F I N A N C I A L S T A T E M E N T S

For

COMMISSIONER FOR COMPLAINTS FOR TELECOMMUNICATIONS SERVICES INC./
COMMISSAIRE AUX PLAINTES RELATIVES AUX SERVICES DE TÉLÉCOMMUNICATIONS INC.

For the year ended

JULY 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the directors of

COMMISSIONER FOR COMPLAINTS FOR TELECOMMUNICATIONS SERVICES INC./ COMMISSAIRE AUX PLAINTES RELATIVES AUX SERVICES DE TÉLÉCOMMUNICATIONS INC.

We have audited the accompanying financial statements of Commissioner for Complaints for Telecommunications Services Inc./Commissaire aux plaintes relatives aux services de télécommunications Inc., which comprise the statement of financial position as at July 31, 2016, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Commissioner for Complaints for Telecommunications Services Inc./Commissaire aux plaintes relatives aux services de télécommunications Inc. as at July 31, 2016, and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
October 26, 2016.

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STATEMENT OF FINANCIAL POSITION

JULY 31, 2016

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash - note 4	$ 804,834	$ 925,733
Accounts receivable	321,311	248,541
Year end fee adjustment receivable - note 8	27,411	-
Prepaid expenses	10,137	8,594
	1,163,693	1,182,868
TANGIBLE CAPITAL ASSETS - note 5	218,684	275,708
INTANGIBLE CAPITAL ASSETS - note 6	116,836	174,275
	$ 1,499,213	$ 1,632,851
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - note 7	$ 232,168	$ 238,922
Year end fee adjustment owing - note 8	-	158,368
	232,168	397,290
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted	335,520	449,983
Unrestricted	931,525	785,578
	1,267,045	1,235,561
	$ 1,499,213	$ 1,632,851

Approved by the Board:

CATHERINE BOIVIE
. . . . Director

RUBY BARBER
. . . . Director

(See accompanying notes)

STATEMENT OF OPERATIONS

YEAR ENDED JULY 31, 2016

	2016	2015
Revenue		
Operating fees		
Revenue-based	$ 2,213,283	$ 2,186,616
Complaint-based	1,475,522	1,457,744
Annual	12,100	11,300
Participation fees	12,500	6,500
Interest	6,884	12,480
	3,720,289	3,674,640
Expenses		
Salaries and benefits	2,481,981	2,500,332
Rent	399,003	332,153
Amortization	168,927	187,930
Directors fees	117,390	112,234
Consultants	62,520	70,540
Legal	79,489	88,492
Telecommunications	57,208	50,107
Communications and advertising	68,924	36,422
Travel and promotion	42,505	45,191
Staff training	32,966	66,229
Office	34,304	32,157
Recruiting	18,616	15,715
Systems support and maintenance	41,389	44,861
Equipment rental	5,600	5,600
Board expenses	24,522	11,791
Insurance	14,796	18,111
Accounting	10,000	10,000
Bad debts	22,731	11,160
Interest and bank charges	5,934	5,335
	3,688,805	3,644,360
Net revenue	$ 31,484	$ 30,280

(See accompanying notes)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2016

	2016	2015
Internally Restricted - capital assets		
Balance, beginning of year	$ 449,983	$ 521,600
Capital expenditures	54,464	116,313
Amortization	(168,927)	(187,930)
Balance, end of year	$ 335,520	$ 449,983
Unrestricted		
Balance, beginning of year	$ 785,578	$ 683,681
Net revenue	31,484	30,280
Amortization charged against restricted capital assets	168,927	187,930
Capital expenditures credited to restricted capital assets	(54,464)	(116,313)
Balance, end of year	$ 931,525	$ 785,578
Total net assets		
Balance, beginning of year -		
Internally Restricted - capital assets	$ 449,983	$ 521,600
Unrestricted	785,578	683,681
	$ 1,235,561	$ 1,205,281
Balance, end of year -		
Internally Restricted - capital assets	$ 335,520	$ 449,983
Unrestricted	931,525	785,578
	$ 1,267,045	$ 1,235,561

(See accompanying notes)

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue	$ 31,484	$ 30,280
Adjustments for:		
Amortization	168,927	187,930
	200,411	218,210
Changes in non-cash working capital components:		
Accounts receivable	(72,770)	4,098
Prepaid expenses	(1,543)	9,713
Accounts payable and accrued liabilities	(6,754)	44,286
Year end fee adjustment	(185,779)	(520,189)
	(66,435)	(243,882)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible capital assets	(54,464)	(116,313)
INCREASE (DECREASE) IN CASH	(120,899)	(360,195)
CASH, BEGINNING OF YEAR	925,733	1,285,928
CASH, END OF YEAR	$ 804,834	$ 925,733

(See accompanying notes)

1. NATURE OF OPERATIONS

The Commissioner for Complaints for Telecommunication Services Inc./Commissaire aux Plaintes Relatives aux Services de Télécommunications Inc. is constituted without share capital under Section 211 of the Canada Not-for-profit Corporations Act. The organization's mandate is to receive, to facilitate the resolution of, and if necessary, to resolve eligible Canadian consumer and small business complaints relating to certain telecommunication services. The organization operates on a not-for-profit basis and, as such, is exempt from income tax pursuant to section 149 (1)(l) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

Participation fees consist of one-time start-up fees and are recognized as revenue on the date the telecommunications service provider becomes a participating service provider.

Operating fees consist of revenue-based fees, complaint-based fees, and annual fees paid by participating service providers to fund the operations of the organization. Revenue-based fees and annual fees are recognized as revenue during the period to which they relate. Complaint-based fees are based on the number of complaints closed in the period and are recognized as revenue when the complaints are closed.

