

FIBC Audit Requirements at Completion

(for productions with total cost that exceeds \$500,000)

General

An audited schedule of production costs is required at the completion application stage for all productions with a final cost of \$500,000 or more.

Note that in the case of a treaty coproduction, these budget amounts refer to the Canadian costs only.

Audit requirements – Overview

The auditor must be a licensed public accountant in Canada and must be an independent third party not related to the production company.

The auditor's report must be addressed to the directors of the production company or the producer(s) of the production. The auditor's name, address and telephone number must be listed, and the report must be dated as at the completion of the audit fieldwork.

The audit must be performed in accordance with generally accepted auditing standards and the auditor must be familiar with accounting principles and practices generally recognized in the film and television industry.

1. Identification of the production

The title of the production and, where applicable, the episode numbers, must be indicated. The title of the schedule must indicate the type of costs being reported ("Schedule of Production Costs"). The period during which costs were incurred must also be indicated.

2. Cost report

The cost report included as part of a full audit must be in Canadian dollars and should conform to the line items in a film industry standard budget as much as possible.

Only expenditures that were incurred for the specific production can be recorded as production costs, and they must be charged to the proper budget line item.

Refunds and credit notes received for discounts, rebates, invoicing errors and purchase returns must be credited to the production costs. Similarly, proceeds from the sale of props or other production assets must be deducted from the costs presented in the cost report. Where production assets are kept in inventory for future productions, they must also be deducted, at fair market value, from the costs presented in the cost report.

Completion bond expenditures must reflect any "no-claims rebate" received. The amortization of series costs must be allocated to specific cost categories.

3. Notes

The following supporting notes must be included in the audit:

a. Sources of funds

All sources of funds used to finance the production must be disclosed, including any non-monetary transactions (defined in section 3831 of the Chartered Professional Accountants (CPA Canada) handbook).

Non-monetary transactions must be disclosed at fair market value. The nature of the services provided and the consideration given in exchange for the services must be disclosed.

If there were no non-cash transactions, the schedule must include a note to this effect.

b. Non-BC costs

All non-BC costs, including the budget line item and the amount, must be disclosed. For a production that is not a documentary, at least 75% of the total production costs, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations for goods or services provided in BC. For a documentary, at least 75% of the total production costs, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations. Further, at least 75% of all post-production costs, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations for work carried out in British Columbia. See notes below regarding non-BC costs for an inter-provincial co-production and/or treaty co-production.

Production costs incurred in foreign currencies must be converted into Canadian dollars at the rate of exchange in effect at the time of the transaction.

If there are no non-BC costs, the schedule must include a note to this effect.

c. Accounts payable, accrued charges and deferrals

All accounts payable, accrued charges and deferrals must be presented separately. If there are no accounts payable, accrued charges or deferrals, the cost report must include a note to this effect.

d. Related party transactions

The notes must provide a breakdown of all related party transactions (defined in section 3840 of the CPA Canada handbook), and include:

- i. the name of the related party;
- ii. the nature of the relationship between the related party and the production company;
- iii. the nature of the transaction; and
- iv. the amount of the transaction (measured at the carrying amount).

If there are no related party transactions, the schedule must include a note to this effect.

e. Point performers and non-Canadian performers

Under FIBC, there is a requirement that a lead performer who receive the first or second highest remuneration on the production must be Canadian. For a series, this applies to all episodes of the production. Where there are non-Canadian performers on the production, ideally the audit notes should include the names of the first and second lead performers along with their role, citizenship and all remuneration that person received (per episode for episodic productions).

4. Inter-provincial Co-productions

In the case of an inter-provincial co-production, the audit must set out the total costs incurred on the production as well as separately indicating the costs incurred by the BC production company and any other co-producing company(s).

All non-BC costs incurred by the BC production company, including the budget line item and the amount, must be disclosed. For a production that is not a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations for goods or services provided in BC. For a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations. Further, at least 50% of total post-production costs, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individual or corporations for work carried out in British Columbia.

5. International Treaty Co-productions

In the case of an official treaty co-production, the audit must set out the total costs incurred on the production by the BC production company. Creative BC does not require an audit for the costs incurred by the non-Canadian co-producer(s).

All non-BC costs incurred by the BC production company, including the budget line item and the amount, must be disclosed. For a production that is not a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations for goods or services provided in BC. For a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations.

6. Inter-provincial Co-productions within an International Treaty Co-production

If the production is both an international treaty co-production and an inter-provincial co-production, the audit must set out the total Canadian costs incurred on the production as well as separately indicating the costs incurred by the BC production company and any other Canadian co-producing company(s).

All non-BC costs incurred by the BC production company, including the budget line item and the amount, must be disclosed. For a production that is not a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations for goods or services provided in BC. For a documentary, at least 75% of the cost of producing the BC portion of the production, other than costs determined by reference to the amount of income from the production, must be paid to BC-based individuals or corporations.