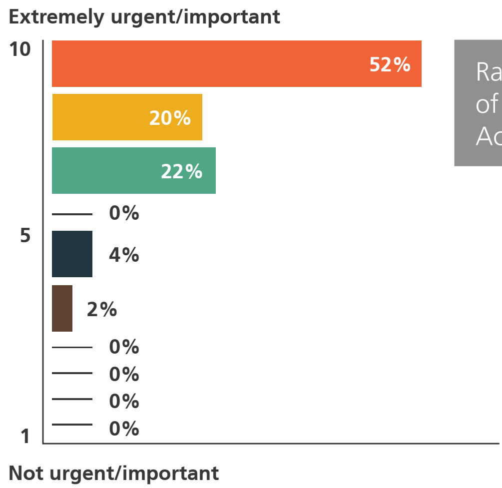
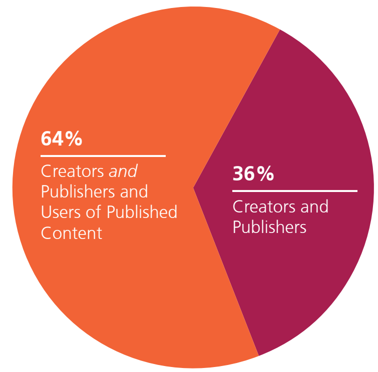
Annual Report 2013 | access©

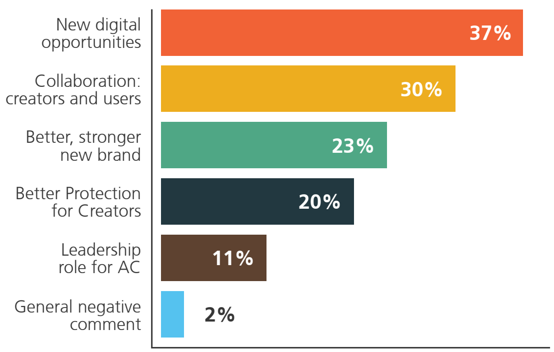
Rate the importance of change for Access Copyright



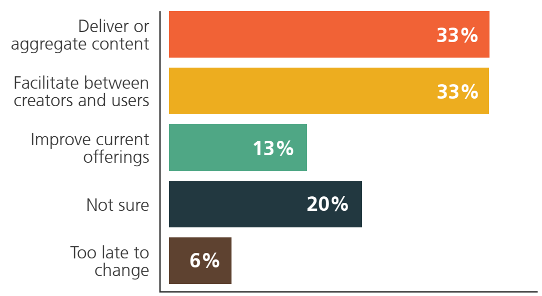
Whose interests should Access Copyright represent?



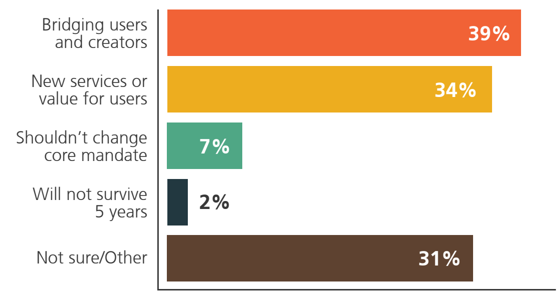
What excites you about the possibility of transformation?



What do you think Access could offer the education sector that is different or better?



If Access evolves into an organization that, in five years, is thriving, how might its mandate or vision change?



The results of a membership survey conducted prior to the Access Copyright Summit, March 2013.

Contents

Cover Photo: Workspace of Paddy Lamb, Artist and Access Copyright Affiliate

2013 Annual Report Messages

Co-Chairs' Report

2013 has been a year of and about change for Access Copyright. We began by recognizing the considerable challenges facing our traditional licensing model. We gathered as a community to consider our shared interest in Access Copyright and, together, we embraced a new approach and new possibilities for the organization. Today, a three-year strategic plan has been approved and the work of transforming the organization is well underway.

The origin of our new mandate, and the centre of the consultation process, was the "The Next Chapter Summit," hosted by the Board of Directors in Toronto last spring. Over one hundred creator and publisher representatives came together to help shape the needed change.

The broad consensus at the Summit was captured in a motion from the floor of the AGM the following day, delivering a clear mandate for change rooted in an acknowledgement that we must do more to serve the interests of content users. As part of the revised mandate the organization is now: "developing a new brand and services that are inclusive of all those who create, produce, use and value content."

With the revised mandate in hand, the Board and senior staff spent time deepening our understanding of the changing publishing, education and business landscapes before developing a three-year business strategy. This strategy outlines the transformation needed to ensure that AC continues to serve creators, publishers and users in the future. In an environment of rapid technological change and great legal ambiguity, the business strategy we have approved will enhance and extend our mature offerings, while also readying the organization to capture emerging opportunities to facilitate content use, and payment, in digital environments.

Based on the recommendations of an advisory task force of creators and publishers, the Board of Directors is proposing a changed governance structure designed to further support the transformation agenda. The proposed structure is smaller, more nimble and efficient, with a nomination process designed to enable the strategic recruitment of candidates with skills and expertise matched to organizational needs; and with no reduction in member oversight.

Transformation, we should note, does not mean a retreat from our core values. Access Copyright will continue to champion the value of creative work. The creation, production and use of Canadian content should remain integral parts of a healthy and sustainable reading, writing and learning ecosystem.

While we are committed to developing closer relations and better services for those who teach and learn, we continue to disagree with the "Fair Dealing" guidelines now being implemented by many educational administrations. Guidelines that promote a systematic reliance on unlicensed copying threaten the sustainability of Canadian content.

We must ensure that creators and publishers are able to provide teachers and students with the materials and content they need. We take this responsibility seriously and are dedicated to forging a future for copyright in Canada that works for everyone.

To support us in the pursuit of this new mandate and mission, the Board made a strategic decision to allocate the standard withholding from the 2005-2009 K-12 tariff funds recognized in 2012. These funds will be used to accomplish three objectives: the positioning and strengthening of the organization for the future; the building and developing of new services and offerings for the education sector; and finally, working to establish clarity around fair dealing in education.

This coming year, we look to continuing to advance the transformation agenda. On behalf of the Board, thank you for your continued interest and support in this period of transition.

