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# Canada Book Fund

## Publishing Support

Application Guide  
2015-2016





# **Canada Book Fund 2015-2016 - Application Guide – Publishing Support**

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# 1. About the funding described in this guide

## 1.1 About the Canada Book Fund

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## 1.1 About the Canada Book Fund

The principal objective of the Canada Book Fund (CBF) is to ensure access to a diverse range of Canadian-authored books in Canada and abroad. The Government of Canada provides support for the Canadian book industry through the following two streams of the Canada Book Fund: Support for Organizations and Support for Publishers.

Support for Publishers includes the following elements:

Publishing support

Business development support

- internships

- business planning

Foreign Rights Marketing Assistance (delivered by Livres Canada Books)

This guide deals with Publishing support.

Separate application forms must be completed for Publishing support and Business development projects.

## 1.2 What's new

The following changes to the Publishing support application guide are further to the renewal of the program through Budget 2014, which made permanent \$9 million in previously supplementary CBF funds. This renewal focused on the strategic priorities of digital innovation and international competitiveness, building on existing program strengths such as its streamlined structure and effective formula funding for publishers.

Applicants with any questions about these changes are encouraged to contact the CBF as early as possible in the application process.

### 1.2.1 Eligible applicants and books

- The minimum period of operation as a book publisher at the time of application is now 12 months. See [section 2.1.1](#) of the guide.
- A publisher with net sales of own titles that were \$50 million or greater in the reference year is not eligible for CBF support. See [section 2.1.1](#).
- Provided they meet all other program criteria, digital-only publishers (i.e., they do not publish any titles in print or other physical format) are now eligible to apply for Publishing support. See [section 2.1.2](#).
- Provided all other program criteria are met, digital-only books (i.e., not also published in print or another physical format) are now considered eligible titles. See [section 2.1.2](#).

### **1.2.2 Calculation of recipient funding**

- A publisher's eligible sales up to \$500,000 will be multiplied by a factor of 4 for official- and Aboriginal-language translations and digital titles and rights, and by a factor of 3 for all other sales except foreign-authored books adapted or translated by a Canadian. See [section 2.4.1](#).
- The book pack and physical non-print edition sales categories have been eliminated and eligible sales of these formats will be treated the same as other eligible books. See [section 2.4.1](#).
- Sales of foreign-authored books adapted or translated by a Canadian up to \$500,000 will be factored by 0.5 and the portion greater than \$500,000 by 0. See [section 2.4.1](#).
- Individual recipients will not have a specific maximum contribution amount. The program is making this change in order to provide more flexibility in how the formula allocates funding. See [section 2.4.1](#).

### **1.2.3 Maximum contribution for an affiliated group**

- The maximum contribution for a group of affiliated publishers will still be \$850,000 (excluding the export supplement and Business development support), up to an annual total of \$1,500,000 (including the base amount, export supplement and Business development support) for groups that exceed the \$850,000 cap due to "grandfathering" of a member(s). See [Annex A, paragraph 1](#).

### **1.2.4 General conditions**

- The following item has been added to the list of eligible expenditures: travel directly related to business activities. See [section 2.3](#).
- The Department's requirements for public acknowledgement of financial assistance were updated in 2014 and the updated requirements will be incorporated into all new contribution and grant agreements with funded recipients. See [Annex C, paragraph 3](#).

### **1.2.5 Planned program changes for 2016-2017**

- During the reference year, the applicant will be required to have published at least one new, eligible, Canadian-authored digital title or one new, eligible, Canadian-authored digital edition. The CBF will consider a detailed, written explanation from those publishers unable to meet the program's digital production requirement.
- The number of an applicant's self-published titles cannot exceed 50% of its total number of new titles published in the reference year.
- For newly acquired members of an affiliated group, the "grandfathering" period will be reduced to one year. The current period of three years will continue to apply to acquisitions concluded in the government's 2015-16 fiscal year. As well, groups of affiliated publishers already benefitting from the three-year grandfathering period in 2015-16 will continue to do so until the end of the three years.

## 1.3 Objectives and expected outcomes

### 1.3.1 Publishing support

Publishing support is designed to assist the ongoing production, marketing, and distribution of Canadian-authored books. Supplementary funding based on export sales is also available as part of Publishing support.

### 1.3.2 Business development support

Business development support provides funding to book publishers for internships and business planning. For more information, see the [Business development support application guide 2015-2016](#).

### 1.3.3 Foreign Rights Marketing Assistance

This element of the CBF, administered by Livres Canada Books, provides funding support for export sales trips and participation in international trade events.

Please contact Livres Canada Books for more information and an application form.

Livres Canada Books  
504-1 Nicholas Street  
Ottawa, Ontario  
K1N 7B7  
Telephone: 613-562-2324  
Fax: 613-562-2329  
Email: [info@livrescanadabooks.com](mailto:info@livrescanadabooks.com)  
Web site: [www.livrescanadabooks.com](http://www.livrescanadabooks.com)

### 1.3.4 Digital initiatives and activities

Canadian Heritage continues to invest in the infrastructure of the Canadian book industry through collective digital initiatives. The success of many such projects is dependent on individual investments made by publishers to ensure their digital capabilities are compatible with a project's technical requirements, for example, the creation of high-quality metadata for Canadian titles. Publishers are strongly encouraged to take advantage of the funding made available through Support for Publishers to help ensure that their digital capabilities meet these standards.

