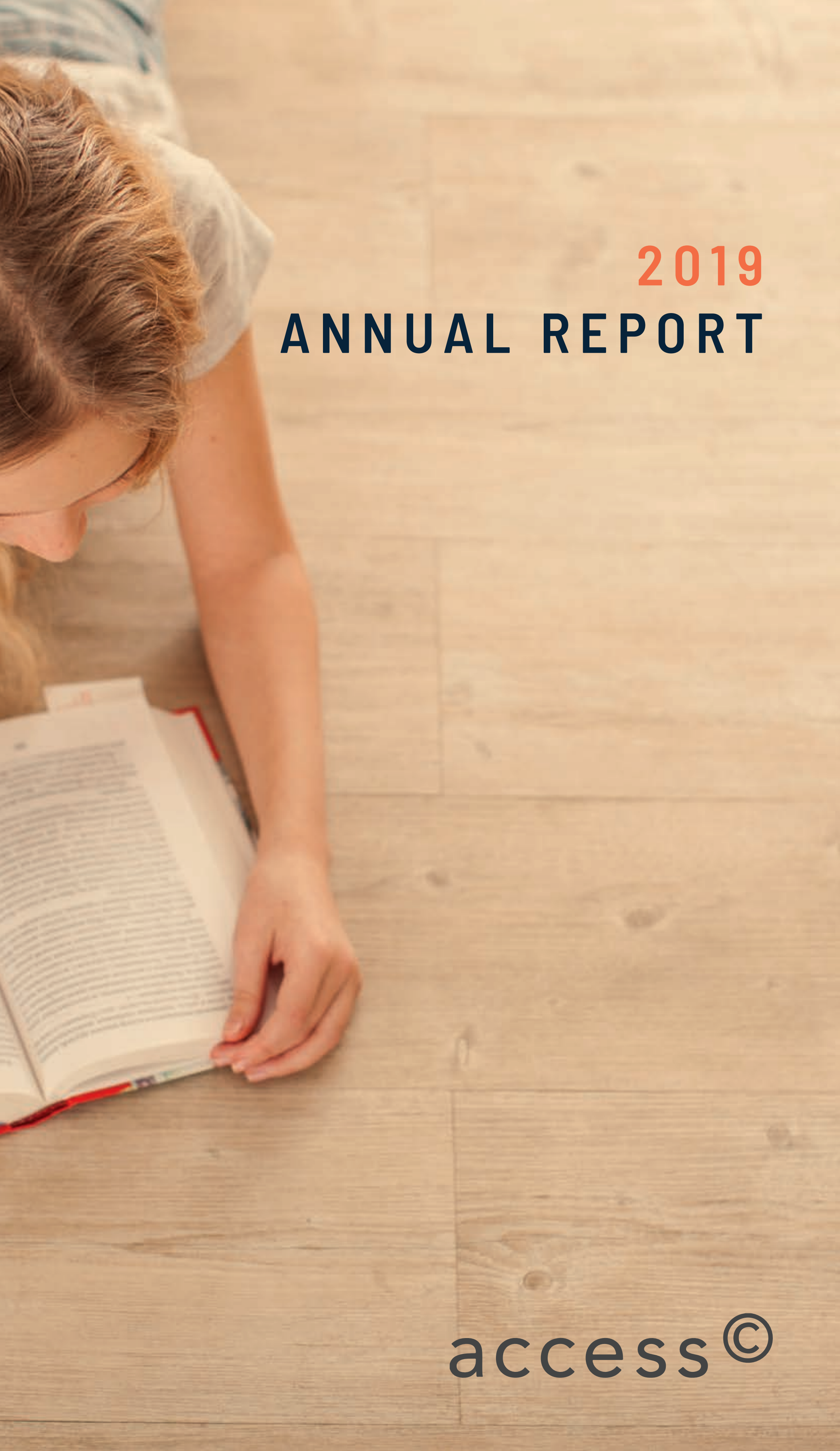

2019 ANNUAL REPORT

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CHAIR'S REPORT

As Chair of the Access Copyright Board, I have a bird's-eye view of the countless ways that Access Copyright's staff are dedicated to serving Canada's creators, publishers and content users. I see the hard-won successes, the commitment of the staff, and the positive momentum build for the organization with publishers and creators.

Underpinning the Access Copyright story is its unwavering dedication to flexible and easy content use for end users and fair payment to creators and publishers when their works are used.

It is the foundation beneath everything the organization is built on which is why it was encouraging that distributions from Access Copyright to rightsholders increased considerably in 2019. This was primarily the result of Access Copyright receiving full retroactive royalties from a major institution in the elementary and secondary school sectors for the years 2013 to 2017. Access Copyright continues to fight for similar treatment across Canada to restore royalties to their rightful levels.

While the total amount of distributions is still below what was paid out prior to the 2012 *Copyright Modernization Act*, it is a step in the right direction. We can be assured these funds will support creators and publishers and encourage the continued creation of Canadian content.

Cameron Macdonald
Chair

Another promising sign was the conclusion of the Statutory Review of the *Copyright Act*.

The tenacity with which creators and publishers, and the organizations that represented them, brought to communicating their concerns over the impact of the interpretation of the education fair-dealing exception and the opportunity to address it bore substantial fruit.

The final reports tabled by the Standing Committee on Canadian Heritage, and the Standing Committee on Industry, Science and Technology both referenced the ways that much of the education sector has approached the exception as being questionable. In particular, the *Shifting Paradigms* report tabled by the Heritage Committee provides a clear action plan for a sustainable content ecosystem and cultural economy that benefits and supports creators and publishers, and students and teachers.

I am confident that Access Copyright's unwavering work as a passionate advocate to push the government will continue to have meaningful impact.

