

access©

**ANNUAL REPORT  
2015**



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## CAMERON MACDONALD

CHAIR

2015 was the inaugural year for the restructured, 11-member Board of Directors—which changed not just the composition of the Board, but the nature and process of Board deliberation.

Last spring, two academic librarians, a leader in public education, and a technology CEO, became the first directors elected through the new governance process. They joined six carry-over directors and our executive director on the Inaugural Board.

The governance changes were an early piece in the transformation effort and were designed to enable the strategic recruitment of directors with the skills and experience best-suited to the challenges at hand. While always keeping in mind our first responsibility to creators and publishers, Board deliberations now include broader perspectives and greater focus on the need of our customer base in this period of great marketplace change.

The primary “challenge at hand” for the organization today is rebuilding relationships with our core customers—particularly those in education, where fair dealing is increasingly interpreted, and systematically implemented, as a proxy for paid licensing.

Before the systematic implementation of these fair dealing policies, Access Copyright’s licensing had generated royalty payments on more than 300,000 titles, returning more than \$400 million to creators and publishers—much of it originating from uses in education. According to a 2015 PwC report, commissioned by Access Copyright, the loss of these royalties would amount to a 20 per cent decline in the income an average creator affiliate earns from their work.

As the Board shifts away from a constituency-based recruitment model, we must be vigilant about maintaining its connection to the creators and publishers who give the organization its mandate.

We took an important step in that direction last spring with the establishment of the Membership Advisory Committee [MAC]. The MAC is an elected committee of creator and publisher representatives established to communicate the concerns and interests of the affiliates to the Board; and to provide advice and recommendations to the Board as requested by the Board on issues of significance to affiliates.

I repeat that the Board understands the critical importance of there being a strong relationship and constant communication between itself and the MAC committee. This can in no way falter.

The inaugural MAC members have recommended a process and principles for ongoing appointments to replenish the committee, which the Board has endorsed, and membership will be asked to approve at this year’s AGM. If you are an Access Copyright member or affiliate, the MAC is your direct channel to the Board of Directors. We hope you will use it.

[To raise your issue with the MAC, email chair Robin Sokoloski directly at [MAC@accesscopyright.ca](mailto:MAC@accesscopyright.ca)]



# Chair's Report



**ROANIE LEVY**  
EXECUTIVE DIRECTOR

Access Copyright continues to develop and refine customer-focused copyright clearance and content access tools that integrate with digital platforms, while also advocating for a more balanced, sustainable approach to copyright.

In 2015 we have sought to enhance our ability to serve customers on the platforms they already use by developing application program interfaces (APIs) for our rights management database to facilitate integrated search, discovery, transactions, billing and analytics capabilities on external platforms.

We partnered to offer a new document delivery service to our customers—soon to be supported by in-platform details about Access Copyright re-use permissions—and tested a number of content delivery platforms, including a digital coursepack pilot with a class of pediatric nursing students.

We have updated the grants of rights for affiliated creators & publishers, the first update in over a decade, so that they reflect the changing ways that people copy published material. Already, more than 90% of publisher affiliates and 55% of creators have updated their agreements.

For colleges & universities we introduced the Access Premium & Access Choice licences, enabling institutions to choose between the flexibility of pay-per-use-pricing and the simplicity of comprehensive coverage for a flat fee. And, in response to feedback from the institutions, we enhanced those offers with additional permissions, waived admin fees, and supplemental services.

Unfortunately, this exciting work is hampered by the intractable fair dealing position adopted by the educa-

tion sector, and by a pair of troubling decisions by the Copyright Board.

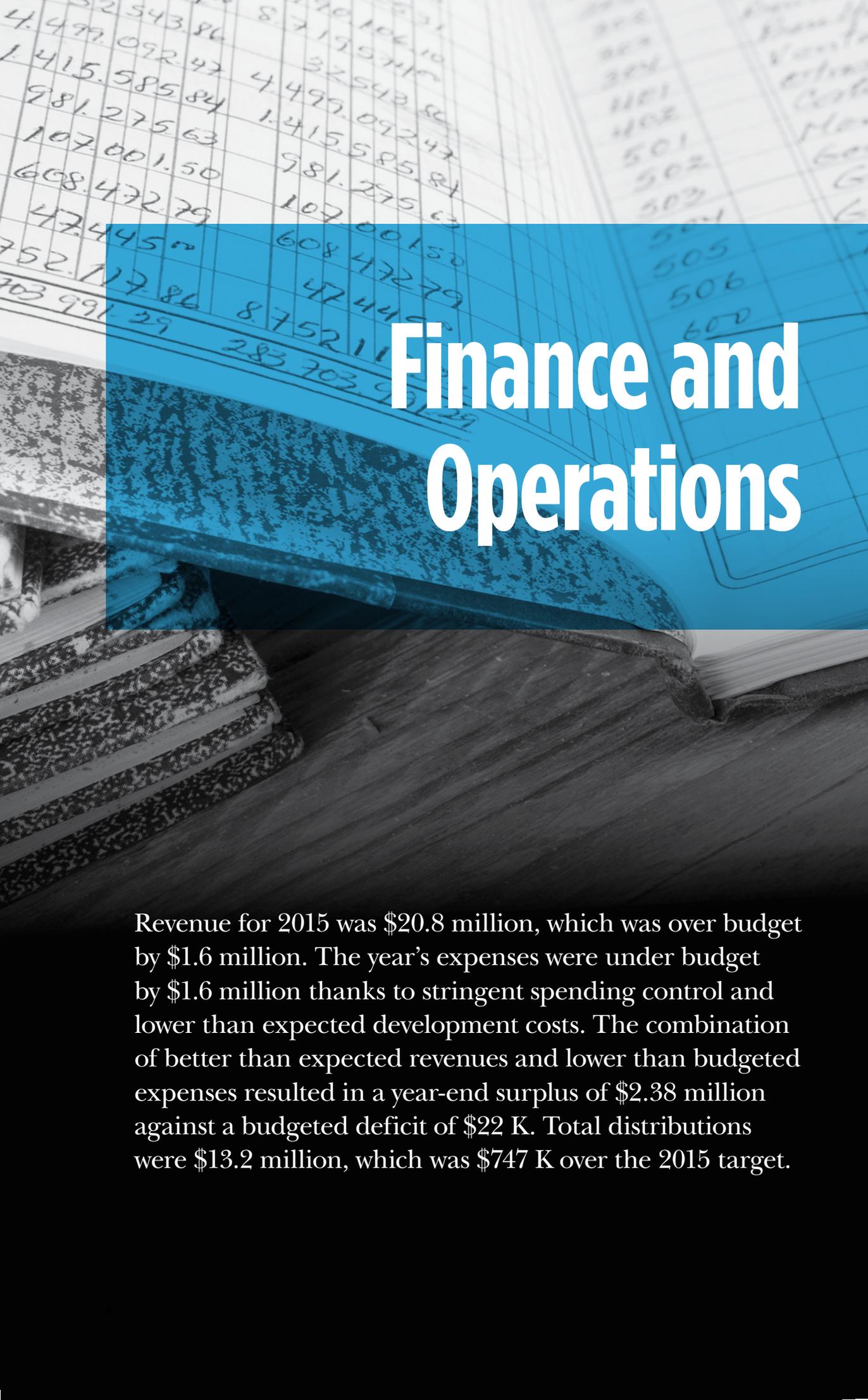
Post-secondary revenues are projected to drop from over \$10 million in 2015 to less than \$2 million in 2016, and the resumption of K-12 schools revenue remains uncertain, even after the recently certified tariff for K-12 schools. Our strategic plan anticipated that we would operate in the red for a certain time in order to complete the transformation—and we are prepared for that possibility.

