



## Zeifmans LLP: Cannabis accounting and assurance experts

Following Canada's full legalization of cannabis in 2018, the country has become the de facto epicentre of the fledgling cannabis market, and especially cannabis finance.

While it is still illegal in most countries to produce or export cannabis for sale, a select few countries have pivoted to align with the opportunity in Canada. With Jamaica's ganja production history, it is certainly a country with a supportive attitude to the legal cannabis market.

Within Canada, the first year of legalization has seen several legislative changes. Retail strategy is still being finalized throughout the country, and pricing, supply and demand issues, and packaging standards are all still gaining clarity. As the country finalizes the regulations that will dictate how the product is grown, packaged, sold, and consumed, the business landscape has been shifting.

Similarly, cannabis cultivation companies listing their shares in Canada must follow the reporting standards

for agriculture. Agriculture companies have their own entrenched standards, and given the agricultural component of the industry, cannabis companies have had to align in order to list on the CSE. But as anyone who works in the industry will agree, growing and selling cannabis is inherently different than growing and selling carrots. Thus, adhering to these reporting standards in an accurate manner can present a challenge for finance professionals without local expertise.

Given the nascent nature of the country's legal cannabis system, non-resident cannabis entrepreneurs can find navigating the Canadian market, and listing on Canadian exchanges to be confusing. That's why it's so helpful to have a trusted local advisor to assist your company in structuring your business activity before entering the Canadian market.

### ■ Financial Reporting

In 2011, Canada adopted International Financial Reporting Standards (IFRS) for publicly listed companies. IFRS, under its standard IAS 41: Agriculture, requires a fair value adjustment on the value of cultivated plants, triggering reporting on the profit and loss statement.

These accounting standards haven't gone without criticism. The fair value adjustment only makes sense in

the context of crops with longer lifespans – for instance, trees or cattle. cannabis, on the other hand, is grown in a six to twenty-week cycle. And where a cattle farmer could sell a cow today and deliver it next year, cannabis companies cannot pre-sell their inventory. With the Canadian recreational market still in its infancy, it's nearly impossible to gauge what sales will look like.

Furthermore, many cannabis cultivators have limited experience and therefore find it difficult to accurately anticipate yield, which can be subject to mold and weather effects.

Industry experts have recently argued that cannabis companies should be treated similar to wineries. Cultivation is just one component of the business – there's also processing, manufacturing, and branding, which all occur after the harvest and play a significant role in product pricing and sales.

Regardless of industry criticism, the fact remains that cannabis companies – most which are thinking about going public in Canada, or being acquired by a Canadian public company – are advised to use IFRS.

Financial statements for publicly traded companies must be published on an annual and interim basis, and companies contemplating an initial public offering, a reverse takeover on a Canadian exchange, or being acquired by a Canadian public company, will generally require two years of audited financial statements plus unaudited interim financial statements.

The Jamaican Stock Exchange generally requires five years of audited financial statements. That being said, to list in Canada there is no need for a local Jamaican auditor for your Jamaican cannabis company.



## Audit services

Zeifmans auditing and accounting practice helps organizations navigate the complex risks they face, especially as they relate to financial reporting. Whether we're providing assurance, tax planning, or architecting a public offering, we keep our clients' business goals at the centre of our strategy.

Zeifmans helps both domestic and foreign cannabis companies to acquire, branch out, and grow. Our partners share a thorough understanding of processes and business systems, as well as a comprehensive knowledge of the specific regulatory requirements within the Canadian cannabis industry.

Our review and audit team can assist your cannabis company through:

- Transitioning to IFRS
- Providing an in-depth understanding of the myriad accounting rules facing companies operating or listing in Canada
- Performing assurance services
- Advising on your accounting needs as your company expands.

Annual financial statements must be audited, and virtually no qualified opinions are ever allowed.

Zeifmans is certified as an auditor with the Canadian Public Accountability Board (CPAB), making us officially qualified to audit the financial statements of public companies.

## The opportunity for Jamaica

In June 2019 Zeifmans invited a number of panel experts to speak at an event on the potential of the Jamaica-Canada cannabis channel. While it was agreed that Jamaican activity in the Canadian market wouldn't be without its challenges, our experts all shared the common belief that there are countless opportunities for alignment between the two countries' cannabis activities.

In November 2019 Zeifmans was the sole audit firm to accompany the Canadian Securities Exchange on a visit to Jamaica to speak to local licensed cannabis producers.

We are confident that Jamaica could be among the first countries to fully take advantage of the Canadian import market. That being said, it is clear that success with Canada will be dependent on a level of fluency in Canadian financial regulations, and access to good Canadian business resources. This is where Zeifmans comes in.



Specializing in auditing, mergers & acquisitions, and consulting, Larry is responsible for servicing many of Zeifmans' larger corporate clients, especially clients in the financial services, cannabis, and health care sectors. Larry's clients rely on his advice on a range of domestic financial matters, as well as issues relating to the global corporate environment. He leads the Zeifmans' cannabis team, and serves as a senior adviser to one of Canada's leading professional sports teams.

Larry's understanding of global business facilitates his chairmanship of Nexia Canada (the Canadian division of Zeifmans' international accounting network), and his membership on Nexia International's marketing and business development committee.