## 1.4 Application deadline

**The deadline to submit 2015-2016 applications is: April 1, 2015.**

We consider your application to be filed on time if the printed and signed version of the application form and all the required additional items are sent by mail or courier, and are postmarked on or before the day of the deadline. **To ensure timely delivery of funding, it is essential that applications be complete, including all supporting**

**documentation, and submitted on time.** Applicants should keep in mind any extra time required for the preparation of documents by third parties (see Annex B for details).

We recommend that application packages be sent by courier or priority post as this will provide applicants with proof that documentation was submitted to the program by the deadline. Should an application package go missing, such documentation will be required by the CBF.

Moreover, applicants are expected to respond promptly to questions or information requests from CBF staff. **Failure to respond within the timeframes set out by staff may lead to an application being considered incomplete, and therefore rejected.**

Please note that applicants proceeding with expenditures prior to approval of a CBF grant or contribution do so at their own risk. Canadian Heritage will assume no responsibility for any contractual commitments entered into by applicants prior to confirmation of financial support from the Department.

## 2. Publishing support

2.1 Eligible applicants

2.2 Eligible and ineligible books

2.3 Eligible expenditures

2.4 Assessment and funding level

2.5 Requirements for a complete application for Publishing support

### 2.1 Eligible applicants

#### 2.1.1 General requirements

Only book publishing firms are eligible for Publishing support. At the time of application, the applicant must have completed at least 12 months of operation as a book publisher.

At the time of application, and through to the end of the term of any contribution agreement between Canadian Heritage and a publisher, the publisher must:

- be at least 75% Canadian-owned and -controlled in fact;
- have its headquarters and at least 75% of its employees based in Canada;
- be a private-sector firm or university press;
- be financially viable; and
- have fulfilled all contractual obligations with respect to author royalty payments or other method of payment to authors, from the beginning of the reference year through to the end of any contribution agreement.

The CBF will determine financial viability based on the publisher's application form and supporting documentation, business plan and other information, as needed. The CBF also reserves the right to request additional information and/or documentation from an applicant to determine eligibility.

The following entities are not eligible for support from the CBF:

- publishers with net sales of own titles that were \$50 million or greater in the reference year.
- unincorporated divisions of larger organizations, with the exception of university presses.

Each individual applicant within an affiliated group must independently meet all eligibility criteria.

CBF applicants and recipients must immediately inform the program of any change of ownership. The CBF will review a change of ownership to ensure that any funding considered, recommended, or provided is consistent with the program's eligibility requirements and objectives.

## 2.1.2 Publication minimum

**IMPORTANT: All titles counting toward the publication minimum referred to below must be new, eligible, Canadian-authored books, *in print or digital formats*. Books that are published in both print and digital formats only count as one title. Foreign-authored books that are translated or adapted by a Canadian do not count toward the publication minimum.**

The publisher must have an active and ongoing publishing program and:

- by the end of its reference year, have published a minimum of 15 trade books or 10 educational or scholarly books. For those applicants that publish a mix of trade, educational and/or scholarly books, a minimum of 10 books will apply, provided that at least five of those books are educational and/or scholarly;
- during the three financial years ending with the reference year, have published a minimum of 12 trade books or six educational or scholarly books. For those applicants that publish a mix of trade, educational and/or scholarly books, the minimum of six books over three years will apply provided that at least three of those books are educational and/or scholarly; and
- during the reference year, have published at least one book.

New editions and reprints are not considered new titles. However, for the purposes of the publication minimum, new editions may be considered new titles for official-language minority, Aboriginal, and small literary publishers, provided that previous editions of the title were not published by the applicant or by a publisher in the same affiliated group, if applicable.

## 2.1.3 Sales minimum

In the reference year, the publisher must have eligible sales of own titles of at least \$50,000 (\$30,000 for official-language minority publishers and Aboriginal publishers).

## 2.1.4 Restrictions on revenues and production

In the publisher's reference year:

- at least 65% of the publisher's net revenue, including grants and contributions, must be related to the publication and sale of books (excluding author-subsidized titles), including distribution, printing and the sale of rights. The percentage for



- official-language minority and Aboriginal publishers is 40% provided that the majority of the other revenues are derived from activities that are, in the opinion of the Department, cultural in nature;
- revenue derived from the sale of author-subsidized titles must not exceed 25% of net revenue; and
- the number of self-published titles must not exceed 75% of the total number of new titles.

## 2.2 Eligible and ineligible books

### 2.2.1 Eligible books

A book that is:

- either written by a Canadian author or adapted or translated by a Canadian;
- at least 48 pages in length for a printed book, except for children's books, which can be less than 48 pages;
- at least 15,000 words in length for a digital book, except for digital children's books, which can be less than 15,000 words;
- clearly and publicly attributed to the author(s) and/or translator(s);
- the publisher's own title;
- bearing an ISBN assigned to or acquired by the publisher (exceptions may apply in the case of international co-publication);
- published under the publisher's imprint or under an imprint for which it has acquired publishing, management and marketing rights; and
- printed or manufactured in Canada, except for co-published books or books with an acceptable justification.

### Notes on authorship

- A book with more than one author is considered Canadian-authored if at least one of the authors is Canadian. The editor of a collective work is considered the author if the book is clearly and publicly attributed to the editor and he or she has written a preface, introduction, afterword, or conclusion to the book. The work of an editor in overseeing and guiding a book to publication is not considered authorship.
- For children's picture books only, an illustrator is considered an author.
- The author or translator is always the person to whom the book is publicly attributed. The name of the author(s) or translator(s) must appear on the outside of the cover, the spine, the title page or the copyright page.

