



**BELL BROADCAST AND NEW MEDIA FUND
FINANCING AND BUDGETING POLICIES**

Development Program

March, 2008

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A new media project's financial structure and budget are key criteria in the evaluation of your development application.

Producers must provide a development budget and a financial structure based upon reasonable cost estimates and realistic expectations for other financing. Ensure these documents are completed thoroughly and accurately, with sufficient back-up materials, notes and schedules to ensure a successful application.

Bell Broadcast and New Media Fund contributes funding for the actual cost of project development and is not to be considered as direct revenue or profit for the Producer or Service Company. Producers should consider this when preparing the budget and financial structure of their proposed project.

Please note the following definitions for the purposes of these Guidelines and Policies:

Producer: The Producer is the company that owns the copyright in the new media production and is the party(ies) signing the contract for financing with the Bell Broadcast and New Media Fund. The Producer must charge actual cost for its services as set out hereunder.

Service Company: A Service Company is a new media production company engaged by the Producer to provide services equaling 40% or more of the budget. The Service Company must charge actual cost for its services as set out hereunder but should negotiate with the Producer for a share of producer fees, corporate overhead and/or distribution revenue as compensation for its services in lieu of rate card rates.

Sub-Contractor: A Sub-Contractor is a new media production company that is providing services equaling less than 40% of the budget. Generally a Sub-Contractor will provide specific services (eg. Mobile gaming, live event co-ordination) that a Producer or Service Company does not have the capacity to provide. A Sub-Contractor may provide its services at rate card rates provided that it may not also earn a share of producer fees, corporate overhead or distribution revenues.

A. New Media Development Financing Guidelines and Policies:

Please ensure that a complete, fully detailed financial structure is submitted in both the Application Form and Budget Template where indicated.

1. Bell Fund Development Contribution: Bell Broadcast and New Media Fund will provide a non- recoupable grant of up to 75% of acceptable budgeted costs, to a maximum of \$50,000.

Based on final assessment of the new media development budget, Bell Fund's contribution may be adjusted proportionately. Read Section "D" for further details.

2. There is no requirement for a cash contribution from any other funding source for development project applications. However, cash contributions from other sources reflect market interest and will improve your evaluation grade and therefore increase your chance at success in obtaining development funding from Bell Fund. Examples of sources for cash contributions include: broadcaster cash support, other funding agencies (Telefilm Canada, etc.), sponsorship, third party distribution companies, etc.

In the event that a cash contribution by a broadcaster is provided, the broadcaster may not receive any cash payment for any services, facilities or staff provided by the broadcaster.

3. Television Production Company Contribution: The television production company may contribute to the financing of a new media project in the form of investment, deferrals or in-kind services provided these expenses are legitimate, verifiable and specifically for the development of the new media project. Rights payment to the television production company for licensing of the television property is not permitted. Television program expenses may not be included in the new media budget.

4. Deferrals: Deferrals must be backed-up with executed agreements. List specific line items from the budget that are to be deferred. This includes: budget code, budget category, personnel or equipment, amount. You may

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not defer any amount that cannot be ascertained prior to the development period (eg; 'Contingency' cannot be deferred).

5. New Media Producer Investment (equity): Producer investment, as a component of the financial structure, must be backed-up by company financial statements and an executed agreement. If the project application is successful, you must provide proof that you are capable of providing your investment commitment.

6. In-Kind Contribution: Costs for in-kind services, facilities or staff from other parties (broadcasters, service companies, television production companies, etc.) may be included in the financial structure, and listed appropriately in the budget. All such costs must be assessed at market value with appropriate discounts applied. The value of services provided must be clearly and explicitly indicated in a services agreement between the Producer or Service Company and service provider. Agreements should minimally contain the following information:

- date,
- total amount of contribution and any discounts applied,
- breakdown of contribution by related budget codes and categories of services provided, and
- any other provisions.

Producer may be asked to provide evidence of market value equivalency for in-kind services provided. In-kind services from the broadcaster may not include broadcaster overhead, on-air spots or promotions, senior executives or broadcaster personnel who serve as project liaison, sales, advertisement, traffic, legal, accounting or other administrative staff. In-kind services from the broadcaster should not include any indirect or duplicate staff, facilities or services to complete the new media project.