James Romanow, Co-Chair
Creators

Nancy Gerrish, Co-Chair
Publishers

Executive Director's Report

Roanie Levy
Executive Director

With the transformation mandate received from the membership last April, Access Copyright staff, along with our community working groups, began exploring how we can begin to fulfill our new mandate to do more in the service of content users.

We conducted extensive research on the changing marketplace; analyzed our customers' behaviors and their attitudes toward copyright and the reuse of content; and had discussions with creators and publishers; and each have informed our transformation agenda.

Our research showed us that good services can be perceived as more valuable than free alternatives when they offer better and/or more convenient experiences. We also learned that a large percentage of educators still think it's important to pay for good content. However "willingness to pay" is, perhaps unsurprisingly, closely correlated to "convenience of paying."

Today we are guided by a three-year strategic plan (2014-2016), outlining work in support of near, medium and long-term business development goals. The details that follow come from the strategic plan and brand platform endorsed by the Board of Directors in September.

On business strategy we are committed to becoming an organization that is innovative, nimble, entrepreneurial and responsive to the copyright management and content needs of creators, publishers and users.

We are in the process of developing new products and services to extend and enhance the value of the comprehensive licence.

Access Copyright's unique role in the publishing sector as the point at which authors, creators, publishers and users of content meet in the market for the secondary use of works, also presents us with an opportunity to refashion a role for AC as an enabler and facilitator of collaborative services that bring together a wide group of publishers and creators to service the rapidly evolving content needs of educators, learners and readers.

As such, we are currently exploring with many of you how AC can serve the market by enabling the creation, discovery, and convenient use of high-quality content for researchers, students and educators, by seamlessly integrating copyright clearance and content access with digital technologies and services. In short, clearance and access services that live in the digital places where users share and access content.

On brand & communications, new and improved communications have been developed to support and reflect the transition, emphasize the value of our licensing offering and reinforce the legitimacy of our representation of creators and publishers.

We launched our rebranded website in March and have created a six-part multi-channel bulletin series, hosted on the website, that will address key topics that are of interest to many, including: "The value of the Repertoire," "Where the money goes" and "The 5 principles that guide Access Copyright." The first of these bulletins, "What is Access Copyright?" was released in April.

On educational "Fair Dealing," the guidelines adopted en masse by the educational sector in Canada have been described by observers in the legal and publishing community as pushing the limits of what can reasonably be considered "fair" and, in our opinion, are not in line with the government's stated intent when it added the exception. We will use all the tools and relationships at our disposal to clarify the scope, and demonstrate the harmful impact of these guidelines on writers, visual artists and publishers in Canada.

As for the year's financial and distribution results, 2013 revenue was $28 million which was well over budget due, in part, to money from the K-12 2005 to 2009 test and exams ruling. The year's expenses were under budget by $1.3 million thanks to staff restructuring and stringent cost controls.

The combination of better than expected revenues and lower than budgeted expenses resulted in a year-end surplus of $217K against a budgeted deficit of $2.8 million. Total distributions were $23.6 million, which was $3.4 million over the 2013 target.

I would like to thank the staff members at Access Copyright for their dedication and hard work as we transform the organization. Their conviction that a sustainable Canadian writing and publishing sector is important to educators, learners and readers and their commitment to the organization and its members has helped us get to this point. Along with the Board and the leadership team at AC, I am hopeful and optimistic for the future. In the coming year, we will continue our push forward with our agenda of change.

Workspace of Isabelle Hémard (Open Studio; Toronto), Artist and Access Copyright Affiliate

Transforming Access Copyright

The environment Access Copyright operates in today is very different than when the organization was created in 1988. Our core business models are being disrupted, the legitimacy of our work is being openly challenged and the future role of the organization is becoming increasingly cloudy.

Key threats to the status quo

- Educational "Fair Dealing" is being used as a replacement for comprehensive licensing.
- Increasing overlap between emerging business models and our traditional offering.
- Changing consumer expectations around copyright and content use.

Consultations about change

- September 2012 - Board identifies key challenges and initiates consultation process.
- Early March 2013 - Release of *The Next Chapter*, a green paper outlining the case for change and inviting members to participate in establishing a new direction for the organization.
- April 2013 - The Board hosts a summit "The Next Chapter" which is attended by over 100 representatives from writer, visual artist and publisher associations who came together to consider the future direction of the organization.

Clear message from the membership

- We value Access Copyright and want it to continue.
- Change is needed.
- Access Copyright should serve the interests of creators and publishers, as well as content users.
- Access Copyright should seek to cultivate common ground between content users, and creators and publishers.
- Access Copyright should pursue new business services, models and opportunities that meet the needs of users for the sharing and remixing of content.

The mandate to transform

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.

– 2012 Annual General Meeting Resolution, carried unanimously (April 26, 2013).

Shaping a strategy

After receiving a clear transformation mandate in April 2013, subsequent months were used to conduct extensive research and analysis of the marketplace, customer behavior and attitudes toward copyright and the reuse of content.

The new strategy seeks to ensure that we maximize the potential of our current business, extend ourselves into new opportunities that will help us grow and set the stage to pursue emerging opportunities as they present themselves.

Approval of a three-year strategic plan

In September 2013, the Board approved a three-year strategic plan (2014-2016) to guide us as we transform the organization. The plan defines key areas of work on business strategy, rebranding and educational fair dealing.

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

Content and technology today are co-dependent. We believe there are exciting opportunities for services where content is easily discovered, used, remixed and available in small pieces. We hope to play an important role by providing tools that will enable automatic copyright clearance and permission to use and access content as well as a simple way to pay for the use of that content.

2. Reframe the conversation about copyright, content and the role of Access Copyright

We seek to emphasize the common ground between creators and publishers, and content users: the love of a good book, the desire to have great culture in our lives and the need for reliable, published content.

3. Clarify scope of fair dealing and other exceptions

Canadian creators and publishers are extremely concerned about the broad interpretation of "Fair Dealing" now adopted by many educational institutions. Guidelines that promote a systematic reliance on unlicensed copying threaten the sustainability of Canadian content.

