



# LEARN BY DOING WEBINAR PART II

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FINANCING



# OVERVIEW

- 
- The next step of the process of development is moving into production and production financing.
  - A great tool to help with creating your own financing plans is:  
<http://independentfundingorg/funds/>
  - As you know the broadcaster will ask you to present them with your financing plan for your project.
  - The path to a fully financed production is different for each project, but there are some basic elements to include no matter what genre you are working in.



# SOURCES OF FINANCING

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- Canadian Broadcaster or Streaming Service license
- Public Funds
- Private Funds
- Provincial and Federal Tax Credits
- Distributors/Sales Agents



# Canadian Broadcaster or Streaming Service License

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- CBC
- Corus
- Crave



# PUBLIC FUNDS

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Federal Funds include:

- CMF
- Telefilm
- Canada Council

Provincial Funds include:

- Ontario Creates
- Creative BC



# PRIVATE FUNDS

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- Bell Media
- Shaw Rocket Fund
- Telus Fund
- Rogers Doc Fund



# PROVINCIAL TAX CREDITS

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Another corner stone to financing is the use of provincial tax credits:

- Ontario Creates
- Creative BC
- Alberta Film and Television Tax Credit (FTTC)

# FEDERAL TAX CREDITS

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## **CAVCO (Canadian Audio Visual Certification Office)**

We will be doing a 'deep dive' into the specifics of what Cavco is, how to calculate the federal tax credit, and how to apply to this important source of production financing. Stay tuned!





# CANADA MEDIA FUND

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- A major source of production funding for Canadian productions.
- Manage several funding programs.
- Encourages applications from new and established producers
- CMF guidelines are always being revised, so be sure to reach out to them with your questions and for guidance.





# How related party transactions (RPT's) impact your financing plan



# SAMPLE FINANCING PLANS

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Let's take a look at some financing scenarios...





# DOC SERIES

## Season I (101 - 110)

### Financing Plan - Scenario 1

**TOTAL BUDGET: \$934,663**

Date: Feb 3, 2022

**PER EPISODE \$93,466**

**10 Episodes**

		<b>Per Episode</b>	<b>Amount</b>	<b>Percent</b>
<b>REVENUE</b>				
CBC	TV License Fee (\$100K per hour x 2.5hr)	\$25,000	\$250,000	26.75%
CMF	License Fee Top-Up (LFP 20%)	\$18,693	\$186,933	20.00%
CMF	English Regional Production Bonus (ERPB up to 15%)	\$14,020	\$140,199	15.00%
CMF	Pilot Prog Racialized Comm (PPRC) (10%)	\$11,295	\$112,948	12.08%
		<b>Total Revenue</b>	<b>\$690,008</b>	<b>73.83%</b>



## RECOUPABLE FINANCING

### Producer Tax Credits:

Federal Tax Credit (at 90%)

10,263

102,628

10.98%

Provincial Tax Credit (@ 90%)

14,195

141,955

15.19%

**Total Producer Tax Credits**

**24,458**

**244,583**

**26.17%**

**Total Financing**

**\$93,466**

**\$934,663**

**100.00%**

**Over/under**

**\$0**

**\$0**

**\$0**

**Total Budget**

**\$93,466**

**\$934,663**

**100.00%**



## Season I (101 - 110)

### Financing Plan - Scenario 2

**TOTAL BUDGET: \$934,663**

Date: Feb 3, 2022

**PER EPISODE \$93,466**

**10 Episodes**

		Per Episode	Amount	Percent
<b>REVENUE</b>				
CBC	TV License Fee (\$100K per hour x 2.5 hrs)	\$25,000	\$250,000	26.75%
Canada	2nd window License	\$5,000	\$50,000	5.35%
CMF	License Fee Top-Up (20%)	\$18,693	\$186,933	20.00%
Bell Fund	Short Form Digital Series (\$150K max)	\$10,000	\$100,000	10.70%
<b>Total Revenue</b>		<b>\$58,693</b>	<b>\$586,933</b>	<b>62.80%</b>



## RECOUPABLE FINANCING

Producer Tax Credits:				
Federal Tax Credit (90%)	10,263	102,628	10.98%	
Provincial Tax Credit (90%)	14,195	141,955	15.19%	
<b>Total Producer Tax Credits</b>	<b>24,458</b>	<b>244,583</b>	<b>26.17%</b>	
Distribution				
Distribution Advance	7,500	75,000	8.02%	
Producer Investment/Advance				
Replaceable Producer Investment	2,815	28,147	3.01%	
<b>Total Recoupable</b>	<b>\$34,773</b>	<b>\$347,730</b>	<b>88.97%</b>	
<b>Total Financing</b>	<b>\$93,466</b>	<b>\$934,663</b>	<b>100.00%</b>	
<b>Deficit</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00%</b>	
<b>Total Budget</b>	<b>\$93,466</b>	<b>\$934,663</b>	<b>100.00%</b>	



# DISTRIBUTION

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- What does a distributor do?