To begin to quantify the impacts of these changes, PricewaterhouseCoopers (PwC) was engaged to conduct an independent economic assessment of the impacts of the education sector's "fair dealing" guidelines on the Canadian market for educational content, with the findings released in June 2015 [see more on PwCs findings on page 18 of the Annual Report].

In the Provincial-Territorial tariff decision and recent K-12 tariff decision, the Copyright Board's troublingly opaque assessments lead to outcomes that are simultaneously unfair for rightsholders and impractical for users. These decisions highlight the systemic dysfunction in the Canadian copyright landscape today and further underscore the importance of legislative reform.



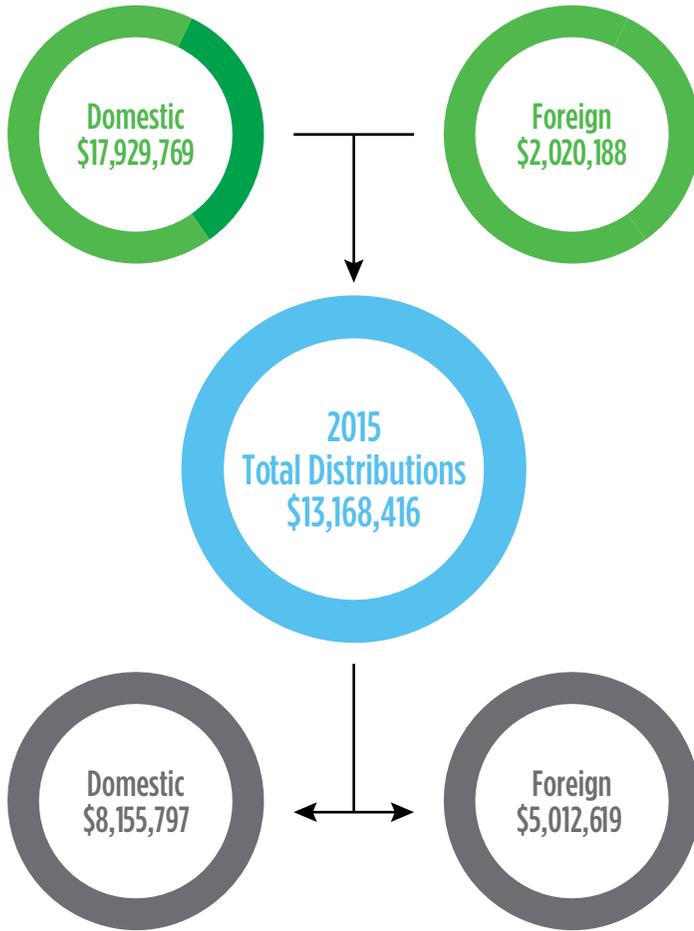
# Executive Director's Report



# Finance and Operations

Revenue for 2015 was \$20.8 million, which was over budget by \$1.6 million. The year's expenses were under budget by \$1.6 million thanks to stringent spending control and lower than expected development costs. The combination of better than expected revenues and lower than budgeted expenses resulted in a year-end surplus of \$2.38 million against a budgeted deficit of \$22 K. Total distributions were \$13.2 million, which was \$747 K over the 2015 target.

# DISTRIBUTIONS AT A GLANCE



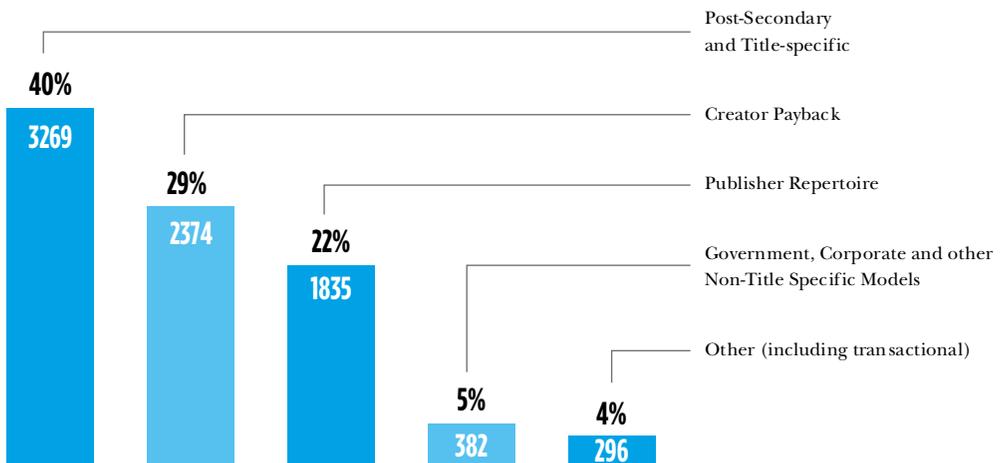
## Royalties Collected

Most of the royalties collected in 2015 will be distributed in 2016.

## Royalties Distributed

Most of the royalties distributed in 2015 were collected in 2014.

# 2015 DOMESTIC DISTRIBUTION BY CATEGORY (THOUSANDS)



# 2015 DOMESTIC DISTRIBUTION (THOUSANDS)

THE CHART BELOW PREDICTS THE FLOW OF 2015 DISTRIBUTION  
BASED ON THE RESULTS OF THE 2014 PUBLISHER ROYALTY SURVEY



THE DIFFERENCE BETWEEN THE CREATOR AND THE PUBLISHER PERCENTAGE EXIST BECAUSE IN CERTAIN SECTORS CREATORS WORK AS EMPLOYEES OR ASSIGN THEIR COPYRIGHT TO PUBLISHERS.

# Journeys in Math royalties

Canadian teachers often support their instruction by copying published material for students. When school copying has been covered by Access Copyright, there have been opportunities to conduct sampling studies, with the reported copying used to calculate royalty distribution to creators and publishers.

Among the materials that have been popularly copied in schools are a series of Canadian math textbooks, titled *Journeys in Math*, first published in Toronto in the 1980s.

Ralph Connelly was an author and an editor on the *Journeys in Math* series in addition to teaching elementary mathematics methods for over 28 years in the Faculty of Education at Brock University.

Now retired, Connelly calls his work on *Journeys in Math* a “crowning achievement.”

“After two years of writing, re-writing and editing, I was delighted with the initial success of the series and, years later, delighted to learn that teachers were still choosing to copy the material,” said Connelly.

Recently, when a large publisher returned royalties to Access Copyright with clarifications about the copyright ownership on related titles, a considerable sum was ultimately identified as owing to Connelly.

“The royalties were somehow traced back to me and I received a call advising me that I was about to receive a fairly substantial cheque.”

Access Copyright normally pays royalties to unaffiliated creators via their publishers so, after receiving the happy news, Connelly chose to affiliate so that he could receive the accumulated royalties, and future payments, directly from Access Copyright.

“These royalties speak volumes about the honesty and integrity of those involved in education, educational

publishing, and copyright licensing in Canada. Every time I receive a cheque I reflect on all the good that had to be in place for it to happen.”

