Grant Thornton

Consolidated Financial Statements

The Canadian Copyright Licensing Agency

December 31, 2022

Contents

Independent auditor's report

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To the Members of
The Canadian Copyright Licensing Agency

Qualified Opinion

We have audited the consolidated financial statements of The Canadian Copyright Licensing Agency (the "Corporation"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Canadian Copyright Licensing Agency as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with other reproduction rights organizations, the Corporation derives a portion of its revenue from license fees that are based on actual copies made at the licensees' premises domestically and internationally, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Corporation. Therefore, we were unable to determine whether any adjustments might be necessary to license fees revenue, provision for royalties for distribution, excess of expenses over revenues and cash flows from operations for the years ended December 31, 2022 and December 31, 2021, current assets as at December 31, 2022 and December 31, 2021, and net assets as at January 1 and December 31 for both the December 31, 2022 and December 31, 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Grant Thornton LLP

Toronto, Canada
April 12, 2023

Chartered Professional Accountants
Licensed Public Accountant

The Canadian Copyright Licensing Agency
Consolidated statement of financial position

(In thousands of dollars)

December 31		2022		2021
Assets				
Current				
Cash and cash equivalents	**$**	**26,786**	$	27,898
Investments (Note 3)		**875**		-
Accounts receivable and prepaid expenses (Note 4)		**598**		637
		28,259		28,535
Investments (Note 3)		**31,619**		33,498
Capital assets (Note 5)		**86**		115
	$	**59,964**	$	62,148
Liabilities				
Current				
Undistributed royalties (Note 6)	**$**	**10,832**	$	8,969
Accounts payable and accrued liabilities		**1,017**		588
Deferred revenue		**1,790**		1,733
Deferred revenue – K-12 (Note 7)		**25,009**		25,300
Deferred revenue – Post Secondary (Note 8)		**-**		2,643
		38,648		39,233
Net Assets				
Net assets invested in capital assets		**86**		115
Net assets internally restricted for contingencies (Note 10)		**2,000**		2,000
Net assets internally restricted for tariff, litigation and advocacy fund (Note 11)		**6,369**		6,205
Net assets internally restricted for development fund (Note 12)		**-**		604
Net assets internally restricted for K-12 school tariff fund (Note 13)		**788**		788
Unrestricted net assets		**12,073**		13,203
		21,316		22,915
	$	**59,694**	$	62,148

Contingencies (Note 15)

Commitments (Note 16)

On behalf of the Board

Director
Mark Lovewell

Director
Linda McCollum

The Canadian Copyright Licensing Agency

Consolidated statement of changes in net assets

(In thousands of dollars)

Year ended December 31

Net assets	Invested in capital assets	Internally restricted contingencies fund (Note 10)	Internally restricted for tariff, litigation and advocacy fund (Note 11)	Internally restricted development fund (Note 12)	Internally restricted for K12 school tariff fund (Note 13)	Unrestricted	**2022 Total**	2021 Total
Balance, beginning of year	$ 115	$ 2,000	$ 6,205	$ 604	$ 788	$ 13,203	**$ 22,915**	$ 24,401
Excess of expenses over revenues for the year	(68)	-	(393)	-	-	(1,138)	**(1,599)**	(1,486)
Interfund transfer (Note 11)	-	-	557	-	-	(557)	-	-
Interfund transfer (Note 12)	-	-	-	(604)	-	604	**-**	-
Investment in capital assets	39	-	-	-	-	(39)	**-**	-
Balance, end of year	$ 86	$ 2,000	$ 6,369	$ -	$ 788	$ 12,073	**$ 21,316**	$ 22,915

The Canadian Copyright Licensing Agency
Consolidated statement of operations
(In thousands of dollars)

Year ended December 31		2022		2021
Revenues				
Licence fees	**$**	**12,185**	$	9,174
Government assistance		**-**		359
Interest income		**618**		349
Service fees		**196**		49
Unrealized (loss) gain on investments		**(775)**		456
Foreign exchange gain		**101**		12
Other		**84**		148
Realized gain on investments		**343**		701
		12,752		11,248
Expenses				
Operational expenses				
General and administrative		**4,211**		4,084
Professional fees		**516**		678
Amortization of capital assets		**68**		83
Travel, meetings, staff and directors' costs		**66**		39
Tariff, litigation, and advocacy costs		**393**		589
Development costs		**811**		943
		6,065		6,416
Distribution expenses				
Provision for royalties for distribution		**8,286**		6,318
Total expenses		**14,351**		12,734
Excess of expenses over revenue	**$**	**(1,599)**	$	(1,486)

