

access©

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2014

Annual Report

access©

“ Our work extends
beyond merely creating
art; we take our poetry
and our conviction into
the community. ”

Lillian Allen

[poet, writer & musician]

Select.
Create.
Share.
Reward.

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Co-Chairs' Report



James Romanow,
Co-Chair | Creators



Nancy Gerrish,
Co-Chair | Publishers

The 2014 AGM marks the conclusion of our term as Co-Chairs of the board and the final step in Access Copyright's transition to a new governance model with a restructured Board.

On the occasion of this transition we would like to thank all the fellow directors who have served so capably with us during our tenure on the board and the many more who served before us. On behalf of your creator and publisher peers, who continue to benefit from your efforts, thank you for contributing your time, energy and leadership.

Access Copyright today is grappling with an uncertain future and a complex business transformation at a time when the royalties the organization distributes are sorely needed by creators and publishers.

We remain disappointed by the contrived content usage guidelines that have been implemented by many educational administrations. It has been disheartening to witness the cultural and economic solipsism that is used to rationalize this proactive indifference to the value received from professional writers, visual artists and publishers. Needless to say we have mixed feelings about departing

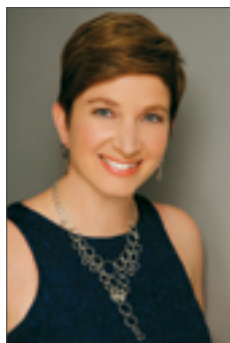
the board at such a difficult juncture. As big as the challenges now seem, however, we have great confidence in the transformation process that has been initiated and we are optimistic that there is an important future for Access Copyright.

The membership and board have acted with vision and courage over the past two years, setting the organization on a bold new path. Together we have provided Access Copyright with the mandate, resources and leadership necessary to rejuvenate itself—and, more specifically, to develop offerings that encourage meaningful reconnection with the education sector.

The inaugural slate of director nominees is another reason for optimism. The Nominating Committee have recruited a talented and accomplished foursome who will contribute valuable insight and leadership, particularly around the development of new technology and services for education, while lending the organization their much-needed credibility among some key constituencies.

Thank you again to all our fellow directors. And, to the new board and the staff of Access Copyright, we wish you great success.

Executive Director's Report



Roanie Levy
Executive Director

As I enter my third year as Executive Director of Access Copyright a new vision for the future of the organization is beginning to take shape.

Our work continues to lie at the intersection of content, technology and education in Canada as a facilitator between those who work with content and those whose work is content.

While the specifics of what Access Copyright does may soon be unrecognizable compared to the way we have operated over the past decade, the underlying challenge is much the same as when this organization was founded.

New technology offers new and interesting ways to unravel content and form. Print publishing is so deeply-rooted in our cultural tradition, however, that the perceived value of published work is too often misplaced with the original paper and binding. Access Copyright today is working to facilitate seamless content use across technological platforms with services designed to help reinforce the value received when published material is used.

In the last year we have initiated conversations with post-secondary institutions on their copyright and content access needs that we have never had in the past. Some of these conversations have led to pilots or trials. While these pilots are small in scope and impact today, they have the potential to redefine the relationship between Access Copyright and the education sector.

We are also talking with our affiliates in ways that we have not done so in the past. The K-12 pilot has brought publishers to the table so that we can collectively explore new ways of servicing Canadian classrooms. Here too we look forward to piloting new kinds of partnerships in 2015 that bring together rightsholders, technology platform providers and educators.

How we talk about what we do and why has changed. We now spend more time talking about what unites creators and publishers with educators, learners, researchers and readers. How we govern ourselves has also changed—the full impact of which will be felt at the conclusion of the upcoming AGM, when the new Board will be in place.

And, of course, we are doing all of this while still servicing the education sector's comprehensive licensing needs, including the unveiling of new post-secondary offerings in December, and working towards greater clarity through the Copyright Board and the courts around the content usage policies in education. Today, as technology is used to reshape the way content is shared and experienced in classrooms, and throughout our lives, content licensing partnerships with the education sector remain vitally important to all those who create and rely on published content.

Access Copyright will be moving to a new location at the end of August, 2015. Our new home will be at 56 Wellesley Street West, near Queen's Park in Toronto, where we will co-locate with two like-minded organizations—the Canadian Music Reproduction Rights Agency and the Canadian Private Copying Collective—in a collegial office environment.

