

SOCAN



# FINANCIAL REPORT 2016



Onix Belleus  
Chief Financial Officer

## FINANCIAL



Two thousand and sixteen was another impressive year for SOCAN's performance, again breaking records for revenue and distributions to our members. SOCAN's total revenue was \$330-million, an increase of seven per cent over the previous year. Gross Expenses were \$44.5-million, an increase of \$0.6-million. Royalty Distributions to Members were \$289-million, an increase of \$12.8-million from the previous year.

This achievement maintains SOCAN's position as one of the top music rights organizations in the world. It demonstrates our strength at licensing the performing right, as well as our continued focus on efficient expense management to ensure that more royalties are provided to tens of thousands of Canadian songwriters, composers and music publishers and the millions of rightsholders we represent in Canada via agreements with 105 societies in 213 countries.

### Financial Greatest Hits in 2016:

- A new record for **total revenue of \$330-million**, an increase of 7.2% over the record \$307.8-million in 2015.
- **\$67-million in foreign royalties** identified, collected and distributed for members whose music is played internationally on radio, television, online, onstage and other public performance uses – a 31% increase over 2013.
- Internet revenue increased by an impressive **118%** over the previous year.
- Total royalty distributions to members of **\$289-million** – a 4.6% year-over-year increase.



**Record Revenue:**  
**\$330-million,**  
 an increase  
 of **7.2%**



**International Revenue:**  
**\$67-million**  
 up **31%** since 2013



**Internet streaming revenue:**  
**\$33.8-million**  
**118%** increase since 2015

**Domestic Revenues** from the performing right and private copying totaled \$263.0-million in 2016 (2015: \$244.9-million). Year-over-year variances are shown in Chart No.1

### Performing Right Revenue

Performing rights collections from licensing the use of the world’s repertoire in Canada increased by \$19.6-million to \$262.5-million (2015: \$243.0-million), representing a very impressive 8.1 per cent increase on 2015 revenue.

In 2016, revenue from traditional sources (TV, Cable & Radio) stabilized at \$171.8-million an increase of \$2.4-million over the previous year. (2015: \$169.4-million).

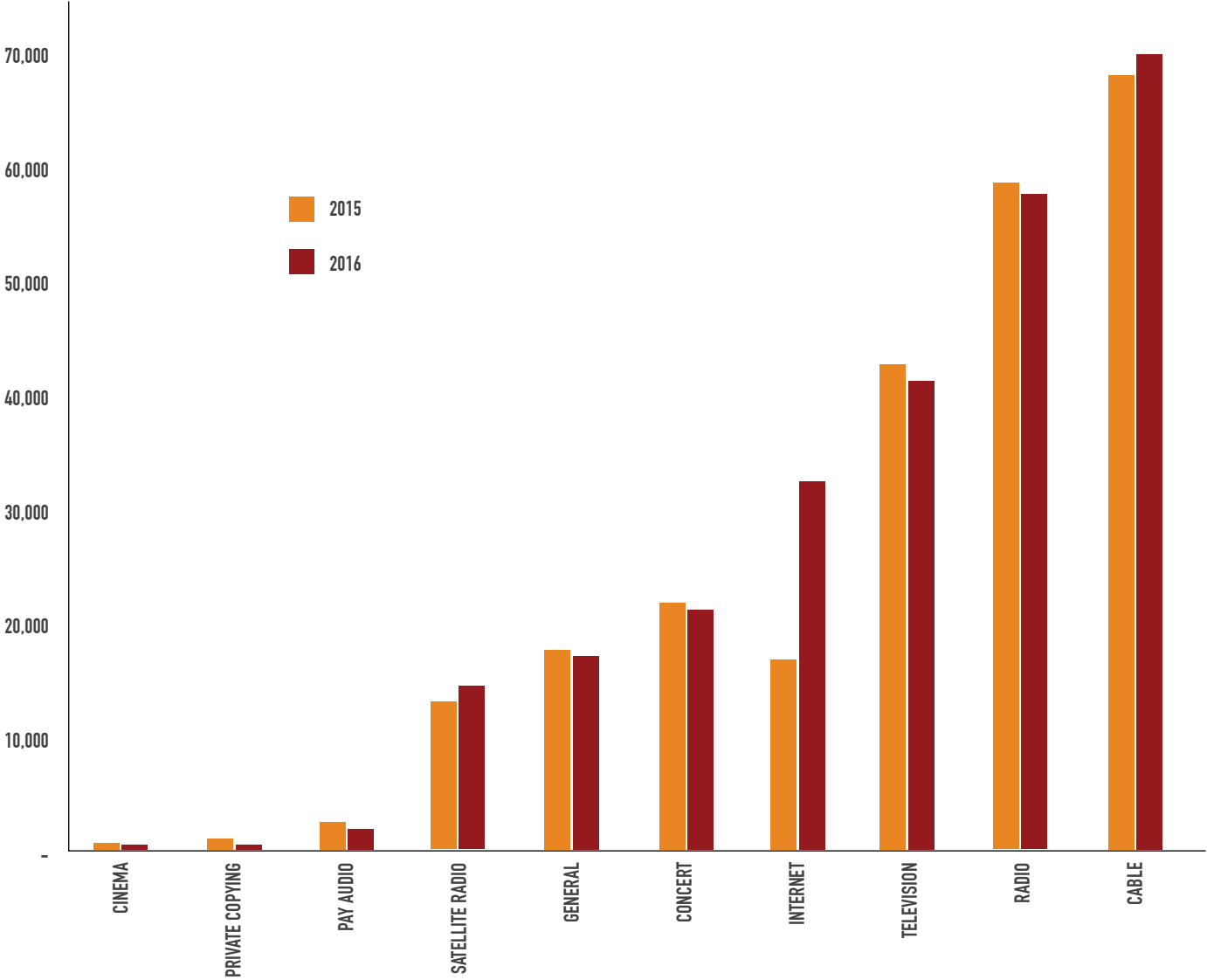
Internet revenue more than doubled in 2016, reaching \$33.8-million (2015: \$15.5-million) due to very strong growth from existing licensees and new service providers entering Canada.