Prescient, Access Copyright's innovation lab, is busy getting ready to hit the switch to go live with the initial version of Fanship, which uses the power of personal recommendations by book lovers to fuel engagement with authors and fans as well as generate sales. It is one of the digital tools that Access Copyright and Prescient have been building. I am pleased to report that they have already met with great support from much of the publishing and creative community in their various development stages.

I am incredibly proud of the organization's whole-hearted commitment to innovation and it was gratifying to see in 2019 that work take concrete shape as well as generate substantial interest and validation. Whether it was through coverage in *The Globe and Mail*, a grant from the Canada Council for the Arts or at conferences such as the International Federation of Reproduction Rights Organization AGM and the Blockchain Research Institute, the reception was always positive.

> "Underpinning the Access Copyright story is its unwavering dedication to flexible and easy content use for end users and fair payment to creators and publishers when their works are used."

The end of the year—and the decade, for that matter—brought the release of the Copyright Board of Canada's decision in the *Access Copyright Post-Secondary Educational Institution Tariffs, 2011-2014* and *2015-2017*.

While the decision is a welcome one and enables universities and colleges to easily copy and share content and ensure creators and publishers can be paid, the rate set for 2015-2017 is another clear demonstration of the impact to creators and publishers related to the education sector's interpretation of fair dealing.

As I finish writing this report, the world is contending with the COVID-19 outbreak and Access Copyright, true to its mission and philosophy, is helping creators and publishers as well as the sectors it licenses to mitigate as much as possible the losses and upheaval caused by the virus.

You can be assured that Access Copyright remains committed to doing the heavy lifting necessary to support creators, publishers and content users.

PRESIDENT'S REPORT

As I write this report, we are collectively responding as best we can to the COVID-19 outbreak. Access Copyright staff is diligently working to continuously adapt and adjust how we work in order to continue to serve our affiliates, members and licensees during these unprecedented days.

Looking back on 2019, it started off with significant news for us at Access Copyright. In late spring, following countless meetings and presentations in 2018, the final reports for the Statutory Review of the *Copyright Act* were issued by the INDU and Heritage Committees. While not perfect, we welcomed many of the recommendations in the reports, including their unease with the education sector's approach and endorsing that creators and publishers, and education collectively work together to resolve their differences.

A few weeks later, on July 10th, *The Globe and Mail* ran a feature, highlighting the partnership Access Copyright and Prescient formed with Canadian Artists' Representation/Le Front des artistes canadiens (CARFAC), Regroupement des artists en arts visual du Québec (RAAV) and Copyright Visual Arts to build Imprimo. It's a tool that will allow visual artists to register their ownership and rights in their work and will provide all those who deal with art a clear and definitive line of sight into the provenance of artwork. Around the same time, this important work received a generous grant from the Canada Council for the Arts

Roanie Levy
President and CEO

Image credit: Jennifer Rowsom Photography

> "Access Copyright's distributions to rightsholders rose substantially in 2019. In total, $11,298,513 was distributed to creators and publishers, compared to $6,983,313 in 2018."

By fall our initiative to tackling the attribution problem and building tools that leverage cutting-edge technology to solve it for creators and publishers, and all those who depend on published works had gained substantial attention and notice at the Frankfurt Book Fair, in publications such as *Publishers' Weekly* and even in Ottawa.

Aside from the innovation work, Access Copyright's distributions to rightsholders rose substantially in 2019. In total, $11,298,513 was distributed to creators and publishers, compared to $6,983,313 in 2018. The primary driver for this increase were royalties collected from one major institutional user from the K-12 sector.

In December 2019, the Copyright Board of Canada released the *Access Copyright Post-Secondary Educational Institution Tariffs, 2011-2014* and *2015-2017.*

The decision brings certainty and clarity to universities and colleges for the copying and sharing of materials and the need to pay creators and publishers for the use of their work. But there are still some areas of concern.

The rates set by the Copyright Board for 2015-2017 reflect how the education sector's interpretation of the education fair-dealing exception has created uncertainty in the market and substantially impacted the earnings and royalties of creators and publishers.

As well, the tariffs do not require that post-secondary institutions report what is copied under the tariff so that Access Copyright can directly compensate creators and publishers whose works are copied. We are looking at alternative ways to obtain data that will ensure royalties are fairly and reasonably distributed to rightsholders under the tariff.

Needless to say, there is still much work to be done.

Currently, priority number one is working to support our rightsholders and licensing communities during COVID-19.

From this vantage point, the phrase, or mantra if you like, we have adopted encapsulates perfectly why all of us at Access Copyright get up and come to work each day.

It's only five words.

Because Paying the Creator Matters.

It motivates and inspires us to persist and move forward—proudly serving Canadian creators and publishers, and all those who value Canadian stories in both times of calm and uncertainty.

LEGAL AND ADVOCACY UPDATE

Copyright Act Review

2019 saw the conclusion of the Statutory Review of the *Copyright Act* by the Heritage and INDU Committees.

Canadian creators and publishers were particularly pleased with the release of the Heritage Committee's report *Shifting Paradigms* in May. The report was an important validation of the concerns of Canadian creators and publishers over the impact of the education fair-dealing exception. It also emphasized the negative ramifications of the education sector's interpretation of it.

Among the 22 recommendations put forward by the Committee were the following:

- Amend the *Copyright Act* to clarify that fair dealing should not apply to educational institutions when the work is commercially available;
- Promote a return to collective licensing through collective societies;
- Review, harmonize and improve the enforcement of the statutory damages for infringement for non-commercial use in section 38.1(1) of the *Copyright Act*;
- Harmonize remedies for collective societies under the *Copyright Act*; and
- Establish an artist's resale right.