I want to conclude by thanking the members of the outgoing board for their wisdom and tenacity in recognizing the need for change and initiating this dramatic transformation of Access Copyright. I would also like to recognize and thank the hard work of the Access Copyright staff whose belief in and loyalty to Canadian writers, visual artists and publishers drives the organization forward.

2014 Recap

Over the past year Access Copyright worked to facilitate seamless content use across technological platforms and to reinforce the value received when published material is used. We have developed new services designed to enhance the appeal of our existing offerings, while initiating new dialogue and pilot projects aimed at meeting the evolving content needs of customers:

Repertoire Discovery Tool

Convenient search and permissions tool for licensees.

Access Choice & Access Premium

More flexible and affordable licence options for Universities & Colleges.

K-12 Pilot Project

Aiming to put more Canadian content in our classrooms.

Post-Secondary Pilot

Further addressing copyright and content access needs of academic libraries.

PWC Report

Further quantifying the impact of new interpretations of “Fair Dealing.”

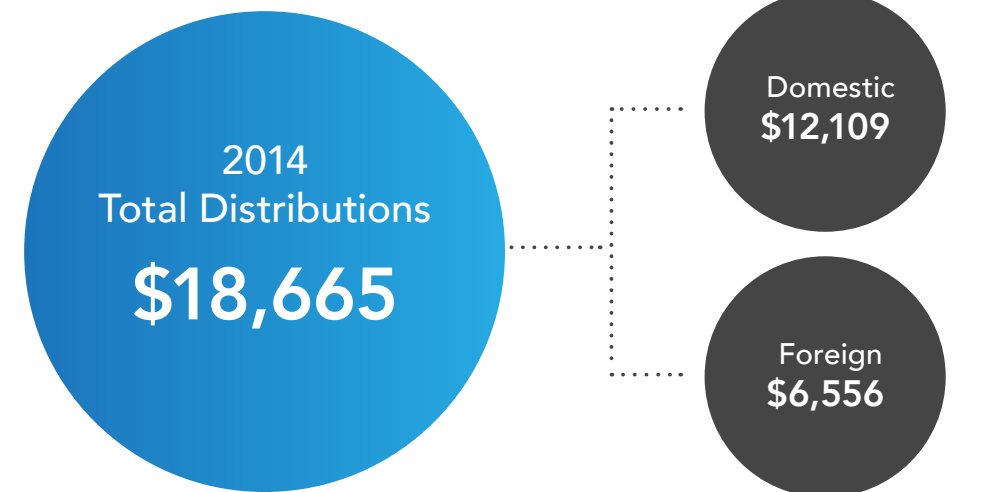
Financial Overview

2014 revenue was \$21 million which was over budget by \$1.2 million. The year’s expenses were under budget by \$534K thanks to stringent cost controls and lower than budgeted tariff costs due to the delay in the post sec tariff hearing. The combination of better than expected revenues and lower than budgeted expenses resulted in a year-end surplus of \$1.5 million against a budgeted deficit of \$242K. Total distributions were \$18.6 million, which was \$3.0 million over the 2014 target.

Distributions at a Glance (In thousands)