Satellite Radio has continued to show impressive growth, with 2016 revenue at \$15.1-million (2015: \$14.3-million).

General & Concert revenue decreased 2.9 per cent to \$38.4-million (2015: \$39.6-million), although a decline, this is compared to a record year in 2015 and the live music industry is still strong in Canada.



**CHART 1 - SOCAN DOMESTIC REVENUES**  
TOTAL - 2016: \$263,029 (2015: \$244,909) IN THOUSANDS OF DOLLARS





## **International Royalties**

The year 2016 was another record one for royalties from international affiliated music rights organizations (MROs), increasing by \$4.3-million to \$67.0-million (2015: \$62.7-million). The increase arose from a combination of exceptional member activity abroad and an increasingly proactive approach in the management of our international relations.

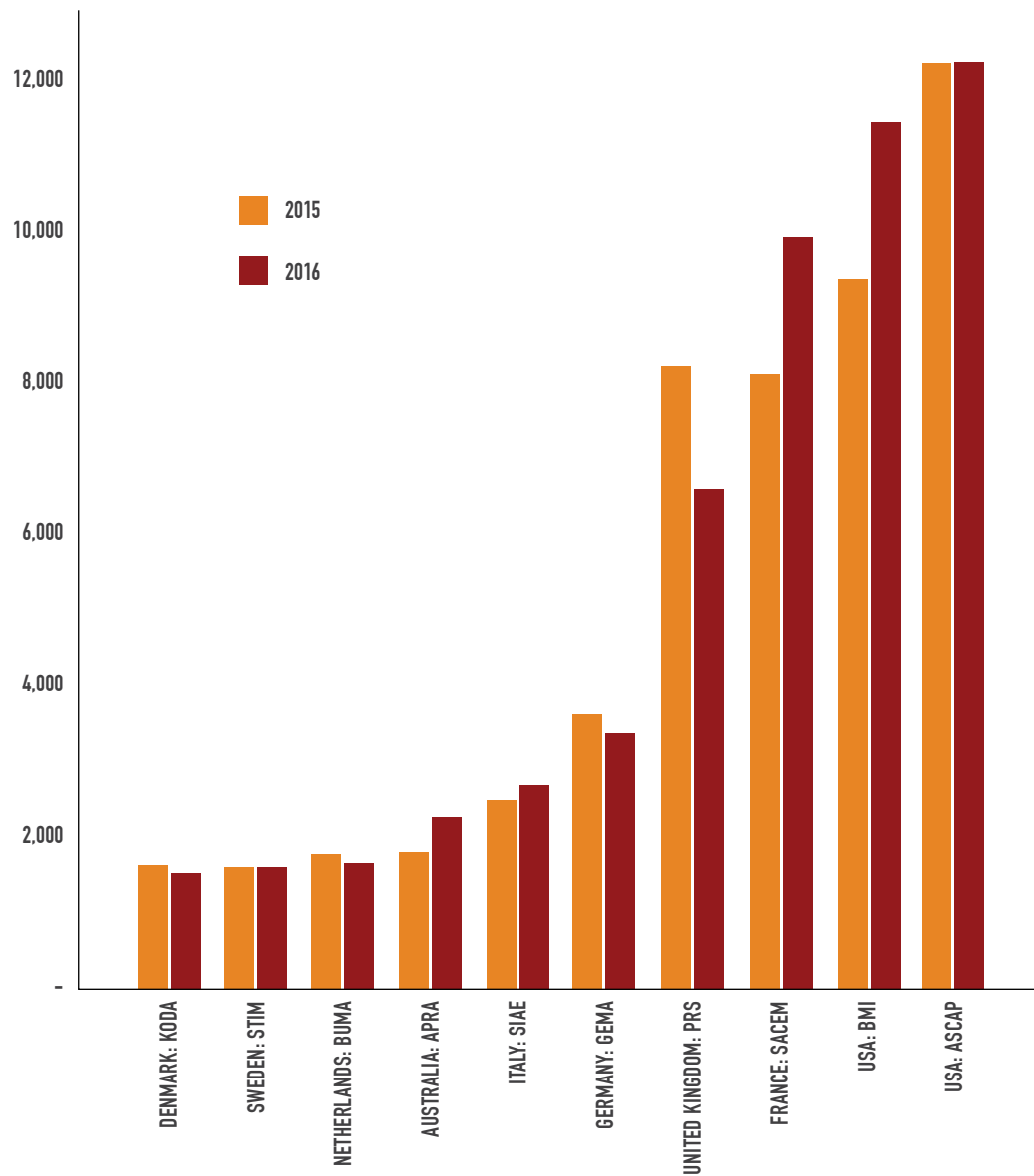
CHART No. 2 shows a breakdown of the international revenue SOCAN received from the Top 10 MROs for the past two years, and a summary total for those outside the Top 10. The top two earning MROs in 2016 for SOCAN members were ASCAP and BMI in the United States, where approximately \$28.0-million in total was collected (2015: \$23.6-million), representing 44.5 per cent of total international royalties.

The next top-earning MRO was SACEM from France, where SOCAN collected royalty income of \$9.8-million (2015: \$7.9-million), representing 15.6 per cent of total international royalties. The top 10 MROs accounted for 84.2 per cent of SOCAN's international royalties.