Following the tabling of the *Shifting Paradigms* was the release of the INDU Committee's report.

Creators and publishers expressed a greater level of concern with the conclusions reached in the INDU report. However, two recommendations stood out as offering constructive steps forward. One addresses how to deal with education as a fair-dealing purpose and the other how to harmonize statutory damages for collectives.

- That the Government of Canada consider establishing facilitation between the education sector and the copyright collectives to build consensus towards the future of educational fair dealing in Canada.
- That the Government of Canada evaluate the forms of statutory damages available under the *Copyright Act* to a collective society or rights-holder who has authorized a collective society to act on their behalf where applicable royalties are set by the Copyright Board and the defendant has not paid them.

As creators and publishers, and Canada's creative economy, deal with the unprecedented challenges brought on by the COVID-19 pandemic, Access Copyright has joined the rest of Canada's creative community in supporting Canada's creators and publishers, as well as content users in a variety of critically important ways.

I Value Canadian Stories

The I Value Canadian Stories campaign galvanized Canadians to take action in support of Canadian creators and publishers over the course of the *Copyright Act* review.

Since its launch in November 2017 to the end of the review in June 2019, over 2,500 letters were sent to key decision-makers to urge them to support Canadian stories and those who tell them. Over 4,500 uses of #IValueCdnStories on social media further amplified the message, and videos from creators such as Andrew Pyper, Amy Stuart, Sylvia McNicoll and David Chariandy brought a human perspective to the issues at play, and gave a look into the working life of authors and visual artists.

2019 Federal Election

During the fall election, Access Copyright collaborated with Music Canada to build a cross-industry coalition to gain support from the various political parties to commit to using *Shifting Paradigms* report as a blueprint for their cultural and copyright policy. In total, 44 organizations from across the country in the writing, publishing, music, visual arts, photography, performance arts, audio-visual and arts industries joined.

We also collaborated with Copibec, our sister organization in Quebec, on a shared letter targeted towards MPs and candidates in Quebec, outlining how our writing and publishing industry is negatively impacted by the education sector's interpretation of fair dealing.

Additionally, we engaged with our affiliates during the election campaign by urging them to be politically active and encouraging them to vote. We also produced an election tool kit that outlined the various ways that they could make their voices heard.

Post-Secondary Tariffs

The Copyright Board of Canada released the *Access Copyright Post-Secondary Educational Institution Tariffs, 2011-2014* and *2015-2017*.

The Board certified the following rates:

Institution	2011-2014	2015-2017
Universities	$24.80/FTE	$14.31/FTE
Other post-secondary institutions	$9.54/FTE	$5.50/FTE

The Copyright Board of Canada's decision certifies tariffs for the copying of published works in Canadian post-secondary institutions outside of Quebec from January 1, 2011, to December 31, 2017. It outlines the terms and conditions under which post-secondary institutions can copy works in Access Copyright's repertoire as well as the annual rates for copying per full-time equivalent student. Until a new tariff is certified, the 2015-2017 tariff will remain in effect.

While the ruling brings needed clarity related to content use in post-secondary institutions, there are aspects of the ruling that are concerning.

The certified rates for 2015-2017 are another demonstration of how the interpretation of the education fair-dealing exception has impacted rightsholders' royalties. As well, while Access Copyright currently has data that approximates what is copied in post-secondary education, the lack of reporting requirements under the tariff will require Access Copyright to seek ways to supplement that data to ensure that royalties collected under the tariff are distributed fairly to creators and publishers.

K-12 Litigation

In the legal action launched by the Ontario school boards and Ministries of Education, excluding BC and Quebec, against Access Copyright, we are currently in the document discovery phase. A representative sample of 530 schools, 65 school boards and all Ministries of Education involved in the litigation have been ordered to produce a broad range of relevant documents.

York University Appeal

We continue to await the decision from the Federal Court of Appeal in the York University appeal hearing, which took place on March 5 and 6, 2019. We expect the decision at some point in 2020.

INNOVATION REPORT

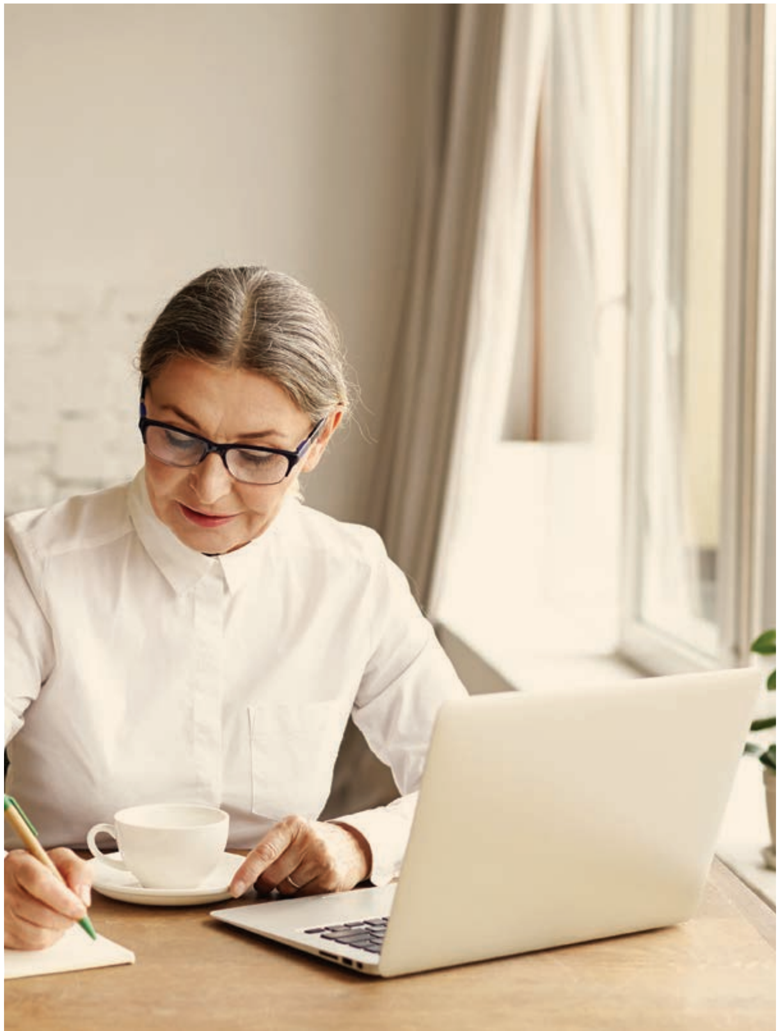
In 2019 Access Copyright made tremendous headway in our innovation journey through Prescient, our innovation lab. The work underway through Prescient will provide our members and affiliates digital infrastructure and tools to ensure that lawful rightsholders are paid when their works are used in the digital environment powered by Web 3.0.

