

ENTERTAINMENT



DAVID FREE

Partner

Miller and Co.

Woodland Hills



David Free joined Miller and Co. in 2014 after 30 years with a large regional accounting firm. Besides taxes and audit, he advises clients on mergers and acquisitions, private equity, contract negotiations, financing, international transactions and investments. His client base includes media and entertainment companies, and he participates in speaking at industry events and publishing articles. Miller and Co. ranks No. 45 on the Business Journal list with 6 CPAs on staff.

Kash Hussain works in the Assurance Department at CohnReznick's Woodland Hills office. He has more than 20 years of experience providing audit and consulting services to privately held and public companies, with emphasis on media and entertainment, technology and consumer products. He sometimes gets involved in the operational aspects of his clients' businesses and assists with M&A transactions and raising capital via initial public offerings, secondary offerings, private placements and private equity. CohnReznick ranks No. 8 on the Business Journal list with 33 CPAs on staff in the Valley region.



KASH HUSSAIN

Partner

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Question: Who are your clients?

FREE: We have a specialty in handling independent film and TV producers, distributors and sales agents. Our services range from outsourced accounting for newer or smaller companies to audited financial statements for larger companies. Our clients tend to be run by entrepreneurs who seek our counsel on many subjects, including business, accounting and tax planning matters. Most new clients are referred by existing clients or legal counsel. And we receive these referrals because of our broad knowledge of the industry and our excellent service reputation. We not only keep up on the tax and GAAP rules, but industry trends, deal structures, etc. So we can knowledgeably communicate with clients on most topics.

HUSSAIN: My clients are independent film, television and digital media producers and distributors. We are retained to do several important things for them: First, tax compliance; second, tax planning and structuring of transactions; and third, audits of the annual financial statements, among many other specialty services.

Most interesting part of the job?

HUSSAIN: The constant evolution of entertainment business and the manner in which the content is financed, produced and exploited. I enjoy this business dynamic because it pushes us to find creative solutions for our clients so they can meet their business objectives. Plus, the people you work in the industry with are super fun.

FREE: The constant change and evolution. Right now, we're dealing with the technical rule changes brought about tax reform and new GAAP, while at the same time the business aspects continue to change. When I started in this industry, the debate was will Beta or VHS become the primary method of home viewing in addition to just three TV networks. Now it's SVOD, TVOD over-the-top, etc. In the last 24 hours, I dealt with the proper accounting treatment of deals with Google and Netflix – much different than traditional network or studio deals. And it's rewarding to watch the final product created by clients.

Biggest challenge?

HUSSAIN: The entertainment regulatory environment is changing fast. Our biggest challenge is that of ensuring that these fast-paced changes are quickly assessed and adopted by our clients to avail of opportunities and to avoid non-compliance and added costs.

FREE: Communicating complex or technical information succinctly and simply to entrepreneurs so they understand pros and cons before making decisions. Understanding what is really important to communicate and focusing accordingly.

How does your personality help in this industry?

FREE: My personality doesn't differ between entertainment clients and "regular" clients. I try to listen actively to understand where

client heads and hearts are. Then I offer alternatives that demonstrate that we are keenly focused on their success. And where possible, add a little humor and a smile.

HUSSAIN: The entertainment business is all about a tight-knit community of creative thinkers and problem solvers. I fit in with the community because of my ability to interact with the creative minds and solve complex business issues. My biggest strength is to break down complex rules into bite-sized plain English actionable items so my clients get value out of our association.

How has entertainment accounting changed in recent years?

HUSSAIN: Entertainment accounting is on the cusp of a significant change both on tax and accounting-related matters. Most of us are aware of the complexities coming out of the new tax rules, including state tax nexus issues. Further, companies are now required to comply with many new accounting rules including reassessing their revenue streams under the new revenue recognition standard. Also, the Financial Accounting Standards Board recently introduced an exposure draft to streamline how we previously viewed film accounting versus television accounting. These changes require constant vigilance on the effect of implementation as it impacts many things, including credit agreements and M&A.

What do you see in the future for

entertainment accounting?

FREE: As processes become more automated, accounting, tax preparation, auditing, etc. the need to be a well-rounded advisor will become even more important. And more fun. The future is bright for those that evolve.

HUSSAIN: A lot more automation and machine learning impact on how companies assess and report on their performance and compliance with laws and regulations.

What can your experience in entertainment accounting teach people in other industries?

HUSSAIN: Nothing is constant. Creativity drives change and change drives opportunities. If you embrace that, then you can optimize performance and innovate.

FREE: First, invest in yourself – read, attend seminars – both technical and business; second, apply your knowledge so it is useful to clients; and third, create a following of really, really happy clients and co-workers.

Advice to clients?

HUSSAIN: Surround yourself with competent partners who can listen, understand your objectives and work with you in achieving them. It is imperative that your advisors are experienced not only in the technical matters but also the operational matters and can bring to you access to global resources.

– Mark R. Madler