Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

Raising the standard of regulation in Canada for the protection of investors through commitment to collaboration, staff excellence and regulatory best practices.

FINANCIALS

09

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Management Discussion and Analysis 2008-09

The financial statements present the results of the MFDA for the fiscal year ended June 30, 2009 with 2008 comparatives and accompanying notes.

Revenues

For the fiscal year ended June 30, 2009, the MFDA had revenues from operations of $25,807,652 (compared to $24,571,114 for the 2008 fiscal year). The principal source of revenue for the MFDA is Membership fees, which are assessed against Member firms and are calculated to provide sufficient funding to cover the MFDA's yearly budgeted expenses.

Membership fees are calculated based upon a formula that takes into account the amount of assets under administration ("AUA") that each Member firm has under its control. Each year, on or before April 15th, MFDA Members are required to report their AUA figures as at March 31st. AUA figures represent AUA from operations in all provinces other than Quebec and specifically exclude cash, GIC's, limited partnerships, and segregated funds. A Member's reported AUA at March 31st for the current year is then added to the previous year's reported AUA and an average of the two years is calculated for billing purposes.

The MFDA uses a five-tiered AUA rate schedule as the basis for its billing. Members are billed a set fee amount per million dollars of AUA based upon this schedule with the fee rates set to provide sufficient funding for the next fiscal year. The MFDA fee payable by a Member is calculated by matching its average AUA figure to this tiered fee schedule. For some Members, a minimum fee applies. Each Member's fees for the year are broken down into four installments payable on a quarterly basis.

Membership fees for fiscal 2009 amounted to $25,070,749. Other sources of revenue for the MFDA include the following:

- Hearing cost recoveries of $403,142 are third party costs related to hearings held by the MFDA. In December 2008 the MFDA Board of Directors approved the recovery of these costs through the use of fine monies collected in the MFDA's Discretionary Fund.
- Investment income of $166,149 is derived from the investment of MFDA operating cash balances in the CIBC Imperial Money Market Pooled Fund. Investment returns for 2009 were negatively impacted by the decline in short term rates experienced throughout the year.
- Enforcement recoveries of $104,762 are costs awarded by the MFDA Regional Council Hearing Panels at the conclusion of MFDA disciplinary hearings or settlements and which have been collected by the MFDA.
- Administration recoveries of $60,000 are costs recovered from the MFDA Investor Protection Corporation for administrative services provided by MFDA staff.
- Late filing fees of $2,850 are fees levied against Members that have missed information filing deadlines.

Expenses

Operating expenses were $27,312,601 for the fiscal year ended June 30, 2009 (compared to $24,829,528 for the 2008 fiscal year). Staff related expenses remain the largest expense for the MFDA, representing 74% of total expenses. The year over year increase in salaries and benefits expense relates to the MFDA reaching its full staff count coupled with the organization experiencing substantially reduced employee turnover throughout the fiscal year. Consequently, the MFDA had relatively few vacant positions throughout the fiscal year with correspondingly higher employee related expenses. Lastly, an increased caseload in the Litigation department necessitated hiring additional temporary help to meet workload demands. This was another contributing factor to the year over year increase in salaries and benefits expense. The MFDA completed fiscal 2009 with 166 employees which was three positions short of the budgeted staff count of 169 positions. For fiscal 2010, the budgeted staff count is reduced by one position to 168 employees.

Computer software and maintenance costs increased year over year due to higher renewal licensing costs for the organization's document management software as well as the addition of records management software.

Hearing panel activity increased again year over year in fiscal 2009 causing a sharp increase in hearing panel expenses. These costs however are recovered through the use of fine monies accumulated in the MFDA's Discretionary Fund causing them to have no impact on the MFDA's revenues over expenses position.

Legal costs also increased due mostly to the review of the MFDA's governance structure which occurred this past fiscal year. Other expenses for the organization either declined or remained relatively unchanged owing to the fact that costs have stabilized as the MFDA has reached a mature state.

Excess of Revenues over Expenses

The MFDA experienced a deficit of revenues over expenses of $1,504,949 for fiscal 2009 (compared to a deficit of revenues over expenses of $258,414 for the 2008 fiscal year). The MFDA had budgeted for a deficit of $833,480 for fiscal 2009. However, employee related expenses remained higher throughout fiscal 2009 than budgeted. This was the main contributor for the higher than budgeted deficit in revenues over expenses.