The Canadian Copyright Licensing Agency

Consolidated statement of cash flows

(In thousands of dollars)

Year ended December 31	2022	2021
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess of expenses over revenue for the year	**$ (1,599)**	$ (1,486)
Unrealized loss (gain) on investments	**775**	(456)
Amortization of capital assets	**68**	83
	(756)	(1,859)
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	**39**	1,035
Undistributed royalties	**1,863**	(213)
Accounts payable and accrued liabilities	**429**	(88)
Deferred revenue	**(2,877)**	349
	(546)	1,083
	(1,302)	(776)
Investing activities		
Purchase of investments	**(1,730)**	(1,140)
Proceeds on maturity of investments	**1,959**	21,820
Purchase of capital assets	**(39)**	(39)
	190	20,641
(Decrease) increase in cash and cash equivalents	**(1,112)**	19,865
Cash and cash equivalents, beginning of year	**27,898**	8,033
Cash and cash equivalents, end of year	**$ 26,786**	$ 27,898

Cash and cash equivalents are comprised of:		
Cash	**$ 2,645**	$ 1,848
Cash equivalents	**24,141**	26,050
	$ 26,786	$ 27,898

1. Organization

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

a) To develop products and services that support the creation, production and use of copyright content as an integral part of a healthy and sustainable reading, writing, researching, and learning ecosystem that is inclusive of all those who create, produce, use and value content.
b) To advocate for and increase understanding of the interests of creators, publishers and other copyright owners.

The Corporation has continued as a non-share capital corporation under the Canada Not-for-Profit Corporations Act as of May 7, 2014. The Corporation was originally incorporated under the laws of Canada by letters patent on August 23, 1988, without share capital. The Corporation is a not-for-profit organization with national jurisdiction excluding Quebec and, as such, is exempt from income taxes under 149(1)(l).

2. Summary of significant accounting policies

Basis of Accounting

The Corporation follows accounting policies that conform with Canadian accounting standards for not-for-profit organizations. The following is a summary of significant accounting policies adopted by the Corporation in the preparation of the consolidated financial statements.

Principles of Consolidation

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

The Corporation is currently the sole member and only source of funding of the Access Copyright Foundation (the "Foundation"). The Corporation controls the Foundation but does not direct the allocation of grants.

The Corporation has decided not to consolidate the Foundation, and will instead provide the required disclosures (Note 9) in accordance with CPA Canada Handbook Section 4450.

Estimates and Measurement Uncertainty

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

2. Summary of significant accounting policies (continued)

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 and when the criteria for revenue recognition has been met. Licence fee revenue applicable to future periods are recorded as deferred revenue.

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

The Corporation recognizes government assistance towards current expenses in the consolidated statement of operations. When government assistance relates to future expenses, the Corporation defers the assistance and recognizes it in the consolidated statement of operations as the related expenses are incurred.

Cash and Cash Equivalents

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

Capital Assets and Amortization

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

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

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

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.

2. Summary of significant accounting policies (continued)

Financial Instruments

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

Initial measurement

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

Subsequent measurement

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

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

(In thousands of dollars)

3. Investments

		2022		2021
The Corporation holds the following unrestricted investments:				
Guaranteed investment certificates	$	**875**	$	-
Equity instruments, at fair value		**4,246**		5,448
Fixed income funds, at fair value		**3,166**		3,244
		8,287		8,692
The Corporation has internally restricted the following Investments for the Elementary and Secondary Schools tariff:				
Fixed income funds, at fair value		**24,207**		24,806
		24,207		24,806
Total investments		**32,494**		33,498
Less: current portion		**(875)**		-
	$	**31,619**	$	33,498

4. Accounts receivable and prepaid expenses

		2022		2021
Licence fees receivable	$	**1,414**	$	1,462
Other receivables		**26**		39
Accrued interest		**7**		-
Prepaid expenses		**149**		134
		1,596		1,635
Allowance for doubtful accounts		**(998)**		(998)
	$	**598**	$	637

Government remittances (other than income taxes) total $20 at December 31, 2022 (2021 - $26).

