

PLAYWRIGHTS CANADA PRESS LTD.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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KURIN AND PARTNERS LLP

Chartered Professional Accountants

1210 Sheppard Avenue East, Suite 308
Toronto, Ontario
M2K 1E3
Tel. : 416-492-1881
Fax: 416-492-1926

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders and Directors of
Playwrights Canada Press Ltd.

Opinion

We have audited the accompanying financial statements of Playwrights Canada Press Ltd (the Organization), which comprise the balance sheet as at December 31, 2022, and the statements of operations, retained earnings, and cash flows for the year then ended, and notes to the financial statements., including a summary of significant accounting policies.

In our opinion, these audited financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with the Accounting standards for Private Enterprises (ASPE).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibility For the Audit of the Financial Statements

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

Kurin and Partners LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario
March 28, 2023

PLAYWRIGHTS CANADA PRESS LTD.

BALANCE SHEET

DECEMBER 31, 2022

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	\$ 350,168	\$ 370,495
Accounts receivable <i>(Note 3)</i>	92,778	131,028
Inventory <i>(Note 4)</i>	157,884	139,819
Prepaid expenses and deposits	2,938	6,146
Income taxes recoverable	<u>1,593</u>	<u>1,593</u>
	605,361	649,081
Property, Plant and Equipment <i>(Note 5)</i>	<u>2,407</u>	<u>3,438</u>
	<u>\$ 607,768</u>	<u>\$ 652,519</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities <i>(Note 9)</i>	\$ 88,272	\$ 96,616
Royalties payable <i>(Note 6)</i>	11,797	7,698
Deferred revenue	1,791	3,655
Deferred grant revenue <i>(Note 7)</i>	<u>1,140</u>	<u>29,150</u>
	103,000	137,119
Long-term Liability		
Bank loan <i>(Note 8)</i>	<u>10,000</u>	<u>10,000</u>
	<u>113,000</u>	<u>147,119</u>
SHAREHOLDER'S EQUITY		
Share Capital <i>(Note 13)</i>	315,000	315,000
Retained Earnings	<u>179,768</u>	<u>190,400</u>
	<u>494,768</u>	<u>505,400</u>
	<u>\$ 607,768</u>	<u>\$ 652,519</u>

Approved on behalf of the board of directors by:

Colleen Murphy
Colleen Murphy (Mar 31, 2023 08:14 PDT)

Director

Director

See Accompanying Notes to the Financial Statements

PLAYWRIGHTS CANADA PRESS LTD.
STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Retained earnings, beginning of the year	\$ 190,400	\$ 167,380
Net income (loss) for the year	<u>(10,632)</u>	<u>23,020</u>
Retained earnings, end of the year	<u>\$ 179,768</u>	<u>\$ 190,400</u>

See Accompanying Notes to the Financial Statements

PLAYWRIGHTS CANADA PRESS LTD.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Sales		
Canadian book sales and permissions	\$ 255,769	\$ 264,813
Other book sales	<u>46,745</u>	<u>83,858</u>
	<u>302,514</u>	<u>348,671</u>
Cost of goods sold		
Inventory, beginning of the year	139,819	146,713
Book purchases and production costs	<u>108,481</u>	<u>103,966</u>
	248,300	250,679
Inventory, end of the year	<u>(157,906)</u>	<u>(139,819)</u>
	<u>90,394</u>	<u>110,860</u>
Gross margin	<u>212,120</u>	<u>237,811</u>
Other income		
Grant and awards revenues <i>(Note 7)</i>	275,732	269,116
Interest and other earnings	863	774
Ontario Book Publishing tax credit	<u>34,713</u>	<u>29,050</u>
	<u>311,308</u>	<u>298,940</u>
Expenses <i>(Schedule A)</i>	<u>534,060</u>	<u>510,496</u>
Income (loss) before income taxes	(10,632)	26,255
Income taxes <i>(Note 14)</i>	<u>-</u>	<u>3,235</u>
Net income (loss) for the year	<u><u>\$ (10,632)</u></u>	<u><u>\$ 23,020</u></u>

See Accompanying Notes to the Financial Statements

PLAYWRIGHTS CANADA PRESS LTD.

