

**FINANCIAL STATEMENTS**

**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, 2023**

**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.**

*Opinion*

We have audited the financial statements of Commission for Complaints for Telecom-television Services Inc./ Commission des plaintes relatives aux services de télécom-télévision inc. (the organization), which comprise the statement of financial position as at July 31, 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

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

**STATEMENT OF FINANCIAL POSITION**

**JULY 31, 2023**

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash - note 4	\$ 3,151,361	\$ 3,396,711
Accounts receivable	787,063	858,846
Prepaid expenses	<u>358,421</u>	<u>269,083</u>
	4,296,845	4,524,640
<b>TANGIBLE CAPITAL ASSETS - note 5</b>	221,796	266,559
<b>INTANGIBLE CAPITAL ASSETS - note 6</b>	<u>38,872</u>	<u>70,401</u>
	<u>\$ 4,557,513</u>	<u>\$ 4,861,600</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities - notes 7 and 9	\$ 1,087,855	\$ 347,806
Deferred lease inducements - note 8	<u>104,115</u>	<u>94,347</u>
	<u>1,191,970</u>	<u>442,153</u>
<b>NET ASSETS</b>		
Internally restricted:		
Invested in tangible and intangible capital assets	260,668	336,960
Service delivery review fund	134,767	1,297,524
Unrestricted	<u>2,970,108</u>	<u>2,784,963</u>
	<u>3,365,543</u>	<u>4,419,447</u>
	<u>\$ 4,557,513</u>	<u>\$ 4,861,600</u>

Approved by the Board:

*C. Boivin*  
..... Director

*GA*  
..... Director

(See accompanying notes)

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

**STATEMENT OF OPERATIONS**

**YEAR ENDED JULY 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>Revenue</b>		
Operating fees		
Revenue-based	\$ 7,226,414	\$ 5,312,805
Complaint-based	3,097,035	3,541,870
Annual	25,400	23,800
Special levy - note 9	-	651,533
Participation fees	5,000	14,000
Interest	<u>78,453</u>	<u>11,425</u>
	<u>10,432,302</u>	<u>9,555,433</u>
<b>Expenses</b>		
Payroll and related expenses	7,887,446	6,931,829
Occupancy costs	640,213	515,584
IT expenses	604,616	276,084
Communications	298,720	238,882
Human resources	250,382	218,658
Professional fees	171,142	194,978
Amortization	175,561	190,791
Board of directors costs	161,684	182,646
General and administrative expenses	133,685	84,889
COVID-19 expenses	<u>-</u>	<u>20,333</u>
	<u>10,323,449</u>	<u>8,854,674</u>
<b>Net revenue from operations</b>	108,853	700,759
<b>Service delivery review expenses - note 10</b>	<u>1,162,757</u>	<u>381,714</u>
<b>Net revenue (expense)</b>	<u>\$ (1,053,904)</u>	<u>\$ 319,045</u>

(See accompanying notes)

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

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED JULY 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>Internally restricted - invested in tangible and intangible capital assets</b>		
Balance, beginning of year	\$ 336,960	\$ 412,244
Capital expenditures	99,269	115,507
Amortization	<u>(175,561)</u>	<u>(190,791)</u>
Balance, end of year	<u>\$ 260,668</u>	<u>\$ 336,960</u>
<b>Internally restricted - service delivery review fund - note 10</b>		
Balance, beginning of year	\$ 1,297,524	\$ 873,530
Expenses incurred against service delivery review fund	(1,162,757)	(381,714)
Transfer of special levy to service delivery review fund	-	651,533
Transfer of additional amounts to service delivery review fund	<u>-</u>	<u>154,175</u>
Balance, end of year	<u>\$ 134,767</u>	<u>\$ 1,297,524</u>
<b>Unrestricted</b>		
Balance, beginning of year	\$ 2,784,963	\$ 2,814,628
Net revenue from operations	108,853	700,759
Amortization charged against restricted capital assets	175,561	190,791
Transfer of special levy to service delivery review fund	-	(651,533)
Transfer of additional amounts to service delivery review fund	-	(154,175)
Capital expenditures credited to restricted capital assets	<u>(99,269)</u>	<u>(115,507)</u>
Balance, end of year	<u>\$ 2,970,108</u>	<u>\$ 2,784,963</u>
<b>Total net assets</b>		
Balance, beginning of year:		
Internally restricted - capital assets	\$ 336,960	\$ 412,244
- service delivery review fund	1,297,524	873,530
Unrestricted	<u>2,784,963</u>	<u>2,814,628</u>
	<u>\$ 4,419,447</u>	<u>\$ 4,100,402</u>
Balance, end of year:		
Internally restricted - capital assets	\$ 260,668	\$ 336,960
- service delivery review fund	134,767	1,297,524
Unrestricted	<u>2,970,108</u>	<u>2,784,963</u>
	<u>\$ 3,365,543</u>	<u>\$ 4,419,447</u>