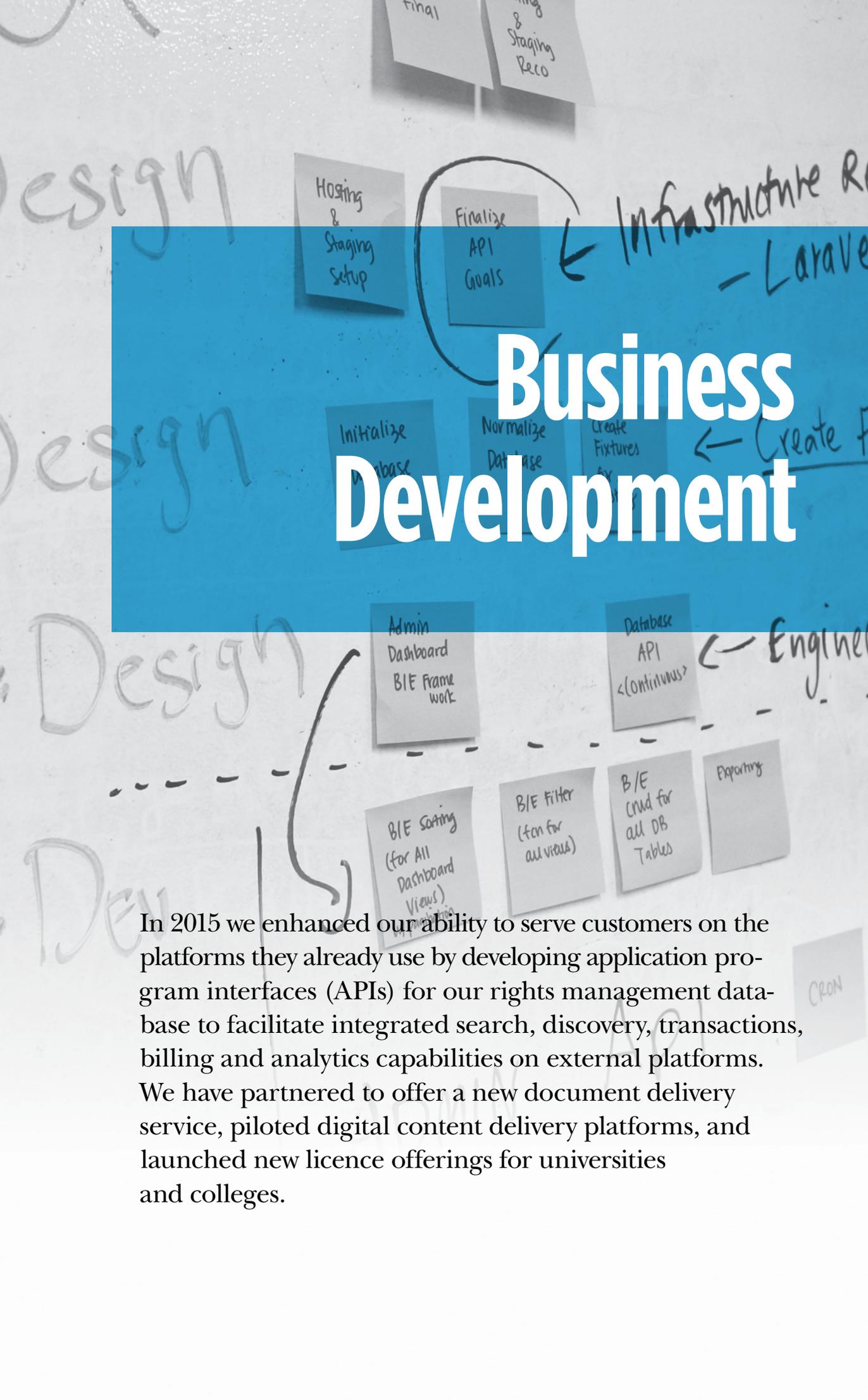
And the good doesn't stop with Connelly, who expects some of his newfound earnings will be re-invested in education, in support of his grandchildren's studies.

**“EVERY TIME I RECEIVE  
A CHEQUE I REFLECT ON  
ALL THE GOOD THAT HAD  
TO BE IN PLACE FOR IT  
TO HAPPEN.”**

“This wonderful news couldn't have come at a better time. We have been raising our two grandchildren since they were very young, and one is now in university while the other is graduating high school this year and starting in higher education next year.”

~ Ralph Connelly





# Business Development

In 2015 we enhanced our ability to serve customers on the platforms they already use by developing application program interfaces (APIs) for our rights management database to facilitate integrated search, discovery, transactions, billing and analytics capabilities on external platforms. We have partnered to offer a new document delivery service, piloted digital content delivery platforms, and launched new licence offerings for universities and colleges.



## New offers and services for universities & colleges

Over the past 18 months we have been across the country to meet and talk with creators, researchers, students, educators, librarians and publishers to better understand the needs of our customers, and how we can better address them.

This has led to the piloting of new services and the development of new licences designed to meet the needs of the education sector; providing greater convenience, value and choice, in addition to appropriate rewards for the creators and publishers whose works are valued and used every day.

In 2015 we launched Access Premium & Access Choice for colleges & universities. And, in response to feedback from customers, we further refined those offerings with additional pre-authorized permissions, waived admin fees pre-cleared uses, and permissions clearance services for uses outside the terms of the licence—all part of our renewed commitment to serving the content and copyright management needs of educators with new, market-focused services.



# Digital coursepack pilot

Access Copyright partnered with one of the largest post-secondary technical institutions in Canada to deliver a coursepack pilot for a distance education course in Pediatric Nursing. Students in the course were provided the opportunity to use a digital coursepack offered through the course website on the college's learning management system.

## THE CHALLENGE

Previous sessions of this online course in Pediatric Nursing relied on printed coursepacks created and distributed under the Access Copyright licence. The instructor was ready to experiment with a digital version of her coursepack, provided it could meet the following requirements:

- Integrated with Desire2Learn, the college's learning management system.
- Students could annotate and highlight as they read.
- Material could be accessed through the course module for each week of study.
- Professor could embed instructional notes to guide students as they read.

## THE SOLUTION

Working with Access Copyright, who partnered with the e-Reader platform RedShelf, the instructor annotated her coursepack, adding a layer of custom pedagogy to the readings, enabling her to further "teach" the students

as they read. The content was delivered through the RedShelf platform, integrated with Desire2Learn, where students were also able to search, annotate and highlight material for themselves.

## THE RESULTS

Results and feedback were obtained from a survey that was distributed by the professor with a response rate of 40%. Overall, students liked the pre-annotated content. They liked the fact that the content was accessible within their course website. Many students had positive comments about the highlighting feature. The professor noted that the quality of the students' responses to assignments was vastly improved over previous years and she attributed that to the fact that she had an opportunity to "teach" students through the use of the annotations that she added.



# Reprints Desk partnership

## Document delivery for business licence customers

Access Copyright has partnered with Reprints Desk, a wholly-owned subsidiary of Research Solutions, to offer document delivery services to Canadian customers. The partnership, announced in January 2016, provides Access Copyright's business licence customers with the option to purchase high-quality copies of journal articles, book chapters and other scholarly resources through Reprints Desk's award-winning Article Galaxy® platform.

