





Advocacy
Copyright
K-12 Tariff

Royalties

Education
Digital Repository

Bill C-32

Creators

Payback

Licensing Solutions

Post-Sec Tariff

Writers
Visual Artists



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Co-Chairs' Report

This past year has been a formidable one for Access Copyright. Ongoing tariff activities, challenging user expectations, an unhelpful copyright bill and declining post-secondary licence revenues have all converged to make 2010 a truly difficult twelve months. But through it all your Board and staff at Access Copyright remain committed to supporting our publisher and creator affiliates, responding to the needs of our member organizations, bringing the best possible value to the users of our licences and developing new business models to support the digital content environment.

One of the key developments in support of our affiliates was the successful launch of Payback™ for Creators. This new distribution method links the amount of content produced with the level of payment received. In short, it puts more money into the hands of creators who have produced more works and are therefore more likely to have works copied.

Your Board also made changes this year to better recognize the value all rightholders bring to the collective. And we continue to support the growth and development of our new Access Copyright Foundation.

A resounding theme in 2010 was Access Copyright championing rights in the face of unprecedented political and legal adversity. The tabling in Parliament of Bill C-32, The Copyright Modernization Act, that includes "education" as a fair dealing purpose as well as numerous other new or expanded exceptions, poses a significant threat to revenues received through educational sector licences. Access Copyright is closely collaborating with our member organizations, individual affiliates and many other rightholder organizations on a variety of initiatives to ensure that our deep concerns regarding Bill C-32 are heard in Ottawa.

Unable to renew our post-secondary licences through negotiation, we filed a tariff application with the Copyright Board to have digital rights included. The tariff application recognizes a shift in copying practices taking place in post-secondary institutions, which are increasingly making use of digital technologies to enrich education, while ensuring publishers and creators will be fairly compensated for these uses.

On a personal note, we would also like to acknowledge the dedication and hard work of the entire Board of Directors. The challenges that face Access Copyright require a substantial commitment of time and energy from each Board member. We thank you all for your continued dedication.

And finally we would like to acknowledge the skill and hard work of the entire staff at Access Copyright. Under the capable guidance of Executive Director Maureen Cavan and her senior management team, we are confident the organization will continue to successfully navigate the stormy waters we find ourselves in.



Michael O'Reilly



Nancy Gerrish

“

A resounding theme in 2010 was Access Copyright championing rights in the face of unprecedented political and legal adversity.”

Executive Director's Report

For Access Copyright, 2010 could be described as a year of championing rights, overcoming adversity and better serving our clients. Throughout the year, it was our goal to introduce new services that would benefit our affiliates while also maintaining existing services that simplify the copyright needs of our affiliates and licensees.

Two examples of these efforts are the successful launch of the new Payback™ distribution for creators and a pilot of a new digital repository.

In March, Access Copyright filed a tariff application with the Copyright Board to update the post-secondary comprehensive licence so that common

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Bill C-32 seriously threatens the revenues received for educational uses of rightsholder content that flow from Access Copyright's educational sector licences to the creators and publishers whose works are commonly used to enrich the learning experience of Canadian students.”

digital uses of rightsholders' content could be legally and easily accessible to educational users and fair compensation for use could be returned to rightsholders. The tariff proposes significant changes to the previous licence which will enable institutions to ensure professors and students can legally pursue modern digital teaching and learning opportunities through a seamless licence to use works in Access Copyright's repertoire.

In June, we celebrated great success when the Federal Court of Appeal upheld the 2009 certification of the K-12 Tariff by the Copyright Board. Subsequently Canada's Ministers of Education (excluding the Quebec Minister of Education) and Ontario school boards filed for leave to appeal this decision to the

Supreme Court of Canada. As of printing, the Supreme Court has not announced whether it will hear the case.

The tabling in Parliament of Bill C-32, The Copyright Modernization Act, on June 2 saw the proposed addition of "education" as a fair dealing purpose as well as the introduction of numerous new and expanded exceptions. These proposed changes seriously threaten the revenues received for educational uses of rightsholder content that flow from Access Copyright's educational sector licences to the creators and publishers whose works are commonly used to enrich the learning experience of Canadian students. We are working closely with our member organizations, individual affiliates and many other rightsholder organizations to ensure our deep concerns regarding many of the proposed changes in C-32 are clearly heard and understood in Ottawa. We appreciate the support we are receiving in this effort from other rightsholder associations and collectives from around the world.

In November we successfully introduced Payback™, a new creator payment model that recognizes the value individual creators contribute to Access Copyright's repertoire. In all, 8,811 creators received Payback™ royalty cheques in 2010, up from a creator payee pool of 7,845 in 2009 - an increase of 12%.

Access Copyright enjoyed stronger than expected financial results this year by exceeding 2010 budgeted licensing revenues and ensuring strong cost control efforts. Working with our affiliated creators and publishers we continue to develop digital content management services for their use and look forward to enable legal digital access of Canadian content.

Access Copyright is committed to being an agent of change in support of our creator and publisher affiliates and member organizations. We work strongly together in these interesting times to provide content access for users and fair remuneration for uses of published works.



Maureen Cavan

What We Do at Access Copyright

Access Copyright was established as a not-for-profit organization in 1988 by a group of authors and publishers with a common and simple objective:

To protect the value of their intellectual property by ensuring fair compensation when their works are copied.