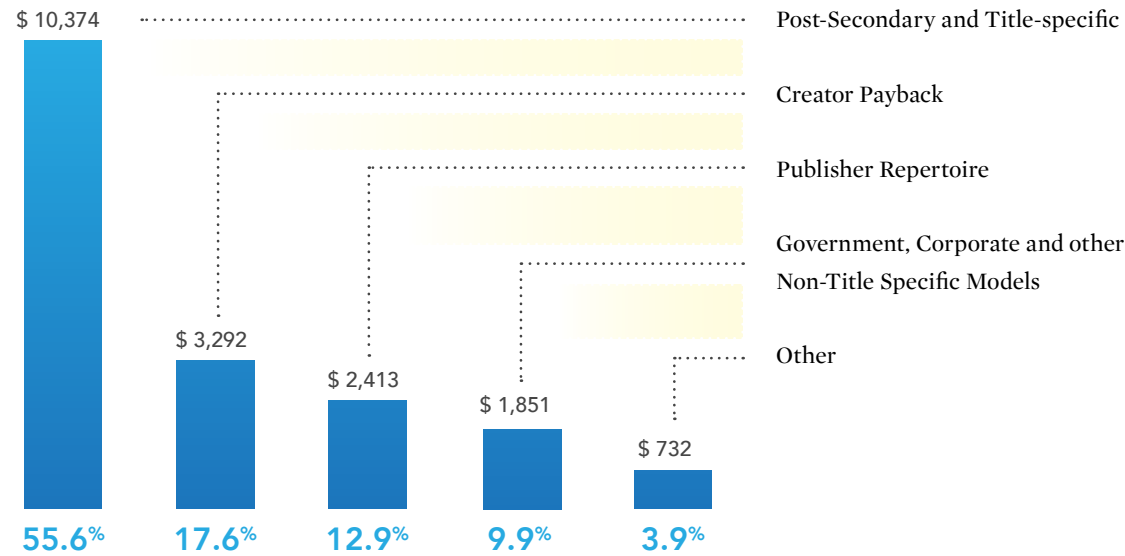
Overall

\$18,665,470 distributed to creators and publishers, an 11.5% decline from 2013 (excluding a one-time retroactive K-12 payment in 2013).



2014 Distributions at a Glance (continued)

Breakdown (by Category in thousands)



Creator Payback & Publisher Repertoire

Creator Payback and Publisher Repertoire are annual payments from a general pool of royalties divided among creator and publisher affiliates. Repertoire is calculated based on reported revenue and Payback is calculated based on volume of published works.

Payback

\$3,292,146 distributed among 11,911 creator affiliates. Base payment was \$112.75 (22.9% lower than 2013).

Publisher Repertoire:

\$2,413,940 distributed to 613 publishers.

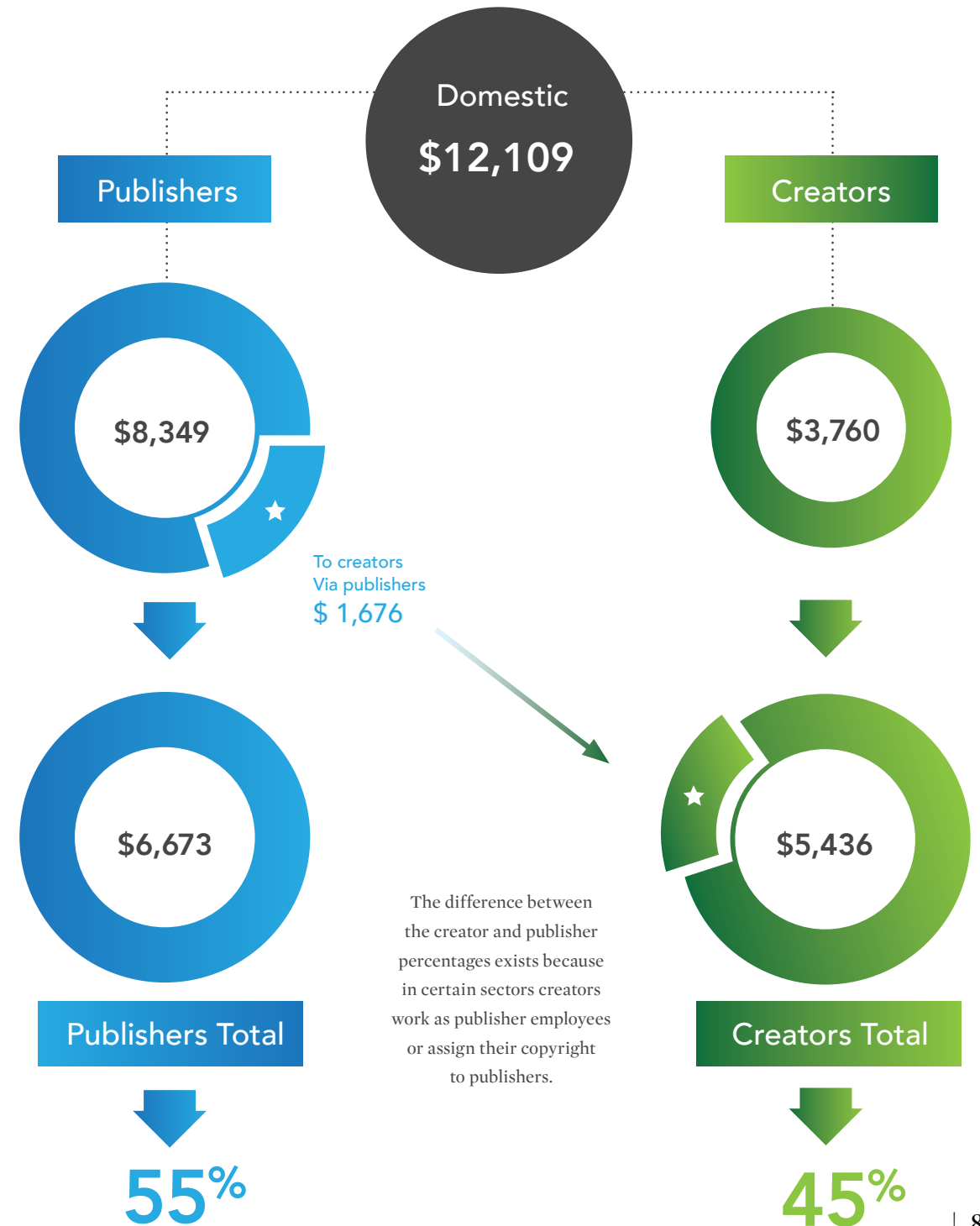
Payback Payment and Satisfaction Details



