

Setting the Stage for Sports and Entertainment Auditing

BY DAVID A. LOPEZ, CPA, DAVID A. LOPEZ AND COMPANY, LLC

When people think about the sports and entertainment industries, they often think of the glitz and glamour of the Super Bowl, Hollywood or the Grammy Awards. But behind all the glitter is a multi-billion dollar industry that utilizes the skills of CPAs to provide services to both corporations and individuals daily.

Fortunately, accounting and auditing services within these industries can be performed by both large firms and small practitioners alike. The accounting needs are diverse, and the client base consists of world-class athletes, movie stars, production companies, independent film studios and behind-the-scenes professionals such as writers and directors. No matter the client, they all want one thing: confidentiality. So a smaller practitioner is often appealing because the client can build a personal relationship with the CPA.

The primary services provided to the sports and entertainment industries are similar to many other business segments. Tax planning and preparation, auditing, business management and consulting services are the most prevalent types of engagements. Tax preparation is self-explanatory, and the practitioner often utilizes the same concepts and strategies used to advise any high-income taxpayers, regardless of the industry in which they operate and earn revenue. But it's the auditing and business management services that are viewed by many accountants as the most interesting and glamorous assignments.

At the corporate level, CPAs provide traditional financial statement audits, royalty audits, agreed-upon procedures and internal audit services to sports teams, league offices, production

companies, filmmakers and record companies. In addition to auditing, CPAs perform a variety of other services, such as cost accounting, production cost analysis, budgeting for films or live performances, royalty rate calculations and licensing fee distribution. Providing these services takes specialized skills and knowledge and sometimes requires long hours "on the set," but the work has a direct effect on the end product that you see on the screen, hear in concert or see on the playing field. Accurate budget analysis and financial reporting are very important as cost overruns are closely scrutinized by owners and management. Therefore, a CPA's work is utilized on a regular basis and is critical to the decision-making process.

In sports and entertainment accounting, the practitioner truly serves as a trusted advisor. The CPA often serves as a business manager for the athlete, performer or movie star. Here, your responsibilities extend past the general ledger or bank statement reconciliation; you advise clients on almost every aspect of their lives. You help them pay bills, oversee major purchases such as homes and vehicles, help them select an investment advisor, ensure tax obligations are met and help them develop business entities that will provide income long after their career in the public spotlight ends.

The aforementioned only solidifies the concept that a small firm or a sole practitioner is more appealing to these well-known individuals. Athletes and entertainers value discretion and, many times, a small practice has a much easier time fulfilling this request. The client wants to ensure his or her personal business is not made public and is viewed by as few individuals as possible, so a small firm has less people to potentially disclose that information.



You are also working with individuals who have strong personalities and who want access to their business advisors 24/7. As such, when working with a smaller practice, these clients most likely will speak exclusively with the firm's principal.

Serving the sports and entertainment industries does have its advantages: the parties, excellent seats at major events and more. But entering the sports and entertainment niche is challenging. The sector lives by the adage of "it's not what you know, it's who you know." So aggressively building your professional network and developing your personal brand are the foundations for success. Serving as a sports and entertainment accountant takes skills, knowledge and a strong commitment to ensure your clients receive the best service you can offer, whether you work for a large firm or a one-person practice. ■■

David A. Lopez, CPA, is the managing member at David A. Lopez and Company, LLC. He is a member of the New Jersey Society of CPAs. Contact Lopez at dlopez@davidlopezcpa.com or 215-732-9196.

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