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

For

COMMISSION FOR COMPLAINTS FOR TELECOM-TELEVISION SERVICES INC./
COMMISSION DES PLAINTES RELATIVES AUX SERVICES DE TÉLÉCOM-TÉLÉVISION INC.

For the year ended

JULY 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the directors of

COMMISSION FOR COMPLAINTS FOR TELECOM-TELEVISION SERVICES INC./
COMMISSION DES PLAINTES RELATIVES AUX SERVICES DE TÉLÉCOM-TÉLÉVISION INC.

We have audited the accompanying financial statements of Commission for Complaints for Telecom-television Services Inc./Commission des plaintes relatives aux services de télécom-télévision inc., which comprise the statement of financial position as at July 31, 2017, 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 Commission for Complaints for Telecom-television Services Inc./Commission des plaintes relatives aux services de télécom-télévision inc. as at July 31, 2017, 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 24, 2017.

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COMMISSION FOR COMPLAINTS FOR TELECOM-TELEVISION SERVICES INC./
COMMISSION DES PLAINTES RELATIVES AUX SERVICES DE TÉLÉCOM-TÉLÉVISION INC.

STATEMENT OF FINANCIAL POSITION

JULY 31, 2017

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash - note 4	$ 1,385,322	$ 804,834
Accounts receivable	439,196	321,311
Year end fee adjustment receivable - note 8	-	27,411
Prepaid expenses	10,980	10,137
	1,835,498	1,163,693
TANGIBLE CAPITAL ASSETS - note 5	176,052	218,684
INTANGIBLE CAPITAL ASSETS - note 6	130,888	116,836
	$ 2,142,438	$ 1,499,213
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - note 7	$ 309,364	$ 232,168
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted	306,940	335,520
Unrestricted	1,526,134	931,525
	1,833,074	1,267,045
	$ 2,142,438	$ 1,499,213

Approved by the Board:

CATHERINE BOIVIE
. . . . Director

DARLENE HALWAS
. . . . Director

(See accompanying notes)

STATEMENT OF OPERATIONS

YEAR ENDED JULY 31, 2017

	2017	2016
Revenue		
Operating fees		
Revenue-based	$ 2,713,428	$ 2,213,283
Complaint-based	1,356,510	1,475,522
Annual	15,000	12,100
Special levy - note 8	523,310	-
Participation fees	16,500	12,500
Interest	11,219	6,884
	4,635,967	3,720,289
Expenses		
Salaries and benefits	2,674,179	2,481,981
Rent	425,608	399,003
Amortization	144,007	168,927
Directors fees	132,759	117,390
Consultants	87,805	62,520
Legal	111,544	79,489
Telecommunications	58,455	57,208
Communications and advertising	97,044	68,924
Travel and promotion	44,911	42,505
Staff training	31,448	32,966
Office	37,140	34,304
Recruiting	72,558	18,616
Systems support and maintenance	74,565	41,389
Equipment rental	5,600	5,600
Board expenses	24,014	24,522
Insurance	14,768	14,796
Accounting	11,000	10,000
Bad debts	15,766	22,731
Interest and bank charges	6,767	5,934
	4,069,938	3,688,805
Net revenue	$ 566,029	$ 31,484

(See accompanying notes)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JULY 31, 2017

	2017	2016
Internally Restricted - capital assets		
Balance, beginning of year	$ 335,520	$ 449,983
Capital expenditures	115,427	54,464
Amortization	(144,007)	(168,927)
Balance, end of year	$ 306,940	$ 335,520
Unrestricted		
Balance, beginning of year	$ 931,525	$ 785,578
Net revenue	566,029	31,484
Amortization charged against restricted capital assets	144,007	168,927
Capital expenditures credited to restricted capital assets	(115,427)	(54,464)
Balance, end of year	$ 1,526,134	$ 931,525
Total net assets		
Balance, beginning of year -		
Internally Restricted - capital assets	$ 335,520	$ 449,983
Unrestricted	931,525	785,578
	$ 1,267,045	$ 1,235,561
Balance, end of year -		
Internally Restricted - capital assets	$ 306,940	$ 335,520
Unrestricted	1,526,134	931,525
	$ 1,833,074	$ 1,267,045