Payback Satisfaction Survey	76%	Approved of the fairness of Payback
	72%	Were satisfied with their Payback payment
	81%	Were satisfied with the overall Payback process

How We Distributed (In thousands)

In 2014 we surveyed publishers about the royalties they received in 2013 and the amounts that were forwarded to creators. 31.1% of royalties sent to publishers were subsequently paid to creators not affiliated with Access Copyright. The chart below predicts the flow of 2014 distributions based on the results of the 2013 publisher royalty survey.



Our Story

Access Copyright exists to make it easy for everyone to remix and share published content. We understand that good content is further enriched when people can use it interactively. The parts we select and share—whether as educators, students, colleagues or friends—reveal our own unique perspective about what’s important, interesting, even beautiful.



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Our Future

“Throughout history, creative communities and organizations have been in the forefront of envisioning what might be, venturing beyond traditional boxes and testing boundaries. They are key elements in any measurement of the quality of life. They nourish and inspire innovation.”

*Edgar A. Cowan,
media consultant*

*John Hobday,
former director of the Canada Council*

*Ian E. Wilson,
former librarian and archivist of Canada*

“Canada must refuel for cultural creativity”
Globe & Mail, Sept 4, 2012

Our Goals

2015

will see the continuation of our overarching four goals focused on business development, legal, communications and stakeholder relations, and organizational effectiveness.

1

Develop and implement services that provide seamless copyright clearance and content access in digital platforms.

2

Clarify scope of fair dealing and other exceptions.

3

Position Access Copyright as a legitimate and credible facilitator addressing the needs and concerns of both creators and users in a changing copyright landscape.

4

Be an organization that is innovative, nimble, entrepreneurial and responsive to the copyright management and content needs of creators, publishers and users.

Our Current Challenges

In addition to the demand for free content, one of the most important challenges facing the publishing sector today is the complexity of integrating content and copyright clearances across a variety of new technology platforms.

Our Opportunity

“...The lesson from other industries, including software and music, is that even when people have been using no-cost products, they will pay when they are offered exactly what they want, at a high level of quality, conveniently, and at a reasonable price...teachers and parents now increasingly demand choice and agency...”

Consultation on K-12 Educational Publishing in Canada: Glenn Rollans & Simon de Jocas

Our Benefit

Access Copyright facilitates the remixing and sharing of content for educational and professional purposes combined with an assurance that original creators and publishers also benefit when their works are used, so that they can continue creating new and innovative material.





Select only the parts that matter to you.

Faculty can search for and select material from different sources, in different formats, with different associated permissions.



Create something new with your choices.

Large-scale creation of custom resources is made possible through integrated rights management and content assembly services for libraries, copy centres and bookstores.