## CHART 2 - INTERNATIONAL REVENUE BY COUNTRY

TOTAL - 2016: \$67,013 (2015: \$62,733) IN THOUSANDS OF DOLLARS



	2016	2015
Top Ten Societies	56,423	51,653
Non Top Ten	10,590	11,080
<b>Total</b>	<b>67,013</b>	<b>62,733</b>





TABLE No. 1 details the international revenue received from each MRO and the distributions paid by SOCAN to each MRO in 2016.

**TABLE 1 - ROYALTIES FROM AND TO INTERNATIONAL MRO'S**  
(IN THOUSANDS OF DOLLARS)

COUNTRY	MRO	REVENUE FROM MRO		DISTRIBUTIONS TO MRO	
		2016	2015	2016	2015
Argentina	SADAIC	461	153	33	40
Australia	APRA	2,342	1,631	2,187	1,656
Austria	AKM	534	462	76	66
Belarus	NCIP	-	19	-	-
Belgium	SABAM	924	1,218	188	164
Brazil	Various	793	1,580	135	198
Bulgaria	MUSICAUTOR	14	32	3	1
Chile	SCD	102	95	10	12
Colombia	SAYCO	2	13	29	21
Croatia	HDS	68	84	3	-
Czech Republic	OSA	168	243	28	10
Denmark	KODA	1,311	1,390	181	252
Finland	TEOSTO	655	803	137	118
France	SACEM	9,822	7,947	3,178	3,048
Germany	GEMA	3,112	3,411	891	961
Greece	AEPI	188	2	12	21
Hong Kong	CASH	144	149	17	32
Hungary	ARTISJUS	167	254	19	37
Ireland	IMRO	242	280	213	156
Israel	ACUM	351	358	20	17
Italy	SIAE	2,711	2,546	406	380
Japan	JASRAC	1,352	1,082	119	82
Korea	KOMCA	163	116	68	46
Latvia	AKKA/LAA	24	5	3	-
Lithuania	LATGA-A	33	42	-	-
Malaysia	MACP	69	60	6	2
Mexico	SACM	132	103	50	39
Netherlands	BUMA	1,406	1,594	360	338
Norway	TONO	425	285	74	73
Peru	APDAYC	34	18	3	2
Philippines	FILSCAP	4	18	32	11
Poland	ZAIKS	309	507	15	11
Portugal	SPA	137	99	21	16
Romania	UCMR	235	231	22	21
Russia	RAO	1	165	6	14
Serbia	SOKOJ	18	15	2	1
Singapore	COMPASS	114	131	9	5
Slovakia	SOZA	35	29	3	1
Slovenia	SAZAS	54	43	2	3
South Africa	SAMRO	200	240	62	60
Spain	SGAE	652	570	317	355
Sweden	STIM	1,395	1,379	1,569	1,273
Switzerland	SUISA	1,020	1,064	157	120
Taiwan	MUST	34	41	6	2
Thailand	MCT	12	13	1	-
Turkey	MESAM	63	102	5	4
United Kingdom	PRS	6,359	8,109	12,719	13,650
United States	(See below)	28,516	23,889	69,863	67,553
Uruguay	AGADU	14	20	5	3
Vietnam	VCPMC	28	29	-	-
Returns	FDR	-	-	(203)	(212)
Countries under \$10k *		64	64	50	31
<b>TOTAL</b>		<b>67,013</b>	<b>62,733</b>	<b>93,112</b>	<b>90,694</b>
United States	AMRA	121	-	482	186
United States	ASCAP	16,670	14,165	31,382	32,684
United States	BMI	11,295	9,481	32,117	31,415
United States	GMR	-	-	2,133	-
United States	SESAC	430	243	3,749	3,268
<b>Total United States</b>		<b>28,516</b>	<b>23,889</b>	<b>69,863</b>	<b>67,553</b>

\* Countries under \$10k include Barbados, Cameroon, China, Cuba, Ecuador, Iceland, India, Jamaica, Macedonia, Mali, Mauritius, Panama, Senegal, Serbia, St Lucia, Trinidad & Tobago, Venezuela.



## Expenses

SOCAN's net expenses (gross expenses offset by other income, which mainly consists of investment income) increased to \$38.2-million in 2016 from \$28.1-million the previous year, this was mainly due to an impressive investment gain in 2015.

Gross expenses increased by \$0.6-million and other income decreased by \$9.5-million, which resulted in a net increase of \$10.1-million. These changes, in combination with increased revenue, mean that net expenses in 2016 represented only 11.6 per cent of total revenues (2015: 9.2 per cent), excluding equity investment loss in subsidiaries.

SOCAN's three main operational activities of collecting license fees (Licensing), registering works and analyzing performances (Distribution), and supporting members (Membership) account in total for \$18.9-million (2015: \$18.7-million), or a little less than half of our gross expenses.

Infrastructure-type costs, such as Information Technology and Facilities & Administration, which are critical support for the three activities above, accounted for \$15.5-million (2015: \$14.2-million), or a little less than a third of our gross expenses, and other key support services such as Finance, Legal, Communications & Marketing and Human Resources, accounted for most of the remainder. The SOCAN Foundation and Canadian Songwriters Hall of Fame were supported with \$1.6-million in 2016.

As shown in TABLE No. 2, SOCAN's 2016 gross expenses were \$44.5-million or 1.4 per cent more than in 2015. Listed below are explanations for some of the variances by cost category.