MFDA Discretionary Fund

This Fund is an internally restricted fund established by the MFDA Board of Directors to receive monies from the collection of enforcement fines and the surrender of profits imposed by order of an MFDA hearing panel. For fiscal 2009 the fund received fines of $477,500 (compared to $525,500 for fiscal 2008) and investment revenue of $19,197 (compared to $26,979 for fiscal 2008) derived from the investment of fund balances in the CIBC Private Wealth Management Imperial Money Market Pooled Fund. The Discretionary fund ended the year with a balance of $972,093 at June 30, 2009 (compared to $878,835 at June 30, 2008).

MFDA Investor Protection Corporation

The MFDA bills and collects assessments on behalf of the MFDA Investor Protection Corporation ("IPC"). These amounts flow through the MFDA Balance Sheet as an asset to reflect the assessment to be received from Members, with an offsetting liability to the IPC reflecting future remittances due from the MFDA. For the period from July 1, 2008 to June 30, 2009 the MFDA billed $5,139,406 to its Members on behalf of the IPC. $15,100 relating to IPC assessments remained due to the IPC as of June 30, 2009.

Outlook for Fiscal 2010

In regards to operating costs for the organization for fiscal 2010, management remains sensitive to the challenges Members are experiencing during the current economic downturn. The MFDA has been out of its growth phase for the past two years and operating costs have leveled off accordingly. For the 2010 fiscal year budget however, management cut discretionary expenses significantly by imposing restrictions on travel, training, and other expenses as well as deferring some IT related projects to future years. The result is that the MFDA will be operating throughout fiscal 2010 with essentially the same cash requirement as it did for fiscal 2009. This is despite incurring nearly $900K in additional staff related expenses for fiscal 2010 due to experiencing full year salaries for employees who joined the MFDA mid-year in fiscal 2009 as well as anticipating low employee turnover throughout the coming fiscal year. There are no office relocations or expansions planned for fiscal 2010 with the budgeted staff count decreasing to 168 employees after the elimination of one position.

The 2008 Annual Report mentioned that the MFDA would hold strategic planning sessions in the fall of 2008 in order to formulate a new strategic plan to replace the expiring 2006-2008 plan. The result of this strategic planning process has been the development of a new strategic plan covering the years 2009-2011. The new strategic plan maintains and further develops many elements of the previous plan such as regulatory collaboration, staff excellence, and regulatory best practices. However, the 2009-2011 strategic plan now includes a strong element of industry consultation as a new goal. The desired outcomes of this goal of industry consultation are improved Member awareness of policy development, increased Member participation, and the gathering of meaningful input and feedback from Members.

In May 2009 the MFDA launched a Members-only site hosted on its public website. This Members-only site was developed to provide Members with a secure electronic means of accessing and amending their MFDA membership information, obtaining MFDA Member-only information online (including results of Member surveys, materials for the Annual General Meeting or reminders to Members of MFDA By-laws and Rules awaiting public comment) and retrieving Member risk-rating information generated by the MFDA's internal risk model. The goal is to make it easier for Members to update their MFDA membership data, improve Member communication methods and provide Members with comparative risk information. Further enhancements to the Members-only site are expected throughout fiscal 2010.

The MFDA's Business Continuity Plan which was developed in fiscal 2008 saw its second full round of testing by management in June of 2009. No significant issues were identified during the testing. All critical systems were recovered and management was able to work effectively at keeping operations running throughout the simulated outage. During fiscal 2009 the CSA also reviewed the MFDA's Business Continuity Plan as part of its oversight function. The CSA found the plan to be appropriate for the MFDA and believed that the plan would enable the MFDA to recover its operations upon experiencing a disruption to its business operations.

Finally, in regards to the adoption of International Financial Reporting Standards ("IFRS"), the MFDA has examined the impact on the organization of adoption. As a not-for-profit organization ("NPO"), the MFDA is currently not required to adopt IFRS and so adoption would be on a voluntary basis. The MFDA has determined that the costs associated with adopting IFRS outweigh the benefits of providing IFRS compliant financial statements given the MFDA's relatively simple organizational structure and non-complex nature of its transactions. Accordingly, the MFDA will defer IFRS adoption until it is mandated for NPOs.

Management's Responsibility for Financial Reporting

The accompanying financial statements and all other information contained in this annual report are the responsibility of MFDA management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and necessarily include some amounts based on the estimates and judgments of management.