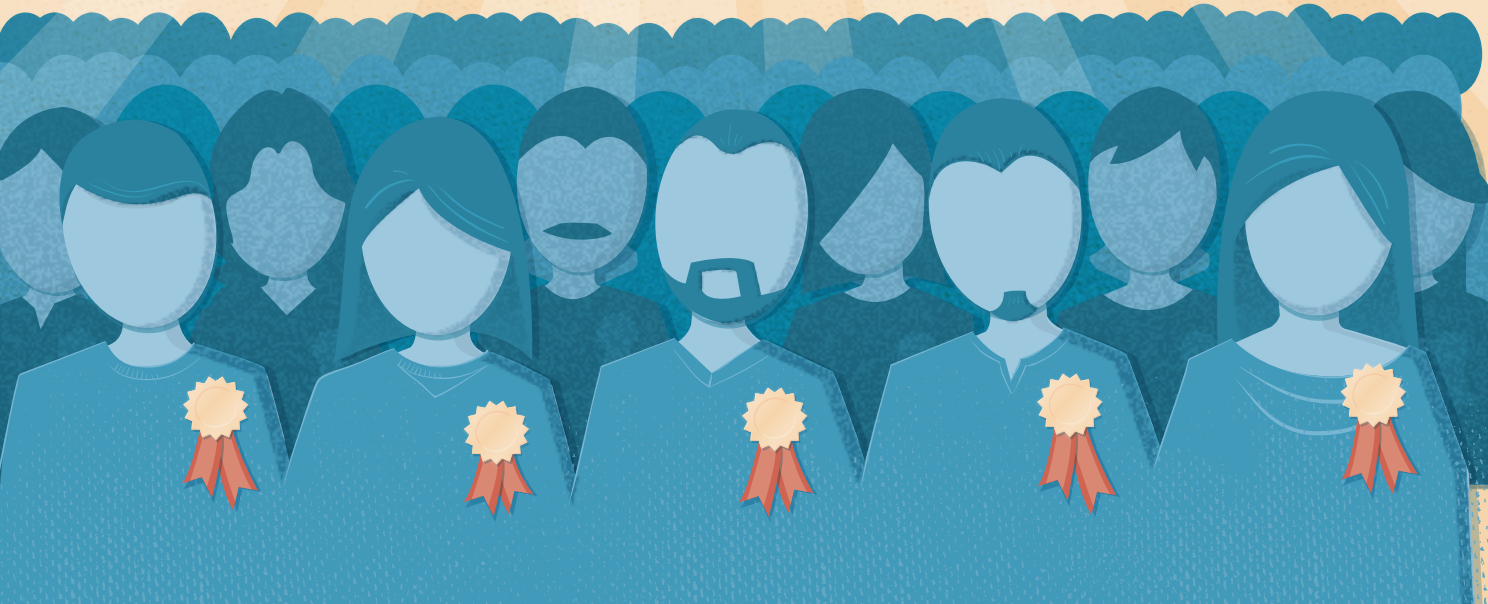


Share with whomever, wherever, however.

Content is seamlessly delivered to the presentation layer, which includes library information systems, learning management systems and custom printing services.



Reward



Reward the original creator and publisher.

The education and corporate sectors' content needs are met in a solution that encourages ongoing content production.

By the Numbers

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, 2014, 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, 2014, 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.



Toronto, Canada
March 5, 2015

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountant

The Canadian Copyright Licensing Agency


Statement of financial position (In thousands of dollars)


December 31, 2014	2014	2013
Assets		
Current		
Cash and cash equivalents	\$ 9,041	\$ 4,382
Investments (Note 3)	48,688	46,999
Accounts receivable and prepaid expenses (Note 4)	2,115	2,802
	<u>59,844</u>	<u>54,183</u>
Investments (Note 3)	7,847	16,652
Capital assets (Note 5)	57	170
	<u>\$ 67,748</u>	<u>\$ 71,005</u>
Liabilities		
Current		
Undistributed royalties (Note 6)	\$ 10,299	\$ 13,332
Accounts payable and accrued liabilities (Note 7)	893	702
Deferred revenue	3,198	3,326
Deferred revenue – uncertified tariff and tariff under appeal (Note 8)	26,769	26,317
Contributions payable to Access Copyright Foundation (Note 9)	-	9
	<u>41,159</u>	<u>43,686</u>
Undistributed royalties (Note 6)	2,787	5,030
	<u>43,946</u>	<u>48,716</u>
Net Assets		
Net assets invested in capital assets	57	170
Net assets internally restricted for contingencies (Note 10)	2,000	2,000
Net assets internally restricted for tariff fund (Note 11)	5,628	5,481
Net assets internally restricted for development fund (Note 12)	3,964	4,186
Unrestricted net assets	12,153	10,452
	<u>23,802</u>	<u>22,289</u>
	<u>\$ 67,748</u>	<u>\$ 71,005</u>

Commitments (Note 14)

Contingencies (Note 15)

On behalf of the Board


Director – James Romanow


Director – Nancy Gerrish

The Canadian Copyright Licensing Agency

Statement of changes in net assets (In thousands of dollars)