**TABLE NO. 2 - GROSS EXPENSES BY EXPENSE TYPE 2016: \$44,526 VS 2015 \$43,912**

IN THOUSANDS OF DOLLARS

	Gross Expenses		Variance 2016-2015	Incr/(Decr) from 2015 to 2016	2016 Expense Type as a percentage of Total Gross Expense
	2016	2015			
	\$	\$	\$	%	%
Staff	27,948	27,505	(443)	-1.6%	62.9%
Legal & Professional	4,259	3,849	(410)	-10.7%	9.6%
Depreciation	3,963	3,096	(867)	-28.0%	8.9%
Information Technology	2,116	2,106	(10)	-0.5%	4.8%
Membership & Communication	2,015	1,724	(291)	-16.9%	4.5%
SOCAN Foundation & CSHF funding	1,599	1,551	(48)	-3.1%	3.6%
Office	1,132	1,163	31	2.7%	2.5%
Accommodation	1,634	1,950	316	16.2%	3.7%
Other	-140	968	1,108	114.5%	-0.3%
<b>TOTAL GROSS EXPENSES</b>	<b>44,526</b>	<b>43,912</b>	<b>(614)</b>	<b>-1.4%</b>	<b>100.2%</b>





### **Staff**

SOCAN's most significant expense lies in human resources. On average, there were 301 full-time and part-time employees in 6 offices across the country and the US in 2016. Staff costs increased by \$0.4-million, primarily due to an increase in headcount and annual salary increase.

### **Legal & Professional**

Legal & Professional costs increased by \$0.4-million from 2015 due to increased legal costs associated with Copyright Board hearings.

### **Depreciation**

This includes all depreciation relating to SOCAN's fixed assets. This cost increased by \$0.8-million in 2016 due to the second phase of SOCAN's enterprise resource planning (ERP) system going live, as well as the first three phases of Operational Data store.

### **Membership & Communication**

These costs include sponsorship, advertising, and awards, which were up \$0.3-million from the previous year due mainly to an increased presence at major music events and improved SOCAN Award shows.

### **Other**

Including in other costs is a \$1.3-million foreign exchange adjustment in relation to the subsidiary acquisitions that occurred in 2016.

## **SOCAN Distributions**

2016 was a record year for SOCAN's total royalty distributions, which amounted to \$289.0-million, a \$12.8-million or 4.6 per cent increase from the previous year (2015: \$276.2-million). The main reasons for this impressive increase are due to the record revenues over the last few years as well as a focused effort to improve the speed of Concert distributions.

Member advances are reflected in these numbers. Further details can be found in TABLE No. 3.



**TABLE NO. 3 - DISTRIBUTION BY POOL, BY MEMBER TYPE AND INTERNATIONAL AFFILIATION**

(IN THOUSANDS OF DOLLARS)

	2016				2015			
	SOCAN WRITERS	SOCAN PUBLISHERS	INTERNATIONAL AFFILIATION	TOTAL	SOCAN WRITERS	SOCAN PUBLISHERS	INTERNATIONAL AFFILIATION	TOTAL
<b>DISTRIBUTIONS</b>								
CABLE	11,332	23,758	23,708	58,798	10,648	22,942	23,032	56,622
TELEVISION	7,851	15,052	13,387	36,290	7,646	14,728	12,957	35,331
RADIO - CENSUS	6,979	18,104	16,897	41,980	6,862	17,421	16,917	41,200
RADIO - SURVEY	2,488	5,664	5,891	14,043	2,402	5,423	5,916	13,741
RADIO - CBC	2,529	2,578	2,529	7,636	2,455	2,469	2,568	7,492
<b>TOTAL RADIO AND GENERAL</b>	<b>11,996</b>	<b>26,346</b>	<b>25,317</b>	<b>63,659</b>	<b>11,719</b>	<b>25,313</b>	<b>25,401</b>	<b>62,433</b>
CONCERTS	4,824	10,390	12,626	27,840	3,517	8,634	9,510	21,661
CINEMA + HOTEL, MOTEL SERVICES	32	458	559	1,049	15	445	549	1,009
PAY AUDIO	259	963	1,381	2,603	304	1,049	1,455	2,808
INTERNET	433	3,148	4,106	7,687	246	1,860	2,423	4,529
AV ONLINE	237	3,332	4,299	7,868	407	5,892	7,718	14,017
SATELLITE RADIO	1,123	4,448	6,343	11,914	1,076	3,876	5,667	10,619
	<b>38,087</b>	<b>87,895</b>	<b>91,726</b>	<b>217,708</b>	<b>35,578</b>	<b>84,739</b>	<b>88,712</b>	<b>209,029</b>
INTERNATIONAL AFFILIATED SOCIETIES	56,729	7,049	1,197	64,975	49,612	9,542	1,057	60,211
	<b>94,816</b>	<b>94,944</b>	<b>92,923</b>	<b>282,683</b>	<b>85,190</b>	<b>94,281</b>	<b>89,769</b>	<b>269,240</b>
DISTRIBUTIONS IN ADVANCE OF NORMAL PAYMENT DATE	2,856	2,859	-	5,715	2,429	2,690	-	5,119
	<b>97,672</b>	<b>97,803</b>	<b>92,923</b>	<b>288,398</b>	<b>87,619</b>	<b>96,971</b>	<b>89,769</b>	<b>274,359</b>
PRIVATE COPYING	240	200	189	629	580	356	925	1,861
<b>TOTAL DISTRIBUTIONS</b>	<b>97,912</b>	<b>98,003</b>	<b>93,112</b>	<b>289,027</b>	<b>88,199</b>	<b>97,327</b>	<b>90,694</b>	<b>276,220</b>

### Equity Investment Loss on Investment

In 2016 SOCAN through its wholly owned subsidiary MINT Services Corporation (“MINT”), acquired MediaNet and Audiam to enable SOCAN to fulfil its strategic plan’s vision to lead the global transformation of music rights. During 2016, the equity investment loss in subsidiary was \$10.3-million (2015: \$0.2-million). The loss comprises of the costs associated with the due-diligence and performance of the subsidiaries following acquisition. 2016 was the first year with these subsidiaries in the SOCAN group of companies and management is confident that future years will deliver the benefits that were envisioned in the business cases and ultimately will enable that initial loss to be compensated with future profits. In any event, the 2016 loss remains within MINT and does not impact SOCAN’s accounts and distributions.



