



**Consolidated Annual Financial Statement
Instruction Booklet
Fiscal Year 2024**

**Financial Compliance Section
Licensing Division**

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ANNUAL FINANCIAL STATEMENT REPORT

Cover Sheet

Licensee Information

1. **Reporting Period:** Each licensee with a consolidated AFS Report due for FY24 will receive written notification through the Accela Citizen Access (ACA). The reporting period for each report due date is listed in the chart below and on the licensee's written notification.

AFS Due Date	Reporting Period	Required AFS Report Form
June 30, 2024	January 1, 2023 – December 31, 2023	FY24
September 30, 2024	April 1, 2023 – March 31, 2024	FY24
December 31, 2024	July 1, 2023 – June 30, 2024	FY24
March 31, 2025	October 1, 2023 – September 30, 2024	FY24

2. **Licensee:** The licensee must be the official business name of the entity. This should not be the assumed name or D.B.A. The report will not be accepted and counted as received if the licensee's name is not correct.

3. **Licenses included on AFS Report:** This should include all licenses held during the entire reporting period. This list will include licenses regardless of time of licensure during the reporting period. Please note, closed licenses will not need to be reported. To verify the licenses required to be reported, see the Annual Financial Statement (AFS) Due – First Notice. This notice was sent to authorized contacts of the licensee.

CPA Information

All CPA and CPA firm information must be completed, or the report will be considered incomplete.

CPA Firm Information:

CPA Firm Name: List the full CPA firm name as listed on the CPA firm license.

CPA Firm License Number: List the CPA firm license number as listed on the CPA firm license.

State Issuing Firm CPA License: List the state in which the CPA firm is licensed.

Firm Peer Review Number: List the CPA firm's peer review number. This cannot be left blank.

CPA Information:

Name of CPA Conducting Procedures: List the full name of the CPA as listed on the CPA's license.

CPA License Number: List the CPA's license number as listed on the CPA's license.

State Issuing CPA License: List the state in which the CPA is licensed.

CPA Contact Information:

CPA Direct Email Address: List the CPA's direct email address.

CPA Direct Phone Number: List the CPA's direct phone number.

Firm Principal Place of Business Address: List the CPA firm's address for their place of business.

The CPA and CPA firm must both have active licenses and be enrolled in peer review. The CRA will verify the CPA and CPA firm's license numbers. If the CPA or CPA firm do not have active licenses and/or are not enrolled in peer review, the report will not be accepted.

Independent Accountant's Attestation of Practice Authority:

The CPA must select a button based on their state of licensure. If the CPA is licensed in Michigan and another state, the CPA should select “CPA is licensed in Michigan.”

Independent Accountant’s Report on Applying Agreed-Upon Procedures:

- The CPA must select a button based on the program in which licenses are held. If the licensee only holds licenses for one program, they will select either “Medical Licenses Only” or “Adult-Use Licenses Only”. If the licensee holds licenses for both programs, they will select “Medical and Adult-Use Licenses. Please note, the licensee may hold licenses in both programs, but if the report is only required on their medical licenses, then the Medical Licenses Only button would be selected.

Firm Signature:

- Important Information:
 - The CPA or CPA firm conducting the attested service must sign the report.
 - The licensee cannot sign the report or alter the firm signature.
 - If the report is altered after it is signed, the signature will be removed.
 - Each time the AFS report is revised, the report will need to be resigned.
 - Resigning the report will update the date the report was signed.
- How to complete the firm signature:
 - Double-click the signature block/box.
 - The signature can also be accessed by clicking “View Signatures...” in the pop-up message below the Excel ribbon. Please note, if the CPA closes the pop-up, it will only reappear if the report is closed and opened again.
 - A pop-up box will appear, and the CPA can sign the report by drawing their signature or by clicking “Select Image” to import an image of their signature.
- For additional assistance on troubleshooting signature issues, please see [this resource](#).

Schedule of Total Revenue (Grower, Processor)

The Schedule of Total Revenue will outline revenue for all grower and processor licenses held by the licensee during the reporting period. This includes both medical and adult-use licenses.

If the licensee does not hold any active grower or processor licenses, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Please note:

1. Separate schedules have been provided for each license type.
2. The licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

Part 1 - Schedule of Total Revenue - Questionnaire

Parts A and B must include thorough explanations answering both questions.

Part 2 - Schedule of Total Revenue (All Licenses)

This part must include **all** grower and processor licenses held by the licensee during the reporting period. Each license must be on their own row. Each row must be completed in its entirety. The CPA will pull this information from METRC and the licensee’s General Ledger. If there is a discrepancy between METRC and the General Ledger, it must be clarified in Part 3.

Please note, the total revenue amount pulled from METRC should be from the Transfers report and then the Sum of the Amount Received.

You may insert additional rows if needed.

The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Please note, reconciliations are not meant for the Results section. Part 3 is used for the reconciliation and the Results section is for any further clarification or explanation that is needed.

Part 3 - Schedule of Total Revenue - License

Complete this part of the schedule for each license listed in Part 2. This part must be thorough, completing the reasons for each discrepancy in detail.

You may insert additional rows if needed.

If stacked class C grow licenses and excess grow licenses have all revenue (METRC and GL) reported under one license, only that license needs to be reconciled. If revenue is recorded to all licenses, then all licenses must be reconciled. If the licensee holds more than 15 licenses the schedule must be duplicated to account for the remaining licenses.

With each dropdown for the discrepancy reason, a detailed explanation must be provided in the next column. We will not except the same answer as the drop-down.

Discrepancy Reason drop-down options:

- Contract Pricing
- Data Entry Errors

- Discounts
- Non-Marijuana Product
- Other
- Recalls
- Returns
- Timing
- Tolling Agreements
- Unit Price vs Total Sold
- Upload Errors

Please note, the dropdowns are only guides. Any discrepancy reason that is not in the drop-down list, should be listed with the drop-down option “Other” and explained in detail.

Some items to think about when there is a discrepancy:

- What is the reason for the discrepancy?
- Is there documentation to help explain?
- Can the licensee provide proof to show what happened?
- Why did it occur? When did it occur? What happened?
- Has it been corrected or has the licensee been able to fix the issue? Is there any sign of the issue moving forward?

The Results section should identify any explanations for footnotes or items that need further clarification. The Results section should identify the discrepancy amount (dollar amount) left unreconciled. If no further explanations are needed, enter “N/A” into the Results section.

Example:

Part 3 - Schedule of Total Revenue - License #1			
License #:	GR-C-010123		
Total Revenue per METRC	\$ 1,520,040.32	Total Revenue per General Ledger	\$ 1,689,556.80
			Discrepancy Amount \$ 169,516.48
Discrepancy Reason	Detailed Explanation		Amount
Data Entry Errors	METRC data entry errors occurred for 3 months until a resolution was solved. Employee was retrained to use METRC		\$ 61,101.05
Timing	Product was marked and logged on the GL as sold, but it was not transferred and moved in METRC until after the reporting period		\$ 34,000.00
Discounts	Discounts were provided to new customers to promote additional sales		\$ 5,000.00
Other	Shipping charges were not in METRC, but recorded in the GL		\$ 13,000.00
Other	Transfers in METRC from grower to processor, not correctly recorded in METRC. Correctly recorded in the GL		\$ 56,230.20
Data Entry Errors	Employee data entry errors		\$ 185.23
Total			\$ 169,516.48
Results			
Please use this area to provide explanations for footnotes or items that need further clarification.			
N/A - No discrepancy amount left from reasons and amounts given.			