Our efforts have been focused on solving the attribution problem: the ability to connect a creative work to its lawful creator and rights owner in a reliable and authoritative manner. Simply put, the link between the digital version of a piece of content, the data attached to that work and the person or entity able to authorize use of the work is broken. Unless this is fixed, the future of digital interactions (sometimes called Web 3.0) will cement the existing challenges caused by the Internet: rampant piracy, monetization of content by someone other than the lawful owner and compromise the interests of the end users and content creators.

That's why our efforts have been focused on building the Attribution Ledger, a verified digital fingerprint of a creative work that is connected to its creators and rights owners. Through the Ledger, we are moving towards our goal of solving the Attribution Problem and fixing the broken content link.

Additionally, we are exploring how might we use the International Standard Content Code (ISCC), developed through the Content Blockchain Project, to make the Attribution Ledger more robust.

In 2020, we will be focusing our efforts to create a global industry consortium to see how we might implement and obtain adoption of an Attribution Ledger-like system. This industry-led international task force will help define the specifics of the governance and future of the Attribution Ledger as it relates to authors, publishers and visual artists.



To demonstrate the value delivered by such an attribution system, we have built two services:

Fanship is a fan activation platform where authors and publishers can build their audience and grow sales by facilitating engagement with their fans to stimulate great book recommendations to friends, family and fellow readers.

Imprimo enables a digital passport for the art itself by providing the necessary digital tool that establishes a reliable, clear and transparent connection between an artistic work, its creator and the person or entity able to authorize the use of the artwork. It creates a verified record of creation so that artists can be properly credited and fairly compensated for their work. It is being built in partnership with Canadian Artists' Representation/Le Front des artistes canadiens (CARFAC), Copyright Visual Arts and Regroupement des artistes en arts visuels du Québec (RAAV) as a result of the grant received by CARFAC from the Canada Council for the Arts through its Digital Strategy Fund.

News coverage from publications such as *The Globe and Mail*, *Publishing Perspectives*, *Publishers' Weekly* and *Quill & Quire*, and positive responses from organizations such as the World Intellectual Property Organization, the International Publishers Association, Canadian Heritage, the Association of Canadian Publishers, the Writers' Union of Canada and many reproduction rights organizations from around the world have provided good momentum for our efforts.

The beta version of the Attribution Ledger, Fanship and Imprimo will be available to select set of creators starting in April 2020.

Whether you are an author or publisher who would like to add your eBooks to Fanship or a visual artist wanting to bring certainty to your authorship in your artwork through Imprimo or an organization that is working in the Web 3.0 space, we want to work with you.

Get in touch anytime by emailing us at **info@prescientinnovations.com.**

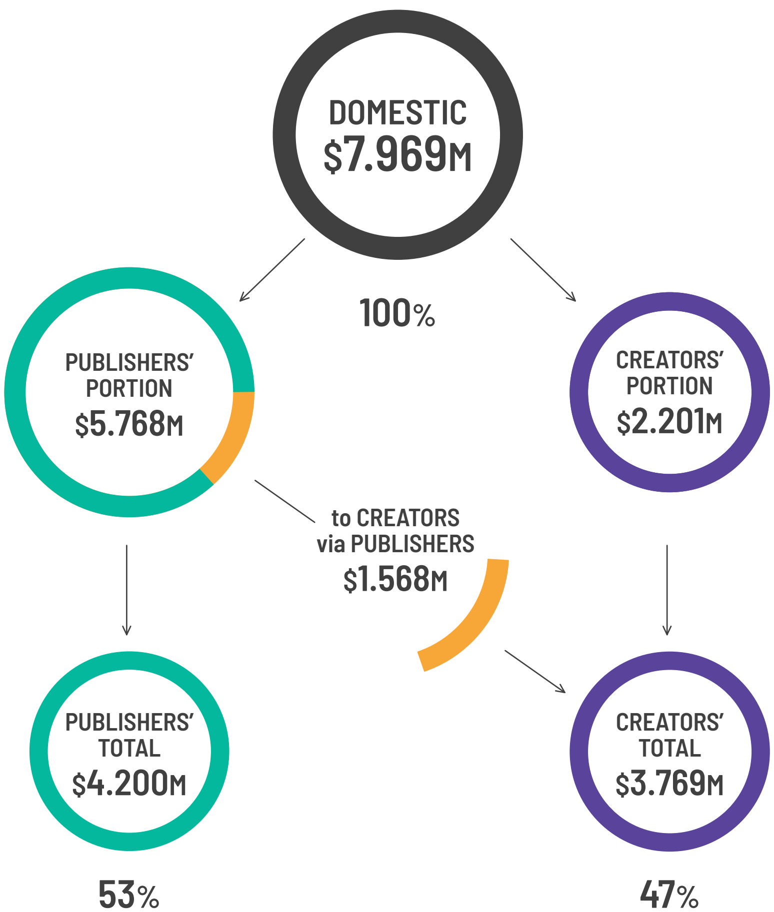
PRESCIENT
imagine. build. transform.