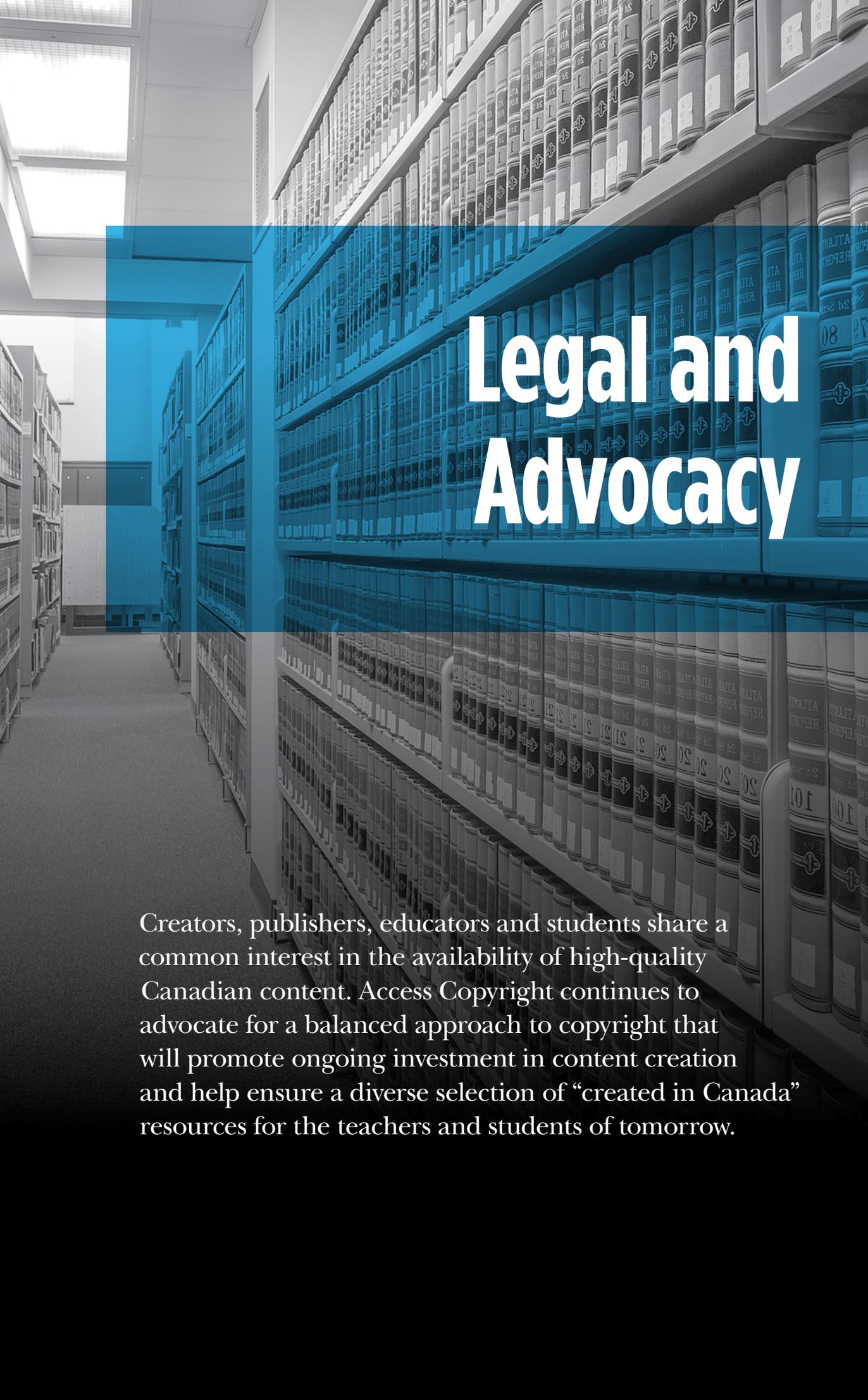
Both organizations are working to integrate information about Access Copyright's permissions into the Article Galaxy® platform which, once complete, will enable customers to view the rights available to them at the time of document ordering.

Access Copyright customers need to have a document before they can copy it under licence, which makes document delivery a natural fit with our offerings. Reprints Desk is a best-in-class vendor and we look forward to completing our database integration with Article Galaxy® in order to facilitate a seamless experience for customers.

"Reprints Desk is honored to partner with Access Copyright to combine content acquisition and re-use rights within researcher workflows," said Ian Palmer, Chief Sales and Marketing Officer at Reprints Desk.

"This collaboration will help Canadian organizations to realize real improvements in both research efficiency and copyright compliance, while maximizing their return on copyright licence investments."

Permissions integration is scheduled for completion and rollout in the second quarter of 2016, but Access Copyright customers can already avail themselves of document delivery services through Reprints Desk.

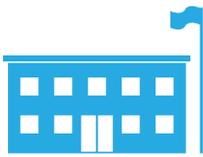


# Legal and Advocacy

Creators, publishers, educators and students share a common interest in the availability of high-quality Canadian content. Access Copyright continues to advocate for a balanced approach to copyright that will promote ongoing investment in content creation and help ensure a diverse selection of “created in Canada” resources for the teachers and students of tomorrow.

# Legal Update

Two troubling decisions from the Copyright Board, the expanded interpretation and use of exceptions, and the challenging market conditions this creates for content providers, underscore the ongoing importance of legal advocacy. Access Copyright's legal team shoulders a massive load in pursuit of a more balanced interpretation of the exceptions introduced in the Copyright Modernization Act.



## K-12 SCHOOLS TARIFFS

In February of 2016 the Copyright Board certified a royalty rate of \$2.46 per student per year for the years 2010-2012, and \$2.41 per student per year for the years 2013-2015. The Board used a new framework for determining the fairness of copying behaviour in schools that dismisses the value of much of the content that is copied. Access Copyright has applied for judicial review of this decision. A proposed K-12 schools tariff for the years 2016-2019 was filed in March.



## POST-SECONDARY TARIFFS

The 2011-2013 and 2014-2017 tariffs for universities and colleges were successfully consolidated into a week-long hearing in January 2016. A decision on these tariffs is expected in 2017. Colleges and universities refused to participate in the tariff process, highlighting the confusion and disarray created by the changed provisions in the Copyright Modernization Act



## PROVINCIAL AND TERRITORIAL GOVERNMENTS TARIFF

In May 2015 the Copyright Board issued its decision on the Provincial and Territorial Governments Tariff, 2005-2009 and 2010-2014. The royalty rates certified by the Board were 11.56 cents per employee per year for 2005 to 2009 and 49.71 cents per employee per year for 2010 to 2014. Access Copyright has applied for judicial review of the decision.



## YORK UNIVERSITY LITIGATION

Access Copyright and the creators and publishers we represent disagree with fair-dealing guidelines adopted by Canadian post-secondary institutions, including York University. The guidelines and the copying they promote are unfair and threaten the long-term breadth and availability of quality Canadian content for use in education. A three-week trial in this case is set to begin on May 16, 2016.