Rules that refer to this schedule:

- **Marihuana Operations R420.203(2)(d)** A marihuana business must have separate entrances and exits, inventory, record keeping, and point of sale operations, if applicable.
- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:

(i) A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee's income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:

- A. Cash logs.
- B. Sales records.
- C. Purchase of inventory.
- D. Invoices.
- E. Receipts.
- F. Deposit slips.
- G. Cancelled checks.

(ii) Bulk financial deposits or transactions must be traceable to the individual transactions that compromise the bulk deposit or transaction.

(iii) Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Total Revenue (Retailer/Provisioning Center, Microbusiness)

The Schedule of Total Revenue will outline revenue for all retailer/provisioning center and microbusiness licenses held by the licensee during the reporting period. This includes both medical and adult-use licenses.

If the licensee does not hold any active retailer, provisioning center, or microbusiness licenses, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Please note:

1. Separate schedules have been provided for each license type.
2. The licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

Part 1 - Schedule of Total Revenue - Questionnaire

Parts A and B must include thorough explanations answering both questions.

Part 2 - Schedule of Total Revenue (All Licenses)

This part must include all retailer/provisioning center or microbusiness licenses held by the licensee during the reporting period. Each license must be on their own row. Each row must be completed in its entirety. The CPA will pull this information from METRC, the licensee’s Point of Sale (POS) system, and the licensee’s General Ledger. If there are any discrepancies between METRC, the POS System, and/or the General Ledger, it must be clarified in Part 3.

Please note, the total revenue amount pulled from METRC should be from the Transfers report and then the Sum of the Amount Received.

You may insert additional rows if needed.

The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Part 3 - Schedule of Total Revenue - License

Complete this part of the schedule for each license listed in Part 2.

You may insert additional rows if needed. The CPA can reformat cells and rows to utilize the space provided as they see fit to perform the reconciliation.

Utilize the space provided to reconcile the licensee's Total Revenue per METRC to the Total Revenue of Marijuana Products per Point of Sale (POS) System and reconcile METRC to the Total Revenue per General Ledger.

Some items to think about when there is a discrepancy:

- What is the reason for the discrepancy? Is there documentation to help explain? Can the licensee provide proof to show what happened?
- Why did it occur? What happened?
- Has it been corrected? Has the licensee been able to fix the issue? Is there any sign of the issue moving forward?

The Results section should identify any explanations for footnotes or items that need further clarification. The Results section should identify the discrepancy amount (dollar amount) left unreconciled. If no further explanations are needed, enter “N/A” into the Results section.

Example:

Part 3 - Schedule of Total Revenue - License #1							
License #:	PC-123456						
Total Revenue per METRC	\$	Total Revenue per General Ledger	\$	Discrepancy Amount			
	1,098,794.25		1,133,655.95				\$ 34,861.70
METRC to POS Reconciliation							
METRC	\$ 1,098,794.25						
POS	\$ 1,099,079.75						
Difference	\$ (285.50)			Management has no explanation for this difference, leaving an unreconciled difference of 285.50			
METRC to GL Reconciliation							
METRC	\$ 1,098,794.25						
GL	\$ 1,133,655.95						
Difference	\$ (34,861.70)			\$35,277.36 of the discrepancy is related to merchandise sales, leaving an unreconciled difference of \$415.66			
Results							
Please use this area to provide explanations for footnotes or items that need further clarification.							
N/A							

Rules that refer to this schedule:

- **Marihuana Operations R420.203(2)(d)** A marihuana business must have separate entrances and exits, inventory, record keeping, and point of sale operations, if applicable.
- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:
 - (i) A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee’s income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:
 - A. Cash logs.
 - B. Sales records.
 - C. Purchase of inventory.
 - D. Invoices.
 - E. Receipts.
 - F. Deposit slips.
 - G. Cancelled checks.
 - (ii) Bulk financial deposits or transactions must be traceable to the individual transactions that compromise the bulk deposit or transaction.
 - (iii) Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Total Revenue (Safety Compliance Facility, Secure Transporter)

The Schedule of Total Revenue will outline revenue for all safety compliance facility or secure transporter licenses held by the licensee during the reporting period. This includes both medical and adult-use licenses.

If the licensee does not hold any active safety compliance facility or secure transporter licenses, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Please note:

1. Separate schedules have been provided for each license type.
2. The licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

Part 1 - Schedule of Total Revenue - Questionnaire

Part A must include thorough explanations answering the question.

Part 2 - Schedule of Total Revenue (All Licenses)

This part must include all safety compliance facility or secure transporter licenses held by the licensee during the reporting period. Each license must be on their own row. Each row must be completed in its entirety. The CPA will pull this information from the licensee’s general ledger.

The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Part 3 - Schedule of Top Revenue Sources

Create a list of the licensee’s revenue sources during the reporting period and order them by total revenue received, **largest to smallest**. Complete this part based on the sample size indicated in Part 4.

Please note:

- “Revenue Source” is a source from which the licensee has received income.
- Each Revenue Source (Customer Name) must list the complete official business name of the source. Example: “ABC Marijuana Source, LLC”. If “ABC” is provided, that is not sufficient as it is not the entity’s full name. “ABC Marijuana Source, LLC, dba ABC” must be listed as it is the full business name with the dba name.

The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Part 4 - Schedule of Top Revenue Sources - Tested Revenue Sources

Complete this part with specific information for each revenue source tested. Test the revenue sources identified by the CRA.

Selection of sample size must be followed, and a deficiency will be sent if the licensee does not report on the specific tested revenue sources based on their list in part 3.

Selection of Sample Size:

1. For a licensee with an annual gross revenue between \$0 and \$500,000 for the reporting period:
 - a. List the top 10 revenue sources based on the total revenue received during the reporting period.
 - b. Test revenue sources: 1, 2, and 4.

2. For a licensee with an annual gross revenue between \$500,001 and \$1,000,000 for the reporting period:
 - a. List the top 10 revenue sources based on the total revenue received during the reporting period.
 - b. Test revenue sources: 1, 2, 4, 6, and 8.
3. For a licensee with an annual gross revenue greater than \$1,000,000 for the reporting period:
 - a. List the top 20 revenue sources based on the total revenue received during the reporting period.
 - b. Test revenue sources: 1, 2, 4, 6, 8, 9, 11, 13, 16, and 17.

In tracing the required revenue sources selected, all payments received should be traced if there are no more than 12 payments received during the reporting period. If there are more than 12 payments received, randomly select 12 payments to be traced. If there are less than 12 payments received during the reporting period, all payments should be traced.

Please note, if there are less than 12 payments, the total amount of payments for the revenue source listed in Part 4 should equal the total received from the revenue source that is listed in Part 3. If these total payment amounts do not match, this must be explained in the Results section of Part 4. If no explanation is given a deficiency will be sent.

The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Rules that refer to this schedule:

- **Marihuana Operations R420.203(2)(d)** A marihuana business must have separate entrances and exits, inventory, record keeping, and point of sale operations, if applicable.
- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:
 - (i) A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee’s income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:
 - A. Cash logs.
 - B. Sales records.
 - C. Purchase of inventory.
 - D. Invoices.
 - E. Receipts.
 - F. Deposit slips.
 - G. Cancelled checks.
 - (ii) Bulk financial deposits or transactions must be traceable to the individual transactions that compromise the bulk deposit or transaction.
 - (iii) Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Expenditures – Lease Agreements

If the licensee does not have any lease agreements, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Part 1 - Lease Agreement

Complete this part with all lease agreements for the use of real property that the licensee had during the reporting period. Inquire of management and include all leases for real property for all licenses held by the licensee during the reporting period.

