Doane Grant Thornton

Financial Statements

Ombudsman for Banking Services and Investments

October 31, 2024

Contents

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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, 2024, 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, 2024, 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.

Doane Grant Thornton LLP

Markham, Canada
March 4, 2025

Chartered Professional Accountants
Licensed Public Accountants

Ombudsman for Banking Services and Investments
Statement of Operations

Year ended October 31	2024	2023
Revenues		
Membership fees	$ **17,631,625**	$ 11,831,227
Interest income	**405,571**	403,841
	18,037,196	12,235,068
Expenditures		
Personnel	**15,380,840**	10,201,820
Information technology and support	**1,112,628**	735,552
Rent and operating costs	**674,677**	582,624
Governance	**434,073**	534,681
Amortization	**389,450**	369,802
Corporate administration	**247,243**	234,970
Marketing and membership	**158,420**	159,971
Supplies and services	**97,846**	95,846
Insurance	**91,844**	91,119
Consulting fees	**34,296**	67,744
Audit fees	**29,785**	29,394
Legal fees	**24,140**	36,141
Telephone	**6,505**	5,928
	18,681,747	13,145,592
Deficiency of revenue over expenses before	**(644,551)**	(910,524)
Loss on disposal of equipment	**-**	(26,542)
Deficiency of revenue over expenses	$ **(644,551)**	$ (937,066)

Ombudsman for Banking Services and Investments
Statement of Changes in Net Assets
Year ended October 31

	Invested in capital assets	Internally restricted	Unrestricted	Total 2024	Total 2023
Net assets, beginning of year	$ 1,445,770	$ -	$ 5,492,525	**$ 6,938,295**	$ 7,727,838
Deficiency of revenue over expenses	(389,450)	(1,616)	(253,485)	**(644,551)**	(937,066)
Investment in capital assets	769,446	-	(769,446)	**-**	-
Employee benefit plan - remeasurement	-	(91,693)	-	**(91,693)**	147,523
Net transfers from unrestricted to internally restricted	-	93,309	(93,309)	**-**	-
Net assets, end of year	**$ 1,825,766**	**$ -**	**$ 4,376,285**	**$ 6,202,051**	$ 6,938,295

See accompanying notes to the financial statements.

Ombudsman for Banking Services and Investments
Statement of Financial Position

October 31	2024	2023
Assets		
Current		
Cash	**$ 2,266,535**	$ 2,428,392
Term deposits	**4,794,904**	4,869,750
Amounts due from members	**21,082**	233,019
Prepaid expenses and sundry	**148,458**	87,716
	7,230,979	7,618,877
Restricted term deposits (Note 3)	**548,943**	491,702
Equipment and leasehold improvements (Note 4)	**1,412,835**	918,635
Software (Note 5)	**412,941**	527,145
	$ 9,605,698	$ 9,556,359

	2024	2023
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 2,483,156**	$ 1,797,590
Unearned revenue	**44,691**	-
	2,527,847	1,797,590
Straight-line rent payable and deferred tenant inducements (Note 6)	**326,857**	327,211
Net benefit obligation (Note 7)	**548,943**	493,263
	3,403,647	2,618,064
Net assets		
Invested in capital assets	**1,825,766**	1,445,770
Internally restricted	**-**	-
Unrestricted	**4,376,285**	5,492,525
	6,202,051	6,938,295
	$ 9,605,698	$ 9,556,359

Commitment (Note 10)

See accompanying notes to the financial statements.