7. Other Contribution Contractual Requirements: Minimally, executed commitment letters are required from all sources used in a project's financial structure, or ideally, any executed agreements. This includes deferrals, in-kind services, and cash contributions. Applications may be submitted without confirmed alternate financing. Agreements must minimally include:

- date,
- amount of contribution,
- type of commitment (ie; grant, equity, advance, etc.),
- total and date of budget,
- clear declaration that contribution is for production of website or interactive project,
- payment schedule or proposed drawdown, and
- default or expiry clause.

If your application with Bell Fund is successful, you will have 90 days from the date of approval to provide all required documentation. All executed agreements will be required in order for Bell Fund to issue a New Media Development Financing Agreement.

B. New Media Development Budgeting Guidelines and Policies

The budget submitted to the Bell Broadcast and New Media Fund should include additional notes describing in detail, tasks and production phases to be performed by personnel, and supporting notes explaining cost estimates in detail. Your budget and corresponding notes provided constitute one of the evaluation criteria of your application.

1. Budget Template: For all applications submitted to Bell Fund, you must fully complete the Bell Fund/Telefilm Development Budget template - (excel file) available on our website (www.bellfund.ca – click on under "Guidelines, Forms and Templates – Development Program). Ensure all expenses are accurately estimated and the template is fully completed. Use only those budget template line items that apply to your production for this phase.

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2. Development Expenses: New media development budgets may only include cost estimates for activities and tasks not previously undertaken or completed. Use only applicable cost estimates and line items from the budget template that specifically relate to the new media production. Provide details, notes and agreements explaining your cost estimates. Use additional pages if necessary.

Bell Fund does not allow repayment of development expenses through its Production Program

3. Television Program Expenses: New media development budgets may not include any television program expenses.

Bell Fund requires that all new media costs must be separately budgeted from any television program costs, regardless of the project. If the project is a multi-platform project being developed with one integrated development budget please contact the Bell Broadcast and New Media Fund for guidance on splitting the budget into two separate components.

4. Related Party Transactions: All line items and respective amounts from the budget paid to the Producer, production company, any principals and employees or related parties must be itemized and disclosed on the page 2 of the Budget Template. All purchase and rental of equipment, facilities and material and capital purchases directly or indirectly paid for or obtained by the Producer or production company and costed in the new media budget must also be declared.

Related party transaction is defined as in Section 3840.03 of the CICA Standards and Guidance Handbook and as per Telefilm Canada/CTF. Producers must adhere to guidelines and description provided in the CTF/Telefilm Canada: Accounting and Reporting Requirements (January 1, 2006)

“Related parties” exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint or common significant influence. Related parties also include management and immediate families.

A “related party transaction” is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

“Control” of an enterprise is the continuing power to determine its strategic operating, investing and financing policies without the cooperation of others.

“Significant influence” over an enterprise is the ability to affect the strategic operating, investing and financing policies of the enterprise.

5. Canadian Costs: 75% of the budget costs must be spent in Canada. Please identify any and all non-Canadian labour services and/or products.

6. Rights Acquisition (Category A): Rights acquisition includes costs associated with licensing copyright material and intellectual rights for use in the new media production. Rights licensing cost estimates associated with video or broadcast materials that were produced for the television program and used the website or interactive component are unacceptable in the new media production budget. Property rights for video or sound footage exclusively used for the website or interactive component may be budgeted in this category, provided sufficient proof and support material is provided. Cost for original video or audio production exclusively used in the new media component must be estimated in the appropriate production sections of the new media budget template. Any performer, writer, talent, etc or other additional rights payment for new media distribution, must be included under the specific personnel’s line item. Any additional rights payment estimated must be supported by executed agreements. Rights payment to any related party cannot be included in the new media production budget.

