2016 ANNUAL REPORT

access©

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CHAIR'S REPORT

CAMERON MACDONALD

Access Copyright is a non-profit corporation founded in 1988 by Canadian creators and publishers in response to widespread photocopying of published works. The original licensing offerings served the interrelated social and economic value of content creation and flexible content use.

Today, nearly 30 years on, Access Copyright is striving to develop new services that add value for customers even as we must oppose the fair dealing content use guidelines adopted by many of our customers in education.

Most educational institutions in Canada are now refusing to pay creators and publishers for the continued practice of copying hundreds of millions of pages from published works—which, regrettably, is pitting Access Copyright against those we aim to serve. Publishing and education share much common ground and we must work together to cultivate a balanced ecosystem that encourages all players to participate.

On innovation, digital connectivity is not only reshaping content delivery, it is transforming social behaviours, business conditions and the expectations of customers. These shifts represent fresh opportunities to deliver on the social and public purpose that the members renewed for Access Copyright at the AGM in April 2013:

"Whereas Access Copyright remains fully committed to supporting and defending copyright, remuneration for copyright, and the original mission of the organization, the Board of Directors of Access Copyright directs the organization to transform by expanding its existing mission with new services, business models and brand identity that are inclusive of all those who use and value content. Our changed organization will place emphasis on the creation, production and use of content as integral parts of a healthy and sustainable reading, writing and learning ecosystem."

To that end, the Board and select members of the Membership Advisory Committee gathered for a strategic retreat in Toronto this past September to contemplate and refine a new strategic plan for Access Copyright.

Planning innovation means committing to a process without knowing precisely where it will take you. That can feel uncomfortably open-ended, but it is an essential feature of human-centered, design-led innovation processes. New ideas will emerge, and be validated, through extensive consultations with customers.

There will be a great deal of discovery at the outset that will eventually feed into short cycles of building, testing, learning and refining new services. Those cycles will repeat until we discover the new value propositions that are appealing to customers, feasible to deliver, financially viable and aligned with the social purpose of the organization.

That process is now well underway with the wholehearted support of this Board.

PRESIDENT & CEO'S REPORT

ROANIE LEVY

Before the changes to the Copyright Act in 2012, roughly 75% of Access Copyright's annual licensing revenues came from education. Since then, the education sector's self-interpretation of fair dealing has lead to the near complete disappearance of those revenues.

Access Copyright closed 2016 with revenues of $10.8M, down 48% compared to 2015 revenues and down 68% compared to revenues in 2012 (excluding K-12 retroactive payments). Our 2016 excess of revenues over expenses was a shortfall of $0.9M, compared to a surplus of $2.3M in 2015. Royalty distribution in 2016 was $12.4M.

In 2017 revenues are forecasted to decline again by 24% and royalty distributions are projected to dip to $5M. Creators will be particularly affected as the revenues that fund the Payback program are considerably lower this year.

This reality does not reflect the Federal Government's stated intentions when it first introduced the amendments to the Copyright Act in 2011, and runs counter to repeated reassurances the education sector made to the government while the amendments were being drafted and while the bill was at legislative committee.

The loss of these royalties means the loss of an important income stream for many creators and publishers, with even greater impact when we consider the ripple effect of unfettered copying on primary sales. This is why we have persisted in our efforts to clarify the scope of fair dealing and continued advocating for a more balanced approach to copyright, despite the strain it places on relations with the education sector.

The question that guides us as we navigate our innovation work, imminent legal decisions and upcoming Copyright Act review is: "How might we conduct our copyright advocacy in a manner that builds on common interest with the education sector?"

2016 was a particularly active year for our legal team, who have worked tirelessly on multiple fronts including a Post-Secondary Tariff hearing at the Copyright Board, a four-week York University trial before the Federal Court, and two judicial review hearings for the Provincial and Territorial Governments Tariff and the K-12 Schools Tariff before the Federal Court of Appeal.

We have also taken significant steps to enhance our innovation capabilities, including the engagement of innovation consultants, formation of a dedicated innovation team, development of a new strategic plan, and hiring our new Chief Innovation Officer, Eden Dhaliwal.

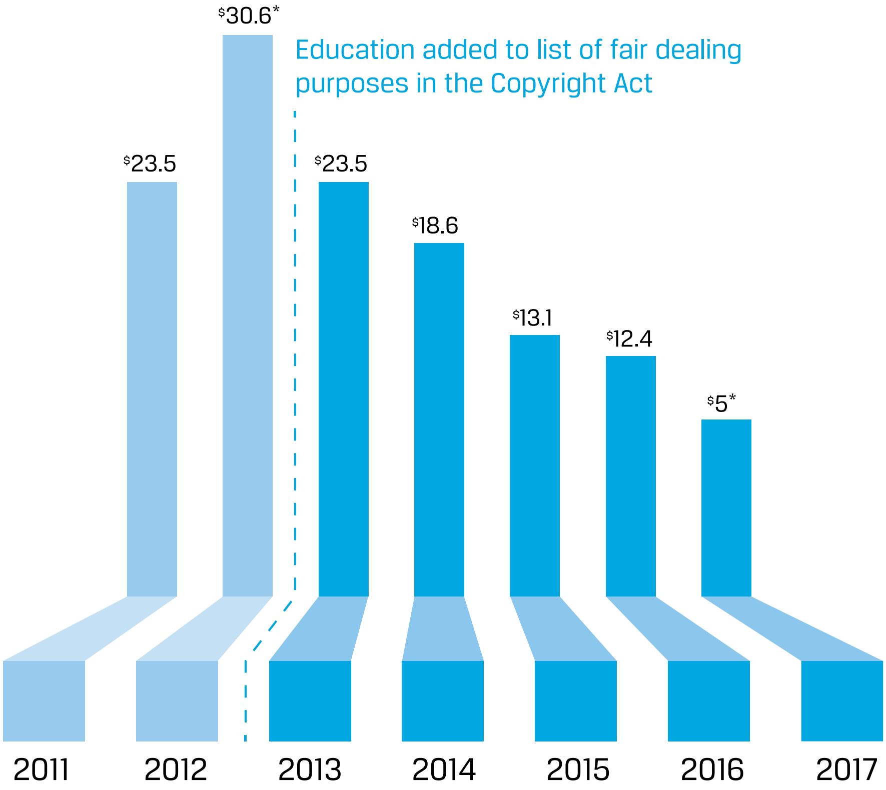
Eden has extensive experience working with start-ups and organizations facing disruption. He brings the necessary mindset, rigor and frameworks to help us truly innovate. He is already well underway, leading the innovation team in a wide-ranging series of customer interviews with university professors and students.