December 31, 2014					2014	2013
Net Assets						
	Invested in capital assets	Internally restricted contingencies fund (Note 10)	Internally restricted for tariff fund (Note 11)	Internally restricted development fund (Note 12)	Unrestricted	2014 Total
						2013 Total
Balance, beginning of year						
	\$ 170	\$ 2,000	\$ 5,481	\$ 4,186	\$ 10,452	\$ 22,289
Excess of revenues over expenses (expenses over revenues) for the year	(117)	-	(826)	(222)	2,678	1,513
Interfund transfers	-	-	973	-	(973)	-
Investment in capital assets	4	-	-	-	(4)	-
Balance, end of year	\$ 57	\$ 2,000	\$ 5,628	\$ 3,964	\$ 12,153	\$ 23,802
	<u>\$ 57</u>	<u>\$ 2,000</u>	<u>\$ 5,628</u>	<u>\$ 3,964</u>	<u>\$ 12,153</u>	<u>\$ 23,802</u>

The Canadian Copyright Licensing Agency

Statement of operations

(In thousands of dollars)

December 31, 2014	2014	2013
Revenues		
Licence fees	\$ 20,197	\$ 24,145
Licence fees – Elementary and Secondary Schools certified tariff 2005 to 2009	-	2,914
Interest income	765	883
Other	66	108
	<u>21,028</u>	<u>28,050</u>
Expenses		
Operational expenses		
General and administrative	4,489	4,705
Professional fees	333	264
Amortization of capital assets	117	284
Travel, meetings, staff and directors' costs	204	226
Foreign exchange gain	(65)	(82)
Tariff fund - Copyright Board applications	826	1,571
Development fund	222	391
	<u>6,126</u>	<u>7,359</u>
Distribution expenses		
Provision for royalties for distribution	13,389	18,288
Provision for royalties for distribution – Elementary and Secondary Schools certified tariff 2005 to 2009	-	2,177
Allocated to Access Copyright Foundation (Note 9)	-	9
	<u>13,389</u>	<u>20,474</u>
Total expenses	<u>19,515</u>	<u>27,833</u>
Excess of revenue over expenses for the year	<u>\$ 1,513</u>	<u>\$ 217</u>

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency

Statement of cash flows

(In thousands of dollars)

December 31, 2014	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,513	\$ 217
Amortization of capital assets	117	284
Amortization of lease inducements and rent liability	-	(32)
Amortization of deferred capital contributions	-	(25)
	<u>1,630</u>	<u>444</u>
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	687	8,673
Undistributed royalties	(5,276)	(3,172)
Accounts payable and accrued liabilities	191	(11,656)
Deferred revenue	324	(3,730)
Contributions payable to Access Copyright Foundation	(9)	(403)
	<u>(4,083)</u>	<u>(10,288)</u>
	<u>(2,453)</u>	<u>(9,844)</u>
Investing activities		
Purchase of investments	(51,585)	(65,209)
Proceeds on maturity of investments	58,701	70,668
Purchase capital assets	(4)	(64)
	<u>7,112</u>	<u>5,395</u>
Increase (decrease) in cash and cash equivalents	<u>4,659</u>	<u>(4,449)</u>
Cash and cash equivalents, beginning of year	<u>4,382</u>	<u>8,831</u>
Cash and cash equivalents, end of year	<u>\$ 9,041</u>	<u>\$ 4,382</u>
Cash and cash equivalents are comprised of:		
Cash	\$ 3,541	\$ 2,882
Guaranteed investment certificates	5,500	1,500
	<u>\$ 9,041</u>	<u>\$ 4,382</u>

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

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.

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

2. Summary of significant accounting policies (continued)

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 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:

<i>Tangible</i>	
Office equipment	five years
Computer hardware	three years
Leasehold improvements	term lease
<i>Intangible</i>	
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.

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

2. Summary of significant accounting policies (continued)

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

(In thousands of dollars)
December 31, 2014

3. Investments

	<u>2014</u>	<u>2013</u>
The Corporation holds the following unrestricted investments:		
Corporate bonds and notes, at amortized cost		
Interest at various rates ranging from 2.05% to 6.15% per annum, maturing on various dates to May 9, 2016	\$ 6,356	\$ 8,465
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.65% to 2.26% per annum, maturing on various dates to Dec 22, 2016	26,500	29,000
Money market funds, at fair value	86	31
	<u>32,942</u>	<u>37,496</u>
The Corporation has internally restricted the following investments for the Elementary and Secondary Schools tariff:		
Corporate bonds and notes, at amortized cost		
Interest at various rates ranging from 3.1% to 4.24% per annum, maturing on various dates to June 8, 2015	5,530	8,715
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.43% to 1.75% per annum, maturing on various dates to June 4, 2015	15,000	17,000
Money market funds, at fair value	3,063	440
	<u>23,593</u>	<u>26,155</u>
Total investments	56,535	63,651
Less: current portion	<u>(48,688)</u>	<u>(46,999)</u>
	<u>\$ 7,847</u>	<u>\$ 16,652</u>