We operate under the premise that users of copyright protected materials need access to published content. Access Copyright is effectively meeting the needs of businesses, educators, governments and other organizations across Canada with our innovative copyright licensing solutions.

Our licences give content users immediate, legal access to the copyright protected materials they need to copy from to get their jobs done, while ensuring that creators and publishers are fairly compensated when their works are copied.

Through agreements with other copyright organizations around the world, Access Copyright provides licensees with access to a growing repertoire of more than 20 million books, magazines, newspapers, journals and other publications.

Today, our organization has grown to become a key service provider for educators, businesses, schools, government and other users of copyright protected works. We represent the reproduction rights of and distribute royalties to 9,778 Canadian creator affiliates and more than 600 publisher affiliates.

Operating as a "member guided" organization, our elected board of directors (nine representing publisher member organizations and nine representing creator member organizations) is the driving force behind our organization's policies.

For more information on our governance structure and the roles and responsibilities of our board, please contact us or visit our website, www.accesscopyright.ca.

Affiliate Relations

Affiliate Relations prides itself in communicating industry related issues to our publisher and creator affiliate associations, enhancing credibility and awareness. We explore opportunities for new partnerships and services for affiliates. To do these things we maintain connections throughout the rightsholder community. With every contact we seek to enhance the real and perceived credibility of the organization in support of the ultimate goal of well-served, well-informed, supportive affiliates.

In 2010 affiliate relations:

- Organized post-secondary meetings in January and July where the focus was on Bill C-32 as well as updates on the tariff filing.
- Met with publishers throughout the year to make sure they understood the importance of granting Access Copyright their digital rights. As a result, we have succeeded in gaining the basic digital grant of rights from the majority of our key stakeholders.
- Participated in industry related conferences throughout the year including Reading for the Love of It, MagNet, the Ontario Library Conference, TESL, Ink and Beyond and the Frankfurt Book Fair.

“**The Alberta Magazine Association membership numbers have increased steadily and the association has grown from a small collective of publishers into the key centre for networking, information and professional development in Alberta’s magazine industry. This progress would not have been possible without support from associate members like Access Copyright.**”

*Colleen Seto, Executive Director
Alberta Magazine Publishers Association*

Legal

K-12 Tariff

On July 23, 2010, the Federal Court of Appeal rendered its decision on the judicial review application of the Access Copyright Elementary and Secondary School Tariff, 2005-2009. The Federal Court of Appeal ruled largely in favour of Access Copyright by upholding the Copyright Board's assessment of fair dealing.

In September, the objectors to the tariff (the school boards in Ontario, the Ministers of Education of all the provinces and territories, excluding Quebec) sought leave to appeal the decision to the Supreme Court of Canada. At this time, the Supreme Court of Canada has not yet decided if it will hear the appeal. Access Copyright cannot recognize or distribute retroactive revenues until all appeals are exhausted. If the Supreme Court of Canada decides to hear the appeal, we hope to have a final decision within a year.

Post-Secondary Tariff

On March 30, 2010, Access Copyright filed the Access Copyright Post-Secondary Educational Institution Tariff, 2011-2013, with the Copyright Board of Canada, to cover the reproduction of copyright protected works in post-secondary institutions across Canada as of January 1, 2011.

For 16 years, Access Copyright has licensed post-secondary institutions to photocopy portions of published works for day-to-day use and for the production of coursepacks. Access Copyright filed a tariff with the Copyright Board of Canada because the parties were unable to reach an agreement on the renewal of the licences.

The proposed tariff covers both paper and digital uses. Once certified the tariff will, among other things, permit faculty and students in post-secondary

educational institutions to photocopy, scan and upload to secure networks, and e-mail portions of copyright-protected published works. Given that it will likely be several years before the Copyright Board certifies the final tariff, on December 23, 2010, the Copyright Board certified an interim tariff to cover the period from January 1, 2011 to the earlier of December 31, 2013 or when a final tariff is certified. The interim tariff allows institutions to continue with day-to-day and coursepack copying under similar terms and the same royalty rates as the previous licence agreement. The interim tariff also provides institutions with the option to make digital copies of portions of published works.



Provincial/Territorial Government Tariffs (2005-2009) and (2010-2014)

In 2010, Access Copyright filed a second tariff to cover the reproduction of copyright protected works in provincial and territorial governments across Canada, excluding Quebec. Both the 2005-2009 tariff and the 2010-2014 tariff are scheduled to be heard by the Copyright Board in October 2012.

Compliance

By mandate from our affiliates, Access Copyright aggressively monitors the copying activities of licensed and unlicensed copy shops across Canada. In 2010, Access Copyright settled four copyright infringement actions before the Federal Court of Canada. At the end of 2010, we have two proceedings in the Federal Court against an infringing copy shop in Toronto and one in British Columbia.

For 16 years, Access Copyright has licensed post-secondary institutions to photocopy portions of published works for day-to-day use and for the production of coursepacks.

Corporate Licensing

In 2010, Access Copyright felt the primary repercussions of the recession that began with the economic downturn in 2008. The anticipated delay in feeling the impact of the recession on revenue is due to the fact that Access Copyright licences are renewed on an annual basis. Despite corporations reporting fewer employees and a higher number of licences being terminated due to budget cuts, Access Copyright's increased licensing efforts still resulted in revenue growth.