Some items to think about:

- Information must be completed fully and detailed based on the lease agreement.
- Does the CRA have the most recent lease agreement on file for the licensee?
 - Was the lease supplied during the licensure process? Has the licensee been submitting their updated lease agreements to the CRA when it renews or when a new lease is created?
- Information must match the lease agreement on file with the CRA.
 - If this information does not match or an updated agreement has been recently created, the new agreement will need to be submitted/filed with the CRA.

The CPA must pull the information directly from each lease agreement. Trace and compare the payments made to the lessor to the general ledger or other corroborating documents.

Complete information must be provided for all required sections, utilizing the terms in the lease agreement(s) and management’s records.

Example:

Part 1 - Lease Agreement #1		
License Numbers Associated with Lease Agreement:	GR-C-010123 and GR-C-010124	
Title of Lease Agreement:	Commercial Lease Agreement	
Lessor/Landlord:	Cannabis RA Property Holding, LLC	
Physical Address of Leased Premises:	1234 State St. Lansing, MI	
Zip Code of Leased Premises:	48909	
Relationship of Lessor/Landlord to Licensee:	Same Ownership	Licensee and Landlord share the same ownership.
Effective Date of Lease Agreement:	2/1/2022	
Term of Lease Agreement (beginning & end date):	2/1/2022 - 1/31/2027	
Payment Amount per Lease Agreement: (e.g., \$10,000 per month)	\$7,000 per month	
Total Square Footage of Leased Premises:	11,235	
Total Amount Due Under the Lease During Reporting Period	Total Payments Made During Reporting Period	Amount of Lease Liability Underpaid or Overpaid During Reporting Period (If not zero complete Part 2)
\$84,000.00	\$8,500.00	(\$75,500.00)

Part 2 - Lease Agreement

If there is an underpayment or overpayment of liability during the reporting period, inquire of management and provide management’s answers in part 2.

Some items to think about:

- Is the licensee paying their lease according to the agreement?

- Is there any documentation on an underpayment or overpayment updating the lease?
 - Please note, this will be asked of you by the CRA on any underpayment or overpayment. The CRA needs to know if the landlord is allowing a payment plan or interest on the underpayment.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Example:

Part 2 - Lease Agreement #1	
If lease liability was underpaid/overpaid during the reporting period provide management's answers to the following questions below:	
1. What was the reason for the underpayment or overpayment of rent?	
There are two reasons for the underpayment:	
1) Landlord gave discount of \$500/month due to parking lot construction for 3 months for a total of \$1,500.	
2) Lease amended to account for unpaid lease liability starting with 1/1/2024 rent payment. Rental payment increased from \$7,000 to \$10,000.	
2. Has an agreement been reached regarding the underpayment or overpayment that includes a plan to reconcile the amount of rent due under the lease?	
Yes	Lease amended 12/20/2023 to increase rent to account for accrued rent.
3a. Has the agreement been formalized through the execution of an amended lease or any other written document by the parties of the lease? If yes, please provide a copy of the amended lease or other document with the AFS submission. Note: Per R 420.1, failure to execute an amended lease may implicate the lessor as an undisclosed applicant and lead to further investigation and/or possible disciplinary action.	
Yes	Amended lease provided with AFS submission
3b. If the answer to 3a is no, please explain what the agreement is regarding the underpayment/overpayment and explain why no written document has been executed.	
N/A	

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(c)(ii)** For purposes of this definition, an applicant does not include:
 - (C) A person receiving reasonable payment for rent on a fixed basis under a bona fide lease or rental obligation unless the person exercises control over or participates in the management of the marihuana business.

Schedule of Expenditures – Financing Agreements

If the licensee does not have any financing agreements, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Part 1 - Financing Agreement

Complete this part with all financing agreements (loans, promissory notes, debt financing, royalty financing, equity financing, debt instruments, etc.) the licensee had with any individual or entity, excluding any notes/agreements with a financial institution or supplemental applicants. This part should include all financial agreements for all licenses held by the licensee during the reporting period.

For purposes of completing this procedure, “financial institution” means a state or nationally chartered bank or a state or a federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government.

Please note, supply chain financing (e.g., credit card fees, LeafLink Financial fees) does not constitute a financing agreement.

Information must be pulled directly from each financing agreement. Trace and compare the information to the underlying agreement/note.

Some items to think about:

- Is there a formal written agreement? If yes, please provide a copy of the agreement with AFS submission.
- Payment Frequency? Are payments due monthly, quarterly, semi-annually, annually, balloon payment, etc. Please provide as much detail as possible.
- Other Financing Terms (convertible features, prepayment penalty(s), default terms, etc.) Please list all features of the agreement in as much detail as possible.
- Does the explanation of the loan fully clarify the purpose of the loan?
- Were payments made in accordance with the terms of the agreement? If no, why not?

Complete information must be provided for all required sections.

Part 2 - Financing Agreement

If there is an underpayment or overpayment of liability during the reporting period, inquire of management and provide management’s answers in part 2.

Some items to think about:

- Is the licensee paying according to the agreement? If not, give a detailed explanation in the area provided.
- Is there any documentation on an underpayment or overpayment updating the agreement? If yes, please provide a copy of the amended agreement or other document with the AFS submission.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(c)(ii)** For purposes of this definition, an applicant does not include:

(A) A person who provides financing to an applicant or licensee under a bona fide financing agreement at a reasonable interest rate unless the person exercises control over or participates in the management of the marihuana business.

Schedule of Expenditures – Management Agreements

If the licensee does not have any management agreements, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Part 1 - Management Agreement

Complete this part with all management agreements the licensee had during the reporting period. This part should include all management agreements for all licenses held by the licensee during the reporting period.

For purpose of completing this procedure, “management agreement” means any understanding or contract between a licensee and another party for the provision of management or other services that would allow the other party to exercise control over or participate in the management of the licensee or to receive more than 10% of the gross profit from the licensee during any full or partial fiscal year.

The CPA must pull the information directly from each management agreement. Trace and compare the information to the underlying agreement(s).

Some items to think about:

- Does the explanation fully clarify the service provided by the management company?
- Were payments made in accordance with the terms of the agreement? If no, why not?

Complete information must be provided for all required sections.

Part 2 - Management Agreement

If there is an underpayment or overpayment of liability during the reporting period, inquire of management and provide management’s answers in Part 2.

Some items to think about:

- Is the licensee paying according to the agreement?
- Is there any documentation on an underpayment or overpayment updating the agreement?

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(p) “Managerial employee”** means those employees who have the ability to control and direct the affairs of the marihuana business or have the ability to make policy concerning the marihuana business, or both.
- **Marihuana Licensees R420.112a(2)** A licensee shall submit a complete, unredacted, signed copy of the licensing, management, or other agreement to the agency for review and approval prior to performance under the agreement....
- **Marihuana Licensees R420.112a(3)** The agreement must include, but is not limited to, all of the following:
 - a. All payment terms between the parties. Licensing agreements must also include a requirement that all payments made to the other party pursuant to the licensing agreement must be made by the licensee and not by any other licensee purchasing the marihuana product.