5. Capital assets

						2022		2021
		Cost		Accumulated Amortization		**Net Book Value**		Net Book Value
Office equipment	$	281	$	273	$	**8**	$	18
Computer hardware		556		503		**53**		44
Leasehold improvements		139		114		**25**		53
Computer software		6,473		6,473		**-**		-
	$	7,449	$	7,363	$	**86**	$	115

(In thousands of dollars)

6. Undistributed royalties

		2022		2021
Balance, beginning of year	$	8,969	$	9,182
Provision for royalties for distribution		8,286		6,318
		17,255		15,500
Distribution to rightsholders		(6,423)		(6,531)
Balance, end of year	$	10,832	$	8,969

7. Deferred revenue – K-12

		2022		2021
Balance, beginning of year	$	25,300	$	25,407
Annual deferred revenue and interest		(291)		(107)
License fees recognized – K-12		-		-
Balance, end of year	$	25,009	$	25,300

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

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

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

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

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

(In thousands of dollars)

7. Deferred revenue – K-12 (continued)

On October 25, 2016, the Corporation provided invoices to the K-12 sector that reconciled the royalties paid by the K-12 sector to the Corporation for the years 2010-2012 (as a consequence of the $2.46 FTE rate ultimately approved by the CBC) with the amounts owing by the K-12 sector for the years 2013-2015 under the 2010-2015 certified tariff. These invoices along with invoices provided for the years 2016 to 2022 remain unpaid.

On February 21, 2018, the Ministries of Education for all the Provinces and Territories (except British Columbia, Ontario and Quebec), and all the school boards in Ontario (together, the "Consortium") commenced legal action against the Corporation by serving a statement of claim. In their claim, the Consortium states that since they have opted out of the certified 2010-2015 tariff from 2013 onwards, the refund for the overpayment of fees paid for the years 2010-2012 should be paid in full and not set-off against the amounts owing for the years 2013-2015 under the 2010-2015 certified tariff. The Consortium also claims that tariffs certified by the CBC are not mandatory. The Corporation disagrees with the Consortium's position. The Corporation has filed a statement of defence denying the allegations in the statement of claim and has counterclaimed to recover royalties from the K-12 sector for the period January 1, 2013 onwards. A summary trial is scheduled to be heard before a judge of the Federal Court between October 10th and 18th of 2023.

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

In September 2020, the Corporation was notified by the British Columbia Ministry of Education that the Ministry would be deferring payment under the 2013-2015 Continuation Tariff until after the Supreme Court of Canada makes a determination on the *York University vs. The Canadian Copyright Licensing Agency* ("Access Copyright") appeal. On July 31, 2021, the Supreme Court of Canada issued a decision. On March 30th, 2022, the BC Ministry of Education notified Access Copyright that in their view they do not owe Access Copyright any royalties for the period 2020 onwards. The Corporation does not agree that royalties are not owing. For the period January 1, 2021 to December 31, 2022, no revenue related to the British Columbia Ministry of Education K-12 Continuation Tariff has been recognized.

8. Post-Secondary licence

License revenue and deferred revenue – Post-Secondary

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

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

8. Post-Secondary licence (continued)

License revenue and deferred revenue – Post-Secondary (continued)

The tariffs apply to retroactive periods. The royalty rates of the 2015-2017 tariff continue to apply to subsequent years until the next tariff is certified by the CBC. The terms of the tariffs required that Post-Secondary institutions calculate the amounts owed and make payment to the Corporation by March 9, 2020. Accompanying their payment, the Post-Secondary institutions are also required to provide a report setting out the FTE calculation used as the basis for the royalty calculation.

On April 22, 2020, the Federal Court of Appeal (FCA) released its decision on the appeal of the *York University vs. The Canadian Copyright Licensing Agency* ("Access Copyright") legal action. The FCA upheld the lower court's conclusion that York University's "Fair Dealing Guidelines" are not fair but reversed the lower court's conclusion on the enforceability of the tariff at issue. On July 31, 2021, the Supreme Court of Canada (SCC) released its decision on this matter and upheld the conclusion of the FCA on the enforceability of the tariff at issue. Since the tariff at issue was found to be unenforceable, the SCC found that there was no live dispute between the parties on the fair dealing issue and held it was not appropriate for it to assess the fair dealing issue.

During 2022, the Corporation received $289 (2021 - $264) of payments from various Post-Secondary institutions in relation to the certified tariffs, net of refunds payments made by the Corporation.

Some Post-Secondary institutions continue to claim they have no obligation to pay the certified tariffs for all or a portion of the tariff periods as it is not mandatory.

In 2022, the Corporation recognized $2,763 (2021 - $Nil) as revenue for amounts received from various Post-Secondary institutions, for retroactive amounts due under the *Access Copyright Interim Post-Secondary Educational Institutions Tariff.* The $2,763 includes a $169 (2021 - $Nil) reduction reflecting amounts due to institutions by the Corporation under the *Access Copyright Interim Post-Secondary Educational Institutions Tariff.*

Contingent liability – Post-Secondary refunds

There is a disagreement with some Post-Secondary institutions over the methodology the Corporation has adopted to address the retroactive adjustment necessary to address payments made by certain institutions under the *Access Copyright Interim Post-Secondary Educational Institutions Tariff, 2011-2013*. Since the initial ruling by the FCA on April 22, 2020, a small number of institutions have requested refunds totalling $344. The Corporation is in disagreement with the calculation methodology of the refunds by the institutions. As of the date of these financial statements, the issue is unresolved.