SCHEDULE A - EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Amortization	\$ 1,031	\$ 1,255
Bank fees and interest	2,631	2,677
Board travel and meeting	3,619	3,500
Bookkeeping	5,432	4,294
Business insurance	4,039	3,428
Computer maintenance and supplies	1,272	861
Digitizing costs	-	26,561
Distribution costs	59,842	65,141
Editorial salaries and costs	153,368	124,994
General and administration	39,578	37,343
Marketing and advertising	70,401	41,716
Marketing salaries	49,581	54,837
Memberships and professional development	4,341	6,685
Office, postage and copying	5,288	3,714
Professional fees	15,600	14,750
Rent and utilities	35,033	34,236
Royalties and permissions	74,133	75,508
Telecommunications	8,871	8,996
	<u>\$ 534,060</u>	<u>\$ 510,496</u>

See Accompanying Notes to the Financial Statements

PLAYWRIGHTS CANADA PRESS LTD.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Cash provided by (used in) the following activities:		
OPERATING		
Net income (loss) for the year	\$ (10,632)	\$ 23,020
Items not involving cash:		
Amortization of equipment	1,031	1,255
Changes in non-cash working capital:		
Accounts receivable	38,250	(41,803)
Inventory	(18,065)	6,894
Prepaid expenses	3,208	(3,365)
Accounts payable	(8,343)	4,049
Income taxes payable	-	(13,326)
Royalties payable	4,099	(11,767)
Deferred revenue	(1,865)	305
Deferred grant revenue	<u>(28,010)</u>	<u>14,807</u>
	<u>(10,726)</u>	<u>(44,206)</u>
INVESTING		
Acquisition of equipment	-	(1,768)
FINANCING		
Proceeds (repayment) from bank loan	<u>-</u>	<u>(30,000)</u>
Change in cash and cash equivalents	(20,327)	(51,699)
Cash and cash equivalents, beginning of year	<u>370,495</u>	<u>422,194</u>
Cash and cash equivalents, end of year	<u>\$ 350,168</u>	<u>\$ 370,495</u>

See Accompanying Notes to the Financial Statements

PLAYWRIGHTS CANADA PRESS LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

Nature of business

Playwrights Canada Press Ltd. (the "Company") is incorporated under the Business Corporation Act, Ontario. It is a wholly-owned subsidiary of Playwrights Guild of Canada Inc. ("PGC"). The company is engaged in the publishing of English-Canadian drama titles and occasionally publishes history, biography, memoirs and theatre criticisms. Through these activities, the Company aims to raise the profile of Canadian playwrights and Canadian theatre practitioners.

1. Summary of accounting policies

(a) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for private enterprises, requires management to make estimates that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported revenue and expenses during the year. Significant areas requiring the use of significant judgment include the measurement of inventory obsolescence, bad debt provision, book publication tax credits, book returns and amortization periods of tangible assets. Actual results could differ from these estimates.

(b) Revenue recognition

- i) Revenues from book sales are recognized when the books are shipped, invoiced and legal title to the goods passes to the consumer.
- ii) Operating grant revenues are recognized upon receipt of funds.
- iii) Project grant revenues are recognized when the corresponding projects are completed.
- iv) Interest and other income are recognized when earned.
- v) Ontario book publishing tax credits are recognized upon receipt of funds or when the amounts of such tax credits are reasonably estimated and assured.

(c) Deferred revenue

Deferred revenue is recorded as amounts invoiced and received in advance of service being performed.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, short-term deposits which are highly liquid with original maturities of less than three months, and bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

(e) Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined on a specific identification basis where available, otherwise on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling costs.

PLAYWRIGHTS CANADA PRESS LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. Summary of Accounting Policies (Continued)

(f) Foreign currency translation

Foreign exchange transactions are translated using the temporal method. Using this method, all monetary items are translated into Canadian Funds at the rate of exchange prevailing at the balance sheet. Non-monetary items are translated using historical rates. Revenue and expenses are translated at the average rate of exchange for the month of each transaction. Gains and losses arising out of transactions are included in the determining of earnings for the year.