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

We are committed to engaging our staff and affiliates in the transformation of the organization, building stronger relationships with content users, and developing and validating in quick succession potential offerings and partnering with others to bring to market services that integrate copyright clearance and content access with digital services.

About Access Copyright

We believe the importance of content is further enriched by the interactions we have with it. At Access Copyright, we exist to make it easy for everyone to reuse, remix and share their own selections of content.

When educators and students arrange and share selections of content, new connections can be made. The readings chosen and shared often say something personal about what an educator or learner finds important, interesting, even beautiful.

For more than 25 years Access Copyright has facilitated the remixing and sharing of content for educational and professional purposes. We have helped educators become their own anthology editors when the need arises. And we have combined this with an assurance that the original creators and publishers also benefit, so that they can continue creating new and innovative works. This is vitally important to a strong Canadian culture and to all those who read, write, teach and learn.

Access Copyright is the collective voice of creators and publishers in Canada. A non-profit, national organization, we represent tens of thousands of Canadian creators and publishers, and their works. Through agreements with sister organizations around the world, we also represent the works of hundreds of thousands of foreign creators and publishers. This rich repertoire of content is highly valued, particularly by educators and students.
We license the copying of this repertoire to educational institutions, businesses, governments and others. The proceeds gathered when content is copied, remixed and shared are passed along to copyright holders. These investments help to ensure the continued creation of new and innovative works.

Select only the parts that matter to you.
Create something new with your selections.
Share with whomever, wherever, however.
Reward the original creator and publisher.

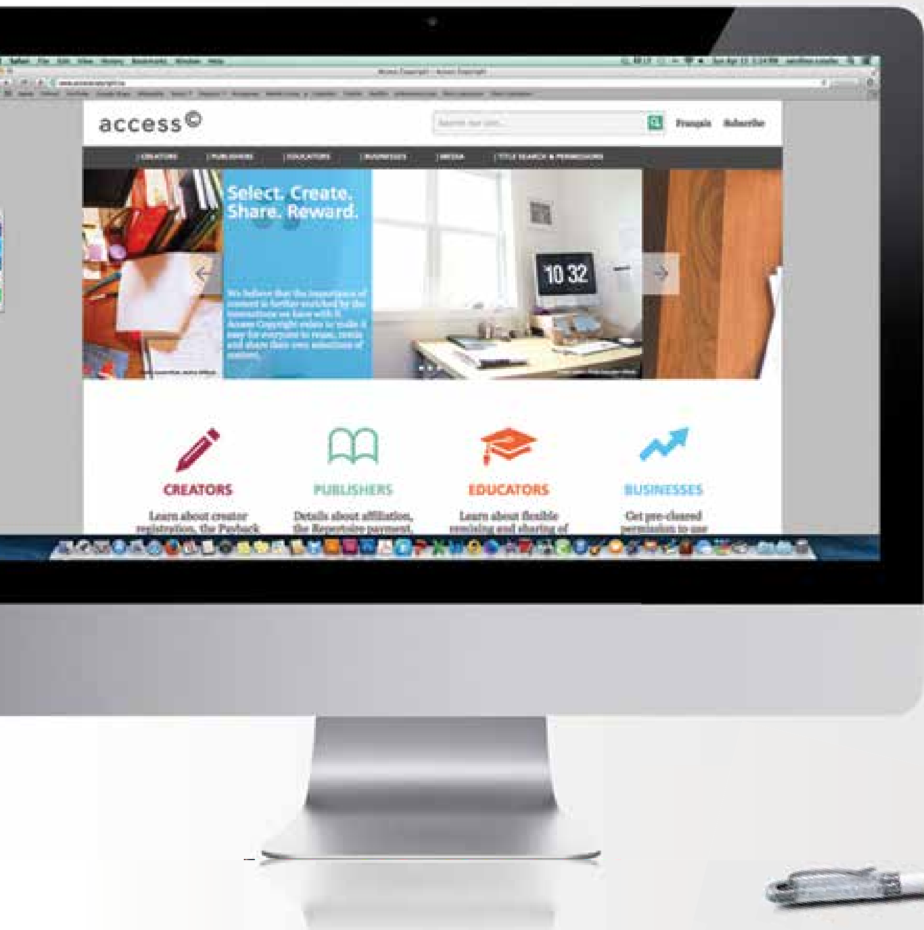
Select. Create. Share. Reward.

Workspace of Andrea Hoff,
Author and Access Copyright Affiliate


INTERACTION WITH CONTENT should be SIMPLE.
WHERE THE MONEY GOES should be CLEAR.
COPYRIGHT SHOULD WORK for EVERYONE.
COMPENSATING creators & publishers SHOULD BE EASY.
CANADIAN CULTURE should CONTINUE TO CONNECT US.

Updated website

A streamlined website is designed to celebrate the creative communities we represent.



Creative Campaign

A six-part, multi-channel bulletin series that will explore topics relevant to both the users and creators of published content.

- What is Access Copyright? (announcing our new brand)
- What's the value of the Access Copyright Repertoire?
- Creator and publisher perspectives on "Fair Dealing"
- Where the money goes (mapping how royalties flow in and out of Access Copyright)
- Ten things you need to know about Access Copyright
- The five principles that will guide the future of Access Copyright

The Pulse
Regularly updated content that engages all those who create, publish and use Canadian content.

Clarifying Scope of Educational Fair Dealing

While we are committed to developing closer relations and better services for those who teach and learn, we continue to disagree with the "Fair Dealing" guidelines now being implemented by many educational administrations.

March 30, 2013: Access Copyright files a proposed post-secondary tariff for the period of 2014 to 2017 with the Copyright Board of Canada.

April 3, 2013: The Federal Court of Appeal rules in favour of creators and publishers on the issue of "Crown Immunity" that was raised by the objectors to the *Access Copyright Provincial and Territorial Governments Tariffs (2005-2009 and 2010-2014).*

April 8, 2013: Access Copyright, on behalf of its creator and publisher affiliates, launches legal action against York University alleging the university's fair dealing guidelines authorize and encourage copying not supported by the law.

April 8, 2013: Access Copyright files an interim elementary and secondary school education tariff application with the Copyright Board.

May 29, 2013: The Copyright Board certifies the interim elementary and secondary school education tariff.