In discharging its responsibilities for the integrity and reliability of the financial statements, management maintains and relies upon a system of internal controls. These internal controls are designed to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The MFDA also maintains formalized policies and procedures and an organizational structure that segregates duties. The MFDA employs standards and procedures for hiring employees who are required to abide by a business code of conduct and receive ongoing training regarding the proper execution of their duties. Mechanisms also exist that enable reporting to the Audit & Finance Committee of any perceived unethical behavior by employees.

In order to provide their opinion on the MFDA's financial statements, Deloitte & Touche LLP reviews the MFDA's system of internal controls and conducts such tests and other audit procedures that they consider appropriate. The auditors also meet in-camera with the Audit & Finance Committee, without management present, to discuss the results of their work. The independence of the auditors as well as the effectiveness of their work is assessed by the Audit & Finance Committee annually.

The Audit & Finance Committee reviews the effectiveness of the company's financial reporting and internal control systems, any significant financial reporting issues, the presentation and impact of significant risks, and key estimates and judgments of management that may be material for financial reporting purposes. Additionally, the Audit & Finance Committee meets periodically with MFDA management and the auditors, and reports to the Board of Directors thereon. The Audit & Finance Committee also reviews the annual financial statements and recommends them for approval by the Board of Directors.

The accompanying financial statements have been audited by the auditors who are engaged by the Board of Directors on the recommendation of the Audit & Finance Committee. The appointment of the auditor is ratified at the annual general meeting of MFDA members.

Larry M. Waite
President & Chief Executive Officer

Paul Reid
Director, Finance & Administration

Auditors' Report

To the Members of
Mutual Fund Dealers Association of Canada

We have audited the statements of financial position of Mutual Fund Dealers Association of Canada ("MFDA") as at June 30, 2009 and 2008 and the statements of revenues and expenses, changes in fund balances and cash flows for the years then ended. These financial statements are the responsibility of MFDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 MFDA as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
August 17, 2009

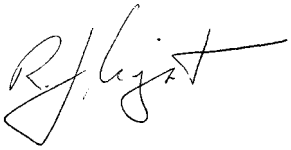
Statements of financial postion

as at June 30

	2009	2008
	$	$
ASSETS		
CURRENT		
Cash (Note 3)	1,209,497	1,520,938
Investments (Note 3)	6,473,503	6,766,631
Membership fees billed in advance (Note 4)	6,222,061	5,166,705
MFDA Investor Protection Corporation assessments (Note 5)	15,100	15,042
Costs recoverable from MFDA Investor Protection Corporation (Note 7)	13,614	15,561
Other membership receivables	4,725	16,228
Prepaid expenses and other assets	294,202	257,328
	14,232,702	13,758,433
Capital assets (Note 6)	1,900,878	2,414,868
Employee benefit plan asset (Note 8)	1,271,300	1,073,700
	17,404,880	17,247,001
LIABILITIES AND FUND BALANCE		
CURRENT		
Accounts payable and accrued liabilities	1,420,792	1,126,069
Unearned membership fees (Note 4)	6,222,811	6,122,499
Membership application deposits	16,000	15,549
Due to MFDA Investor Protection Corporation (Note 5)	15,100	15,042
Obligations under capital lease (Note 10)	56,938	81,573
	7,731,641	7,360,732
Accrued employee benefit plans liability (Note 8)	3,196,200	1,940,600
Obligations under capital lease (Note 10)	79,523	136,462
	11,007,364	9,437,794
FUND BALANCES		
Operating Fund		
Invested in capital assets	1,764,417	2,196,833
Unrestricted net assets	3,661,006	4,733,539
	5,425,423	6,930,372
Discretionary Fund (Note 2)	972,093	878,835
	6,397,516	7,809,207
	17,404,880	17,247,001

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Robert J. Wright, C.M., Q.C.
Director