NON-CONSOLIDATED FINANCIAL STATEMENTS OF

**SOCIETY OF COMPOSERS,  
AUTHORS AND MUSIC  
PUBLISHERS OF CANADA**

YEAR ENDED DECEMBER 31, 2016



KPMG LLP  
Vaughan Metropolitan Centre  
100 New Park Place, Suite 1400  
Vaughan ON L4K 0J3  
Canada  
Tel 905-265-5900  
Fax 905-265-6390

## INDEPENDENT AUDITORS' REPORT

To the Members of Society of Composers,  
Authors and Music Publishers of Canada

We have audited the accompanying non-consolidated financial statements of Society of Composers, Authors and Music Publishers of Canada, which comprise the non-consolidated statement of financial position as at December 31, 2016, the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Non-Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these non-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 non-consolidated 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 non-consolidated 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated 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 non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



*Opinion*

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of Society of Composers, Authors and Music Publishers of Canada as at December 31, 2016, and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

May 25, 2017  
Vaughan, Canada



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Non-Consolidated Statement of Financial Position  
(In thousands of dollars)

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 22,565	\$ 22,725
License fees receivable	15,050	9,047
Other receivables and assets (notes 8 and 9)	2,283	3,449
Advances to subsidiary (note 8)	14,469	–
Investments (note 2)	138,110	157,804
	<u>192,477</u>	<u>193,025</u>
Capital assets (note 3)	30,973	26,658
Accrued employee future benefit asset (note 4)	19,055	20,255
	<u>\$ 242,505</u>	<u>\$ 239,938</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and other liabilities (note 5)	\$ 8,585	\$ 8,559
License fees received in advance	4,542	2,707
Equity investment loss in subsidiary (note 8)	10,533	195
	<u>23,660</u>	<u>11,461</u>
Accrued employee future benefit liability (note 4)	6,437	6,551
Royalties owing to music copyright owners (members and affiliated societies):		
From distributions allocated	5,583	4,633
From distribution fund (note 6)	184,913	183,313
	<u>190,496</u>	<u>187,946</u>
	<u>220,593</u>	<u>205,958</u>
Net assets:		
Internally restricted (note 7)	23,005	32,159
Remeasurements and other items (note 4)	(1,093)	1,821
	<u>21,912</u>	<u>33,980</u>
Commitments and contingencies (note 11)		
Guarantee (note 12)		
	<u>\$ 242,505</u>	<u>\$ 239,938</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Director

Director





## SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Non-Consolidated Statement of Operations  
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Fees from Canadian licensees	\$ 262,549	\$ 242,969
Royalties received from international affiliated societies	67,013	62,733
Private copying royalties	480	1,940
	<u>330,042</u>	<u>307,642</u>
Expenses and other income:		
Administrative expenses	(44,526)	(43,912)
Investment and other income (note 10)	6,295	15,823
Equity investment profit (loss) in subsidiary (note 8)	(10,338)	6
	<u>(48,569)</u>	<u>(28,083)</u>
Total distributable income	281,473	279,559
Allocated to royalties owing to music copyright owners (note 6)	290,627	269,215
<u>Unallocated income (loss)</u>	<u>\$ (9,154)</u>	<u>\$ 10,344</u>

See accompanying notes to non-consolidated financial statements.



## SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Non-Consolidated Statement of Changes in Net Assets  
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016			2015		
	Internally restricted (note 7)	Remeasure- ments and other items (note 4)	Total	Internally restricted	Remeasure- ments and other items	Total
Net assets, beginning of year	\$ 32,159	\$ 1,821	\$ 33,980	\$ 21,815	\$ (3,535)	\$ 18,280
Unallocated income (loss)	(9,154)	–	(9,154)	10,344	–	10,344
Remeasurements and other items (note 4)	–	(2,914)	(2,914)	–	5,356	5,356
<b>Net assets, end of year</b>	<b>\$ 23,005</b>	<b>\$ (1,093)</b>	<b>\$ 21,912</b>	<b>\$ 32,159</b>	<b>\$ 1,821</b>	<b>\$ 33,980</b>

See accompanying notes to non-consolidated financial statements.



## SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Non-Consolidated Statement of Cash Flows  
(In thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Unallocated income (loss)	\$ (9,154)	\$ 10,344
Increase (decrease) in royalties owing to music copyright owners	2,550	(7,917)
Employer future benefit contributions	(2,390)	(14,169)
Items not involving cash:		
Amortization of capital assets	3,963	3,096
Net realized gain on sale of investments	(1,026)	(156)
Net unrealized gain on investments	(2,296)	(11,853)
Equity investment loss (profit) in subsidiary	10,338	(6)
Employee future benefits expense	562	1,316
Change in non-cash operating working capital	(2,976)	(1,344)
	(429)	(20,689)
Investing activities:		
Advances to subsidiary, net	(14,469)	-
Purchase of capital assets	(8,278)	(8,373)
Decrease in investments, net	23,016	6,939
	269	(1,434)
Decrease in cash	(160)	(22,123)
Cash, beginning of year	22,725	44,848
Cash, end of year	\$ 22,565	\$ 22,725

See accompanying notes to non-consolidated financial statements.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements  
(In thousands of dollars)

Year ended December 31, 2016

---

Society of Composers, Authors and Music Publishers of Canada ("SOCAN") is a not-for-profit organization, incorporated without share capital. SOCAN was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act on July 2, 2014. SOCAN, which administers, for copyright-protected musical works, the right to perform in public and to communicate to the public by telecommunication in Canada. SOCAN collects license fees on behalf of music copyright owners pursuant to tariffs proposed by SOCAN, and approved by a quasi-judicial federal tribunal, the Copyright Board. Licensees can and do object to proposed tariffs, and public hearings can be, and are, held at which SOCAN acts to support the rights of its members and international affiliates. SOCAN also has reciprocal contracts of affiliation with similar societies throughout the world, which provide for the exchange of copyright royalties. Total revenue, net of operating expenses and internally restricted amounts (note 7), is distributed to members and to affiliated societies on account of their members pursuant to distribution rules approved by the Board of Directors. Amounts generally become distributable upon receipt of the related fees and royalties.