Note: If you plan to apply to Cavco for the federal tax credit, you **MUST** engage a Canadian distributor before engaging an international one. This is a requirement of the Canadian Production Tax Credit (CPTC) vs the PSTC (Production Services Tax Credit).

- Minimum Guarantees:

- How do they work? How are they recouped? “Show me the money!”

- Distribution Agreements:

- Term. Media. Territory. Fees & Expenses.

- What is a Sales Agents?



## Theatrical Feature Film Financing Scenario

### Total Budget

CAD	USD
<b>\$13,337,383</b>	<b>\$10,190,543</b>

	CAD	USD	%
Telefilm Canada Production Program	\$ 4,000,000	\$ 3,056,235	30.0%
Ontario Creates Film Fund	\$ 250,000	\$ 191,015	1.9%
Alberta Media Fund	\$ 1,516,000	\$ 1,158,313	11.4%
Ontario Production Services Tax Credit (OPSTC)	\$ 771,327	\$ 589,339	5.8%
Canada Film or Video Production Tax Credit (CPTC)	\$ 766,656	\$ 585,770	5.7%
Canadian Distribution Advance	\$ 500,000	\$ 382,029	3.7%
Gap Loan Against Foreign Advance	\$ 3,926,400	\$ 3,000,000	29.4%

## Deferrals

0201: Writer Fee	\$	150,000	\$	114,609	1.1%
0381: Previous Development	\$	200,000	\$	152,812	1.5%
0501: Director	\$	264,000	\$	201,711	2.0%
1202: Business Affairs	\$	50,000	\$	38,203	0.4%
1000 - 4800: Production Range	\$	500,000	\$	382,029	3.7%
6201: Visual Effects	\$	170,000	\$	129,890	1.3%
7120: Post Production Accounting	\$	50,000	\$	38,203	0.4%
7201: Corporate Overhead	\$	223,000	\$	170,385	1.3%

## **Total Financing**

**\$13,337,383**

**\$10,190,543**

**100%**

## **Rates (As of July 8, 2019):**

USD - CDN Rate 1.31

**GAP:**

**\$0**

**0%**



# INTERIM FINANCING

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- What is it? What is the cost?
- Fees:
  - Set up fees
  - Legal fees
  - Interest (prime +)
- Sources for interim financing for film & TV:
  - RBC, BMO, National Bank.
- Other financing approaches for smaller budgets: (LOCs).



# GAP FINANCING

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Filling in the knowledge...Gap (pun intended)



# GET TO KNOW CAVCO

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- What's the role of CAVCO?
- How do I apply?
  - The CAVCO online portal.
  - CPTS or PSTC? What's the main difference?
  - How long is the wait?
- CANCON
  - 6/10 to 10/10.
  - The importance of hiring Canadian creatives!



# GET TO KNOW CAVCO (cont...)

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- CPTS or PSTC? What's the difference?
- CPTS
  - 75% of costs for ALL services have to be paid to Canadians.
  - For production and post-production
  - Applies to provincial tax credits in “most” provinces.
  - A way around the 75% rule?! Inter-provincial or International Co-Treaty status



# GET TO KNOW CAVCO (cont...)

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## Some other things to note:

- The normal assessment period for taxation is 3 years.
- The “Part B” application must be received no later than 24 months from the first taxation year, following the commencement of principal photography.
- In some circumstances applications can be extended to 42 months.
  - Fill out a T2029 waiver form.
- The “Part A” certificate is handled by your corporate accountant.

# ONE OFF DOCUMENTARY

## Financing Plan - Scenario 3

**TOTAL BUDGET: \$280,000**  
**PER EPISODE \$280,000**

**1 Episode**

Date: Feb 3, 2022

<b>REVENUE</b>		<b>Per Episode</b>	<b>Amount</b>	<b>Percent</b>
Telus	TV License (Optik)	\$220,000	\$220,000	78.58%
Municipal Agency	Grant	\$20,000	\$20,000	7.14%
Provincial Agency	Grant	\$40,000	\$40,000	14.29%
		<b>Total Revenue</b>	<b>\$280,000</b>	<b>100.01%</b>



## RECOUPABLE FINANCING

### Producer Tax Credits:

Federal Tax Credit (90%)	28,350	28,350	10.13%
<b>Total Producer Tax Credits</b>	<b>28,350</b>	<b>28,350</b>	<b>10.13%</b>