### 2.2.2 Ineligible books

Titles that do not meet the eligibility criteria and any of the following:

- author-subsidized titles;
- directories, agendas with less than 36 pages of original editorial content, catalogues, calendars, maps or books of maps, loose-leaf updates, colouring books, sticker books or other activity books, games in the form of a book, and other similar products;
- books underwritten by a political party or written by the paid staff of a political party;

- software and music recordings;
- books that contain advertising other than the publisher's own promotional material;
- periodicals published two or more times a year at regular intervals; or
- titles that, in the opinion of Canadian Heritage, contain the following types of content:
  - material that is hate propaganda, obscene or child pornography, or any other illegal material, as defined in the *Criminal Code*;
  - pornography or other material having significant sexual content unless it can be demonstrated that there is an overriding educational or other similar purpose;
  - material that contains excessive or gratuitous violence;
  - material that is denigrating to an identifiable group;
  - any other similarly offensive material.

## 2.3 Eligible expenditures

Support is available to eligible applicants to offset eligible expenditures between April 1, 2015 and March 31, 2016, for activities that support the production, marketing and distribution of eligible books, including editorial, design, printing, author development, author royalty, salary, overhead, maintaining bibliographical data, promotion, advertising, packaging, shipping, capital expenditures and travel directly related to business activities. Funding may not be used to pay dividends, bonuses or other extraordinary compensation to shareholders or owners.

## 2.4 Assessment and funding level

Each application will undergo review and approval to ensure compliance with CBF requirements and government policies, as well as to ensure consistency, transparency of process, and best use of public funds.

### 2.4.1 Publishing support - calculation of the contribution

The Publishing support contributions are composed of two possible amounts: a base amount and a supplementary amount based on export sales. These two amounts are determined using distinct formulas, described below.

#### Base amount

There are two main steps in working out the base amount of a publisher's contribution. First, what are known as "factored sales" are calculated by multiplying a publisher's domestic and export sales of eligible books — both finished products and rights — in its reference year by the appropriate sales coefficient for each category. The coefficients are shown in the table below.

## Sales Coefficients – base amount Canadian-authored books

<b>Eligible sales up to \$500,000</b>	<u>Official- or Aboriginal-language translations</u>	4
	<u>Digital new titles, Digital editions, digital rights</u>	4
	All other Canadian-authored printed books, including <u>rights, learning kits, physical non-print editions and book packs</u>	3
<b>Eligible sales between \$500,001 and \$10,000,000</b>		1
<b>Foreign-authored books adapted or translated by a Canadian</b>	Sales up to \$500,000	0.5
	Sales > \$500,000	0
<b>All eligible sales &gt; \$10,000,000</b>		0

Note: For official-language minority publishers and Aboriginal publishers, the Canadian-authored books coefficient is 5 for eligible sales of up to \$100,000.

The second step is to allocate the budget designated for the base amounts proportionally among all recipients based on factored sales. For example, if a publisher's factored sales represented 1.2% of the total factored sales, that publisher would receive 1.2% of the budget for Publishing support (excluding the supplementary support based on export sales).

## Supplementary amount based on eligible export sales

In addition to the base amount, a supplementary amount may be added to the contribution to encourage export marketing activities for Canadian-authored titles. For a publisher to benefit from the supplementary support, it must be eligible to Publishing support in the current year, have achieved eligible export sales of at least \$10,000 in the reference year, and have provided all required documentation to the CBF.

A designated budget for export marketing support will be divided proportionally among eligible applicants based on the export sales of eligible books.

First, a publisher's export sales of eligible books - of both finished products and rights - in its reference year is multiplied by the appropriate sales coefficient. The coefficients for 2015-2016 are indicated below:

## **Sales coefficients – supplementary amount based on export sales**

Eligible export sales up to \$100,000	All eligible books	3
Eligible export sales > \$100,000	All eligible books	1

The designated budget for export marketing support is then allocated among all recipients based on the factored export sales. The maximum supplementary amount based on export sales of eligible books is \$55,000.

It should be noted that applicants wishing to obtain export marketing support must provide an export sales certification. For more information, please see section 11 of Annex B.

### **Total amount**

The amounts that come from the two formulas are added together for the Publishing support contribution.

Although contributions are based on sales of eligible books in a previous year, the funding is intended to support an applicant's publishing program between April 1, 2015, and March 31, 2016.

For details on the maximum amount for members of affiliated groups, see Annex A.

For information on payments and reporting, please see section 5.

## **2.5 Requirements for a complete application for Publishing support**

All applicants must submit items (a) through (g) with their Publishing support applications, by the deadline. Certain applicants must also submit one or more of items (h) through (m). A checklist is included in the application form.

It is critical that you read the detailed information in Annex B related to each item.

- (a) Application form
- (b) Financial statements
- (c) Production report
- (d) Business plan
- (e) Author payment / Royalty certification report
- (f) Catalogue (if available)
- (g) Books or copies of the cover and copyright page or PDFs of digital-only books (electronic version only)
- (h) Distribution contract(s)
- (i) Confirmation of distributor's fees

- (j) Export sales certification
- (k) Incorporation papers
- (l) Geographic Analysis Report
- (m) Letter authorizing submission of the application

## **Special requirements for new applicants**

In addition to the above, new applicants must:

- provide two years of financial results instead of one (see section 2 of Annex B for details);
- submit more books than other applicants (see section 7 of Annex B for details);
- include a copy of all distribution contracts with their application (see section 9 of Annex B for details);
- submit their company's incorporation papers (see section 12 of Annex B for details); and,
- submit, if requested, production reports for the two years prior to the reference year to confirm that they meet all eligibility criteria (see section 3 of Annex B for details).