(See accompanying notes)

STATEMENT OF CASH FLOWS

YEAR ENDED JULY 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net revenue	$ 566,029	$ 31,484
Adjustments for:		
Amortization	144,007	168,927
	710,036	200,411
Changes in non-cash working capital components:		
Accounts receivable	(117,885)	(72,770)
Prepaid expenses	(843)	(1,543)
Accounts payable and accrued liabilities	77,196	(6,754)
Year end fee adjustment receivable	27,411	(185,779)
	695,915	(66,435)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible capital assets	(115,427)	(54,464)
INCREASE (DECREASE) IN CASH	580,488	(120,899)
CASH, BEGINNING OF YEAR	804,834	925,733
CASH, END OF YEAR	$ 1,385,322	$ 804,834

(See accompanying notes)

1. NATURE OF OPERATIONS

The Commission for Complaints for Telecom-television Services Inc./ Commission des Plaintes Relatives aux Services de Télécom-télévison 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. On September 1, 2017, the organization's mandate was expanded to include complaints related to certain types of subscription television services and the organization adopted its current name. Prior to this the organization was named Commissioner for Complaints for Telecommunications Services Inc./ Commissaire aux Plaintes Relatives aux Services de Télécommunications Inc. 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

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.

Special levy fees are recognized as revenue during the period to which the fees relate.

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.

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.

2. **SIGNIFICANT ACCOUNTING POLICIES** - Cont'd.

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.

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 $15,766 (2016 - $22,731). Management has established an allowance for uncollectible accounts receivable at July 31, 2017 of $19,606 (2016 - $40,898) 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.

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

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.

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:

	2017	2016
Current chequing account	$ 68,646	$ 75,854
Premium investment savings account	1,316,676	728,980
	$ 1,385,322	$ 804,834

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

5. TANGIBLE CAPITAL ASSETS

	2017		2016	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 251,355	$ 215,791	$ 250,556	$ 192,653
Computer equipment	416,477	302,244	366,224	247,451
Leasehold improvements	81,853	55,598	81,853	39,845
	749,685	$ 573,633	698,633	$ 479,949
Accumulated amortization	573,633		479,949	
	$ 176,052		$ 218,684	

6. INTANGIBLE CAPITAL ASSETS

	2017	2016
Case management software	$ 481,129	$ 416,754
Accumulated Amortization	350,241	299,918
	$ 130,888	$ 116,836

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2017	2016
Accounts payable and accrued liabilities	$ 207,760	$ 121,045
Government remittances payable	101,604	111,123
	$ 309,364	$ 232,168

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. For the 2017 year, however, an exception was approved whereby revenue-based fees covered 67% of total expenses and complaint-based fees covered 33% 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 (2017 - 67% / 33%) and to match the total expense figure of $4,069,938 (2016 - $3,688,805).

Revenue-based fees were adjusted downwards as the actual amount billed to revenue-based fee payors was more than 60% (2017 - 67%) of the actual expenses of the organization. Complaint-based fees were adjusted downwards because the actual amount billed to complaint-based fee payors was more than 40% (2017 - 33%) of the actual expenses of the organization.

Summary of Year End Fee Adjustment:

	2017	2016
Revenue-based fees adjustment	$ (357,504)	$ (177,092)
Complaint-based fees adjustment	(165,806)	204,503
Year end fee adjustment	$ (523,310)	$ 27,411

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 2017, the Board approved a special levy of $523,310 (2016 - $nil) and this amount has reduced the amount otherwise owing to participating service providers.

9. AVAILABLE CREDIT

The organization has access to credit through Visa credit cards with a total credit limit of $20,000. 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, 2017.

10. COMMITMENTS

As of July 31, 2017, 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
2018	$ 513,448	$ 3,164	$ 516,612
2019	342,298	-	342,298
	$ 855,746	$ 3,164	$ 858,910

11. RELATED PARTIES

Service providers from which the organization purchases telecommunications services may be considered related parties, as they are entitled to participate in the appointment of directors. The organization enters into transactions with these related parties in the normal course of business and transactions are recorded at their fair value. As a result, separate disclosure of these transactions is not presented within the financial statements.