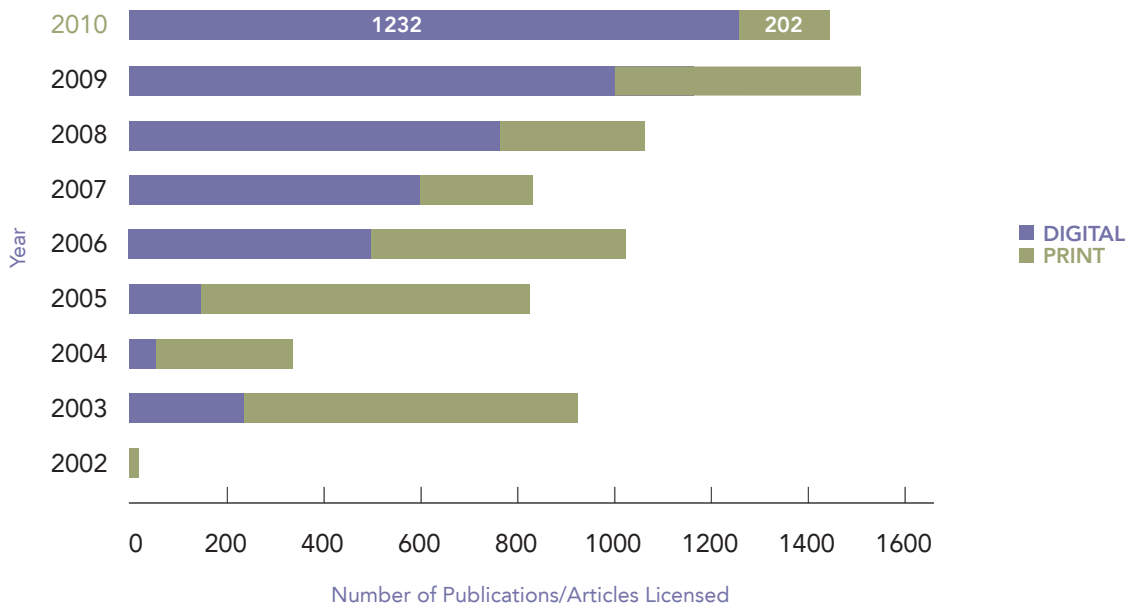
Our success with organizations results from our efforts to build close relationships and to understand our licensees' business processes and the needs of key stakeholders.

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Over the years, together with Access Copyright, we have been able to create many processes and cost efficiencies that benefit Bayer departments across Canada.”

Deeptee Sarma; M.A., M.L.I.S., CCPE
Manager, BAP - Library and Information Resources Bayer Inc.

Number of Publications/Articles Licensed via Pay Per Use (Transactional) Licenses



Educational Licensing



In 2010, Access Copyright launched the K-12 bibliographic school survey. This annual survey is an integral component of our K-12 tariff and allows Access Copyright to collect information on the works that are copied in K-12 schools for the purpose of distributing the royalties collected under the tariff. In order to ensure the successful implementation of the survey, Access Copyright was in direct contact with and provided training to 60% of the 300 schools participating in the survey.

Access Copyright staff provided excellent customer support to the post-secondary community as we moved forward with the tariff process by responding to queries and providing clarification regarding the

proposed tariff, licence extension agreement, interim agreement and the interim tariff agreement.

In 2010, we launched a K-12 training video on the Elementary and Post-Secondary School tariff. The video which can be accessed on our website was developed as a tool to augment the training that Faculty of Education students get. This video was well received by educational institutions as a supplement to the in-person training provided by Access Copyright. These online training tools allow Access Copyright to efficiently and effectively train a great number of future educators on the licence that they will use to copy works once they start teaching in K-12 schools.

Access Copyright staff provided excellent customer support to the post secondary community as we moved forward with the tariff process by responding to queries and providing clarification regarding the proposed tariff, licence extension agreement, interim agreement and the interim tariff agreement.

International Outreach

Access Copyright continues to be a key influence in developing and assisting the international community of Reproductive Rights Organizations (RRO). In 2010, Access Copyright continued to work as a mentor to emerging RROs in the Caribbean.

We are also very pleased to have entered into new bilateral agreements to cover both paper and digital uses of works with CEDRO (Spain), Copydan Writing (Denmark), Barbados Copyright Agency (BCOPY) and ProLitteris (Switzerland & Liechtenstein). These agreements allow Access Copyright's licensees to copy from an ever-growing paper and digital international repertoire of books, magazines, newspapers and other publications. These agreements also ensure that the interests of Canadian copyright owners are protected when their works are copied abroad.

In the fall, Access Copyright met with visiting Chinese and Indonesian IFFRO delegates to discuss Access Copyright's digital initiatives. We had the opportunity to present the Digital Repository and ACE projects and learn about what other collectives are doing.

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BCOPY is happy to acknowledge the invaluable contribution that Access Copyright has made at every stage of its continuing development. We particularly wish to thank Access Copyright for their over-sight and support over the years. Access Copyright's service to BCOPY has been exemplary. ”

Antonio Rudder, *Chairman*
BCOPY, The Barbados Copyright Agency Inc.