- b. Terms specifically naming and clearly defining any service to be performed pursuant to the agreement.
 - c. Terms specifically requiring all business operations related to the production, sales, invoicing, and payment for marihuana products sold pursuant to a licensing agreement must be performed by the licensee.
 - d. A statement indicating that the agreement contains the entire agreement of the parties.
- **Marihuana Licensees R420.112a(4)** Terms that may indicate the other party meets the definition of applicant and is thereby subject to application requirements, include, but are not limited to, the following:
 - a. Any term or condition that would allow the other party to exercise control over or participate in the management of the licensee.
 - b. Any term or condition that would allow the other party to receive more than 10% of the gross or net profit from the licensee during any full or partial calendar or fiscal year.
 - c. Any term or condition that would result in the other party obtaining an ownership interest in the marihuana business or taking possession or ownership of marihuana product owned by the marihuana business.
 - d. Any term or condition that would require the licensee to name the other party as a named insured on any insurance policy required to be maintained as a condition of a marihuana license.
 - **Marihuana Disciplinary Proceedings R420.802(7)** The licensee shall notify the agency within 10 business days of amending or terminating a licensing or management agreement that constitutes a material change to the marijuana business.
 - **Marihuana Disciplinary Proceedings R420.802(11)** Failure to timely provide notifications or reports to the agency pursuant to this rule may result in sanctions or fines, or both.

Schedule of Expenditures – Licensing Agreements

If the licensee does not have any licensing agreements, the schedule must still be provided. The CPA must select the “Schedule Not Applicable” checkbox.

Schedule of Expenditures - Licensing Agreements

Create a list of all licensing agreements that were effective at any time during the reporting period. This list of licensing agreements will also consist of information on each agreement including licensor, title of agreement, date executed, date approved by the CRA, and total paid to licensor. This part should include all licensing agreements for all licenses held by the licensee during the reporting period.

You may insert additional rows if needed.

For the purposes of completing this procedure, licensing agreements refer to any understanding or contract concerning the licensing of intellectual property between a licensee and another party.

"Intellectual property" means all original data, findings, or other products of the mind or intellect commonly associated with claims, interests, and rights that are protected under trade secret, patent, trademark, copyright, or unfair competition law and includes brands or recipes.

Any costs/fees pursuant to the licensing agreement must be included on this schedule. If the licensing agreement allows for the provision of consulting services, equipment leasing, packaging materials, etc., those must also be included on this schedule.

Some items to think about:

- Was the agreement approved by CRA? If no, why not?
- Does the licensee have proof of approval by the CRA?
- Were payments made in accordance with the terms of the agreement? If no, why not?
- Is the agreement still active?

Items to think about:

- Be sure to be specific. For example: explaining items like a date that was executed 01/01/2022 (per documentation) but the agreement was in effect prior to that date and/or prior to reporting period.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Rules that refer to this schedule:

- **Marihuana Licensees R420.112a(2)** A licensee shall submit a complete, unredacted, signed copy of the licensing, management, or other agreement to the agency for review and approval prior to performance under the agreement....
- **Marihuana Licensees R420.112a(3)** The agreement must include, but is not limited to, all of the following:
 - a. All payment terms between the parties. Licensing agreements must also include a requirement that all payments made to the other party pursuant to the licensing agreement must be made by the licensee and not by any other licensee purchasing the marihuana product.
 - b. Terms specifically naming and clearly defining any service to be performed pursuant to the agreement.
 - c. Terms specifically requiring all business operations related to the production, sales, invoicing, and

payment for marihuana products sold pursuant to a licensing agreement must be performed by the licensee.

- d. A statement indicating that the agreement contains the entire agreement of the parties.
- **Marihuana Licensees R420.112a(4)** Terms that may indicate the other party meets the definition of applicant and is thereby subject to application requirements, include, but are not limited to, the following:
 - a. Any term or condition that would allow the other party to exercise control over or participate in the management of the licensee. This does not include control or terms specific to a licensing agreement such as production method or packaging requirements.
 - b. Any term or condition that would allow the other party to receive more than 10% of the gross or net profit from the licensee during any full or partial calendar or fiscal year.
 - c. Any term or condition that would result in the other party obtaining an ownership interest in the marihuana business or taking possession or ownership of marihuana product owned by the marihuana business.
 - d. Any term or condition that would require the licensee to name the other party as a named insured on any insurance policy required to be maintained as a condition of a marihuana license.
 - **Marihuana Disciplinary Proceedings R420.802(7)** The licensee shall notify the agency within 10 business days of amending or terminating a licensing or management agreement that constitutes a material change to the marijuana business.
 - **Marihuana Disciplinary Proceedings R420.802(11)** Failure to timely provide notifications or reports to the agency pursuant to this rule may result in sanctions or fines, or both.

Schedule of Expenditures – Service Vendors

Part 1 - Schedule of Top Service Vendors

Create a list of the licensee’s service vendors during the reporting period and order them by total payments made to the vendors for services rendered, **largest to smallest**. The CPA will list the top 20 service vendors based on the total payments for services rendered made during the reporting period.

If the licensee does not have 20 service vendors to list, the CPA must explain in the Results section why there are not 20 service vendors.

Please note, the licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

For the purposes of completing this procedure, “service vendors” refer to a party that provides a service to the licensee. It also includes an outside party to perform services and/or create goods that were traditionally performed or created in-house by the company’s own employees and staff. **Examples included, but are not limited to, safety compliance testing, secure transporter services, consulting services, human resource management, supply chain management, supply chain financing (e.g., credit card fees, LeafLink Financial fees), accounting, customer service and/or support, marketing, bud trimming services, security, legal services, electricity, water, gas, sewer, garbage, telephone, and internet. When compiling payments made to supply chain financing, only include payment of the service fees and not the underlying cost of the goods or services purchased. Service fees include, but are not limited to, annual fees, interest on unpaid balances, and service charges.**

“Service vendors” does not include:

- An agreement for the rental of real property under a bona fide lease.
- Financing agreements.
- Individuals or entities with whom the licensee has or had a management or other agreement that would allow the other party to exercise control over or participate in the management of the licensee or to receive more than 10% of the gross profit from the licensee during any full or partial calendar or fiscal year effective at any time during the reporting period.
- Individuals or entities with whom the licensee has or had a licensing agreement at any time during the reporting period.
- The State of Michigan (e.g., CRA, Treasury) and other Municipal payments (e.g., Property Tax, Licensing Fees).
- Federal Government Payments (e.g., IRS, Taxes).
- Statewide Monitoring System Payments (METRC).

Some items to think about:

- Each Service Vendor must list the complete name of the service vendor. Example: “ABC Marijuana Marketing, LLC”. If “ABC” is provided, that is not sufficient as it is not the entity’s full name. “ABC Marijuana Source, LLC, dba ABC” must be listed as it is the full business name with the dba name.
- Description of Services should be specific. For example: “billboard” or “built website” should be listed instead of just “advertising”.

Please note, if the licensee is using a Secured Transporter or Safety Compliance Facility, they would be considered a Service Vendor.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Part 2 - Schedule of Vendor Payments - Selected Vendors

Based on the sample size indicated below, test the service vendors identified by the CRA. Separate schedules have been provided for each of the selected vendors.

Selection of sample size: Test vendors 1, 2, 3, 5, 7, 10, 12, 14, 16, and 18.

In tracing the requirements for this procedure for the 10 vendors selected, all disbursements to the vendor should be traced if there are no more than 12 disbursements made during the reporting period. If there are more than 12 disbursements made, randomly select 12 disbursements made, then randomly select disbursements to be traced. If there are less than 12 payments made during the reporting period, all payments should be traced.

