Requirements for Cost Accounting Report

Before an Eligible Theater Company can claim Live Theater Tax Credits approved in an Initial Certificate, the Eligible Theater Company must first obtain a Final Certificate from the Massachusetts Office of Travel and Tourism. The application for a Final Certificate must be accompanied by a final accounting report of all expenditures made on Eligible Production Costs. That Cost Accounting Report must be prepared by the Eligible Theater Company and reviewed by an independent certified public accountant for accuracy and completeness, consistent with the Agreed Upon Procedures and other requirements set forth below. The Cost Accounting Report shall set forth in detail all Eligible Production Costs, including Payroll Costs, Production and Performance Expenditures, Transportation Expenditures, and any documentation required by the Massachusetts Office of Travel and Tourism (MOTT) to substantiate reported costs and expenditures. Such costs and expenditures shall reflect actual costs incurred and shall be compared to the anticipated costs and expenses submitted with the original application for Live Theater Tax Credits. An Eligible Theater Company shall not include any Eligible Production Costs paid with state funds, state loans or state guaranteed loans in computing Eligible Production Costs.

The Cost Accounting Report shall be prepared and signed by the Eligible Theater Company and must include a report prepared by an independent certified public account licensed in the state of Massachusetts confirming the accuracy of the information included therein.

The Cost Accounting Report shall be submitted with an Application for Final Certification and Economic Impact Report within six (6) months of the Eligible Theater Production's completion date. Failure to do so may result in the forfeiture of awarded tax credits.

The following provides a sample cover letter and certification to be provided by the independent certified public accountant that has performed the procedures enumerated in the Cost Accounting Report's Agreed Upon Procedures, a summary of the minimum procedures to be performed by the independent certified public accountant (Exhibit A), and the Cost Accounting Report form to be submitted by the Eligible Theater Company.

Sample Independent Certified Public Accountant Cover Letter and Certification

Independent Certified Public Accountant's Report on Applying Agreed-Upon Procedures

To [***Eligible Theater Company***] and the Massachusetts Office of Travel and Tourism:

We have performed the procedures enumerated in the attached Exhibit A below, which were agreed to by the [***Eligible Theater Company Name***] ("Eligible Theater Company") and the Massachusetts Office of Travel and Tourism (MOTT), solely to assist you in evaluating the completeness and accuracy of the accompanying Cost Accounting Report for [***Eligible Theater Production Title***] (The "Production"). We followed these procedures to demonstrate compliance with the criteria specified by MOTT for qualifying the Eligible Production Costs incurred by the Eligible Theater Company for the Production. The Eligible Theater Company's management is responsible for maintaining records of the information contained in the Cost Accounting Report for the Production. This agreed-upon procedures (AUP) engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of these procedures except as specified in the attached Exhibit A below.

The summary of procedures and associated findings are as set forth in Exhibit A below.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the completeness and accuracy of the accompanying Cost Accounting Report of Eligible Production Costs for the Production. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Eligible Theater Company and MOTT and is not intended to be and should not be used by anyone other than these specified parties.

[Certified Public Accountant Signature]

[Name of Business, if applicable]

[Address]

[Date of the Report]

Exhibit A - Agreed Upon Procedures

The following minimum procedures will be performed:

Eligible Theater Company Qualification Procedures

1. Review the Massachusetts Live Theater Production Tax Credit legal authorities, including, M.G.L. c. 23A, § 3M, c. 62, § 6(ff), c. 63, § 38QQ, 400 CMR 10.00, 830 CMR 62B.2.1, Massachusetts Live Theater Tax Credit Program Request for Proposals, and any other applicable statutes, regulations, policies or guidance as may be issued by the Executive Office of Economic Development or Massachusetts Department of Revenue to ensure the certified public accountant has sufficient understanding of the specified compliance requirements.
2. The independent certified public accountant evaluating the completeness and accuracy of the Cost Accounting Report for the Eligible Theater Company, in accordance with these Agreed Upon Procedures, must be licensed in Massachusetts and performed in accordance with professional independence standards, as commonly defined by the American Institute of Certified Public Accountants. The Eligible Theater Company may use its existing certified public accountant, provided the certified public accountant is independent in fact and appearance and has not performed bookkeeping or financial statement preparation of the Eligible Theater Production, including preparing the Cost Accounting Report.
3. Obtain from Eligible Theater Company documentation of all production expenses (straight run of the full general ledger) and all call sheets for the length of production.
4. Obtain a schedule or analysis of the Eligible Production Costs incurred in Massachusetts for the Eligible Theater Production (straight run of the general ledger for Massachusetts authorized costs only).
5. Review the Eligible Theater Company's Cost Accounting Report and financial documents to determine and agree to the following:
    a. All Eligible Production Costs were incurred in Massachusetts for the Eligible Theater Production;
    b. All Eligible Production Costs were incurred by the Eligible Theater Company and not any related partners or presenters;
    c. The Eligible Production Costs were not paid with state funds, state loans or state guaranteed loans; and
    d. The Eligible Theater Company has incurred a minimum of $100,000 of Eligible Production Costs in Massachusetts;

Cost Review Procedures – Payroll Costs

1. Obtain from the Eligible Theater Company a schedule of total, final payroll costs for all employees (individual, contractor or loan-out company) connected with the Eligible Theater Production's activity for which they will be claiming Eligible Production Costs.

