous software	<u>83,073</u>	<u>28,671</u>	<u>54,402</u>	<u>37,618</u>
	<u>\$ 1,326,859</u>	<u>\$ 799,714</u>	<u>\$ 527,145</u>	<u>\$ 598,435</u>

Amortization expense for the year amounted to \$157,542 (2022 - \$178,184)

6. Straight-line rent payable and deferred tenant inducements

	<u>Balance, beginning of year</u>	<u>Recognized</u>	<u>Balance, end of year</u>
Tenant inducements	\$ 234,833	\$ (32,030)	\$ 202,803
Reduced rent benefits	<u>131,876</u>	<u>(7,468)</u>	<u>124,408</u>
	<u>\$ 366,709</u>	<u>\$ (39,498)</u>	<u>\$ 327,211</u>

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

7. Net benefit obligation

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

During the year ended October 31, 2023, OBSI's contributions to the defined contribution plan were \$238,606 (2022 - \$205,719) 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, 2023, OBSI's contributions to the defined benefit plan were \$41,400 (2022 - \$55,200) and have been recorded as personnel expenses in the statement of operations.

OBSI's eligible employees participate in a 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, 2023. During the year ended October 31, 2023, OBSI recognized expenses of \$24,646 (2022 - \$10,266) 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 gain of \$147,523 (2022 - gain of \$16,841). 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 (2022 - \$500,000). Borrowings under the line of credit bear interest at the bank's prime rate (7.2%), 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 (2022 - \$nil) against the operating line of credit as at October 31, 2023.

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.

Ombudsman for Banking Services and Investments

Notes to the Financial Statements

October 31, 2023

9. Financial instruments (continued)

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 due.

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. Lease 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:

2024	\$	389,000
2025		386,300
2026		389,400
2027		392,900
2028		392,900
Subsequent years		<u>523,969</u>
	\$	<u>2,474,469</u>