Digital Repository

The Digital Repository is a new initiative developed and tested in 2010. Once launched, in mid-2011, the repository will provide a content management service to Canadian-based publishers and creators that allows the efficient management of digital assets.

The digital repository is an electronic warehouse accessible through a web interface. It allows rights holders to manage their digital files in much the same way they currently manage print works. The digital repository will house multiple editions and store files in numerous file formats. Rightsholders will be offered the opportunity to participate in new revenue streams and services as they become available. The repository will allow for the easy retrieval and tracking of their content in a protected environment.

This structured repository will be an organized, seamless, and accountable system for the capture and storage of digital files.

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This past year, Access Copyright took on the challenge to develop a formula through which each member affiliate would receive a portion of the annual distribution based on their own individual repertoire of published works.

Previously, repertoire payments were shared equally between all eligible creators whether you published one short story or wrote dozens of novels. In 2010, Payback replaced the old Creator Repertoire payment. Payments under Payback vary depending on how much you have contributed to the repertoire of works that are licensed by Access Copyright.

Doreen Pendgracs
Access Copyright Affiliate

Excerpt from blog post dated November 17, 2010
<http://doreenisthewizardofwords.blogspot.com>

Here's how it works. Each year all eligible creator affiliates receive a share of Payback payments depending on how much one contributes to the number of works that are licensed by Access Copyright. The Payback payment formula is calculated in two steps. Step one - 40% of the Payback pool is distributed equally amongst all creators. Step two - 60% of the Payback pool is distributed to writers and visual artists depending on what they published and how much they published. The more one publishes, the greater the Payback payment.

Under the Payback, I was compensated for the periodical articles (to which I retained copyright) that I have had published in numerous magazines and newspapers, the numerous photographs that accompanied those articles, and the books I have written (or contributed to if I retained the copyright and reprography rights to that work). Next year I'm hoping my piece of the pie will be even larger as my first solo project as an author was published this year and not reflected in the current calculations.

I don't think anyone can dispute the fact that it is indeed fairer and reflects the original mandate of the collective: to distribute reprographic royalties to the rightsholders of copyrighted works.

Payback provided me with a means to continue to do what I am passionate about and to be fairly compensated for the creativity that ensues.

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Copyright Reform



On June 2, 2010 the Federal Government tabled Bill C-32, An Act to Amend the Copyright Act. At the time of printing, witnesses were still being heard by the legislative committee examining the Bill.

As it stands, Bill C-32 will create hardship for the creator community. New exceptions, and especially the educational exceptions, will result in revenue losses to Canadian writers and publishers in the millions of dollars from a reduction in unit sales and collective licensing revenues for

reproduction. This is expropriation - and a sudden and alarming increase in uncompensated uses of copyright protected works.

The effect of Bill C-32 on education is especially troubling. Every year, Canada's education sector is responsible for copying more than 500 million pages of text - the equivalent of about three million books - for classroom use. Those copies are subject to tariffs

and agreements administered by Access Copyright and COPIBEC, and the royalties generated from those uses are a critical source of revenue for many authors and publishers. The Bill jeopardizes that lifeline by expanding existing exceptions, introducing broad new ones, and creating serious uncertainty by adding education as an allowable purpose under the fair dealing doctrine.

Access Copyright strongly supports the modernization of the *Copyright Act* to ensure that Canadian students benefit from seamless access to the best content available, delivered using the best technology available for use in ways that enhance their education. However, this should not come at the expense of fair compensation to authors and publishers. By achieving a true balance between access and compensation, the Act would better promote the interests of teachers, students and the economy - enhancing the breadth of materials available to educational institutions while promoting, rather than hindering, the creation and distribution of more and better resources through new and evolving technologies.

Access Copyright, along with its Member Organizations, creators and publishers, worked tirelessly to ensure that these concerns are well understood by the Ministers responsible for the Bill, the MPs examining the Bill and bureaucrats.

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The education exemption in Bill C-32 needs to be rethought. Not only does it unilaterally claw back rights that have been recognized for centuries, it will likely end up doing more damage to education in this country than good, by disrupting the delicate ecosystem that has allowed publishers, creators, and educators to develop curricula relevant to the Canadian context.”

Nino Ricci

Two-time Governor General Award winning author and Access Copyright affiliate.

Independent Auditors' Report

To the Members of
THE CANADIAN COPYRIGHT LICENSING AGENCY

Report on the Financial Statements

We have audited the accompanying financial statements of **The Canadian Copyright Licensing Agency**, which comprise the statement of financial position as at December 31, 2010, and the statement of changes in net assets, statement of operations and statement of 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 generally accepted accounting principles, 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.

Auditors' 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 auditor's 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 qualified audit opinion.