Larry M. Waite
Director

Statements of revenues and expenses

for the years ended June 30

	2009	2008
	$	$
OPERATING FUND		
REVENUES		
Membership fees	25,070,749	24,043,796
Hearing Cost Recoveries from Discretionary Fund (Note 14)	403,142	–
Investment income (Note 11)	166,149	385,853
Enforcement recoveries	104,762	51,415
Administration recoveries (Note 7)	60,000	60,000
Late filing fees	2,850	30,050
Total revenues	25,807,652	24,571,114
EXPENSES		
Salaries and benefits (Note 8)	20,271,684	18,069,186
Rent and utilities	2,348,452	2,334,699
Travel	836,214	937,293
Amortization of capital assets	688,248	726,000
Office and general	564,726	525,217
Computer software and maintenance	528,463	421,868
Hearing panels	403,142	154,519
Legal	351,416	180,708
Board of Directors - fees	285,542	256,000
Board of Directors - expenses	71,387	48,794
Consultants	259,367	383,360
Education	244,723	280,886
Meetings, seminars and communication	161,192	163,004
Telecommunications	142,013	145,241
Insurance	116,739	122,261
Bank charges and interest	37,134	32,547
Regional Councils	2,159	40,812
Loss on disposal of capital assets	–	7,133
Total expenses	27,312,601	24,829,528
Excess (deficit) of revenues over expenses	(1,504,949)	(258,414)
DISCRETIONARY FUND (NOTE 2)		
REVENUES		
Fines	477,500	525,500
Investment income (Note 11)	19,197	26,979
Total revenues	496,697	552,479
EXPENSES		
Hearing Cost Reimbursement to Operating Fund (Note 14)	403,142	–
Investment management fees	297	205
Total expenses	403,439	205
Excess of revenues over expenses	93,258	552,274

The accompanying notes are an integral part of these financial statements.

Statements of changes in fund balances

for the years ended June 30

	2009				2008
	Operating Fund				
	Invested in Capital Assets	Unrestricted Net assets	Discretionary Fund	Total	Total
	$	$	$	$	$
FUND BALANCES					
Balance, beginning of year	2,196,833	4,733,539	878,835	7,809,207	7,515,347
Excess (deficit) of revenues over expenses	–	(1,504,949)	93,258	(1,411,691)	293,860
Purchase of capital assets	174,259	(174,259)	–	–	–
Repayment of capital lease obligation	81,573	(81,573)	–	–	–
Amortization of capital assets	(688,248)	688,248	–	–	–
Balance, end of year	1,764,417	3,661,006	972,093	6,397,516	7,809,207

The accompanying notes are an integral part of these financial statements.

Statements of cash flows

for the years ended June 30

	2009	2008
	$	$
OPERATING ACTIVITIES		
Deficit of revenues over expenses – Operating Fund	(1,504,949)	(258,414)
Excess of revenues over expenses – Discretionary Fund	93,258	552,274
Items not involving cash		
Amortization of capital assets	688,248	726,000
Loss on disposal of capital assets	–	7,133
	(723,443)	1,026,993
Changes in non-cash working capital		
Membership fees billed in advance	(1,055,356)	846,311
Other membership receivables	11,503	35,338
MFDA Investor Protection Corporation assessments	(58)	(6,315)
Prepaid expenses and other assets	(36,874)	59,279
Accounts payable and accrued liabilities	294,723	(54,953)
Membership application deposits	451	(7,451)
Unearned membership fees	100,312	109,483
Due to MFDA Investor Protection Corporation	58	6,315
Costs recovered from MFDA Investor Protection Corporation	1,947	(61)
	(1,406,737)	2,014,939
Employee benefit plan asset	(197,600)	(514,700)
Accrued employee benefit plans liability	1,255,600	943,200
	(348,737)	2,443,439
INVESTING ACTIVITIES		
Sale (purchase) of investments	293,128	(1,364,191)
Purchase of capital assets	(174,259)	(318,856)
Principal payments on capital lease	(81,573)	(84,642)
Proceeds on disposal of capital assets	–	3,000
	37,296	(1,764,689)
Increase (decrease) in cash	(311,441)	678,750
Cash, beginning of year	1,520,938	842,188
Cash, end of year	1,209,497	1,520,938

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements
June 30, 2009

1. Nature of the organization

The Mutual Fund Dealers Association of Canada ("MFDA") is the national self-regulatory organization for the distribution side of the Canadian mutual fund industry. The MFDA does not provide trade association activities for its Members. Its Members are firms that have been registered by provincial securities commissions to carry on business as mutual fund dealers. The MFDA regulates the activities of its Members and the approximately 75,000 Approved Persons sponsored by them. The MFDA's regulatory activities include developing rules and policies to govern the business conduct and operations of its Members and their Approved Persons, monitoring compliance with these requirements and applicable securities laws, and enforcing them through disciplinary proceedings conducted before impartial and independent MFDA hearing panels.

The MFDA was incorporated as a not-for-profit corporation on June 19, 1998 under Part II of the Canada Corporations Act and has been formally recognized as a self-regulatory organization by a number of provincial securities commissions in Canada.