We have also worked to upgrade our rights management system with the added granularity and flexibility we need to be ready to pilot transactional licensing services to assess whether they can become financially viable, scalable service offerings.

It is important to note that our 2017 business plan is not a plan for reducing or eliminating investments in the development of new services nor is it an exit strategy. We recognize the need to invest in clarifying fair dealing and in innovation as a way to reengage with our former customers.

REVENUE & DISTRIBUTION

Access Copyright's revenue for 2016 was $10.8 million, which exceeded the budget by just under $2.5 million. The year's expenses were under budget by $1.4 million. For 2016, Access Copyright budgeted for a deficit of $3.2 million. Through a combination of higher than anticipated revenues and strict cost controls, the year-end deficit was significantly lower at $863K. Total distributions for the year were $12.4 million, about $1 million over target.

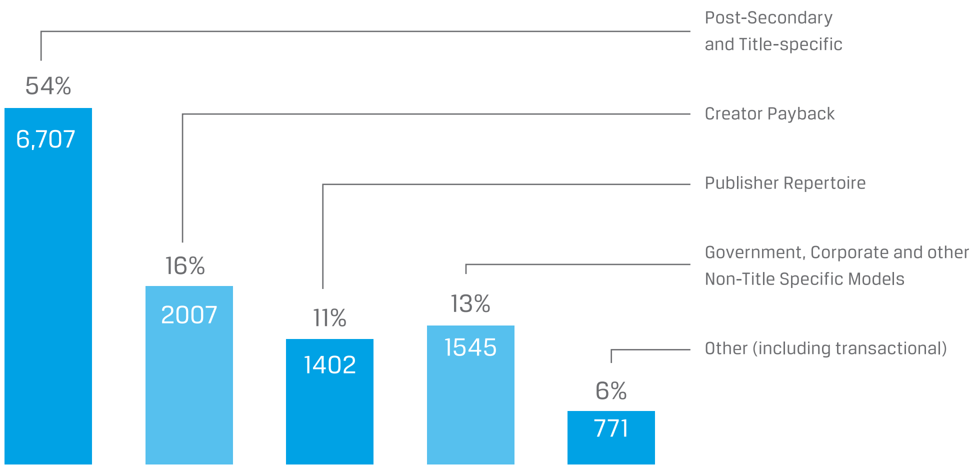


ROYALTY DISTRIBUTION TREND

(ANNUAL DISTRIBUTION TOTALS IN MILLIONS)