Interest income consists of interest on overdue participation and operating fees, as well as interest earned on bank accounts, and is recognized as revenue when earned.

Tangible capital assets and amortization

Tangible capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis over five years in the case of furniture and equipment; three years in the case of computer equipment; and over the life of the lease in the case of leasehold improvements. In the year of acquisition, amortization is pro-rated over the number of months the asset is owned by the organization.

Intangible capital assets and amortization

Intangible capital assets are recorded at acquisition cost. Amortization is provided on a straight-line basis over five years. In the year of acquisition, amortization is pro-rated over the number of months the asset is owned by the organization.

Financial instruments

The organization's financial assets and liabilities are initially recognized at fair value and are subsequently measured at amortized cost at the financial statement date.

Transaction costs associated with the acquisition and disposal of financial instruments are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Use of estimates

The preparation of financial statements in conformity 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Management makes estimates regarding the estimated useful life of its tangible and intangible capital assets and the collectibility of its accounts receivable. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The organization is exposed to and manages various financial risks resulting from both its operations and its investment activities, and does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The organization's main financial risk exposure and its financial management policies are as follows:

Credit risk

The organization is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The organization's maximum exposure to credit risk represents the sum of the carrying value of its cash and accounts receivable.

The organization's cash is deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the organization's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging monthly and diligently following up on collection of outstanding amounts. During the last fiscal year the organization has reported bad debts of $22,731 (2015 - $11,160). Management has established an allowance for uncollectible accounts receivable at July 31, 2016 of $40,898 (2015 - $18,788) that represents management’s best estimate of potentially uncollectible accounts.

Liquidity risk

Liquidity risk is the risk that the organization cannot meet a demand for cash or fund its obligations as they become due.

The organization meets its liquidity risk requirements by establishing budgets and cash estimates to ensure it has funds necessary to fulfill its obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

3. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** - Cont'd.

Market risk - Cont'd.

Currency risk

Currency risk refers to the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The organization is not exposed to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the financial instruments will fluctuate due to changes in market interest rates.

The organization is not exposed to interest rate risk.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The organization is not exposed to other price risk.

Changes in risk

There have been no significant changes in the organization's risk exposures from the prior year.

4. **CASH**

Cash consists of the following:

	2016	2015
Current chequing account	$ 75,854	$ 69,896
Premium investment savings account	728,980	855,837
	$ 804,834	$ 925,733

The premium investment savings account earns interest which is received monthly.

5. TANGIBLE CAPITAL ASSETS

	2016		2015	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 250,556	$ 192,653	$ 249,362	$ 162,826
Computer equipment	366,224	247,451	335,442	204,031
Leasehold improvements	81,853	39,845	81,853	24,092
	698,633	$ 479,949	666,657	$ 390,949
Accumulated amortization	479,949		390,949	
	$ 218,684		$ 275,708	

6. INTANGIBLE CAPITAL ASSETS

	2016	2015
Case management software	$ 416,754	$ 394,266
Accumulated Amortization	299,918	219,991
	$ 116,836	$ 174,275

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2016	2015
Accounts payable and accrued liabilities	$ 121,045	$ 101,960
Government remittances payable	111,123	136,962
	$ 232,168	$ 238,922

8. YEAR-END FEE ADJUSTMENT

The operations of the organization are funded primarily by two types of fees charged to participating service providers:

1. Revenue-based fees - Billed to participating service providers with Canadian forborne telecommunications revenues greater than $10 million, based on their proportionate share of forborne revenue; and

2. Complaint-based fees - Billed to those participating service providers with complaints concluded in the fiscal year, based on the number of the provider's complaints concluded in the fiscal year, and the level of the process at which they are concluded.

Under the Participation Agreement revenue-based fees are to cover 60% of total expenses while complaint-based fees are to cover 40% of total expenses. During the year, the amount invoiced to participating service providers is calculated so as to generate sufficient revenues to match budgeted expenses, based on Management's projections of the year's anticipated operational activities. At the end of the year these two categories of fees are adjusted to reflect both the 60% / 40% split and to match the total expense figure of $3,688,805 (2015 $3,644,360).

Revenue-based fees were adjusted downwards as the actual amount billed to revenue-based fee payors was more than 60% of the actual expenses of the organization. Complaint-based fees were adjusted upwards because the actual amount billed to complaint-based fee payors was less than 40% of the actual expenses of the organization.

Summary of Year End Fee Adjustment:

	2016	2015
Revenue-based fees adjustment	$ (177,092)	$ (354,071)
Complaint-based fees adjustment	204,503	195,703
Year end fee adjustment receivable (payable)	$ 27,411	$ (158,368)

In addition, under Section 5 of the Participation Agreement a special levy can, at the discretion of the Board, be billed to the participating service providers for the purposes of funding the organization. In 2016, the Board did not approve a special levy (2015 - $nil).

9. AVAILABLE CREDIT

The organization has access to credit through Visa credit cards with a total credit limit of $22,000. The credit cards are paid in full each month. The company also has access to an operating line of credit. The interest rate on the line of credit is prime plus 1.25% and the authorized limit of the line of credit is $500,000. The operating line of credit is secured by a general security agreement. No balance is outstanding at July 31, 2016.

10. COMMITMENTS

As of July 31, 2016, the organization has one ongoing lease for its premises and one for equipment. The main office lease expires March 31, 2019 and the equipment lease expires on December 31, 2017.

Annual minimum lease payments will be approximately as follows:

	Building	Equipment	Total
2017	$ 506,524	$ 6,328	$ 512,852
2018	513,448	3,164	516,612
2019	342,298	-	342,298
	$ 1,362,270	$ 9,492	$ 1,371,762