As of June 30, 2009, the MFDA had 145 Members (2008 - 159 Members).

2. Significant accounting policies

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets and liabilities such as accrued liabilities and accrued employee benefits plans liability is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximations which have been made using judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Change in accounting policies

On July 1, 2008, the MFDA adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures".

Section 1535 specifies the disclosure of (i) the MFDA's objectives, policies and procedures for managing equity; (ii) quantitative data about what the MFDA regards as equity; (iii) whether the MFDA has complied with any capital requirements; (iv) if it has not complied, the consequences of such non-compliance. Note 13 contains the new disclosures.

Fund accounting

The MFDA uses the deferral method of accounting for not-for-profit organizations in the preparation of its financial statements consisting of two funds, namely the Operating Fund and the Discretionary Fund.

The Operating Fund accounts for the regular business and activities of the MFDA.

The Discretionary Fund is an internally restricted fund established by the MFDA Board of Directors. The Discretionary Fund receives monies from the collection of enforcement fines and the surrender of profits imposed by order of a MFDA hearing panel. Disbursements from the Discretionary Fund are currently restricted to the funding of third party expenses of the MFDA Enforcement Hearing Panels, payments to the MFDA Investor Protection Corporation, the investor protection fund, and payments for special projects that are in the public interest and beneficial to the public and/or Canadian capital markets, as determined by the MFDA Board of Directors.

Membership application deposits

A non-refundable deposit is required on all membership applications. The deposit is applied to membership fees when the applicant is accepted for membership.

Membership fees

Membership fees are calculated annually using a defined formula based on each Members' assets under administration, invoiced to Members on a quarterly basis and recorded as revenue on a monthly prorated basis.

Membership fees billed in advance are reflected on the balance sheet as unearned membership fees.

Late filing fees

Members that do not submit the financial statements required by MFDA rules within the specified due dates are charged late filing fees. The late filing fees are billed and recorded as revenue on a monthly basis.

Capital Assets

Capital assets are recorded at cost and are amortized on the following basis:

Computers and software development	–	Straight-line method over 3 years
Office furniture and equipment	–	Straight-line method over 10 years
Leasehold improvements	–	Straight-line method over the term of the lease
Equipment under capital lease	–	Straight-line method over the term of the lease

Employee benefit plans

The MFDA accrues its obligations under employee benefit plans and the related costs, net of plan assets. The MFDA has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 27 years (2008 - 26 years) for the registered pension plan, 8 years (2008 - 9 years) for the supplementary executive retirement plan and 18 years (2008 - 18 years) for other post-retirement benefits.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts.

Investments

The investments represent short-term investments in a pooled money market fund and are carried at fair value as reported by the fund manager. Unrealized gains and losses resulting from the difference between market value and cost are recorded in the Operating Fund balance until realized or until the asset is other than temporarily impaired, at which time they are recorded in the statement of revenues and expenses.

Other assets and liabilities

Current assets other than cash and investments are classified as loans and receivables and are carried at amortized cost.

Accounts payable and accrued liabilities are classified as other liabilities and carried at amortized cost using the effective interest method.

Provision for income taxes

The MFDA is a not-for-profit organization within the meaning of the Income Tax Act (Canada). Accordingly, there is no provision for income taxes in these financial statements.

Future accounting policies

As new financial instruments standards will be included in the proposed set of GAAP standards for not-for-profit enterprises presently under development by the Canadian Institute of Chartered Accountants ("CICA"), the CICA has decided that not for profit enterprises will not be required to apply the following Sections of the Handbook: 1530, 3862, 3863 and 3865 which would otherwise have applied to the financial statements of the MFDA for the year ended June 30, 2009. The MFDA has elected to use its exemption and apply the requirements of Section 3860 of the CICA Handbook for the current year.

For the year ending June 30, 2010, Sections 3862 and 3863 will replace CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements and carries forward the presentation requirements under the existing Section 3861. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from recognized and unrecognized financial instruments and how an entity manages those risks. The impact of these new standards on the MFDA's financial statements will primarily be additional disclosure.

3. Cash and investments

Cash of $1,209,497 (2008 - $1,520,938) includes an amount of $191,526 (2008 - $7,348), which is restricted in use for the Discretionary Fund.