Attribution Ledger fanship IMPRIMO

DISTRIBUTIONS AND FINANCIALS

2019 Domestic Distribution (Millions)

This chart predicts the 2019 split in domestic distributions based on the results of the 2018 publisher royalty survey.



2019 Revenues

Access Copyright's revenues for 2019 were $20.452 million, a significant increase of $8.932 million from 2018. The organization was able to recognize such a large revenue gain due to retroactive royalties from a major institution from the elementary and secondary sector, as well as increases in the majority of other sectors that Access Copyright licenses.

2019 Expenses

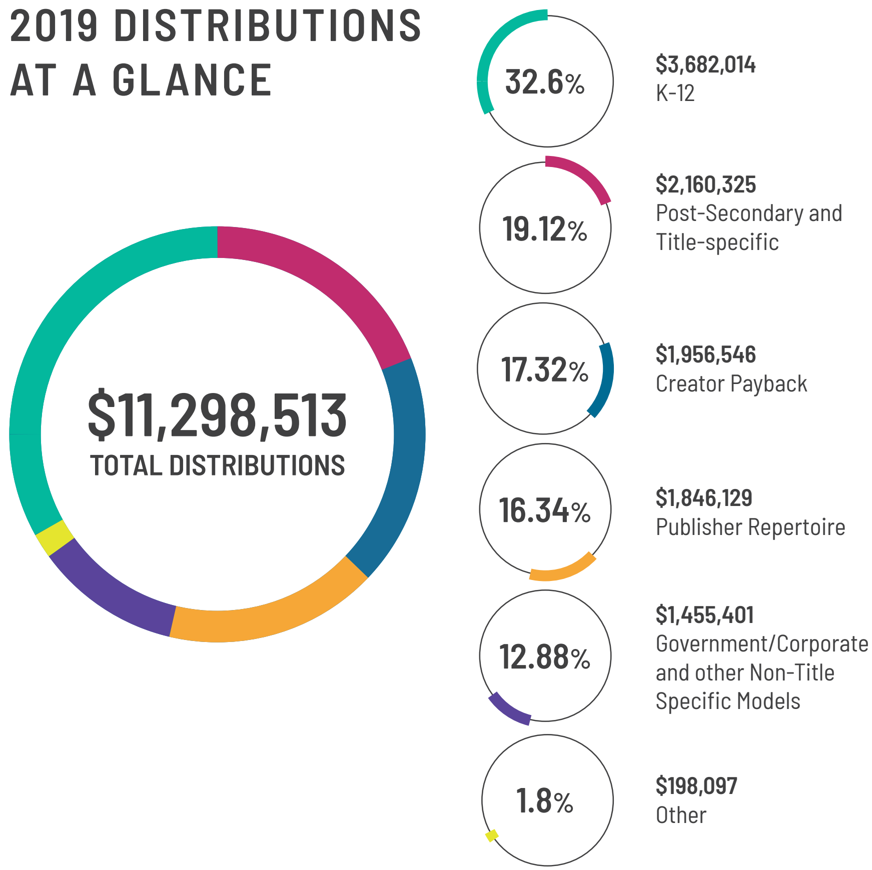
Access Copyright's operational expenses for 2019 totaled $6.377 million, which represents an increase of over $1.676 million from 2018. This was anticipated as the organization's innovation lab, Prescient, ramped up work on building the Attribution Ledger, Fanship and Imprimo, to ensure rightsholders are able to thrive in the Web 3.0 world.

2019 Distributions

Access Copyright's distributions to rightsholders increased substantially in 2019. In total, $11.298 million was distributed to rightsholders, a considerable increase from 2018.

The primary driver of this increase was the payment of full retroactive royalties from a major institutional user in the elementary and secondary school sectors for the years 2013 to 2017. We are encouraged by this development that supports our creators and publishers who work tirelessly to create quality, relevant content for our classrooms, and will continue to fight for similar treatment across Canada to restore royalties to their rightful levels.

2019 DISTRIBUTIONS AT A GLANCE



INDEPENDENT AUDITOR'S REPORT

To the Members of
The Canadian Copyright Licensing Agency

Opinion

We have audited the accompanying consolidated financial statements of **The Canadian Copyright Licensing Agency**, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated 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.

In our opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **The Canadian Copyright Licensing Agency** as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for qualified opinion

In common with other reproduction rights organizations, 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.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

GrantThornton

Grant Thornton LLP

Toronto, Canada
April 2, 2020

Chartered Professional Accountants
Licensed Public Accountant

Consolidated statement of financial position

(In thousands of dollars)

December 31,	2019	2018
Assets		
Current		
Cash and cash equivalents	$ **2,448**	$ 1,366
Investments (Note 3)	**36,138**	38,250
Accounts receivable and prepaid expenses (Note 4)	**1,587**	1,651
	40,173	41,267
Investments (Note 3)	**22,871**	21,436
Capital assets (Note 5)	**250**	328
	$ **63,294**	$ 63,031
Liabilities		
Current		
Undistributed royalties (Note 6)	$ **9,708**	$ 8,076
Accounts payable and accrued liabilities	**1,171**	507
Deferred revenue	**1,822**	1,746
Deferred revenue – K-12 (Note 7)	**24,873**	28,127
	37,574	38,456
Net Assets		
Net assets invested in capital assets	**250**	328
Net assets internally restricted for contingencies (Note 10)	**2,000**	2,000
Net assets internally restricted for tariff, litigation and advocacy fund (Note 11)	**6,432**	6,293
Net assets internally restricted for development fund (Note 12)	**2,204**	3,404
Net assets internally restricted for K-12 school tariff fund (Note 13)	**788**	788
Unrestricted net assets	**14,046**	11,762
	25,720	24,575
	$ **63,294**	$ 63,031

Commitments (Note 15)
Contingencies (Note 16)
Subsequent event (Note 18)

On behalf of the Board

Director
Cameron MacDonald

Director
Gordon Dyer

See accompanying notes to consolidated financial statements.