Basis for Qualified Opinion

In common with other reproduction rights organizations, the corporation derives a portion of its revenue from licence fees that are based on actual copies made at the licensees' premises, 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 licence fee 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 for 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, 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kraft Berger LLP

KRAFT BERGER LLP
Chartered Accountants, Licensed Public Accountants
Toronto, Ontario | February 25, 2011



Financial Statements

Statement of Financial Position
December 31, 2010 (thousands of dollars)

	2010	2009
ASSETS		
Current		
Cash and cash equivalents	\$ 6,988	\$ 20,908
Investments (Note 3)	18,028	11,105
Accounts receivable and prepaid expenses	6,395	5,203
Tariff under appeal:		
Cash and cash equivalents (Note 4)	56,589	30,167
Accounts receivable (Note 4)	354	17,319
	88,354	84,702
Investments (Note 3)	14,753	8,426
Capital Assets (Note 5)	1,093	1,297
	\$ 104,200	\$ 94,425
LIABILITIES		
Current		
Undistributed royalties (Note 6)	\$ 22,000	\$ 26,510
Accounts payable and accrued liabilities	1,259	1,735
Deferred revenue	1,323	2,188
Contributions payable to Access Copyright Foundation (Note 7)	244	364
Deferred capital contributions (Note 8)	50	50
Tariff under appeal - deferred revenue (Note 4)	56,941	46,890
	81,817	77,737
Undistributed royalties (Note 6)	8,282	3,061
Deferred lease inducements and rent liability	114	162
Deferred capital contributions (Note 8)	75	100
	90,288	81,060
NET ASSETS		
Net assets invested in capital assets (Note 9)	968	1,147
Net assets internally restricted for contingencies (Note 10)	2,000	2,000
Net assets internally restricted for tariff fund (Note 11)	907	-
Unrestricted net assets	10,037	10,218
	13,912	13,365
	\$ 104,200	\$ 94,425

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:



Michael O'Reilly, Director



Nancy Gerrish, Director

Financial Statements

Statement of Changes in Net Assets

For the year ended December 31, 2010 (thousands of dollars)

	Invested in Capital Assets (Note 9)	Internally Restricted for Contingencies (Note 10)	Internally Restricted for Tariff Fund (Note 11)	Unrestricted	2010	2009
NET ASSETS						
Balance, beginning of year	\$ 1,147	\$ 2,000	\$ -	\$ 10,218	\$ 13,365	\$ 13,745
Excess or revenues over expenses (expenses over revenues) for the year	(358)	-	(730)	1,635	547	(380)
Interfund transfer	-	-	1,637	(1,637)	-	-
Investment in capital assets	179	-	-	(179)	-	-
Balance, end of year	\$ 968	\$ 2,000	\$ 907	\$ 10,037	\$ 13,912	\$ 13,365

See accompanying notes to financial statements.

Financial Statements

Statement of Operations

For the year ended December 31, 2010 (thousands of dollars)

	2010	2009
REVENUES		
Licence fees	\$ 32,751	\$ 33,728
Interest income	868	1,038
Other	158	78
	33,777	34,844
EXPENSES		
General and administrative	6,283	6,270
Professional fees	851	709
Copyright Board applications	730	301
Amortization of capital assets	383	310
Travel, meetings, staff and directors' costs	305	355
Foreign exchange loss	129	185
Development of future projects	23	89
	8,704	8,219
Excess of revenues over expenses before the undernoted	25,073	26,625
Provision for royalties for distribution	24,035	26,499
Allocation to Access Copyright Foundation (Note 7)	491	506
	24,526	27,005
Excess of Revenues Over Expenses (Expenses Over Revenues) for the Year	\$ 547	\$ (380)

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows

For the year ended December 31, 2010 (thousands of dollars)

	2010	2009
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues) for the year	\$ 547	\$ (380)
Amortization of capital assets	383	310
Amortization of lease inducements and rent liability	(48)	-
Amortization of deferred capital contributions	(25)	-
	857	(70)
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	15,773	(18,622)
Undistributed royalties	711	(3,222)
Accounts payable and accrued liabilities	(476)	887
Deferred revenue	9,186	44,612
Contributions payable to Access Copyright Foundation	(120)	364
	25,074	24,019
	25,931	23,949
INVESTING ACTIVITIES		
Change in investments	(13,250)	12,154
Purchase of capital assets	(179)	(424)
	(13,429)	11,730
Change in cash and cash equivalents	12,502	35,679
Cash and cash equivalents, beginning of year	51,075	15,396
Cash and cash equivalents, end of year	\$ 63,577	\$ 51,075
Cash and cash equivalents is comprised of:		
Cash	\$ 291	\$ 1,324
Investments in money market funds	63,286	49,751
	\$ 63,577	\$ 51,075

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2010 (thousands of dollars)

1. PURPOSE OF THE 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 analogous 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 co-operate 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 objects, 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. It is a not for profit organization with national jurisdiction excluding Quebec and, as such, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The corporation shares certain common objectives with another not-for-profit organization - Access Copyright Foundation (the "Foundation"). The corporation is currently the sole member and only source of funding of the Foundation.

The corporation has decided not to consolidate the Foundation, and will instead provide the required disclosures (Note 7) in accordance with CICA Handbook Section 4450.

(b) Financial Instruments

a) Financial instruments are measured at fair value upon initial recognition. Investments are classified as held-to-maturity and are measured at amortized cost. Investments maturing within twelve months from the year-end date are classified as current assets. The corporation has designated cash and cash equivalents as held-for-trading, accounts receivable is classified as loans and receivables, and accounts payable and accrued liabilities, undistributed royalties and contributions payable to the Foundation are classified as other liabilities.

b) As allowed by the Accounting Standards Board, the corporation has chosen to apply CICA Handbook Section 3861 - Financial Instruments - Disclosure and Presentation, in place of Section 3862 - Financial Instruments - Disclosure and Section 3863 - Financial Instruments - Presentation.