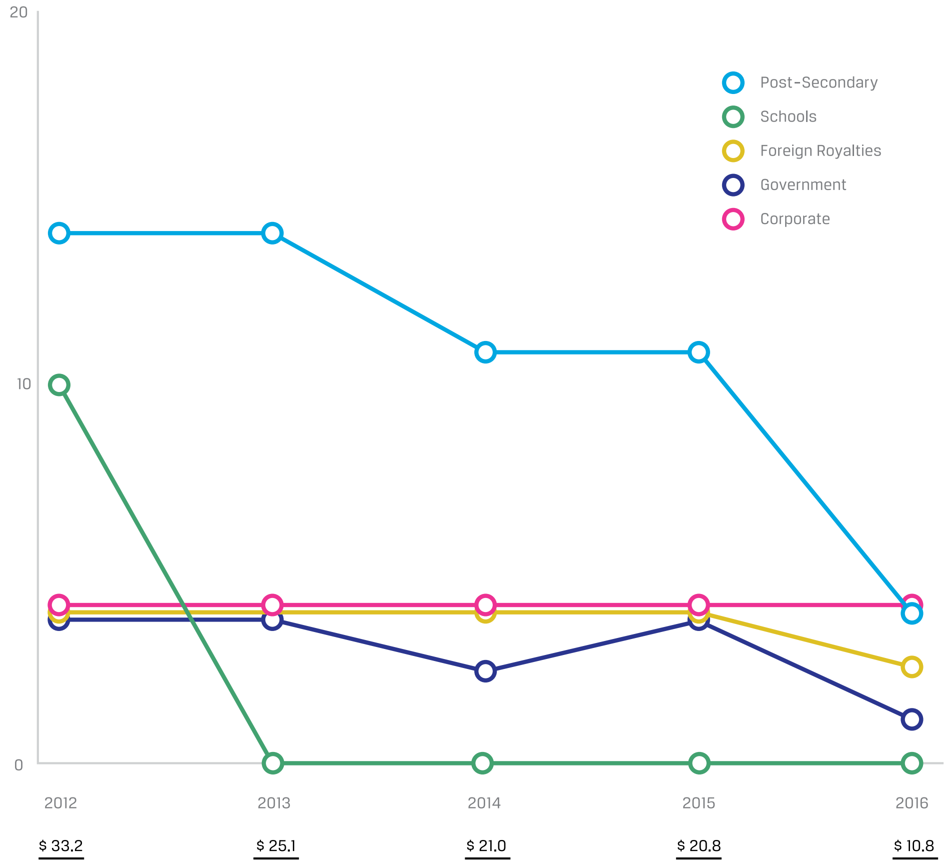
*2012 TOTAL EXCLUDES ONE-TIME K-12 SPECIAL DISTRIBUTION

*2017 TOTAL PROJECTED BASED ON 2016 REVENUE



2016 DISTRIBUTION

BY CATEGORY (THOUSANDS)



ANNUAL REVENUE TREND BY SECTOR 2012–2016

(IN MILLIONS)

*2012 AND 2013 TOTAL EXCLUDES RETROACTIVE K-12 TARIFF REVENUE

2016 DOMESTIC DISTRIBUTION
(THOUSANDS)

THE CHART BELOW PREDICTS THE FLOW OF 2016 DISTRIBUTION
BASED ON THE RESULTS OF THE 2015 PUBLISHER ROYALTY SURVEY

LEGAL UPDATE

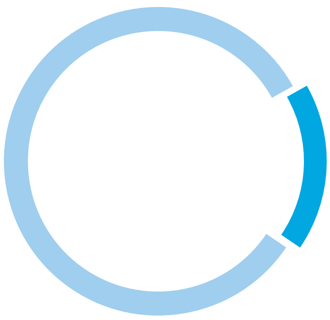
2016 was a particularly busy year on the legal front, with a certified K-12 Tariff (2010–2015) and subsequent judicial review hearing; a consolidated Post-Secondary Tariff hearing (2011–2017); judicial review of the Provincial and Territorial Governments Tariffs (2005–2009 and 2010–2014); and the four-week York University trial that will be the first legal decision to directly address the education sector's fair dealing guidelines. Despite a pair of disappointing decisions in the K-12 Tariff and subsequent judicial review, we remain hopeful that upcoming decisions, in particular the imminent York University decision, will help clarify fair dealing and provide the framework for a fair dealing approach that encourages access to content for educational purposes while ensuring a sustainable and vibrant Canadian writing and publishing sector.

K-12 Schools Tariffs & Appeal

In February of 2016 the Copyright Board certified a royalty rate of $2.46 per student per year for the years 2010-2012, and $2.41 per student per year for the years 2013-2015. The Board's framework for determining the fairness of copying in schools excluded from the tariff calculation a large proportion of the content that is copied from books, newspapers and magazines, and included in the tariff valuation for the first time the copying of consumables (also known as exercise sheets or workbooks). Access Copyright sought judicial review and received a disappointing Federal Court of Appeal decision in January 2017 in which the Court declined to disturb the Copyright Board's findings on fair dealing.

Access Copyright was successful on one aspect of the judicial review regarding the scope of the works it represents; later this year, the Copyright Board will reassess the tariff rates to take this into account.

K-12 Tariff rate is $2.41 per student*



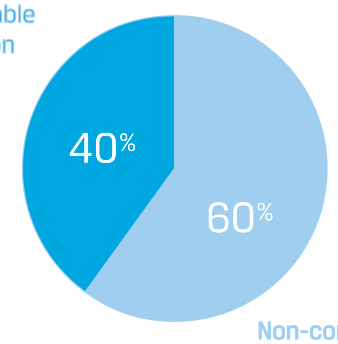
Approx. $1.95 of the rate accounts for the copying of workbooks...

...the remaining $.46 accounts for copying of books, magazines & newspapers.

*Subject to re-determination by the Copyright Board

Copyright Board assessment of K-12 copying volume

Compensable 150 Million



Non-compensable 230 Million

Total copying:
380 million pages/year

York University Trial

Creators and publishers disagree with the fair-dealing guidelines adopted by Canadian educational institutions, including York University. The guidelines and the copying they promote are unfair and threaten the long-term breadth and availability of quality Canadian content for use in education. The York University trial was held over four weeks in May and June 2016 and considers two key legal issues:

i) The enforceability of the Interim Tariff
ii) The fairness of York University's Fair Dealing Guidelines

This pending decision is notable because it will be the first legal decision that directly addresses the guidelines.

Post-Secondary Tariff Hearing

A hearing before the Copyright Board was held in January 2016 and will set the post-secondary tariff rate for the period 2011-2017. The Copyright Board's decision is pending.

Copibec Class Action

Copibec (Access Copyright's sister collective in Quebec) filed a class action on behalf of authors and publishers against Laval University, the only university in Quebec operating without a Copibec licence. The Quebec Superior Court initially ruled against authorizing Copibec's class action, but that decision was overturned by the Quebec Court of Appeal in February. The higher court agreed to designate Copibec as the authorized representative of the claimants, meaning that the lawsuit can move forward. Copibec's next step is to return to the Superior Court which will consider the merits of the case itself. This action does not directly involve Access Copyright, but has significance with respect to the efforts to clarify the scope of fair dealing in Canada.