## ■ About Zeifmans

Zeifmans is a full-service tax, accounting and consulting firm based in Toronto, Canada, and ranked as one of the country's top 20 firms by revenue. Beyond the traditional offering, our services include:

- Business advisory
- Valuation
- Corporate finance
- Transaction services
- Corporate turnaround and insolvency

Since 1959, we've supported more than 9,000 clients through every step of the business life cycle. Our diverse local team has grown to over 130 team members, while our position as the Toronto member of Nexia International – one of the top 10 accounting networks in the world – provides access to a global team of 2,500+ partners spanning more than 115 companies.

As founders and leaders of the Nexia International cannabis team, Zeifmans acts as an industry leader, widely respected for our knowledge of the cannabis industry.

## ■ The Zeifmans Team



### **Laurence W. Zeifman**

*CPA, CA, Partner*

*Tel: 416.256.4000 Ext: 7707*

Larry Zeifman has over three decades of experience auditing and advising public and private companies.

After leaving a 'Big Four' firm in 1985 to join Zeifmans, Larry served as the firm's Managing Partner from

1988 until 2009 and continues to serve on its management committee.



### **Robert J. Benmergui**

*Principal*

*Tel: 416.256.4000 Ext: 7558*

A Principal of the firm, Robert came to Zeifmans in 1981. His specialization lies in accounting and taxation with a focus on small-to-medium businesses, particularly in the fields of retail, cannabis and healthcare. He puts major

emphasis on helping clients seize opportunities for growth and diversification.



### **Jennifer Chasson**

*CPA, CA, CBV, Partner President, Springbank Capital Corp.*

*Tel: 416.256.4000 Ext: 7568*

Jennifer Chasson leads Springbank Capital Corp., which works side by side with Zeifmans LLP on mergers and acquisitions, valuation and corporate finance assignments.

Working with clients as an advisor, underwriter and buyer for 19 years, and closing more than 80 transactions, Jennifer brings keen insight into all three seats at the Corporate Finance table.

With every merger, acquisition, divestiture, and debt or equity raise, she works with passion to help family-owned and entrepreneurial businesses make the next step in their evolution. Jennifer's passion and energy go beyond her Corporate Finance work at Springbank. She is a member of CPA Canada and the Canadian Institute of Chartered Business Valuators; former treasurer of Women Entrepreneurs of Canada; former board member of Big Brothers Big Sisters of Canada; and fundraiser for Shaare Zedek Medical Centre, a hospital in Jerusalem, and Zareinu Educational Centre,



a school and treatment centre in Toronto for children with physical and developmental challenges.

Jennifer's elite knowledge of corporate finance allows her to assist cannabis companies in maximizing profitability in the short term, while structuring to sustain long-term growth.



### **Robert A. Grunwald**

*CPA, CA, Partner*

*Tel: 416.256.4000 Ext: 7591*

Robert A. Grunwald joined Zeifmans in 2006 as a student, and became a partner in January 2016. He specializes in accounting for owner managed, small to mid-sized businesses, personal and corporate taxation, corporate reorganization, and taxation.

Through his years of practice, Robert has cultivated in-depth knowledge and expertise in the healthcare sector with a specific focus on pharmacies, medical practices and cannabis retail. As a key member of Zeifmans cannabis team, Robert has been guiding cannabis companies in growing their businesses for more than 5 years.

Working 1:1 with his cannabis clients, he advises them in all areas of accounting, such as best practice for business origination structure, and tax planning. As the cannabis industry continues to grow, Robert is committed to supporting his clients as they transition through the business life cycle, from applying for a first cannabis license to going public.



### **Kristie Lester**

*Senior Manager*

*Tel: 647.256.7621*

Kristie Lester has been with Zeifmans for over 15 years. Leveraging her in-depth knowledge of accounting and assurance, Kristie is today responsible for servicing many of Zeifmans' larger corporate clients, especially clients in the financial

services, cannabis, gaming and health care sectors.

Kristie has significant experience in the interpretation and application of International Financial Reporting Standards, Canadian accounting standards for private enterprises and U.S. Generally Accepted Accounting Principles. She has extensive financial reporting experience, particularly in regard to Canadian public companies and investment dealers.



### **Nathan Choran**

*CPA, CA, CPA (Illinois), Partner*

*Tel: 647.256.7571*

Nathan leads the Canadian Tax Group at Zeifmans. For over 25 years, he has been providing strategic advice to owner-managers on a wide range of income tax matters affecting private companies. In particular, Nathan focuses on real estate and Canada-US cross border tax issues. Prior to

joining Zeifmans in 2015, Nathan had been a Tax Partner with one of the big four accounting firms.

In addition to his Canadian professional accounting designations, Nathan is a licensed US CPA with the State of Illinois. Nathan's professional activities have included leading tutorials for the Chartered Professional Accountants of Canada (CPA Canada) In-Depth Tax Program, serving on the CPA Canada and Ontario Budget Summary Committees and presenting lectures to CPA's and organizations in the GTA on owner-managed business taxation. Nathan has also written for the Canadian Tax Foundation and his past firms' publications. He currently serves as a director of the charity United Cheshed of Toronto and Vicinity and is Chairman of the Membership Dues Committee of his synagogue, Chabad Flamingo.

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