The MFDA has investments in the CIBC Imperial Money Market Pooled Fund in the amounts of $5,523,102 (2008 - $5,895,013) for the Operating Fund and $950,401 (2008 - $871,618) for the Discretionary Fund.

4. Membership fees billed in advance

The membership fees billed in advance represent billings issued in June for the quarterly membership fees due July 15.

5. MFDA Investor Protection Corporation assessments

The MFDA Investor Protection Corporation ("IPC") commenced coverage of customer accounts on July 1, 2005. Member assessments are calculated annually on a defined formula based on each Members' assets under administration, and are invoiced to Members on a quarterly basis. The MFDA invoices the Members on behalf of the IPC and is liable to the IPC for the total of these Member assessments.

6. Capital assets

			2009
	Cost	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**
Computers and software development	**3,075,008**	**2,728,748**	**346,260**
Office furniture and equipment	**1,356,996**	**679,418**	**677,578**
Leasehold improvements	**2,049,289**	**1,300,994**	**748,295**
Equipment under capital lease	**476,940**	**348,195**	**128,745**
	6,958,233	**5,057,355**	**1,900,878**

			2008
	Cost	Accumulated Amortization	Net Book Value
	$	$	$
Computers and software development	2,924,210	2,374,435	549,775
Office furniture and equipment	1,339,998	549,884	790,114
Leasehold improvements	2,096,620	1,235,036	861,584
Equipment under capital lease	476,940	263,545	213,395
	6,837,768	4,422,900	2,414,868

7. Costs recoverable from MFDA Investor Protection Corporation

Pursuant to a support agreement, the MFDA provides the IPC administrative, corporate secretarial and other support during the year to allow the IPC to operate without its own staff. The support costs charged to the IPC for the year amounted to $60,000 (2008 - $60,000). This amount is billed on a monthly basis but reimbursed on a quarterly basis. At June 30, 2009, there was an outstanding amount of $13,614 (2008 - $15,561) with respect to this support agreement.

8. Employee benefits plans

MFDA has two defined benefit pension plans for eligible employees, being a registered plan ("RPP") and a supplementary executive retirement plan ("SERP"). The purpose of the SERP is to supplement the registered plan for designated executive employees. As well, the MFDA has post-retirement benefits ("PRB") that include health care and dental coverage for retired employees; such post-retirement benefits terminate at the age of 75.

The funded status of the MFDA's benefit plans reconciled to the amounts recorded in the financial statements at June 30 is as follows:

				2009	2008
	RPP	**SERP**	**PRB**	**Total**	Total
	$	**$**	**$**	**$**	$
Fair value of assets	**4,200,000**	**2,933,600**	**–**	**7,133,600**	6,493,500
Accrued benefit obligation	**5,121,300**	**2,016,200**	**1,295,500**	**8,433,000**	10,025,200
Funded status (deficit)	**(921,300)**	**917,400**	**(1,295,500)**	**(1,299,400)**	(3,531,700)
Unamortized transitional (assets)/obligation	**(4,500)**	**13,600**	**8,000**	**17,100**	19,900
Unamortized net actuarial (gain)/loss	**(938,600)**	**340,300**	**(44,300)**	**(642,600)**	2,644,900
Accrued benefit plan asset (liability)	**(1,864,400)***	**1,271,300**	**(1,331,800)***	**(1,924,900)**	(866,900)

* The total of $(3,196,200) represents accrued employee benefit plans liability as of June 30, 2009 (2008 - $(1,940,600)).

The RPP plan assets are invested in a balanced pool fund. RPP pension benefits transferred out during fiscal 2009 totaled $106,296 (2008 - $9,785).

The total SERP assets of $2,933,600 (2008 - $2,630,200) consist of $1,385,505 (2008 - $1,384,681) which is invested in a balanced portfolio and $1,548,095 (2008 - $1,245,519) that is held in a non-interest bearing retirement compensation arrangement account at the Canada Revenue Agency, as required by law.

The most recent actuarial valuation was completed as of April 1, 2007. The next required actuarial valuation will be as of April 1, 2010.