There is also a restriction on how recent the reference year can be for new applicants (see section 1 of Annex B for details).

## **3. Submitting your application**

### 3.1 Where to send your application

### 3.2 How to reach us for further information

## **3.1 Where to send your application**

Applications and other information may be submitted in advance by email. However, all original signed and completed application forms should be mailed (preferably by courier).

The CBF's coordinates are:

Canada Book Fund (CBF)  
Department of Canadian Heritage  
25 Eddy Street, 25-8-T  
Gatineau, Quebec  
K1A 0M5  
Fax: 819-994-3154  
Email: [cbf-flc@pch.gc.ca](mailto:cbf-flc@pch.gc.ca)

Mailed applications for Publishing support must be postmarked no later than **April 1, 2015**.

## **3.2 How to reach us for further information**

Applicants with questions about CBF procedures are encouraged to contact the program as early as possible in the application process. Please use the Department's toll-free number: 1-866-811-0055 or TTY: 1-888-997-3123

## **4. Funding agreements, payments, and reporting**

### 4.1 Contributions and grants

### 4.2 Payments

### 4.3 Reporting

### 4.4 Outstanding reports and repayments

### 4.5 Government assistance – general terms and conditions

Please note that the approval of a Business development grant or contribution should not be taken as an indication that a Publishing support contribution will be approved.

### **4.1 Contributions and grants**

The majority of Support for Publishers funding is provided through contributions. The contribution agreement is the legally binding contract between the recipient and the Government of Canada setting out the conditions of funding. The agreement also outlines the payment and reporting schedule specific to the project. The agreement is provided to the applicant along with the notification that a contribution has been approved.

Grants may be provided for projects that are considered low risk. In such cases, a contribution agreement is not required and payments can be handled in a simpler manner.

### **4.2 Payments**

Publishers generally receive between 90% and 100% of their Publishing support contribution once a contribution agreement has been signed.

Following March 31, 2016, and the acceptance of the final report by the CBF, any remaining amount will be paid.

### **4.3 Reporting**

Publishers must provide a final report on the use of the funding between April 1, 2015, and March 31, 2016. It must be submitted on or before June 30, 2016. Recipients may also be asked to report on total government assistance received between April 1, 2015, and March 31, 2016.

### **4.4 Outstanding reports and repayments**

Prior to the release of the first payment of a new contribution agreement, recipients must submit any outstanding reports to the Department and/or make any outstanding repayments to the Receiver General. Furthermore, failure to respect the obligations related to prior contribution agreements, including but not limited to reporting and repayment requirements, may lead to the rejection of an application for future funding.

## 4.5 Government assistance – general terms and conditions

Please consult the detailed information in Annex C.

## 5. Definitions

### **Aboriginal publisher**

A publisher owned and controlled by members of the Aboriginal peoples of Canada, which includes Status and Non-Status Indians, Métis and Inuit people.

### **Adaptation**

The publication under a Canadian publisher's imprint of a foreign-authored book in its original language with either substantial changes to at least 25% of the original written content or at least 25% new content written by a Canadian author to ensure that it is suitable for the Canadian market. The adaptation and the original foreign book cannot be co-publications.

### **Affiliated group**

A group of companies in which the same person, group of persons, or entity holds the majority of shares with full voting rights or has control in fact of these companies.

### **Author-subsidized title**

A publication dependent on a financial contribution from, or any purchase by, the author.

### **Book pack**

A book packaged and sold together with a non-book item, such as a CD or a toy. Exception: books sold with a CD inside the cover that is not visible from the outside are not considered book packs, but are considered books.

### **Book publishing**

Professional activity involving the selection, development and editing of manuscripts; contractual agreements with authors or copyright holders; production and marketing of books under the firm's imprint; and the assumption of the risks associated with these activities.

### **Canadian**

1. a citizen within the meaning of the *Citizenship Act* who is ordinarily resident in Canada
2. a permanent resident within the meaning of the *Immigration and Refugee Protection Act*
3. a Canadian corporation or
4. a non-profit organization in which 75% of its members are persons referred to in paragraphs (1) or (2)

5. a partnership, trust or joint venture in which a person or any combination of persons referred in paragraphs (1), (2), (3), or (4) beneficially owns or controls, directly or indirectly, interests representing in value at least 75% of the total value of the assets of the partnership, trust or joint venture, as the case may be

Note: Only sections 1 and 2 above apply to the definition of an author.

### **Canadian-owned and -controlled firm**

A firm:

1. that is a sole proprietorship, partnership, cooperative or a corporation (for profit or not for profit) established under the laws of Canada or a province;
2. whose activities are based primarily in Canada;
3. whose chairperson or presiding officer and at least 75% of whose directors and other similar officers are Canadian citizens or permanent residents within the meaning of the *Immigration and Refugee Protection Act*;
4. if a corporation with share capital, of which Canadians beneficially own or control, other than by way of shares held only as security, directly or indirectly, in the aggregate at least 75% of all the issued and outstanding voting shares representing at least 75% of the paid-up capital;
5. if a corporation without share capital, of which Canadians beneficially own or control, directly or indirectly, interests representing in value at least 75% of the total value of the assets.