(c) Cash Equivalents

Cash equivalents represent investments in money market funds which are readily convertible to cash and have maturity dates three months or less from the date of acquisition.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

(d) 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:

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

Capitalization of software under development will cease when the software is substantially complete and available for use. Amortization will commence upon initial utilization of the software.

(e) Impairment of Long-Lived Assets

The corporation reviews, when circumstances indicate it to be necessary, the carrying values of its long-lived assets by comparing the carrying amount of the asset or group of assets to the expected future undiscounted cash flows to be generated by the asset or group of assets. An impairment loss is recognized when the carrying amount of an asset or group of assets held for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the amount by which the asset carrying amount exceeds its fair value, based on quoted market prices, when available, or on the estimated current value of future cash flows.

(f) 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.

(g) Deferred Revenue

Licence fee revenue applicable to future periods and the current portion of deferred lease inducements and rent liability are recorded as deferred revenue.

(h) Tariff Under Appeal - Deferred Revenue

Licence fees in excess of the applicable rate under the previous executed licence with the Elementary and

Secondary Schools, together with related interest, are recorded as tariff under appeal - deferred revenue.

(i) Deferred Capital Contributions

Deferred capital contributions represent 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.

(j) 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.

(k) 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.

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 fees from Elementary and Secondary Schools are recognized as revenue to the extent of the applicable rate under the previously executed licence. For the years commencing 2005, this rate is subject to leave of appeal (Note 4), the resolution of which may result in the reduction of revenues previously recognized.

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.

Investment income is comprised of interest from cash and cash equivalents and interest from other fixed income investments. Interest from cash and cash equivalents and guaranteed investment certificates is recognized on an accrual basis. Interest income on other fixed income investments is recognized using the effective interest method, which includes premiums incurred or discounts earned.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

(l) 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.

(m) Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 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.

3. INVESTMENTS

	Fair Value 2010	2010	2009
Corporate Bonds and Notes Interest at various rates ranging from 2.0% to 6.9% per annum, maturing on various dates to July 22, 2013	\$ 31,532	\$ 31,081	\$ 17,986
Guaranteed Investment Certificates Interest at 2.0% and 3.2% per annum, maturing on July 13, 2011 and May 6, 2013, respectively	1,526	1,500	500
Government Bond Interest at 6.125% per annum, maturing on January 22, 2011	205	200	1,045
	<u>\$ 33,263</u>	<u>32,781</u>	<u>19,531</u>
Less: Current portion		(18,028)	(11,105)
		<u>\$ 14,753</u>	<u>\$ 8,426</u>

4. TARIFF UNDER APPEAL

Following a decision issued by the Copyright Board of Canada in 2009, the corporation invoiced the Elementary and Secondary Schools based on the certified tariff for the years 2005 to 2009. This decision was confirmed by the Federal Court of Appeal; however, the objectors to the tariff have requested leave to appeal to the Supreme Court of Canada. All licence fees invoiced to the Elementary and Secondary Schools for the years 2005 to 2010, in excess of the applicable rate under the previous licence, together with related interest, in the amount of \$56,941 (2009 - \$46,890) have been recorded as deferred revenue by the corporation pending the outcome of the leave to appeal. All funds collected and receivable have been segregated by the corporation to be distributed following the resolution of the leave to appeal.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

5. CAPITAL ASSETS

			2010	2009
	Cost	Accumulated Amortization	Net	Net
Office equipment	\$ 415	\$ 339	\$ 76	\$ 123
Computer hardware	1,126	1,048	78	129
Computer software	1,255	537	718	126
Leasehold improvements	416	250	166	226
Software under development	55	-	55	693
	\$ 3,267	\$ 2,174	\$ 1,093	\$ 1,297

6. UNDISTRIBUTED ROYALTIES

	2010	2009
Balance, beginning of year	\$ 29,571	\$ 32,793
Provision for royalties for distribution	24,035	26,499
	53,606	59,292
Distributions to rightsholders	(23,324)	(26,484)
Contributed to Access Copyright Foundation (Note 7)	-	(3,237)
	30,282	29,571
Less: Current portion	(22,000)	(26,510)
	\$ 8,282	\$ 3,061

7. RELATED PARTY TRANSACTIONS

On June 25, 2009, the corporation established the 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 are being allocated for contribution to the Foundation up to a specified maximum amount to be determined by the Board of Directors. During the year, \$491 (2009 - \$506) was allocated for contribution to the Foundation, of which \$244 remained unpaid at December 31, 2010 (December 31, 2009 - \$364).

The corporation is currently the sole member and only source of funding of the 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.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

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, 2010 and for the year ended December 31, 2010 are as follows:

Access Copyright Foundation (thousands of dollars)	2010	2009
Financial Position		
Total assets	\$ 4,251	\$ 3,776
Total liabilities	\$ 14	\$ 6
Net assets	4,237	3,770
	\$ 4,251	\$ 3,776
Results of Operations *		
Total revenues	\$ 522	\$ 3,780
Total expenses	55	10
Excess of revenues over expenses	\$ 467	\$ 3,770
Cash Flows *		
Cash from operations	\$ 594	\$ 3,412
Increase in cash equivalents	\$ 594	\$ 3,412

Total revenues include contribution revenue of \$491 (2009 - \$3,743) received from the corporation.

