Doane Grant Thornton

Consolidated Financial Statements

The Canadian Copyright Licensing Agency

December 31, 2024

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, 2024, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the notes to the consolidated 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, 2024, 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 revenues over expenses and cash flows from operations for the years ended December 31, 2024 and December 31, 2023, current assets as at December 31, 2024 and December 31, 2023, and net assets as at January 1 and December 31 for both the December 31, 2024 and December 31, 2023 years. Our audit opinion on the consolidated financial statements for the year ended December 31, 2023 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of audit work performed for purposes 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.

Doane Grant Thornton LLP

Toronto, Canada
April 8, 2025

Chartered Professional Accountants
Licensed Public Accountant

The Canadian Copyright Licensing Agency
Consolidated statement of financial position

(In thousands of dollars)

December 31		2024		2023
Assets				
Current				
Cash and cash equivalents	**$**	**2,832**	$	4,488
Investments (Note 3)		**18,487**		25,415
Accounts receivable and prepaid expenses (Note 4)		**2,122**		3,583
		23,441		33,486
Investments (Note 3)		**11,821**		28,878
Investment – Imprimo (Note 9)		**-**		600
Capital assets (Note 5)		**337**		210
	$	**35,599**	$	63,174
Liabilities				
Current				
Undistributed royalties (Note 6)	**$**	**11,231**		10,439
Accounts payable and accrued liabilities		**662**		3,029
Accounts payable – K-12 (Note 7)		**-**		28,279
Deferred revenue		**2,351**		1,956
		14,244		43,703
Net Assets				
Net assets invested in capital assets		**337**		210
Net assets internally restricted for contingencies (Note 10)		**2,000**		2,000
Net assets internally restricted for tariff, litigation and advocacy fund (Note 11)		**5,531**		5,742
Unrestricted net assets		**13,487**		11,519
		21,355		19,471
	$	**35,599**	$	63,174

Contingencies (Note 13)

Commitments (Note 14)

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)	Unrestricted	**2024 Total**	2023 Total
Balance, beginning of year	$ 210	$ 2,000	$ 5,742	$ 11,519	**$ 19,471**	$ 21,316
Excess (deficiency) of revenues over expenses for the year	(22)	-	(211)	2,117	**1,884**	(1,845)
Investment in capital assets	149	-	-	(149)	**-**	-
Balance, end of year	$ 337	$ 2,000	$ 5,531	$ 13,487	**$ 21,355**	$ 19,471

The Canadian Copyright Licensing Agency

Consolidated statement of operations

(In thousands of dollars)

Year ended December 31	2024	2023
Revenues		
Licence fees	$ 11,618	$ 11,606
Interest income	1,540	1,854
Service fees	-	177
Unrealized gain on investments	362	187
Foreign exchange gain	193	-
Other	197	271
Realized gain on investments	238	360
	14,148	14,455
Expenses		
Operational expenses		
General and administrative	2,636	5,215
Professional fees	403	579
Amortization of capital assets	22	61
Travel, meetings, staff and directors' costs	91	103
Tariff, litigation, and advocacy costs	211	1,149
Development costs	67	1,235
	3,430	8,342
Distribution expenses		
Provision for royalties for distribution	8,483	7,958
Total expenses	11,913	16,300
Excess (deficiency) of revenue over expenses before other item	2,235	(1,845)
Impairment of Imprimo (Note 9)	351	-
Excess (deficiency) of revenue over expenses	$ 1,884	$ (1,845)

The Canadian Copyright Licensing Agency

Consolidated statement of cash flows

(In thousands of dollars)

Year ended December 31	2024	2023
Increase (decrease) in cash and cash equivalents		
Operating activities		
Excess (deficiency) of revenue over expenses	**$ 1,884**	$ (1,845)
Impairment of Imprimo	**351**	-
Unrealized gain on investments	**(362)**	(187)
Amortization of capital assets	**22**	61
	1,895	(1,971)
Change in non-cash components of working capital:		
Accounts receivable and prepaid expenses	**1,461**	(2,985)
Undistributed royalties	**792**	(393)
Accounts payable and accrued liabilities	**(2,367)**	2,012
Accounts payable and accrued liabilities – K-12	**(28,279)**	28,279
Deferred revenue	**395**	166
Deferred revenue – K-12	**-**	(25,009)
	(27,998)	2,070
	(26,103)	99
Investing activities		
Purchase of investments	**(26,620)**	(29,311)
Proceeds on maturity of investments	**50,967**	7,699
Investment in Imprimo	**249**	(600)
Purchase of capital assets	**(149)**	(185)
	24,447	(22,397)
Decrease in cash and cash equivalents	**(1,656)**	(22,298)
Cash and cash equivalents, beginning of year	**4,488**	26,786
Cash and cash equivalents, end of year	**$ 2,832**	$ 4,488

Cash and cash equivalents are comprised of:		
Cash	**$ 2,832**	$ 3,909
Cash equivalents	**-**	579
	$ 2,832	$ 4,488

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, allowance for doubtful accounts receivable, valuation of investments, accrued liabilities and useful lives of 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

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.