The net benefit expense, included in the salaries and benefit expense in the statements of revenues and expenses, and the annual contributions are as follows:

				2009	2008
	RPP	**SERP**	**PRB**	**Total**	Total
	$	**$**	**$**	**$**	$
Net benefit expense	**1,746,200**	**364,100**	**427,000**	**2,537,300**	1,874,100
Contributions					
Employer	**917,600**	**561,700**	**–**	**1,479,300**	1,445,600
Employee	**227,600**	**–**	**–**	**227,600**	203,500

The significant actuarial assumptions adopted in measuring the MFDA's accrued benefit obligations are as follows:

	2009	2008
	%	%
Weighted average discount rate for pensions	**6.25**	5.25
Weighted average discount rate for post retirement benefits	**6.25**	5.25
Weighted expected rate of return on plan assets	**7.00**	7.00
Weighted average rate of compensation increase	**4.5**	4.5 to 5.0

The post-retirement benefits reflect a 10% to 15% annual rate of increase in the cost of medical benefits for 2010. These rates are assumed to decrease gradually to 5% by 2020 and remain at that level thereafter. The dental benefits are assumed to increase at an annual rate of 3.5%.

9. Credit facility

The MFDA has a demand credit facility limited to a maximum of $3,000,000 (2008 - $3,000,000). The credit facility bears an interest rate of prime plus 0.5% per annum (2008 – prime plus 0.5%). The MFDA has granted a general security interest to the bank in connection with this facility. During the years ended June 30, 2009 and 2008 the credit facility was not utilized.

10. Commitments and contingent liability

a) Lease obligations

The MFDA has entered into various operating leases for its office premises and five capital leases for office equipment. The capital leases have implicit interest rates of 4.9%, 5.4%, 0.0%, 6.2%, and 7.8% and expire in March 2010, February 2010, October 2011, August 2012, and July 2013, respectively. The aggregate future minimum lease payments associated with these five leases is $143,017 which includes interest charges of $6,556.

Operating and capital lease obligations, excluding operating costs for future years and sales tax, are as follows:

	$
2010	**1,067,718**
2011	**1,049,610**
2012	**1,011,731**
2013	**971,204**
2014	**868,760**
Thereafter	**1,334,133**
	6,303,156

b) Guarantee

The MFDA provided a guarantee of the $30 million line of credit granted to the IPC by the bank.

11. Investment income

Investment income is comprised of the following:

	2009	2008
	$	$
Operating Fund		
Distribution from money market fund	**130,238**	264,757
Bank interest	**35,911**	121,096
	166,149	385,853
Discretionary Fund		
Distribution from money market fund	**19,074**	26,468
Bank interest	**123**	511
	19,197	26,979

12. Risk management

Risk management relates to the understanding and active management of risks associated with invested assets. Investments can be indirectly exposed to foreign currency, interest rate, and market and credit risk. The MFDA manages financial risks through investing in pooled funds which are diversified across various debt instruments.

Currency risk

All investments of the MFDA are denominated in Canadian dollars and as such are not subject to currency risk.

Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the MFDA's investments. The value of the MFDA's investments in a pooled money market fund is not significantly impacted by changes in both nominal and real interest rates as the maturities of the money market instruments are short-term in nature.

Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether these changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The MFDA minimizes its exposure to market risk due to its policy of investing in a pooled money market fund.

Credit risk

Credit risk refers to the risk of financial loss due to a counterparty failing to meet its contractual obligations. The MFDA is exposed to credit risk indirectly through its investment in a pooled money market fund. Credit risk is managed by the MFDA through dealing with reputable financial institutions.

13. Funding and management of assets

The MFDA's capital is its unrestricted net assets in its Operating Fund.

The MFDA's objectives when managing its unrestricted net assets are:

- To safeguard the MFDA's ability to continue as a going concern, so it can provide regulation of the mutual fund dealers for the benefit of clients of mutual fund dealers, and
- To work toward the operating fund reserve targets as set out by the MFDA's Board.

The MFDA bills Members annually to ensure operations are funded. Any excess/deficit is allocated toward the accumulation/drawdown of the operating reserve. The Board in its discretion may apply some or all of the reserve to fund future budget deficits. The current goal for the Operating Fund as set out by the Board is 25% of the operating expense budget. As at June 30, 2009, this target was $6.6 million of unrestricted net assets in the Operating Fund. The actual value of the unrestricted net assets is $3,661,006 (2008 - $4,733,539), or 55.3% of the target (2008 - $76.6% of target).

There are no external restrictions on the MFDA's capital.

14. Hearing cost recoveries from the Discretionary Fund

This year, the MFDA Board approved the use of Discretionary Funds for the purpose of paying the third party costs of the Enforcement Hearing Panels. The amount of third party costs to be funded by the Discretionary Fund for the year is $403,142 (2008 – N/A).