7. Labour and Personnel rates (Category C): All labour rates (inclusive of any applicable payroll benefits) must be estimated at actual cost in units of: hours, days or weeks, without corporate mark- up, overhead fees, or equipment costs included in the cost assessment. The normal range of these fees are as follows:

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Junior personnel: \$15 to \$26 / hour

i.e.; Assistant Designers, Illustrators, Assistant Graphic Artists, low-end Programmers, Testers, Administrative Labour, etc.)

Intermediate personnel: \$27 to \$52 / hour

i.e.; Project Co-ordinators, Leads, Graphic Designers, Storyboard Artists, mid-range Programmers, System Integrators, Webmasters, etc.

Senior personnel: \$53 to \$95 / hour

i.e.; high-end Leads, specialized Design personnel, Art Directors, specialized Programmers and integrators, etc.

8. Production Sub-Contracting (Category C): When necessary, labour and/or other expenditures for production elements that do not represent significant expenditures and are no more than 40% of the Budget may be subcontracted to unrelated parties at rate card rates, only in the case where the third party specializes in a specific and required production process (eg. Mobile gaming or live event co-ordination). Such cases require a clear rationale from the Producer and evidence of current market value assessment for such services. Bell Fund will judge the legitimacy of such budget proposals on a case-by-case basis.

9. Equipment and Materials (Category D): Computer workstations, equipment and facilities used in the development of the new media component must be assessed at market value for the period used. The budget may include only equipment and facilities specifically required for project development. Budget may reflect actual rental costs with applicable discounts (provide quotation) or amortized purchase price (using a 24 month straight depreciation method). The cost estimate is to be pro-rated for duration of project. Applicants should include details and quotes for all equipment used in the development of the project. Cost estimates for equipment and materials may not include corporate mark-up or overhead fees. All estimates for equipment and materials must include applicable discounts from suppliers.

10. Software (Category D; Account D.20): Estimated software cost must be amortized and pro-rated for duration of the project (no greater than 50% of market value or 12 month straight depreciation method, whichever is less). Details and quotes for all software must be included with the budget. In exceptional circumstances, proprietary software developed exclusively for the project may be expensed at 100%. In such cases, a rationale substantiating this must be included with your budget.

11. General and Administration (Category F): Office expenses and other related administration labour, equipment and facility cost estimates must relate directly to the project and duration of production only.

12. Contingency (Category G): may not exceed 5% of the total of budget categories A-F.

13. Corporate Overhead (Category H): (which includes Producer Fees) may not exceed 20% of the total of budget categories A-F. This budget line item may be used at the discretion of the Producer.

C. Other Financial Materials Expected to be Delivered with the Application

A complete list of required deliverables is available on the Development Program Application Form. Following are details for some of those deliverables.

1. Letter of understanding between the production companies: Producer must provide with the application a letter of understanding or a letter of intent to enter into an agreement between the television producer and the new media production company (whether as co-producers or as new media service producer), though it is preferred that a fully executed agreement between the new media and television production company is provided at time of application. If the new media producer is to provide any less than all of the services contained in the budget, this letter must indicate a breakdown with code, category and description of all budget items attributable to any component or personnel from the new media company. If the television producer is to be paid for any services contained in the budget the agreement must indicate a breakdown with code, category and description of such budget items.

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2. Detailed new media development schedule: The Producer must submit with the application a detailed timeline, gantt chart or other schedule breakdown as well as schedule overview published on the top sheet of the budget, indicating all key dates for anticipated completion of development phases and milestones.
3. Financial statements: Producer must provide most current finalized financial statements for the company responsible for producing the new media project. In the event that new media development activities are shared with a related or unrelated company or entity, most recent financial statement are required from each party. Financial statements for any related parent company is also required.
4. If Interim Financing is budgeted as a line item in the Development Budget, a complete cash flow statement must be included in your application.
5. Other accounting and reporting requirements: Other than terms and conditions noted in specific guidelines for Bell Fund, where Telefilm is a part of the financing of the production, applicants are required to adhere to Accounting and Reporting Requirements as set forth by the Canadian Television Fund and Telefilm Canada: "Accounting and Reporting Requirements" (January 1, 2006).
6. A Completion Guarantee is not required for new media development applications.
7. A Certificate of Insurance is not required for new media development applications.