Please note, if there are less than 12 payments, that total amount of payments for the service vendor listed in Part 2 should equal the total paid to the service vendor listed in Part 1. If these total payment amounts do not match, this must be explained in the Results section of Part 2. If no explanation is given a deficiency will be sent.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Rules that refer to this schedule:

- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:
 - (i) A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee’s income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:
 - A. Cash logs.
 - B. Sales records.
 - C. Purchase of inventory.
 - D. Invoices.
 - E. Receipts.
 - F. Deposit slips.
 - G. Cancelled checks.
 - (ii) Bulk financial deposits or transactions must be traceable to the individual transactions that compromise the bulk deposit or transaction.
 - (iii) Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Expenditures – Other Vendors

Part 1 - Schedule of Top Other Vendors

Create a list of the licensee’s other vendors during the reporting period and order them by total payments made to the vendors, **largest to smallest**. Please note, the vendor’s name should be the name of the entity or individual to whom payment was made. The vendors disclosed on this schedule cannot be any of the vendors previously disclosed on schedules E1 – E5. List the licensee’s top other vendors (determined by the selection of sample size in Part 2) based on the total payments made during the reporting period (largest to smallest).

If the licensee does not have the total number of other vendors required to be listed, the CPA must explain in the Results section why the correct number of other vendors is not listed.

Please note, the licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

For purposes of this procedure, "other vendors" refers to any vendors receiving payment(s) from the licensee that has not been previously disclosed on the subsequent vendor schedules. **Examples include but are not limited to cannabis purchases, equipment purchases, packaging materials, purchases for materials used for growing or processing, etc.**

"Other vendors" does not include:

- An agreement for the rental of real property under a bona fide lease.
- Financing agreements.
- Individuals or entities with whom the licensee has or had a management or other agreement that would allow the other party to exercise control over or participate in the management of the licensee or to receive more than 10% of the gross or net profit from the licensee during any full or partial calendar or fiscal year effective at any time during the reporting period.
- Individuals or entities with whom the licensee has or had a licensing agreement effective at any time during the reporting period.
- The State of Michigan (e.g., CRA, Treasury) and other Municipal payments (e.g., Property Tax, Licensing Fees).
- Service vendors.
- Federal Government Payments (e.g., IRS, Taxes).
- Statewide Monitoring System Payments (METRC).

Some items to think about:

- Each Vendor must list the complete name of the source. Example: “ABC Marijuana Source, LLC”. If “ABC” is provided, that is not sufficient as it is not the entity’s full name. “ABC Marijuana Source, LLC, dba ABC” must be listed as it is the full business name with the dba name.
- The Description of Products should be specific. For example, “flower” or “concentrate” should be listed instead of just “marijuana”.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Part 2 - Schedule of Vendor Payments - Selected Vendors

Based on the sample size indicated, select the noted vendors to test. Separate schedules have been provided for each of the selected vendors.

Sample sizes:

1. For a licensee with one license reported on this schedule: list the top 10 vendors based on total payments made during the reporting period (largest to smallest).
 - a. Test vendors: 1, 2, 3, 5, and 7.
2. For a licensee with two licenses reported on this schedule: list the top 20 vendors based on total payments made during the reporting period (largest to smallest).
 - a. Test vendors: 1, 2, 3, 5, 7, 10, 12, 14, 16, and 18.
3. For a licensee with three or more licenses reported on this schedule: list the top 30 vendors based on total payments made during the reporting period (largest to smallest).
 - a. Test vendors: 1, 2, 3, 5, 7, 10, 12, 14, 16, 18, 20, 21, 23, 27, and 29.

In tracing the requirements for this procedure for the vendors selected, all disbursements to the vendor should be traced if there are no more than 12 disbursements made during the reporting period. If there are more than 12 disbursements made, randomly select 12 disbursements made, then randomly select disbursements to be traced. If there are less than 12 payments made during the reporting period, all payments should be traced.

Please note, if there are less than 12 payments, that total amount of payments for the other vendor listed in Part 2 should equal the total paid to the other vendor in Part 1. If these total payment amounts do not match, this must be explained in the Results section of Part 2. If no explanation is given a deficiency will be sent.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter "N/A" into the Results section.

Rules that refer to this schedule:

- **Marihuana Licensees R420.108(11)** A grower may not accept marihuana or marihuana product back from a processor or provisioning center once it has been received into the processor or provisioning center's inventory in the statewide monitoring system, without obtaining written approval from the agency.
- **Marihuana Licensees R420.109(5)** A processor may not accept marihuana or marihuana product back from a provisioning center once it has been received into the provisioning center's inventory in the statewide monitoring system, without obtaining written approval from the agency.
- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:
 - (i) A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee's income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:
 - A. Cash logs.
 - B. Sales records.
 - C. Purchase of inventory.
 - D. Invoices.
 - E. Receipts.
 - F. Deposit slips.
 - G. Cancelled checks.
 - (ii) Bulk financial deposits or transactions must be traceable to the individual transactions that compromise the bulk deposit or transaction.

(iii) Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Distributions – Ownership

Part 1 - Schedule of Distributions - Ownership

Inquire of and obtain from management a listing of all equity owners of the licensee and their respective ownership during the reporting period.

Use bold font to indicate the direct owners of the licensee. If the direct owner is an entity, indent directly underneath and list the owners of the entity in regular font, until the ownership ends with individuals.

Please note, the licensee can provide documentation to support their discrepancies. The supporting documentation can be provided with the AFS Report.

You may insert additional rows if needed.

If an ownership change occurred at any time during the reporting period, list each of the ownership structures that were effective during the reporting period and identify the effective date of each ownership in the effective date column.

All exceptions must be discussed, and further explanations will need to be provided for footnotes and/or items that need further clarification. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Some items to think about:

- Ownership provided must match what CRA has on file during that reporting period.
- The effective date of the ownership provided should match the operating agreement/bylaws.
- If there were any changes to ownership during the reporting period, even just percentages, this must be identified on the report.
- Ownership must always equal 100%.

Example:

Part 1 - Schedule of Distributions - Ownership

Equity Owner	Ownership %			Effective Date	Notes
CRA, LLC	60%			12/20/2021	
John Smith	65%			12/20/2021	
Mary Smith	35%			12/20/2021	
CR Agency, LLC	15%			12/20/2021	
Jane Doe	100%			12/20/2021	

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Schedule of Distributions - Ownership
(Includes All Licenses Held During Reporting Period)

Bob Brown	14%			12/20/2021	
CR Holding, LLC	11%			12/20/2021	
Mark Jones	15%			12/20/2021	
Mike Miller	70%			12/20/2021	
Sarah Jones	15%			12/20/2021	
CRA, LLC	60%			6/1/2022	
John Smith	65%			6/1/2022	
Mary Smith	35%			6/1/2022	
CR Agency, LLC	20%			6/1/2022	
Jane Doe	100%			6/1/2022	
CR Holding, LLC	20%			6/1/2022	
Mark Jones	15%			6/1/2022	
Mike Miller	70%			6/1/2022	
Sarah Jones	15%			6/1/2022	

Part 2 - Schedule of Distributions - Questionnaire

Identify if any distributions recorded through equity were made. Complete the questionnaire. If no distributions through equity were made during the reporting period, this procedure is concluded. If there were distributions made during the reporting period, complete the applicable Part 3 based on the type of legal entity.

Please note:

1. Ordinary reimbursements made to owners should not be reported here. If the entity's distributions differ from the licensee's ownership documents an explanation must be provided.
2. Distributions should be reflective of the licensee's ownership documents (e.g., Operating Agreement, Bylaws). If they are not, this would need to be explained.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter "N/A" into the Results section.

Example:

Part 2 - Questionnaire

A. Identify if any distributions recorded through equity were made and indicate the response below. If no distributions through equity made during the reporting period this procedure is concluded. If there were distributions made during the reporting period, complete the applicable part 3 based on the type of legal entity.

Distributions to equity owners were made beginning July 31, 2020. All distributions were made under the ownership effective April 23, 2020. No distributions were made under the ownership effective December 15, 2019.