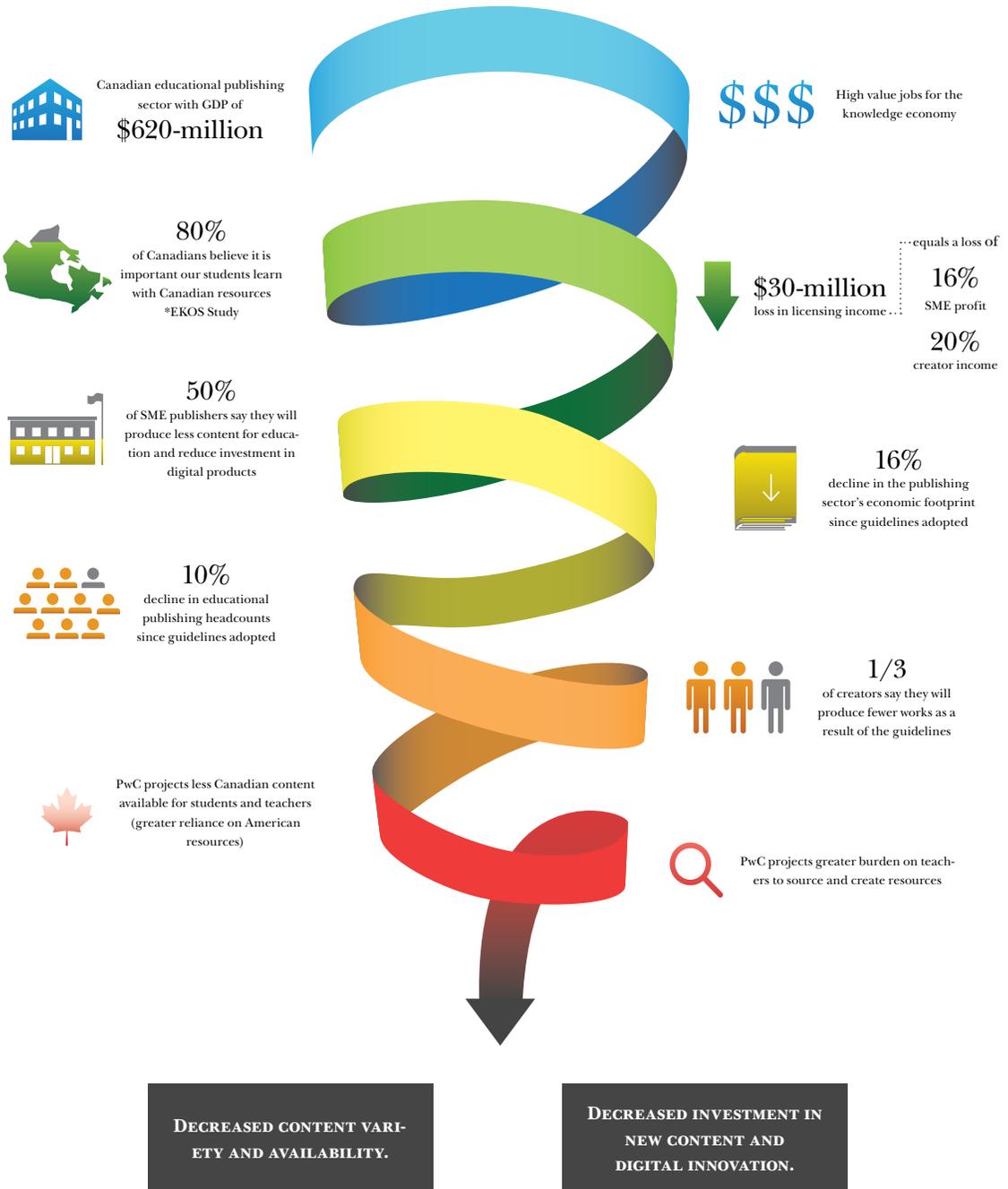
## Quantifying the impact of new fair dealing interpretations

A majority of Canadian universities, colleges, ministries of education and school boards outside Quebec have adopted fair dealing content use guidelines that set out the education sector's interpretation of what can be copied without compensation to creators or publishers.

The guidelines represent a systematic approach to copying published works that promote the use of 10% or a chapter of a work, entire periodical articles, and more, without obligation of permission or payment. Since their implementation, all public elementary and secondary schools outside Quebec and numerous post-secondary educational institutions have ceased paying royalties for the copying of published works.

# PwC Report on Fair Dealing and Education

PricewaterhouseCoopers (PwC) was engaged by Access Copyright to conduct an independent economic assessment of the impacts of the education sector's "fair dealing" guidelines on the Canadian market for educational content. PwC's findings are contained in the report "Economic Impacts of the Canadian Educational Sector's Fair Dealing Guidelines" that was released in June 2015.



\* [All findings from June 2015 PwC report, unless otherwise noted.]

The background features a blue gradient bar across the middle, with curved lines on the right side. The text is centered within the blue bar.

# **Independent Auditor's Report**

To the Members of The Canadian Copyright Licensing Agency

We have audited the accompanying financial statements of The Canadian Copyright Licensing Agency, which comprise the statement of financial position as at December 31, 2015, and the statements of changes in net assets, operations 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 auditors' 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.

#### **BASIS OF QUALIFIED OPINION**

In common with other reproduction rights organizations, The Canadian Copyright Licensing Agency (the "Corporation") derives a portion of its revenue from license fees that are based on actual copies made at the licensees' premises domestically and internationally, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation, and we were unable to determine whether any increase might be necessary to license fees revenue, provision for royalties for distribution, excess of revenues over expenses for the year, accounts receivable, undistributed royalties and net assets.

#### **QUALIFIED OPINION**

In our opinion, except for the effect of the matter described in the basis of qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Canadian Copyright Licensing Agency as at December 31, 2015, 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.



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March 11, 2016*

# The Canadian Copyright Licensing Agency

## Statement of financial position

(In thousands of dollars)

December 31, 2015 2014

### ASSETS

Current		
Cash and cash equivalents	\$ 9,524	\$ 9,041
Investments (Note 3)	42,463	48,688
Accounts receivable and prepaid expenses (Note 4)	2,320	2,115
	<u>54,307</u>	<u>59,844</u>
Investments (Note 3)	14,800	7,847
Capital assets (Note 5)	212	57
	<u>\$ 69,319</u>	<u>\$ 67,748</u>

### LIABILITIES

Current		
Undistributed royalties (Note 6)	\$ 11,992	\$ 10,299
Accounts payable and accrued liabilities (Note 7)	648	893
Deferred revenue	2,162	3,198
Deferred revenue – uncertified tariff and tariff under appeal (Note 8)	27,142	26,769
	<u>41,944</u>	<u>41,159</u>
Undistributed royalties (Note 6)	1,205	2,787
	<u>43,149</u>	<u>43,946</u>

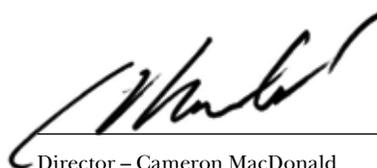
### NET ASSETS

Net assets invested in capital assets	212	57
Net assets internally restricted for contingencies (Note 10)	2,000	2,000
Net assets internally restricted for tariff fund (Note 11)	6,138	5,628
Net assets internally restricted for development fund (Note 12)	3,897	3,964
Unrestricted net assets	<u>13,923</u>	<u>12,153</u>
	<u>26,170</u>	<u>23,802</u>
	<u>\$ 69,319</u>	<u>\$ 67,748</u>

Commitments (Note 14)

Contingencies (Note 15)

On behalf of the Board



Director – Cameron MacDonald



Director – Jeff Miller

See accompanying notes to financial statements.

# The Canadian Copyright Licensing Agency

## Statement of changes in net assets

(In thousands of dollars)

Year ended December 31, 2015

<b>NET ASSETS</b>	Invested in capital assets	Internally restricted contingen- cies fund (Note 10)	Internally restricted for tariff fund (Note 11)	Internally restricted develop- ment fund (Note 12)	Unrestricted	2015 Total	2014 Total
Balance, beginning of year	\$ 57	\$ 2,000	\$ 5,628	\$ 3,964	\$ 12,153	\$ 23,802	\$ 22,289
Excess of revenues over expenses (expenses over revenues) for the year	(79)	-	(443)	(67)	2,957	2,368	1,513
*See accompanying notes to financial statements							
Interfund transfers	-	-	953	-	(953)	-	-
Investment in capital assets	234	-	-	-	(234)	-	-
Balance, end of year	\$ 212	\$ 2,000	\$ 6,138	\$ 3,897	\$ 13,923	\$ 26,170	\$ 23,802

See accompanying notes to financial statements

# The Canadian Copyright Licensing Agency

## Statement of Operations

(In thousands of dollars)

Year ended December 31

	2015	2014
<b>REVENUES</b>		
Licence fees	\$ 19,950	\$ 20,197
Interest income	773	765
Other	73	66
	<u>20,796</u>	<u>21,028</u>
<b>EXPENSES</b>		
Operational expenses		
General and administrative	4,058	4,489
Professional fees	492	333
Amortization of capital assets	79	117
Travel, meetings, staff and directors' costs	133	204
Foreign exchange gain	(123)	(65)
Tariff fund - Copyright Board applications	443	826
Development fund	67	222
	<u>5,149</u>	<u>6,126</u>
Distribution expenses		
Provision for royalties for distribution	13,279	13,389
	<u>18,428</u>	<u>19,515</u>
Total expenses	<u>18,428</u>	<u>19,515</u>
Excess of revenue over expenses for the year	<u>\$ 2,368</u>	<u>\$ 1,513</u>