Provincial Government Tariff Appeals

In May 2015 the Copyright Board issued a decision on the Provincial and Territorial Governments Tariff, covering the periods 2005-2009 and 2010-2014. The royalty rates certified by the Board were 11.56 cents per employee per year for 2005 to 2009 and 49.71 cents per employee per year for 2010 to 2014. Access Copyright applied for judicial review of the decision and that case was heard by the Federal Court of Appeal in June 2016. A decision is pending.

YOUR VOICE IN OTTAWA

Writers, visual artists and publishers are important contributors to Canadian culture. Ensuring those contributions, along with the challenges facing the sector, are well understood in Ottawa was an important area of focus for Access Copyright in 2016, and has become an even higher priority in 2017.

In particular, there are two government reviews—one underway and one upcoming —that are likely to impact the writing and publishing industry:

i. Canadian Heritage "Canadian Content in a Digital World" ("DigiCanCon") consultation
ii. 2017 Review of the Copyright Act

DigiCanCon Consultation

Launched in April 2016 by the Department of Canadian Heritage, the goal of this consultation was to seek input on how to improve the creation, discovery and export of Canadian content. Access Copyright participated by regularly communicating with members and affiliates about the purpose of the consultation and encouraging creator and publisher submissions via the consultation website. The response by members and affiliates resulted in impressive representation for our sector. Writers and publishers contributed 132 of the 158 stories posted on the "Share a Story" section of the consultation website - that represents 84% of all stories. Also, 52 "ideas" were posted by creators and publishers in the "idea" section of the website. Access Copyright also filed a submission to the consultation website, as did many other Access Copyright member organizations.

Review of the Copyright Act (2017)

The Copyright Modernization Act, which came into force in November 2012, includes a requirement that the Federal Government review the Act every five years. This review must be launched no later than November 7, 2017—five years from the date the Copyright Modernization Act (Bill C-11) came into force.

This review will be extremely important to creators and publishers as it provides an opportunity to communicate to the government the impact that the education sector's broad interpretation of fair dealing has had on our sector. As the review approaches, we will be communicating regularly with members and affiliates to provide information about how to participate in the process.

INNOVATION STRATEGY

In 2016, we have taken significant steps to define our innovation methodology and develop our capabilities to complete innovation projects.

We have adopted Design Thinking as an innovation methodology, trained a dedicated innovation team, developed a new strategic plan to guide our efforts, and hired an experienced Chief Innovation Officer.

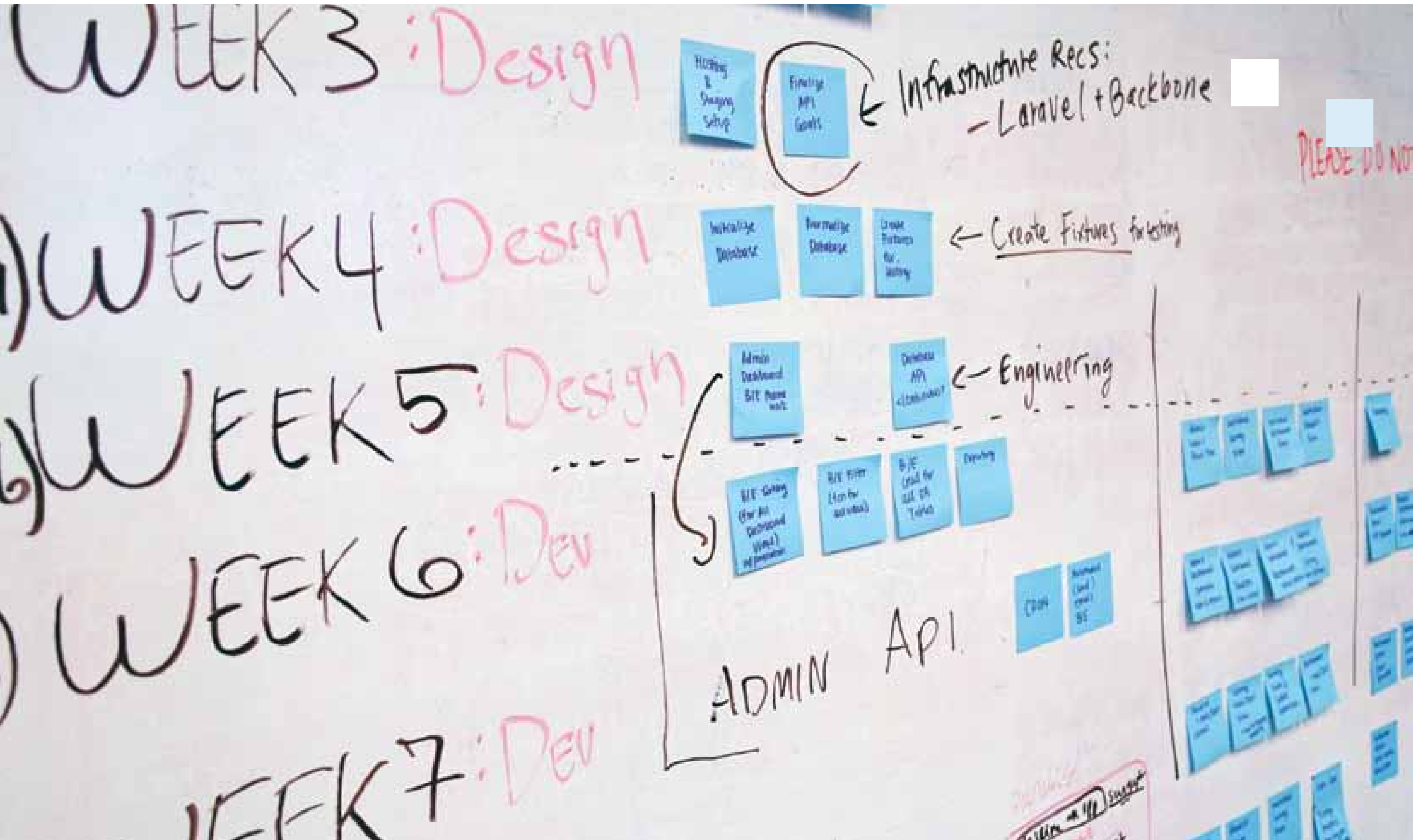
Design thinking is a process that relies on human-centered problem solving. It's about devoting a significant amount of time to customers and stake-holders to deepen our understanding of their needs and desires. Empathy is the key to this process—we have to intimately understand our customers through direct communication and interaction. In the first quarter of 2017, the innovation team has already spent considerable time on customer discovery. Specifically, we're examining all the stakeholders in the education sector to better understand their 'pains and gains.' This is providing us with insights into people's experiences with content and the ways they are using it for teaching, learning, research and entertainment.