Part 3 - Schedule of Distributions

Complete the applicable schedule based on the type of legal entity:

- (Part 3a) For a sole proprietorship, partnership, limited liability limited partnership, or limited liability

company, identify and list all distributions recorded through equity and compare the allocation of distributions to the respective ownership interest of each equity owner of 2.5% or greater. Trace the distributions beginning with the distribution from the licensee through to the ultimate distribution to all supplemental applicants. Identify and list all distributions recorded through equity and compare the allocation of distributions to the collective interests of equity owners of less than 2.5%.

- (Part 3b) For a private or publicly held corporation, identify, and list all distributions recorded through equity and compare the allocation of distributions to the respective ownership interest of each equity owner/shareholder of greater than 5%. Trace the distributions beginning with the distribution from the licensee through to the ultimate distribution to all supplemental applicants. Identify and list all distributions recorded through equity and compare the allocation of distributions to the collective interests of equity owners/shareholders of 5% or less.
- (Part 3c) For a trust, identify and list all distributions recorded through equity and compare the allocation of distributions to the respective interest of any beneficiary who receives or has the right to receive more than 10% of the gross or net profit of the trust. Trace the distributions beginning with the distribution to the trust through to the ultimate distribution to the beneficiaries.

You may insert additional rows if needed.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter “N/A” into the Results section.

Example:

Part 3a - Schedule of Distributions (Sole Proprietorship, Partnership, Limited Liability Limited Partnership, or Limited Liability Company)					
Equity Owners of 2.5% or greater					
Equity Owner	Ownership %	Date of Distribution	Amount of Distribution	Payment Type	Notes
CRA, LLC	60%	5/31/2023	\$60,000.00	Check	
John Smith	65%	6/2/2023	\$39,000.00	Cash	
Mary Smith	35%	6/2/2023	\$21,000.00	Cash	
CR Agency, LLC	15%	5/31/2023	\$15,000.00	Check	
Jane Doe	100%	N/A	\$0.00		Jane Doe is 100% owner of CR Agency, LLC. She did not receive a distribution from the entity.
Bob Brown	14%	5/31/2023	\$14,000.00	Check	
CR Holding, LLC	11%	5/31/2023	\$11,000.00	Cash	
Mark Jones	15%	6/2/2023	\$1,650.00	Cash	
Mike Miller	70%	6/2/2023	\$7,700.00	Cash	
Sarah Jones	15%	6/2/2023	\$1,650.00	Cash	

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Schedule of Distributions - Ownership (Includes All Licenses Held During Reporting Period)	
Total	\$ 171,000.00

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(c)(i)** For purposes of this definition, **an applicant includes** a managerial employee of the applicant, a person holding a direct or indirect ownership interest of more than 10% in the applicant, and the following for each type of applicant:
 - A. For an **individual or sole proprietorship**: the proprietor and spouse.
 - B. For a **partnership and limited liability partnership**: all partners and their spouses.
 - C. For a **limited partnership and limited liability partnership**: all general and limited partners, not including a limited partner holding a direct or indirect ownership interest of 10% or less who does not exercise control over or participate in the management of the partnership, and their spouses.
 - D. For a **limited liability company**: all members and managers, not including a member holding a direct or indirect ownership interest of 10% or less who does not exercise control over or participate in the management of the company, and their spouses.
 - E. For a **privately held corporation**: all corporate officers or persons with equivalent titles and their spouses, all directors and their spouses, all stockholders, not include those holding a direct or indirect ownership interest of 10% or less, and their spouses.
 - F. For a **publicly held corporation**: all corporate officers or persons with equivalent titles and their spouses, all directors and their spouses, all stockholders, not include those holding a direct or indirect ownership interest of 10% or less, and their spouses.
 - G. For a **multilevel ownership enterprise**: any entity or person that receives or has the right to receive more than 10% of the gross or net profit from the enterprise during any full or partial calendar or fiscal year.
 - H. For a **nonprofit corporation**: all individuals and entities with membership or shareholder rights in accordance with the articles of incorporation or the bylaws and their spouses.
 - I. For a **trust**: trustees, any individual or body able to control and direct the affairs of the trust, and any beneficiary who receives or has the right to receive more than 10% of the gross or net profit of the trust during any full or partial calendar or fiscal year and their spouses.

- **Marihuana Licenses R420.1(p) “Managerial employee”** means those employees who have the ability to control and direct the affairs of the marihuana business or have the ability to make policy concerning the marihuana business, or both.

- **Marihuana Disciplinary Proceedings R420.802(3)** Licensees shall report to the agency any proposed material changes to the marihuana business before making a material change. A proposed material change is any action that would result in alterations or changes being made to the marihuana business to effectuate the desired outcome of a material change. Material changes, include, but are not limited to, the following:
 - a. Change in owners, officers, members, or managers.
 - b. Change or processing machinery or equipment.
 - c. The addition or removal of a person named in the application or disclosed.
 - d. Change in entity name.
 - e. Any attempted transfer, sale, or other conveyance of an interest in a marihuana license.

- **Marihuana Disciplinary Proceedings R420.802(11)** Failure to timely provide notifications or reports to the agency pursuant to this rule may result in sanctions or fines, or both.

- **Marihuana Disciplinary Proceedings R420.805(9)** The attempted transfer, sale, or other conveyance of an interest in a marihuana license without prior approval are grounds for suspension or revocation of the marihuana license or for other sanctions as provided in these rules.

Schedule of Distributions – Employee

Schedule of Distributions - Employee

Inquire of and obtain from management a listing of all employee benefit and bonus plans paid during the reporting period. Inquire of and obtain from management a listing of all employee compensation disbursed during the reporting period. Tracing those employee benefits and bonus plans to the employee compensation paid, answer the questions below:

1a. Inquire of management whether the licensee employs any person(s) that received more than 10% of the licensee's gross profit during the reporting period and provide management's response below.

1b. If management's response to 1a is yes, utilizing management's records identify the person(s) receiving more than 10% of the licensee's gross profit during the reporting period and provide the full name of the person(s) in the schedule below.

2a. Inquire of management whether the licensee employs any person(s) that received a bonus during the reporting period and provide management's response below.

2b. If management's response to 2a is yes, inquire of management whether the person(s) that received bonuses are on a fixed wage or salary and provide management's response below.

2c. If management's response to 2a and 2b is yes, utilizing management's records identify any person(s) receiving a bonus of more than 25% of the employee's pre-bonus annual compensation and provide below the full name of the person(s), the person's pre-bonus annual compensation for the reporting period, and the total amount of the person's bonuses paid during the reporting period.

3a. Inquire of management whether the licensee offers employee stock options and provide management's response below.

3b. If management's response to 3a is yes, inquire of management whether any employee stock options were executed during the reporting period that resulted in any employee having more than a 10% direct or indirect ownership interest in the licensee and provide management's response below.

3c. If management's response to 3a and 3b is yes, utilizing management's records identify any employee having more than a 10% direct or indirect ownership in the licensee and provide below the full name of the employee, the employee's total percentage ownership in the licensee and the date the option was exercised that resulted in the employee's ownership of more than a 10% direct or indirect ownership interest in the licensee.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter "N/A" into the Results section.