If at any time one or more persons that are not described in any of paragraphs (1) to (5) of the definition Canadian have any direct or indirect influence through a trust, an agreement, an arrangement or otherwise that, if exercised, would result in control in fact of the publishing firm, the firm is deemed not to be Canadian-owned.

### **Children's book**

A trade book published for the children's or young adults' markets, including picture books, easy-to-read books, chapter books and young adult books. Educational books intended for elementary school students are also considered children's books. Teacher's guides and books of reproducible material are not considered eligible children's books.

### **Co-publishing**

Joint financial investment by two or more publishers to conceive, produce and print, under their respective imprints, individual titles or collections to be sold in their respective markets. Provided all other eligibility criteria are satisfied, co-published books are eligible, but applicants may claim as eligible sales only their portion of the total revenue. The partner publisher of the applicant may be foreign-owned.

Co-publishing may also include situations in which an applicant sells rights to an own eligible title to foreign publishers and coordinates production of the books. The applicant's revenues associated with such arrangements may be considered eligible export sales.

### **Digital edition**

A digital version of a book, including an audio version, that is sold through the Internet or by any other non-physical transmission.



Digital editions differ from digital rights in that the former do not normally involve a licensing arrangement through which a third party acquires rights to produce and/or sell a title.

**Digital new title**

A book with more than 50% original content and that is only published in digital format.

**Digital rights**

Licensing by the applicant to a third party to produce and/or sell digital versions of a book, including extracts from or other derivations of a book.

**Editor**

The individual who works closely with the authors and who is responsible for overseeing and guiding the content of a book to publication. The editor may also be involved in other activities, such as manuscript revision, acquisitions and title management.

**Educational book**

Instructional material, such as textbooks, teachers' guides and learning kits designed for the primary, secondary or post-secondary school markets.

**Employee**

Full- and part-time paid staff working directly for the publishing company. Owners are considered employees unless they have no active role at the firm. Independent contractors are not considered employees.

**Imprint**

The trade or brand name under which a book is published. An imprint is not a separate legal entity and a single publishing company may have multiple imprints.

**Independent accountant holding a designation acceptable to the program**

A professional designated a Chartered Accountant (CA), Certified General Accountant (CGA), or Certified Management Accountant (CMA) operating at arm's length from the applicant and from the firm or individual who maintains the applicant's financial records and statements. Applicants that wish to have their application documents prepared by an accountant holding a different designation should contact the CBF in advance.

**Learning kit**

A product for the primary, secondary or post-secondary school markets consisting of one or more eligible educational books packaged and sold together with other complementary materials, such as software, audiovisual material, maps or activity sheets. To be considered eligible, a learning kit must be made up of elements intrinsically linked to each other. The focal point of a learning kit must clearly be the eligible educational book(s). The entire learning kit is considered one educational title.

**Net sales**

Sales after trade discounts and credits for actual returns and allowances for returns have been deducted.

**New applicant**

An applicant that did not receive a Publishing support contribution from the CBF in **each** of the two previous years of the program.

**New title, new edition, reprint**

- A new title is a book with more than 50% original content.
- A new edition is the publication in modified form of a book previously published by the same or a different publisher.
- In contrast with a new title, a book is considered a new edition if more than 50% of its content is taken from the previously published book.
- In contrast with a reprint, a new edition must have at least one of the following:
  - substantial changes in the format or binding;
  - reformatting of at least 50% of the text;
  - either substantial changes to at least 25% of the original written content or at least 25% new written content; or
  - substantial changes to the illustrations, other than on the cover.

**Official-language minority publisher**

A publisher based outside Quebec who publishes primarily in French or a publisher based in Quebec who publishes primarily in English.

**Official or Aboriginal-language translation**

A Canadian-authored book translated by a Canadian from an official or Aboriginal-language to an official or Aboriginal-language.

**Own titles**

Titles for which the publisher holds publication, development and marketing rights for its own market.

**Physical non-print editions**

Physical non-print editions include audiotapes, audio CDs, CD-ROMs, DVDs, or a similar product.

**Publisher**

The individual who is responsible for the overall vision and direction of the publishing house as well as the entire process of producing books. The publisher is usually the ultimate editorial decision maker regarding the publishing house's output of titles.

**Rights**

Licensing by the applicant to a third party to produce and/or sell print and/or digital versions of a book, including extracts from or other derivations of a book. This includes

subsidiary rights, which permit the use of a book to create another work of the same nature, whether printed or not (digital book, work or extracts on a CD or any other medium, etc.). Revenues from the sale of rights to use a book to create a work of a different nature (film, video, electronic games, television program, website, music, etc.) will not be considered eligible by the CBF, nor is income derived from the sale of rights for the use of a book or element thereof (character, place, object) in order to produce and/or sell products (toys, games, cards, posters, promotional tools, etc.).

**Scholarly book**

A book based on research that makes a significant contribution to the development of knowledge in a given field and is subject to peer review prior to publication.

**Self-published title**

A publication with at least one author who is a shareholder or an owner of the publishing firm.

**Small literary publisher**

A publisher with sales of Canadian-authored books during the reference year of less than \$400,000, who has also been awarded a Book Publishing support grant by the Canada Council for the Arts or an operating grant from a provincial arts council in 2014-2015.

**Total government assistance**

All federal, provincial, territorial and municipal funding provided toward the applicant's book publishing expenditures.