Photo: Courtesy "The Moment"

Photo: Courtesy "The Moment"

Those insights create a foundation for our ideation of new services and business models. We constructively ideate, shortlist a few ideas, pilot those ideas in quick, low-fidelity and cost-effective cycles and scope potential business models.

We also continue to explore opportunities for new business collaboration, learning and partnerships with publishers, collectives and other organizations. Ultimately, the goal of our innovation work is to develop offerings that are desirable for customers, technically feasible, and viable as a business, while being aligned with Access Copyright's social and public purpose.



ACCESS COPYRIGHT FOUNDATION

The Access Copyright Foundation promotes Canadian culture by offering grants that encourage the development and dissemination of publishable Canadian works.

OLA Festival of Trees
(Event Grant Recipient)
Photo: Byran Wong

Maureen Fergus at the Winnipeg Writers' Festival
(Event Grant Recipient)
Photo: Trevor Hnatowich

The Foundation operates as a not-for profit, distinct from Access Copyright, with grant programs administered by the Saskatchewan Arts Board in three areas:

Professional Development Grants:

Supporting specialized training and continuing education for writers and visual artists and publishing employees

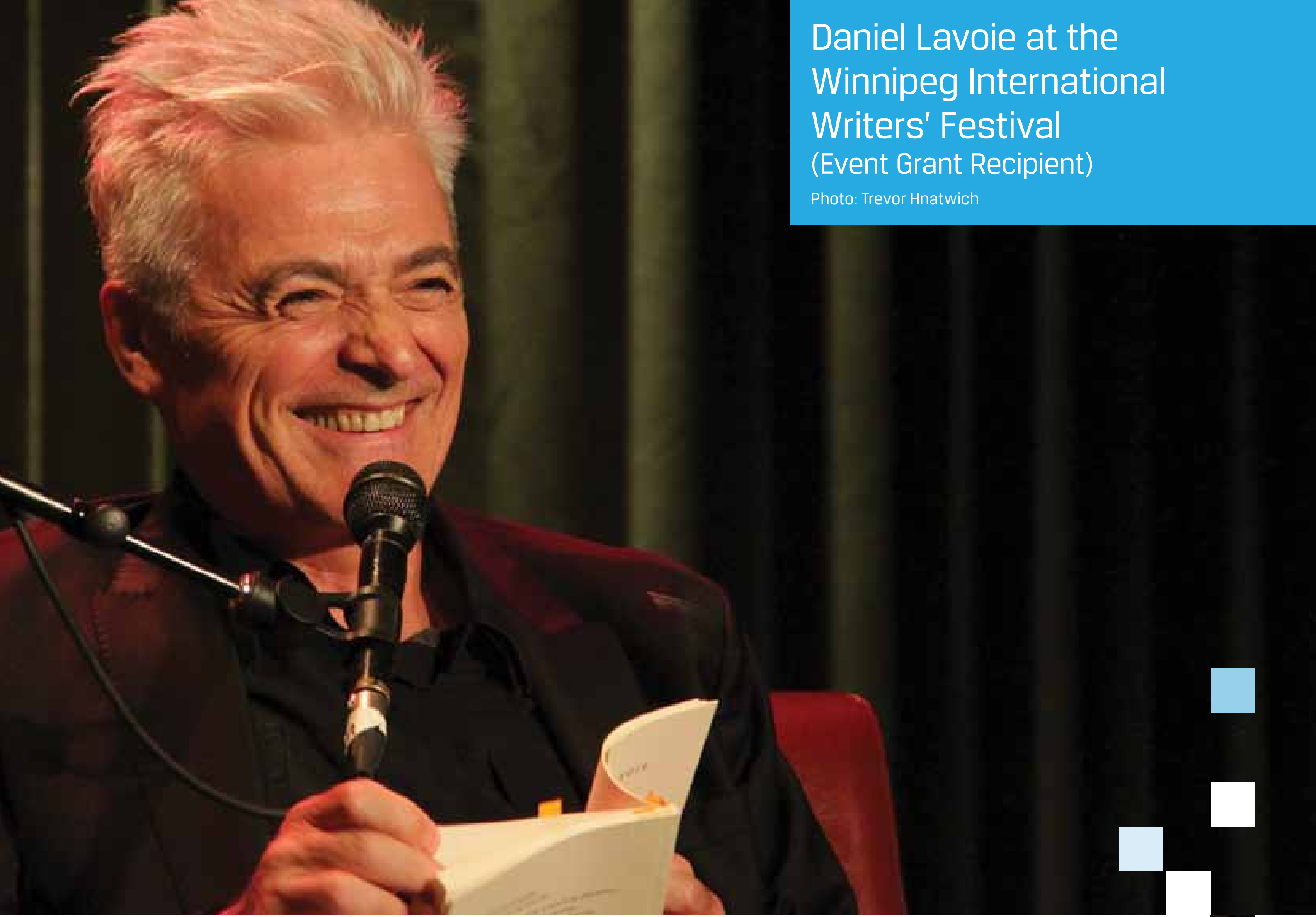
Events Grants:

