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, 2024

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, 2024, 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, 2024 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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

Welch LLP - Chartered Professional Accountants
123 Slater Street, 3rd floor, Ottawa, ON K1P 5H2
T: 613 236 9191 F: 613 236 8258 W: welchllp.com
An Independent Member of BKR International

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
October 24, 2024.

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

STATEMENT OF FINANCIAL POSITION

JULY 31, 2024

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash - note 4	$ 1,151,954	$ 3,151,361
Short-term investments - note 4	1,273,697	-
Accounts receivable	1,091,132	787,063
Prepaid expenses	137,535	358,421
	3,654,318	4,296,845
TANGIBLE CAPITAL ASSETS - note 5	166,599	221,796
INTANGIBLE CAPITAL ASSETS - note 6	145,503	38,872
	$ 3,966,420	$ 4,557,513
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities - notes 7 and 9	$ 803,319	$ 1,087,855
Deferred lease inducements - note 8	77,919	104,115
	881,238	1,191,970
NET ASSETS		
Internally restricted:		
Invested in tangible and intangible capital assets	312,102	260,668
Service delivery review fund	-	134,767
Unrestricted	2,773,080	2,970,108
	3,085,182	3,365,543
	$ 3,966,420	$ 4,557,513

Approved by the Board:

Patricia Kiley .... Director

.... 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, 2024

	2024	2023
Revenue		
Operating fees		
Revenue-based	$ 8,604,110	$ 7,226,414
Complaint-based	3,687,475	3,097,035
Annual	24,800	25,400
Participation Agreement Section 25 waiver - note 9	(252,858)	-
Participation fees	-	5,000
Interest	82,464	78,453
	12,145,991	10,432,302
Expenses		
Payroll and related expenses	9,345,350	7,887,446
IT expenses	948,676	604,616
Occupancy costs	646,535	640,213
Communications	379,093	298,720
Board of directors costs	296,292	161,684
Human resources	238,083	250,382
Professional fees	175,803	171,142
General and administrative expenses	137,887	133,685
Amortization	123,866	175,561
	12,291,585	10,323,449
Net revenue (expense) from operations	(145,594)	108,853
Service delivery review expenses - note 10	134,767	1,162,757
Net revenue (expense)	$ (280,361)	$ (1,053,904)

(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, 2024

	2024	2023
Internally restricted - invested in tangible and intangible capital assets		
Balance, beginning of year	$ 260,668	$ 336,960
Capital expenditures	175,300	99,269
Amortization	(123,866)	(175,561)
Balance, end of year	$ 312,102	$ 260,668
Internally restricted - service delivery review fund - note 10		
Balance, beginning of year	$ 134,767	$ 1,297,524
Expenses incurred against service delivery review fund	(134,767)	(1,162,757)
Balance, end of year	$ -	$ 134,767
Unrestricted		
Balance, beginning of year	$ 2,970,108	$ 2,784,963
Net revenue (expense) from operations	(145,594)	108,853
Amortization charged against internally restricted capital assets	123,866	175,561
Capital expenditures credited to internally restricted capital assets	(175,300)	(99,269)
Balance, end of year	$ 2,773,080	$ 2,970,108
Total net assets		
Balance, beginning of year:		
Internally restricted - capital assets	$ 260,668	$ 336,960
- service delivery review fund	134,767	1,297,524
Unrestricted	2,970,108	2,784,963
	$ 3,365,543	$ 4,419,447
Balance, end of year:		
Internally restricted - capital assets	$ 312,102	$ 260,668
- service delivery review fund	-	134,767
Unrestricted	2,773,080	2,970,108
	$ 3,085,182	$ 3,365,543

(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, 2024

	2024	2023
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Net revenue (expense)	$ (280,361)	$ (1,053,904)
Adjustments for:		
Amortization	123,866	175,561
Lease inducements	(26,196)	9,768
	(182,691)	(868,575)
Changes in non-cash working capital components:		
Accounts receivable	(304,069)	71,783
Prepaid expenses	220,886	(89,338)
Accounts payable and accrued liabilities	(284,536)	740,049
	(550,410)	(146,081)
INVESTING ACTIVITIES		
Purchase of tangible and intangible capital assets	(175,300)	(99,269)
Purchase of investments	(1,250,000)	-
Interest earned on investments	(23,697)	-
	(1,448,997)	(99,269)
DECREASE IN CASH	(1,999,407)	(245,350)
CASH, BEGINNING OF YEAR	3,151,361	3,396,711
CASH, END OF YEAR	$ 1,151,954	$ 3,151,361

(See accompanying notes)

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 (if applicable) are recognized as revenue during the period to which the fees relate.