(See accompanying notes)

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

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JULY 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net revenue (expense)	\$ (1,053,904)	\$ 319,045
Adjustments for:		
Amortization	175,561	190,791
Lease inducements	<u>9,768</u>	<u>10,282</u>
	(868,575)	520,118
Changes in non-cash working capital components:		
Accounts receivable	71,783	484,421
Prepaid expenses	(89,338)	(59,723)
Accounts payable and accrued liabilities	<u>740,049</u>	<u>(1,244,661)</u>
	<u>(146,081)</u>	<u>(299,845)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of tangible and intangible capital assets	<u>(99,269)</u>	<u>(115,507)</u>
<b>DECREASE IN CASH</b>	(245,350)	(415,352)
<b>CASH, BEGINNING OF YEAR</b>	<u>3,396,711</u>	<u>3,812,063</u>
<b>CASH, END OF YEAR</b>	<u>\$ 3,151,361</u>	<u>\$ 3,396,711</u>

(See accompanying notes)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2023

1. **NATURE OF OPERATIONS**

The Commission for Complaints for Telecom-television Services Inc./Commission des plaintes relatives aux services de télécom-télévision inc. ("CCTS") 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 and certain types of subscription television 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*

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 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 for case management software. In the year of acquisition, amortization is pro-rated over the number of months the asset is owned by the organization.

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED JULY 31, 2023

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

*Financial instruments*

The organization's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities, and are initially recorded at fair value. Cash is subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost at the date of the statement of financial position.

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

*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 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, the collectibility of its accounts receivable and its accounts payable and accrued liabilities. Actual results could differ from these estimates.

3. **FINANCIAL INSTRUMENTS**

The organization is exposed to and manages various financial risks resulting from its operations, 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 recorded a bad debts expense of \$11,552, which is included in general and administrative expenses (2022 - bad debts recovery of \$918). Management has established an allowance for uncollectible accounts receivable at July 31, 2023 of \$44,651 (2022 - \$45,151) that represents management's best estimate of potentially uncollectible accounts.



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

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED JULY 31, 2023

3. **FINANCIAL INSTRUMENTS** - Cont'd.

*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.

i) *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's financial instruments are in Canadian currency. Consequently, the organization is not exposed to foreign exchange fluctuations on its financial instruments.

ii) *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.

iii) *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 does not have investments in publicly traded securities and therefore 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:

	<u>2023</u>	<u>2022</u>
Current chequing account	\$ 147,530	\$ 294,265
Premium investment savings account	<u>3,003,831</u>	<u>3,102,446</u>
	<u>\$ 3,151,361</u>	<u>\$ 3,396,711</u>

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

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

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED JULY 31, 2023**

**5. TANGIBLE CAPITAL ASSETS**

	2023		2022	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	\$ 422,017	\$ 365,324	\$ 416,746	\$ 333,517
Computer equipment	1,038,503	911,704	957,668	839,400
Leasehold improvements	213,881	184,683	213,881	148,819
Hardware	13,163	4,057	-	-
	1,687,564	\$ 1,465,768	1,588,295	\$ 1,321,736
Accumulated amortization	1,465,768		1,321,736	
	\$ 221,796		\$ 266,559	

**6. INTANGIBLE CAPITAL ASSETS**

	2023	2022
Case management software	\$ 681,489	\$ 681,489
Accumulated amortization	642,617	611,088
	\$ 38,872	\$ 70,401

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consists of the following:

	2023	2022
Accounts payable and accrued liabilities	\$ 1,131,402	\$ 383,666
Government remittances payable (recoverable)	(43,547)	(35,860)
	\$ 1,087,855	\$ 347,806

**8. DEFERRED LEASE INDUCEMENTS**

The organization has entered into a long-term lease agreement which provides twelve months of free rent over the term of the lease as outlined in the lease agreement for the third floor, and three months of free rent over the term of the lease as outlined in the lease agreement for the fourth floor. Rent revenue is calculated by expensing the actual payments being made evenly over each month of the lease term. The deferred lease inducement amount represents the unamortized balance of the rent free periods.