Supporting events that showcase published works or offer professional development for writers, visual artists and publishing professionals

Marian Hebb Research Grant:

Supporting research that facilitates the creation of a publishable work

Shauntay Grant at the Canadian Writers' Summit
(Event Grant Recipient)
Photo: The Writers' Union of Canada



Daniel Lavoie at the Winnipeg International Writers' Festival
(Event Grant Recipient)
Photo: Trevor Hnatwich

In 2016, the Foundation continued its ongoing support of Canadian creators, publishers and artists with grants to 39 organizations. These grants have supported meaningful research, professional development, and cultural events that helped put Canadian content creators and their work in front of audiences in cities and communities from coast to coast.

Note: In response to declining revenue from the education sector, the Access Copyright's Board indefinitely suspended contributions to the Access Copyright Foundation in 2014. Nevertheless, the Foundation is sufficiently funded to continue its work for the foreseeable future.

For further detail about grants, application schedules and eligibility, visit:
www.acfoundation.ca

ACCESS COPYRIGHT AWARD IN PUBLISHING STUDIES (SFU)

The Access Copyright Graduate Award in Publishing Studies provides financial support to students enrolled in Simon Fraser University's Masters of Publishing program. To date, the Award has helped over 20 students in their pursuit of graduate level publishing studies at SFU.

Gillian Cott learned she had won the Access Copyright Graduate Award in Publishing Studies in the spring of 2016. For Cott, the timing could not have been better.

She was about to split her first and second year at SFU with a summer internship at the Montreal-based graphic novel publisher Drawn & Quarterly, and was stressing about costs.

"It was a deep breath of relief," Cott said of learning she had won the $2,000 award.

Cott made it to Montreal and spent the summer working in production at Drawn & Quarterly, where she found working with the highly visual elements in graphic novels particularly appealing.

"When you are laying out a graphic novel, you are often laying out several layers in InDesign. You have to layout each page individually. You have to scan original artwork. You have to sometimes fix up colours."

It was a formative experience for Cott who says she now plans to make it a career.

"There's a special space for books that are really beautiful. There's something more tactile about being able to look at beautiful images alongside text. I think there is a market for it."

With the final portion of her publishing studies nearly complete Cott—who's already looking for another opportunity with a Canadian publisher—says the assistance definitely makes a difference.

"[The endowment awards] are incredible, especially when you have something like an internship where you're doing something and getting the skills that you need to move forward in your career. It gives students a world-is-your-oyster ideology that's really important."

Gillian Cott

Photo: Tara Hamzeh

INDEPENDENT AUDITOR'S REPORT

Grant Thornton

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountant

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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, 2016, 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, 2016, 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 7, 2017

Grant Thornton

Grant Thornton LLP
Chartered Professional Accountants
Licensed Public Accountants

The Canadian Copyright Licensing Agency
Statement of financial position

(In thousands of dollars)

December 31,	2016	2015
Assets		
Current		
Cash and cash equivalents	$ 7,362	$ 9,524
Investments (Note 3)	38,969	42,463
Accounts receivable and prepaid expenses (Note 4)	1,260	2,320
	47,591	54,307
Investments (Note 3)	14,842	14,800
Capital assets (Note 5)	135	212
	$ 62,568	$ 69,319
Liabilities		
Current		
Undistributed royalties (Note 6)	$ 4,945	$ 11,992
Accounts payable and accrued liabilities (Note 7)	403	648
Deferred revenue	1,754	2,162
Deferred revenue – uncertified tariff and tariff under appeal (Note 8)	27,482	27,142
	34,584	41,944
Undistributed royalties (Note 6)	2,677	1,205
	37,261	43,149
Net Assets		
Net assets invested in capital assets	135	212
Net assets internally restricted for contingencies (Note 10)	2,000	2,000
Net assets internally restricted for tariff, litigation and advocacy fund (Note 11)	5,954	6,138
Net assets internally restricted for development fund (Note 12)	3,685	3,897
Net assets internally restricted for K-12 school tariff fund (Note 13)	788	-
Unrestricted net assets	12,745	13,923
	25,307	26,170
	$ 62,568	$ 69,319

Commitments (Note 15)

Contingencies (Note 16)

On behalf of the Board

Director – Cameron MacDonald

David Swail

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency
Statement of changes in net assets

(In thousands of dollars)