Investment and interest income is recorded when earned.

Cash and Cash Equivalents

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

Investments

Investments are recorded and carried at fair market value. Unrealized gains and losses arising from the change in fair value of investments are recorded in the statement of revenue and expenses.

Short-term investments represent the amounts available to be utilized within one year. All other investments are considered long-term as they are intended to be held for long-term purposes and reinvestment.

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	
Computer hardware	three years
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 and accounts payable.

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 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, guaranteed investment certificates, accounts receivable, accounts payable and undistributed royalties.

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.

Financial instruments (related party transactions)

Financial assets and financial liabilities in related party transactions are initially measured at cost. When the financial instrument has repayment terms, cost is determined using the undiscounted cash flows of the instrument less any impairment losses recognized by the transferor. When the financial instrument does not have repayment terms, the cost of the instrument is initially measured at the exchange or carrying amount of the consideration transferred.

Financial assets and financial liabilities obtained in related party transactions are subsequently measured based on how the Corporation initially measured the instrument.

(In thousands of dollars)

3. Investments

	2024	2023
The Corporation holds the following unrestricted investments:		
Guaranteed investment certificates	**$ 26,487**	$ 22,054
Equity instruments, at fair value	**3,821**	3,779
Fixed income funds, at fair value	**-**	3,361
	30,308	29,194
The Corporation has internally restricted the following investments for future use:		
Fixed income funds, at fair value	**-**	25,099
Total investments	**30,308**	54,293
Less: current portion	**(18,487)**	(25,415)
	$ 11,821	$ 28,878

Guaranteed investment certificates have effective annual interest rates ranging from 3.70% to 5.63% (2023 – 4.75% to 5.63%) with maturity dates ranging from 4 months to 16 months (2023 less than 1 month to 11 months).

4. Accounts receivable and prepaid expenses

	2024	2023
Licence fees receivable	**$ 1,429**	$ 470
Other receivables	**4**	31
Accrued interest	**600**	937
Sales tax recoverable – K-12	-	2,061
Prepaid expenses	**89**	84
	$ 2,122	$ 3,583

Government remittances receivable (payable) (other than income taxes) total ($5) at December 31, 2024 (2023 - $23).

As of December 31, 2024, the allowance for doubtful accounts is $Nil (2023 - $Nil).

(In thousands of dollars)

5. Capital assets

	Cost	Accumulated Amortization	2024 Net Book Value	2023 Net Book Value
Computer hardware	$ 80	$ 77	**$ 3**	$ 24
Computer software	334	-	**334**	186
	$ 414	$ 77	**$ 337**	$ 210

Included in computer software are assets of $334 (2023 - $ 186) which are not yet in use and, as such, are not being amortized. Further, the Corporation has committed to purchasing additional software applications with a cost of $60 in 2025.

6. Undistributed royalties

	2024	2023
Balance, beginning of year	**$ 10,439**	$ 10,832
Provision for royalties for distribution	**8,483**	7,958
	18,922	18,790
Distribution to rightsholders	**(7,691)**	(8,351)
Balance, end of year	**$ 11,231**	$ 10,439

7. Deferred revenue – K-12

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") pursuant to a Continuation Tariff being 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 was set aside to account for possible retroactive adjustments.

This amount has historically been 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.

7. Deferred revenue K-12 (continued)

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 did not agree with the refund requested by the K-12 sector.

On October 25, 2016, the Corporation provided invoices to the K-12 sector that reconciled the royalties paid by the K-12 sector to the Corporation for the years 2010-2012 (as a consequence of the $2.46 FTE rate ultimately approved by the CBC) with the amounts owing by the K-12 sector for the years 2013-2015 under the 2010-2015 certified tariff. These invoices along with invoices provided for the years 2016 to 2023 remained 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 stated that since they 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 claimed that tariffs certified by the CBC are not mandatory. The Corporation disagreed with the Consortium's position. The Corporation filed a statement of defence denying the allegations in the statement of claim and counterclaimed to recover royalties from the K-12 sector for the period January 1, 2013 onwards. A summary trial was heard before a judge of the Federal Court between October 11-18, 2023, with final closing arguments taking place January 17-18, 2024. On February 22, 2024, the Federal Court rendered a written order and reasons in respect of the case, with findings in favour of the Consortium on all three questions before the court. The Corporation has decided not to appeal the findings of the Federal Court, and made payment to the Consortium as ordered for an amount equal to the principal amount in the claim as well as pre-judgement and post-judgement interest.