D. Financing and Budgeting Review Procedures for Successful Applicants:

1. The budgets of all successful applications are assessed by the Bell Broadcast and New Media Fund. The results of which may impact the amount of Bell Fund's contribution. In the event that the budget assessment is less than the budget originally submitted, Bell Fund's contribution level will be reduced proportionately by the percentage of requested funding applied for in the original application. If such an event occurs, Producer may do one of the following:
 - i) maintain original budget total submitted and refinance any deficit caused by reduced Bell Fund commitment; or
 - ii) reduce budget as internally assessed by Bell Fund and finalize arrangements with other funding agencies and sources.

Budget must be reduced if specific categories exceed the budget caps as defined above.

2. Producer is contacted and a Bell Fund representative reviews outstanding materials, list of deficiencies and if applicable, where budget has been reduced due to the assessment. Based on the budget appraisal and delivery of all outstanding material, Producer will be advised of Bell Fund's contribution level.
3. Producer has 90 days to resolve deficiencies, deliver outstanding materials, and/or provide proof or rationale for specific budget line items in question.
4. Based on producer deliverables and further evidence of cost estimates requested, Bell Fund will determine its final offer of its development contribution to the new media project.
5. In many instances, other agencies such as Telefilm undergo similar review procedures. Bell Fund and all other agencies will coordinate and reconcile contribution amounts. Producers are advised that participating funding agencies may discuss various aspects concerning your project.
6. Upon timely and satisfactory delivery of all outstanding material, agreements and revised documents, a New Media Development Financing Agreement with the Bell Fund will be issued.

E. Final Cost Report Requirements:

After you complete the development phase, Bell Fund requires a series of documents to be submitted before processing your final drawdown. The materials include, but are not limited to: all deliverables, Final Report on the project, Final Cost Report, and Final Financial Structure. Review the last page of the Schedule “A” of your New Media Development Financing Agreement for further details on the Final Report and any further requirements.

1. The guiding principle for reviewing final costs and final financing of projects is to ensure that the contribution provided by the Bell Broadcast and New Media Fund is used in an appropriate and reasonable manner respecting industry standards, to reimburse actual costs incurred for a specific project’s production, and that such funds are not used to provide profit for the production company nor used to offset non-project related expenses of the production company or any other party.
2. Development projects of all budget sizes, require an uncertified Final Cost Report, supported by an executed affidavit whereby the Producer warrants the disclosure of costs is a true and fair representation.
3. Notwithstanding the above criteria, Bell Fund may request an audit be included in its agreement with a Producer, for any project.
4. All other guidelines and requirements for final cost reports must be in accordance with the Bell Fund Audit Guidelines (www.bellfund.ca) providing that if Telefilm is also in the financing then those guidelines published by the Canadian Television Fund and Telefilm Canada: “Accounting and Reporting Requirements” (January 1, 2006) also apply.
5. Producers must maintain a separate set of books and related records for the development of the new media project.
6. All bookkeeping and accounting procedures must be conducted in accordance with GAAP (Generally Accepted Accounting Principles) that appear in the CICA Handbook (Canadian Institute of Chartered Accountants).
7. Final cost reporting procedures must be undertaken based on the budget and financing structure approved by Bell Fund.
8. There may be no variance between budget and final costs for producer fees, overhead fees, and any other budget allocations that are restricted by Bell Fund’s guidelines or policies, or have been specified as locked budget items in the New Media Development Agreement between the producer and Bell Fund.
10. Final costs reports must reflect actual payments made to employees, sub-contractors and suppliers and Producer must be prepared to provide timesheets if requested.
11. Default provisions: Any party that does not adhere to the accounting policy and required bookkeeping and reporting requirements, or through audit or review is found to be in contravention of costing policy and guidelines, will be declared in default and not be eligible for future contribution from Bell Fund, until the contravention is corrected to the satisfaction of the Fund.
12. Bell Fund may request additional information or breakdown of expense accounts in its review of final production costs that the producer is obligated to deliver in a timely fashion.
13. Bell Fund may adjust its final contribution to a project based on results of the Final Cost Report.