SOCAN is a not-for-profit organization under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

SOCAN Foundation - Fondation SOCAN (the "Foundation") is a not-for-profit organization under the Income Tax Act (Canada) and was continued under the Canada Not-for-profit Corporations Act on September 17, 2014. The Foundation is set up to promote and further the publication, recording, distribution and performance of music generally in Canada. SOCAN has the ability to control the Foundation by virtue of common membership in the Boards of Directors of the two organizations. The Foundation is not consolidated in these financial statements. Refer to note 9.

On December 21, 2011, 7978766 Canada Association was incorporated as a not-for-profit organization without share capital under the Canada Not-for-profit Corporations Act and commenced operations in February 2012. The business name was registered on February 28, 2013 as Canadian Songwriters Hall of Fame ("CSHF"). CSHF has one member, being SOCAN. CSHF's mandate is to honour and celebrate Canadian songwriters and those who have dedicated their lives to the legacy of music, and to educate the public about these achievements. CSHF is not consolidated in these financial statements and is not significant to disclose.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 1. Significant accounting policies:

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

### (a) Subsidiaries:

SOCAN accounts for its wholly-owned subsidiary, MINT Services Corporation, using the equity method.

### (b) Recognition of fees and royalties:

Fees from Canadian licensees, royalties from international affiliated societies and private copy royalties are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. SOCAN has elected to carry all its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, SOCAN determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount SOCAN expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (d) Cash:

Cash includes \$22,220 (2015 - \$10,707) of cash on hand that is used for day to day operations and \$345 (2015 - \$12,018) that is in a high interest bearing cash account that is used specifically for distribution purposes.

### (e) Investment income:

Investment income, which is recorded on an accrual basis, includes interest income, dividends, net realized gain (loss) on sale of investments and net unrealized gain (loss) on investments.

### (f) Capital assets:

Capital assets, other than land and artwork, are carried at cost less accumulated amortization. Land and artwork are carried at cost. Capital assets are amortized on a straight-line basis over their estimated useful lives. Annual amortization rates used are as follows:

---

Building and building improvements	3.70%
Furniture, fixtures and equipment	20.0% - 33.3%
Computer software	10.0% - 20.0%
Leasehold improvements	10.0%

---





# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 1. Significant accounting policies (continued):

### (g) Impairment of long-lived assets:

Long-lived assets, including capital assets and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

### (h) Employee future benefits:

SOCAN offers a pension plan with a defined benefit provision and a defined contribution provision, which between them cover substantially all employees of SOCAN. Employees joining SOCAN after January 1, 2009 are not eligible to join the defined benefit provision plan.

The cost of pensions earned by employees is actuarially determined using the projected benefit method prorated on service and best estimates of expected plan investment performance, salary escalation and retirement ages with appropriate margins for adverse deviation. SOCAN accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligation for the defined benefit plan is based on the January 1, 2016 funding valuation, extrapolated to December 31, 2016. The measurement date of the plan assets and accrued benefit obligation coincides with SOCAN's fiscal year. The next required valuation will be no later than January 1, 2019.

Actuarial gains (losses) on plan assets arising from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized in the non-consolidated statement of changes in net assets. Actuarial gains (losses) on the accrued benefit obligation arising from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation are immediately recognized in the non-consolidated statement of changes in net assets.

Past service costs arising from plan amendments are immediately recognized in the non-consolidated statement of changes in net assets.

The cost of the defined contribution provision is based on a percentage of the employee's pensionable earnings.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 1. Significant accounting policies (continued):

Prior to January 1, 2015, SOCAN sponsored a supplementary non-registered plan ("SERP") for its executives that was actuarially determined using an accounting valuation. The SERP was not previously funded. Effective January 1, 2015, SOCAN elected to pre-fund the SERP benefits for its executives through a Registered Retirement Compensation Arrangement, as defined under the Income Tax Act. The cost of the SERP is actuarially determined using the January 1, 2015 funding valuation which incorporates best estimates of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors, including appropriate margins for adverse deviation. The measurement date of the plan assets and accrued benefit obligation of the SERP coincides with SOCAN's fiscal year. The next required valuation will be no later than January 1, 2018.

Actuarial gains (losses) on plan assets arising from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period are immediately recognized in the non-consolidated statement of changes in net assets. Actuarial gains (losses) on the accrued benefit obligation arising from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation are immediately recognized in the non-consolidated statement of changes in net assets.

SOCAN sponsors a retirement medical benefit plan, which provides certain benefits to retired employees and their dependants. The benefits include medical services and dental. The cost of these benefits is actuarially determined using an accounting valuation, prorated on service and management's best estimate of retirement ages of employees, expected health care costs and discount rate. The retirement medical benefit plan is not funded.

### (i) Translation of foreign currencies:

SOCAN has investments denominated in foreign currencies which have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Gains and losses have been translated using exchange rates prevailing on transaction date.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

## 1. Significant accounting policies (continued):

### (j) Use of estimates:

The preparation of non-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 non-consolidated financial statements and the reported amounts of income and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and asset and obligation related to employee future benefits. Actual results could differ from those estimates.