* The comparative figures are for the period from the date of incorporation June 25, 2009 to December 31, 2009.

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of funding received from the Ontario Media Development Corporation (OMDC) through the OMDC Entertainment and Creative Cluster Partnership Fund, for the development of an online portal containing copyrighted material for the production of customized coursepacks for post secondary educational institutions. Under the agreement, \$150 was received, and is being amortized over the same three year period as the related software, commencing in July, 2010.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

9. INVESTMENT IN CAPITAL ASSETS

Net assets invested in capital assets are comprised as follows:

	2010	2009
Capital assets	\$ 1,093	\$ 1,297
Deferred capital contributions	(125)	(150)
	<u>\$ 968</u>	<u>\$ 1,147</u>

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

	2010	2009
Amortization of capital assets	\$ (383)	\$ (310)
Amortization of deferred capital contributions	25	-
	<u>\$ (358)</u>	<u>\$ (310)</u>

10. NET ASSETS INTERNALLY RESTRICTED FOR CONTINGENCIES

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

11. NET ASSETS INTERNALLY RESTRICTED FOR TARIFF FUND

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

During the year, \$1,637 was transferred from the unrestricted fund to the Tariff Fund and \$730 was spent on related costs.

12. FAIR VALUE

The carrying amounts of cash and cash equivalents, accounts receivable, undistributed royalties, accounts payable and accrued liabilities and contributions payable to the Foundation approximate fair value because of the short term maturity of these financial instruments.

(b) The carrying amount of investments and their fair value are disclosed in Note 3.

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

13. 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. The corporation has formal policies and procedures that establish target asset mix. The corporation's policies also require diversification of investments within categories, and set limits on exposure to individual investments.

(a) 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 money market funds 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 a government bond which carry an investment grade credit rating and are administered by a major Canadian financial institution.

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

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities and money market funds held by the corporation. The corporation manages this risk by holding a large portion of its securities in investment grade corporate and government bonds and notes and by staggering the terms of the securities held.

(c) 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 0.9946 (2009 - 1.051) and are included in the following financial statement items:

	2010	2009
Cash and cash equivalents (U.S. Dollars)	\$ 2,085	\$ 1,321
Investments (U.S. Dollars)	834	-

14. COMMITMENTS

The corporation has entered into two operating agreements for the lease of its premises for a term expiring on August 31, 2015. The future minimum lease payments, exclusive of executory costs, in the aggregate and in each of the succeeding fiscal years, are as follows:

2011	\$ 173
2012	182
2013	186
2014	194
2015	129
	<hr/> \$ 864 <hr/>

Notes to Financial Statements (continued)

December 31, 2010 (thousands of dollars)

15. CONTINGENCIES

In accordance with certain licence agreements, the corporation indemnifies its licensees against any legal actions that may be brought against them as a result of their exercise of the permission granted therein. Management is not aware of any outstanding claims with respect to the aforementioned indemnifications.

16. CAPITAL MANAGEMENT

The corporation's objectives when managing capital are:

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

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

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

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Access Copyright's 2010 Board of Directors

CREATORS



Mike O'Reilly
Thunder Bay, ON
Executive Committee Co-Chair



Anita Purcell
Coldwater, ON
Governance & Nominating Chair;
Finance Committee



George Fetherling
Vancouver, BC
Governance & Nominating
Committee; IT Committee



James Romanow
Finance Committee Chair;
Distribution Committee



Michael Visser
Toronto, ON
IT Committee



Penney Kome
Calgary, AB
Distribution Committee Chair



Ron Brown
Toronto, ON
Distribution Committee;
Licensing Committee



Sandy Crawley
Toronto, ON
Communications & Membership
Committee; Licensing Committee



Sarah Maloney
Halifax, NS
Communications & Membership
Committee; Governance &
Nominating Committee

CREATOR MEMBER ORGANIZATIONS

Canadian Artists' Representation (CARFAC)
Canadian Association of Photographers and Illustrators in
Communications (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 Guild of Alberta (WGA)
Writers' Alliance of Newfoundland & Labrador (WANL)
Writers' Federation of New Brunswick (WFNB)
Writers' Federation of Nova Scotia (WFNS)

Access Copyright's 2010 Board of Directors

PUBLISHERS



Nancy Gerrish
Whitby, ON
Executive Committee Co-Chair



Adrienne Leahey
Toronto, ON
Communications & Membership
Committee; Finance Committee



Brian Henderson
Waterloo, ON



Emiko Morita
Vancouver, BC
Communications & Membership
Committee Chair; IT Committee;
Distribution Committee



Greg Nordal
Toronto, ON
Finance Committee



Jeff Miller
Toronto, ON
Licensing Committee Chair;
Communications & Membership
Committee



John Hinds
Toronto, ON
Distribution Committee;
Governance & Nominating
Committee



Mark Jamison
Toronto, ON
IT Committee Chair;
Licensing Committee



Rowland Lorimer
Coquitlam, BC
Finance Committee; Governance
& Nominating Committee

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)
British Columbia Association of
Magazine Publishers (BCAMP)
Canadian Association of Learned Journals (CALJ)