See accompanying notes to financial statements

# The Canadian Copyright Licensing Agency

## Statement of Cash Flows

(In thousands of dollars)

Year ended December 31	2015	2014
Increase (decrease) in cash and cash equivalents		
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 2,368	\$ 1,513
Amortization of capital assets	79	117
	<u>2,447</u>	<u>1,630</u>
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	(205)	687
Undistributed royalties	111	(5,276)
Accounts payable and accrued liabilities	(245)	191
Deferred revenue	(663)	324
Contributions payable to Access Copyright Foundation	-	(9)
	<u>(1,002)</u>	<u>(4,083)</u>
	<u>1,445</u>	<u>(2,453)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(54,784)	(51,585)
Proceeds on maturity of investments	54,056	58,701
Purchase capital assets	(234)	(4)
	<u>(962)</u>	<u>7,112</u>
Increase in cash and cash equivalents	483	4,659
Cash and cash equivalents, beginning of year	<u>9,041</u>	<u>4,382</u>
Cash and cash equivalents, end of year	\$ <u>9,524</u>	\$ <u>9,041</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 2,524	\$ 3,541
Guaranteed investment certificates	<u>7,000</u>	<u>5,500</u>
	\$ <u>9,524</u>	\$ <u>9,041</u>

See accompanying notes to financial statements

# The Canadian Copyright Licensing Agency Notes to the Financial Statements

(In thousands of dollars)  
December 31, 2015

## 1. ORGANIZATION

The Canadian Copyright Licensing Agency (the “Corporation”) is an organization whose purpose is:

- a) To develop products and services that support the creation, production and use of copyright content as an integral part of a healthy and sustainable reading, writing, researching, and learning ecosystem that is inclusive of all those who create, produce, use and value content.
- b) To advocate for and increase understanding of the interests of creators, publishers and other copyright owners.

The Corporation has continued as a non-share capital corporation under the Canada Not-for-Profit Corporations Act as of May 7, 2014. The Corporation was originally incorporated under the laws of Canada by letters patent on August 23, 1988, without share capital. The Corporation is a not-for-profit organization with national jurisdiction excluding Quebec and, as such, is exempt from income taxes under 149(1)(l).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

The Corporation follows accounting policies that conform with the Canadian accounting standards for not-for-profit organizations. The following is a summary of significant accounting policies adopted by the Corporation in the preparation of the financial statements.

The Corporation is currently the sole member and only source of funding of the Access Copyright Foundation (the “Foundation”). The Corporation controls the Foundation but does not direct the allocation of grants.

The Corporation has decided not to consolidate the Foundation, and will instead provide the required disclosures (Note 9) in accordance with CPA Handbook Section 4450.

### ESTIMATES AND MEASUREMENT UNCERTAINTY

The preparation of financial statements 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 revenue and expenses during the reporting period. Items requiring significant estimates and subject to measurement uncertainty include the determination of the rate used to recognize Elementary and Secondary School licence fee revenue, determination of the allowance for doubtful accounts receivable, useful lives of capital assets and impairment of capital assets. By their nature, these estimates are subject to measurement uncertainty. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the statement of operations in the period in which they become known.

### REVENUE RECOGNITION

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred capital contributions represent restricted government assistance received for the development or purchase of capital assets.

This assistance is deferred and amortized to income on the same basis as the related capital assets.

Licence fees, other than those related to full-reporting licences, are recognized as revenue on a monthly basis, over the terms as specified in the licence agreements. Licence fee revenue applicable to future periods are recorded as deferred revenue.

Full-reporting licence fees, which are based on actual copies made at the licensees’ premises, are recognized as revenue when received or receivable if the amount to be received is confirmed by the licensees.

Licence fees from Elementary and Secondary Schools are recognized as revenue to the extent of the applicable rates under the previously executed licence. When rates

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements

(In thousands of dollars)  
December 31, 2015

for newly executed licences are in excess of the previous executed licence and are subject to decision or are under appeal, the excess fees, together with related interest, are recorded as deferred revenue – uncertified tariff and tariff under appeal and will be recognized as revenue in the year the decision is made.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash on hand, bank balances and investments in guaranteed investment securities with maturities of three months or less.

### CAPITAL ASSETS AND AMORTIZATION

Capital assets are stated at cost less accumulated amortization. Amortization is provided at rates designed to charge to operations the cost of the capital assets, on a straight line basis, over their estimated useful lives, as follows:

#### Tangible

Office equipment	five years
Computer hardware	three years
Leasehold improvements	term lease

#### Intangible

Computer software	three years
-------------------	-------------

When a capital asset no longer has any long-term service potential to the Corporation, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

### UNDISTRIBUTED ROYALTIES

Undistributed royalties represent the balance of licence fees to be distributed to rights holders. The annual provision for royalties for distribution is dependent upon decisions made by the Board of Directors.

### FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the transaction date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in

effect on the date of each transaction. Foreign currency gains or losses are included in the determination of the excess of revenues over expenses for the year.

### FINANCIAL INSTRUMENTS

The Corporation's financial assets and liabilities are comprised of cash and cash equivalents, investments, accounts receivable, undistributed royalties, accounts payable and accrued liabilities.

### INITIAL MEASUREMENT

The Corporation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

### SUBSEQUENT MEASUREMENT

At each reporting date, the Corporation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities, which consist of money market funds, quoted in an active market, which must be measured at fair value. The Corporation uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, investment in bonds, notes and guaranteed investment certificates, accounts receivable, accounts payable, undistributed royalties and contributions payable to the Foundation.

For financial assets measured at cost or amortized cost, the Corporation regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Corporation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, the Corporation recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements (continued)

(In thousands of dollars)  
December 31, 2015

<b>3. INVESTMENTS</b>	2015	2014
The Corporation holds the following unrestricted investments:		
Corporate bonds and notes, at amortized cost		
Interest at various rates ranging from 4.64% to 6.15% per annum, maturing on various dates to May 9, 2016	\$ 2,769	\$ 6,356
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.40% to 2.26% per annum, maturing on various dates to Dec 27, 2017	30,800	26,500
Money market funds, at fair value	<u>2,250</u>	<u>86</u>
	<u>35,819</u>	<u>32,942</u>
The Corporation has internally restricted the following investments for the Elementary and Secondary Schools tariff:		
Corporate bonds and notes, at amortized cost		
	-	5,530
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.35% to 1.45% per annum, maturing on various dates to Nov 14, 2016	15,000	15,000
Money market funds, at fair value	<u>6,444</u>	<u>3,063</u>
	<u>21,444</u>	<u>23,593</u>
Total investments	57,263	56,535
Less: current portion	<u>(42,463)</u>	<u>(48,688)</u>
	<u>\$ 14,800</u>	<u>\$ 7,847</u>
 <b>4. ACCOUNT RECEIVABLE AND PREPAID EXPENSES</b>		
Licence fees receivable	\$ 1,756	\$ 1,671
Accrued interest	268	134
Uncertified tariff – accounts receivable	198	176
Prepaid expenses	<u>98</u>	<u>134</u>
	<u>\$ 2,320</u>	<u>\$ 2,115</u>

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements (continued)

(In thousands of dollars)  
December 31, 2015

### 5. CAPITAL ASSETS

			2015	2014
	Cost	Accumulate Amortization	Net Book Value	Net Book Value
Office equipment	\$ 232	\$ 208	\$ 24	\$ 3
Computer hardware	284	274	10	40
Leasehold improvements	204	28	176	7
Computer software	6,473	6,471	2	7
	<u>\$ 7,193</u>	<u>\$ 6,981</u>	<u>\$ 212</u>	<u>\$ 57</u>

### 6. UNDISTRIBUTED ROYALTIES

Balance, beginning of year	\$ 13,086	\$ 18,362
Provision for royalties for distribution	13,279	13,389
	26,365	31,751
Distribution to rightsholders	(13,168)	(18,665)
Balance, end of year	13,197	13,086
Less: current portion	(11,992)	(10,299)
	<u>\$ 1,205</u>	<u>\$ 2,787</u>

### 7. ACCOUNT PAYABLE AND ACCRUED LIABILITIES

Accounts payable	\$ 72	\$ 36
Accrued liabilities	576	857
	<u>\$ 648</u>	<u>\$ 893</u>

Government remittances (other than income taxes) total \$51 at December 31, 2015.