December 11, 2013: The University of Toronto and Western University announce they will not renew their current licences with Access Copyright.

2013 Distributions At A Glance

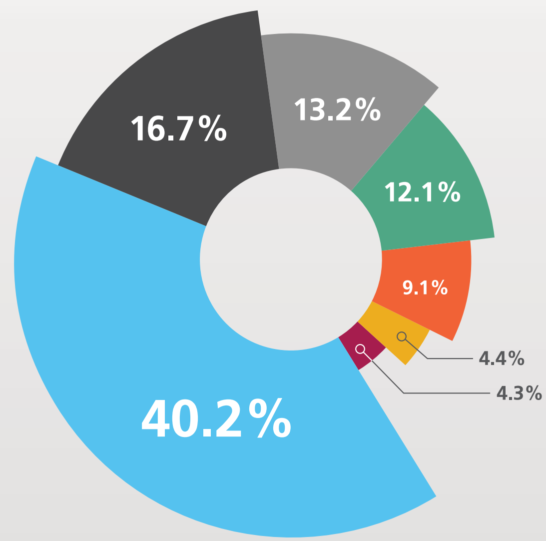
Breakdown

We distributed $23,637,155 in royalties to creators and publishers in 2013 which is in line with recent years (disregarding the retroactive K-12 Tariff royalties paid out in 2012).

This amount has held relatively steady despite many pressures to our licensing revenues from the education sector's self-interpretation of "Fair Dealing," including the decision by K-12 schools across Canada to stop paying royalties as of January 1, 2013, and the loss of a number of post-secondary licensees. However the impact of these challenges will be felt to a greater degree in the coming year.

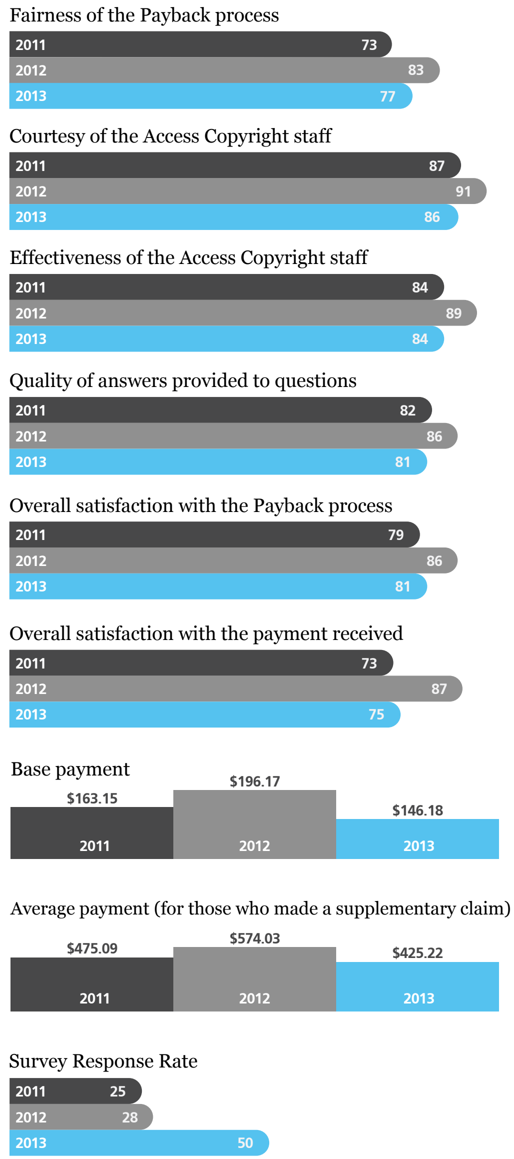
2013 distributions included a one-time only payment in fall 2013 of over $2.1 million in royalties to creators and publishers that had been held in trust from the 2005-2009 K-12 Tariff. These royalties were released after the Copyright Board settled a dispute between Access Copyright and the Council of Ministers of Education and the Ontario school boards over whether works copied for the purposes of a test or exam in K-12 schools should be included in the K-12 Tariff. The Copyright Board ruled that this copying was covered by the tariff.

University/College and other Title Specific Distributions (publishers/creators/RROs)	Payback Creators	K-12 Schools Title Specific (publishers/creators/RROs)	Publisher Repertoire	2005-2009 K-12 Tariff (tests and exams)*	Other	Government, Corporate and other Non-Title Specific Models (publishers/RROs)
$9,506,943	**$3,948,763**	**$3,120,633**	**$2,847,845**	**$2,150,955**	**$1,036,168**	**$1,025,848**