**Trade book**

A book intended for the public in general, including literary works, how-to books, dictionaries, encyclopaedias and reference works intended for professionals. Any title that is not an educational book or a scholarly book is considered to be a trade book.

**Translation**

The publication under the applicant's imprint of a Canadian- or foreign-published book in a different language. A book with text in more than one language is not a translation.

## Annex A: Conditions for members of affiliated groups

### 1. Overall limitations on contributions to members of affiliated groups

No affiliated group can receive a base amount of more than \$850,000 or a supplementary amount based on eligible export sales of more than \$55,000. If either of these amounts is calculated to exceed the maximum, they will be lowered to the maximum amounts. Individual contributions to the members will be based on their shares of the total factored sales of the group for the base amount and/or the supplementary amount.

The Publishing support contribution to a newly acquired member of an affiliated group will not, however, be counted toward the group's total contribution for three program years, potentially allowing the group to exceed the maximum annual contribution for those three years up to an annual total of \$1,500,000, including the base amount, export supplement and Business development support. For this exemption to apply, both the acquired and the purchasing publishers (or another subsidiary or affiliate of the purchaser) must be Publishing support recipients. An acquired publisher can benefit from this rule only once during its history as a Publishing support recipient and for no more than three consecutive years. A maximum of one transaction per affiliated group per program year will apply. The CBF will send annual letters to all affected recipients to notify them of their status under this rule.

### 2. Editorial independence

In addition to the above, unless members of an affiliated group can demonstrate editorial independence, their contributions will be subject to a modified calculation. Members will be considered editorially independent if their publisher and/or editor do not share time in any way with other members, and if they do not make use of the time of the publisher and/or editor of another member. If there is only one editorial staff person filling the role of both publisher and editor, that person's time must not be shared in any way with other members, and other members must not make use of the time of that person. The CBF will determine editorial independence based on the publisher's application and supporting documentation/information, as needed.

Members of an affiliated group who submit individual applications, but fail to demonstrate editorial independence will be subject to the following modified contribution calculation:

- the members' sales will be combined for the purposes of calculating a contribution amount (please note that the contribution amount may not exceed the maximum annual contribution);
- this amount will then be pro-rated between the members, proportionally based on factored sales.

Members of affiliated groups are encouraged to contact the CBF to discuss their status under this rule before applying.

## Annex B: Detailed information about the application

### 1. Application form

The financial information provided in the application form is to be based on an eligible reference year. The reference year is the publisher's financial year on which its Publishing support application is based and which is used to complete the application form.

There are a number of rules that govern the reference year:

- For 2015-2016, the reference year must not end before October 31, 2013.
- For 2015-2016, new applicants cannot use a reference year ending after December 31, 2014.
- The reference year cannot be longer than 12 months, but it can be shorter.
- The current reference year must immediately follow the end of the previous year used to apply to the CBF unless permission for an exception has been explicitly granted by the CBF. If you are considering changing your financial year or did not receive funding in 2014-2015, please contact the CBF as soon as possible to discuss possible implications for your contribution amount and options for adjusting your reference year.

**Sales realized by subsidiary companies may not be included in the application form.**

### 2. Financial statements

Applicants with sales of **Canadian-authored** books (the total of fields 13D, 13H, 13L and 13P on the application form) during the reference year equal to or greater than \$2 million, including any distribution fee adjustment, must provide audited financial statements. All other applicants must provide a review engagement report. **Please note that the CBF nonetheless reserves the right to require audited financial statements from publishers with less than \$2 million in sales of eligible Canadian-authored books, should it feel individual cases warrant a higher level of assurance. Affected publishers will be advised of this requirement in a timely manner.**

Compilation Engagements (or Notice to Reader) and internal statements are not acceptable. In the case of an applicant that is part of a group of companies, financial statements must be non-consolidated and the application form must be based on the non-consolidated financial data related to the applicant.

The statements must cover the applicant's reference year. They must be prepared and signed by an independent accountant holding a designation acceptable to the program on official letterhead.

New applicants must provide financial results for two financial years: the reference year and the year before. The statements for the year before the reference year need not be reviewed or audited. Only the financial results for the reference year will be used to calculate funding.

### 3. Production report

This document, in spreadsheet format, must contain all eligible and ineligible new titles **published during the reference year**. Applicants are not required to list eligible or ineligible new editions, or reprints.

We strongly encourage you to submit your completed report electronically.

### 4. Business plan

In a separate document, please provide a current business plan for your publishing company. You must use the headings listed in the application form and provide all the requested information. Please provide an organizational chart as part of the business plan if the owners/shareholders listed in the application form are not individuals.

### 5. Author payment / Royalty certification report

As part of the eligibility rules, from the beginning of the reference year through to the end of any contribution agreement, applicants must have fulfilled all contractual obligations with respect to author royalty payments or any other method of paying authors.

The CBF uses royalty certification reports, prepared by an independent accountant holding a designation acceptable to the program to enforce this eligibility rule. The report must appear on the letterhead of the accountant and it must be signed. The CBF may require additional information to verify that applicants meet this requirement.

Suggested text for the certification report is shown below. Although other wording may be used, all reports **must** address the two numbered points. For authors not paid by royalties, the text should be altered as appropriate.

In connection with our [ audit / review ] of the financial statements of [ publisher name ] for the year ended [ last date of the publisher's reference year ], we tested the calculations and payments of royalties/salaries on a sample basis.

As a result of this testing, we noted the following:

1. the calculations of royalties/salaries earned by authors were consistent with the contracts between the publisher and the authors; and
2. the payments of the royalties/salaries have been issued on time in accordance with the contracts.