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

4. Account receivable and prepaid expenses

	<u>2014</u>	<u>2013</u>
Licence fees receivable	\$ 1,671	\$ 1,750
Accrued interest	134	396
Government remittances receivable	-	342
Uncertified tariff – accounts receivable	176	162
Prepaid expenses	<u>134</u>	<u>152</u>
	<u>\$ 2,115</u>	<u>\$ 2,802</u>

5. Capital assets

	<u>2014</u>	<u>2013</u>		
Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Office equipment	\$ 425	\$ 422	\$ 3	\$ 10
Computer hardware	545	505	40	76
Leasehold improvements	416	409	7	17
Computer software	<u>6,473</u>	<u>6,466</u>	<u>7</u>	<u>67</u>
	<u>\$ 7,859</u>	<u>\$ 7,802</u>	<u>\$ 57</u>	<u>\$ 170</u>

6. Undistributed royalties

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 18,362	\$ 21,534
Provision for royalties for distribution	13,389	18,288
Provision for royalties for distribution – Elementary and Secondary Schools certified tariff 2005 – 2009	<u>-</u>	<u>2,177</u>
	<u>31,751</u>	<u>41,999</u>

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

6. Undistributed royalties (continued)

	<u>2014</u>	<u>2013</u>
Distribution to rightsholders	(18,665)	(21,460)
Distribution to rightsholders – Elementary and Secondary Schools certified tariff 2005 – 2009	<u>-</u>	<u>(2,177)</u>
Balance, end of year	<u>13,086</u>	<u>18,362</u>
Less: current portion	<u>(10,299)</u>	<u>(13,332)</u>
	<u>\$ 2,787</u>	<u>\$ 5,030</u>

7. Account payable and accrued liabilities

	<u>2014</u>	<u>2013</u>
Accounts payable	\$ 36	\$ 103
Accrued liabilities	<u>857</u>	<u>599</u>
	<u>\$ 893</u>	<u>\$ 702</u>

Government remittances (other than income taxes) total \$197 at December 31, 2014.

8. Deferred revenue – uncertified tariff and tariff under appeal

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 26,317	\$ 28,773
Annual deferred revenue and interest	452	458
Licence fees recognized – Elementary and Secondary Schools certified tariff 2005 to 2009	<u>-</u>	<u>(2,914)</u>
Balance, end of year	<u>\$ 26,769</u>	<u>\$ 26,317</u>

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

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 \$26,769, 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.

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 Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

9. Related party transactions (continued)

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, 2014 and 2013 and for the years ended December 31, 2014 and 2013 are as follows:

Access Copyright Foundation (thousands of dollars)	<u>2014</u>	<u>2013</u>
Statement of financial position		
Total assets	<u>\$ 4,375</u>	<u>\$ 4,546</u>
Total liabilities	<u>\$ 138</u>	<u>\$ 157</u>
Net assets	<u>4,237</u>	<u>4,389</u>
	<u>\$ 4,375</u>	<u>\$ 4,546</u>
Statement of operations		
Total revenues	<u>\$ 85</u>	<u>\$ 68</u>
Total expenses	<u>237</u>	<u>354</u>
Deficiency of revenues over expenses	<u>\$ (152)</u>	<u>\$ (286)</u>
Statement of cash flows		
Cash from (used in) operations	<u>\$ (161)</u>	<u>\$ 266</u>
Cash from (used in) investing	<u>(85)</u>	<u>(59)</u>
Increase/(decrease) in cash equivalents	<u>\$ (246)</u>	<u>\$ 207</u>

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

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 responding 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.

The Canadian Copyright Licensing Agency

Notes to the financial statements

(In thousands of dollars)
December 31, 2014

13. Financial risk management (continued)

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 1.1601 (December 31, 2013 - 0.9402) and are included in the following financial statement items:

	2014	2013
Cash and cash equivalents (U.S. dollars)	\$ 639	\$ 888

14. Commitments

The Corporation has entered into various operating agreements for the lease of its premises and office equipment for a term expiring on August 31, 2013 and 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	\$ 135
2016	\$ 53
2017	\$ 53
2018	\$ 49

The Corporation is contingently liable for the future rents of its sub-tenant in the amount of approximately \$20, expiring on August 31, 2015.