(g) Property and equipment

Property, plant and equipment are stated at cost, less accumulated amortization. Amortization is provided based on their estimated productive lives using the following methods and annual rates:

	<u>Rate</u>	<u>Method</u>
Computer equipment	30%	declining balance

(h) Related party transactions

Related party transactions in the normal course of business that have commercial substance, are measured at the exchange amount, except for non-monetary transactions where there is an exchange of a product or property held for sale, which are measured at the carrying amount of the asset given up, adjusted for the fair value of any monetary consideration.

Related party transactions not in the normal course of the business that have commercial substance, are measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

(i) Income taxes

The Company uses the income taxes payable method of accounting for income taxes. Under this method, the Company includes only the cost or benefit of current income taxes in net income for the year, as determined in accordance with the rules established by taxation authorities.

(j) Tax credits recoverable

The Company submits a claim each year in respect of book publishing tax credits earned on qualifying book publishing activities

All claims made by the Company up to 2021 have been received. All claims up to and including 2021 have been reviewed by the Canada Revenue Agency.

PLAYWRIGHTS CANADA PRESS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. Summary of Accounting Policies (Continued)

(k) Government Assistance

The Company periodically applies for financial assistance under available government incentive programs. Government assistance related to capital expenditures is accounted for as a reduction of the cost of the related assets. Government assistance related to non-capital expenditures is accounted for as a reduction of the related expense.

2. Cash and cash equivalents

The Company's cash and short-term investments consist of the following:

	2022	2021
Operating bank	\$ 242,517	\$ 263,403
Term deposits	<u>107,651</u>	<u>107,092</u>
	<u>\$ 350,168</u>	<u>\$ 370,495</u>

3. Accounts receivable

	2022	2021
Trade	\$ 88,789	\$ 97,439
Ontario book publishing tax credit receivable	-	29,050
Government remittance receivable	<u>3,989</u>	<u>4,539</u>
	<u>\$ 92,778</u>	<u>\$ 131,028</u>

4. Inventory

Inventory consists of printed books held on consignment at various distributors' and own premises.

5. Property, Plant and Equipment

	Cost	Accumulated Amortization	2022 Net Book Value	2021 Net Book Value
Computer equipment	<u>\$ 12,995</u>	<u>\$ 10,588</u>	<u>\$ 2,407</u>	<u>\$ 3,438</u>

During the year, the entity added \$ - (2021: \$ 1,768) in computer equipment.

Total amortization expense included in net income for the year is \$ 1,031 (2021: \$ 1,255).

PLAYWRIGHTS CANADA PRESS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

6. Royalties payable

Royalties payable consists of amounts owing to the various playwrights for the sales of the books from January 1, 2022 to December 31, 2022, less any advances made by the Company to the various playwrights at the signing of the contract. The advances from the Company to the various playwrights totaled \$ 16,975 and the plays will be published in future years.

7. Deferred revenue and grant income

Deferred revenues and grant income is recorded based on the funding received from various government agencies toward projects that sometimes span multiple years. In this case, revenues are recognized based on the expenses incurred and the remaining portion is deferred.

	2022		2021	
	Revenues	Deferred	Revenues	Deferred
Canada Council for the Arts				
Block Grant	\$ 130,000	-	\$ 130,000	-
Governor General's Literary Award	-	-	3,000	-
Reopening Fund	26,000	-	-	26,000
Ontario Arts Council				
Block Grant	48,680	-	48,680	-
Department of Canadian Heritage				
Support for Publishers component	65,586	-	65,885	-
Accessible Audiobooks	-	-	-	3,150
Livres Canada Books				
Foreign Rights Marketing	2,091	-	664	-
Ontario Media Development Corporation				
Export fund	-	1,140	2,300	-
Book fund	3,375	-	18,587	-
	\$ 275,732	\$ 1,140	\$ 269,116	\$ 29,150