Canadian Business Press (CBP)
Canadian Community Newspapers Association (CCNA)
Canadian Educational Resources Council (CERC)
Canadian Music Publishers Association (CMPA)
Canadian Newspaper Association (CNA)
Canadian Publishers' Council (CPC)
Literary Press Group (LPG)
Magazines Canada
Organization of Book Publishers of Ontario (OBPO)
Saskatchewan Publishers Group (SPG)

Access Copyright's 2010 Management

EXECUTIVE TEAM



Maureen Cavan
Executive Director



Brian O'Donnell
Director
Business & International
Development



Roanie Levy
General Counsel, Director,
Policy & External Affairs



Surendra Bungaroo
Associate Director,
Finance & Administration



Margaret McGuffin
Director
Licensing & Distribution Services

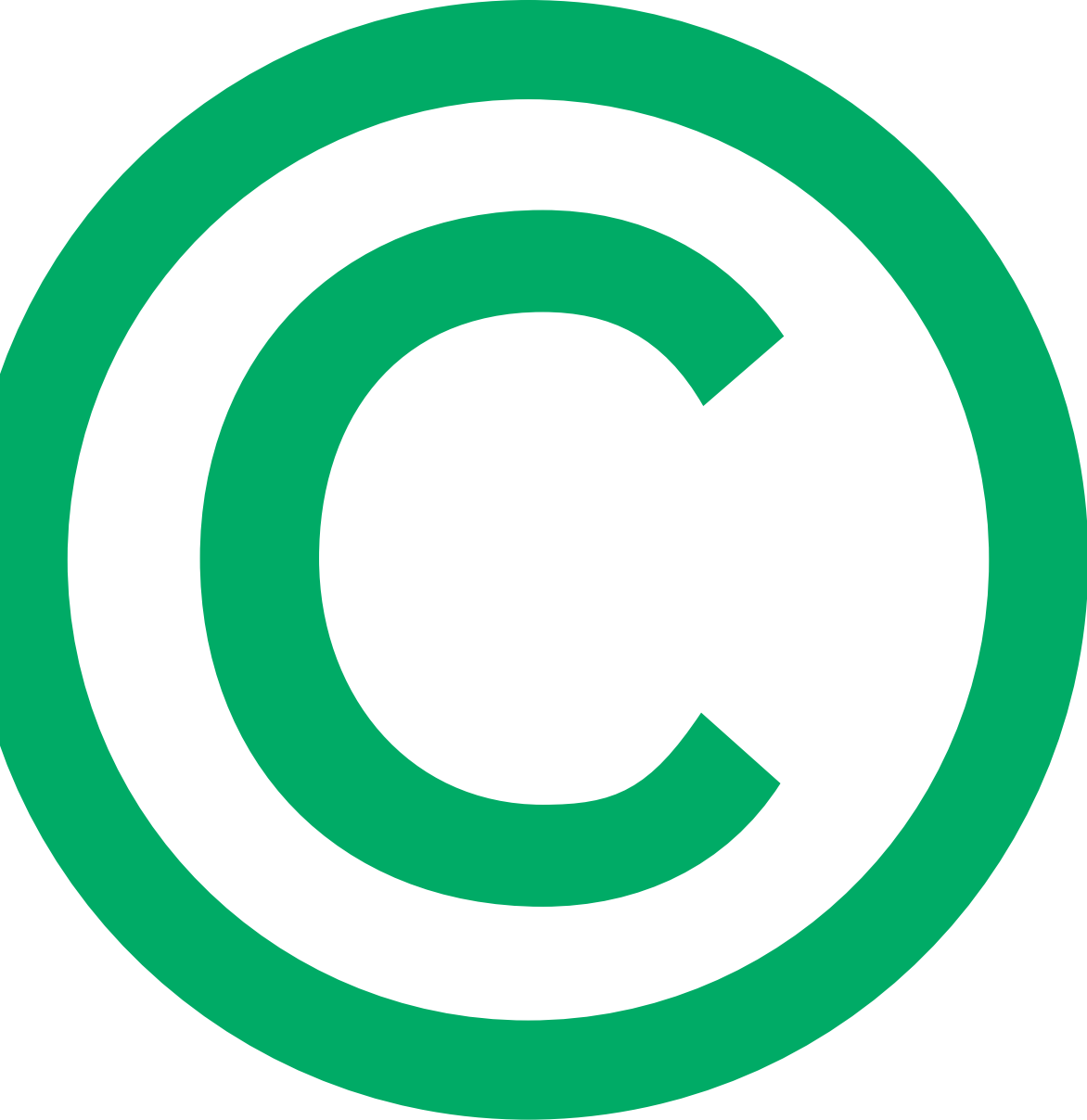
MANAGEMENT TEAM

Heather Brunstad • Manager, Bibliographic & Permissions Services
Valerie Bulanda • Manager, Affiliate Relations
Andy Dybczynski • Manager, Information Technology
Erin Finlay • Manager, Legal Services
Silvia Grunberg • Manager, Licensing & Distribution

Jennifer Lamantia • Manager, Education Licensing Development
Irma Lushi • Manager, Accounting
John Provenzano • Manager, Communications
Rob Weisberg • Manager, Corporate Licensing Development

Notes

Notes



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