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

16. Capital management

The Corporation's objectives when managing capital are:

- To safeguard the Corporation's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- 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. Comparative figures

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

Access Copyright's Board of Directors 2014

Nancy Gerrish; Co-Chair, Whitby, ON
James Romanow; Co-Chair; Saskatoon, SK

Sean Cassidy; Orangeville, ON; **Anita Chong;** Toronto, ON;
Sandy Crawley; Toronto, ON; **Michael Elcock;** Victoria, BC;
Katherine Gordon; Gabriola, BC; **Bill Harnum;** Toronto, ON;
John Hinds; Toronto, ON; **Katherine Lawrence;** Regina, SK;
Lezlie Lowe; Halifax, NS; **Cameron Macdonald;** Ottawa, ON;
Sylvia McNicoll; Burlington, ON; **Jeff Miller;** Toronto, ON;
Jessica Mosher; Toronto, ON; **Anita Purcell;** Toronto, ON;
Immee Chee Wah; Toronto, ON; **Kevin Williams;** Vancouver, BC

Creator Member Organizations

Canadian Artists' Representation (CARFAC); Canadian Association of Professional Image Creators (CAPIC); Canadian Association of University Teachers (CAUT); Canadian Authors Association (CAA); Canadian Society of Children's Authors, Illustrators and Performers (CANSCAIP); Crime Writers of Canada (CWC); Federation of British Columbia Writers (FBCW); League of Canadian Poets (LCP); Manitoba Writers' Guild (MWG); Outdoor Writers of Canada (OWC); Playwrights Guild of Canada (PGC); Professional Writers Association of Canada (PWAC); Saskatchewan Writers Guild (SWG); The Writers' Union of Canada (TWUC); Writers' Alliance of Newfoundland and Labrador (WANL); Writers' Federation of New Brunswick (WFNB); Writers' Federation of Nova Scotia (WFNS); Writers Guild of Alberta (WGA)

Publisher Member Organizations

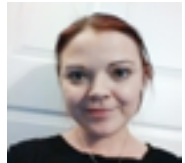
Alberta Magazine Publishers Association (AMPA); Association of Book Publishers of British Columbia (ABPBC); Association of Canadian Publishers (ACP); Association of Canadian University Presses (ACUP); Association of Manitoba Book Publishers (AMBP); Atlantic Publishers Marketing Association (APMA); Book Publishers Association of Alberta (BPAA); Canadian Association of Learned Journals (CALJ); Canadian Business Press (CBP); Canadian Educational Resources Council (CERC); Canadian Music Publishers Association (CMPA); Canadian Publishers' Council (CPC); Literary Press Group (LPG); Magazine Association of BC (MABC); Magazines Canada; Newspapers Canada (Canadian Community Newspapers Association and Canadian Newspaper Association); Ontario Book Publishers Organization (OBPO); Saskatchewan Publishers Group (SPG)

Access Copyright's Current Executive Team

Roanie Levy, Executive Director
Kerrie Duncan, Director, Operations
Erin Finlay, Director, Legal and Government Relations,
General Counsel
Steve Billinger, Director, Technology & New Ventures

Management Team

Claire Gillis, Manager, Tariffs and Research
Silvia Grunberg, Manager, Royalty and Client Services
Jennifer Lamantia, Manager, Business Development Education
Andrew Simpson, Manager, Communications & Affiliate Relations
Rob Weisberg, Manager, Business Development Corporate

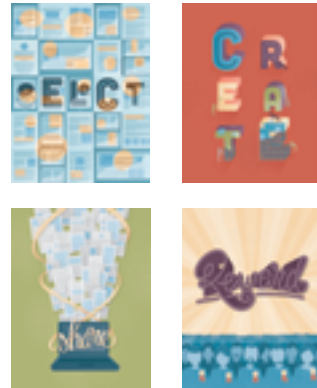


Walker Ballantyne-Maund is a freelance illustrator and graphic designer based in Toronto, Canada. Educated at OCAD University in illustration and at The School of Art, Central Technical Institute, her passion is creating beautiful work that enhances communication through innovative visuals. Her specialities include hand lettering; signage; advertising, editorial and children's illustration; brand development; logo design and infographics.

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“ It’s not because
I’m lucky.
I work very
hard. ”

Julie Doucet

[visual artist & cartoonist]