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Consolidated statement of changes in net assets

(In thousands of dollars)
Year ended December 31, 2019

Net assets	Invested capital assets	Internally restricted contingencies fund (Note 10)	Internally for tariff, litigation and advocacy fund (Note 11)	Internally restricted development fund (Note 12)	Internally restricted for K12 school tariff fund (Note 13)	Unrestricted Total	**2019 Total**	2018 Total
Balance, beginning of year	$ 328	$ 2,000	$ 6,293	$ 3,404	$ 788	$ 11,762	**$ 24,575**	$ 25,290
Excess of revenues over expenses (expenses over revenues) for the year	(99)	-	(376)	-	-	1,620	**1,145**	(715)
Interfund transfer (Note 11)	-	-	515	-	-	(515)	**-**	-
Interfund transfer (Note 12)	-	-	-	(1,200)	-	1,200	**-**	-
Investment in capital assets	21	-	-	-	-	(21)	**-**	-
Balance, end of year	$ 250	$ 2,000	$ 6,432	$ 2,204	$ 788	$ 14,046	**$ 25,720**	$ 24,575

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

Consolidated statement of operations

(In thousands of dollars)

Year ended December 31	2019	2018
Revenues		
Licence fees	$ 18,575	$ 11,116
Interest income	949	800
Unrealized (loss) gain on investments	856	(491)
Other	81	94
Realized gain on investments	(9)	1
	20,452	11,520
Expenses		
Operational expenses		
General and administrative	4,099	3,659
Professional fees	422	570
Amortization of capital assets	99	76
Travel, meetings, staff and directors' costs	116	94
Foreign exchange (gain) loss	192	(296)
Tariff, litigation, and advocacy costs	376	374
Development costs	1,073	224
	6,377	4,701
Distribution expenses		
Provision for royalties for distribution	12,930	7,534
Total expenses	19,307	12,235
Excess of revenues over expenses (expenses over revenue)	$ 1,145	$ (715)

See accompanying notes to consolidated financial statements.

Consolidated statement of cash flows

(In thousands of dollars)

Year ended December 31	2019	2018
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenue over expenses (expenses over revenue) for the year	$ 1,145	$ (715)
Unrealized loss (gain) on investments	(856)	491
Amortization of capital assets	99	76
	388	(148)
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	64	(672)
Undistributed royalties	1,632	549
Accounts payable and accrued liabilities	664	130
Deferred revenue	(3,178)	234
	(818)	241
	(430)	93
Investing activities		
Purchase of investments	(40,559)	(37,860)
Proceeds on maturity of investments	42,092	26,152
Purchase of capital assets	(21)	(318)
	1,512	(12,026)
Increase (decrease) in cash and cash equivalents	1,082	(11,933)
Cash and cash equivalents, beginning of year	1,366	13,299
Cash and cash equivalents, end of year	$ 2,448	$ 1,366
Cash and cash equivalents are comprised of:		
Cash	$ 2,092	$ 583
Cash equivalents	356	783
	$ 2,448	$ 1,366

See accompanying notes to consolidated financial statements.

Notes to the consolidated financial statements
(In thousands of dollars)
December 31, 2019

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 consolidated financial statements.

Principles of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Corporation and its wholly-owned subsidiary Prescient Innovations Inc ("Prescient").

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 Canada Handbook Section 4450.

Estimates and Measurement Uncertainty

The preparation of consolidated 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 consolidated 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, Secondary and Post-Secondary institution 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.

Notes to the consolidated financial statements
(In thousands of dollars)
December 31, 2019

2. Summary of significant accounting policies (continued)

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 and when the criteria for revenue recognition has been met. 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.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand, bank balances and investments in guaranteed investment securities with initial 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.

Income taxes

Income taxes are accounted for using the taxes payable method. Taxes recoverable or payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward, if any.

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.

Notes to the consolidated financial statements
(In thousands of dollars)
December 31, 2019

2. Summary of significant accounting policies (continued)

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 deferred revenues.

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.

3. Investments

	2019	2018
The Corporation holds the following unrestricted investments:		
Corporate bonds and notes, at amortized cost Interest at various rates ranging from 1.12% to 3.50% per annum, maturing on various dates to Jun 14, 2019	$ -	$ 816
Guaranteed investment certificates, at amortized cost Interest at various rates ranging from 2.23% to 3.17% per annum, maturing on various dates to Jan 11, 2021	**25,528**	23,583
Equity instruments, at fair value	**5,711**	4,930
Fixed income funds, at fair value	**3,106**	2,968
	34,345	32,297
The Corporation has internally restricted the following investments for the Elementary and Secondary Schools tariff:		
Guaranteed investment certificates, at amortized cost Interest at rate of 2.45% to 2.48% per annum, maturing on various dates to May 22, 2020	**13,110**	16,350
Fixed income funds, at fair value	**11,554**	11,039
	24,664	27,389
Total investments	**59,009**	59,686
Less: current portion	**(36,138)**	(38,250)
	$ 22,871	$ 21,436

Notes to the consolidated financial statements
(In thousands of dollars)
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4. Accounts receivable and prepaid expenses

	2019	2018
Licence fees receivable	**$ 573**	$ 750
Other receivables	**100**	7
Accrued interest	**554**	528
K-12 tariff – accrued interest	**205**	224
Prepaid expenses	**155**	142
	$ 1,587	$ 1,651

Government remittances (other than income taxes) total $102 at December 31, 2019 (2018 - $16).