Participation fees consisted of one-time start-up fees and were recognized as revenue on the date the service provider became a participating service provider. The organization discontinued the collection of these fees in the prior year and as a result there are no such amounts reflected for the fiscal year-ended July 31, 2024.

Interest income consists of interest earned on bank accounts and short-term investments 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.

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Financial instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities, and are initially recorded at fair value. Cash and short-term investments are 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 in the determination of certain 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, short-term investments and accounts receivable.

The organization's cash and short-term investments are 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 $9,805 (2023 - $11,552). Management has established an allowance for uncollectible accounts receivable at July 31, 2024 of $54,456 (2023 - $44,651) 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 - 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.

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 and the organization transacts primarily in Canadian Dollars. Consequently, the organization is not exposed to significant 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 exposed to interest rate risk on its short-term investments. The organization mitigates this risk by investing in GIC's that are cashable and short-term in nature such that they can be renewed at prevailing market rates.

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 AND SHORT-TERM INVESTMENTS

Cash consists of the following:

	2024	2023
Current chequing account	$ 429,439	$ 147,530
Premium investment savings account	722,515	3,003,831
	$ 1,151,954	$ 3,151,361

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

Short-term investments totalling $1,273,697 consists of cashable GICs with interest rates at 4.95% per annum and maturity dates between November 2024 and March 2025.

5. TANGIBLE CAPITAL ASSETS

	2024		2023	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and equipment	$ 422,017	$ 389,063	$ 422,017	$ 365,324
Computer equipment	1,079,886	965,206	1,038,503	911,704
Leasehold improvements	213,881	199,678	213,881	184,683
Hardware	13,163	8,401	13,163	4,057
	1,728,947	$ 1,562,348	1,687,564	$ 1,465,768
Accumulated amortization	1,562,348		1,465,768	
	$ 166,599		$ 221,796	

6. INTANGIBLE CAPITAL ASSETS

	2024	2023
Case management software	$ 815,406	$ 681,489
Accumulated amortization	669,903	642,617
	$ 145,503	$ 38,872

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2024	2023
Accounts payable and accrued liabilities	$ 841,471	$ 1,131,402
Government remittances payable (recoverable)	(38,152)	(43,547)
	$ 803,319	$ 1,087,855

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 (see note 12). 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.

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% (2023 - 70%) of total expenses while complaint-based fees are to cover 30% (2023 - 30%) 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 $12,291,585 (2023 - $10,323,449).

Revenue-based fees were adjusted upwards as the actual amount billed to revenue-based fee payors was less 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:

	2024	2023
Revenue-based fees adjustment	$ (451,102)	$ 486,569
Complaint-based fees adjustment	198,244	54,488
	(252,858)	541,057
Operating fees waived by the organization	252,858	-
Year end fee adjustment	$ -	$ 541,057

On June 11, 2024, a resolution was passed by the board of directors waiving the organization's right under Section 25 of the Participation Agreement to adjust and collect a net amount of of approximately $250,000, with the provision that this decision would be reviewed if the audit showed a materially larger amount collectible. As the net amount collectible by to the Organization was not materially larger than the amount approved by the resolution, the Organization has waived this right for the current fiscal year resulting in no additional amounts due to or from from Participating Service Providers as part of the year end fee adjustment (2023 - $541,057 was repaid to PSPs).

10. SERVICE DELIVERY REVIEW PROJECT

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

The purpose of the Service Delivery Review internally restricted fund was to provide a source of funding for all aspects of the CCTS service delivery review project, including the upgrade of technology platforms.

These expenditures are comprised of:

	2024	2023
IT project - implementation partner	$ 134,767	$ 640,885
Project management	(1,479)	134,809
QA lead	-	126,827
IT project - data migration expert	-	87,240
Change management consultant	-	38,000
IT project - strategic advisor	-	36,229
IT project - in house resource	-	29,180
SDWG independent consultant	-	24,875
IT project - software licenses	-	13,894
Project debrief	-	11,980
Committee meetings - SDWG	1,975	1,125
Other expenses	(496)	17,713
	$ 134,767	$ 1,162,757

As of July 31, 2024 this internally restricted fund has been exhausted.

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, 2024 (2023 - $nil).

12. COMMITMENTS

As of July 31, 2024, the organization has an ongoing lease for its premises. On May 31, 2024, the organization surrendered its 4th floor premises to the landlord and retained possession of the third floor. The third floor lease was extended to June 30, 2030.

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

2025	$ 508,878
2026	510,609
2027	529,649
2028	529,649
2029	507,149
	$ 2,585,934

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.