### 8. DEFERRED REVENUE – UNCERTIFIED TARIFF AND TARIFF UNDER APPEAL

Balance, beginning of year	\$ 26,769	\$ 26,317
Annual deferred revenue and interest	373	452
Balance, end of year	<u>\$ 27,142</u>	<u>\$ 26,769</u>

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements

(In thousands of dollars)

December 31, 2015

### 8. DEFERRED REVENUE – UNCERTIFIED TARIFF AND TARIFF UNDER APPEAL (CONTINUED)

Between 2010 – 2012, the Corporation invoiced based on the royalty rate of the 2009 certified tariff. Licence fees invoiced to the Elementary and Secondary Schools for the years 2010 to 2012 in excess of the previous licence rate and adjusted for the 2005 to 2009 tariff rate determined by the Copyright Board of Canada (“CBC”) in its ruling on January 18, 2013, together with related interest, in the amount of \$27,142, have been recorded as deferred revenue and segregated by the Corporation pending the outcome of a decision for these years that is still in front of the CBC. A decision or the resolution of an appeal on the 2010 to 2012 licence fees will be recognized in the year a decision is made.

Between 2013 – 2015, the Corporation has not invoiced public Elementary and Secondary Schools as effective January 1, 2013 the Corporation was advised by the Council of Ministers of Education, Canada and the Province of Ontario, representing public Elementary and Secondary schools in Canada, that they will not be operating under the K-12 tariff. Revenues connected to the 2013 to 2015 tariffs will be recognized in the year a decision is made and collectability is assured.

### 9. RELATED PARTY TRANSACTIONS

On June 25, 2009, the Corporation established the Access Copyright Foundation, a not-for-profit organization

whose purpose is to promote Canadian culture through providing grants intended to encourage the understanding, development and promotion of literary and visual arts in Canada.

The Foundation was initially funded by an allocation of undistributed royalties in the amount of \$3,237 representing a portion of licence fees received for which the rightsholders could not be identified. The Corporation continues to search for the rightsholders specific to these undistributed royalties on an ongoing basis. Commencing in 2009, 1.5% of gross licence fees received by the Corporation were being allocated for contribution to the Foundation up to a specified maximum amount to be determined by the Board of Directors. In 2013 the Board of Directors, due to declining revenues, decided to suspend contributions until there was greater certainty around the value of rights that the organization administers on behalf of rightsholders.

The Corporation is currently the sole member and only source of funding of the Access Copyright Foundation. In 2010, the Corporation appointed two of three directors to the Foundation. A maximum of five directors can be appointed in any one year, of which the Corporation may appoint two.

The Foundation has not been consolidated in the Corporation’s financial statements. Financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at December 31, 2015 and 2014 and for the years ended December 31, 2015 and 2014 are as follows:

Access Copyright Foundation (thousands of dollars)	2015	2014
Statement of financial position		
Total assets	\$ <u>4,180</u>	\$ <u>4,375</u>
Total liabilities	\$ 156	\$ 138
Net assets	\$ <u>4,024</u>	\$ <u>4,237</u>
	\$ <u>4,180</u>	\$ <u>4,375</u>
Statement of operations		
Total revenues	\$ 83	\$ 85
Total expenses	<u>296</u>	<u>237</u>
Deficiency of revenues over expenses	\$ <u>(213)</u>	\$ <u>(152)</u>
Statement of cash flows		
Cash from (used in) operations	\$ (196)	\$ (161)
Cash from (used in) investing	<u>142</u>	<u>(85)</u>
Increase/(decrease) in cash equivalents	\$ <u>(54)</u>	\$ <u>(246)</u>

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements (continued)

(In thousands of dollars)  
December 31, 2015

### 10. NET ASSETS INTERNALLY RESTRICTED FOR CONTINGENCIES

Net assets internally restricted for contingencies represent amounts designated by the Board of Directors to finance any material costs arising from the Corporation's indemnifications as described in Note 15, and any future legal actions concerning the Corporation or brought by the Corporation against others in respect of alleged copyright infringements.

### 11. NET ASSETS INTERNALLY RESTRICTED FOR TARIFF FUND

Net assets internally restricted for tariff fund represents 5% of gross licence fees received or receivable by the Corporation to finance costs of submitting applications to the Copyright Board of Canada ("CBC") with respect to tariff disputes by licensees and defending any appeals resulting from CBC decisions.

### 12. NET ASSETS INTERNALLY RESTRICTED FOR DEVELOPMENT FUND

Net assets internally restricted for development fund represents revenues to be applied to the development of new service offerings, marketing, communication and corresponding plans.

### 13. FINANCIAL RISK MANAGEMENT

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's financial instruments are primarily exposed to credit, interest rate and foreign currency risks.

#### CREDIT RISK

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable.

Cash and cash equivalents consist of guaranteed investment certificates with a major Canadian financial institution and deposits with a major Canadian banking institution which may exceed federally insured limits. Investments consist of corporate bonds and notes, guaranteed investment certificates and money market funds which carry an investment grade credit rating and

are administered by a major Canadian financial institution. The Corporation is exposed to concentration risk in that all of its cash is held with a few financial institutions, and the balances held are in excess of Canadian Deposit Insurance Corporation Limits.

Accounts receivable are primarily due from government and educational institutions and have high credit worthiness.

#### INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of a financial instrument because of changes in market interest rates. The Corporation is exposed to interest rate risk with respect to investments in fixed income securities and money market funds.

#### FOREIGN CURRENCY RISK

The Corporation maintains a bank account and investments denominated in U.S. funds. As such, it is subject to foreign currency risk due to fluctuations in U.S./Canadian exchange rates. The following amounts, denominated in U.S. funds are translated at 1.3840 (December 31, 2014–1.1601) and are included in the following financial statement items:

	2015	2014
Cash and cash equivalents (U.S. dollars)	\$ 714	\$ 551

### 14. COMMITMENTS

The Corporation has entered into a sublease agreement for the lease of its premises for a term expiring on November 30, 2018. The future minimum lease payments in the aggregate and in each of the succeeding fiscal years, net of recoveries from other parties, are as follows:

2015	\$ 53
2016	\$ 53
2017	\$ 53
2018	\$ 49

### 15. CONTINGENCIES

In accordance with certain licence agreements, the Corporation indemnifies its licensees against any legal actions that may be brought against them as a result of

# The Canadian Copyright Licensing Agency

## Notes to the Financial Statements (continued)

(In thousands of dollars)

December 31, 2015

their exercise of the permission granted therein. The Corporation is not aware of any outstanding claims with respect to the aforementioned indemnifications.

The Corporation commenced tariff proceedings in 2013 with the Copyright Board of Canada ("CBC"). The Council of Ministers of Education, Canada ("CMEC") and the Province of Ontario, representing public Elementary and Secondary schools in Canada, communicated to the Corporation that they will not be operating under the K-12 tariff effective January 1, 2013. It is management's opinion that at this stage in the tariff proceedings, an estimate of recovery and value of licence fees for the years 2013 to 2015 cannot be made. See note 17.