Year ended December 31, 2016

Net Assets	Invested in capital assets	Internally restricted contingencies fund (Note 10)	Internally restricted for tariff litigation and advocacy fund (Note 11)	Internally restricted developement fund (Note 12)	Internally restricted for K12 school tariff fund (Note 13)	Unrestricted	**2016 Total**	2015 Total
Balance, beginning of year	$ 212	$ 2,000	$ 6,138	$ 3,897	$ -	$ 13,923	**$ 26,170**	$ 23,802
Excess of revenues over expenses (expenses over revenues) for the year	(84)	-	(641)	(212)	-	74	**(863)**	2,368
Interfund transfers	-	-	457	-	788	(1,245)	**-**	-
Investment in capital assets	7	-	-	-	-	(7)	**-**	-
Balance, end of year	$ 135	$ 2,000	$ 5,954	$ 3,685	$ 788	$ 12,745	**$ 25,307**	$ 26,170

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency
Statement of operations

(In thousands of dollars)

Year ended December 31	2016	2015
Revenues		
Licence fees	**$ 10,063**	$ 19,950
Interest income	**622**	773
Unrealized gain on investments	**34**	-
Other	**85**	73
	10,804	20,796
Expenses		
Operational expenses		
General and administrative	**3,373**	4,058
Professional fees	**368**	492
Amortization of capital assets	**84**	79
Travel, meetings, staff and directors' costs	**126**	133
Foreign exchange loss (gain)	**6**	(123)
Tariff, litigation, and advocacy costs	**641**	443
Development fund	**212**	67
	4,810	5,149
Distribution expenses		
Provision for royalties for distribution	**6,857**	13,279
Total expenses	**11,667**	18,428
Excess of (expenses over revenue) revenue over expenses for the year	**$ (863)**	$ 2,368

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency
Statement of cash flows

(In thousands of dollars)

December 31, 2016	**2016**	2015
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of (expenses over revenue)		
revenue over expenses for the year	**$ (863)**	$ 2,368
Amortization of capital assets	**84**	79
	(779)	2,447
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	**1,059**	(205)
Undistributed royalties	**(5,575)**	111
Accounts payable and accrued liabilities	**(245)**	(245)
Deferred revenue	**(68)**	(663)
	(4,829)	(1,002)
	(5,607)	1,445
Investing activities		
Purchase of investments	**(46,980)**	(54,784)
Proceeds on maturity of investments	**50,431**	54,056
Purchase of capital assets	**(6)**	(234)
	3,445	(962)
Increase in cash and cash equivalents	**(2,162)**	483
Cash and cash equivalents, beginning of year	**9,524**	9,041
Cash and cash equivalents, end of year	**$ 7,362**	$ 9,524
Cash and cash equivalents are comprised of:		
Cash	**$ 2,112**	$ 2,524
Guaranteed investment certificates	**5,250**	7,000
	$ 7,362	$ 9,524

See accompanying notes to financial statements.

The Canadian Copyright Licensing Agency
Notes to the financial statements

(In thousands of dollars)
December 31, 2016

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 Canada Handbook Section 4450.

Estimates and Measurement Uncertainty

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

Revenue Recognition

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

Deferred capital contributions represent restricted government assistance received for the development or purchase of capital assets. This assistance is deferred and amortized to income on the same basis as the related capital assets.

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

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

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

(In thousands of dollars)
December 31, 2016

2. Summary of significant accounting policies (continued)

Capital Assets and Amortization

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

Tangible	
Office equipment	five years
Computer hardware	three years
Leasehold improvements	term lease
Intangible	
Computer software	three years

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

Undistributed Royalties

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

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rates in effect on the transaction date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect on the date of each transaction. Foreign currency gains or losses are included in the determination of the excess of revenues over expenses for the year.

Financial Instruments

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

Initial measurement

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

Subsequent measurement

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

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

The Canadian Copyright Licensing Agency
Notes to the financial statements

(In thousands of dollars)
December 31, 2016

3. Investments	**2016**	2015
The Corporation holds the following unrestricted investments:		
Corporate bonds and notes, at amortized cost		
Interest at various rates ranging from 1.56% to 1.75% per annum,		
maturing on various dates to Mar 15, 2017	**$ 1,312**	$ 2,769
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.35% to 2.10% per annum,		
maturing on various dates to Dec 27, 2017	**16,800**	30,800
Money market funds, at fair value	**10,374**	2,250
Equity instruments, at fair value	**1,530**	-
	30,016	35,819
The Corporation has internally restricted the following investments		
for the Elementary and Secondary Schools tariff:		
Guaranteed investment certificates, at amortized cost		
Interest at various rates ranging from 1.25% to 1.61% per annum,		
maturing on various dates to May 14, 2018	**23,781**	15,000
Money market funds, at fair value	**14**	6,444
	23,795	21,444
Total investments	**53,811**	57,263
Less: current portion	**(38,969)**	(42,463)
	$ 14,842	$ 14,800

4. Accounts receivable and prepaid expenses	**2016**	2015
Licence fees receivable	**$ 825**	$ 1,756
Accrued interest	**160**	268
Uncertified tariff – accounts receivable	**187**	198
Prepaid expenses	**88**	98
	$ 1,260	$ 2,320

Government remittances (other than income taxes) total $11 at December 31, 2016 (2015 - $Nil).

The Canadian Copyright Licensing Agency
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(In thousands of dollars)
December 31, 2016

5. Capital assets

	Cost	Accumulated Amortization	**2016** Net Book Value	2015 Net Book Value
Office equipment	$ 232	$ (214)	**$ 18**	$ 24
Computer hardware	290	(281)	**9**	10
Leasehold improvements	204	(96)	**108**	176
Computer software	6,473	(6,473)	**-**	2
	$ 7,199	$ (7,064)	**$ 135**	$ 212

6. Undistributed royalties

	2016	2015
Balance, beginning of year	**$ 13,197**	$ 13,086
Provision for royalties for distribution	**6,857**	13,279
	20,054	26,365
Distribution to rightsholders	**(12,432)**	(13,168)
Balance, end of year	**7,622**	13,197
Less: current portion	**(4,945)**	(11,992)
	$ 2,677	$ 1,205

7. Accounts payable and accrued liabilities

	2016	2015
Accounts payable	**$ 57**	$ 72
Accrued liabilities	**346**	576
	$ 403	$ 648

Government remittances (other than income taxes) total $nil at December 31, 2016 (2015 - $51).