### 6. Catalogue

Please provide a copy of your most recent catalogue, if available.

### 7. Books

Trade publishers and publishers with titles in more than one category must submit one printed copy or a PDF of a digital-only book of any four eligible titles **published during the reference year**. Educational and scholarly publishers must submit one printed copy

or a PDF of a digital-only book of any two eligible titles **published during the reference year**. Alternatively, applicants can submit photocopies (not galleys or proofs) of the cover and copyright page. However, the CBF at its discretion may require copies of additional books, to assist its analysis.

All new applicants must submit one printed copy or a PDF of a digital-only book of their 10 **most recent** eligible titles.

## 8. Justification for printing outside of Canada

The CBF requires that eligible books be printed in Canada. There are, however, three exceptions to this rule:

- books co-published with a foreign partner may be printed outside of Canada and remain eligible;
- books may be printed outside of Canada if competitive prices were not available in Canada;
- books may be printed outside of Canada if specific printing services were not available in Canada.

To claim the second and/or third exception, a justification is required. First, indicate in section 11 of the application form the percentage of eligible titles, including new titles, new editions, and reprints, produced in the reference year that were printed in Canada.

The application form requests the percentage of eligible titles (new titles, new editions, and reprints) printed in Canada. To be eligible, titles must be printed in Canada, but certain exceptions are permitted. If the percentage of books is less than 100%, please provide a justification by checking the relevant boxes in the application form. If the percentage is 75% or less, the justification must also include copies of quotes from Canadian and foreign printers for the two most expensive books printed outside of Canada. If you cannot obtain quotes, a written explanation may be accepted by the program. If all your foreign-printed books are co-publications with a foreign partner, quotes are not required.

## 9. Distribution contract(s)

New applicants, those with changes in their distribution arrangements since their last Publishing support application, and those using a distributor's fee adjustment must include a copy of all contracts with all distributors, both Canadian and foreign. The contracts must be current and signed by both parties.

## 10. Confirmation of distributor's fees

Only applicants using a distributor's fee adjustment must submit these documents.

### Distributor's fee adjustment

Typically, a publisher's financial statements include the fees withheld by distributors in sales revenues, along with a corresponding amount for "Distribution" or "Marketing" under operating expenditures. This is by far the most common practice among applicants to the CBF.

The distributor's fee adjustment rule is designed to level the playing field for those applicants with financial statements **not** presented this way. If the amount withheld by distributors is **not** already included in net sales, it may be added to the appropriate fields in the "Net revenues" section of the application form (please ensure that any fees added are separated into eligible and ineligible sales). The same amount **must** also be added to "Distribution" or "Marketing" in the "Operating expenditures" section of the form. The adjustment is for distributor's fees only and must not include the trade discount.

Please note that, for the distribution fee adjustment to apply, the publisher must remain the owner of the books held by the distributor. Thus, the following arrangements are excluded from the distribution fee adjustment: sale of books to a co-publisher, sale of books to wholesalers, and packaging or other arrangements whereby the books are sold to a partner.

In an effort to make the review of any potential distribution fee adjustment more timely and accurate, a field in the application form asks applicants to identify the amount of the distributor's fees added to net sales. This field is located at the top of the "Net revenues" section.

**Most applicants would already have distribution fees or marketing fees included in their sales and, therefore, this rule would not be applicable.** To confirm your situation, check whether you have an amount for "Distribution" under operating expenses on your financial statements. If you do, then you would also have a matching amount included in your sales revenue and a distribution fee adjustment would be unnecessary. An exception to this would be if you have more than one distributor, and some of them withhold fees and some do not, in which event, an adjustment would still be applicable to those fees withheld by a distributor and not included in your financial statements.

## **Format of the distribution letter**

If the distribution fee adjustment does apply in your case, you must provide (1) a copy of the agreement with your distributor and (2) a letter from the distributor in a specific format to support the amount of the adjustment.

The letter must be on the letterhead of the distributor and must confirm the exact amounts of the net sales and the distribution fee deducted for the reference year. The adjustment is for distribution fees only and must not include the trade discount.

Letters reporting only a percentage instead of the exact amount of the distribution fee are not acceptable.

A **suggested text** for the letter is shown below.

We confirm that we are the distributor for [ publisher name ] for the following markets:

\_\_\_\_\_

We also confirm that, for the year ended [ last date of the publisher's reference year ], sales revenues for this publisher were apportioned as follows:

Net revenues after trade discount: \$ \_\_\_\_\_

Distributor fees (withheld): \$ \_\_\_\_\_

Publisher's revenues: \$ \_\_\_\_\_



### **Confirmation by an independent accountant holding a designation acceptable to the program**

As an alternative to the confirmation letter from your distributor(s), the CBF will accept confirmation from the independent accountant that either audited or reviewed your financial statements for the reference year. The wording of such confirmation should be similar to the above-suggested text of a letter from your distributor(s), using either of the following two methods:

(A) by a separate letter under the letterhead of the independent accountant; or

(B) by including a note to your financial statements specifying the relevant details.

In either of the above two methods, the independent accountant must clearly quantify - in Canadian dollars - the relevant amount of total net sales after deducting trade discounts and the relevant amount of distributors' fees not included in your revenues.

## **11. Export sales certification**

For applicants seeking the supplementary support based on export sales of eligible books, a certification from an independent accountant holding a designation acceptable to the program is required.