## 2. Investments:

The fair values of investments are as follows:

	2016	2015
Short-term investments	\$ 516	\$ 772
Pooled funds:		
Fixed income	61,137	84,514
Foreign equities	53,733	52,351
Foreign floating rate bank loan	8,795	8,538
Global infrastructure securities	7,865	7,078
Segregated fund:		
Domestic equities	6,064	4,551
	<b>\$ 138,110</b>	<b>\$ 157,804</b>

Short-term investments consist of short-term bonds and guaranteed investment certificates bearing interest at 0.93% - 2.47% and maturing on January 18, 2017 to March 9, 2017 (2015 - 0.74% - 1.10% and maturing on February 3, 2016 to March 4, 2016).

Investments totalling \$60,000 (2015 - nil) have been guaranteed to the bank as described in note 12.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

### 3. Capital assets:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,073	\$ –	\$ 3,073	\$ 3,073
Building and building improvements	14,822	9,771	5,051	5,560
Leasehold improvements	916	174	742	814
Furniture, fixtures and equipment	10,842	8,444	2,398	2,577
Computer software	19,978	5,618	14,360	6,964
Computer software under development	5,253	–	5,253	7,574
Artwork	96	–	96	96
	<b>\$ 54,980</b>	<b>\$ 24,007</b>	<b>\$ 30,973</b>	<b>\$ 26,658</b>

Amortization charges included in administrative expenses amounted to \$3,963 (2015 - \$3,096). Disposals include \$36 (2015 - \$301) of fully amortized assets.

### 4. Employee future benefits:

(a) Information about SOCAN's employee benefit plans (excluding the defined contribution portion of the pension plan), in aggregate, is as follows:

Pension plan	2016	2015
Accrued benefit obligations	\$ 50,064	\$ 51,458
Fair value of plan assets	69,119	71,713
Funded surplus	<b>\$ 19,055</b>	<b>\$ 20,255</b>



## SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

#### 4. Employee future benefits (continued):

SERP	2016	2015
Accrued benefit obligations	\$ 15,354	\$ 15,113
Fair value of plan assets	13,231	12,860
<b>Plan deficit</b>	<b>\$ (2,123)</b>	<b>\$ (2,253)</b>

Retirement medical benefit plan	2016	2015
Accrued benefit obligations	\$ 4,314	\$ 4,298
Fair value of plan assets	–	–
<b>Plan deficit</b>	<b>\$ (4,314)</b>	<b>\$ (4,298)</b>

Continuity of the accrued benefit liability (asset) is as follows:

	2016			2015	
	Pension plan	SERP	Retirement medical benefit plan	Total	Total
Balance, beginning of year	\$ (20,255)	\$ 2,253	\$ 4,298	\$ (13,704)	\$ 4,505
Benefit expenses	(51)	345	268	562	1,316
Employer contributions	(1,118)	(1,078)	(194)	(2,390)	(14,169)
Remeasurements and other items	2,369	603	(58)	2,914	(5,356)
<b>Balance, end of year</b>	<b>\$ (19,055)</b>	<b>\$ 2,123</b>	<b>\$ 4,314</b>	<b>\$ (12,618)</b>	<b>\$ (13,704)</b>

During the year, SOCAN settled a portion of its obligation to current pensioners of the pension plan by purchasing annuities in the amount of \$6,579 (2015 - \$5,010). SOCAN incurred a settlement loss of \$2,101 (2015 - \$1,410) which has been recognized in remeasurements and other items in the non-consolidated statement of changes in net assets.

- (b) The contributions paid and expensed by SOCAN under the defined contribution portion of the pension plan for the year amounted to \$292 (2015 - \$243).



## SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

### 5. Accounts payable and other liabilities:

Included in accounts payable and other liabilities are government remittances payable of \$1,547 (2015 - \$2,311), which includes amounts payable for harmonized sales tax and payroll-related taxes.

### 6. Royalties owing to music copyright owners:

The availability of funds for distribution is dependent upon the realization of assets at not less than their carrying values in the financial statements.

			2016	2015
	Performing rights	Private copying	Total	Total
Balance, beginning of year	\$ 182,805	\$ 508	\$ 183,313	\$ 190,318
Distributable income	290,215	412	290,627	269,215
Distributions	(288,398)	(629)	(289,027)	(276,220)
<b>Balance, end of year</b>	<b>\$ 184,622</b>	<b>\$ 291</b>	<b>\$ 184,913</b>	<b>\$ 183,313</b>





# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

## 7. Internally restricted net assets:

SOCAN distributes all of its income to music copyright owners through an allocation (note 6), except for certain items which the Board of Directors has approved to remain unallocated. These items include investment income, net unrealized gain on investments, net realized gain on sale of investments, equity investment profit (loss) in subsidiary and certain other items related to pension accounting. The unallocated items described above comprise SOCAN's non-consolidated internally restricted net asset balance.

	2016	2015
Balance, beginning of year	\$ 32,159	\$ 21,815
Net realized gain on sale of investments	1,026	156
Net unrealized gain on investments	2,296	11,853
Amortization of internally generated computer software	(1,138)	(671)
Investment gains allocated to distribution	(1,000)	(1,000)
Equity investment profit (loss) in subsidiary	(10,338)	6
<b>Balance, end of year</b>	<b>\$ 23,005</b>	<b>\$ 32,159</b>

## 8. MINT Services Corporation ("MINT"):

MINT was incorporated under the Ontario Business Corporations Act and commenced operations on February 12, 2013. MINT provides back office services, specifically payments for third-party advertising revenues and operates music rights administration and fulfilment services through its subsidiary, MINT USA, Inc. ("MINT USA"). MINT USA was incorporated on April 11, 2016.