5. Capital assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Office equipment	$ 281	$ (241)	**$ 40**	$ 55
Computer hardware	470	(369)	**101**	137
Leasehold improvements	139	(30)	**109**	136
Computer software	6,473	(6,473)	**-**	-
	$ 7,363	$ (7,113)	**$ 250**	$ 328

6. Undistributed royalties

	2019	2018
Balance, beginning of year	**$ 8,076**	$ 7,526
Provision for royalties for distribution	**12,930**	7,055
Provision for royalties for distribution – pending final certified tariff	**-**	478
	21,006	15,059
Distribution to rightsholders	**(11,298)**	(6,983)
Balance, end of year	**$ 9,708**	$ 8,076

7. Deferred revenue – K-12

	2019	2018
Balance, beginning of year	**$ 28,127**	$ 27,883
Annual deferred revenue and interest	**829**	244
License fees recognized - K-12	**(4,083)**	-
Balance, end of year	**$ 24,873**	$ 28,127

The Copyright Board of Canada ("CBC") does not always have certified tariffs for current years. If there is no certified tariff for the current year, the last certified tariff continues to operate on an interim basis and the Corporation may collect licence fees in accordance with the previous tariff until the proposed tariff is certified. The certified tariff may be different from the continuation tariff and could result in a higher or lower retroactive royalty adjustment.

Notes to the consolidated financial statements
(In thousands of dollars)
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7. Deferred revenue – K-12 (continued)

Between 2010-2012, the Corporation invoiced the Elementary and Secondary Schools sectors ("K-12 sector") based on the $4.81 per full-time equivalent ("FTE") royalty rate of the 2005-2009 certified tariff. These royalties were paid by the K-12 sector in the years 2010, 2011 and 2012 while the CBC conducted its review of the proposed 2010-2015 tariff. The Corporation distributed royalties based on the last negotiated rate between the parties of $2.576 per FTE. The difference between the 2005-2009 certified rate and the last negotiated rate is set aside for possible future retroactive adjustments and is recoded as deferred revenue and segregated by the Corporation pending a final court decision described below.

On December 5, 2012, the K-12 sector notified the Corporation that they would stop paying royalties pursuant to the 2005-2009 certified tariff effective January 1, 2013.

On February 20, 2016, the CBC certified the 2010-2015 tariff and set royalties at $2.46 per FTE for the years 2010-2012 and $2.41 per FTE for the years 2013-2015.

On May 4, 2016, the K-12 sector (excluding Quebec) advised the Corporation that they maintained their status of not operating under the certified 2010-2015 tariff as of January 1, 2013. They requested refunds from the Corporation, having paid royalties at a rate of $4.81 per FTE under the certified 2005-2009 tariff for the years 2010-2012 (as compared to the rate of $2.46 that was set by the CBC for the 2010-2015 tariff for the years 2010-2012). The Corporation does not agree with the refund requested by the K-12 sector.

On October 25, 2016, the Corporation provided invoices to the K-12 sector that reconciled the royalties paid by the K-12 sector to the Corporation for the years 2010-2012 (as a consequence of the $2.46 FTE rate ultimately approved by the CBC) with the amounts owing by the K-12 sector for the years 2013-2015 under the 2010-2015 certified tariff. These invoices remain unpaid.

On February 21, 2018, the Ministries of Education for all the Provinces and Territories (except British Columbia, Ontario and Quebec), and all the school boards in Ontario (together, the "Consortium") commenced legal action against the Corporation by serving a statement of claim. In their claim, the Consortium states that since they have opted out of the certified 2010-2015 tariff from 2013 onwards, the refund for the overpayment of fees paid for the years 2010-2012 should be paid in full and not set-off against the amounts owing for the years 2013-2015 under the 2010-2015 certified tariff. The Consortium also claims that tariffs certified by the CBC are not mandatory. The Corporation disagrees with the Consortium's position. The Corporation has filed a statement of defence denying the allegations in the statement of claim and has counterclaimed to recover royalties from the K-12 sector for the period January 1, 2013 onwards.

No amounts have been accrued or adjusted related to the 2010-2012 and 2013-2015 tariff rates set by the CBC as a reliable estimate cannot be made until a final court decision has been rendered in relation to the legal action described above.

In 2019, events and conditions occurred that allowed the Corporation to recognize $4,083 of deferred revenue.

8. Post-secondary license revenue

On December 7, 2019, the CBC certified the Access Copyright Post Secondary Educational Institution Tariffs, 2011-2014 and 2015-2017; the royalty rates based on full time equivalent (FTE) are as follows:

	Colleges	Universities
2011-2014	$9.54 per FTE	$24.80 per FTE
2015-2017	$5.50 per FTE	$14.31 per FTE

Notes to the consolidated financial statements
(In thousands of dollars)
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8. Post-secondary license revenue (continued)

The tariffs apply to retroactive periods. The royalty rates of the 2015-2017 tariff continue to apply to subsequent years until the next tariff is certified by the CBC. As at December 31, 2019, no amounts were recorded or received as a result of the certification of these tariffs. The terms of the tariffs required that Post-Secondary institutions calculate the amounts owed and make payment to the Corporation by March 9, 2020. Accompanying their payment, the Post-Secondary institutions are also required to provide a report setting out the FTE calculation used as the basis for the royalty calculation.