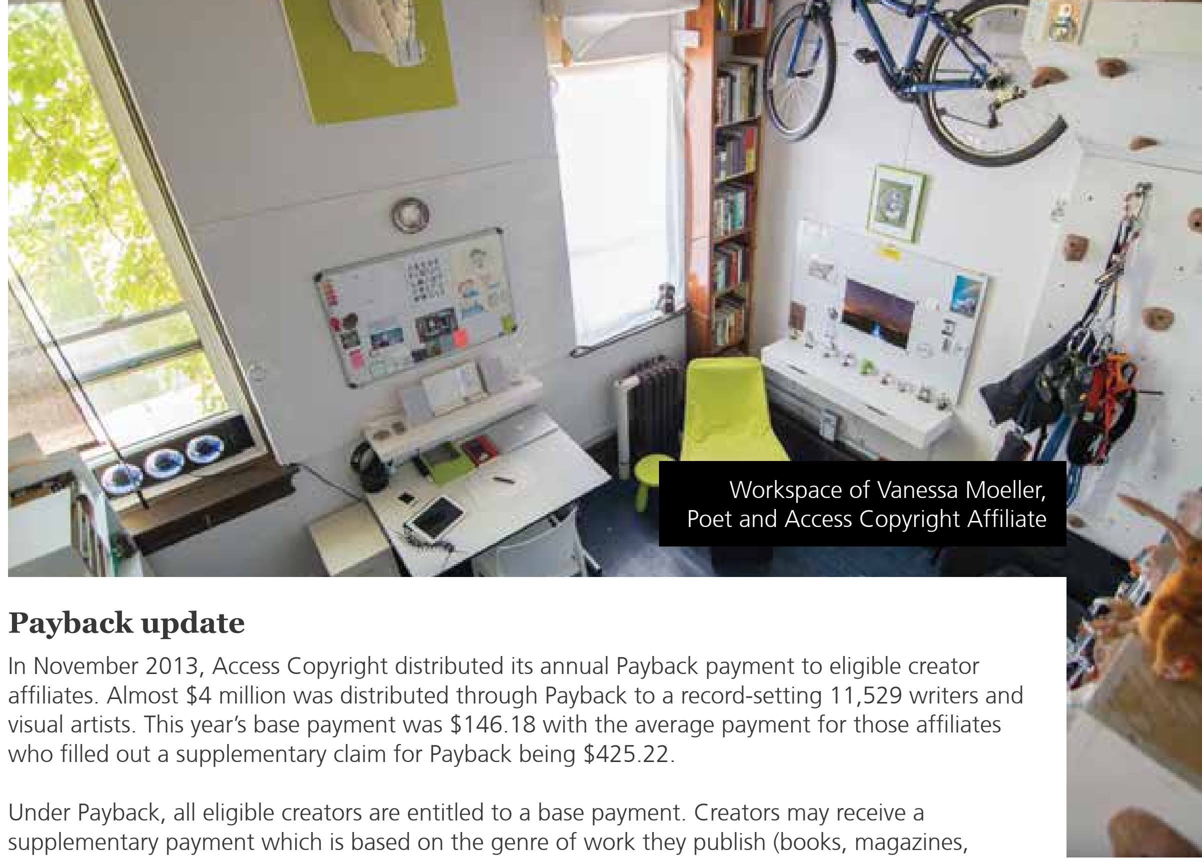


Total $23,637,155

* This one-time only payment will not repeat in 2014.



Numbers refer to the satisfaction level for each aspect of the Payback payment process.



Workspace of Vanessa Moeller, Poet and Access Copyright Affiliate

Payback update

In November 2013, Access Copyright distributed its annual Payback payment to eligible creator affiliates. Almost $4 million was distributed through Payback to a record-setting 11,529 writers and visual artists. This year's base payment was $146.18 with the average payment for those affiliates who filled out a supplementary claim for Payback being $425.22.

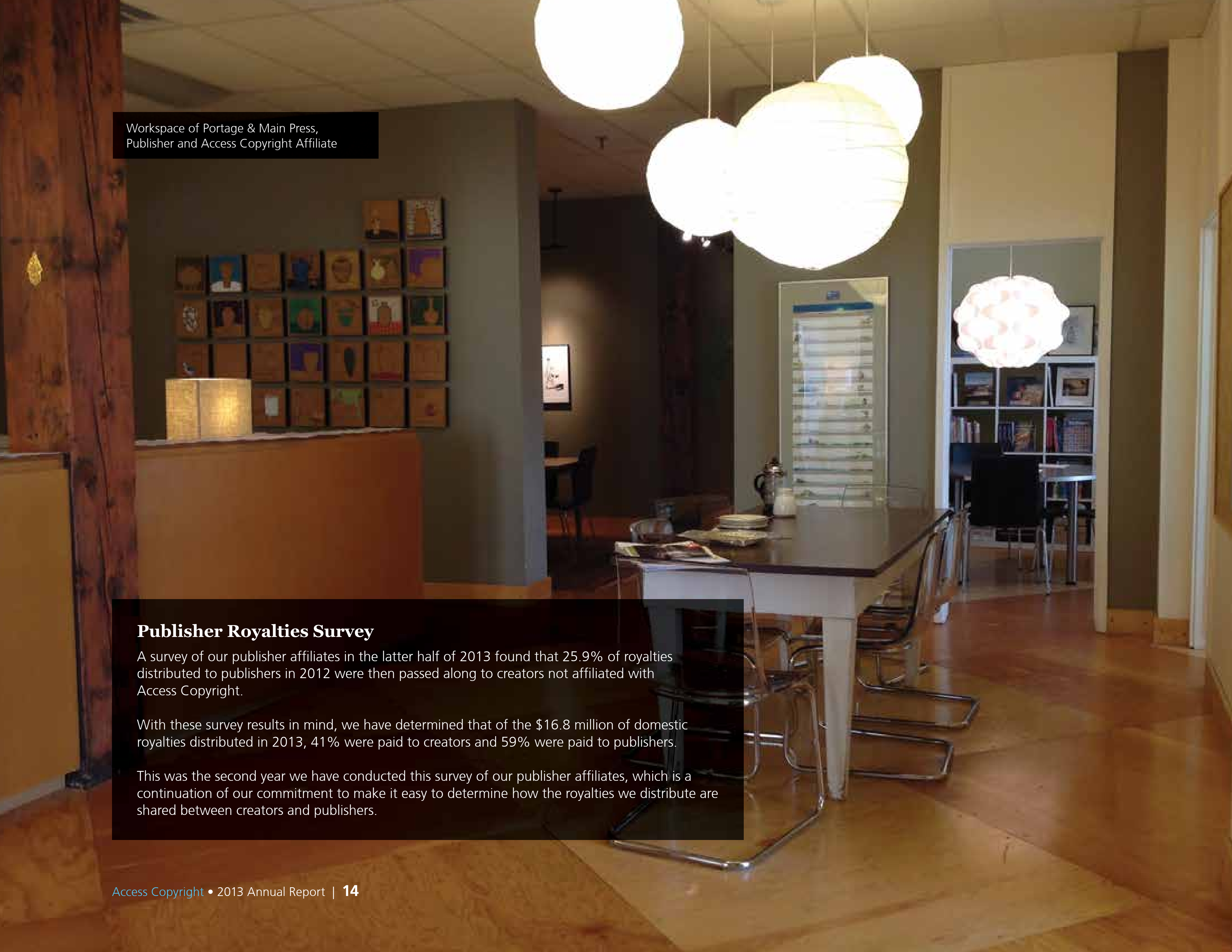
Under Payback, all eligible creators are entitled to a base payment. Creators may receive a supplementary payment which is based on the genre of work they publish (books, magazines, scholarly journals and newspapers), how much they publish and when they publish. Only creators who submit a supplementary claim are eligible to receive the supplementary portion of the payment.