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

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED JULY 31, 2023**

**9. 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 eligible retail revenues greater than \$10 million, based on their proportionate share of those revenues; and
2. Complaint-based fees - Billed to those participating service providers 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 70% (2022 - 60%) of total expenses while complaint-based fees are to cover 30% (2022 - 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 70% / 30% split and to match the total expense figure of \$10,323,449 (2022 - \$8,854,674).

Revenue-based fees were adjusted downwards as the actual amount billed to revenue-based fee payors was more than 70% 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 30% of the actual expenses of the organization.

Summary of Year End Fee Adjustment:

	<u>2023</u>	<u>2022</u>
Revenue-based fees adjustment	\$ 486,569	\$ 1,052,834
Complaint-based fees adjustment	<u>54,488</u>	<u>(401,301)</u>
	541,057	651,533
Retained as Special levy	<u>-</u>	<u>(651,533)</u>
Year end fee adjustment (included in accounts payable and accrued liabilities)	<u>\$ 541,057</u>	<u>\$ -</u>

In addition, under Section 27 of the Participation Agreement a special levy can, by Extraordinary Resolution of the Members, be billed to the participating service providers for the purposes of funding the organization. In 2023, no special levy was approved (2022 - a special levy of \$651,533 was approved) resulting in \$541,057 owing to participating service providers (2022 - \$nil).

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

**NOTES TO FINANCIAL STATEMENTS - Cont'd.**

**YEAR ENDED JULY 31, 2023**

**10. SERVICE DELIVERY REVIEW PROJECT**

Given the size and scope of the service delivery transformation project which will update the organization's systems and processes, CCTS is exposed to specific unique risks associated with the implementation of larger projects and Management and the Board are both aware of and are managing these risks accordingly. Management has established specific project timelines and budgets and the Board has internally restricted some of the organization's net assets for the purpose of implementing this project over the coming fiscal years.

The purpose of the Service Delivery Review internally restricted fund is to provide a source of funding for all aspects of the CCTS service delivery review project, including the upgrade of technology platforms in future years. In the current year, the Board resolved to transfer the amount of the 2023 special levy to this fund.

The Board has also approved the use of these internally restricted funds for expenditures related to this project starting in the current year. These expenditures are comprised of:

	<u>2023</u>	<u>2022</u>
IT project - implementation partner	\$ 640,885	\$ -
Project management	134,809	120,281
QA lead	126,827	
IT project - data migration expert	87,240	-
Change management consultant	38,000	-
IT project - strategic advisor	36,229	92,374
IT project - in house resource	29,180	-
SDWG independent consultant	24,875	25,500
IT project - software licenses	13,894	-
Project debrief	11,980	-
Committee meetings - SDWG	1,125	10,950
Legal - service delivery review	-	83,016
Consultants - hardware and software	-	48,288
Other expenses	<u>17,713</u>	<u>1,305</u>
	<u>\$ 1,162,757</u>	<u>\$ 381,714</u>

**11. AVAILABLE CREDIT**

The organization has access to credit through Visa credit cards with a total credit limit of \$100,000. 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 bank prime plus 1.00% and the authorized limit of the line of credit is \$2,000,000. The operating line of credit is secured by a general security agreement. No balance is outstanding at July 31, 2023 (2022 - \$nil).

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

NOTES TO FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED JULY 31, 2023

12. **COMMITMENTS**

As of July 31, 2023, the organization has one ongoing lease for its premises and one for equipment. The main office lease expires June 30, 2027 and the equipment lease expires on December 31, 2023.

Annual minimum lease payments over the next four years are as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2024	\$ 745,485	\$ 1,170	\$ 746,655
2025	753,085	-	753,085
2026	753,085	-	753,085
2027	<u>732,315</u>	<u>-</u>	<u>732,315</u>
	<u>\$ 2,983,970</u>	<u>\$ 1,170</u>	<u>\$ 2,985,140</u>

13. **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.