Subsequent to year-end, the Corporation received $2,286 of payments from various Post-Secondary institutions. Some institutions that submitted payment did not provide a corresponding report and the Corporation is following up. For the institutions that submitted a report, the Corporation is in the process of reviewing the report to confirm whether the calculations are correct. A preliminary review by the Corporation indicates that some Post-Secondary institutions' calculations are incorrect.

Some Post-Secondary institutions did not remit any payments and instead requested refunds totaling $2,050. As at the date these financial statements were finalized, several Post-Secondary institutions had not submitted anything to the Corporation.

No amounts were accrued or adjusted by the Corporation for its fiscal year ending December 31, 2019. The Corporation has three months from the receipt of information from Post-Secondary institutions to refund any monies owing, if necessary.

9. Related party transactions

Access Copyright Foundation

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. 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.

The Foundation has not been consolidated in the Corporation's consolidated financial statements. Consolidated financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 are as follows:

Notes to the consolidated financial statements
(In thousands of dollars)
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9. Related party transactions (continued)

Access Copyright Foundation (thousands of dollars)	2019	2018
Statement of financial position		
Total assets	$ 3,280	$ 3,416
Total liabilities	$ 5	$ 15
Net assets	3,275	3,401
	$ 3,280	$ 3,416
Statement of operations		
Total revenues	$ 197	$ 18
Total expenses	323	267
Deficiency of revenues over expenses	$ (126)	$ (249)
Statement of cash flows		
Cash from (used in) operations	$ (219)	$ (312)
Cash from (used in) investing	212	237
Increase/(decrease) in cash equivalents	$ (7)	$ (75)

Prescient

On July 4, 2018, the Corporation established Prescient, a for-profit organization whose purpose is to explore and develop services supporting the future of rights management and content monetization. The Corporation is currently the sole subscriber of the initial 100 Class A common shares of Prescient with an aggregate subscription price of $.01 and only source of funding of Prescient. The Corporation has appointed the directors and officers of Prescient.

Prescient has been consolidated in the Corporation's consolidated financial statements. Development costs are being used to develop the Attribution Ledger and the two related use cases, Fanship and Imprimo.

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 16, 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, litigation and advocacy fund

Net assets internally restricted for tariff, litigation and advocacy 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, other litigation and advocacy matters 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. During the year, an amount of $1,200 (2018 - $nil) was transferred to the unrestricted fund with board approval.

Notes to the consolidated financial statements
(In thousands of dollars)
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13. Net assets internally restricted for K-12 Schools tariff

Net assets internally restricted to fund amounts in dispute related to the February 19, 2016 Copyright Board of Canada decision for 2010 to 2012, and 2013 to 2015 tariff rates that are applicable to Elementary and Secondary Schools (K-12 Schools).

14. 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.

Other price risk

The Corporation is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of these instruments.

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 1.2988 (December 31, 2018 – 1.3642) and are included in the following financial statement items:

	2019	2018
Cash and cash equivalents (U.S. dollars)	$ 261	$ 156
Investments – corporate bonds and GICs (U.S. dollars)	$ 2,008	$ 3,080

Notes to the consolidated financial statements
(In thousands of dollars)
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15. Commitments

The Corporation has entered into a lease agreement for the lease of its premises for terms expiring on November 30, 2023. The future minimum lease payments under the new lease are as follows:

2020	291
2021	291
2022	291
2023	267

16. 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.

On February 21, 2018, the Consortium commenced legal action against the Corporation indicating that since they have opted out of the certified 2010-2015 tariff from 2013 onwards, the refund for the overpayment of fees paid for the years 2010-2012 should be paid in full and not set-off against the amounts owing for the years 2013-2015 under the 2010-2015 certified tariff. The Consortium also claims that tariffs certified by the CBC are not mandatory. The Corporation disagrees with the Consortium's position. The Corporation has filed a statement of defence denying the allegations in the statement of claim and has counterclaimed to recover royalties from the K-12 sector for the period January 1, 2013 onwards. (See Note 7) It is management's opinion that given the early stages of the legal proceeding, an estimate of recovery and value of licence fees for the years 2013 to 2019 cannot be made.

17. 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.

18. Subsequent event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. There are meaningful direct and indirect effects impacting businesses and we continue to monitor the impact COVID-19 has on the Corporation. The extent of the effect of the COVID-19 pandemic on the Corporation is uncertain.

DIRECTORS, MEMBER ORGANIZATIONS & EXECUTIVE/MANAGEMENT TEAMS

2019 Access Copyright Board

Cameron Macdonald, Chair
Grant McConnell, Vice-Chair
Gordon Dyer, Treasurer
Kelly Duffin
Debbie Hogan
Stephen Hurley
Mark Lovewell
Krys Ross
Kelly Shaw
Eric Enno Tamm
Roanie Levy, President & CEO

Executive Team

Roanie Levy, President & CEO
Michael Andrews, Chief Operating Officer
Claire Gillis, Chief Business Affairs Officer (on maternity leave)
Sapanpreet Singh Narang, Chief Innovation Officer
Asma Faizi, Head of Legal Affairs

Management Team

Amy Cormier, Head of Communications & Marketing
Rino Falcioni, Manager, Technology Services
Xin Ge, Manager, Accounting
Silvia Grunberg, Head of Royalties and Client Services
Leanne Newell, Head of Business Development
Stephen Sawyer, Lead, Design Research and Business Analysis

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

Publisher Member Organizations

Alberta Magazine Publishers Association
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 Publishers' Council
Literary Press Group of Canada
Magazine Association of BC
Magazines Canada
Music Publishers Canada
News Media Canada
Ontario Book Publishers Organization
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