Creators still satisfied with Payback

Our third annual survey of creator affiliates who received a Payback payment shows that they are still satisfied with the annual payment and that the process still works very well.

Seventy-six percent of affiliates who responded to our survey reported that they were either satisfied or very satisfied with the payment that they received. Additionally, 85% of affiliates were satisfied or very satisfied with the overall payment process. Both figures are a decrease from our 2012 survey where 91% of our affiliates reported either being satisfied or very satisfied with their Payback payment as well as with the overall Payback program. These declines were expected as the 2013 Payback payment was lower which was due in part to the educational sector's self-interpretation of educational "Fair Dealing."

We are pleased, though, that our affiliates continue to report their pleasure with the work our staff provides in assisting them with making their Payback claim and that they continue to be satisfied with the fairness of the payment.



Workspace of Portage & Main Press,
Publisher and Access Copyright Affiliate

Publisher Royalties Survey

A survey of our publisher affiliates in the latter half of 2013 found that 25.9% of royalties distributed to publishers in 2012 were then passed along to creators not affiliated with Access Copyright.

With these survey results in mind, we have determined that of the $16.8 million of domestic royalties distributed in 2013, 41% were paid to creators and 59% were paid to publishers.

This was the second year we have conducted this survey of our publisher affiliates, which is a continuation of our commitment to make it easy to determine how the royalties we distribute are shared between creators and publishers.

Workspace of Gerry Hill, Poet and Access Copyright Affiliate

Independent Auditor's Report

To the Members of
The Canadian Copyright Licensing Agency

We have audited the accompanying financial statements of **The Canadian Copyright Licensing Agency**, which comprise the statement of financial position as at December 31, 2013, 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, 2013, 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.

Grant Thornton

Grant Thornton LLP

Toronto, Canada
March 5, 2014

Chartered Accountants
Licensed Public Accountant

Statement of financial position

(In thousands of dollars)

December 31,		**2013**		**2012**
Assets				
Current				
Cash and cash equivalents	**$**	**4,382**	$	8,831
Investments (Note 3)		**46,999**		63,087
Accounts receivable and prepaid expenses (Note 4)		**2,802**		11,475
		54,183		83,393
Investments (Note 3)		**16,652**		6,023
Capital assets (Note 5)		**170**		390
	$	**71,005**	$	89,806
Liabilities				
Current				
Undistributed royalties (Note 6)	**$**	**15,711**	$	20,155
Accounts payable and accrued liabilities (Note 7)		**702**		12,358
Deferred revenue		**3,326**		4,600
Deferred revenue – uncertified tariff and tariff under appeal (Note 8)		**26,317**		28,773
Contributions payable to Access Copyright Foundation (Note 9)		**9**		412
Deferred capital contributions		**-**		25
		46,065		66,323
Undistributed royalties (Note 6)		**2,651**		1,379
Deferred lease inducements and rent liability		**-**		32
		48,716		67,734
Net Assets				
Net assets invested in capital assets (Note 10)		**170**		365
Net assets internally restricted for contingencies (Note 11)		**2,000**		2,000
Net assets internally restricted for tariff fund (Note 12)		**5,481**		5,517
Net assets internally restricted for development fund (Note 13)		**4,186**		4,213
Unrestricted net assets		**10,452**		9,977
		22,289		22,072
	$	**71,005**	$	89,806

Commitments (Note 15)
Contingencies (Note 16)

On behalf of the Board

Director

Director

See accompanying notes to financial statements.

Statement of changes in net assets

(In thousands of dollars)
Year ended December 31, 2013

Net assets	Invested in capital assets (Note 10)	Internally restricted contingencies fund (Note 11)	Internally restricted for tariff fund (Note 12)	Internally restricted development fund (Note 13)	Unrestricted	**2013 Total**	2012 Total
Balance, beginning of year	$ 365	$ 2,000	$ 5,517	$ 4,213	$ 9,977	**$ 22,072**	$ 13,291
Excess of revenues over expenses (expenses over revenues) for the year	(259)	-	(1,571)	(391)	2,438	**217**	8,781
Interfund transfers	-	-	1,535	364	(1,899)	**-**	-
Investment in capital assets	64	-	-	-	(64)	**-**	-
Balance, end of year	$ 170	$ 2,000	$ 5,481	$ 4,186	$ 10,452	**$ 22,289**	$ 22,072

See accompanying notes to financial statements.

Statement of operations

(In thousands of dollars)
Year ended December 31

		2013		2012
Revenues				
Licence fees	$	**24,145**	$	32,353
Licence fees – Elementary and Secondary Schools certified tariff 2005 to 2009 (Note 8)		**2,914**		38,580
Interest income		**883**		810
Other		**108**		118
		28,050		71,861
Expenses				
Operational expenses				
General and administrative		**4,705**		6,114
Professional fees		**264**		574
Amortization of capital assets		**284**		428
Travel, meetings, staff and directors' costs		**226**		248
Foreign exchange (gain) loss		**(82)**		16
Tariff fund - Copyright Board applications		**1,571**		1,221
Development fund		**391**		80
		7,359		8,681
Distribution expenses				
Provision for royalties for distribution		**18,288**		23,928
Provision for royalties for distribution – Elementary and Secondary Schools certified tariff 2005 to 2009 (Note 8)		**2,177**		29,877
Allocated to Access Copyright Foundation (Note 9)		**9**		594
		20,474		54,399
Total expenses		**27,833**		63,080
Excess of revenue over expenses for the year	**$**	**217**	$	**8,781**

See accompanying notes to financial statements.