At December 31, 2016, assets, liabilities and shareholder's deficiency of MINT were \$72,537, \$82,898 and (\$10,361) (2015 - \$210, \$405 and (\$195)), respectively.

Revenue for the year ended December 31, 2016 was \$7,855 (2015 - \$144) and expenditures for the year were \$18,193 (2015 - \$138).

Cash flows from (used in) operating, financing and investing activities were (\$10,777), \$51,614 and (\$35,227) (2015 - \$12, (\$112) and nil), respectively.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

## 8. MINT Services Corporation ("MINT") (continued):

Financial statements of the subsidiary are available upon request.

During the year, SOCAN executed a demand promissory note with MINT to provide principal funds up to \$23,000. At year end, \$14,469 was advanced. The funds are unsecured, non-interest bearing and due on demand. At December 31, 2016, SOCAN has agreed to provide continued financial support to the subsidiary to ensure third party obligations are met when due. SOCAN has agreed not to demand repayment of the outstanding advance until after December 31, 2017.

The equity investment loss in MINT of \$10,533 (2015 - \$195) represents the net cumulative loss (earnings) as at December 31, 2016.

SOCAN provides administrative, support services and facilities to MINT in return for a fee. Amounts charged to MINT by SOCAN during the year amounted to \$244 (2015 - \$85). Included in other receivables and assets is \$ 947 (2015 - \$383) that remains collectible at year end.

## 9. SOCAN Foundation:

Included in administrative expenses is \$1,549 (2015 - \$1,516) in funding provided to the Foundation. Included in other receivables and assets is \$7 (2015 - nil) owing from the Foundation.

A summary of the financial information for the Foundation for the years ended December 31, 2016 and 2015 is as follows:

	2016	2015
Total assets	\$ 5,688	\$ 5,873
Total liabilities	696	734
<b>Net assets</b>	<b>\$ 4,992</b>	<b>\$ 5,139</b>
Revenue	\$ 1,737	\$ 1,854
Expenses	(1,884)	(1,767)
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>\$ (147)</b>	<b>\$ 87</b>



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

## 10. Investment and other income:

	2016	2015
Interest income	\$ 1,249	\$ 2,727
Dividend income	1,139	1,263
Miscellaneous income	804	126
Net realized gain on sale of investments	1,026	156
Net unrealized gain on investments	2,296	11,853
Brokerage and investment consulting fees	(219)	(302)
	<b>\$ 6,295</b>	<b>\$ 15,823</b>

## 11. Commitments and contingencies:

- (a) SOCAN has various operating lease commitments for branch office premises, vehicles and office equipment. The future minimum lease payments, inclusive of maintenance costs and realty taxes, for years subsequent to December 31, 2016, are as follows:

2017	\$ 363
2018	311
2019	250
2020	242
2021	258
Thereafter	1,059
	<b>\$ 2,483</b>

- (b) SOCAN is party to legal actions arising in the normal course of operations. While it is not feasible to predict the outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on operations.

In addition, the Copyright Board does not always have certified tariffs for current years. If SOCAN files proposed tariffs in accordance with the Copyright Act, then the last certified tariff continues to operate on an interim basis and SOCAN may collect royalties in accordance with the previous tariff until the proposed tariff is approved. The certified tariff may be different from the interim tariffs and could cause an adjustment to fees from Canadian licensees. This adjustment, if any, will be recorded in the year in which the tariff decision is published.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 11. Commitments and contingencies (continued):

- (c) SOCAN has a Retirement Compensation Arrangement Trust Agreement with CIBC Mellon Trust Company to secure all or a portion of the payments required under the pension plan by letters of credit totalling \$3,100.

## 12. Guarantee:

During the year, MINT USA, Inc., a subsidiary company of MINT, entered into a credit facility agreement. Under the terms of the credit facility agreement, SOCAN is required to provide an unlimited guarantee and postponement of claim supported by the following:

- (a) a general security agreement constituting a security interest in all personal property of SOCAN;
- (b) pledge agreements with respect to the investment portfolio of securities held in the accounts maintained with two financial institutions; and
- (c) a portfolio monitoring and securities control agreement signed by the Bank, SOCAN and the custodian pursuant to which the custodian agrees, *inter alia*, that it will not permit the amounts to be removed from the investment accounts if the result of such removal would be to reduce the aggregate market value of the qualifying investments held in the investment accounts to less than \$60,000. The amount will be reviewed annually by the Bank and adjusted downwards to reflect the principal payments made against the borrowings as of the date of each review.

## 13. Financial risk and concentration risk:

Financial risk relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, market price and foreign currency risks. SOCAN has formal policies and procedures that establish target asset mix. SOCAN's policies also require diversification of investments within categories, and set limits on exposure to individual investments. There has been no change in risk exposure from the prior year.



# SOCIETY OF COMPOSERS, AUTHORS AND MUSIC PUBLISHERS OF CANADA

Notes to Non-Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended December 31, 2016

---

## 13. Financial risk and concentration risk (continued):

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. SOCAN is exposed to credit risk with respect to license fees receivable. SOCAN assess, on a continuous basis, license fees receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

### (b) Interest rate risk:

SOCAN is exposed to interest rate risk on its fixed interest rate financial instruments.

### (c) Market price risk:

Market price risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose SOCAN to a risk of loss. SOCAN mitigates this risk through controls to monitor and limit concentration levels.

### (d) Foreign currency risk:

SOCAN is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on SOCAN's foreign equity securities. SOCAN does not currently enter into forward contracts to mitigate this risk.

## 14. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted in the current year.