2. Inspect the invoices, timesheets or equivalent documentation for evidence of the expense being for time in Massachusetts.
3. Trace payroll costs for each employee to the final payroll register/earnings report and determine that Massachusetts withholding is made. Confirm that the withholding reports are filed with Massachusetts. If in-house payroll is used, test to confirm correctly done.
4. Confirm that the eligible aggregate payroll costs excludes 100% of salary, wages or "other compensation" costs of employees receiving more than $100,000 in connection with the Eligible Theater Production. ("Other compensation" includes employer fringes and payments made directly to the employee - i.e., per diem, housing allowance, travel allowance, meal allowance, car allowance, cell phone allowance, kit/box rental, relocation fees, etc.). Identify and provide a list of the employees/contractors/loan outs/personal services companies receiving more than $100,000 per week.
5. Independently calculate the Payroll Costs and compare such calculation with the Eligible Production Costs claimed by the Eligible Theater Company in its Cost Accounting Report. The certified public accountant will separately list any area of discrepancies.
6. Test, on a sample basis, payments to individual talent, whether they were made to an individual contractor or a loan-out company and verify the agreement of: (1) the date the expense was incurred; (2) the individual, contractor or loan-out company paid; and (3) the amount of the expense.

<u>Cost Review Procedures – Production and Performance Costs; Transportation Costs</u>

1. Through inspection of purchase orders, invoices and canceled checks, determine whether the Production and Performance Costs and Transportation Costs were "clearly and demonstrably" incurred in Massachusetts by the Eligible Theater Company and meet the definitions of an Eligible Production Cost. If purchase orders, invoices and cancelled checks are not available, obtain other suitable documentation (such as contracts, letters, deal memos, etc.) that support such expenses and meet the definitions of an Eligible Production Cost.
2. Independently calculate the Production and Performance Costs and Transportation Costs based upon the Eligible Theater Company's financial information and compare such calculation with the Eligible Production Costs claimed by the Eligible Theater Company in its Cost Accounting Report. The certified public accountant will separately list any area of discrepancies.
3. Verify that all Eligible Production Costs claimed by the Eligible Theater Company were incurred by the Eligible Theater Company and not any related partners or presenters.
4. Test, on a sample basis, expenses, other than Payroll Costs, from the list of Eligible Production Costs and compare to the supporting invoices and verify agreement of: (1) the date the expense was incurred; (2) the vendor paid; and (3) the amount of the expense.

Cost Accounting Report

Eligible Theater Company Name:

Eligible Theater Production Title:

Production Period: [DATE] – [DATE]

Submission Date: [DATE]

Summary of Eligible Costs

This Cost Accounting Report was prepared by the Eligible Theater Company as a final account of all Eligible Production Costs. Only eligible costs or expenses as defined as Eligible Production Costs in the Live Theater Tax Credit Program's legal authorities have been included in this report. All costs or expenditures:

1. Were incurred within Massachusetts;
2. Were directly related to the Eligible Theater Production;
3. Were paid by the Eligible Theater Company approved for Live Theater Tax Credits;
4. Does not include any Eligible Production Costs paid with state funds, state loans or state guaranteed loans; and
5. Are documented with receipts, invoices, contracts, etc.

1. Payroll Costs

Category	Description	Estimate Costs Identified in Application	Actual Costs	Variance (+/-)
Salaries		$	$	$
Wages		$	$	$
Fees		$	$	$
Other Compensation		$	$	$
TOTAL		$	$	$

2. Production and Performance Expenditures

Category	Description	Estimate Expenditures Identified in Application	Actual Expenditures	Variance (+/-)
Design		$	$	$
Construction and Operations		$	$	$
Advertising and Public relations		$	$	$
Facility Expenses		$	$	$
Rentals		$	$	$
Per Diems		$	$	$
Accommodations		$	$	$
Other Related Costs		$	$	$
TOTAL		$	$	$

3. Transportation Expenditures

Category	Description	Estimate Expenditures Identified in Application	Actual Expenditures	Variance (+/-)
Transportation Expenditures for the eligible theater production (*exclusive of the transport of case or crew)		$	$	$

Expenses to transport the cast or crew	$	$	$
Other	$	$	$
TOTAL	$	$	$

4. Budget Summary

Category	**Estimate Costs or Expenses Identified in Application**	**Actual Costs or Expenses**	**Variance (+/-)**
Payroll Costs	$	$	$
Production and Performance Expenditures	$	$	$
Transportation Expenditures	$	$	$
TOTAL	$	$	$

5. Tax Credit Award Summary

Category	**Tax Credit Amount Identified in Application**	**Post-Production Tax Credit Amount**	**Variance (+/-)**
35% of total in-state Payroll Costs	$	$	$
25% of total in-state Production and Performance Expenditures	$	$	$

25% of total Transportation Expenditures	$	$	
TOTAL	$	$	$

Amount of Approved Live Theater Tax Credits Identified in Initial Certificate *(Final Tax Credit Award will not exceed this amount)***: $ ________**

If any actual costs or expenses deviate by more than 20% from the estimates identified in the application, please explain: ____

6. Certification

To be completed by the individual that is submitting this Cost Accounting Report on behalf of the Eligible Theater Company.

I, the undersigned, hereby certify the information provided in this Cost Accounting Report is true and accurate to the best of my knowledge and all claimed Eligible Production Costs comply with the requirements of the Massachusetts Live Theater Tax Credit Program. I also affirm I have been duly authorized to submit this Cost Accounting Report on behalf of the Eligible Theater Company.

I further affirm that the Eligible Theater Company shall retain all records as required pursuant to 400 CMR 10.08, including all records relied upon by the Independent Certified Public Account to substantiate actual expenditures and costs incurred for this Cost Accounting Report, and make such records available to the Executive Office of Economic Development or Department of Revenue upon request.

Name: __________________________

Title/Role: _____________________

Signature: ______________________

Date: ____________________________