(In thousands of dollars)
December 31, 2016

8. Deferred revenue – uncertified tariff and tariff under appeal

	2016	2015
Balance, beginning of year	**$ 27,142**	$ 26,769
Annual deferred revenue and interest	**340**	373
Balance, end of year	**$ 27,482**	$ 27,142

Between 2010 – 2012, the Corporation invoiced based on the royalty rate of the 2009 certified tariff. Licence fees invoiced to the Elementary and Secondary Schools for the years 2010 to 2012 in excess of the previous licence rate and adjusted for the 2005 to 2009 tariff rate determined by the Copyright Board of Canada ("CBC") in its ruling on January 18, 2013, together with related interest, in the amount of $27,482, 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.

Between 2013 – 2016, public Elementary and Secondary Schools have not paid royalties as effective January 1, 2013 the Corporation was advised by the Council of Ministers of Education, Canada and the Province of Ontario, representing public Elementary and Secondary schools in Canada, that they will not be operating under the K-12 tariff.

On February 19, 2016, the CBC released their decision for the 2010 to 2012, and 2013 to 2015 tariff rates that are applicable to Elementary and Secondary Schools ("K-12 Schools"). The Corporation made an application for judicial review (appeal) of the decision, claiming errors of law. A decision was released subsequent to year-end. See Note 18.

On May 4, 2016, legal counsel for the Council of Ministers of Education, Canada and the Province of Ontario reaffirmed that they are not operating under the K-12 tariff and are therefore not subject to a K-12 tariff for the years 2013 onward. They have requested a refund of the overpayment during the years 2010 – 2012, plus applicable taxes. The Corporation does not agree with the refund calculation requested.

No amounts have been accrued or adjusted related to the 2010 to 2012 and 2013 to 2015 tariff rate decision as a reliable estimate cannot be made until the re-certification of the rate by the CBC and a final court decision regarding the enforceability of tariffs certified by the CBC.

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. 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.

(In thousands of dollars)
December 31, 2016

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, 2016 and 2015 and for the years ended December 31, 2016 and 2015 are as follows:

Access Copyright Foundation (thousands of dollars)		**2016**		2015
Statement of financial position				
Total assets	**$**	**3,992**	$	4,180
Total liabilities	**$**	**160**	$	156
Net assets		**3,832**		4,024
	$	**3,992**	$	4,180
Statement of operations				
Total revenues	**$**	**67**	$	83
Total expenses		**259**		296
Deficiency of revenues over expenses	**$**	**(192)**	$	(213)
Statement of cash flows				
Cash from (used in) operations	**$**	**(188)**	$	(196)
Cash from (used in) investing		**188**		142
Increase/(decrease) in cash equivalents	**$**	**-**	$	(54)

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.

(In thousands of dollars)
December 31, 2016

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 1.3427 (December 31, 2015 – 1.3840) and are included in the following financial statement items:

		2016		2015
Cash and cash equivalents (U.S. dollars)	**$**	**107**	$	714

The Canadian Copyright Licensing Agency
Notes to the financial statements

15. Commitments

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

2017	$	53
2018	$	49

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.

The Corporation commenced tariff proceedings in 2013 with the Copyright Board of Canada ("CBC"). The Council of Ministers of Education, Canada and the Province of Ontario, representing public Elementary and Secondary schools in Canada, communicated to the Corporation that they will not be operating under the K-12 tariff effective January 1, 2013. It is management's opinion that at this stage in the tariff proceedings, an estimate of recovery and value of licence fees for the years 2013 to 2016 cannot be made. See Note 18.

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

On January 27, 2017, the Federal Court of Appeal delivered their judgement related to the judicial review of the February 19, 2016 decision issued by the Copyright Board of Canada ("CBC"). The Federal Court of Appeal decision returned the matter related to the K-12 tariff for the years 2010-2012 and 2013-2015 back to the CBC for reconsideration. The impact to the tariff rate is undeterminable.

No amounts have been accrued or adjusted related to the 2010 to 2012 and 2013 to 2015 tariff rate decision as a reliable estimate cannot be made until the CBC reconsiders the tariff and a final court decision regarding the enforceability of tariffs certified by the CBC.

2016 Access Copyright Board

Cameron MacDonald, Chair
Grant McConnel, Vice-Chair
David Swail
Nicole Dixon
Michael Elcock
Debie Hogan
Stephen Hurley
Katherine Lawrence
Gordon Dyer
Roanie Levy, President & CEO

Creator Member Organizations

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

Executive Team

Roanie Levy, President & CEO
Eden Dhaliwal, Chief Innovation Officer
Claire Gillis, Chief Business Affairs Officer

Managers

Rino Falcioni, Manager, Technology Services
Jess Zagar, Manager, Legal Affiars
Silvia Grunberg, Manager, Royalty and Client Services
Jennifer Lamantia, Manager, Business Development
Andrew Simpson, Manager, Communications
& Affiliate Relations
Xin Ge, Manager, Accounting

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

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