8. Bank loan

The bank loan was issued pursuant to the Canada Emergency Business Account ("CEBA") government program. The loan is non-interest bearing and no principal payments are required until December 31, 2023. Subsequent to December 31, 2023, any remaining balance outstanding will be converted to a three-year term loan bearing interest at 5%, with monthly interest payments, and matures December 31, 2026. The terms and conditions of the loan require that the funds be used only for non-deferrable operating expenses of the Company such as payroll, rent, utilities, insurance, and property tax. A portion of the loan is forgivable provided certain future conditions are met.

PLAYWRIGHTS CANADA PRESS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

9. Accounts Payable

	2022	2021
Trade	\$ 67,981	\$ 75,654
Accrued liabilities	<u>20,291</u>	<u>20,962</u>
	<u>\$ 88,272</u>	<u>\$ 96,616</u>

10. Commitments

The Company leases its premises and a photocopier. The company contracts its bookkeeping services to a third party. The minimum annual lease payments, net of HST, required for the next five years are as follows:

2023	\$ 37,649
2024	18,423
2025	1,403
2026	701
2027	<u>-</u>
	<u>\$ 58,176</u>

The Company has also made commitments with University of Toronto Press (UTP) where UTP will act as the exclusive logistics and fulfillment agent for all printed materials for sale by the Company. UTP will be managing the inventory and sale of the Company's books. The terms of this agreement expired on December 31, 2012, however both parties have agreed to continue to operate under the terms of the previous agreement.

11. Economic dependence

The Company receives government grants annually (Note 7). Such support amounted to approximately 51% (2021 - 46%) of total revenues. Without such revenue it will be difficult for the company to be able to continue.

12. Related party transactions

The Company sold books to its parent company, Playwrights Guild of Canada in the amount of \$2,518 (2021 - \$3,051), out of which \$105 (2021 - \$221) is included in accounts receivable as at year end. This transaction was made in the normal course of business and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

PLAYWRIGHTS CANADA PRESS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

13. Share Capital

	2022	2021
<i>Issued:</i>		
1,000 Common Shares	\$ <u>315,000</u>	\$ <u>315,000</u>

14. Income taxes

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The reasons for the difference are follows:

	2022	2021
Income (loss) before income taxes	\$ <u>(10,632)</u>	\$ <u>26,255</u>
Expected income tax expense at the combined tax rate of 26.50% (2021 - 26.50%)	-	6,958
Income or expenses claimed in different periods:		
- Capital cost allowance in excess of amortization	-	(573)
	-	6,385
Rate adjustments:		
- Small business deduction of 27.3% (2021 - 27.3%)	-	(3,335)
- Refundable Part I tax of 10.67% (2021 - 10.67%)	-	183
Income tax expense	\$ <u>-</u>	\$ <u>3,233</u>

PLAYWRIGHTS CANADA PRESS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

15. Financial instruments

The significant financial risks to which the Company is exposed are interest rate risk, liquidity risk and market risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The entity is mainly exposed to this risk through its accounts payable, as it is required to make specific payments on a timely basis. The entity minimizes this risk by monitoring and anticipating its operating requirements through the preparation of budgets and cash forecasts, ensuring it has sufficient funds to meet its obligations. There has been no change in the risk exposure from the prior year.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is mainly exposed to this risk through its accounts receivable as it provides credit to its customers in the normal course of its operations. The Company minimizes this risk by dealing with credit worthy customers, monitored through the use of credit rating agencies. There has been no change in the risk exposure from the prior year.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is mainly exposed to this risk through accounts receivable as a portion of revenue is denominated in both US dollars and British pounds. The Company does not enter into forward contracts to minimize this risk. There has been no change in the risk exposure from the prior year.

2022 Financial Statements

Final Audit Report

2023-03-31

Created:	2023-03-31
By:	Annie Gibson (annie@playwrightscanada.com)
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-  Signer cm@colleenmurphy.ca entered name at signing as Colleen Murphy
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