Ombudsman for Banking Services and Investments
Statement of Cash Flows

Year ended October 31	2024	2023
Increase (decrease) in cash		
Operating		
Deficiency of revenue over expenses	**$ (644,551)**	$ (937,066)
Items not affecting cash		
Amortization - equipment and leasehold improvements	**225,051**	212,260
Amortization - software	**164,399**	157,542
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	**28,116**	26,504
	(259,015)	(546,248)
Change in non-cash working capital items		
Amounts due from members	**211,937**	(191,324)
Prepaid expenses and sundry	**(60,742)**	13,714
Accounts payable and accrued liabilities	**685,567**	556,071
Deferred revenue	**44,691**	-
	622,438	(167,787)
Investing		
Release (purchase) of restricted term deposits	**(57,241)**	173,901
Purchase of equipment and leasehold improvements	**(719,251)**	(159,830)
Purchase of software	**(50,195)**	(112,798)
Additions (reductions) to deferred tenant inducements	**31,675**	(7,468)
Purchase of term deposits	**(4,794,904)**	(4,869,750)
Sale of term deposits	**4,869,750**	4,608,076
Payment to benefit obligation plan	**(64,129)**	(51,318)
	(784,295)	(419,187)
Decrease in cash	**(161,857)**	(586,974)
Cash, beginning of year		
Beginning of year	**2,428,392**	3,015,366
End of year	**$ 2,266,535**	$ 2,428,392

See accompanying notes to the financial statements.

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.

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.

Initial measurement
The Organization’s financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement
At each reporting date, the Organization measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments quoted in an active market, which must be measured at fair value.

The financial instruments measured at amortized cost cash, term deposits, amounts due from members, and accounts payable. 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, the Organization recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Financial instruments (related party transactions)
Financial assets and financial liabilities in related party transactions are initially measured at cost. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows of the instrument less any impairment losses recognized by the transferor. When the financial instrument does not have repayment terms, the cost of the instrument is initially measured at the exchange or carrying amount of the consideration transferred. Financial assets and financial liabilities obtained in related party transactions are subsequently measured based on how the Organization initially measured the instrument.

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

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

Employee future benefits (continued)

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 an increase to the net benefit obligation of $91,693 (2023 - $147,523) (refer to Note 7). Term deposits in the amount of $93,309 (2023 - $145,666) were unrestricted as at the end of the fiscal year to agree to the net benefit obligation balance at year end of $548,943 (2023 - $491,702).

4. Equipment and leasehold improvements

			2024	2023
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Furniture and fixtures	$ 741,694	$ 389,620	**$ 352,074**	$ 268,156
Leasehold improvements	1,502,795	762,323	**740,472**	489,983
Computer equipment	1,076,959	756,670	**320,289**	160,496
	$ 3,321,448	$ 1,908,613	**$ 1,412,835**	$ 918,635

Amortization expense for the year amounted to $225,051 (2023 - $212,260).

5. Software

	Cost	Accumulated Amortization	**2024 Net Book Value**	2023 Net Book Value
Database software	$ 1,027,098	$ 697,436	**$ 329,662**	$ 386,773
Portal software	266,883	221,392	**45,491**	85,970
Miscellaneous software	83,073	45,285	**37,788**	54,402
	$ 1,377,054	$ 964,113	**$ 412,941**	$ 527,145

Amortization expense for the year amounted to $164,399 (2023 - $157,542)

6. Straight-line rent payable and deferred tenant inducements

	Balance, beginning of year	Received	Recognized	**Balance, end of year**
Tenant inducements	$ 202,803	$ -	$ (32,030)	**$ 170,773**
Reduced rent benefits	124,408	44,942	(13,266)	**156,084**
	$ 327,211	$ 44,942	$ (45,296)	**$ 326,857**

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, 2024, OBSI's contributions to the defined contribution plan were $293,688 (2023 - $238,606) 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, 2024, OBSI's contributions to the defined benefit plan were $43,400 (2023 - $41,400) and have been recorded as personnel expenses in the statement of operations.

7. Net benefit obligation (continued)

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, 2024. During the year ended October 31, 2024, OBSI unrecognized expenses of $1,616 (2023 - $24,646) 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 $91,693 (2023 - gain of $147,523). 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 (2023 - $500,000). Borrowings under the line of credit bear interest at the bank's prime rate (5.95%), 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 (2023 - $nil) against the operating line of credit as at October 31, 2024.

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 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 which expires 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:

2025	$ 504,200
2026	504,200
2027	504,200
2028	504,200
2029	504,200
Subsequent years	168,100
	$ 2,689,100