The certification must provide, in connection with the accountant's review or audit of the financial statements for the reference year, a confirmation of the **eligible** export sales of rights and finished products for the firm. Please note that, as with other sales information provided in the application form, sales amounts may include the amounts withheld for distribution fees for the sale of eligible titles, as described in section 10, Annex B, above.

The certification must appear on the letterhead of the accountant and it must be signed. Alternatively, it can be a note in the audited/reviewed financial statements.

### **Auditor's certification**

As requested by (Applicant), I have audited the net export sales of eligible titles as defined in the current Support for Publishers guidelines of (Applicant) at (Applicant's Address) for the year ended (Date).

In my opinion, the sum of \$XX, presents fairly, in all material respects, the net export sales of eligible titles of (Applicant) for the year ended (Date) in accordance with the provisions of the current Support for Publishers Guidelines issued by the Department of Canadian Heritage.

### **Review Engagement certification**

As requested by (Applicant), I have reviewed the net export sales of eligible titles as defined in the current Support for Publishers guidelines of (Applicant) at (Applicant's Address) for the year ended (Date).

Based on my review, nothing has come to my attention that causes me to believe that the sum of \$XX is not, in all material respects, the net export sales of eligible titles of (Applicant) for the year ended (Date) in accordance with the provisions of the current Support for Publishers guidelines issued by the Department of Canadian Heritage.

The royalty certification report, the distribution letter, and the export sales certification may be consolidated by the applicant's accountant. Please contact the CBF for further information.

## **12. Incorporation papers**

New applicants and recently incorporated applicants (since the last CBF application) are required to submit their company's incorporation papers.

## **13. Geographic Analysis Report**

If you are a publicly traded company, please provide a Geographic Analysis Report dated between February 1 and March 31, 2015. Consult your trade agent if you require further assistance.

## **14. Letter authorizing submission of the application**

An authorization letter from the official contact must be included if someone else signs the application form. The "official contact" is the person indicated in the application form as authorized to sign the application form and contribution agreement, and to bind your publishing firm.

## Annex C: Government assistance – general conditions

### 1. Applicable legislation

Under the *Access to Information Act*, R.S., 1985, c. A-1, members of the public may request and obtain access to information held in federal government records. Should a request be received for information about an application, the Access to Information and Privacy Secretariat will consult the applicant regarding the disclosure of any information submitted to the Department.

In the event of a project approval, any person lobbying on behalf of the Recipient shall be registered pursuant to the *Lobbyists Registration Act*, R.S., 1985, c. 44 (4<sup>th</sup> Supp.). Please see [Office of the Commissioner of Lobbying of Canada](#) for further guidance.

### 2. Public information

All recipients must assist Canadian Heritage in preparing public announcements or promotional events about their project.

When funding is approved, the amount, as well as the purpose for which the funds were provided and the names of the recipients are considered public information. This information is disclosed without consulting recipients.

The CBF will make public a list of all recipients and their contribution amounts on an annual basis.

### 3. Public acknowledgment of financial assistance

All funding recipients must publicly acknowledge, in English and in French, the financial support received from the Government of Canada in all communication materials and promotional activities related to the funding agreement, such as advertising, promotional and program materials, public announcements, speeches, websites, social media, etc. The Department's requirements for public acknowledgement of financial assistance were updated in 2014 and are now part of the funding agreements.

The Department's [Guide on the Public Acknowledgement of Financial Assistance](#) will assist funding recipients in complying with the requirements described in the funding agreement.

### 4. Limits on government assistance

For Publishing support recipients, total government assistance cannot exceed 75% of the publisher's book publishing expenditures, 90% of the publisher's book publishing expenditures for official-language minority publishers, Aboriginal publishers, or small literary publishers and 100% of the publisher's book publishing expenditures for not-for-profit recipients.

For Business development projects, the percentages set out above apply to total project expenditures.

## **5. Repayment of government assistance**

Recipients of Publishing support who receive a contribution of \$100,000 or greater must repay the contribution if the publisher's profit margin - excluding all CBF funding - was 15% or more during the publisher's financial year in which the contribution agreement was signed, and during its two preceding financial years.

## **6. Audits of recipients**

Canadian Heritage conducts financial audits of CBF recipients each year. During the course of an audit, recipients must make available any records, documents or other information that may be required to perform the audit. The Department assumes the costs of this audit.

Canadian Heritage will act on audit findings, according to the provisions of the contribution agreement. Additional actions, including rendering the recipient ineligible to the CBF in the future, may be considered.

## **7. Obligation to maintain records**

A recipient must maintain accounting records to meet federal government financial audit requirements. Original receipts must be available in the event of an audit. Cancelled cheques, invoices and bank statements must be retained for five years.

The recipient must maintain records that substantiate the financial information provided in the application form, including the sales levels reported by category. Demonstrated failure to maintain such records may result in the requirement to repay amounts previously received, or ineligibility to the CBF in the current year or future years.

## **8. Canada Book Fund studies and evaluations**

Recipients of CBF funding, when asked to do so, must participate in comparative financial studies, trend analyses and other studies supported and funded by the Department.

## **9. Protection of information**

To protect the privacy of each recipient's business information, reporting will be done on an aggregate, not individual, basis. Should the Department provide comparative reports to recipient organizations, these organizations will have access to the business information of other organizations in aggregate form only.

However, in a strictly confidential manner and for the purposes of program planning and assessing requests, the CBF may sometimes provide information concerning funding requests to representatives from other funding organizations in the book industry.