Statement of cash flows

(In thousands of dollars)

Year ended December 31	2013	2012
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of revenue over expenses for the year	**$ 217**	$ 8,781
Amortization of capital assets	**284**	428
Amortization of lease inducements and rent liability	**(32)**	(49)
Amortization of deferred capital contributions	**(25)**	(50)
	444	9,110
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	**8,673**	(7,958)
Undistributed royalties	**(3,172)**	(6,522)
Accounts payable and accrued liabilities	**(11,656)**	10,766
Deferred revenue	**(3,730)**	(36,495)
Contributions payable to Access Copyright Foundation	**(403)**	342
	(10,288)	(39,867)
	(9,844)	(30,757)
Investing activities		
Purchase of investments	**(65,209)**	(37,665)
Proceeds on maturity of investments	**70,668**	72,680
Purchase capital assets	**(64)**	(66)
	5,395	34,949
(Decrease) increase in cash and cash equivalents	**(4,449)**	4,192
Cash and cash equivalents, beginning of year	**8,831**	4,639
Cash and cash equivalents, end of year	**$ 4,382**	$ 8,831
Cash and cash equivalents are comprised of:		
Cash	**$ 2,882**	$ 4,831
Guaranteed investment certificates	**1,500**	4,000
	$ 4,382	$ 8,831

See accompanying notes to financial statements.

1. Organization

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

a) To advocate, protect and advance the interests of creators and publishers, and other copyright owners who have legal rights in copyright works which are subject to reproduction, including reprographic, digital and analogue copying, performance, exhibition and presentation, and transmission, including retransmission; and to facilitate their participation in the digital marketplace for copyright works;

b) To facilitate authorized public access to copyright works by licensing and other services and by collecting and distributing royalties and other compensation for use of copyright works to copyright owners individually and for collective social and cultural purposes;

c) To research and study copyright questions relating particularly to collective administration and management of copyright in the context of economic, social, cultural and technological developments; and to provide information to creators and publishers, users and the public generally about copyright;

d) To increase public awareness and understanding of copyright including the collective administration and management of copyright, to monitor unauthorized use or infringement of copyright material, and to promote compliance with licensing arrangements and copyright laws;

e) In carrying out the above purposes, to cooperate with Canadian and foreign reproduction rights organizations, international organizations representing reproduction rights organizations or promoting copyright protection, Canadian, foreign and international societies which represent creators and publishers, and others interested in copyright, literacy, incentive for literary and artistic creation and the wider dissemination of copyright works; and

f) For the further attainment of the above objectives, to accept grants, donations and bequests, to receive and maintain funds, and to use, apply, give, devote or distribute from time to time some or all of funds of the Corporation and the income therefrom.

The Corporation was 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 Canadian Institute of Chartered Accountants ("CICA") 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.

Summary of significant accounting policies (continued)

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.

Financial Instruments

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.

Cash and Cash Equivalents

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

Capital Assets and Amortization

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

(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Tangible

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

Intangible

Computer software	three years

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

Undistributed Royalties

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

Deferred Lease Inducements and Rent Liability

Deferred lease inducements represent cash benefits received from the landlord pursuant to lease agreements for premises occupied by the Corporation. These lease inducements are amortized against rent expense over the terms of the leases. Rent liability represents the difference between minimum rent as specified in the leases and rent calculated on a straight line basis over the term of the lease. The current portion of deferred lease inducements and rent liability are recorded as deferred revenue.

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.

3. Investments

The Corporation holds the following unrestricted investments:

	2013	2012
Corporate bonds and notes Interest at various rates ranging from 2.05% to 6.15% per annum, maturing on various dates to May 9, 2016	**$ 8,465**	$ 14,108
Guaranteed investment certificates Interest at various rates ranging from 1.58% to 2.12% per annum, maturing on various dates to April 22, 2015	**29,000**	15,000
Money market funds	**31**	8,481
	37,496	37,589

(In thousands of dollars)

3. Investments (continued)

	2013	2012
The Corporation has internally restricted the following investments for the Elementary and Secondary Schools tariff:		
Corporate bonds and notes		
Interest at various rates ranging from 3.1% to 6.5% per annum, maturing on various dates to June 8, 2015	**8,715**	-
Guaranteed investment certificates		
Interest at various rates ranging from 1.65% to 2.10% per annum, maturing on various dates to June 4, 2015	**17,000**	22,650
Money market funds	**440**	8,871
	26,155	31,521
Total investments	**63,651**	69,110
Less: current portion	**(46,999)**	(63,087)
	$ 16,652	$ 6,023

4. Account receivable and prepaid expenses

	2013	2012
Licence fees receivable	**$ 1,750**	$ 10,259
Accrued interest	**396**	235
Government remittances receivable	**342**	683
Uncertified tariff – accounts receivable (Note 8)	**162**	149
Prepaid expenses	**152**	149
	$ 2,802	$ 11,475

5. Capital assets

			2013	2012
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Office equipment	$ 425	$ 415	**$ 10**	$ 28
Computer hardware	545	469	**76**	86
Leasehold improvements	416	399	**17**	45
Computer software	6,473	6,406	**67**	231
	$ 7,859	$ 7,689	**$ 170**	$ 390

(In thousands of dollars)

6. Undistributed royalties

	2013	2012
Balance, beginning of year	$ 21,534	$ 28,056
Provision for royalties for distribution	18,288	23,928
Provision for royalties for distribution – Elementary and Secondary Schools certified tariff 2005 – 2009 (Note 8)	2,177	29,877
	41,999	81,861
Distribution to rightsholders	(21,460)	(30,764)
Distribution to rightsholders – Elementary and Secondary Schools certified tariff 2005 – 2009 (Note 8)	(2,177)	(29,279)
Other	-	(284)
Balance, end of year	18,362	21,534
Less: current portion	(15,711)	(20,155)
	$ 2,651	$ 1,379

7. Account payable and accrued liabilities

	2013	2012
Accounts payable	$ 103	$ 228
Accrued liabilities	599	660
Elementary and Secondary Schools tariff – refund (Note 8)	-	11,470
	$ 702	$ 12,358

8. Deferred revenue – uncertified tariff and tariff under appeal

	2013	2012
Balance, beginning of year	$ 28,773	$ 67,490
Annual deferred revenue and interest	458	10,691
Licence fees recognized – Elementary and Secondary Schools certified tariff 2005 to 2009)	(2,914)	(38,580)
Elementary and Secondary Schools tariff – refund	-	(10,828)
Balance, end of year	$ 26,317	$ 28,773

8. Deferred revenue – uncertified tariff and tariff under appeal (continued)

Following a decision issued by the Copyright Board of Canada ("CBC") in 2009, the Corporation invoiced the Elementary and Secondary Schools based on the certified tariff for the years 2005 to 2009.