### 16. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are:

- a) To safeguard the Corporation's ability to continue as a going concern.
- b) To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- c) To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Corporation includes net assets in the definition of capital. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Corporation is not subject to externally imposed capital requirements. There has been no change with respect to the overall capital risk management strategy during the year.

### 17. SUBSEQUENT EVENT

On February 19, 2016, the Copyright Board of Canada ("CBC") released their decision for the 2010 to 2012, and 2013 to 2015 tariff rates that are applicable to Elementary and Secondary Schools ("K-12 Schools"). The Corporation, and/or the K-12 Schools can appeal this decision until March 22, 2016. The possibility of an appeal is unknown as neither party has indicated their intention.

No amounts have been accrued or adjusted related to the 2010 to 2012 and 2013 to 2015 tariff rate decision as a reliable estimate cannot be made until the appeal period passes, or in event of an appeal, the resolution of said appeal.

### 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

**INTERACTION** ~~WITH~~ **CONTENT**  
should be *SIMPLE.*

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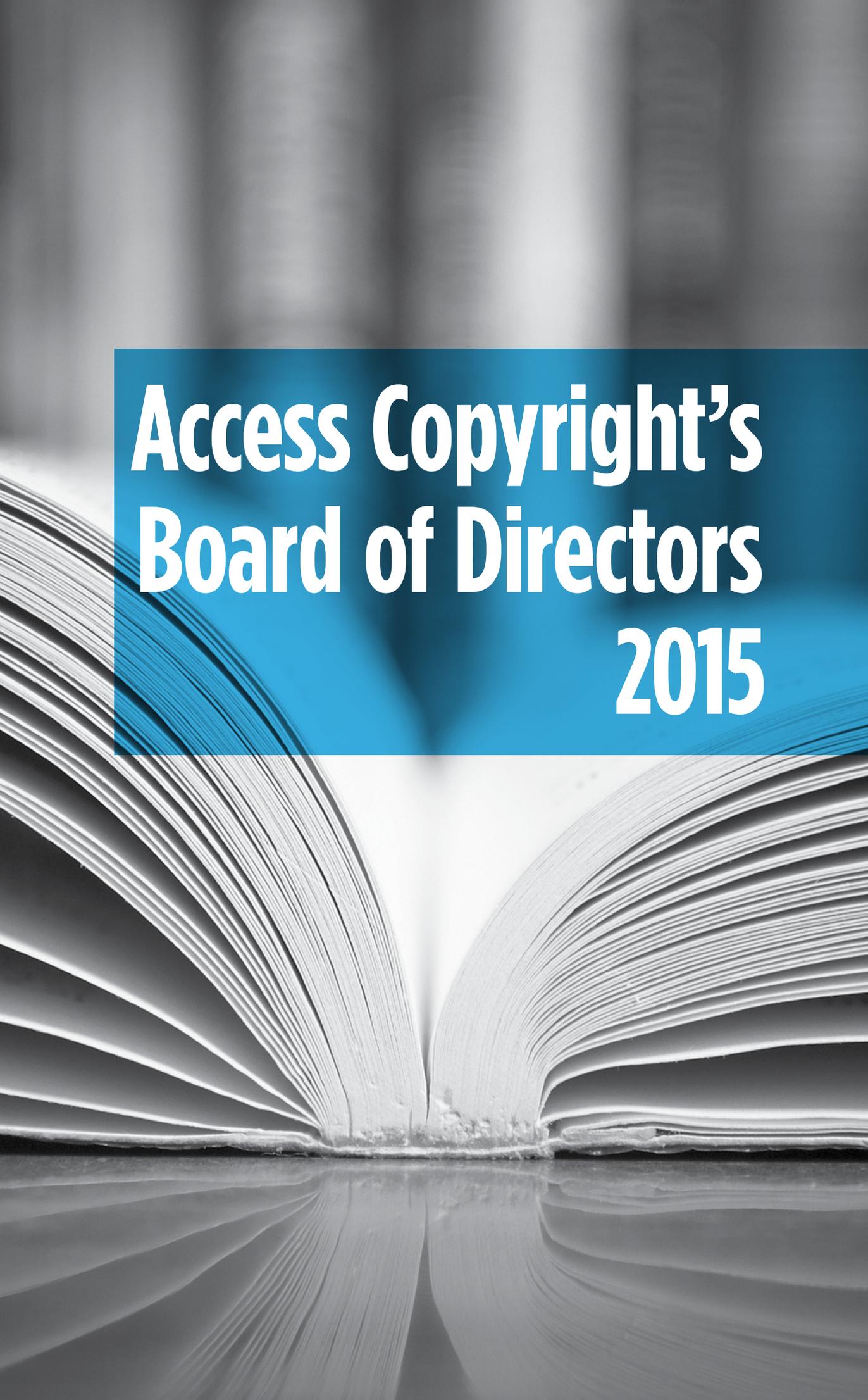
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**WHERE**  
~~THE~~ **MONEY GOES**  
should be  
**CLEAR.**

COMPENSATING  
creators &  
publishers  
**SHOULD BE**  
**EASY.**

**COPYRIGHT**  
*SHOULD* **WORK**  
*for*  
**EVERYONE.**

**CANADIAN**  
**CULTURE** *should* **CONTINUE**  
~~TO~~ **CONNECT US.**

A black and white photograph of an open book with its pages fanned out, resting on a reflective surface. The pages are curved, creating a symmetrical pattern. A blue rectangular overlay is positioned in the upper half of the image, containing white text.

# **Access Copyright's Board of Directors 2015**

## **2015 ACCESS COPYRIGHT BOARD**

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Sandy Crawley, Vice-Chair  
Jeff Miller, Treasurer  
Nicole Dixon  
Michael Elcock  
Bob Foley  
Stephen Hurley  
Katherine Lawrence  
David Swail  
Tyl van Toorn  
Roanie Levy, Executive Director

## **CREATOR MEMBER ORGANIZATIONS**

Canadian Artists' Representation  
Canadian Association of Professional Image Creators  
Canadian Association of University Teachers  
Canadian Authors Association  
Canadian Society of Children's Authors, Illustrators and Performers  
Crime Writers of Canada  
Federation of British Columbia Writers  
League of Canadian Poets  
Manitoba Writers' Guild  
Outdoor Writers of Canada  
Playwrights Guild of Canada  
Professional Writers Association of Canada  
Saskatchewan Writers Guild  
The Writers' Union of Canada  
Writers' Alliance of Newfoundland and Labrador  
Writers' Federation of New Brunswick  
Writers' Federation of Nova Scotia  
Writers Guild of Alberta

## **EXECUTIVE TEAM**

Roanie Levy, Executive Director  
Matt Rosen, Director, Operations  
Erin Finlay, Director, Legal and Government Relations,  
General Counsel

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Rino Falcioni, Manager, Technology Services  
Claire Gillis, Manager, Tariffs and Research  
Silvia Grunberg, Manager, Royalty and Client Services  
Jennifer Lamantia, Manager, Business Development  
Andrew Simpson, Manager, Communications  
& Affiliate Relations

## **PUBLISHER MEMBER ORGANIZATIONS**

Alberta Magazine Publishers Association (AMPA)  
Association of Book Publishers of British Columbia  
Association of Canadian Publishers  
Association of Canadian University Presses  
Association of Manitoba Book Publishers  
Atlantic Publishers Marketing Association  
Book Publishers Association of Alberta  
Canadian Association of Learned Journals  
Canadian Business Press  
Canadian Educational Resources Council  
Canadian Music Publishers Association  
Canadian Publishers' Council  
Literary Press Group  
Magazine Association of BC  
Magazines Canada  
Newspapers Canada  
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