**Total Recoupable**      **\$28,350**      **\$28,350**      **110.13%**

**Total Financing**      **\$308,350**      **\$308,350**      **110.13%**

**Over/Under**      **-\$28,350**      **-\$28,350**      **-10.13%**

**Total Budget**      **\$280,000**      **\$280,000**      **100.00%**

**Detailed Calculation of Federal Tax Credit**

## A. ESTIMATE OF THE ELIGIBLE PRODUCTION COST

**CDN DOLLARS**

Total Production Cost (in the case of a treaty co-production, the Canadian portion of the budget)	100.00%	\$280,000	A
Equity owned by prescribed persons		\$0	
		<u>\$0</u>	
Total equity owned by prescribed persons		\$0	
Deferrals		<u>\$0</u>	
Total Deferrals		\$0	
Assistance received or to be received			
	Provincial Grant	\$40,000	
	Municipal Grant	<u>\$20,000</u>	
Total assistance received or to be received		\$60,000	
Less Producer's share non-deductible craft, catering and per diem		\$10,000	
Less estimated producer fees not eligible as a cost of production			
Less interim financing interest not eligible as cost of production			
Total equity owned by prescribed persons, deferrals and assistance received or to be received		<u>\$70,000</u>	\$70,000 B
Net Production Cost	(subtract B from A)		\$210,000 C
<b>Eligible Production Cost</b>	(multiply C x 60%)	<u>\$126,000</u>	<b>D</b>

**B. ESTIMATE OF THE NET LABOUR EXPENDITURE**

Labour expenditure			\$167,850 E
Deferrals		\$0	
Total Deferrals		\$0	\$0 F
Subtotal		(subtract F from E)	\$167,850 G
Percentage of ownership retained by the production			100.00% H
<b>Net Labour expenditure</b>		(multiply G x H)	<b><u>\$167,850 I</u></b>

Qualified Labour Expenditure	Lesser of D and I		\$126,000
ESTIMATED FEDERAL TAX CREDIT	Multiply by 25%		\$31,500
		Discount (10%)	\$3,150
		<b>Federal Tax Credit Contribution (@ 90%)</b>	<b>\$28,350</b>



# CAVCO CALCULATIONS

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- Calculation Structure → A (Net Production Cost) vs B (Net Labour).
- What is assistance? / Why does assistance grind against the calculation?
- Calculating the total for net labour:
  - 100% vs. 65% (the impact of multiple shareholders)
  - 20% for Post Labour (a rule of thumb around post costs)



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**Total Budget**

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**\$934,663**

**100.00%**



**TITLE**

**FEDERAL TAX CREDIT CALCULATION**

Date: Feb 3, 2022

**Detailed Calculation of Federal Tax Credit**

**A. ESTIMATE OF THE ELIGIBLE PRODUCTION COST**

**CDN DOLLARS**

Total Production Cost (in the case of a treaty co-production, the Canadian portion of the budget)	100.00%	\$934,663 A
Equity owned by prescribed persons		\$0
		<u>\$0</u>
Total equity owned by prescribed persons		\$0
Deferrals		<u>\$0</u>
Total Deferrals		\$0
Assistance received or to be received		
Provincial Tax Credit	\$141,955	
	<u>\$0</u>	
Total assistance received or to be received	\$141,955	
Less Producer's share non-deductible craft, catering and per diem	\$25,000	
Less estimated producer fees not eligible as a cost of production		
Less interim financing interest not eligible as cost of production	\$7,500	
Total equity owned by prescribed persons, deferrals and assistance received or to be received	<u>\$174,455</u>	\$174,455 B
Net Production Cost	(subtract B from A)	\$760,208 C
<b>Eligible Production Cost</b>	(multiply C x 60%)	<u><b>\$456,125 D</b></u>

**B. ESTIMATE OF THE NET LABOUR EXPENDITURE**

Labour expenditure			\$465,659 E
Deferrals		\$0	
Total Deferrals		\$0	\$0 F
Subtotal		(subtract F from E)	\$465,659 G
Percentage of ownership retained by the production			100.00% H
<b>Net Labour expenditure</b>		(multiply G x H)	<b><u>\$465,659 I</u></b>

Qualified Labour Expenditure	Lesser of D and I		\$456,125
ESTIMATED FEDERAL TAX CREDIT	Multiply by 25%		\$114,031
		Discount (10%)	\$11,403
		<b>Federal Tax Credit Contribution (@ 90%)</b>	<b>\$102,628</b>





Next Thursday, Feb 10:

# COST REPORTS & ACCOUNTING

You don't want to miss this!



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