The CBC decision for the 2005 to 2009 tariff was confirmed by the Federal Court of Appeal with a question regarding the inclusion of examination copies in the tariff calculation referred back to the CBC for re-consideration; however, the Federal Court of Appeal decision was appealed to the Supreme Court of Canada ("SCC").

The SCC ruling on this matter was released in 2012. The SCC ruling considered the application of the fair dealing exception to a small portion of the copies and concluded the CBC had erred in its interpretation of the fair dealing exception. Determination of the impact of removing this copying volume from the tariff calculation was sent back to the CBC and the CBC issued its ruling on January 18, 2013. In this ruling, the CBC reduced the rate to account for the removal of the volume at issue before the SCC, but upheld the previous decision that examination copies were compensable under the tariff.

At December 31, 2012, the Corporation deferred the remaining 2005 to 2009 licence fees and related interest in the amount of $2,914 pending the expiry of the 60-day appeal period for the January 18, 2013 ruling. There was no appeal and the Corporation was able to recognize the licence fees in 2013. In conjunction with the recognition of these fees, the Corporation approved royalties for distribution of $2,177 (Note 6) and the contribution of $364 each to the Tariff Fund and the Development Fund, and $9 (Note 9) to the Foundation.

Between 2010 – 2012, the Corporation continued to invoice 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 CBC in its ruling on January 18, 2013, together with related interest, in the amount of $26,317, have been recorded as deferred revenue and segregated by the Corporation pending the outcome of a decision for these years that is still in front of the CBC. A decision or the resolution of an appeal on the 2010 to 2012 licence fees will be recognized in the year a decision is made.

9. Related party transactions

On June 25, 2009, the Corporation established the Access Copyright Foundation, a not-for-profit organization whose purpose is to promote Canadian culture through providing grants intended to encourage the understanding, development and promotion of literary and visual arts in Canada.

The Foundation was initially funded by an allocation of undistributed royalties in the amount of $3,237 representing a portion of licence fees received for which the rightsholders could not be identified. The Corporation continues to search for the rightsholders specific to these undistributed royalties on an ongoing basis. Commencing in 2009, 1.5% of gross licence fees received by the Corporation were being allocated for contribution to the Foundation up to a specified maximum amount to be determined by the Board of Directors. In 2013 the Board of Directors, due to declining revenues, decided to suspend contributions until there was greater certainty around the value of rights that the organization administers on behalf of rightsholders. During the year, $9 (2012 - $594) was allocated to the Foundation as a result of the remaining royalty distributions from the 2005 to 2009 Elementary and Secondary School tariff, of which $9 remained unpaid at December 31, 2013 (December 31, 2012 $412).

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

The Foundation has not been consolidated in the Corporation's financial statements. Financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at December 31, 2013 and 2012 and for the years ended December 31, 2013 and 2012 are as follows:

(In thousands of dollars)

Access Copyright Foundation (thousands of dollars)		2013		2012
Statement of financial position				
Total assets	**$**	**4,546**	$	4,676
Total liabilities	**$**	**157**	$	1
Net assets		**4,389**		4,675
	$	**4,546**	$	4,676
Statement of operations				
Total revenues	**$**	**68**	$	645
Total expenses		**354**		311
(Deficiency) excess of revenues over expenses	**$**	**(286)**	$	334

Total revenues include contribution revenue of $9 (2012 – $594) received from the Corporation.

Statement of cash flows				
Cash from (used in) operations	$	266	$	(2)
Cash from (used in) investing		(59)		(52)
Increase/(decrease) in cash equivalents	$	207	$	(54)

10. Investment in capital assets

		2013		2012
Net assets invested in capital assets are comprised as follows:				
Capital assets	**$**	**170**	$	390
Deferred capital contributions		**-**		(25)
	$	**170**	$	365

The excess of expenses over revenues attributable to capital assets is calculated as follows:

		2013		2012
Amortization of capital assets	**$**	**(284)**	$	(428)
Amortization of deferred capital contributions		**25**		50
	$	**(259)**	$	(378)

(In thousands of dollars)

11. 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.

12. Net assets internally restricted for tariff fund

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

13. Net assets internally restricted for development fund

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

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.

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 0.9402 (December 31, 2012 - 0.9949) and are included in the following financial statement items:

	2013	2012
Cash and cash equivalents (U.S. dollars)	**$ 888**	$ 429
Investments (U.S. dollars)	**$ -**	$ 1,021

(In thousands of dollars)

15. Commitments

The Corporation has entered into two operating agreements for the lease of its premises and office equipment for a term expiring on August 31, 2015. 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:

2014	$	164
2015		117
	$	281

The Corporation is contingently liable for the future rents of its sub-tenant in the amount of approximately $50, expiring on August 31, 2015.

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.

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.

Access Copyright's 2013 Board of Directors

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

Sean Cassidy; Orangeville, ON; **Anita Chong**; Toronto, ON; **Sandy Crawley**; Toronto, ON; **Michael Elcock**; Sooke, BC; **George Fetherling**; Vancouver, BC; **Bill Harnum**; Toronto, ON; **John Hinds**; Toronto, ON; **Katherine Lawrence**; Regina, SK; **Lezlie Lowe**; Halifax, NS; **Cameron Macdonald**; Ottawa, ON; **Sylvia McNicoll**; Burlington, ON; **Jeff Miller**; Toronto, ON; **Greg Nordal**; Toronto, ON; **Anita Purcell**; Orillia, ON; **Immee Chee Wah**; Toronto, ON; **Kevin Williams**; Vancouver, BC

Creator Member Organizations

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

Publisher Member Organizations

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

Access Copyright's Current Executive Team

Roanie Levy, Executive Director; **Brian O'Donnell**, Director, Business & International Development; **Kerrie Duncan**, Director, Operations; **Erin Finlay**, Director, Legal and Government Relations, General Counsel

Management Team

Claire Gillis, Manager, Tariffs and Research; **Silvia Grunberg**, Manager, Royalty and Client Services; **Jennifer Lamantia**, Manager, Education Licensing Development; **Andrew Simpson**, Manager, Stakeholder Engagement; **Rob Weisberg**, Manager, Corporate Licensing Development

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