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(c)(ii)** For purposes of this definition, **an applicant does not include:**
 - (E) **A person who receives a percentage of profits as an employee** if the employee does not meet the definition of "managerial employee" and the employee does not receive more than 10% of the gross or net profit from the licensee during any full or partial calendar or fiscal year.
 - (F) **A person who receives a bonus as an employee** if the employee is on a fixed wage or salary and the bonus is not more than 25% of the employee's pre-bonus annual compensation or if the bonus is based upon a written incentive/bonus program that is not out of the ordinary for the services rendered.
- **Marihuana Licenses R420.1(k)** "Employee" means a person performing work or service for compensation. "Employee" does not include individuals providing trade or professional services who are

not normally engaged in the operation of a marihuana business.

- **Marihuana Operations R420.203(2)(f)** Licensee records must be maintained as follows and made available to the agency upon request:
 - i. A licensee shall maintain accurate and comprehensive financial records for each license that clearly documents the licensee's income and expenses. Applicable supporting source documentation must be maintained, including, but not limited to, all of the following:
 - (H) Employee compensation records.
 - iii. Licensee records must be maintained for at least 4 years, except in instances of investigation or inspection by the agency in which case the licensee shall retain records until such time as the agency notifies the licensee that the recordings may be destroyed.

Schedule of Distributions – Other Persons

Schedule of Distributions – Other Persons

1. Inquire of management whether any other person(s) that was not previously identified on Schedule D1 - Ownership or D2 - Employee received or has the right to receive more than 10% of the licensee's revenue or profit during the reporting period and provide management's response below. For purposes of this schedule, "revenue" is equal to gross income before subtracting total cost and "profit" is equal to total revenue minus total cost, including both explicit and implicit costs.
2. If management's response to question 1 is yes, provide the name of the person(s), the amount received, and the date received.
3. If management's response to question 1 is yes, provide an executed copy of any written agreement(s) detailing the right to receive more than 10% of the licensee's revenue or profit. If no written agreement(s) exist, please provide the details of the oral agreement.

Complete information must be provided for all required sections. The Results section should identify any explanations for footnotes or items that need further clarification. If no further explanations are needed, enter "N/A" into the Results section.

Rules that refer to this schedule:

- **Marihuana Licenses R420.1(c)(i)** For purposes of this definition, **an applicant includes** a managerial employee of the applicant, a person holding a direct or indirect ownership interest of more than 10% in the applicant, and the following for each type of applicant:
 - J. For an **individual or sole proprietorship**: the proprietor and spouse.
 - K. For a **partnership and limited liability partnership**: all partners and their spouses.
 - L. For a **limited partnership and limited liability partnership**: all general and limited partners, not including a limited partner holding a direct or indirect ownership interest of 10% or less who does not exercise control over or participate in the management of the partnership, and their spouses.
 - M. For a **limited liability company**: all members and managers, not including a member holding a direct or indirect ownership interest of 10% or less who does not exercise control over or participate in the management of the company, and their spouses.
 - N. For a **privately held corporation**: all corporate officers or persons with equivalent titles and their spouses, all directors and their spouses, all stockholders, not include those holding a direct or indirect ownership interest of 10% or less, and their spouses.
 - O. For a **publicly held corporation**: all corporate officers or persons with equivalent titles and their spouses, all directors and their spouses, all stockholders, not include those holding a direct or indirect ownership interest of 10% or less, and their spouses.
 - P. For a **multilevel ownership enterprise**: any entity or person that receives or has the right to receive more than 10% of the gross or net profit from the enterprise during any full or partial calendar or fiscal year.
 - Q. For a **nonprofit corporation**: all individuals and entities with membership or shareholder rights in accordance with the articles of incorporation or the bylaws and their spouses.
 - R. For a **trust**: trustees, any individual or body able to control and direct the affairs of the trust, and any beneficiary who receives or has the right to receive more than 10% of the gross or net profit of the trust during any full or partial calendar or fiscal year and their spouses.
- **Marihuana Licenses R420.1(p) "Managerial employee"** means those employees who have the ability to control and direct the affairs of the marihuana business or have the ability to make policy concerning the marihuana business, or both.

- **Marihuana Disciplinary Proceedings R420.802(3)** Licensees shall report to the agency any proposed material changes to the marihuana business before making a material change. A proposed material change is any action that would result in alterations or changes being made to the marihuana business to effectuate the desired outcome of a material change. Material changes, include, but are not limited to, the following:
 - f. Change in owners, officers, members, or managers.
 - g. Change or processing machinery or equipment.
 - h. The addition or removal of a person named in the application or disclosed.
 - i. Change in entity name.
 - j. Any attempted transfer, sale, or other conveyance of an interest in a marihuana license.
- **Marihuana Disciplinary Proceedings R420.802(11)** Failure to timely provide notifications or reports to the agency pursuant to this rule may result in sanctions or fines, or both.
- **Marihuana Disciplinary Proceedings R420.805(9)** The attempted transfer, sale, or other conveyance of an interest in a marihuana license without prior approval are grounds for suspension or revocation of the marihuana license or for other sanctions as provided in these rules.

IMPORTANT INFORMATION

Financial Compliance Section Contact Information:

Phone Number: (517) 284-8599

Email: CRA-AFS@michigan.gov

Website Link: <https://www.michigan.gov/cra/sections/annual-financial-statements>

R 420.20

Rule 20. (1) Each license under the MRTMA shall transmit to the agency financial statements of the licensee's total operations. The financial statements shall be reviewed by a certified public accountant in a manner and form prescribed by the agency. The certified public accountant must be licensed in this state under article 7 of the occupational code, 1980 PA 299, MCL 339.720 to 333.736. The compensation for the certified public accountant must be paid directly by the licensee to the certified public accountant. The agency shall issue an advisory bulletin to instruct licensees on the time and manner in which to submit the financial statements. Financial statements must be prepared so they include all required information for each license held by the licensee.

333.27701 Financial Statements

Section 701 (1) Every 3 years, or a shorter time period as determined by the marijuana regulatory agency a licensee shall transmit to the marijuana regulatory agency and to the municipality financial statements of the licensee's total operations. The financial statements must be reviewed by a certified public accountant in a manner and form prescribed by the marijuana regulatory agency. The certified public accountant must be licensed in this state under article 7 of the occupational code, 1980 PA 299, MCL 339.720 to 339.736. The compensation for the certified public accountant must be paid directly by the licensee to the certified public accountant.

The Annual Financial Statement (AFS) report is a financial report encompassing the licensee's revenue, expenditures, and distributions for a specific period (also known as the reporting period). The AFS report is one consolidated report for the registered entity that will cover all adult-use establishment state licenses (excluding temporary event licenses and designated consumption establishment licenses) and/or all medical facility state operating licenses held by the licensee during the reporting period. The report will not include closed licenses. The report uses the following collective license designations in the schedules: G for growers, P for processors, R for retailers, PC for provisioning centers, ST for secure transporters, and SC for safety compliance. MB is the designation for all adult-use microbusinesses. The entity will only have to submit one report, unless otherwise required by the Cannabis Regulatory Agency (CRA).

The AFS Report is designed to be completed in the order presented. The Schedule of Expenditures must be completed in sequential order (E1 - E6) as each expenditure procedure is designed to report a specific type of expenditure. Once reported, an expenditure should not be reported in another expenditure procedure. The entire report must be filled out completely. The report is not complete if there are sections left blank. The licensee can also provide documentation to support their discrepancies or anything needing further clarification. Supporting documentation includes revenue documents, expenditures documents, and ownership documents. The supporting documentation can be provided with the AFS Report.

The Independent CPA must follow all instructions and complete the agreed upon procedures engagement by submitting the CPA's findings in the report CRA has provided. No other type of report detailing the CPA's findings will be accepted. The report must be submitted as an excel file. For security purposes, the CPA may also provide the licensee with a secured PDF file to submit along with the excel file. Please note, the AFS report's format should not be altered in any way and schedules (even if they are not applicable) should NOT be deleted.