(In thousands of dollars)

9. Related party transactions

Access Copyright Foundation

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

The Foundation was initially funded by an allocation of undistributed royalties in the amount of $3,237 representing a portion of licence fees received for which the rightsholders could not be identified. Commencing in 2009, 1.5% of gross licence fees received by the Corporation were being allocated for contribution to the Foundation up to a specified maximum amount to be determined by the Board of Directors. In 2013 the Board of Directors, due to declining revenues, decided to suspend contributions until there was greater certainty around the value of rights that the organization administers on behalf of rightsholders.

The Corporation is currently the sole member and only source of funding of the Access Copyright Foundation.

The Foundation has not been consolidated in the Corporation's consolidated financial statements. The financial statements of the Foundation are available upon request. Financial summaries of the Foundation for the years ended December 31, 2022 and 2021 are as follows:

Access Copyright Foundation (thousands of dollars)	2022	2021
Statement of financial position		
Total assets	$ 2,491	$ 2,791
Total liabilities	$ 2	$ 2
Net assets	2,489	2,789
	$ 2,491	$ 2,791
Statement of operations		
Total revenues	$ 8	$ 147
Total expenses	308	318
Excess of expenses over revenue	$ (300)	$ (171)
Statement of cash flows		
Cash used in operations	$ (229)	$ (237)
Cash from investing	52	1,955
Increase in cash and cash equivalents	$ (177)	$ 1,718

9. Related party transactions (continued)

Prescient Innovations Inc.

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

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

10. Net assets internally restricted for contingencies

Net assets internally restricted for contingencies represent amounts designated by the Board of Directors to finance any material costs arising from the Corporation's indemnifications as described in Note 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, litigation and advocacy fund

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

12. Net assets internally restricted for development fund

Net assets internally restricted for development fund represents revenues to be applied to the development of new service offerings, marketing, communication and corresponding plans. During the year, an amount of $604 (2021 - $820) was transferred to the unrestricted fund with Board of Directors approval.

13. Net assets internally restricted for K-12 Schools tariff

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

14. Financial risk management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's financial instruments are primarily exposed to credit, interest rate and foreign currency risks.

Credit risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable.

Cash and cash equivalents consist of guaranteed investment certificates with a major Canadian financial institution and deposits with a major Canadian banking institution which may exceed federally insured limits. Investments consist of corporate bonds and notes, guaranteed investment certificates and money market funds which carry an investment grade credit rating and are administered by a major Canadian financial institution. The Corporation is exposed to concentration risk in that all of its cash is held with a few financial institutions, and the balances held are in excess of Canadian Deposit Insurance Corporation Limits.

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or future cash flows of a financial instrument because of changes in market interest rates. The Corporation is exposed to interest rate risk with respect to investments in fixed income securities and money market funds.

Other price risk

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

Foreign currency risk

The Corporation maintains a bank account and investments denominated in U.S. funds. As such, it is subject to foreign currency risk due to fluctuations in U.S./Canadian exchange rates. The following amounts, denominated in U.S. funds are translated at 1.3544 (December 31, 2021 – 1.2678) and are included in the following financial statement items:

		2022		2021
Cash and cash equivalents (U.S. dollars)	**$**	**603**	$	250

(In 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. The Corporation is not aware of any outstanding claims with respect to the aforementioned indemnifications.

On February 21, 2018, the Consortium commenced legal action against the Corporation indicating that since they have opted out of the certified 2010-2015 tariff from 2013 onwards, the refund for the overpayment of fees paid for the years 2010-2012 should be paid in full and not set-off against the amounts owing for the years 2013-2015 under the 2010-2015 certified tariff. The Consortium also claims that tariffs certified by the CBC are not mandatory.

The Corporation disagrees with the Consortium's position. The Corporation has filed a statement of defence denying the allegations in the statement of claim and has counterclaimed to recover royalties from the K-12 sector for the period January 1, 2013 onwards (Note 7). It is management's opinion that given the early stages of the legal proceeding, an estimate of recovery and value of licence fees for the years 2013 to 2022 cannot be made.

16. Commitments

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

2023	$ 266

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.