



**LEACIF**

Certified Public Accountant



# Preparing for Your AFS

Is your AFS Report due this year?

This resource includes documentation necessary for each AFS procedure and tips to help your business better prepare!

## **Contents:**



**General Documentation**



**Revenue Procedures**



**Agreement Procedures**



**Vendor Procedures**



**Ownership and Other Persons Procedures**



**Employee Procedures**



**Helpful Resources**

# General Documentation



## General Ledger

Your general ledger should be produced as a report from your accounting system. The general ledger should contain all transactions recorded during the AFS report period.

**Tip: Run your General Ledger report periodically and check for correctness and completeness.**



## Financial Compliance Number

Each licensed entity is assigned a financial compliance record (FCR) number designated by FCR-XXXXXX.

**All documentation should be for the report period.**

The report period covers one year and begins 18 months before your report is due. Your AFS report is due 6 months after the report period end date. For example, if your AFS is due December 31, 2025, the AFS report period is July 1, 2024 - June 30, 2025.

# Revenue Procedures



## **For Retailers - METRC Sales Transactions Report\* or Monthly Sales Report**

\*Sometimes the Sales Transaction Report does not load well from METRC due to the volume of data. Instead, run the Monthly Sales Report for the report period.



## **Cultivators and Processors - METRC Wholesale Transfer Report**



**Revenue for secure transporters and safety compliance facilities is tested differently, since revenue transactions for these types of businesses is not reported in METRC.**



## **Preparation Tips Before Submitting Documentation:**

- **Reconcile your revenue per your general ledger to agree to the revenue per METRC for the report period.**
- **Identify any differences in revenue per your general ledger compared to METRC.**
- **Differences might include non-METRC revenue, such as for general merchandise or service revenue, discounts, or data entry errors. Make sure to identify and have an explanation for any differences.**
- **As a best practice, ensure all non-retail revenue transactions have a corresponding sales invoice recorded. Secure transporters and safety compliance facilities will need to provide a sample of sales invoices for revenue testing.**

# Agreement Procedures



**Real Property Agreements** - Building rental agreements and/or land contracts active during the report period. Include agreements that expired during the report period and amendments. Square footage of property is also requested.



**Financing Agreements** - Loans with individuals who are not supplemental applicants or a registered financial institution (banks), such as a third-party lender.



**Licensing Agreements** - Agreements to operate within or produce for another Licensee's space or brand.



**Management Agreements** - Agreements for others to perform management services or duties for the business.

## Tips Before Submitting Agreements:

- **Review agreement terms to ensure transactions indicated in the agreement are taking place accordingly.** If an agreement includes paying \$5,000 per month for building rent, trace these monthly payments to your general ledger during the AFS reporting period.
- If differences are identified, such as if \$4,000 per month was paid instead of \$5,000, **ensure an explanation is prepared and any related support documentation is also provided.** Why was the amount per the agreement not paid? Is there an agreement to make up the additional difference (or to address an overpayment)?
- **Ensure agreements are up to date with the CRA,** including any changes that have taken place. Reported agreements will generally be verified or are required to be submitted with the AFS report if they are not already on file with the CRA.

# Vendor Procedures



## **Determine which vendors are considered “Service” vendors and which are considered “Other” vendors.**

Full descriptions of both categories of vendors are included in the AFS instructions and report form. Refer to these resources for details ([link on last page](#)).



## **Provide a list of vendor payment transactions**

Ensure availability of proper vendor transaction reporting is available. Depending on your accounting system, reports may have to be formatted to correctly list vendor payments. As part of the AFS procedures, vendors will be ranked as to how much was paid to them during the report period.



## **Support documentation will be requested for vendor transactions that are sampled.**

Sample documentation generally includes vendor receipts and invoices. These will also be traced to the General Ledger, with an explanation required for any differences.



## Tips for Vendor Transactions:

- Review your general ledger transactions and ensure all payment transactions have a vendor associated with them.
- **Supply chain financing agreements** are included under the Service Vendors Procedure, instead of Financing Agreements.
- Watch out for Expenses, Bill Payments, and still-unpaid Bills showing on reports. The AFS procedures should only test **payments made during the report period**. Ensure the payment list provided to the CPA performing the AFS is accurate.
- Understand how many vendors will need to be reported, based on the number of licenses your business has. Up to 50 vendors may need to be reported, and up to 25 may be selected for transactional testing.



## **Tips for Vendor Transactions (continued):**

- **The vendor procedures typically take the longest to complete. Up to 300 transactions may be selected for testing, depending on how many licenses your business has.**
- **You will need adequate time to gather the support documentation, and the CPA will need adequate time to review, document the details of the support documentation provided, and complete any findings on the report.**
- **Refer to Marihuana Operations R420.203(2)(f) for the types of support documentation your business should make sure is maintained (vendor receipts, invoices, etc).**
- **Note that Vendor and Revenue transactions impact other Licensees within your supply chain. The CRA may ask follow-up questions related to information reported in METRC and other information about transactions with your vendors.**

# Ownership and Other Persons Procedures



**Ownership agreements in place during the AFS period, including any changes.**



**List of disbursements to owners through equity, and how the disbursements were paid (cash, check, etc.).**



**Ensure that ownership is correctly updated and reported to the CRA. Even small percentage changes among existing ownership need to be reported.**



**For any persons not previously identified under the Ownership or Employee procedures who received 10% or more of the business's revenue or profit, the agreement for these payment rights will need to be provided and reported.**

# Employee Procedures



**Payroll journal for the report period, broken out by employee and the types of payments made to them.**



**List of detailed payroll transactions showing the breakout of normal salaries and wages paid vs. bonuses.**



**Copies of any bonus and employee stock option plans.**



**Separate identification of any employees who are paid 10% or more of the business's profit, and who received a bonus of 25% or more of their pre-bonus annual compensation.**

# Helpful Resources

Check out the links below



## **CRA's AFS Page**

AFS information from the CRA, such as the chart for reporting dates, updated Instructions for each procedure, bulletins, and more.



## **AICPA Peer Review Program**

Confirm a CPA's enrollment in the AICPA's Peer Review Program and view their latest report.



## **AFS Report FY25 Instructions**

Instructions related to the AFS procedures, updated for the 2025 reporting period. Applies to all reports due June 2025 through March 2026.



## **Our AFS Services**

We have an efficient and communicative AFS engagement process. From onboarding and sample requests, to representation letter and report delivery, our workflow resides fully within our secure client portal application.

**If you would like to work with us for your AFS engagement, reach out to us at [contact@LEACIF.com](mailto:contact@LEACIF.com). Please reach out at least 3 months before your report is due.**