The CPA must inquire of management and provide explanations where exceptions or discrepancies are noted. Please utilize footnotes to indicate an exception or item that needs further clarification. At the bottom of each schedule,

there is an area titled Results. Please use this area to provide further explanations and indicate whether exceptions were noted. All exceptions must be discussed. There is no materiality threshold. If the section does not need any further explanation, “N/A” must be noted. Please note, the CRA may ask for further clarification or documentation regarding items in the schedules.

Along with the AFS report, the AFS Contact Authorization form **must** be submitted and uploaded to the AFS record. This form can be found on our website ([Annual Financial Statements](#)). The prior CPA Attestation of Practice Authority form has been eliminated and the necessary information is now included in the cover sheet of the AFS Report.

The licensee is responsible for filing the report with the CRA, on or before the due date. Please note, if the CRA does not accept the AFS report submitted due to incompleteness, this report is not considered received and will be late if not updated by the due date. Licensees that file a late report will be forwarded to the CRA Enforcement Division for possible disciplinary action. Licensees filing a late report are strongly encouraged to file the report as soon as possible to mitigate any disciplinary action.

Notifications, Reporting Periods, & Due Dates

Every licensed entity has been assigned a due date, reporting period, and three-year reporting cycle to file one consolidated report. Licensees will receive notification of their assignment by email six months prior to when their AFS report is due. The notifications will be sent to the licensee’s contact(s) listed on the licensee’s entity record in the Accela Citizen’s Access portal (ACA) and include the following contact designations:

- Registered Entity
- Person Completing Online Form (medical)
- Person Completing Application (adult-use)

Please note, licensee supplemental applicants do not receive AFS notices.

The AFS report and AFS Contact Authorization Form must be submitted through ACA. Submission instructions for the AFS FY24 Report can be accessed on the CRA website at www.michigan.gov/afs under AFS Instructions.

Each licensed entity has been assigned a financial compliance record (FCR) number designated by FCR-XXXXXX. Licensees with medical facilities and adult-use establishments share the same FCR number. The expiration date listed for the FCR is the next AFS due date for the licensee, unless otherwise required by the CRA.

Please note, an expiration date of 12/31/2099 means that the licensee has not yet been assigned to a due date.

See instructions for Verifying a Licensee’s AFS Due Date at: www.michigan.gov/afs (located under the AFS chart).

The chart below depicts the due date, reporting period, and fiscal report 3-year cycle to which licensees will be assigned.

AFS Due Date	Reporting Period	Fiscal Year	Required AFS Report Form	Fiscal Report 3-Year Cycle
June 30, 2024	January 1, 2023 - December 31, 2023	2024	FY24	FY24, FY27, FY30
September 30, 2024	April 1, 2023 - March 31, 2024	2024	FY24	FY24, FY27, FY30
December 31, 2024	July 1, 2023- June 30, 2024	2024	FY24	FY24, FY27, FY30
March 31, 2025	October 1, 2023 - September 30, 2024	2024	FY24	FY24, FY27, FY30
June 30, 2025	January 1, 2024 - December 31, 2024	2025	FY25	FY25, FY28, FY31
September 30, 2025	April 1, 2024 - March 31, 2025	2025	FY25	FY25, FY28, FY31
December 31, 2025	July 1, 2024- June 30, 2025	2025	FY25	FY25, FY28, FY31
March 31, 2026	October 1, 2024 - September 30, 2025	2025	FY25	FY25, FY28, FY31
June 30, 2026	January 1, 2025 - December 31, 2025	2026	FY26	FY26, FY29, FY32
September 30, 2026	April 1, 2025 - March 31, 2026	2026	FY26	FY26, FY29, FY32
December 31, 2026	July 1, 2025- June 30, 2026	2026	FY26	FY26, FY29, FY32
March 31, 2027	October 1, 2025 - September 30, 2026	2026	FY26	FY26, FY29, FY32
June 30, 2027	January 1, 2026 - December 31, 2026	2027	FY27	FY27, FY30, FY33
September 30, 2027	April 1, 2026 - March 31, 2027	2027	FY27	FY27, FY30, FY33
December 31, 2027	July 1, 2026- June 30, 2027	2027	FY27	FY27, FY30, FY33
March 31, 2028	October 1, 2026 - September 30, 2027	2027	FY27	FY27, FY30, FY33
June 30, 2028	January 1, 2027 - December 31, 2027	2028	FY28	FY28, FY31, FY34
September 30, 2028	April 1, 2027 - March 31, 2028	2028	FY28	FY28, FY31, FY34
December 31, 2028	July 1, 2027- June 30, 2028	2028	FY28	FY28, FY31, FY34
March 31, 2029	October 1, 2027 - September 30, 2028	2028	FY28	FY28, FY31, FY34

Submission, Review, & Process

Submitting the AFS Report and Supporting Documentation

When submitting the Annual Financial Statement Report, ensure the report, the AFS Contact Authorization Form, and all supporting documents are provided. Failure to submit a complete report and supporting documents will result in a deficiency.

You may access the ACA portal at:

<https://aca3.accela.com/MIMM/Default.aspx>

If any questions arise while completing the report, please do not hesitate to contact the CRA:

By telephone at: **517-284-8599**
Or by e-mail at: CRA-AFS@Michigan.gov

The AFS Review and Process

Once the AFS report, AFS Contact Authorization Form, and its supporting documents have been received (through the Accela Portal) the report will be assigned to a Financial Compliance Section Analyst. The entire report must be filled out completely. The report is not complete if there are sections left blank.

After the analyst fully reviews the AFS report, a deficiency will be sent if there are any items needing clarification or the report is deficient. The CRA requests that any information or documentation requested by the agency be submitted to the agency within the allotted timeframe given by the CRA from receipt of request.

Deficiencies are not disciplinary in nature, and the number of deficiencies should not be taken as an indication that the CPA or the licensee has necessarily done something wrong.

A Notice of Deficiency (NOD) will indicate items where the AFS report was found to be deficient and/or will identify items that require further clarification. The NOD will be sent to the authorized contact person(s) identified by the licensee for the AFS report. If the CPA makes corrections/modifications to the report, the date of the report should reflect the date of the newly issued report. Other deficiencies may require an explanation or documentation from the licensee. The authorized contact person(s) must coordinate with the licensee and CPA to resolve deficiencies in a timely manner.

Additional questions may arise, or further explanations or documentation may be needed to clarify NOD responses, which will result in subsequent NODs. The CRA will continue to work with the licensee until all deficiencies are resolved, so long as the licensee is responding timely. Failure to correct an AFS deficiency within 10 days of notification by the CRA may result in disciplinary action. If additional time is required to correct a deficiency, the licensee may request an extension in writing by contacting their assigned analyst.

Failure to provide any of the requested items to CRA within the allotted timeframe given by the CRA after notification may result in a Final Notice of Deficiency. Failure to provide any of the requested items to the CRA within 10 business days of the Final Notice of Deficiency will result in a referral for possible disciplinary action.

Please note, the CRA does not approve or deny AFS reports.

At the end of the AFS report review, the licensee will receive a letter via email notifying them that the review period is now closed. If the CRA determines that the requirements of the AFS were not met and/or information identified during the review of the AFS is in possible violation of the Medical Marijuana Facilities Licensing Act and/or associated administrative rules, a referral may be made to CRA Enforcement for possible disciplinary action or CRA Operations Support Section for METRC issues/errors. If any further action is required by the licensee after receiving the letter, the licensee will be contacted.