The Corporation determined that the Federal Court ruling constitutes an adjusting subsequent event in 2023 and therefore reflected the impact of this ruling on its consolidated statements of financial position and operations in the prior year. The Corporation reduced the amount of deferred revenue by $26,388 and recognized a payable to the Consortium equaling $28,279, which is offset by deferred interest income earned of $2,955. On March 26, 2024, the Corporation paid the Consortium $28,279. Included in the payable was $2,786 of owed interest, which represents the Corporation's best estimate of the interest owing at the time; however, the actual amount differed and the Corporation paid an additional $509 which is reflected in the 2024 statement of operations.

(In thousands of dollars)

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

The tariffs apply to retroactive periods. The royalty rates of the 2015-2017 tariff continue to apply to subsequent years as a Continuation Tariff 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. Since this ruling, most Post-Secondary institutions continue to claim that they have no obligation to pay the certified tariffs for all or a portion of the tariff periods, as it is not mandatory.

During 2024, the Corporation received $76 (2023 - $467) of payments from various Post-Secondary institutions in relation to the certified tariffs.

(In thousands of dollars)

9. Related party transactions

Access Copyright Foundation

On June 25, 2009, the Corporation established the Access Copyright Foundation (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. 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 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, 2024 and 2023 are as follows:

Access Copyright Foundation (thousands of dollars)	2024	2023
Statement of financial position		
Total assets	**$ 2,088**	$ 2,288
Total liabilities	**$ 6**	$ 2
Net assets	**2,082**	2,286
	$ 2,088	$ 2,288
Statement of operations		
Total revenues	**$ 172**	$ 168
Total expenses	**376**	371
Excess of expenses over revenue	**$ (204)**	$ (203)
Statement of cash flows		
Cash used in operations	**$ (211)**	$ (226)
Cash from investing	**413**	(1,743)
Increase (decrease) in cash and cash equivalents	**$ 202**	$ (1,969)

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 related use case, Imprimo.

During 2023, Prescient engaged in a spin-off transaction which closed on December 22, 2023 (“closing date”) where Imprimo Inc. (“Imprimo”) was incorporated as a new business entity. Prescient committed cash and transferred assets to Imprimo in return for a 40% minority ownership position. Imprimo also entered into employment and/or consulting agreements with various individuals who were associated with the business.

Imprimo failed to meet its objectives in 2024, which included obtaining 3rd-party investment, growing paid subscriptions and achieving a breakeven run rate. As 2024 progressed, it became clear that Imprimo would be dissolved and the equity investment in Imprimo was fully written down in December 2024. On December 30, 2024, Imprimo was dissolved.

The full cash commitment component of the spin-off transaction was not remitted to Imprimo when it became likely that Imprimo would be dissolved. Only enough cash was transferred to Imprimo to ensure an orderly wind-up process. The actual net cash transferred to Imprimo was $336. For operating efficiency, Prescient performed certain accounting functions for Imprimo, including collecting revenue and paying certain expenses. Cash received by Prescient related to Imprimo revenue was $359 with expenses paid by Prescient related to Imprimo totalling $374. The net effect of these transactions results in an impairment charge in 2024 of $351.

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 13, 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 historically represented 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. During 2024, the Corporation no longer withheld 5% of gross licensing fees for tariff disputes and other litigation and advocacy matters.

(In thousands of dollars)

12. 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 guaranteed investment certificates 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, reproductive rights organizations and corporate customers 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.

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 1.4389 (December 31, 2023 – 1.3226) and are included in the following consolidated financial statement items:

	2024	2023
Cash and cash equivalents (U.S. dollars)	**$ 540**	$ 1,046
Investment – GIC (U.S. dollars)	**500**	-
	$ 1,040	$ 1,046

13. 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.

14. Commitments

The Corporation has entered into a lease agreement for the lease of its premises for a term expiring on November 30, 2025. The future minimum lease payments under the lease are as follows:

2025	$	17

15. 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.

16. Comparatives

Comparative figures have been adjusted to conform to the current year presentation.